Garware Hi Tech Films Ltd [GHFL]

Management Meet Note | **Polyester Films**

Commodity Exporter to Global Innovator

Equity Research Desk

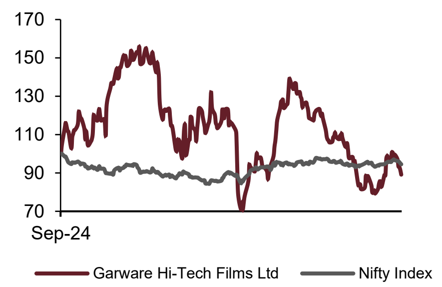
26 September 2025

We visited the Garware Hi-Tech Films manufacturing facility in Aurangabad, hosted by top management including Ms. Monika Garware (Vice Chairperson & Joint MD), along with the CFO Mr. Abhishek Agarwal and Sales & Marketing head Mr. Deepak Joshi. We saw their core products (sun-control films, architectural films, paint protection films) in production, and noted as USPs their in-house "chips-to-films" integration, deep R&D culture under Monika Garware's leadership, and their export-driven high-margin business model.

NOT RATED		
Current price	**Rs**	**3,032**
Market Cap (Rs.Bn)	(Rs Bn)	70
Market Cap (US$ Mn)	(US$ Mn)	794
Face Value	Rs	10
52 Weeks High/Low	Rs	5378.1 / 2317.35
Average Daily Volume	('000)	23
BSE Code		500655
Bloomberg		GRWRHITE.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-25	Mar-25
Promoters	61	61
Public	39	39
Total	100	100

Source: Bloomberg

Company Background and Business Model:

- Garware Hi-Tech Films Limited (GHFL) is a leading manufacturer specializing in hi-tech, value-added specialty films.
- The company has undergone a significant strategic transformation, shifting its focus from being a major exporter of low-margin commodity polyester films to a producer of high-margin, value-added specialty products.
- This shift has resulted in a substantial increase in revenues, EBITDA margins (from 9% to 23.5%), and PAT margins over the years.
- A key strength of GHFL's business model is its full vertical integration. The company controls the entire production process, from purchasing petrochemicals to making its own resins, chips, base films, adhesives, top coats, and nano-dispersions. This integration provides significant advantages: [1] **Cost Control:** It offers a major cost advantage and leverage, especially when competing in markets with tariffs. [2] **Quality Assurance:** Ensures high-quality and durable products, as seen in their Sun Control Films which can last for over a decade. [3] **Innovation:** Facilitates rapid in-house R&D and new product development.

Key Risks:

- Raw material price volatility
- Demand slowdown in end markets
- Tariff related issues

Financial Summary

Y/E (Rs.Mn)	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Sales	**9,890**	**13,026**	**14,380**	**16,770**	**21,094**
Expenses	7,703	10,646	12,108	13,949	16,683
EBITDA	**2,188**	**2,381**	**2,272**	**2,821**	**4,411**
EBITDA Margin (%)	**22%**	**18%**	**16%**	**17%**	**21%**
Other Income	149	394	422	389	544
Depreciation	240	282	324	390	412
Interest	196	182	170	118	88
Profit before tax	1,901	2,311	2,200	2,703	4,455
Tax	641	639	538	670	1,143
Net profit	**1,260**	**1,672**	**1,661**	**2,033**	**3,312**
EPS	**54**	**72**	**72**	**88**	**143**
PE Ratio (x)	**56**	**42**	**43**	**35**	**21**

Source: Company, Dalal & Broacha Research

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Product Portfolio and Revenue Mix:

- The company operates two manufacturing locations in Maharashtra, with significant installed capacity for Industrial Products (IPD), Sun Control Films (SCF), Paint Protection Films (PPF), and polyester chips
- GHFL's portfolio is diversified across two main divisions: the Consumer Product Division (CPD) and the Industrial Product Division (IPD)
- **Consumer Product Division (CPD):** This is the primary driver of growth and profitability, contributing approximately 68% of revenue in Q1 FY26. The focus is on high-margin, value-added products.
- **Paint Protection Film (PPF):** A key growth segment, PPF recorded a 28% year-on-year growth in Q1 FY26. Products include colored PPF, headlight/taillight PPF, and various premium variants. GHFL is the only manufacturer of professional-grade PPF in India. The domestic market accounts for about 20-25% of PPF revenues.
- **Sun Control Film (SCF):** GHFL is the world's largest single-location manufacturer of SCF. This division includes films for both automotive and architectural applications. The company has focused on expanding its architectural film business, achieving significant growth by introducing a complete product portfolio and establishing a dedicated team.
- **Industrial Product Division (IPD):** This division delivers stable performance with a focus on specialty applications like shrink films, lidding films, and release liners. While its share of revenue has decreased as CPD grows, it remains a strategic part of the business. In Q1 FY26, the shrink films sub-segment saw a decline due to seasonal factors and market uncertainty
- The revenue mix has dramatically shifted from 35% CPD in the past to about 70% currently, with plans to increase it to 80% with upcoming expansions

Global Presence and Market Strategy:

- GHFL has a strong global footprint, with exports accounting for ~75% of its revenues.
- **Geographical Split:** North America is the largest market, contributing around ~50% of revenue, with the U.S. being the primary destination. Other key markets include Europe (10-13%), India (23-27%), and the Middle East (3-5%).
- **Growth Strategy:** While the U.S. is a major market, the company is actively diversifying its geographical dependence. It is focusing on accelerating growth in Europe, the Middle East, and East Africa by adding new manpower and increasing marketing efforts. The company targets 30-40% growth in the Middle East and 20% in Europe.

- **Competitive Positioning:** GHFL's products are considered superior in quality compared to competitors from China and Korea, competing more directly with U.S.-manufactured products. Prior to recent tariffs, its products were priced 10-15% lower than its U.S. peers.

Sales, Marketing, and Customer Engagement:

GHFL employs a multi-pronged strategy to reach its customers and build its brand.

- **Distribution Channels:** Sales are conducted through channel partners, distributors, and white-labeling arrangements for OEMs.
- **Direct-to-Consumer (D2C) Initiatives:** The company has launched an e-commerce platform in the U.S. for direct sales, aiming to cut down the distribution chain and improve margins.
- **Garware Application Studios (GAS):** In India, GHFL has established a franchisee model of "Garware Application Studios". There are currently over 250 studios with a target of 300 by March 2026. This network is a major growth driver for the domestic PPF and Sun Control businesses, offering unique products and achieving 10-15% better margins than normal distribution channels.
- **Brand Building:** The company invests in digital marketing, social media influencers, and training programs, having trained over 1,000 applicators in India who act as brand ambassadors. It has also introduced innovative solutions like EMI options with Bajaj Finance and PPF insurance to make products more accessible.

Strategic Investments and Future Growth:

GHFL is committed to continuous growth through strategic capital expenditures.

- **PPF and TPU Expansion:** The company is on track with a second PPF line set to be operational by Q2FY26, which will add significant capacity. It has also announced an investment of Rs.1.18 bn for a TPU extrusion line, expected to commence production by October 2026.
- **Backward Integration:** The TPU plant is a key step towards further backward integration for the PPF business. It is expected to improve company-level operating margins by 1.5% to 2% and provide a platform for developing new products in automotive, healthcare, and architectural segments
- **Financial Strength:** The company maintains a strong, debt-free balance sheet with over Rs.7bn in cash and cash equivalents, allowing it to fund its expansion through internal accruals

Navigating Challenges

The business model is currently navigating significant external challenges, primarily related to U.S. tariffs.

- **Tariff Impact:** The tariffs on goods exported to the U.S. have increased in stages, from 6.25% to potentially higher rates, creating uncertainty. The company has been absorbing some of these costs within its supply chain and is in discussions with partners for solutions.
- **Mitigation Strategies:** To counter the tariff impact, GHFL is focusing on:

  [1] Improving operational efficiencies and reducing manufacturing costs through innovative methods

  [2] Accelerating growth in alternative geographies like the Middle East and Europe

  [3] Leveraging its pricing power, as competitors (even U.S.-based ones) are also affected due to their reliance on imported raw materials

  [4] Potentially increasing prices in the U.S. market

Key Products

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