

Garware Hitech Films Limited

Plant Visit Note

We recently visited Garware Hi-Tech Films' manufacturing facility at Waluj, Chhatrapati Sambhajanagar, which houses the production of Sun Control Films (SCF), Paint Protection Films (PPF), Architectural Films, Safety Films and Privacy Films. The upcoming TPU manufacturing facility, which is expected to commence operations within this year, is also located within the same premises.

The visit began at the company's experience centre, where management demonstrated the applications and benefits of its various products. Seeing these demonstrations firsthand provided a much better understanding of the value proposition offered by Garware's specialty films and helped explain the premium margins that the company enjoys in its Consumer Products Division.

Being fully backward integrated, Garware controls a significant portion of the manufacturing value chain. The process starts with raw materials such as PTA and MEG, which are converted into PET chips and subsequently into polyester films. These films are then subjected to deep-dyeing and coating processes depending on the final application. The facility currently operates five deep-dyeing lines and five coating lines. Management highlighted that these capabilities have been developed over many years and form one of the core technological differentiators of the company.

We have a **BUY** rating on the stock with a Target price of **INR 7,880**, an upside of 19% from CMP.

Several practical demonstrations were conducted during the visit:

- 1) Sun Control Films- The effectiveness of Sun Control Films was evident from the significant reduction in heat experienced from a light source after application of the film.
- 2) Privacy films showcased their ability to switch from transparent to opaque using a very small amount of electrical current, highlighting their potential applications in offices, homes and commercial buildings.
- 3) Safety films were tested by dropping a heavy object on a glass panel; while the glass cracked, the film prevented it from shattering into hazardous fragments.
- 4) Paint Protection Films demonstrated both self-healing properties and strong resistance to damage from debris and stone impacts. These demonstrations made it clear that the products solve tangible customer problems rather than merely functioning as aesthetic upgrades.

The management also walked us through the manufacturing processes for both SCF and PPF.

Sun Control Films- In the case of Sun Control Films, polyester film is coated with an anti-scratch layer on one side and adhesive on the other side. A key aspect of the process is drying, with the film undergoing an extended drying cycle after each coating stage. Management emphasized that drying is among the most critical elements in ensuring product performance and consistency. Once the process is completed, each batch undergoes rigorous testing before dispatch. Products that do not meet specifications, representing roughly 5% of output, are sold at lower realizations.

The facility currently has SCF capacity of approximately 4,200 lakh square feet annually, with an additional 1,200 lakh square feet already announced and expected to become operational in FY28.

Paint protection films- The manufacturing process for Paint Protection Films is broadly similar, but instead of polyester film, TPU-based film is used as the base material. The film receives a self-healing top coating and adhesive coating, followed by extensive drying and testing procedures. Current installed PPF capacity stands at around 600 lakh square feet. Management indicated that utilization levels are expected to remain in the 70-80% range this year and move closer to full utilization over the next year as demand continues to ramp up.

TPU manufacturing- One of the most important developments discussed during the visit was the company's entry into TPU manufacturing. Garware is establishing TPU production as a separate business vertical, with the plant expected to start operations by December and meaningful commercialization anticipated from the first quarter of the next fiscal year. Management guided for revenues of ₹75-100 crore from the TPU business in its first full year of operation and believes the segment has the potential to evolve into a ₹500 crore business over time. While TPU currently serves as a key input for Paint Protection Films, management outlined several additional applications including automotive interior components, architectural membranes, tubing and glass-industry substitutes. Backward integration into TPU is expected to improve profitability, with management estimating an EBITDA margin uplift of approximately 1.5-2%.

Company Update

BUY

Stock Data

CMP (INR)	6,640
Target	7,880
Upside (%)	19%
BSE code	500655
NSE code	GRWRHITECH
Bloomberg Code	GRWRHITECH:IN
Face Value	10
Market Capitalization (Cr)	16,936
1M Average Daily Volume	73,419
52-week H/L	7,990/2,681

Shareholding Pattern (%)

Period	Mar'25	June'26
Promoters	60.73%	60.73%
FII	3.98%	4.22%
DII	5.28%	6.35%
Others	30.04%	28.72%

Estimates & Actuals

Particulars	FY26A	FY27E	FY28E
Revenue	2120	2531	3201
EBITDA	435	633	832
PAT	338	462	610

Price Chart



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KTA's from the Management interaction-

MOU signed with Lubrizol- The company has partnered with Lubrizol for this initiative. Under the arrangement, Lubrizol provides the technology platform and resin inputs while Garware handles manufacturing, commercial execution and customer relationships. According to management, the business model is structured through tri-party arrangements involving Lubrizol, OEM customers and Garware. This enables the company to leverage Lubrizol's technological expertise while capitalizing on its own manufacturing and market execution capabilities.

Investment in R&D and Technology- A recurring theme throughout the visit was the emphasis on technology and innovation. Garware has established a dedicated Centre of Excellence separate from its existing R&D operations, which is headed by an international expert holding more than sixty patents. Management highlighted proprietary competencies including deep-dye technology, nano-dispersion capabilities, adhesive formulation expertise and the ability to manufacture films across a wide range of thicknesses. These capabilities have been built over decades and create significant barriers to entry for competitors.

Architectural films – the fastest growing segment

Among the various product categories, management appeared particularly optimistic about the architectural films segment. The company has been actively marketing these products to builders, architects, hospitality chains and commercial establishments by emphasizing benefits such as UV protection, heat reduction, safety and glare control. Architectural films currently account for approximately 25% of the window films business compared to around 10% three years ago. Management expects this share to increase further to 35-40% over the next two years, making it one of the fastest-growing segments within the portfolio.

GHS- The direct-to-consumer initiative under Garware Home Solutions (GHS) is also gaining traction. The company currently operates around 13 retail outlets and plans to expand this footprint to 50 stores within the next year, with a longer-term aspiration of reaching 100 locations. Management expects this business to grow at a CAGR exceeding 40%, supported by rising consumer awareness and increased adoption of premium film products in residential applications.

Raw Material price volatility- On the supply-chain front, management noted that fluctuations in crude-derived raw material prices affect only a small portion of total product costs, given the high value addition embedded in coatings, adhesives and proprietary formulations. Consequently, cost increases can typically be passed through to customers in B2B segments, while retail pricing adjustments are made periodically. Recent geopolitical disruptions and shipping delays have impacted transit times to export markets, particularly in the US and Europe, but the company has mitigated these challenges through higher inventory levels and tighter supply-chain planning.

CFO attrition- Management also addressed investor concerns around CFO turnover. According to the company, turnover has largely been driven by relocation challenges associated with operating from Chhatrapati Sambhajanagar. As a response, the company has increasingly allowed senior management personnel to work from Mumbai when required. At the same time, management pointed to the stability of its broader leadership team, noting that several key executives have been associated with the organization for multiple decades.

Final thoughts-

Overall, the visit reinforced our positive impression of Garware's business. Witnessing the actual performance of the products helped clarify why customers are willing to pay premium prices and why leading global film brands continue to rely on Garware as a manufacturing partner. The clean-room environment, stringent quality-control processes and technological depth evident across the facility support the company's premium positioning. Management also reiterated that for certain global brands Garware remains the sole supplier of specific Sun Control Film products, while also being one of only a handful of approved white-label manufacturers globally. Given the company's continued investment in capacity expansion, TPU backward integration, product innovation and architectural film penetration, management remains confident of achieving its long-term aspiration of ₹2,500 crore in revenue while expanding EBITDA margins by 1.5-2%.

Summary of Financials

P&L						
Particulars (INR Cr)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E
Revenue from Operations	1,480	1,716	2,164	2,185	2,591	3,261
YoY Growth %	0.00%	15.94%	26.09%	0.98%	18.59%	25.87%
Raw Material Costs	580	801	974	956	1,139	1,425
Employee Expenses	122	143	178	194	202	256
Manufacturing & Other Exp.	509	452	516	535	557	688
EBITDA	227	282	441	435	633	832
EBITDA Margin %	15.80%	16.82%	20.91%	20.50%	25.00%	26.00%
Depreciation	32	39	41	45	71	74
EBIT	195	243	400	390	562	759
Interest Expense	17	12	9	8	5	5
Other Income	42	39	54	65	60	60
PBT	220	270	445	446	617	814
Tax (25%)	54	67	114	108	154	203
PAT	166	203	331	338	463	610
PAT Margin %	11.55%	12.12%	15.70%	15.95%	18.28%	19.06%
EPS (₹)	71.52	87.52	142.58	145.60	199.16	262.69

Balance Sheet						
Particulars (INR Cr)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E
PPE + CWIP	1557	1545	1599	1687	1790	1756
Other NC Assets	6	4	26	28	28	28
Total NC Assets	1563	1550	1625	1715	1818	1784
Inventories	199	290	309	389	388	485
Trade Receivables	30	38	42	53	54	68
Cash & Equivalents	387	388	650	774	1,124	1,670
Other Current Assets	36	58	56	80	96	121
Total Current Assets	651	774	1,057	1,296	1,661	2,344
Total Assets	2,214	2,324	2,682	3,011	3,479	4,129
Equity Share Capital	23	23	23	23	23	23
Other Equity	1,833	2,022	2,349	2,633	3,072	3,659
Total Equity	1,856	2,045	2,372	2,656	3,096	3,683
LT Borrowings	75	14	0	0	0	0
Other NC Liabilities	46	43	63	63	63	63
ST Borrowings	89	25	45	46	46	46
Trade Payables	104	160	148	181	201	252
Other Current Liabilities	45	37	54	65	73	85
Total Liabilities	359	279	310	355	383	446
Total Liabilities & Equity	2,214	2,324	2,682	3,011	3,479	4,129

Cash Flow						
Particulars (INR Cr)	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E
CFO (Operating)	218	172	330	274	552	615
PBT	220	270	445	446	617	814
D&A add-back	-52	-50	-92	13	76	79
WC changes	12	-63	-24	-100	13	-74
Taxes paid	-47	-64	-111	-84	-154	-203
CFI (Investing)	-170	47	-275	-208	-174	-40
Capex	-66	-16	-54	-161	-174	-40
Redemption of Investments	-103	63	-220	-47	0	0
CFF (Financing)	-89	-169	-52	-60	-28	-28
Net Borrowings	-42	-141	0	0	0	0
IPO Proceeds	-7	-3	-16	-6	0	0
Interest Paid	-17	-12	-9	-8	-5	-5
Dividend Paid	-24	-14	-27	-46	-23	-23
Net Cash Change	-41	50	3	7	350	547
Closing Cash	60	108	110	125	476	1,023

Quarterly P&L					
Particulars (INR Cr)	1QFY27	1QFY26	YoY	SQFY26	QoQ
Revenue from Operations	633	495	28%	597	6%
Raw Material Costs	293	237	24%	300	-2%
Gross Profit	340	258	32%	296	15%
Gross Margin %	53.64%	52.05%	+159 bps	49.65%	+399 bps
Employee Expenses	53	48	9%	50	5%
Other Exp.	115	100	15%	111	4%
EBITDA	172	110	57%	135	27%
EBITDA Margin	27.17%	22.14%	+503 bps	22.70%	+447 bps
Depreciation	13	11	21%	12	7%
EBIT	159	99	61%	123	29%
Interest Expense	2	2	20%	2	12%
Other Income	20	13	47%	21	-7%
PBT	176	110	60%	142	24%
Tax	44	27	60%	34	28%
PAT	133	83	60%	108	23%
PAT Margin %	20.95%	16.77%	+418 bps	18.14%	+282 bps
EPS (₹)	57.10	35.73	60%	46.58	23%

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Definition:

Buy

The stock's total return is expected to exceed 20% over the next 12 months.

Hold

The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Sell

The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight

An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral

A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight

An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight

An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral

A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight

An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.