

# BONANZA WEALTH MANAGEMENT RESEARCH



19<sup>th</sup> March 2025

## Garware Hi-Tech Ltd. – BUY

**CMP** : Rs. 4,153  
**Target Price** : Rs. 5,053  
**Upside** : ~22%  
**Stop Loss** : Rs. 3,700 (Closing basis)

### Investment Thesis

- Garware Hi-Tech Films (GHF) has recently forayed into coloured PPF and headlight and taillight glass protection films. Further, GHF has partnered with Bajaj Finance as a move to make products more affordable to the customers with EMI options. This can lead to a deeper penetration in the auto accessories space.
- GHF has a fully integrated vertical manufacturing facility which can provide a strong impetus towards generating better margins. GHF has fungible capacity allowing them to switch production output between value-added and commodity products, resulting in a better revenue mix.
- Management has guided for achieving 25% margins & 20-25% topline growth in FY27. Further GHF has done a capital expenditure of Rs. 1,180mn for setting up of a 360 lsf TPU extrusion line to be operational by FY26.
- Prior to FY17, Garware Hi-Tech Films Limited (GHF) primarily focused on commodity-oriented business operations, which resulted in low margins. The company produced high-quality BOPET, polyester films, sun control films, BOPP films, thermal lamination films, and specialty polyester films for various applications. It also developed premium heat rejection films using in-house nano technology. Despite being a major polyester film exporter in India, GHF faced intense competition from domestic players in the packaging industry, leading to EBITDA margins between 6-9% from FY13 to FY17.
- By shifting its focus to specialty films, Garware Hi-Tech Films (GHF) aimed to combat commoditization by emphasizing innovation, high-value offerings, and customization. Specialty films typically serve niche markets with specific needs, enabling companies to charge premium prices, build stronger customer relationships, and achieve higher profit margins. The recent launch of colored PPF and Head & Taillight glass protection films is expected to continue this trend.

### Financials

- Garware Hi-Tech Films Ltd (GHF) entered the paint protection film (PPF) market with an initial capacity of 30 million square feet in the fourth quarter of FY21.

Consol. (Rs. Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	14,380	16,770	20,124	24,149	29,703
EBITDA	2,271.90	2,821.30	4,226.09	5,554.29	7,128.81
EBITDA Margin (%)	15.80	16.82	21.00	23.00	24.00
PAT	1661	2033	3709	4689	5739
EPS (Rs.)	71.6	87.6	159.9	202.1	247.4
P/E (x)	57.9	47.3	25.9	20.5	16.8
RoE (%)	8.95	9.94	15.50	16.52	16.94

### Stock Data

Market Cap (Rs. Mn)	96,480
Market Cap (\$ Mn)	1,042
Shares O/S (in Mn)	23.2
Avg. Volume (3 month)	1,22,018
52-Week Range (Rs.)	5,378/1,513

### Shareholding Pattern

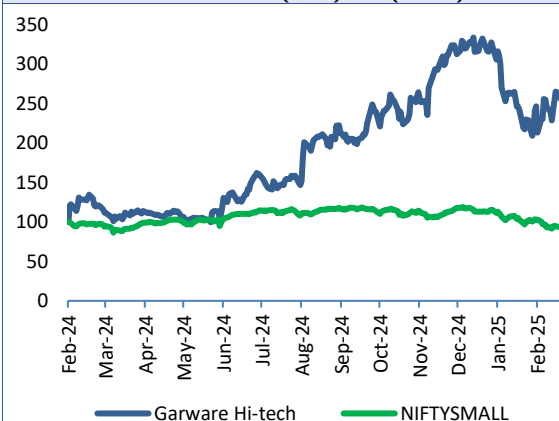
Promoters	60.73%
FII's	2.69%
Institutions	4.33%
Others (incl. body corporate)	32.27%

### Key Ratios

Div Yield	0.25%
TTM PE	29.3x
ROE	10.4%
TTM EPS (Rs.)	134

### Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	6.2%	21.1%	97.2%
NIFTYSMALL	(9.1%)	(19.2%)	(4.5%)



- Meanwhile, the company expanded its safety glazing film (SCF) capacity from 240 million square feet to 420 million square feet by the third quarter of FY23. Over FY20–24, GHF invested a total capital expenditure of Rs 2.8 billion. This strategic expansion led to significant revenue growth, from Rs 9.9 billion in FY21 to Rs 16.8 billion in FY24 and Rs 15.6 billion in the first nine months of FY25.
- During the quarter, Garware Hi-Tech Films Ltd (GHF) reported stable revenue from operations, amounting to ₹466.4 crore, which represents a 2.8% year-over-year (YoY) increase despite challenges from industry headwinds and seasonal fluctuations.
- The company's EBITDA rose by 10.7% YoY to ₹93.7 crore, with an EBITDA margin of 20.1% in Q3 FY25. This improvement was largely driven by consistent sales of value-added products across all segments. Profit After Tax (PAT) increased by 8.8% YoY to ₹60.8 crore.

## Key Business Highlights

- The company is a prominent Indian manufacturer of polyester films and high-margin specialty films. It stands out as the sole producer of Solar Control window films in India and is the only company worldwide with backward integration capabilities for manufacturing the raw materials and components essential for these films. Furthermore, it is a leading participant in India's shrink film market, holding a remarkable 70% market share.
- The company provides a range of value-added products, including automotive solar control films, architectural solar control films, paint protection films, and safety films. These solar control films are marketed under the brand names "SunControl Window Films" and "Global Window Films."
- The company also provides shrink films, electrical or electronics insulation, and release liners, in addition to commodity products such as thermal lamination films, plain films, and packaging and lidding films.
- The company exports its products to more than 90 countries and has recently expanded into new markets, including Japan, the Philippines, Uzbekistan, and Spain.
- In Q2 FY25, the company introduced a variety of new products, including the Complete Paint Protection Film (PPF) series featuring Matte, Black, White, Plus, Premium, and Titanium variants. Additionally, it launched Architectural films such as the DecoVista decorative series, Spectra Pro, and the Rooftop Series

## Valuation

- Owing to the launch of colored PPFs and strong traction visibility in other new segments, we believe GHF is poised to deliver on the guidance set by the management for the upcoming few quarters. We also believe that much of the value unlocking potential visible in the new segments can be achieved earlier than expected.

We thus ascribe a BUY rating to GHF valuing it at a forward PE multiple of 25x on FY26E EPS of Rs. 202.1 to arrive at a Target Price of Rs. 5,053, an upside of ~22%.

## Risk & Concern

- Fluctuations in raw material prices can affect the input costs
- Geopolitical tensions can raise concerns on the export business of GHF

## Graphs & Charts

Figure 1: Net Sales Trend (Rs. In Crs.)

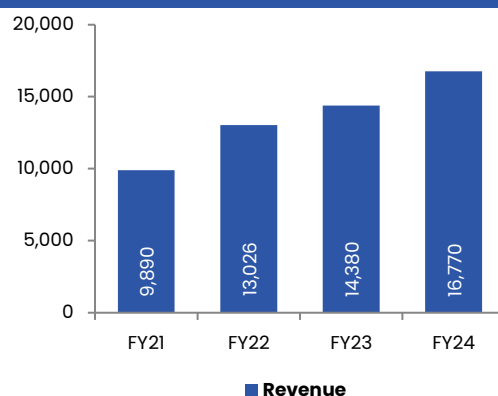


Figure 2: EBITDA & EBITDA Margin Trend (Rs. In Crs.)

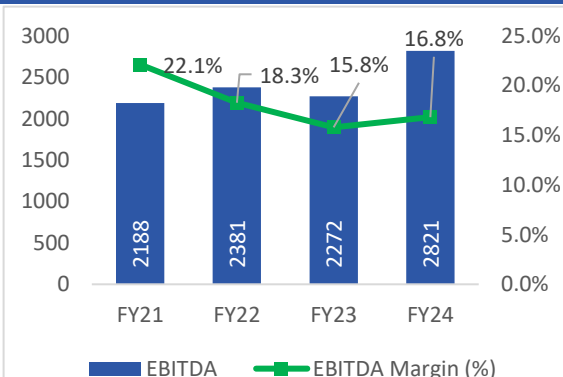


Figure 3: Export Contribution

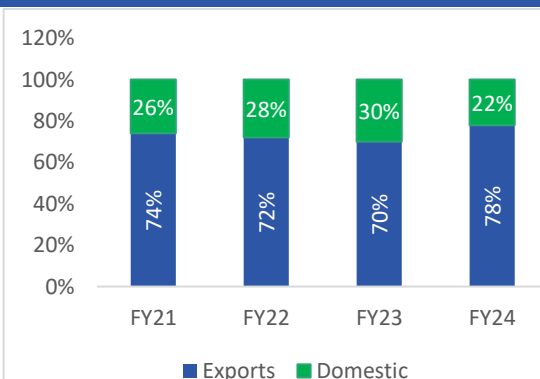
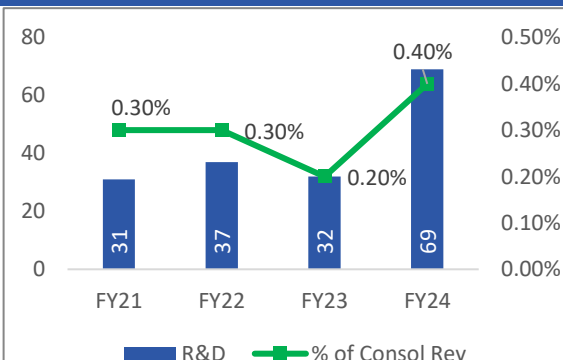


Figure 4: R&D Spends (Rs. In Crs.)



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