

April 22, 2022

CMP: ₹3,066

Time Horizon - 12 Months

Target: ₹3,776

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Key Data

Bloomberg Code	GTFL IN
NSE Code	GARFIBRES
BSE Code	509557
Industry	Textile
Face Value (₹)	10.0
BV per share (₹)	393
Dividend Yield (%)	0.1%
52 Week L/H(₹)	2,486 / 4,030
Market Cap. (₹ Mn.)	63,210

Shareholding Pattern (as on March'22)

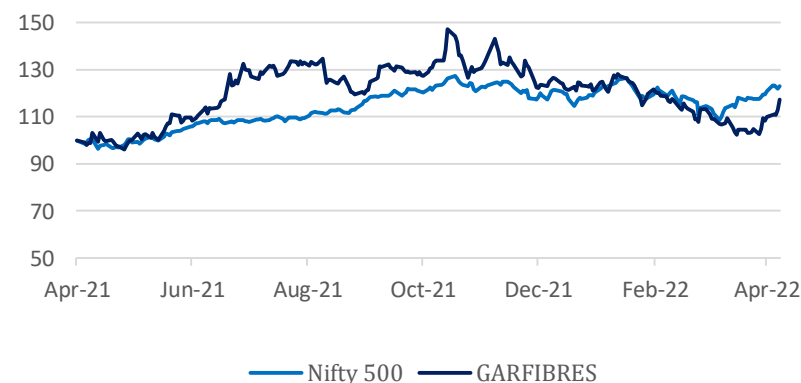
Particulars	Mar-22	Dec-21
Promoter	52.6%	52.6%
Institutions	11.9%	12.2%
Others	35.5%	35.2%
Total	100%	100%

Source: Company, Anand Rathi Research, Bloomberg

(In ₹ mn)

	FY-20	FY-21	FY-22E	FY-23E	FY-24E
Net Sales	9,531	10,346	11,504	12,862	14,315
EBITDA	1,609	1,936	2,002	2,193	2,415
EBITDA Margin	16.9%	18.7%	17.4%	17.1%	16.9%
PAT	1,405	1,584	1,603	1,811	1,997
PAT Margin	14.7%	15.3%	13.9%	14.1%	14.0%
EPS (₹)	64.2	76.8	77.8	87.8	96.9
P/E (x)	49.4	41.3	40.8	36.2	32.8

Relative stock performance (Apr'21=100)



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About Garware

- ❖ Garware Technical Fibres Ltd (GTFL) was established in 1976 and is one of India's leading players in the technical textiles sector. The company is a multi-divisional, multi-geographical technical textiles company and is known for providing innovative solutions in high-performance aquaculture cage nets, fishing nets, sports nets, safety nets, agricultural nets, coated fabrics, polymer ropes and geosynthetics.
- ❖ Garware has been awarded **patents for 17 product innovations with over 35 patents** forthcoming in the near future. By partnering closely with its customers, they are able to gather deep insights about the applications. This understanding coupled with their in-house expertise allows them to reimagine and recreate new cutting-edge solutions using our innovative fiber technology. **Garware has two manufacturing facilities in Maharashtra located in Pune and Wai (Satara district).** The company is a leader in the technical textile industry with the capability to produce a wide range of solutions including knotless, knotted twisted and braided netting. The net assembly unit located at Wai is the largest of its kind in the world.



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- ❖ The company's products and solutions effectively serve a **large base of customers who are spread across more than 75 countries**. The facility at Pune manufactures cordage solutions for Aquaculture, marine fishing, shipping and many other sectors.
- ❖ GTFL's focus **on innovation and R&D has enabled them to develop innovative application focused solutions** that improve the profitability of its customers worldwide. The company is a global leader in salmon cages with a dominant share in mechanized fishing. The customer-centric solutions include innovations in various cordage and geosynthetic applications. Garware is one of the largest exporters of sports goods from India providing customized solutions for various sports applications. They are the world's leading cage net manufacturers having developed v2 the world's first built-in anti-fouling technology for nets.



Well-Positioned in a Core Sector

- ❖ The food industry, including agriculture, aquaculture and fishing, is intrinsically insulated against long-term business shocks. GTFL enjoys this advantage as its products for fisheries, aquaculture and agriculture together account for the major part of its business.
- ❖ The Company is the largest manufacturer and supplier of Salmon aquaculture cage nets in the world, with a large share in major markets like Scotland, Canada, Norway, and Chile.
- ❖ The Company is also a major player in the domestic fisheries sector, with a dominant position in the supply of nets for trawl fishing. In the domestic agriculture sector, GTFL is well-poised to meet the growing demand for high-value output, with products like anti-bird nets, anti-hail nets, insect nets, and shade nets.



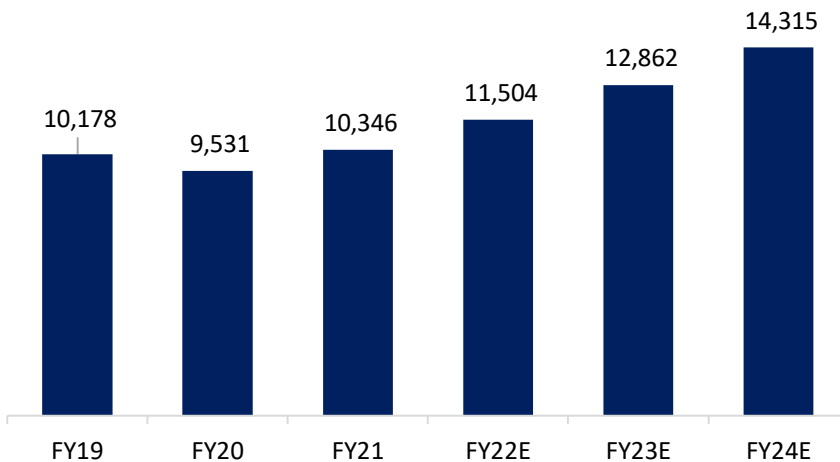
Delivering Superior Value Propositions

- ❖ Through sustained efforts in application-focused innovation, GTFL has diversified its offerings and moved up the value chain with multiple solutions. Many of the Company's products are superior value propositions that have received an encouraging market response. A star performer in FY 2019-20 was V2, the world's first aquaculture cage net with built-in eco-friendly, anti-fouling technology. Another superior value proposition is X12, a non-pharmaceutical solution to protect Salmon farms from the chronic problem of infestation by marine ecto parasites.
- ❖ GTFL's Sapphire PE anti-predator nets have led to a significant reduction in Seal culling in salmon farms. The Company's custom-made geosynthetic solutions for reinforcing soil structures, preventing rockfall, and protecting coastal areas have won accolades. GTFL's range of nets for high-value agriculture is being increasingly accepted on account of the long-term benefits offered.

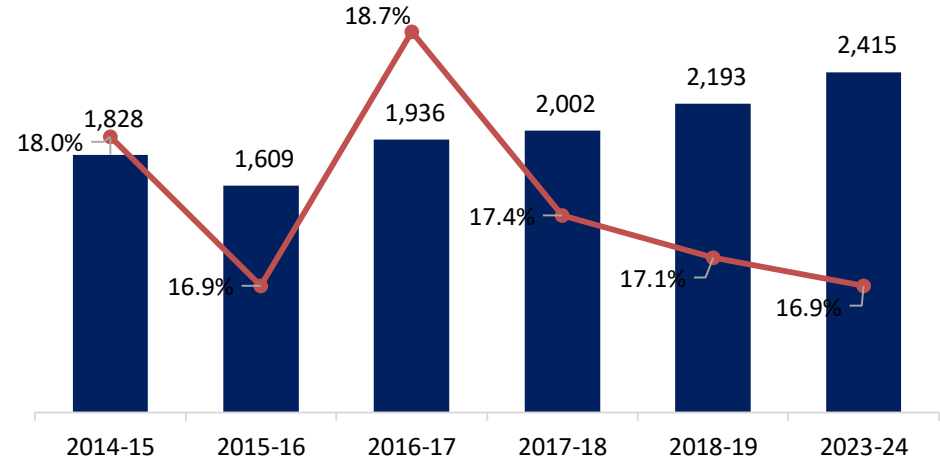


Steady Financials

Revenue (Mn)



EBITDA (Mn) & Margin (%)



- ❖ Garware has been growing at a healthy financial rate over the past few years, the Net profits growing at 17% CAGR between 2015 to 2021. We expect the same run rate to continue further as the company expands its geographical presence.
- ❖ Operating margins hit all-time high of 19% in FY21 however we expect some margin pressure ahead for Garware amid continuous rise in input and freight cost. The cost increases under these heads are generally passed on, and mitigated by delivering higher value to customers and improving manufacturing efficiency and productivity.
- ❖ During 9MFY22 Garware's net sales increased by 19.2% YoY to Rs.8,331 Million whereas its net profit rose 5.4% YoY to Rs.1,109 Million.
- ❖ Despite unprecedented increase in input and freight cost Garware managed to pass on majority of the inflationary costs and has indicated that it will continue to pass on the same in forthcoming quarters.

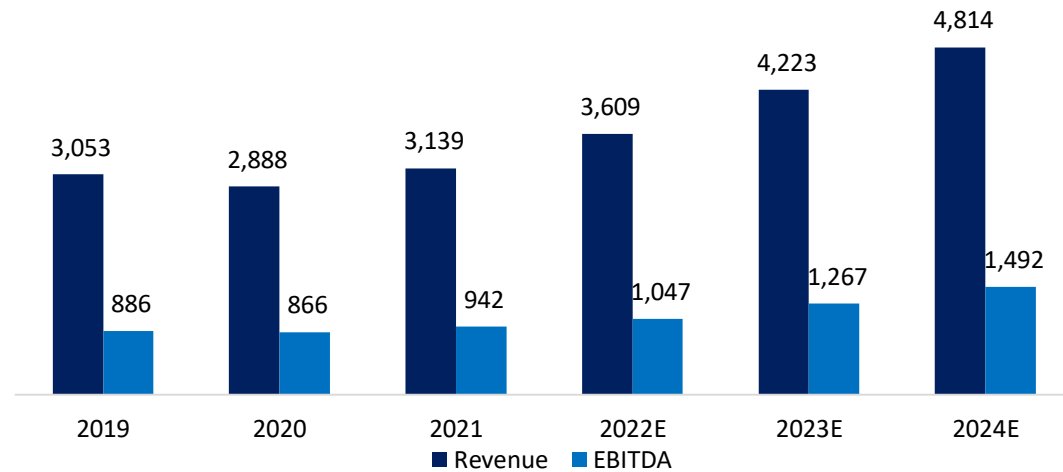
Product Portfolio

Aquaculture



Aquaculture Products

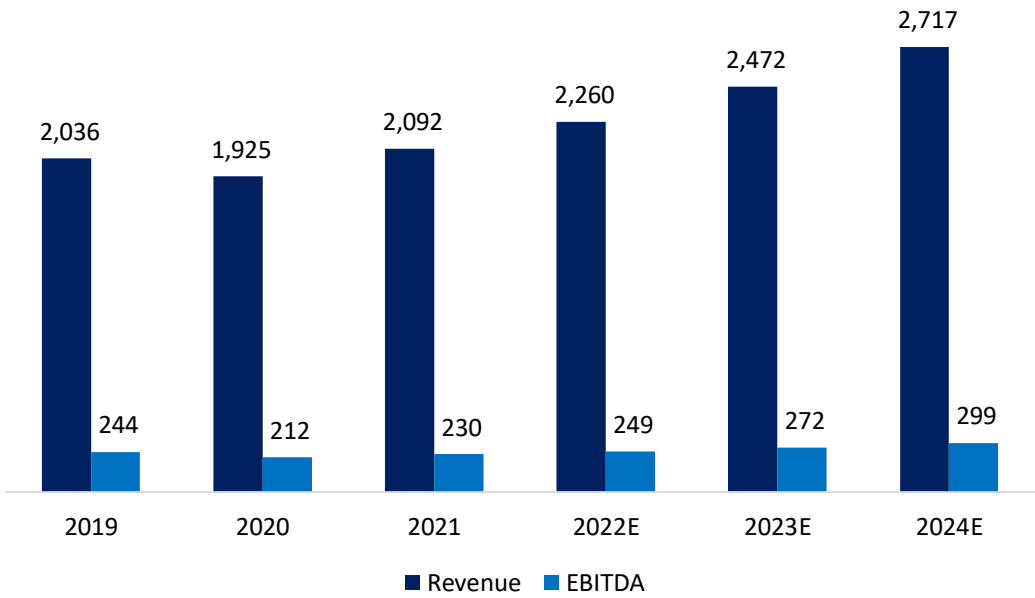
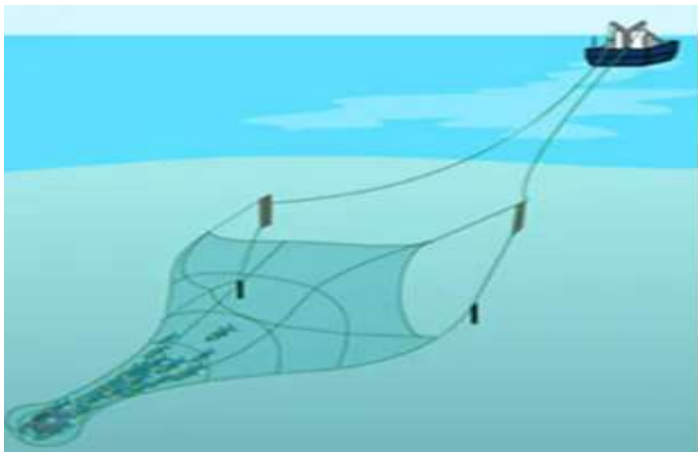
- ❖ Cage Nets
- ❖ Predator protection Nets
- ❖ Anti Bird Nets
- ❖ Mooring System
- ❖ Sea Lice Solutions



- ❖ The term aquaculture broadly refers to the cultivation of aquatic organisms in controlled aquatic environments for any commercial, recreational or public purpose.
- ❖ Aquaculture has been a top contributor of GTFL's revenues, as of FY21 ~30% of GTFL's revenue came from aquaculture and is mainly exported.
- ❖ Its products include a variety of aquaculture cages, predator systems with a strong presence in the developed markets of Canada, USA, Norway, Scotland, Australia, New Zealand, Chile, etc. Majority of its aquaculture products are sold at premium over its European competitors as they are application & solution focused.

Product Portfolio

Fisheries



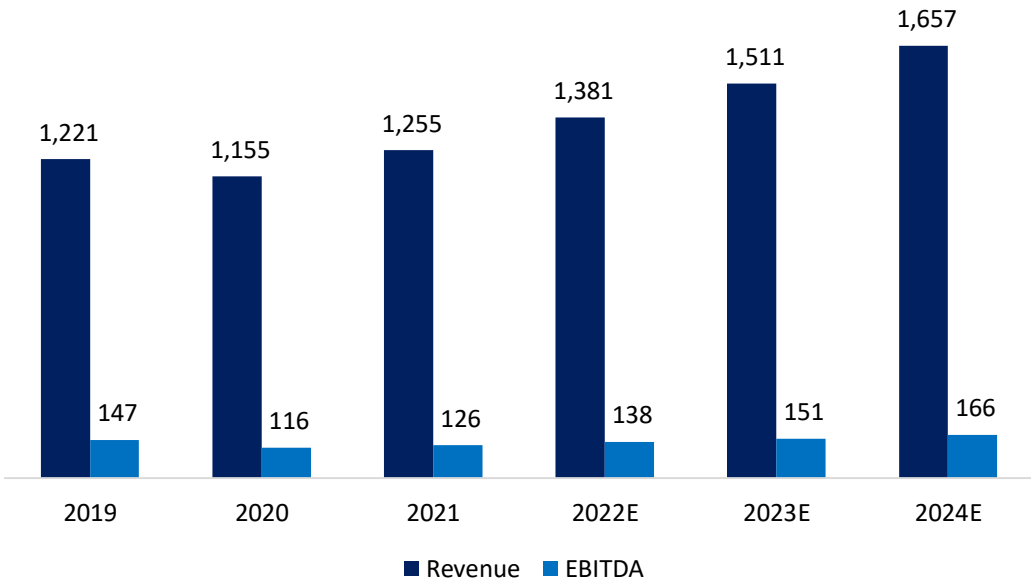
Fisheries Products

- ❖ Trawling
- ❖ Gill Netting
- ❖ Dole Netting
- ❖ Purse Seine

- ❖ GTFL is a leading provider of fishing nets, ropes and twines for the deep sea fishing industry. It offers customized differentiated products to cater to the needs of the fishing industry across India’s vast coastline.
- ❖ In this, they offer braided nets, twisted nets, knotless nets, twine, ropes, gill netting, dole netting, purse seine. It covers ~20% of their top line revenue and 40% is exported.

Product Portfolio

Agriculture



Agriculture Products

- ❖ Shade nets
- ❖ Insect Nets
- ❖ Crop Support Net
- ❖ Floriculture Nets

- ❖ GTFL provides a wide of variety of agriculture shade nets, sericulture nets, insect nets, fencing nets, floriculture nets, crop support nets, grape nets, anti-bird nets and staking cords.
- ❖ These are gathering positive response amongst Indian farmer community to expand protected cultivation to increase farm productivity. Agriculture contributes 12% of GTFL's top line and mostly caters to domestic market.

Product Portfolio

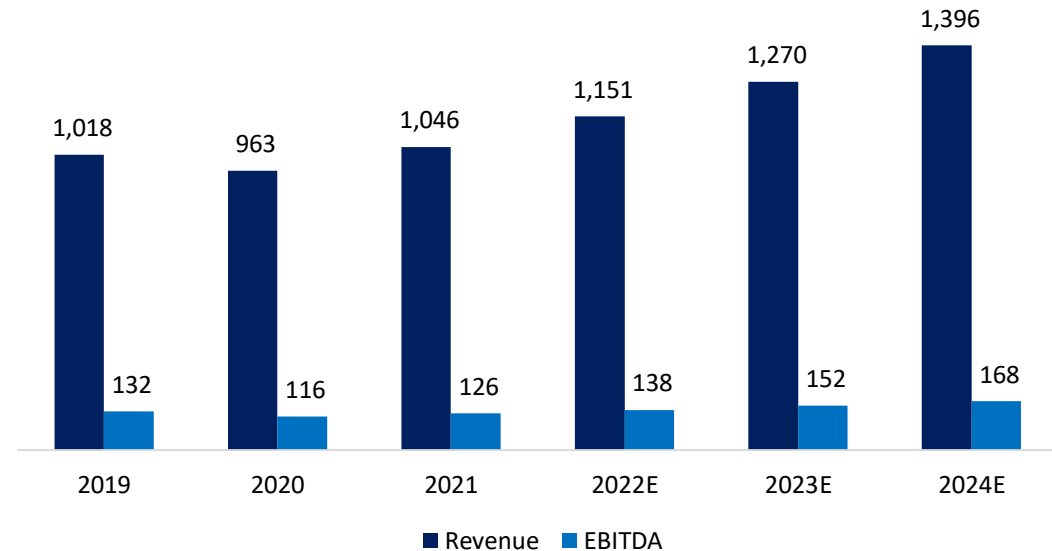
Ropes



Ropes Products

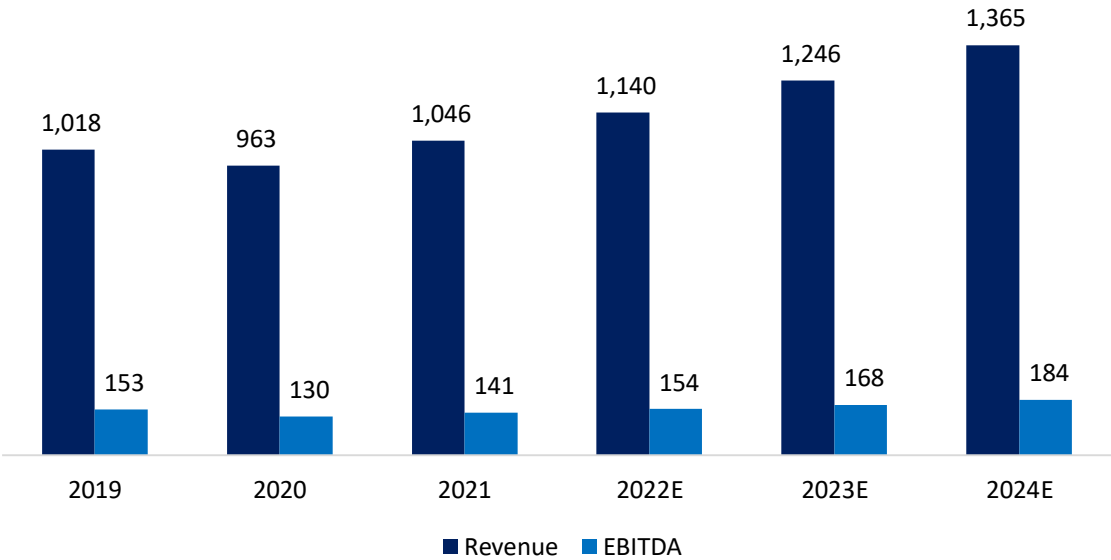
- ❖ Mooring
- ❖ Towing
- ❖ Specialty Ropes
- ❖ Safety Nets

- ❖ GTFL offers solutions of synthetic ropes for various applications from power transmission (tower erection & line stringing) to marine hawsers for shipping, mooring and towing applications.
- ❖ With decades of experience in developing application focused solutions, GTFL is the most recognized brand name and the largest domestic player for Industrial ropes and marine hawsers. Ropes contributes 9% of GTFL's top line.



Product Portfolio

Sports



Sports Products

- ❖ Sports Nets
- ❖ Mountaineering & Abseiling
- ❖ Fitness/Battle Ropes

- ❖ GTFL is India’s leading manufacturer & exporter of sport nets. The company provides tennis nets, volley ball nets, basketball nets, ski nets, cricket nets, badminton nets, soccer nets, handball nets etc. under Sportiva Brand Name.
- ❖ The nets are manufactured as per international standards and are well known for their high shock resistance, UV resistance and better knot stability. Sports segment contributes 12% of GTFL’s top line.

Global Technical Textile Market Overview

- ❖ The global technical textile market size is projected to grow from USD 164.6 billion in 2020 to USD 222.4 billion by 2025, at a CAGR of 6.2% from 2020 to 2025.
- ❖ Technical textiles are products which have higher performance qualities as compared to traditional textiles.
- ❖ The synthetic fibers that are used for these applications are manufactured by the combination of some special chemical processes on various natural fibers to impart the new properties
- ❖ Growing awareness about the superior functionality and application of technical textiles is encouraging the higher consumption of technical textiles and related products.
- ❖ The Asia-Pacific has been leading the technical textiles sector by capturing 40% of the global market, while North America and Western Europe stand at 25% & 22% respectively.

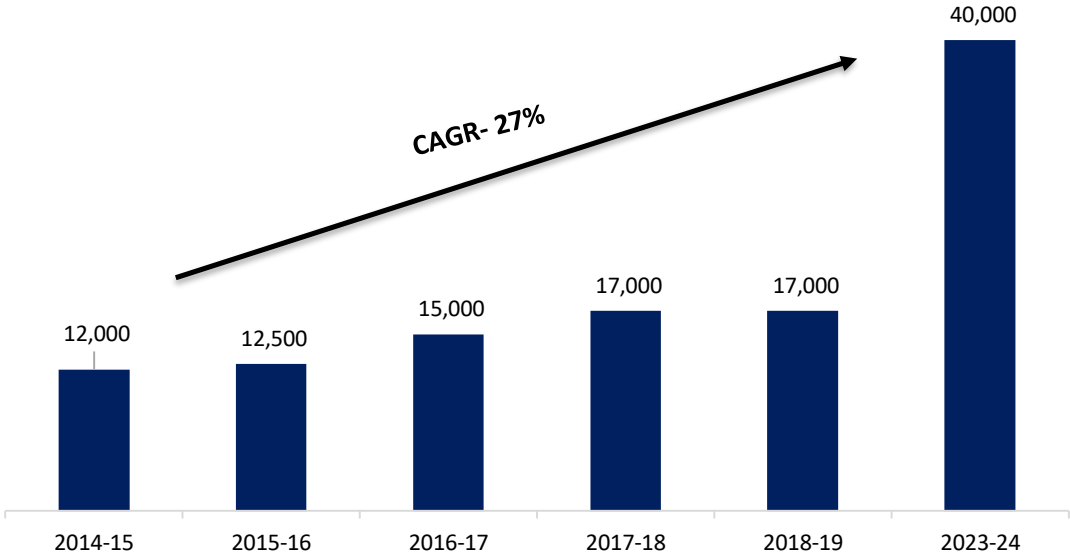


Source: [Markets and Markets](#)

Indian Technical Textile Market Overview

- ❖ The current Indian technical textiles market is estimated at \$ 19 Bn, growing at a CAGR of 12% since past five years. It contributes to about 0.7% to India’s GDP and accounts for approximately 13% of India’s total textile and apparel market.
- ❖ India’s technical textiles market shows a promising growth of 20% from \$ 16.6 Bn in 2017-18 to \$ 28.7 Bn by 2020-21, as per the Baseline Survey of technical textile industry by Ministry of Textiles.
- ❖ The Indian Technical Textiles market is poised to grow at the rate of 8% vis-à-vis world growth rate at 4% setting the stage for enormous opportunities.
- ❖ Packtech, Indutech and Hometech are the largest exported segments having a combined share of around 85% of the total exports of technical textiles.

Indian Technical Textile Market Size (USD Mn)



Sources : www.investindia.gov.in

Strong Business Outlook

- ❖ The company remains a key supplier of aquaculture nets to the global salmon-farming industry, and retains a dominant position in domestic marine fisheries. Food related businesses where the end product is food is approximately 60% of GTFL's revenue as of FY21.
- ❖ GTFL also offers solutions for value-added agriculture and protected farming. Outside the food industry, the geosynthetics business has a bright future due to the strong thrust on infrastructure development announced by the Government of India.
- ❖ The geosynthetics solutions have also found acceptance in demanding overseas markets. After a lull due to lockdowns, the sports segment has opened up, and they see a good flow of orders in the years so far.
- ❖ Apart from all this, GTFL is a financially strong company with healthy cash reserves that give them the muscle to withstand market fluctuations as well as explore new markets.
- ❖ Going ahead, we expect GTFL to report a healthy top-line in anticipation of strong domestic as well as export sales. On the domestic front, we expect demand to pick up with an expected growth in the agriculture and fisheries segments in the country. Further, we expect the company to continue reporting strong numbers on the back of higher demand for aquaculture and sports products globally coupled with the company tapping new geographies.
- ❖ Profitability was aided by an enhanced product mix and improvement in productivity. Growth in value-added, differentiated products aided growth in margins. Hence, we recommend a **Buy** rating on the stock with a **target price of 3,776**.

About Management



Mr. Vayu R Garware
Chairman & MD

Background:

Mr. Vayu Garware is a Graduate Cum Laude in BSc Economics (Specialization in Finance) from Wharton Business School of the University of Pennsylvania, USA. He joined Garware Wall Ropes in December of 1995 as a Director. Under his leadership, the company expanded its product geographies from India to more than 75 countries globally.

He has been at the forefront of the company’s turnaround from a cordage focused to a technical textile company specializing in premium fishing nets. Under his stewardship, delivering innovative application focused solutions to customers has been ingrained as part of the DNA of the company. The R&D centres at Pune and Wai are recognized by the Government of India.

Under his leadership the company’s top-line grew over 30% from Rs.7,820 Million in March 2015 to Rs.10,180 million in March 2021, while its profits jumped by a whopping 3x during the same period. Mr. Vayu’s vision is to make the company a leading player in the technical textile space globally.

Other Board Members	
Ms.M.V.Garware	Ashish Goal
R.M.Telang	S.S.Rajpathak
S.P.Kulkarni	Ms.Mallika Sagar

Key Risks

- ❖ High RM cost can subdue margin
- ❖ Foreign-exchange volatility
- ❖ Managing huge labour force
- ❖ Inflationary pressures
- ❖ Intense competition
- ❖ Delay/change in government policies (domestic and international)
- ❖ Sustained supply chain issues to possibly impact margins

Consolidated Financials

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E	FY-24E
Net Sales	9,531	10,346	11,504	12,862	14,315
Operating Expense	7,922	8,410	9,503	10,669	11,900
EBITDA	1,609	1,936	2,002	2,193	2,415
Other Income	488	455	403	489	544
Depreciation	193	206	215	236	260
EBIT	1,904	2,184	2,190	2,446	2,699
Interest	116	103	108	124	138
PBT	1,789	2,081	2,082	2,321	2,560
Tax	383	497	479	511	563
PAT	1,405	1,584	1,603	1,811	1,997

Margins	FY-20	FY-21	FY-22E	FY-23E	FY-24E
Sales Growth %	-6.4%	8.5%	11.2%	11.8%	11.3%
PAT Growth %	11.8%	12.7%	1.2%	13.0%	10.3%
Operating Margin %	16.9%	18.7%	17.4%	17.1%	16.9%
Net Margin %	14.7%	15.3%	13.9%	14.1%	14.0%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E	FY-24E
<u>Liabilities</u>					
Equity Share Capital	219	206	206	206	206
Reserves & Surplus	7,172	7,905	9,508	11,319	13,316
Total Shareholder's Funds	7,391	8,111	9,714	11,525	13,522
Other Long-term Liabilities	96	121	121	121	121
Deferred Tax Liability	325	359	359	359	359
Short-term Liabilities	4,094	4,598	4,954	5,574	6,164
Total	11,905	13,189	15,148	17,578	20,165
<u>Assets</u>					
Net Fixed Assets	2,445	2,471	2,376	2,511	2,643
Long-Term L&A	178	181	181	181	181
Non Current Investments	2,793	2,280	2,280	2,280	2,280
Other Non-Current Assets	27	5	5	5	5
Current Asset	6,463	8,252	10,307	12,601	15,056
Total	11,905	13,189	15,148	17,578	20,165

Source: Company, Anand Rathi Research

Rating & Target Price History

GARFIBRES rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 22st April 2022 close.

GARFIBRES rating details

Date	Rating	Target Price (₹)	Share Price (₹)
22-Apr-22	BUY	3,066	3,776



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