



ESTER
INDUSTRIES LTD.

Q1 FY24 Investor Presentation

August, 2023

Disclaimer

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local political or economic developments, technological risks, and many other factors that could cause actual results to differ materially from those contemplated by the relevant forward looking statements. Ester Industries Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

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Ester 2.0

Investment Thesis

Business Overview

About Us

Diversified business portfolio

Comprehensive product suite

State-of-the-art manufacturing facilities

Global footprint

Experienced management team

Strong Financial profile

Sales Mix (Q1FY24)



Polyester
Films

90%



Specialty
Polymers

10%

Quick Facts



1985

Year of Incorporation

GURGAON, INDIA

Corporate Headquarters

2

Business Segments*

About 50 COUNTRIES

Global Footprint

500 – KHATIMA,
SITARGANJ, GURGAON

164 – HYDERABAD

People

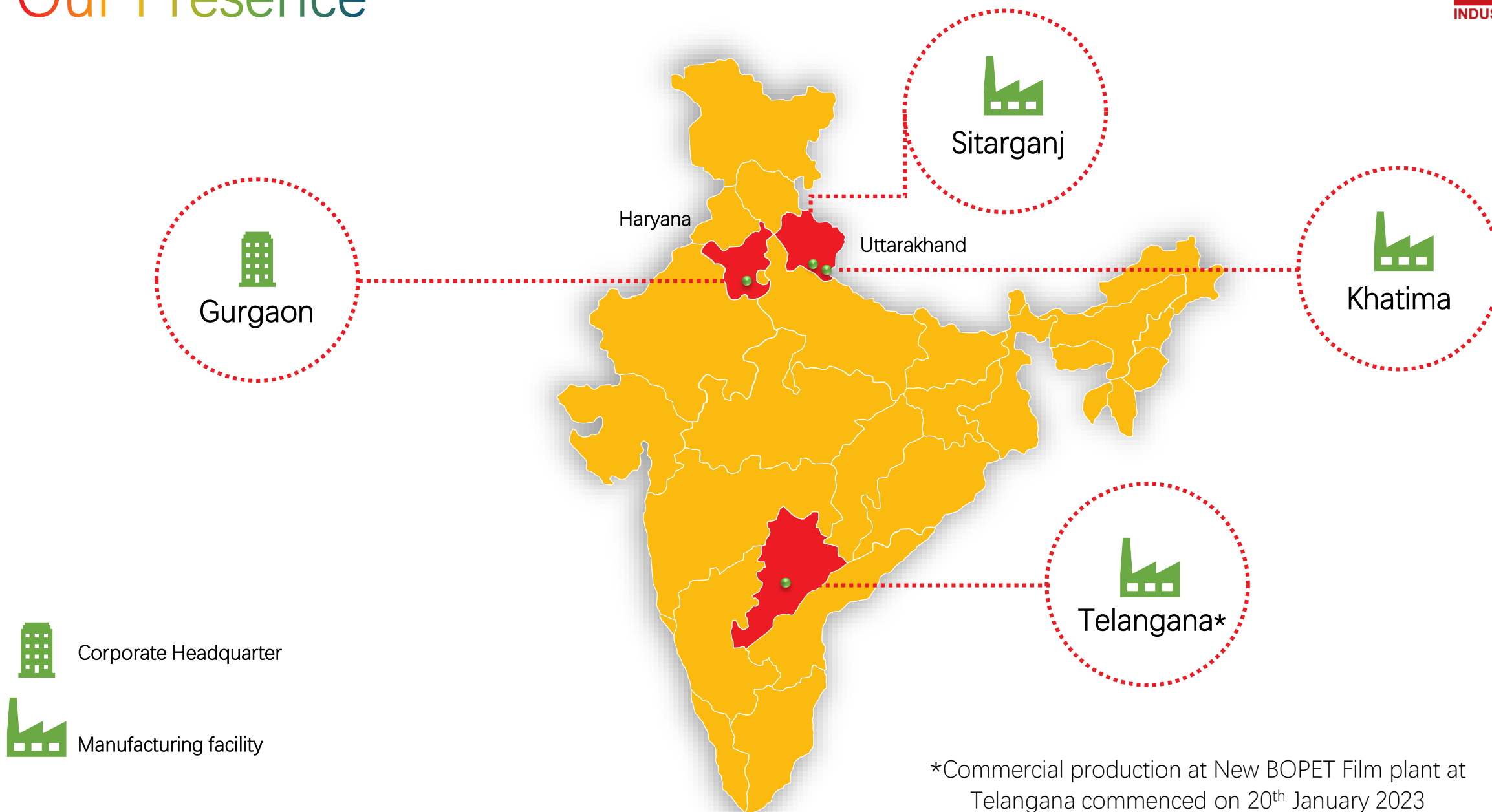
CRISIL A

(Industry Outlook – Negative)

Credit Rating (Long Term)

• PF – Polyester Film; SP – Specialty Polymers
(EP – Engineering Plastics business divested on 15th September 2022)

Our Presence



Global Presence

ESTER
INDUSTRIES LTD.

We serve about 50 Countries



Q1 FY24 Performance Overview

Financial Summary (Standalone)

Particulars – Continued Operations (Rs.cr)	Q1 FY24	Q1 FY23	%	Q4FY23	%
Revenues	206	327	(37)	256	(19)
EBITDA (including Non operating income)	13	62	(79)	19	(34)
Margins (%)	6.1	19	(1290 bps)	7.4	(132 bps)
PAT (Continuing operations)	(5)	34	-	3	-
Margins (%)	(2.4)	10.4		1.2	
Particulars – Discontinued Operations (Rs.cr)					
PAT from discontinued operations		8		--	
Particulars – Company as a whole (Rs.cr)					
PAT	(5)	42		3	
EPS	(0.63)	5.05		0.35	

- Performance of Film SBU impacted due to challenging external environment (demand supply imbalance), recessionary trends in EU / US adversely affected demand and thereby performance
- Recessionary worries in US, the primary market for Specialty Polymer impacted performance
- Lower volumes (Films and Specialty Polymers) and adverse product mix resulted in profit and margin compression
- While near-term outlook for the Specialty Polymers business appears challenging, the medium to long term prospects remain promising
- Film SBU likely to face challenging environment in near term though medium to long term prospects remain promising as demand continues to grow

Financial Summary (Consolidated)

Particulars – Continued Operations (Rs.cr)	Q1 FY24	Q1 FY23	%	Q4 FY23	%
Revenues	267	327	(18)	293	(9)
EBITDA (including Non operating income)	10	62	(84)	9	10
Margins (%)	3.6	19	(1540 bps)	2.9	+70 bps
PAT (Continuing operations)	(22)	34	-	(18)	-
Margins (%)	(8.4)	10.4	-	(6.1)	
Particulars – Discontinued Operations (Rs.cr)					
PAT from discontinued operations		8		-	
Particulars – Company as a whole (Rs.cr)					
PAT	(22)	42		(18)	
EPS	(2.65)	4.98		(2.13)	

Commenting on the results, Mr. Arvind Singhania, Chairman, Ester Industries said “*We have had a soft start to the year, largely on expected lines given the challenging external environment.*”

Specialty Polymer business performance was adversely impacted by the recessionary worries persisting in the US which is a primary market for the business. Lower product off-take coupled with adverse product mix resulted in lower profitability and margins for the quarter. While sales of our marquee products i.e. MB03 and Innovative PBT contracted during the quarter, we expect the same to revive over the coming quarters in line with the recovery in US economy. The long-term prospects of the business remains robust. Our efforts are directed towards building onto our portfolio by introducing new innovative products

Chairman's Comments



Film business performance is reflective of the challenging environment grappling the business at present. Excess supply in the market post commissioning of new capacities coupled with lower exports sales have exerted acute pressure on the realizations and consequently the profitability and margins. Lower volumes were also in part also owing to the plant shutdown undertaken during the quarter. While we expect the pressure in the business to persist in short term, medium to long term growth prospects though remain encouraging. We are also working towards improving our product mix to help improve the profitability of the business.

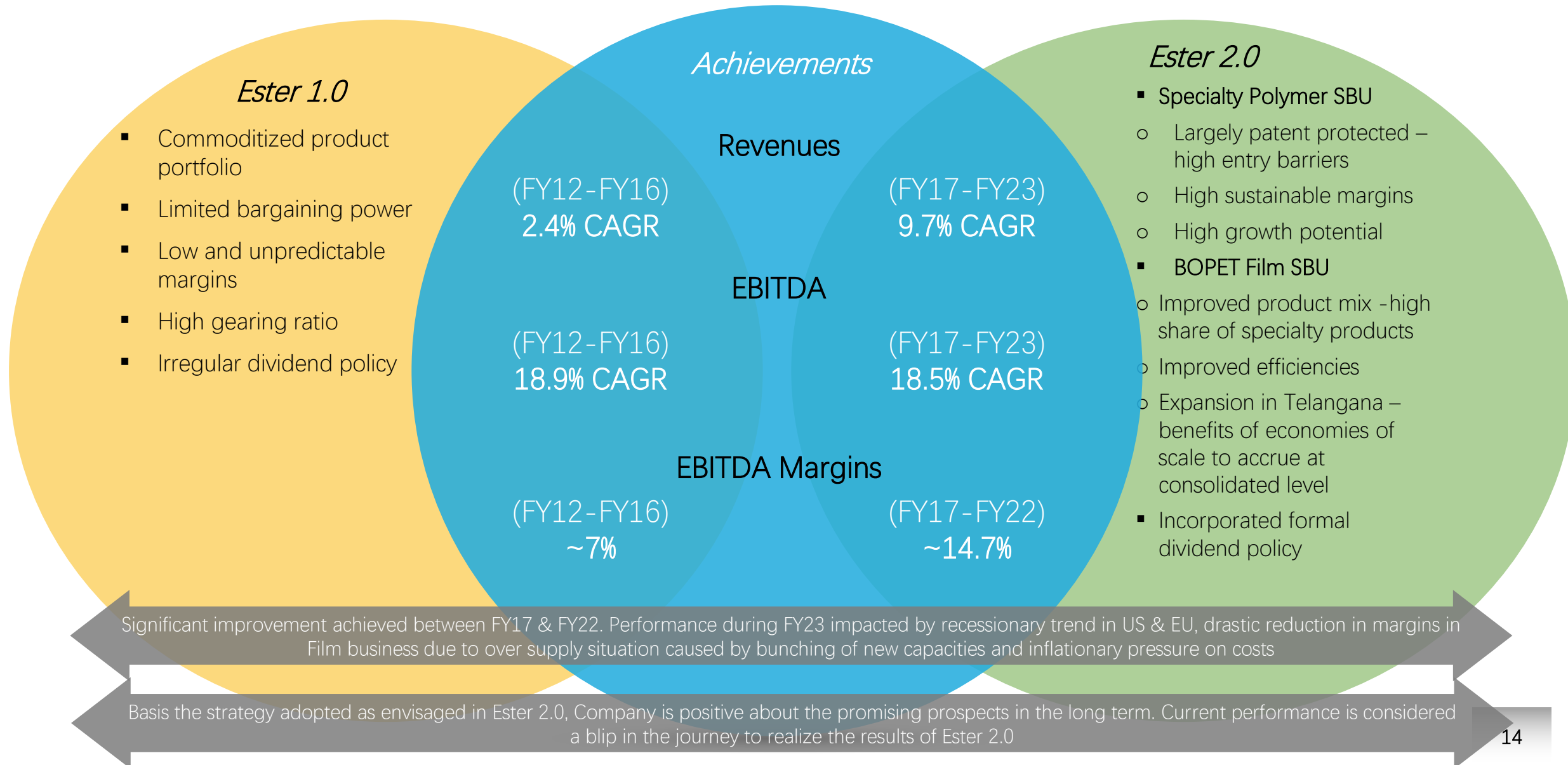
Regarding Telangana plant, let me state that it generally takes 2 – 3 quarters for the operations and production to stabilize. Accordingly, production and sales levels are about 50% of the capacity during Q1 FY24 and Q4 FY23. The performance is subdued on account of initial quarters of operations and external market scenario.

Going forward, while the near-term challenges persists, we believe both our businesses are well placed to drive expansion and generate substantial value for our shareholders in the medium to long-term. We are equally dedicated to upholding responsible debt levels and maximizing our cash flows to ensure the ongoing liquidity strength of the business.”

Ester 2.0 “Specialty” Company

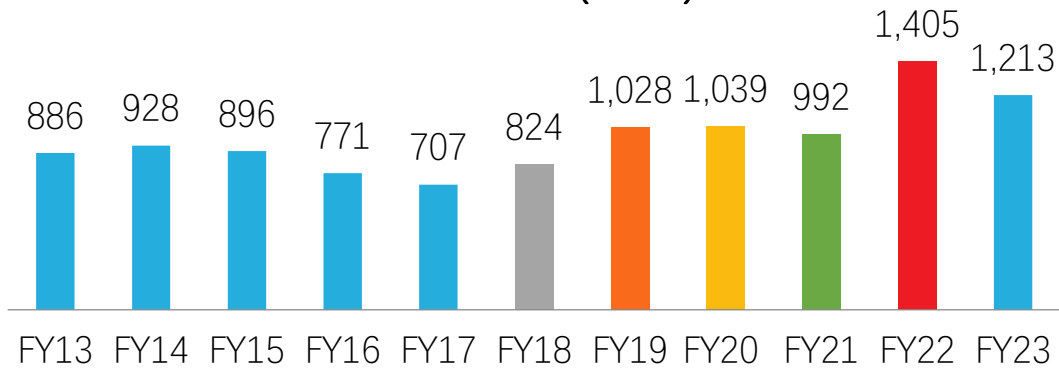


Ester 2.0 – Transformed into a “Specialty” Co.

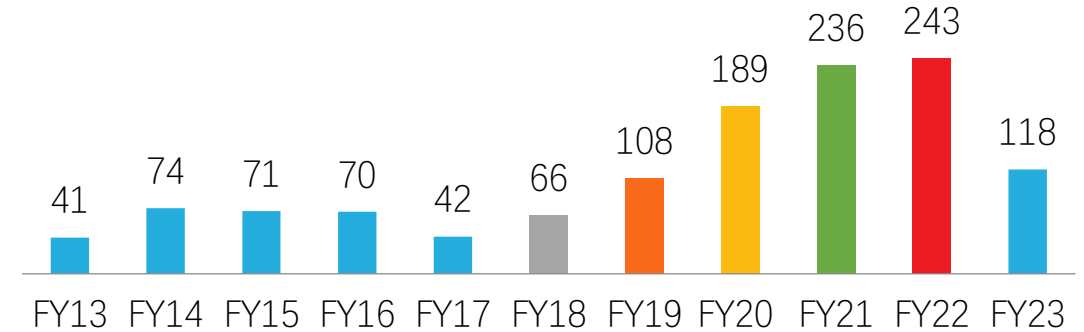


Ester 2.0 delivering consistent returns

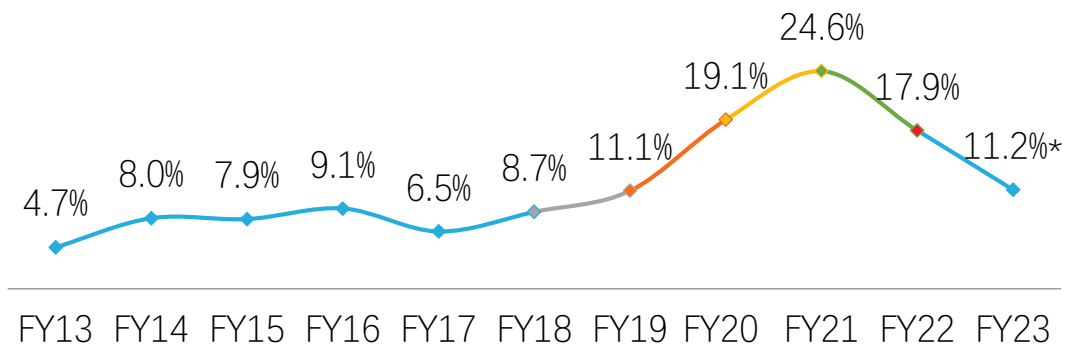
Revenues (Rs.cr)



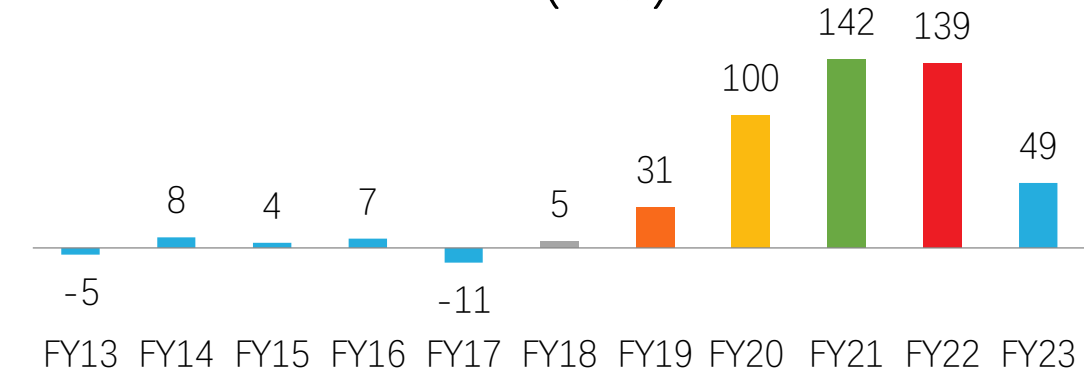
EBITDA (Rs.cr)



EBITDA Margins (%)



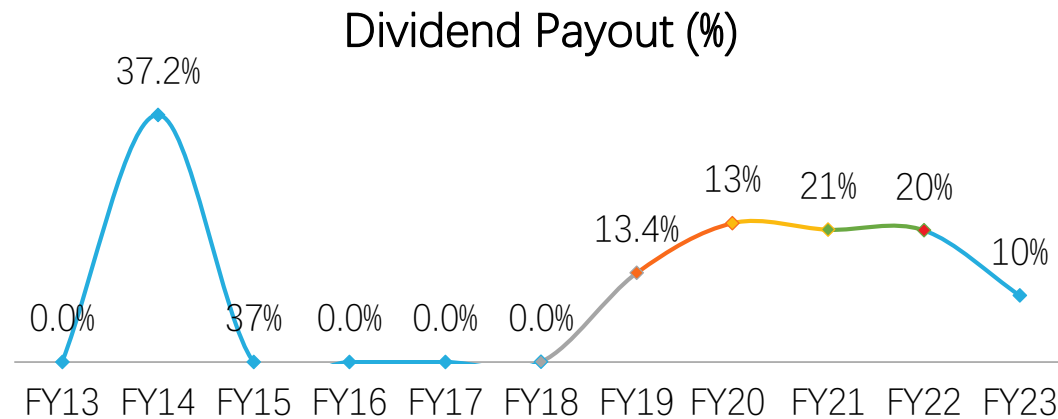
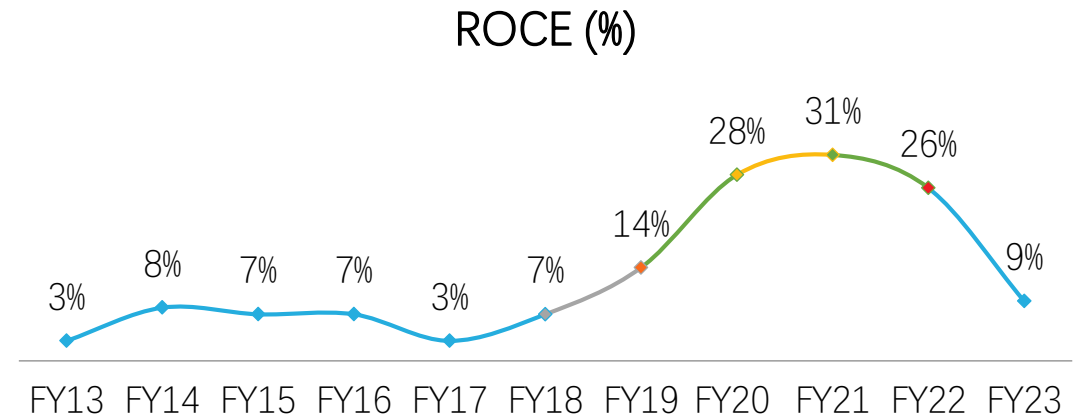
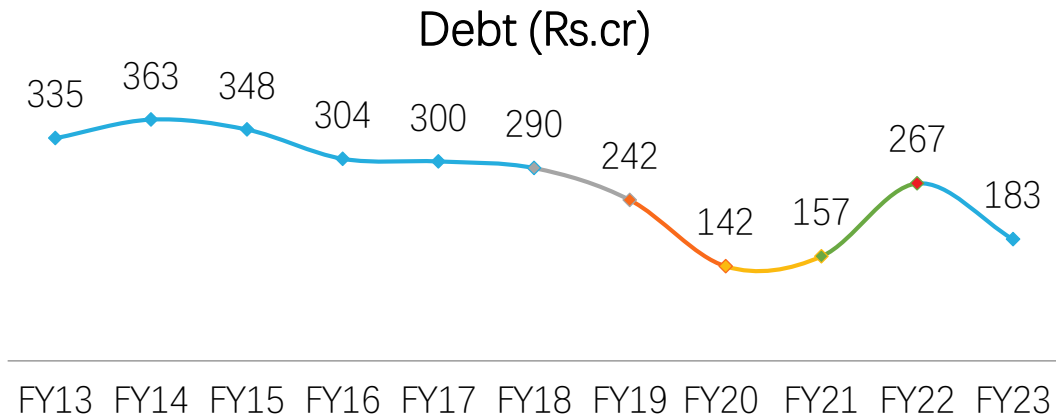
PAT (Rs.cr)



Due to fresh capitalization, investment in WOS and increase in gross current assets, debt in absolute terms has increased and ROCE in percentage terms has reduced

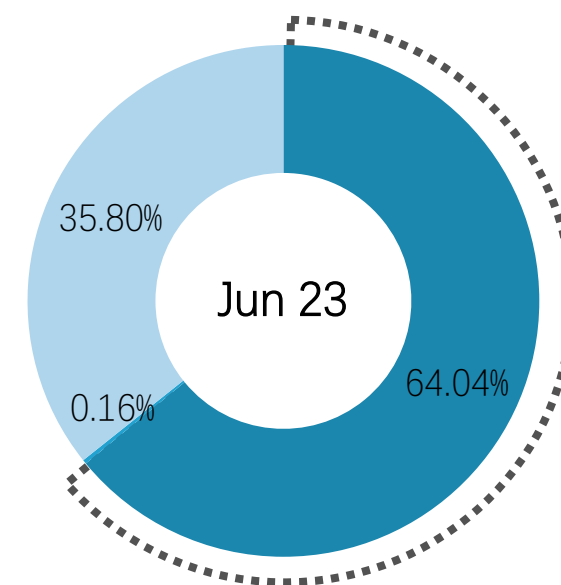
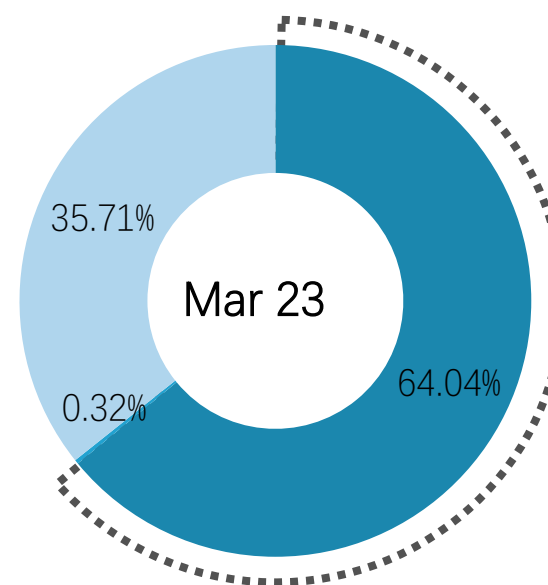
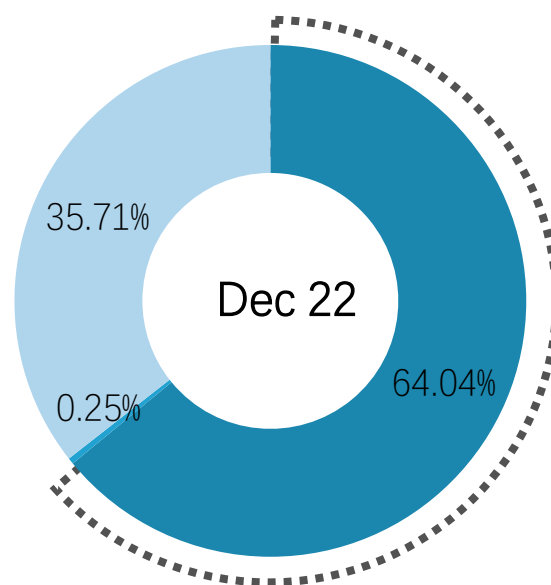
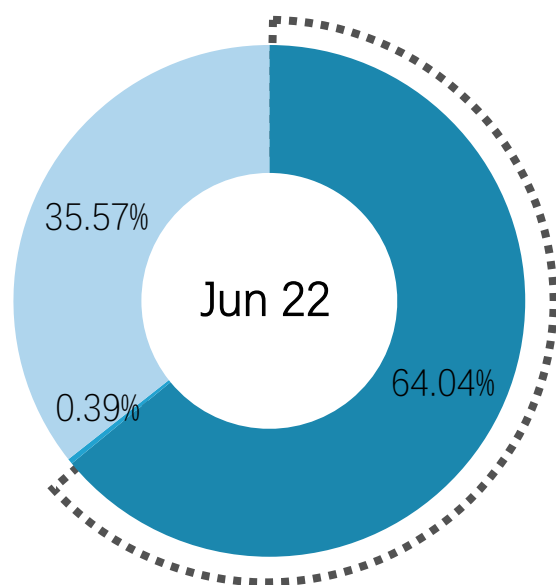
On account of pressure on margins in Film due to demand supply imbalance and performance of EP SBU being available only for 1st April 22 to 15th Sept 22, the profitability has been significantly lower during FY23

Ester 2.0 rewarding shareholders



Due to fresh capitalization, investment in WOS and increase in gross current assets, debt in absolute terms has increased and ROCE in percentage terms has reduced

Shareholding Pattern



■ Promoter ■ FPI ■ Others

Investment Thesis

Specialty Polymers -
Largely IP protected
product portfolio



Polyester Films - High
share of value added
products

Rewarding shareholders
with dividend



Scaling up capacities



Strong balance sheet

Green Initiatives

BIO-BASED Fuel Consumption

BIO-BASED Raw Material

PACKAGING MATERIAL
Reduction/ Recycling

Focus On Sustainability



PVC FREE PACKAGING
(Twist Wrap / Shrink Film)

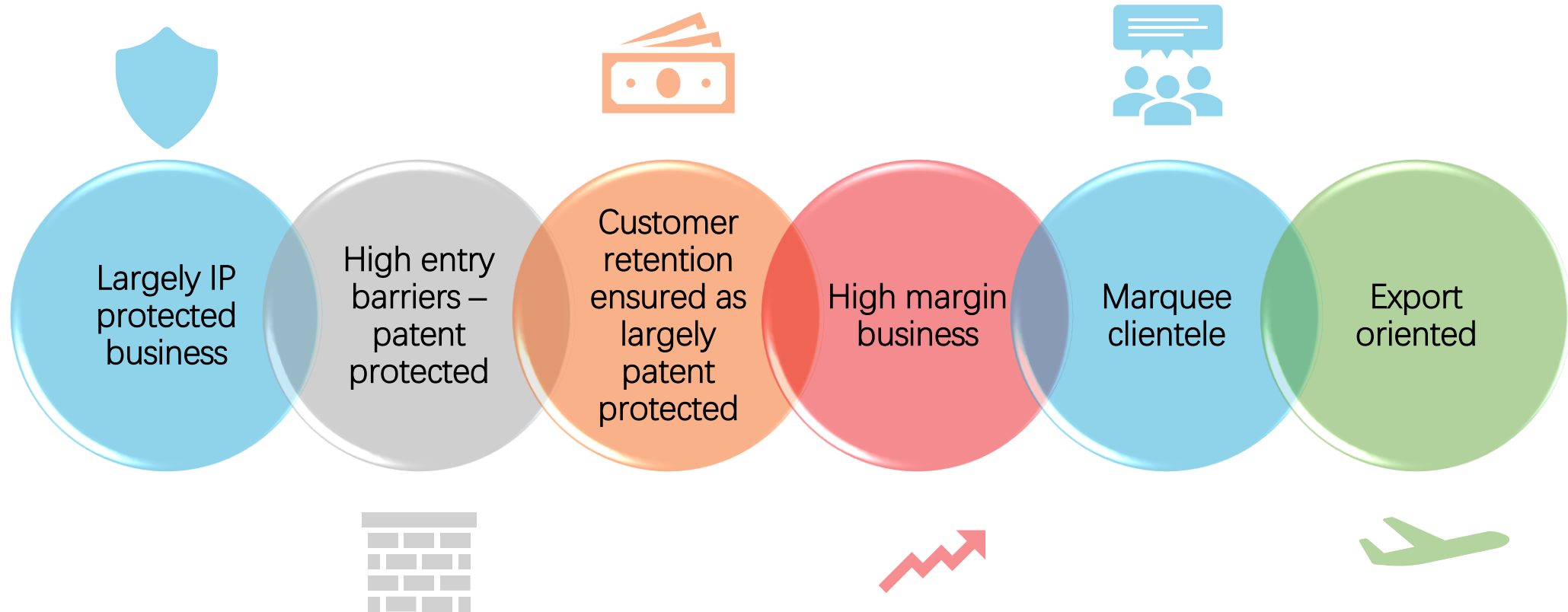
PVDC FREE PACKAGING
(Transparent High Barrier film)



FOIL REPLACEMENT
(Metalized High Barrier film)

Specialty Polymer

Specialty Polymer – Business Salience



Specialty Polymers – Case Study

Problem



High cost towards carpet stain removal

- Stain marks on (nylon) carpets given spillover / spillage of liquid shortens its life
- Impairs aesthetic appeal
- Present technology – ‘Sulphonated Nylon’ (Costly & inflexible) and ‘Topical coating’ (wash fastness & longevity issue) for addressing the problem are not economically feasible

Solution



Flexible low cost solution

- Ester has developed a PET based master batch, which imparts permanent stain resistance in nylon carpets
- Provides total flexibility to producers of “nylon yarns for carpets” to adjust the content of the active ingredient for stain resistance to their specific need
- Granted patent in USA; India, Europe & Korea

Business Opportunity

USA, largest producer of Carpets & Rugs boasts of an industry with annual revenues of ~USD 15 Billion

Innovative PBT: Manufacturing for global chemical leader



Regularly manufacturing & supplying Innovative Polybutylene Terephthalate (PBT) polymers to a global chemical leader

Ester Industries is among the only company globally equipped with the expertise and infrastructure to manufacture the product

Innovative PBT being manufactured from recycled material is more eco-friendly than PBT which is manufactured using virgin raw materials

Innovative PBT finds application across multiple industries
– Consumer electronics, textile, fibre & automotive

Successful extension of the 'Manufacture and Supply Agreement' entered with a global chemical leader in April 2019

Achieved sales of 465 MT in the first year of Agreement against committed volume of 400 MT.

Achieved sales of 1042 MT during FY 2020-21 against committed volume of 400 MT

Achieved sales of 1190 MT during FY 2021-22

During FY23, despite slow down in customer markets, achieved volumetric sales of 1633 MT

Volume of sales reduced to 79 MT during Q1FY24 due to recessionary trends in US market

EPS and Margin accretive

Specialty Polymers – Products & Applications

Products	Polyethylene Terephthalate (PET)	Applications	Consumer electronics
	Polybutylene Terephthalate (PBT)		Textile – Flame Retardant, Deep dyeable master batches, Cationic dyeable master batch
	Polyethylene Naphthalate (PEN)		Carpets – Stain Resistant Master Batches
	Master Batches		Carpets – Deep Dyeable Master Batch
			Heat Sealable
			Engineered Plastics / Injection Moulding
			Low Melt Polymers for Textiles

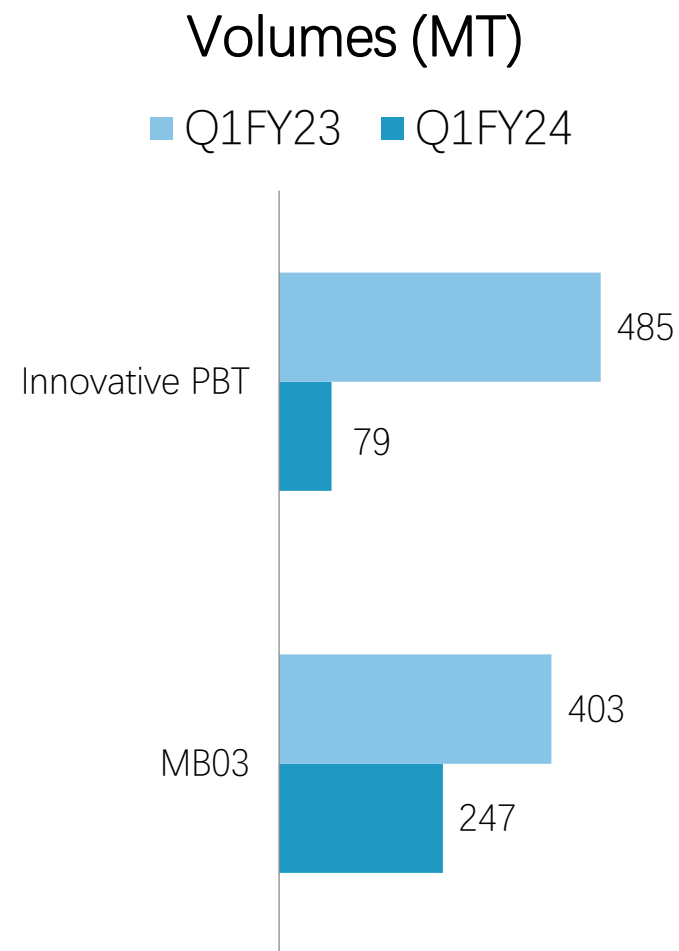


Q1 FY24 Performance

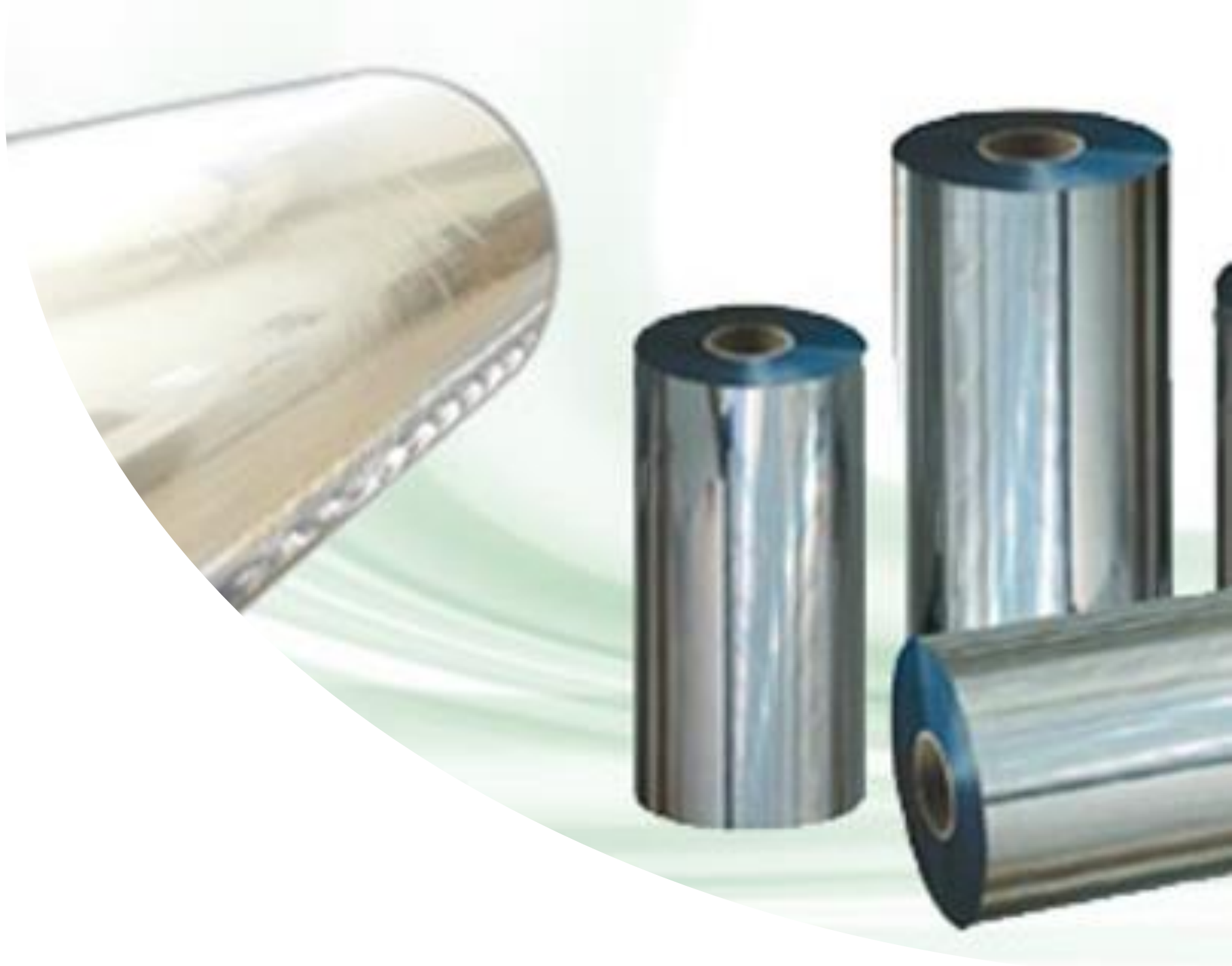
Figs. in cr

Particulars	Q1 FY24	Q1 FY23	%	Q4 FY23	%
Sales (Vol's MT)	526	1,082	(51)	878	(40)
Revenue	20	58	(65)	52	(61)
EBIT	7	18	(63)	12	(45)
Margins (%)	33.3	31	+230 bps	23.5	+980 bps

- Lower offtake amidst recessionary trends in US economy (major market) impacted revenue momentum during the quarter
- Adverse product mix i.e. lower sales of marquee products (MB03 and Innovative PBT) impacted financial performance though EBIT margins in percentage terms remained intact
- Revival in Performance of the SBU contingent upon recovery in US economy
 - Competitive intensity not a concern at all as products are largely IP protected
 - Product pipeline remains strong



Packaging Film Business





Global Scenario:

- Demand growth of 6% - 6.5%
- BOPET film used in flexible packaging applications will continue to be the key end use sector, accounting for nearly 60% of global consumption, and drive demand over the next five years
- Gaining wider application across both industrial & consumer staples and discretionary sector
- Design versatility; low carbon footprint and better cost economics driving demand
- Approximately 1.1 Million Tons of Capacity likely to be added by 2023 – 2024 globally
- China and India account for ~60% of global output



Domestic Scenario:

- Strong double digit growth rate of 11%-13% pa over past 6 years
- Low per capita consumption of BOPET; new innovative products and rising disposable income – key growth drivers
- Capacity expansion in Converting space, export opportunities in laminates offer promise
- Availability of recycled content films, helping sustainability initiatives

Packaging Film Business – Overview

#35

Years of experience

108,000
MTPA

Polyester Film capacity
(including Telangana capacity)

23,200
MTPA

Metallized Polyester Film capacity
(including Telangana capacity)

About
50

Export market
(# of countries)

23%

Share of value-added
products (Q4 FY23)

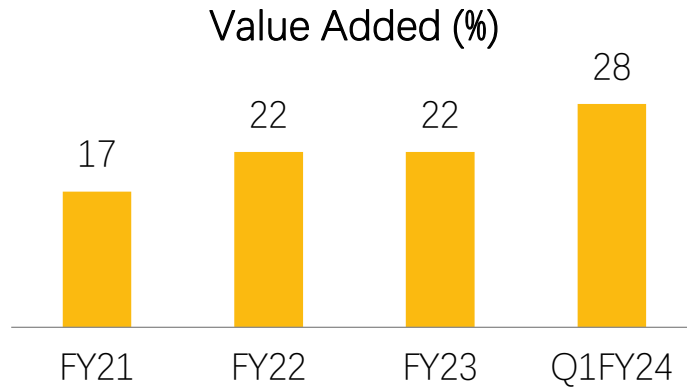
67,000
MTPA

Polyethylene Terephthalate
(Polyester) Chips capacity

Telangana
Plant

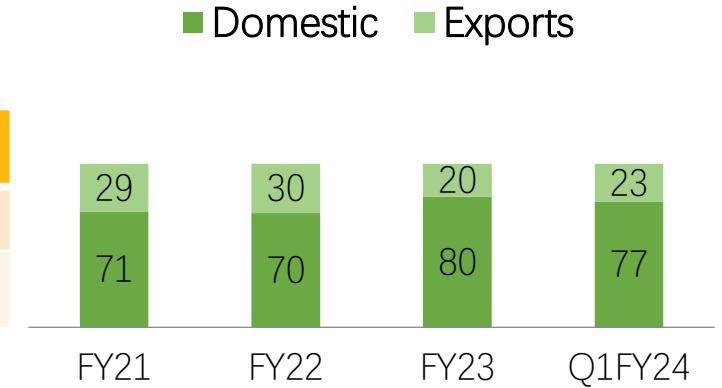
Commercial production
commenced on 20th January 23

Key Strengths



*Film business (excl. chips)

(Rs.cr)	FY21	FY22	FY23	Q1FY24
EBIT	219	150	72	4.3
Margins (%)	31.9	17.8	8.1	2.3



Product mix – despite reduction in recent past, aiming towards increasing the share of value added products to ~30% by FY24

Pass through business model for raw material prices
Raw Materials are petrochemical based products
Margins governed by demand supply scenario

Balanced mix of domestic and exports orders

*Drop in EBIT (%) due to margin compression on account of demand supply imbalance

Polyester Films – Products & Applications

Products	White Opaque	High Clear	Applications	Flexible Packaging
	High Barrier	Embossable		Barrier Packaging
	Heat Saleable	Twist Wrap		Embossing
	Shrink film	Anti - Static		Lidding
	Metalized High Barrier	Matte		Label & Graphics



Q1 FY24 Performance (Standalone)

Figs. in cr

Particulars	Q1FY24	Q1FY23	%	Q4FY23	%
Sales (Vol's MT)	12,462	14,813	(16)	14,740	(15)
Revenue	178	266	(33)	201	(11)
EBIT	4	53	(92)	7	(43)
Margins (%)	<i>2.4</i>	<i>19.8</i>	<i>(1740 bps)</i>	<i>3.4</i>	<i>(100 bps)</i>

- Excess supply in domestic market post bunching of new capacities coupled with demand deceleration in export markets resulted in revenue moderation for the quarter both in volumetric and value terms
 - Share of Value-added products stood at 28% during Q1FY24
- Margin and profitability compression owing to unprecedented competitive pricing environment
- While margins may remain under pressure in the near to medium term owing to commissioning of new capacities; long term prospects of the business continues to remain favourable.

Ester Filmtech Limited (WOS)

- *Ester Filmtech Limited, a wholly-owned-subsidiary of Ester Industries Limited, commenced commercial production on 20th January 23 at new Polyester (BOPET) film manufacturing plant in the State of Telangana.*
- *Generated revenues worth Rs.64 crore during Q1FY24; volumes of 5,760 MT*
- *Low margins and lower utilization levels resulted in EBITDA loss during the quarter;*
- *Performance during the quarter was also impacted due to the plant shutdown*
- *It generally takes 2 – 3 quarters for the operations and production to stabilize. Accordingly, production and sales levels are about 50% of the capacity during Q1 FY24 and Q4 FY23. The performance is subdued on account of initial quarters of operations and external market scenario.*
- *Production efficiency, stabilized operations, higher operating leverage coupled with better product mix and pricing environment should result in better profitability over the long term*
- *The plant is expected to generate revenues worth approximately Rs.500 – Rs.550 crore upon achieving optimal utilization*

Particulars	Q1FY24
Sales (Vol's MT)	5,760
Revenue*	64
EBITDA	(3)
Margins (%)	-

Ester Filmtech Limited – Q1FY24 Financials

Particulars – Continued Operations (Rs.cr)	Q1 FY24	Q4 FY23
Net Sales	63.3	49.1
Other Operating Income	0.4	0.1
EBITDA	(4.2)	(10.0)
Other Non-Operating Income	1.2	0.0
Cash Profit	(10.5)	(15.9)
PBT	(16.8)	(20.7)
PAT	(16.8)	(20.7)
OCI	0.0	(0.1)

Investor Contacts

About Us: (CIN :- L24111UR1985PLC015063)

Incorporated in 1985, Ester Industries Limited (EIL) is an ISO 9001:2008, ISO 22000:2005, TS16949:2002 certified Company engaged in the manufacture of polyester films, specialty polymers and polyester chips with manufacturing facilities located in Khatima & Sitarganj (Uttarakhand) and Hyderabad (Telangana). A globally recognized player, Ester manufactures and markets its polyester films under the brand 'UmaPET'. The Specialty Polymers business is driven by technology and innovation and the Company presently has many patent applications pending for this business. With state-of-the-art manufacturing plant, skillfully managed operations and a committed work force Ester continuously strives to meet commitments towards total customer satisfaction.

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Thank You