



ESTER
INDUSTRIES LTD.

Q2 & H1 FY24 Investor Presentation

November, 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

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Business Overview

About Us

Diversified business portfolio

Comprehensive product suite

State-of-the-art manufacturing facilities

Global footprint

Experienced management team

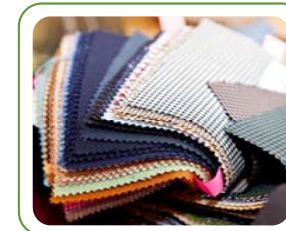
Healthy financial Position



MIX (Q2FY24)

**Polyester
Films**

88%



**Specialty
Polymers**

12%

Quick Facts



1985

Year of Incorporation

GURGAON, INDIA

Corporate Headquarters

2

Business Segments*

About 50 COUNTRIES

Global Footprint

**500 – KHATIMA,
SITARGANJ,
GURGAON**

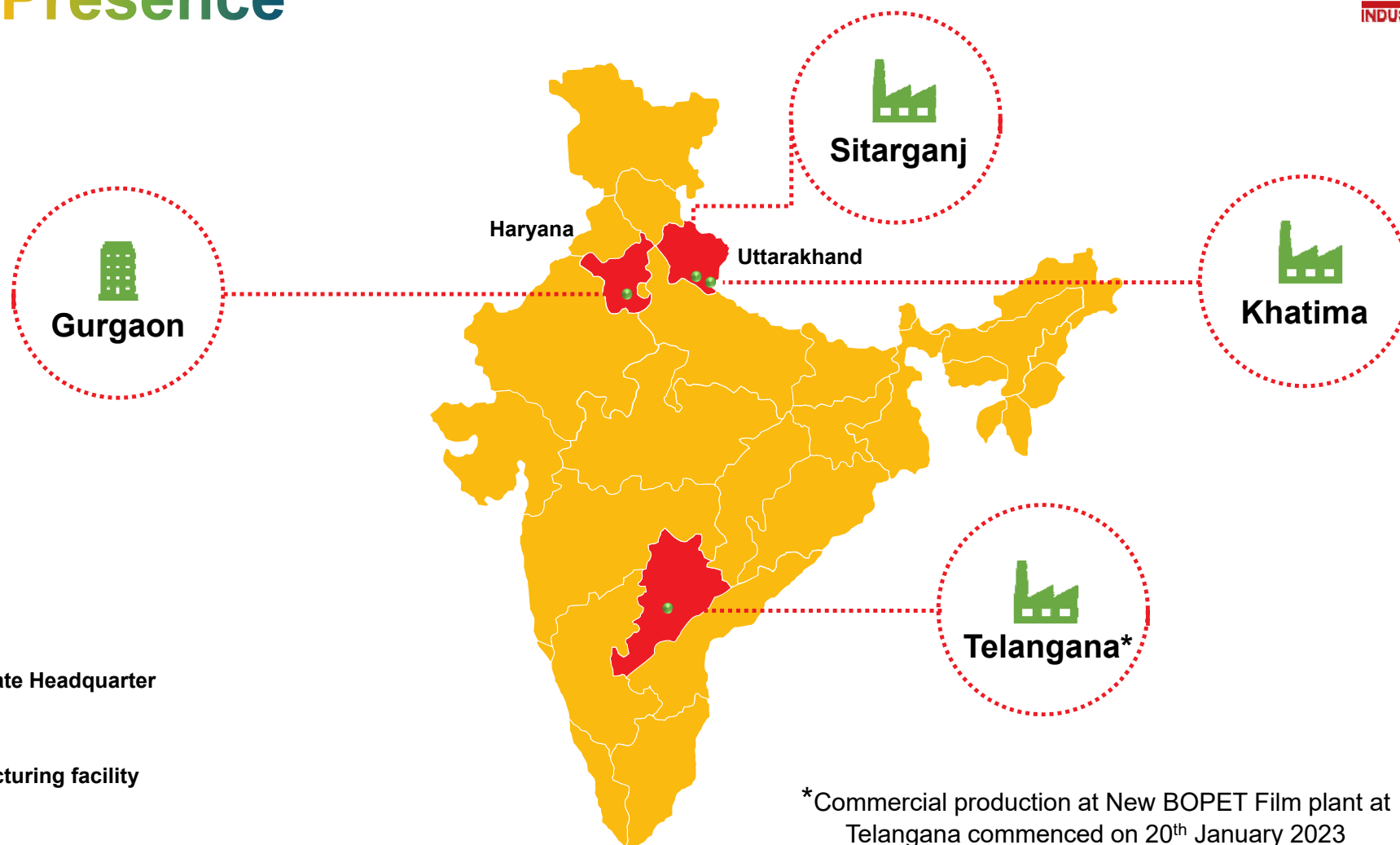
164 - HYDERABAD
People

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

Q2 & H1 FY24 Performance Overview

Financial Summary (Standalone)

Particulars – Continued Operations (Rs.cr)	Q2 FY24	Q2 FY23	%	H1FY24	H1FY23	%
Revenues	243.9	308.07	(20.8)	450.5	634.6	(29)
EBITDA (including Non operating income)	2.7	30.2	(91.1)	15.2	92.2	(83.5)
Margins (%)	1.1	9.8	(870 bps)	3.4	14.5	(1110 bps)
PAT (Continuing operations)	(12.8)	7.6	-	(18.0)	41.7	-
Margins (%)	-	2.5		-	6.6	-

- Revenue moderation owing to heightened competitive intensity in BOPET Film business and adverse product mix in Specialty Polymer business
 - Film business: Commissioning of new capacities has resulted in demand-supply mismatch with supply far exceeding the demand resulting in pricing / margin pressure
 - Specialty Polymer: Recessionary environment in US (coupled with inflation worries and high interest rate), primary market for Specialty Polymer, has impacted product off-take
- Revenue contraction, margin shrinkage and higher financial cost resulted in lower profitability for the quarter

Financial Summary (Consolidated)

Particulars – Continued Operations (Rs.cr)	Q2 FY24	Q2 FY23	%	H1FY24	H1FY23	%
Revenues	271.1	306.3	(11.5)	538.1	632.8	(14.9)
EBITDA (including Non operating income)	(0.4)	27.2	-	9	88.8	(89.8)
Margins (%)	-	8.9	-	1.7	14.0	(87.9)
PAT (Continuing operations)	(30.4)	5	-	(52.5)	38.2	-
Margins (%)	-	1.6		-	6.0	-

Commenting on the results, Mr. Arvind Singhania, Chairman, Ester Industries said *“While we have seen a gradual pick up in the business on a sequential basis, broadly though the situation remains challenging.*

Specialty Polymer business performance despite witnessing some pick up in revenues and volumes during the quarter is trending well below its historical levels and potential largely owing to the inflationary worries and subdued business environment in the US, the primary market for the business. Also, while we did witness volume growth during the quarter, the product mix was unfavorable with low contribution of marquee high margin products which in turn led to lower profitability for the business. While the inherent strength and prospects of the business remain intact, the requisite acceleration hinges on the health & revival of the US economy. We remain committed towards building an exciting and innovative product pipeline.

Film business performance like Specialty Polymer did witness improvement on a sequential basis, but the overall situation remains challenging. We have seen significant increase in capacities in recent times which in turn has had an adverse effect on the realizations, margins and profitability. We expect the situation to remain challenging in the near term, as supply growth exceeds demand. However, over the medium to long term we continue to believe in the growth potential of the business. Furthermore, we also believe our efforts towards improving the mix by increasing the share of high margin value added products will benefit the business meaningfully when the tide turns.

Going forward, we remain focused on improving the internals of the business, making them more robust and efficient to help us deal better with challenges and uncertainties. Besides working towards improving the product profile, we remain equally committed towards improving the liquidity and cash profile of the business. We are confident that our endeavors will enhance our ability to generate long-term value for our shareholders.”

Chairman's Comments



Ester 2.0 “Specialty” Company



Ester 2.0 - Transformed into a “Specialty” Co.

Ester 1.0

- Commoditized product portfolio
- Limited bargaining power
- Low and unpredictable margins
- High gearing ratio
- Irregular dividend policy

Achievements

Revenues

(FY12-FY16)
2.4% CAGR

(FY17-FY23)
9.7% CAGR

EBITDA

(FY12-FY16)
18.9% CAGR

(FY17-FY23)
18.5% CAGR

EBITDA Margins

(FY12-FY16)
~7%

(FY17-FY22)
~14.7%

Ester 2.0

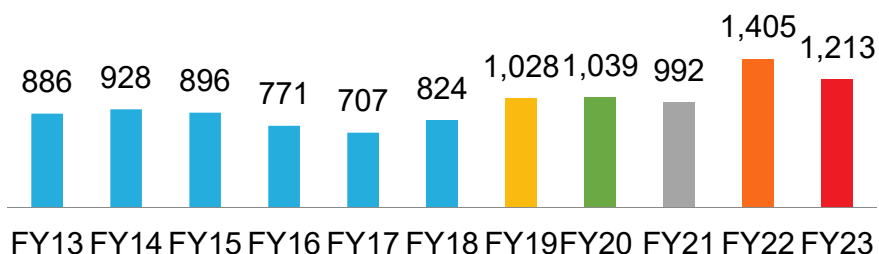
- **Specialty Polymer SBU**
 - Largely patent protected – high entry barriers
 - High sustainable margins
 - High growth potential
- **BOPET Film SBU**
 - Improved product mix -high share of specialty products
 - Improved efficiencies
 - Expansion in Telangana – benefits of economies of scale to accrue at consolidated level
- Incorporated formal dividend policy

Significant improvement achieved between FY17 & FY22. Performance during FY23 impacted by recessionary trend in US & EU, drastic reduction in margins in Film business due to over supply situation caused by commissioning of new capacities and inflationary pressure on costs

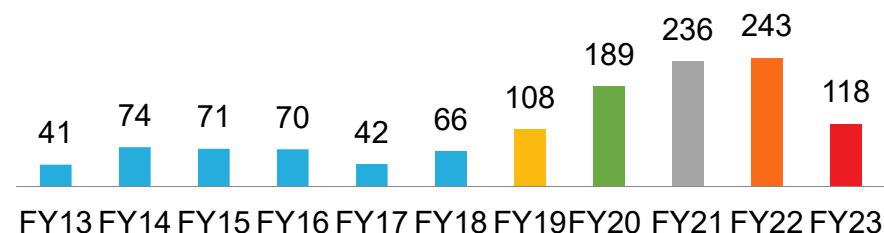
Basis the strategy adopted as envisaged in Ester 2.0, Company is positive about the promising prospects in the long term. Current performance is considered a blip in the journey to realize the results of Ester 2.0

Ester 2.0 delivering consistent returns

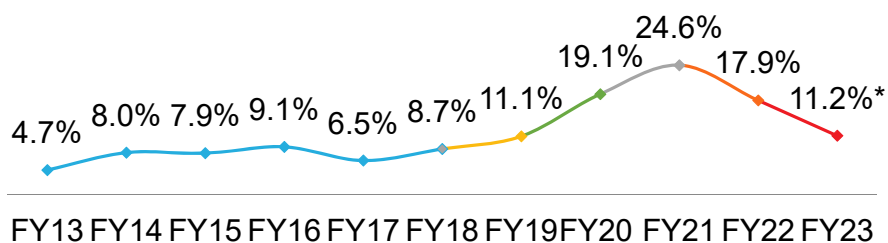
Revenues (Rs.cr)



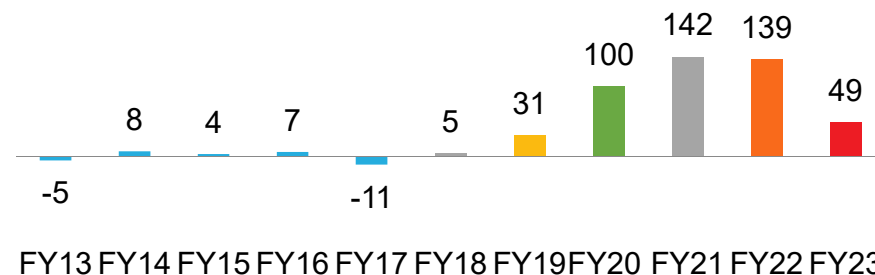
EBITDA (Rs.cr)



EBITDA Margins (%)



PAT (Rs.cr)

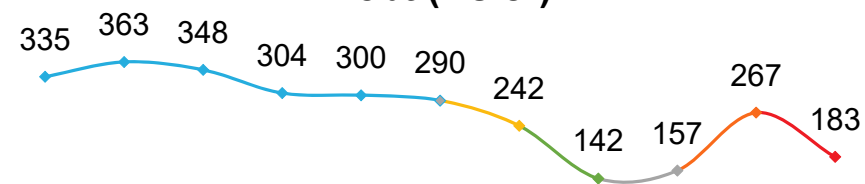


Due to fresh capitalization, investment in WOS and increase in gross current assets, debt in absolute terms has increased and ROCE in percentage terms has reduced

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

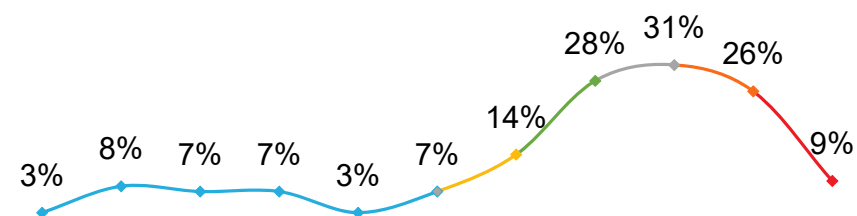
Ester 2.0 rewarding shareholders

Debt (Rs.cr)



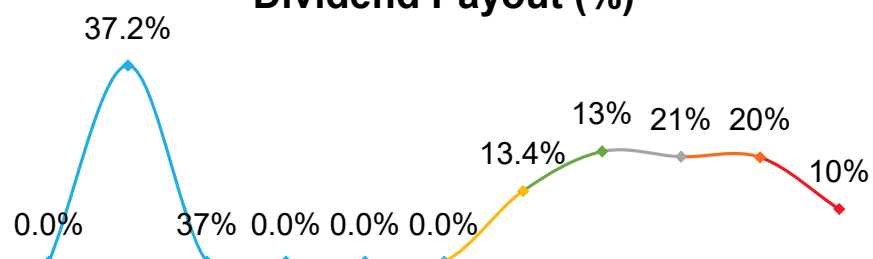
FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23

ROCE (%)



FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23

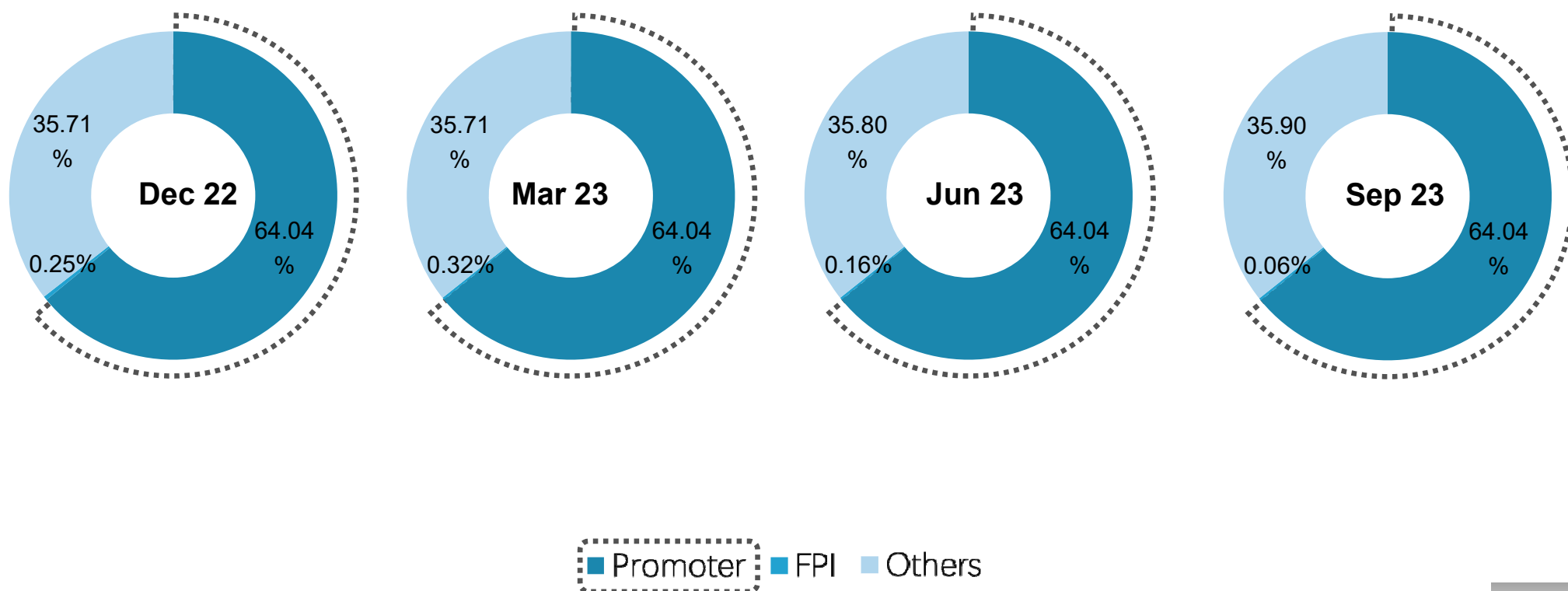
Dividend Payout (%)



FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23

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

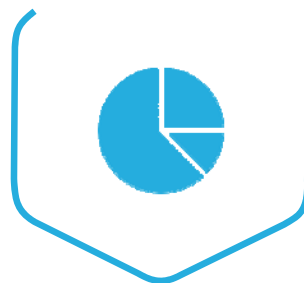


Investment Thesis

**Specialty Polymers -
Largely IP protected
product portfolio**



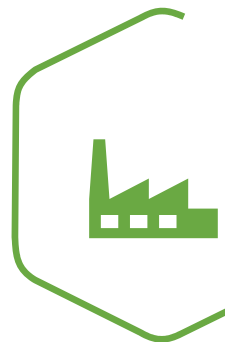
**Polyester Films - High
share of value added
products**



**Rewarding
shareholders with
dividend**



Scaling up capacities



Healthy 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)

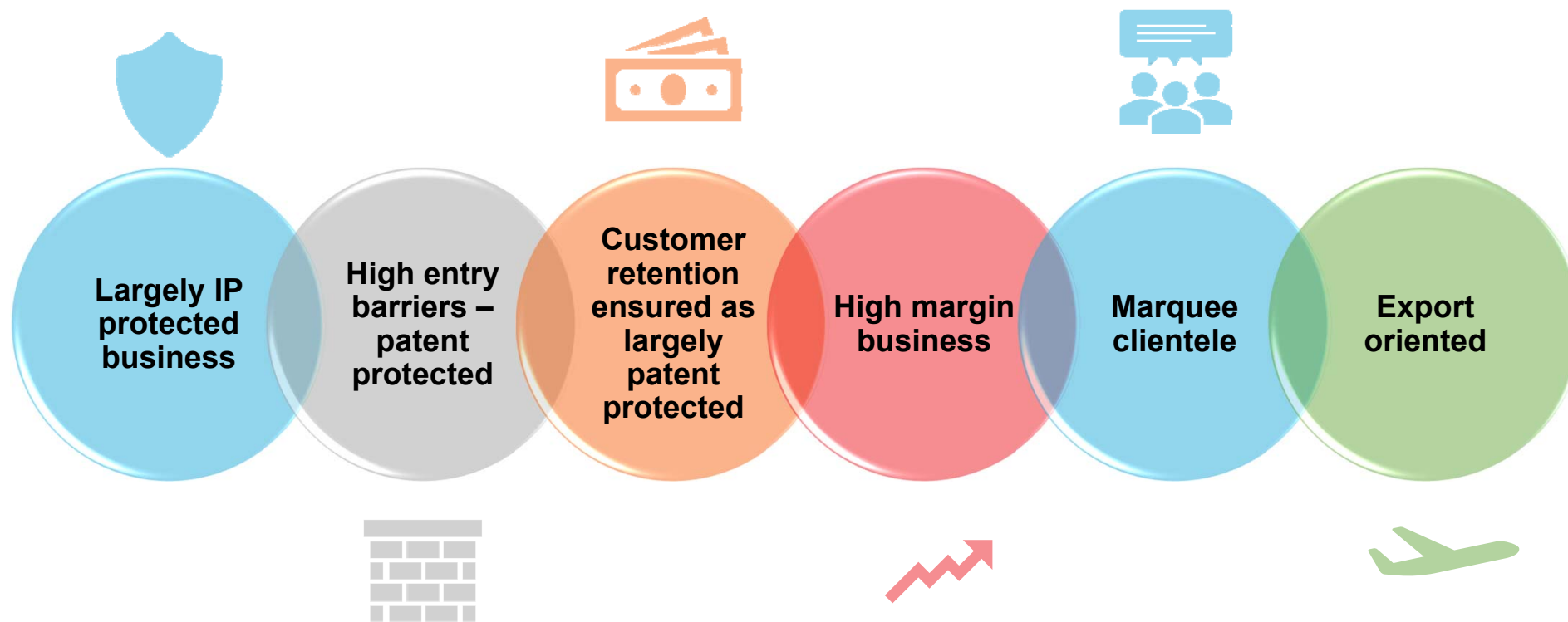
PVDC FREE PACKAGING
(Transparent High Barrier film)

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 restricted to 185 MT during Q2FY24 (79 MT - Q1FY24) due to recessionary trends in US market

EPS and Margin accretive

Specialty Polymers – Products & Applications

Products

Polyethylene Terephthalate (PET)

Polybutylene Terephthalate (PBT)

Polyethylene Naphthalate (PEN)

Master Batches



Applications

Consumer electronics

Textile – Flame Retardant, Deep dyeable master batches, Cationic dyeable master batch

Carpets – Stain Resistant Master Batches

Carpets – Deep Dyeable Master Batch

Heat Sealable

Engineered Plastics / Injection Moulding

Low Melt Polymers for Textiles

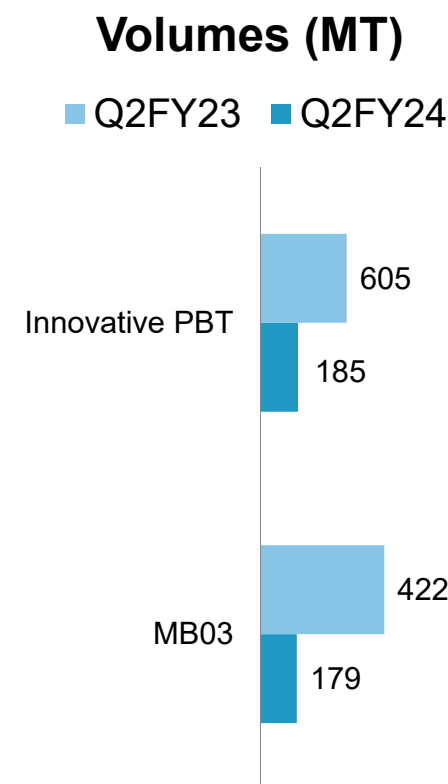


Q2 FY24 Performance

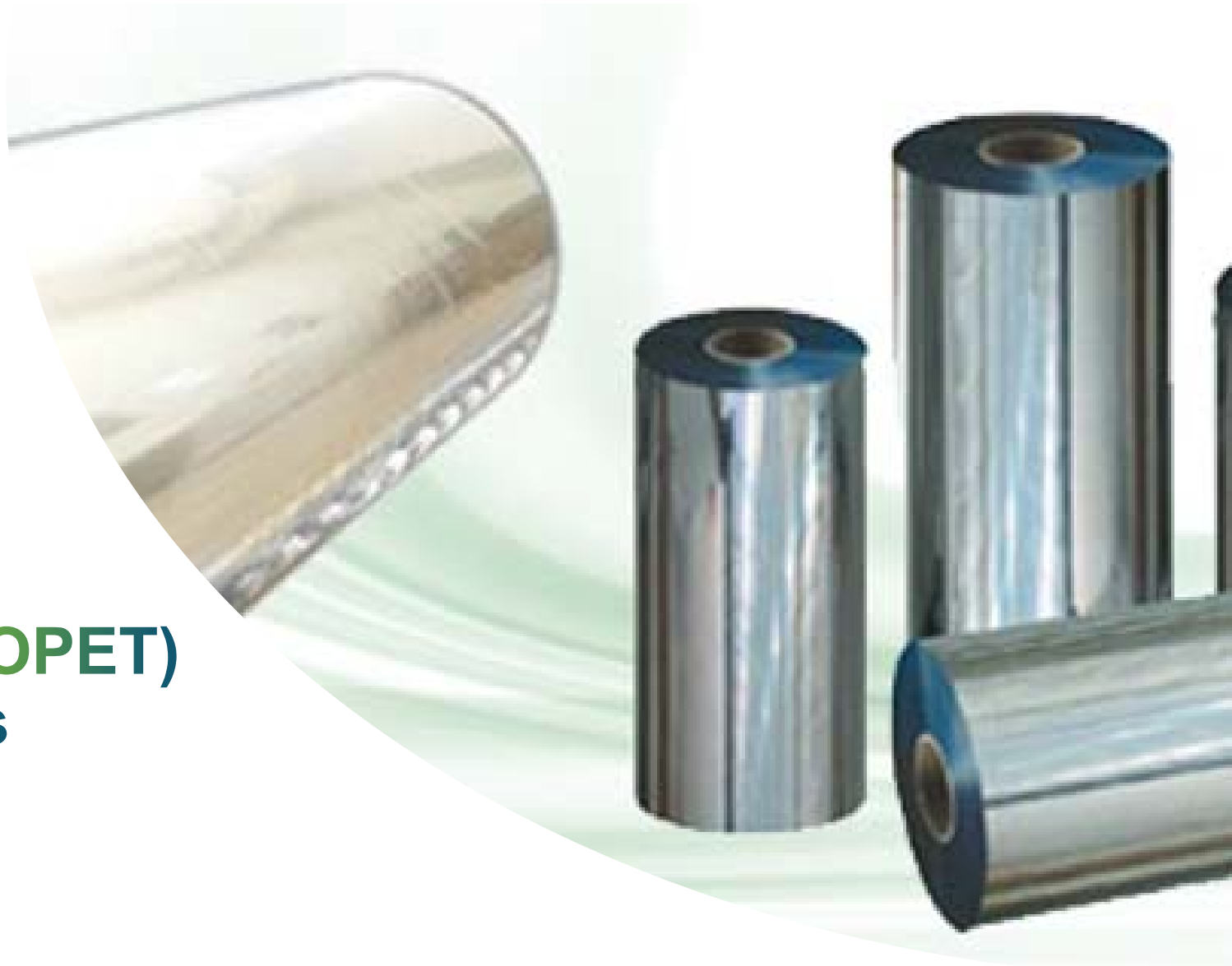
Figs. in cr

Particulars	Q2 FY24	Q2 FY23	%	Q1 FY24	%
Sales (Vol's MT)	599	1,248	(52)	526	14
Revenue	27	72	(63)	20	35
EBIT	6	23	(74)	7	(14)
Margins (%)	21.3	32	(1,070 bps)	33.3	(1,200 bps)

- Despite gradual recovery in revenues on a Q-o-Q basis, business momentum continues to remain soft amidst uncertainties in US economy (major market for Specialty Polymers products)
- Although, volume off-take improved on a sequential basis, EBIT and margins remained muted owing to adverse product mix
- Recovery in the US markets, a key requisite for growth revival
 - Competitive intensity not a concern at all as products are largely IP protected
 - Product pipeline remains strong



Packaging (BOPET) Film Business



Industry Overview



Global Scenario:

- Demand growth of 5.5% - 6.0%
- 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
- China and India account for ~60% of global output



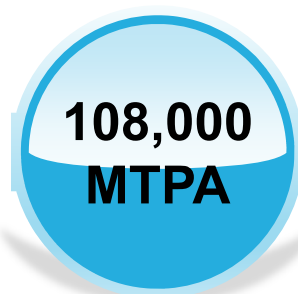
Domestic Scenario:

- 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

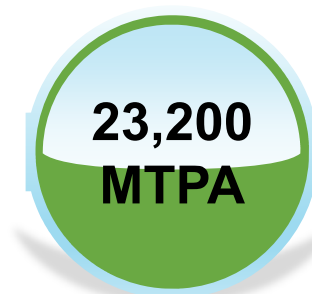
Packaging Film Business - Overview



Years of experience



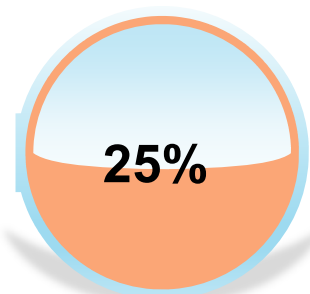
Polyester Film capacity
(including Telangana capacity)



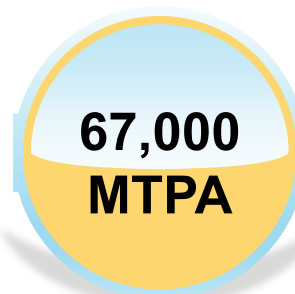
Metallized Polyester Film capacity
(including Telangana capacity)



Export market
(# of countries)



Share of value-added
products (Q4 FY23)



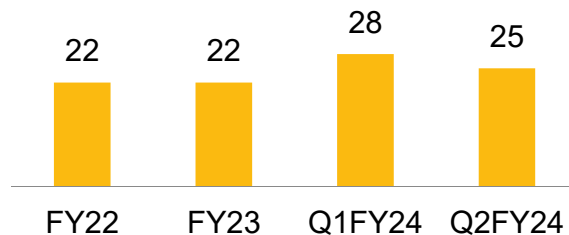
Polyethylene Terephthalate
(Polyester) Chips capacity



Commercial production
commenced on 20th January 23

Key Strengths

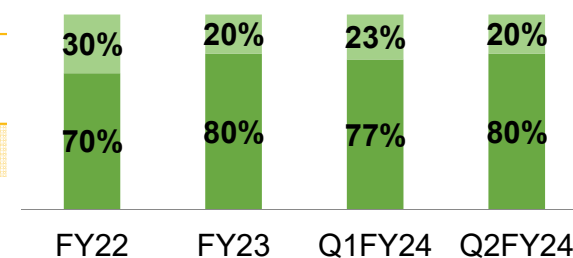
Value Added (%)



*Film business (excl. chips)

(Rs.cr)	FY22	FY23	Q1FY24	Q2FY24
EBIT	150	72	4.0	-2.4
Margins (%)	17.8	8.1	2.3	-1.4

■ Domestic ■ Exports



Product mix – despite reduction in current quarter, 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 severe 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



Q2 FY24 Performance (Standalone)

Figs. in cr **ESTER**
INDUSTRIES LTD.

Particulars	Q2FY24	Q2FY23	%	Q1FY24	%
Sales (Vol's MT)	12,892	14,885	(13)	12,462	3
Revenue	210	232	(10)	178	18
EBIT	(1)	14	-	4	-
Margins (%)	- 1	6	-	2.2	-

- While revenues and volumes improved on a sequential basis, overall sentiments remain challenging on account of excess supply
 - Share of Value-added products stood at 25% during Q2FY24
- Margin and profitability compression reflective of heightened competitive intensity in the industry
- 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.65 crore during Q2FY24; volumes of 5,975 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 due to low demand
- It generally takes few quarters for the operations and production to stabilize. Accordingly, production and sales levels are about 50% of the capacity during H1 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	Q2FY24
Sales (Vol's MT)	5,975
Revenue*	65
EBITDA	(3)
Margins (%)	-

Ester Filmtech Limited – Q2 & H1FY24 Financials



Particulars – Continued Operations (Rs.cr)	Q2 FY24	H1 FY24
Net Sales	64.8	128.1
Other Operating Income	0.4	0.8
EBITDA	(6.4)	(10.6)
Other Non-Operating Income	3.2	4.4
Cash Profit	(11.3)	(21.8)
PBT	(17.7)	(34.5)
PAT	(17.7)	(34.5)

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'. Specialty Polymers business is driven by technology and innovation and the Company has been granted many patents and presently has quite a few 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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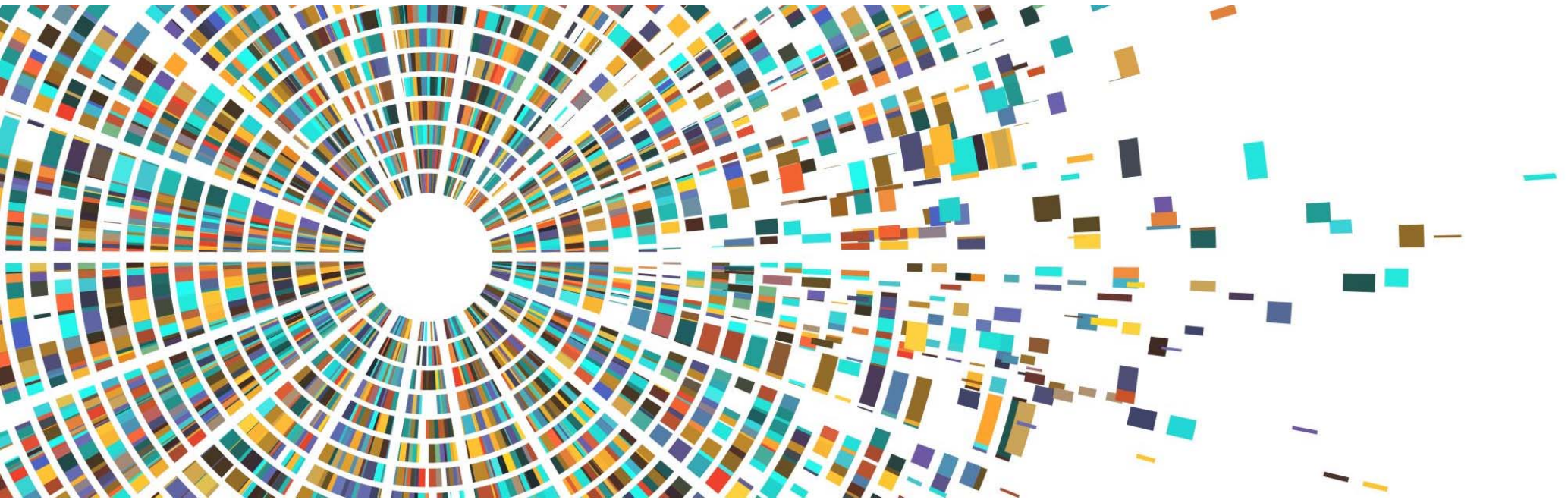
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Thank You