



ESTER
INDUSTRIES LTD.

Q3 & 9M FY23 Investor Presentation

February, 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

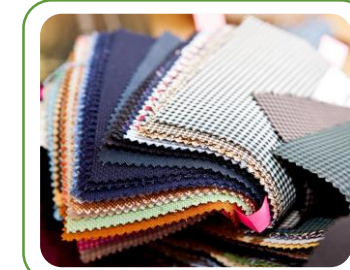
Experienced management team

Strong Financial profile

Sales Mix (9M FY23)



Polyester
Films **71%**



Specialty
Polymers **15%**



*Engineering
Plastics **14%**

Quick Facts



1985

Year of Incorporation

GURGAON, INDIA

Corporate Headquarters

2

Business Segments*

About 50 COUNTRIES

Global Footprint

500 – KHATIMA,
SITARGANJ, GURGAON

149 – HYDERABAD

People

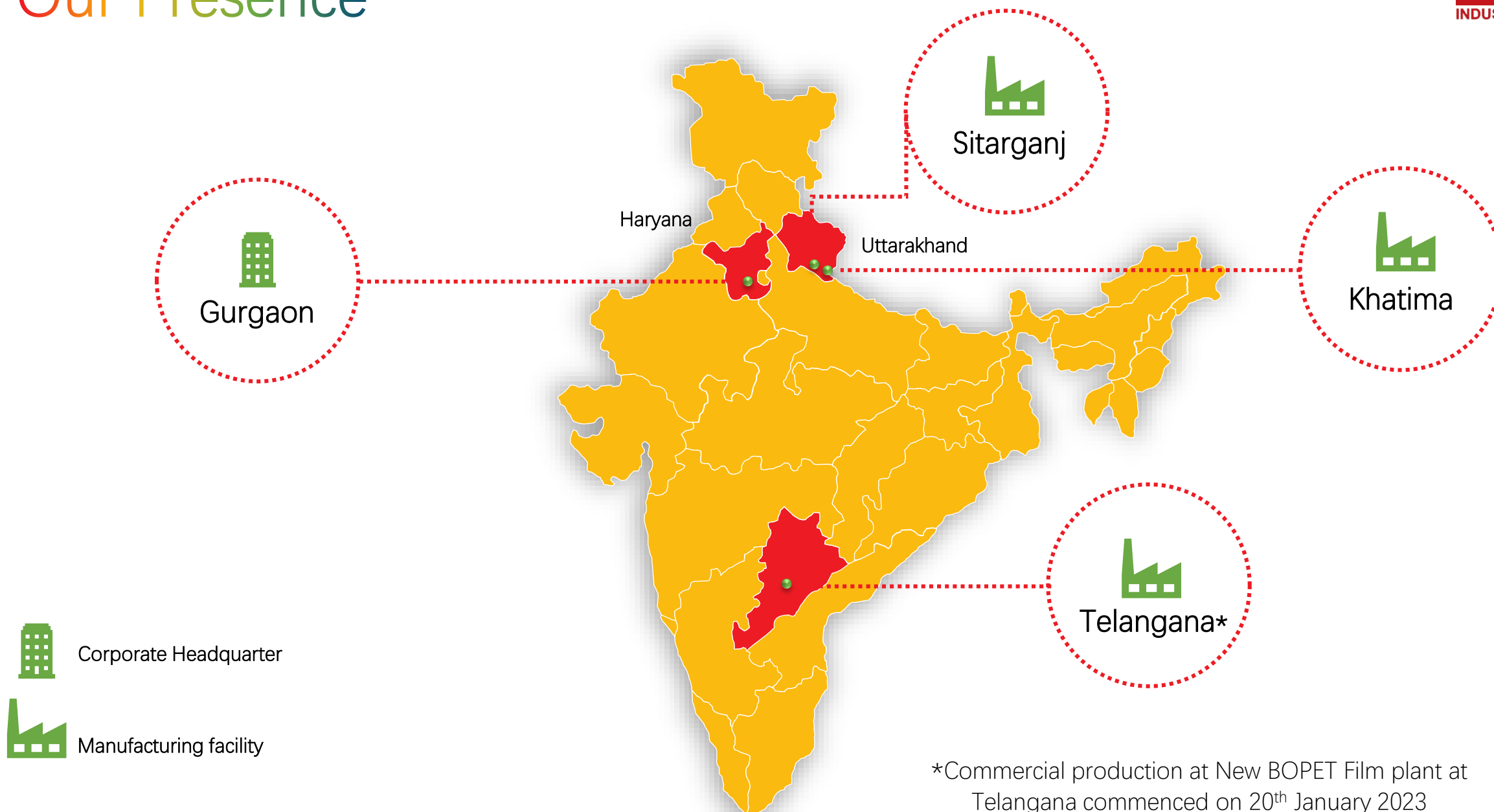
CRISIL A

(stable outlook)

Credit Rating (Long Term)

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

Our Presence



*Commercial production at New BOPET Film plant at Telangana commenced on 20th January 2023

Global Presence

ESTER
INDUSTRIES LTD.

We serve about 50 Countries



Q3 & 9M FY23 Performance Overview

Financial Summary

Particulars – Continued Operations (Rs.cr)	Q3 FY23	Q3 FY22	%	9M FY23	9M FY22	%
Revenues	196.66	288.45	(31.8)	825.17	807.15	2.2
EBITDA (including Non operating income)	6.15	46.63	(86.8)	98.37	129.32	(23.9)
Margins (%)	3.13	16.17	(1304 bps)	11.92	16.02	(410 bps)
PAT (Continuing operations)	(8.83)	23.23	(138.0)	32.90	64.25	(48.8)
Margins (%)	(4.49)	8.05	(1254 bps)	3.99	7.96	(397 bps)
Particulars – Discontinued Operations (Rs.cr)						
PAT from discontinued operations		12.31		13.23	41.90	(68.42)
PAT from disposal of discontinued operations				114.03		
Particulars – Company as a whole (Rs.cr)						
PAT	(8.83)	35.54	(125.0)	160.16	106.15	50.88
EPS	(1.06)	4.26		19.21	12.72	

- Performance subdued during the quarter under review
- External challenges impact revenue and profitability momentum during Q3FY23.
- Heightened / intense competition coupled with elevated conversion cost dents Film business profitability,
- Lower sales volume on account of recessionary trend in USA, and adverse product mix impact Specialty Polymers performance
- While near term outlook remains challenging; businesses are well placed to deliver good profitability growth in the medium to long term

Commenting on the results, Mr. Arvind Singhania, Chairman, Ester Industries said “ *Our performance during the quarter under review has been subdued.*”

Specialty Polymer business during the quarter under review has faced some headwinds from recessionary concerns prevailing across its core end user market. While Q3 performance was expectedly benign, we remain confident in the business' capability to recover and regain its momentum as the global macros stabilize. Off-take for both legacy and newly established products should pick up over next couple of quarters and help us revert to the growth momentum enjoyed by the business in recent past.

Film business performance during the quarter under review was significantly impacted on account of loss of production / sales from Film Plant #3 due to a breakdown and also on account of margin compression on account of enhanced competition post commissioning of few new production lines. As has been stated earlier, operations and financial performance are expected to remain under pressure during next couple of quarters.

We are though pleased to report that Ester Filmtech Limited (WOS of Ester Industries limited) recently started commercial operations at its new Film Plant in Telangana. We expect the same to start contributing to the company's performance & growth in the coming years.

Despite the challenging environment, we believe we are well placed to create value for our shareholders in the coming years. Mitigation strategy is under already under implementation. While outlook over next couple of quarters is expected to remain challenging for Film business, we remain confident about company's ability to tide over any hurdle and continue on its journey towards achieving our stated objectives. Our ability to sustain uninterrupted operations and service debt as per schedule remains unaffected as we have sufficient liquidity / cash reserves.”

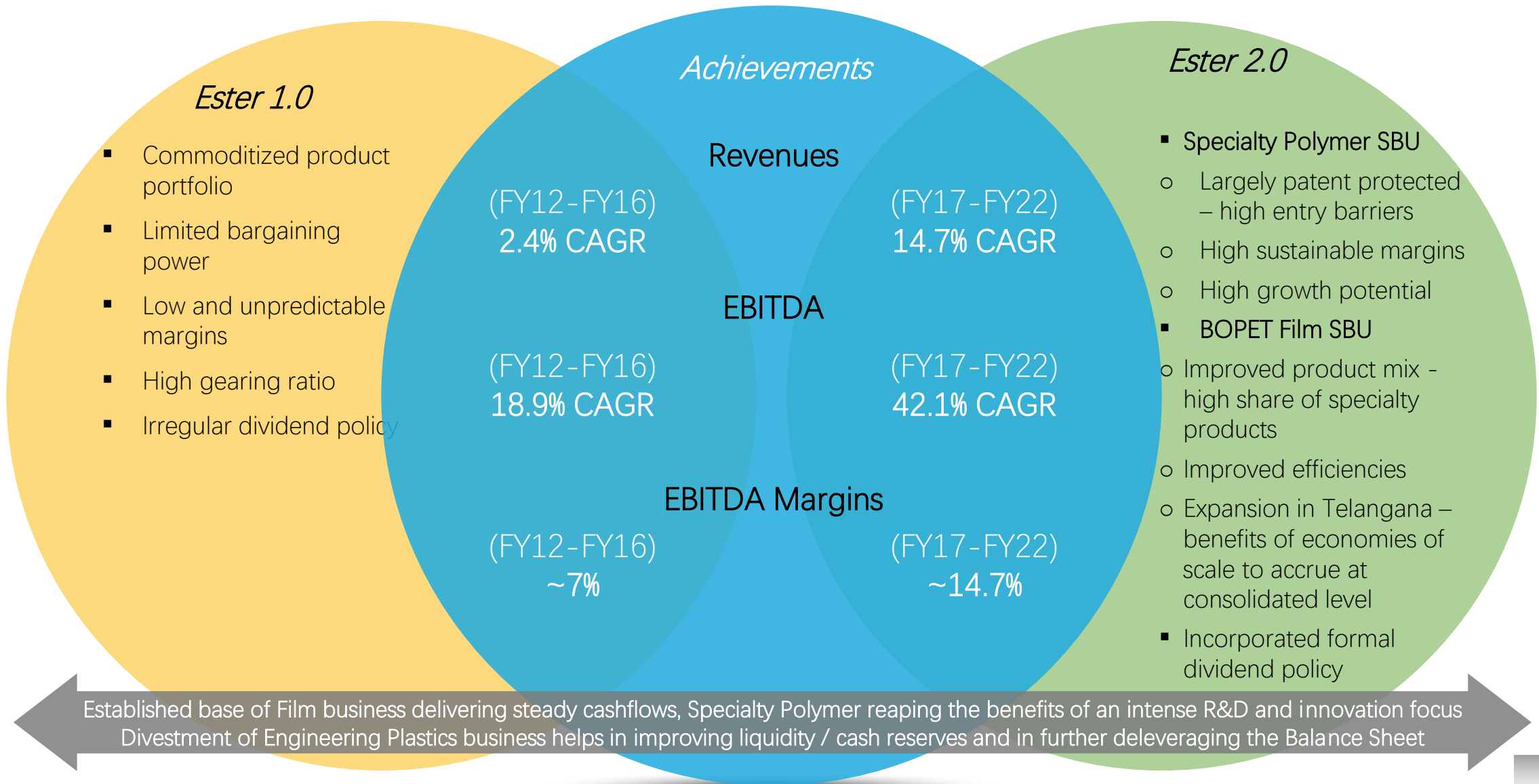
Chairman's Comments



Ester 2.0 “Specialty” Company

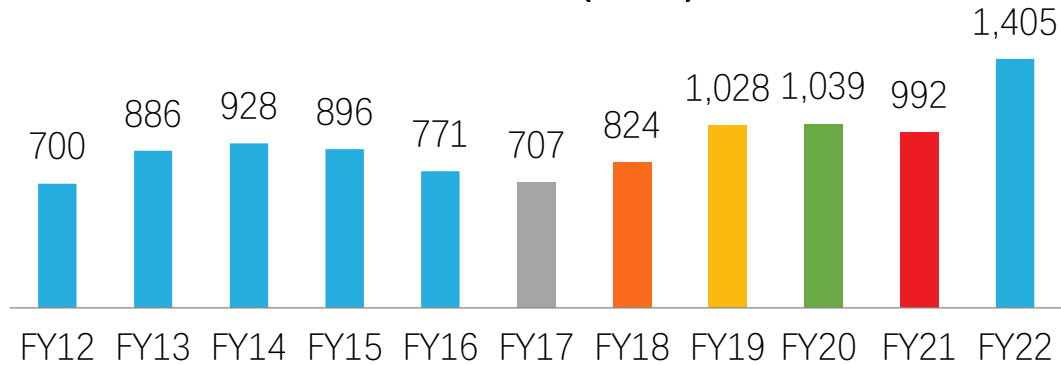


Ester 2.0 – Transformed into a “Specialty” Co.

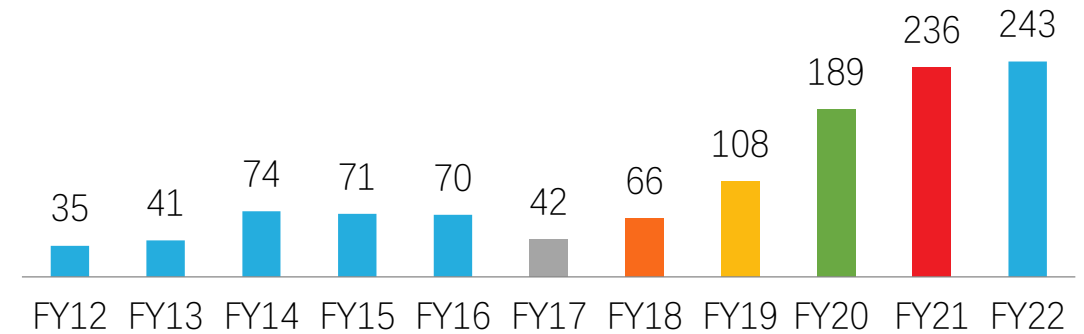


Ester 2.0 delivering consistent returns

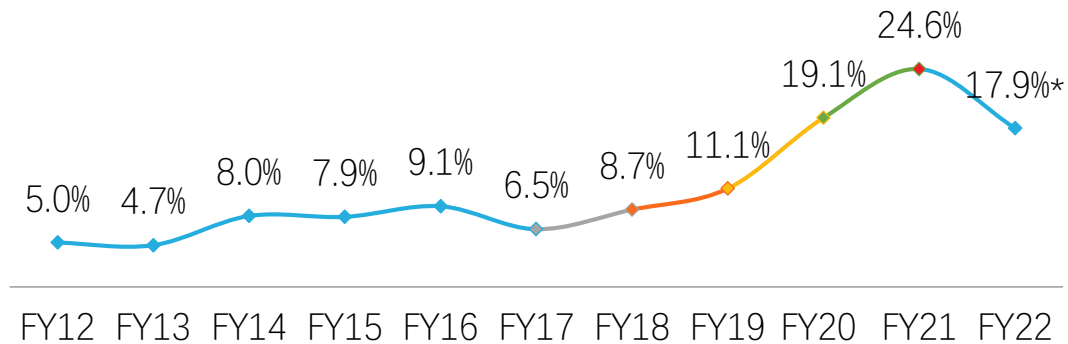
Revenues (Rs.cr)



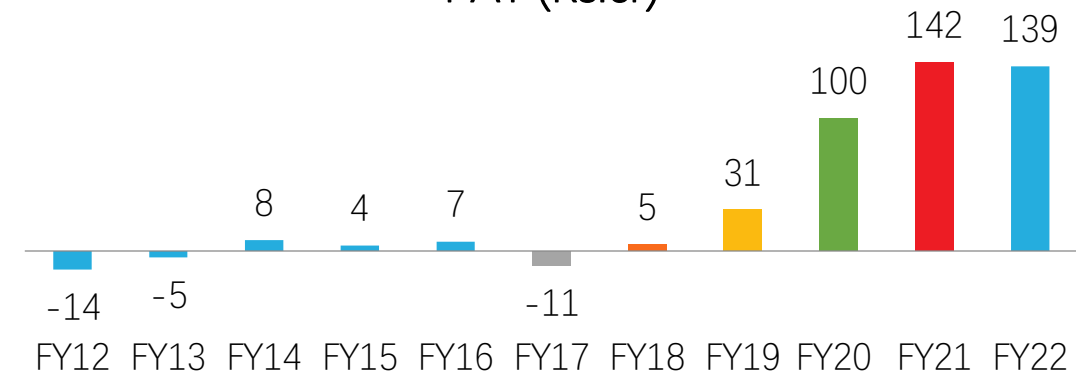
EBITDA (Rs.cr)



EBITDA Margins (%)

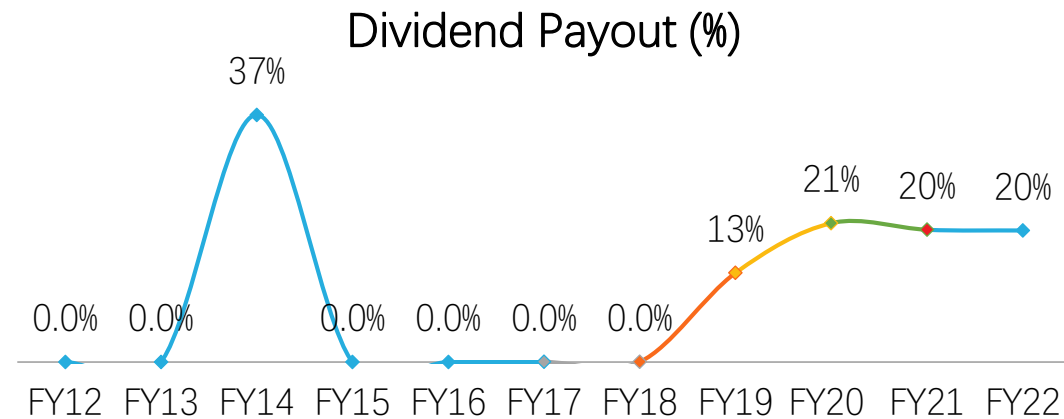
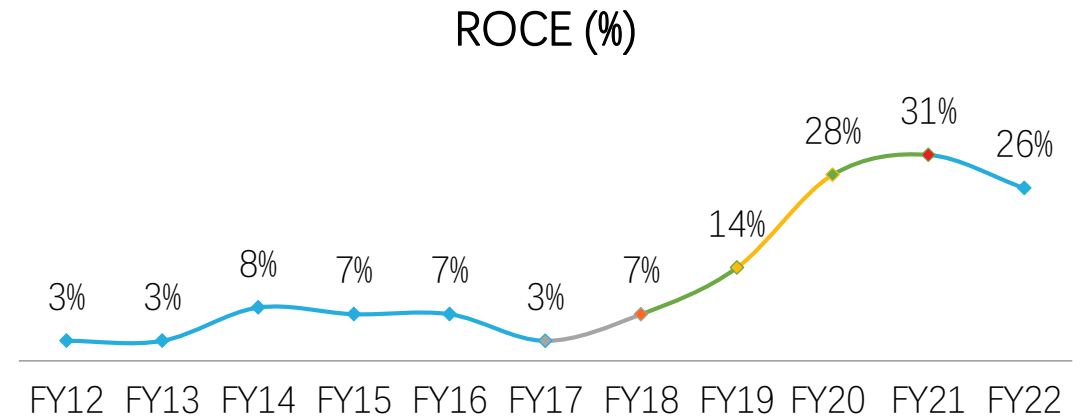
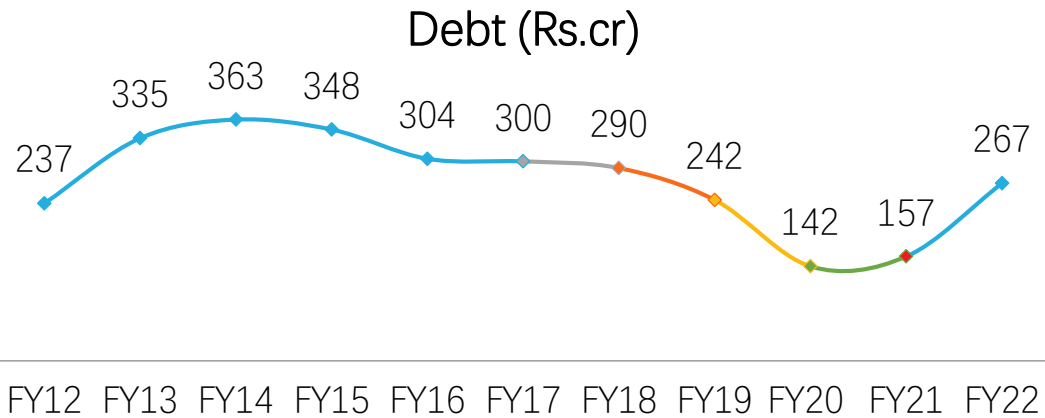


PAT (Rs.cr)



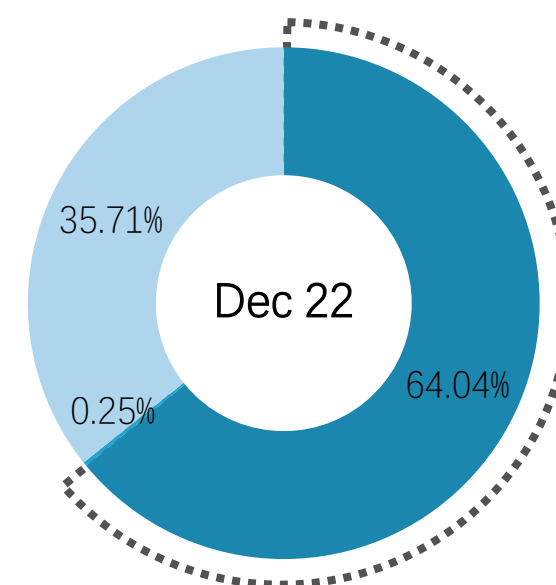
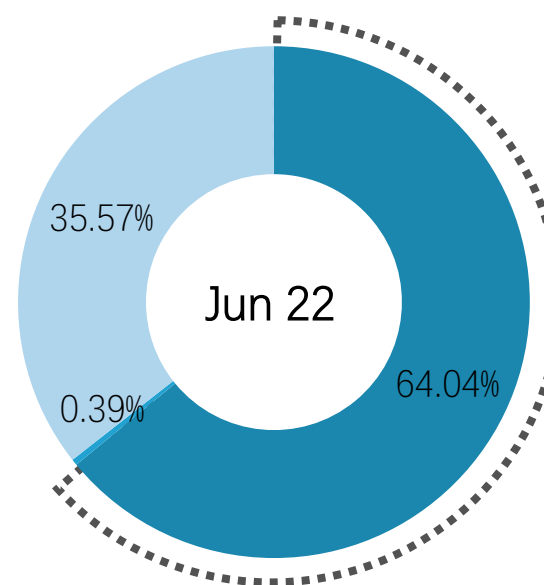
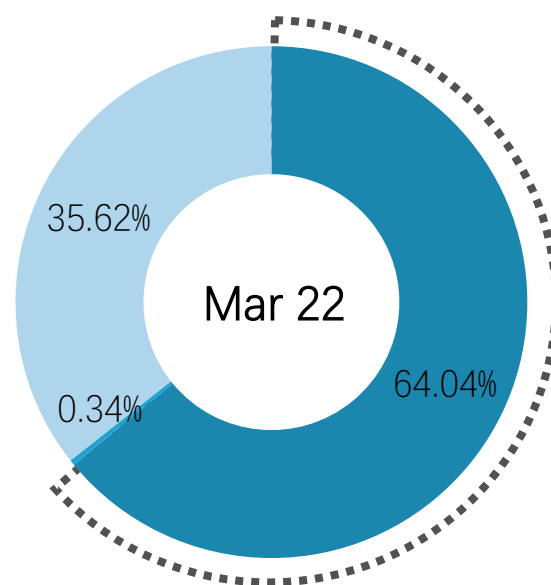
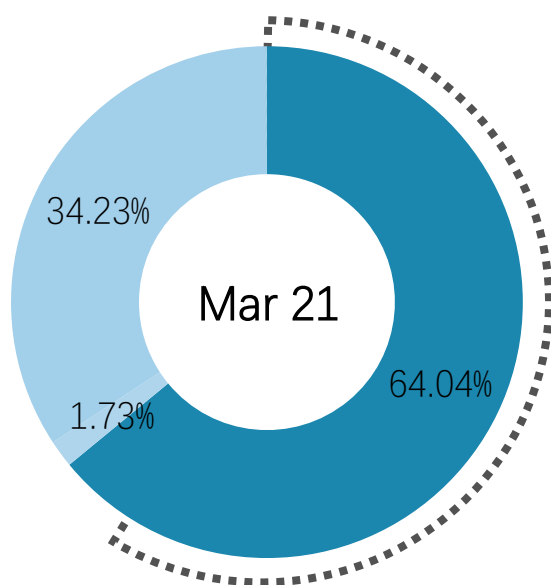
Due to fresh capitalization, investment in WOS and increase in gross current assets, debt in absolute terms has increased and ROCE in percentage terms has reduced though EBIT in absolute terms is almost same as FY 2020-21

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 though EBIT in absolute terms is almost same as FY 2020-21

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)

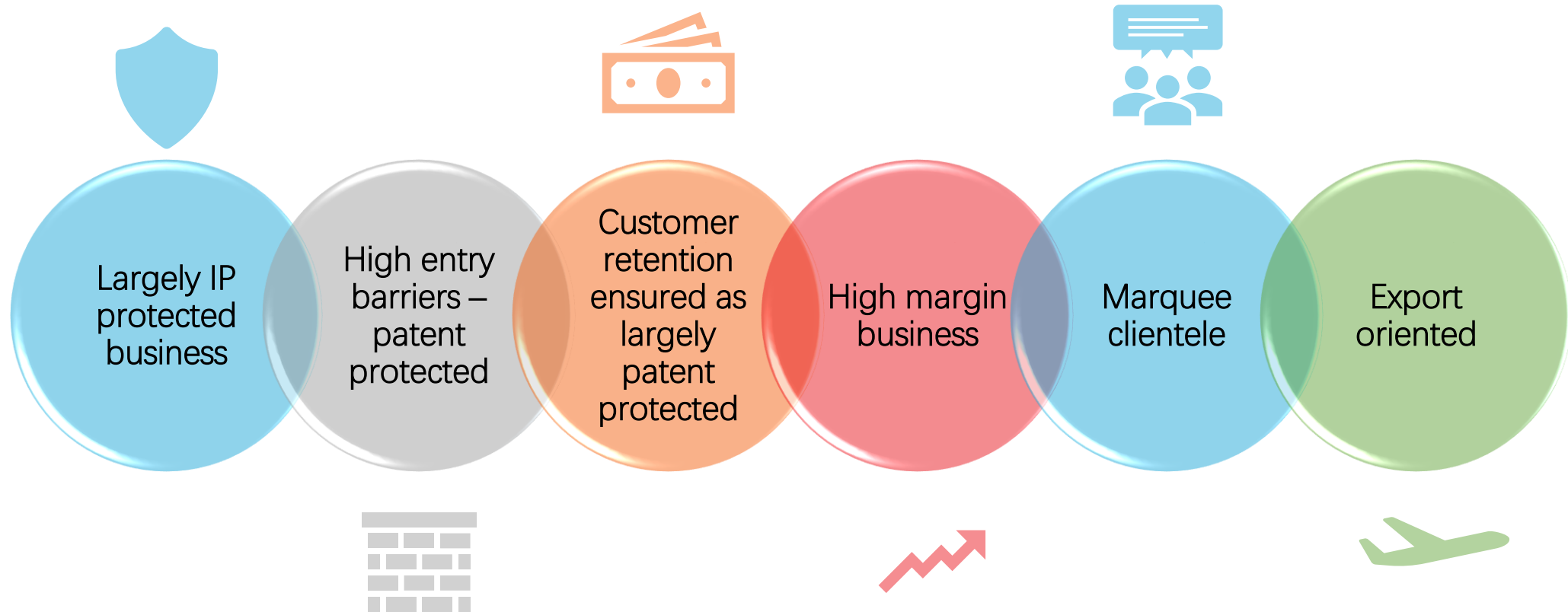
PVDC FREE PACKAGING
(Transparent High Barrier film)



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

Signed 'Manufacture and Supply Agreement' with a global chemical leader in April 2019 effective 1st April 2019 for 2 years for 400 MT per annum

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

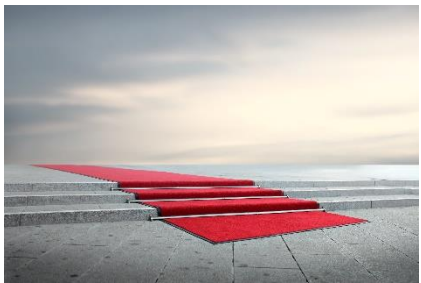
Achieved sales of 1190 MT during FY 2021-22

During FY23, despite slow down in customer markets, expect to surpass volumetric sales achieved during FY22.

Substantial scale up in volume expected in years to come
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

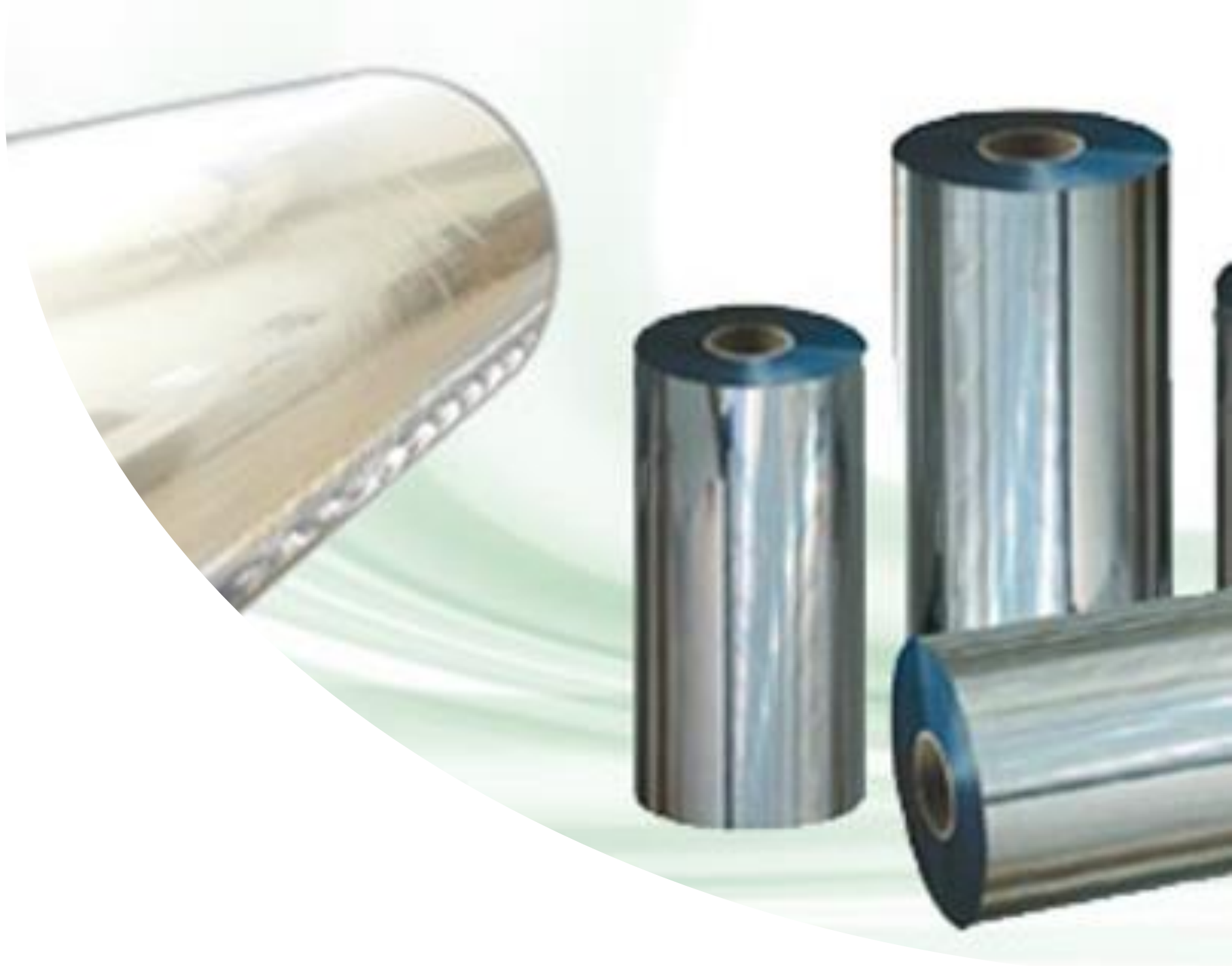


Q3 & 9M FY23 Performance

Particulars	Q3 FY23	Q3 FY22	%	9M FY23	<i>Figs. in cr</i> 9M FY22	%
Sales (Vol's MT)	405	953	(57.5)	2,735	2,698	1.3
Revenue	16	44	(63.6)	146	125	16.8
EBIT	4	12	(66.7)	45	42	7.1
Margins (%)	<i>25.0</i>	<i>27.3</i>	<i>(230 bps)</i>	<i>30.8</i>	<i>33.6</i>	<i>(280 bps)</i>

- Q3 FY23 performance was impacted due to recessionary concerns in USA, a key market, 9M FY23 though registered revenue growth of 17%
- Lower profitability and margins during Q3FY23 were largely owing to lower sales & adverse product mix; 9M FY23 profitability though registered growth of 7%
- Have started to witness upturn in volume from Jan 23 onwards and expect to regain level of operations delivered during first half of FY23 as global & US economic situation improves
- The product pipeline remains encouraging with good potential to add to the revenue & profitability of the business

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 5 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

#30+

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)

22%

Share of value-added
products (Q3 FY23)

67,000
MTPA

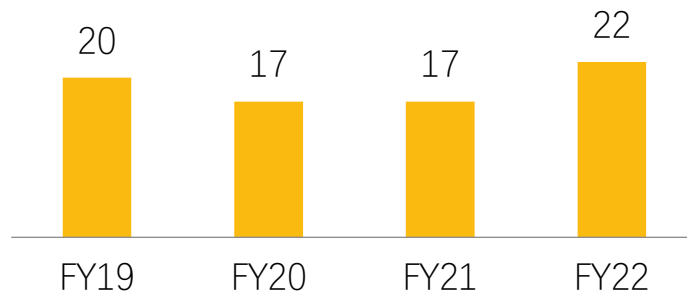
Polyethylene Terephthalate
(Polyester) Chips capacity

Telangana
Plant

Commercial production
commenced on 20th January 23

Key Strengths

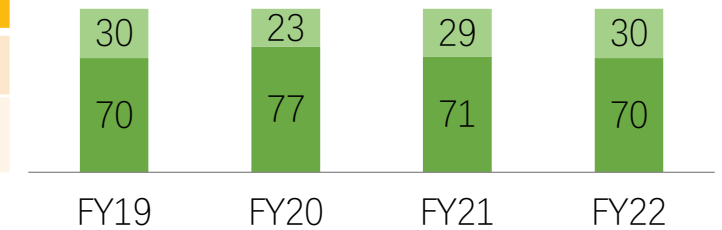
Value Added (%)



*Film business (excl. chips)

(Rs.cr)	FY19	FY20	FY21	FY22
EBIT	118	180	219	150
Margins (%)	16.4	24.5	31.9	17.8

■ Domestic ■ Exports



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

Pass through business model – provides protection against volatility in raw material prices (petrochemical based)

Balanced mix of domestic and exports orders

*Drop in margins (%) due to higher revenues & steep increase in feedstock prices (denominator effect)

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



Q3 & 9M FY23 Performance

Figs. in cr



Particulars	Q3FY23	Q3FY22	%	9M FY23	9M FY22	%
Sales (Vol's MT)	12,734	14,248	(10.6)	42,432	44,122	(3.8)
Revenue*	181	244	(25.9)	679	682	(0.4)
EBIT ⁺	(2)	40	(105.0)	65	104	(37.5)
Margins (%)	<i>-1.1</i>	<i>16.4</i>	<i>(1750 bps)</i>	<i>9.5</i>	<i>15.25</i>	<i>(575 bps)</i>

- Q3FY23 sales (in both volumetric & value terms) impacted by breakdown for about a month of Film Plant #3
- Higher competitive intensity impacted profitability during the quarter. Sales on 9M basis though remained steady at Rs. 679 crore
 - Share of Value-added products stood at 22% during Q3FY23
- EBIT moderation during the quarter was largely owing to higher competitive intensity and higher conversion & logistics costs
- While margins may remain under pressure over next couple of quarters owing to build up in capacities; long term prospects of the business continues to remain favorable.
 - Domestic market growing at 11%-13%; Exports market continue to grow at 6%-6.5%

Ester Filmtech Limited (WOS) starts commercial operation

- Ester Filmtech Limited, a wholly-owned-subsidiary of Ester Industries Limited, commences commercial production on 20th January 23 at new Polyester (BOPET) film manufacturing plant in the State of Telangana.
- Spread over 50 acres, the 48,000 MTPA Polyester Film and 10,000 MTPA Metallized Polyester Film unit has been set up at an approximate cost of Rs. 665 crore (including margin money for working capital and GST accumulation).
- The plant is expected to generate revenues worth approximately Rs.600 crore upon achieving optimal utilization
- Products from this new unit will find applications mainly in flexible packaging industry
- Exports may constitute approximately 30%-40% of the production from this unit



Engineering Plastics



Q3 & 9M FY23 Performance (Discontinued operations)

EP SBU - Discontinued Operations	Q3FY23	Q3FY22	%	9M FY23	9M FY22	%
Revenue from Operations	-	77.16	-	136.01	210.39	(35.35)
Profit before Tax	-	16.46	-	17.68	56.00	(68.43)
Margins (%)	-	21.33%	-	13.00%	26.62%	(1362 bps)
PAT	-	12.3	-	13.23	41.9	(68.42)
Margins (%)	-	15.95%	-	9.73%	19.92%	(1019 bps)

Disposal of Discontinued Operations	Q2 FY23 9M FY23
Purchase Consideration	263.26
Less: Assets divested & expenses related to disposal	115.04
PBT on disposal of discontinued operations	148.22
Tax expense related to disposal of discontinued operations	34.19
NPAT on disposal of discontinued operations	114.03

- On 15th September 2022, EIL divested its Engineering Plastic Business on Slump Sales basis to Radici Plastics India Private Limited in an all-cash transaction, amounting to Rs 263.26 crores
- Strategic exit enables Company to focus on Core Businesses of Polyester Films and Specialty Polymers
- Proceeds from the transaction not only results in stronger balance sheet but also provide the requisite growth capital for scaling up the core businesses of the Company
- Enables to significantly improve cash reserve / liquidity position and debt servicing capability of the Company

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