



ESTER
INDUSTRIES LTD.

Q4 & FY23 Investor Presentation

June, 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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Q4 & FY23 Performance

Ester 2.0

Investment Thesis

Business Overview

About Us

Diversified business portfolio

Comprehensive product suite

State-of-the-art manufacturing facilities

Global footprint

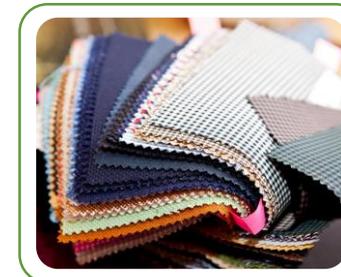
Experienced management team

Strong Financial profile

Sales Mix (FY23)



Polyester Films **73%**



Specialty Polymers **16%**



*Engineering Plastics **11%**

* Results for FY23 include results of Engineering Plastics (EP) business from 1st April 2022 to 14th Sept 2022 that have been reported as "Discontinued operations" as EP Business was transferred to Radici Plastics India Private Limited on 15th September 2022

Quick Facts

1985

Year of Incorporation

GURGAON, INDIA

Corporate Headquarters

2

Business Segments*

About 50 COUNTRIES

Global Footprint

549 – KHATIMA,
SITARGANJ, GURGAON

People

159 – HYDERABAD

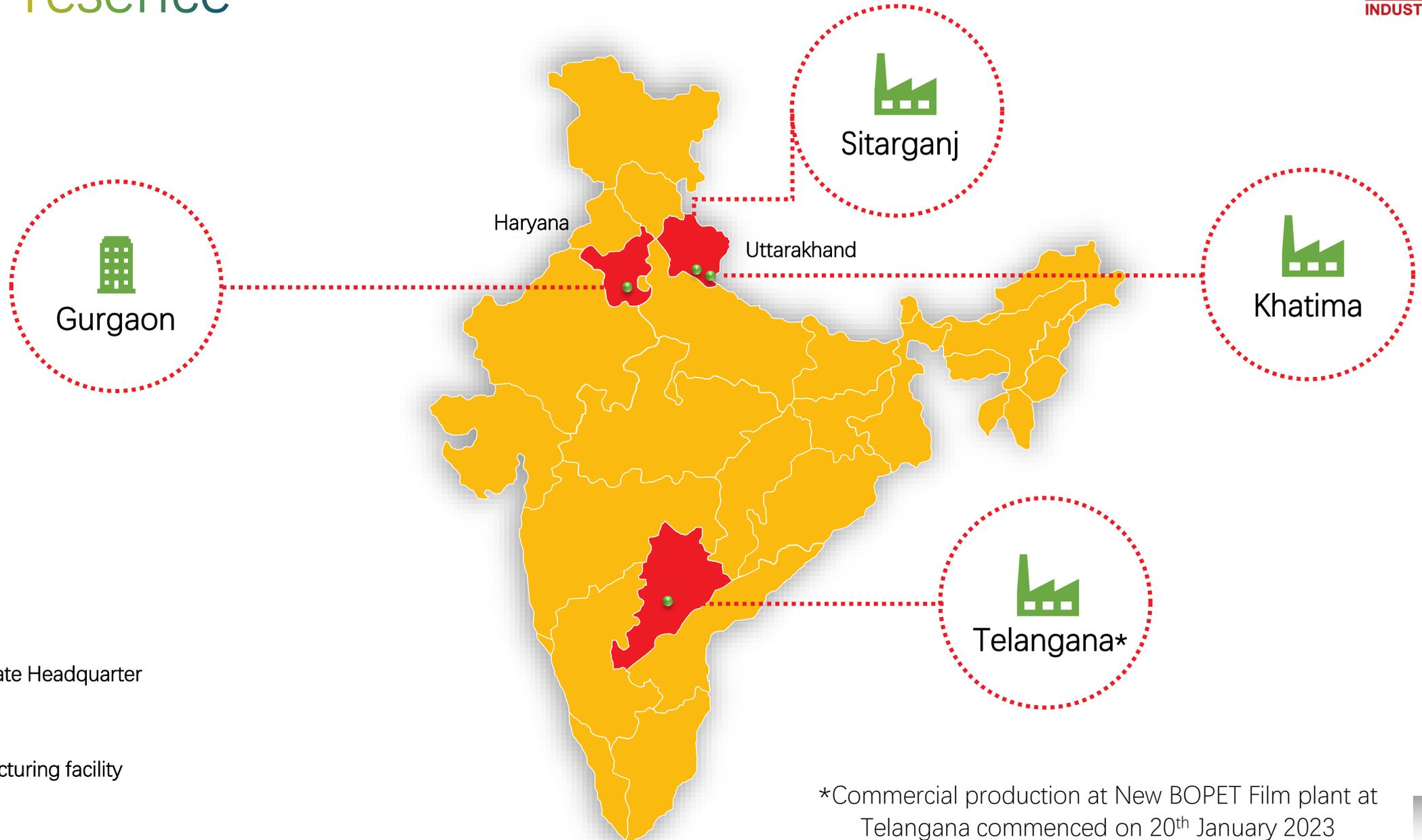
CRISIL A

(Industry Outlook – Negative)

Credit Rating (Long Term)

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

Our Presence



-  Corporate Headquarter
-  Manufacturing facility

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

Global Presence

We serve about 50 Countries



Q4 & FY23 Performance Overview

Financial Summary (Standalone)

Particulars – Continued Operations (Rs.cr)	Q4 FY23	Q4 FY22	%	FY23	FY22	%
Revenues	256	305	(16)	1,095	1,119	(02)
EBITDA (including Non operating income)	19	53	(64)	117	182	(36)
Margins (%)	7.4	17.4	(1000 bps)	10.6	16.2	(560 bps)
PAT (Continuing operations)	3	24	(88)	36	88	(59)
Margins (%)	1.1	7.9	(680 bps)	3.2	7.9	(470 bps)
Particulars – Discontinued Operations (Rs.cr)						
PAT from discontinued operations	--	9		13	51	
PAT from disposal of discontinued operations	--	0		112	0	
Particulars – Company as a whole (Rs.cr)						
PAT	3	33		161	139	
EPS	0.35	3.9		19.3	16.7	

- While Specialty Polymers performed well during the quarter & year, Film business performance was impacted by excess supply, higher input prices and power & fuel expense
- Sharp moderation in the realisations / margins of film business led to overall compression in profitability.
- On yearly basis, higher power & fuel expense, interest outgo & depreciation coupled with benign margins in Film business resulted in lower profitability
- On account of demand supply imbalance, Film business may experience some stress in short to medium term though some recovery in prices & margins being witnessed in Q1FY24

Financial Summary (Consolidated)

Particulars – Continued Operations (Rs.cr)	Q4 FY23		FY23	
Revenues	293		1,127	
EBITDA (including Non operating income)	9		104	
Margins (%)	3.1		9.2	
PAT (Continuing operations)	(18)		12	
Margins (%)	-		1.1	
Particulars – Discontinued Operations (Rs.cr)				
PAT from discontinued operations	-		13	
PAT from disposal of discontinued operations	-		112	
Particulars – Company as a whole (Rs.cr)				
PAT	(18)		137	
EPS	(2.1)		16.4	

Commenting on the results, Mr. Arvind Singhania, Chairman, Ester Industries said “*We have ended the year on a positive note with both our businesses making a comeback over previous quarter.*”

Specialty Polymer business performed well as sales volumes of our marquee products revived during the quarter which in turn aided in improving margins and profitability of the business. The recovery was largely on expected lines given that Q3 performance was impacted by short term headwinds across its core end user market. Though H1FY23 turned out to be significantly better than H1FY22, the headwinds caused by recessionary trends in USA impacted performance in H2FY23. Performance of the SBU is likely to remain impacted for 2 – 3 quarters until economic revival in USA. However, the prospects of the business remain robust basis innovative products already commercialized and expected to be introduced in near future. The persistent efforts of R&D team to improve innovation pipeline and process enables us to build a healthy product pipeline.

Film business staged a marginal recovery during the quarter with volumes and profitability both improving on a sequential basis. Volumes on stand-alone as well as consolidated basis benefited from the commissioning of our new unit at Telangana. Despite higher output, the business continues to see near term headwinds in terms of lower margins given excess supply in the market. Furthermore, higher input prices namely power & fuel further exerted pressure on the profitability. Though some recovery both in terms of pricing & margins is being seen in Q1FY24, the margins are expected to remain under pressure in near to medium term. To mitigate the same and to improve margins and profitability, we are focusing our efforts towards improving product mix and containing costs

We are embarking upon a journey of Business Process Re-engineering, Digital Transformation and Business Process Automation to make the processes more productive, lean, efficient and cost effective .

Going forward, we believe both our businesses are well positioned to deliver growth and create significant value for our shareholders. Furthermore, our focus on maintaining debt at prudent level, improving the cashflows and cost rationalization has enabled us to timely serve our debt commitments. While near term challenges may persist, both the businesses have demonstrated enough resilience in the past to withstand any threat and emerge stronger.”

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)
~8.3%

Ester 2.0

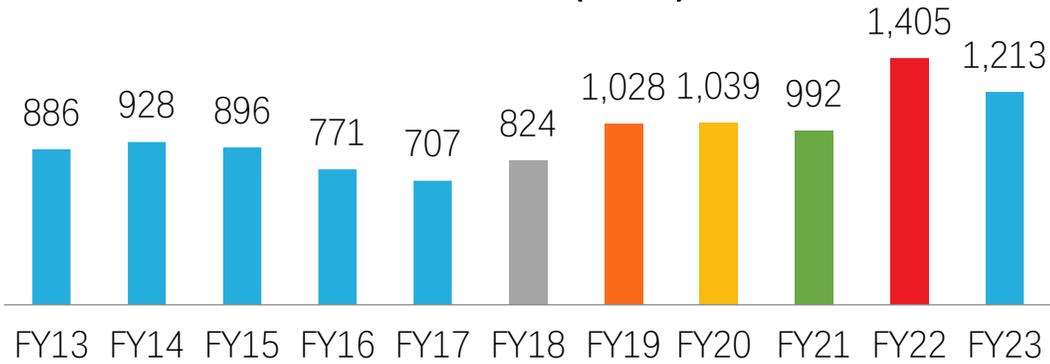
- Specialty Polymer SBU
 - Largely patent protected – high entry barriers
 - High sustainable margins
 - High growth potential
- BOPET Film SBU
 - Improved product mix - high share of specialty products
 - Improved efficiencies
 - Expansion in Telangana – benefits of economies of scale to accrue at consolidated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

Established base of Film business delivering steady cashflows, Specialty Polymer reaping the benefits of an intense R&D and innovation focus
Divestment of Engineering Plastics business helps in improving liquidity / cash reserves and in further deleveraging the Balance Sheet

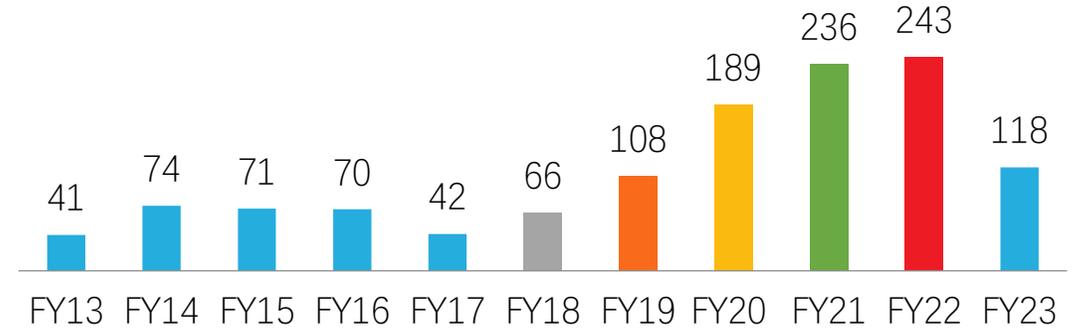
Significant improvement achieved between FY17 & FY22. Performance during FY23 impacted by recessionary trend in US & EU, drastic reduction in margins in Film business due to over supply situation caused by bunching of capacities and inflationary pressure on costs

Ester 2.0 delivering consistent returns

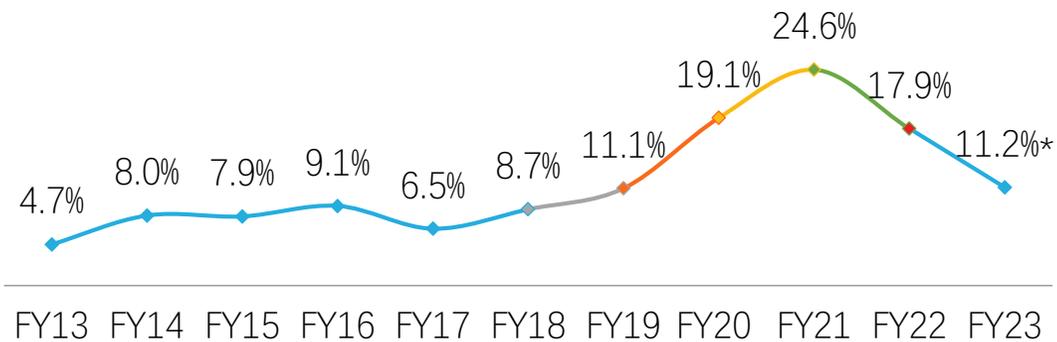
Revenues (Rs.cr)



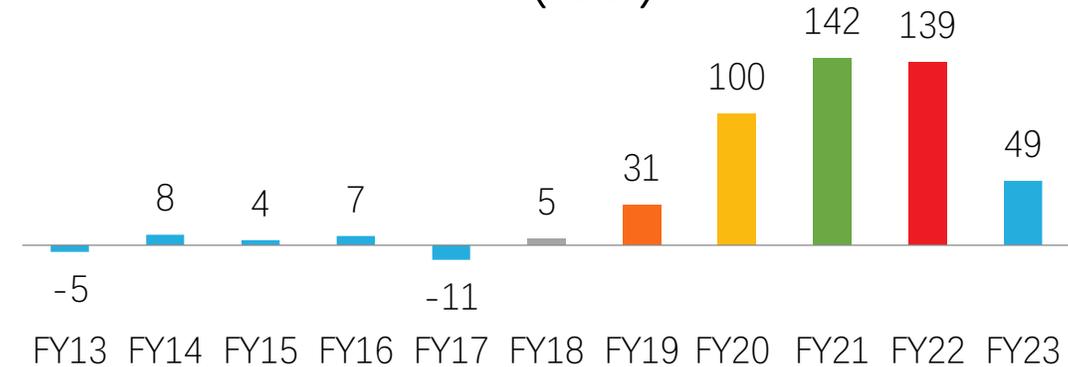
EBITDA (Rs.cr)



EBITDA Margins (%)

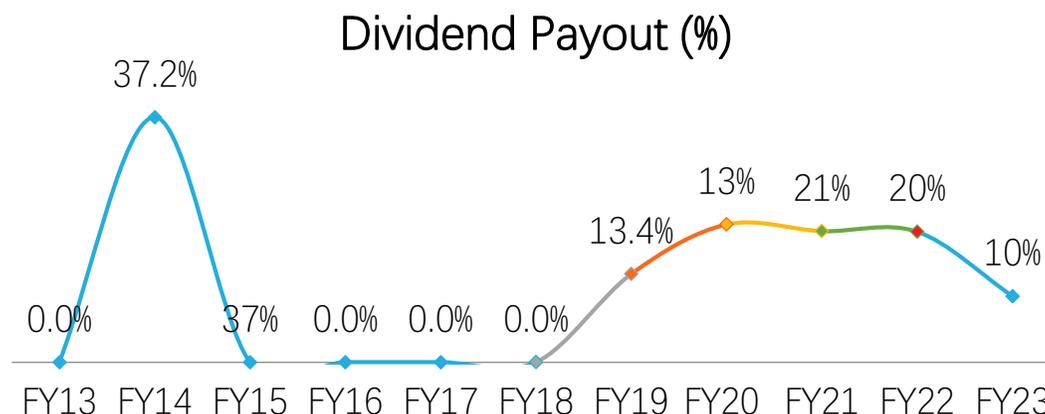
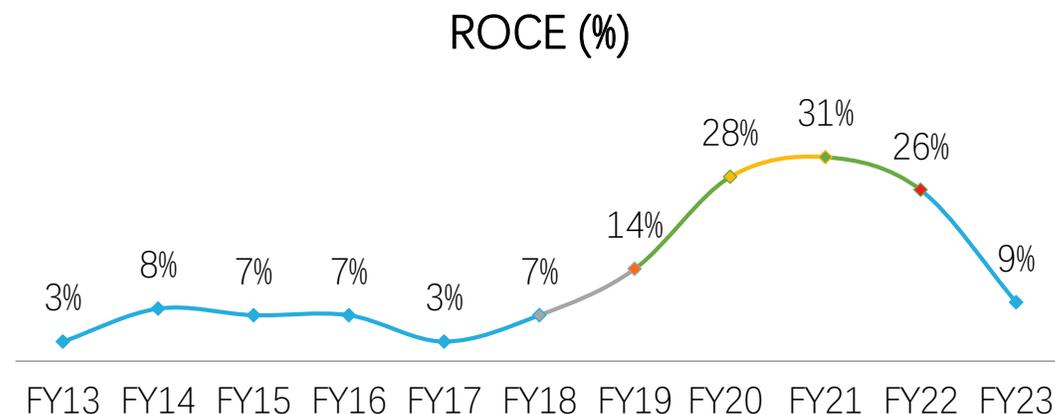
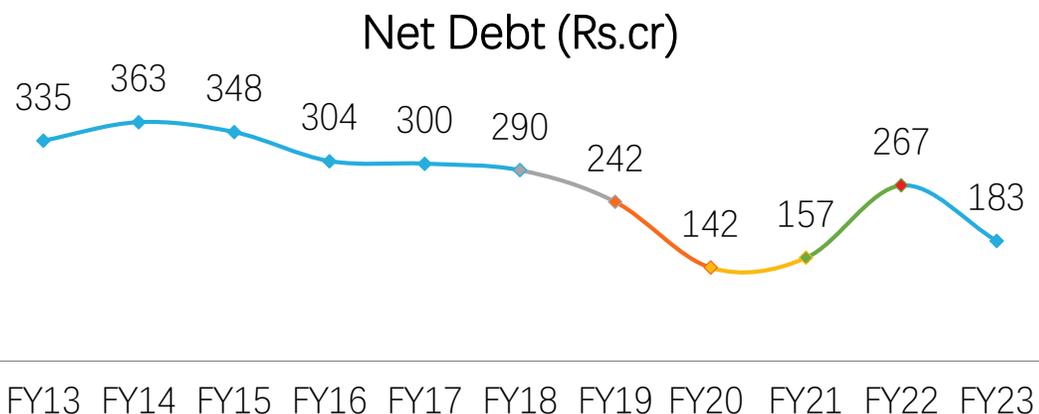


PAT (Rs.cr)



* On account of pressure on margins in Film due to demand supply imbalance and performance of EP SBU being available only for 1st April to 14th Sept 22, there has been reduction in revenue & profitability has been significantly lower

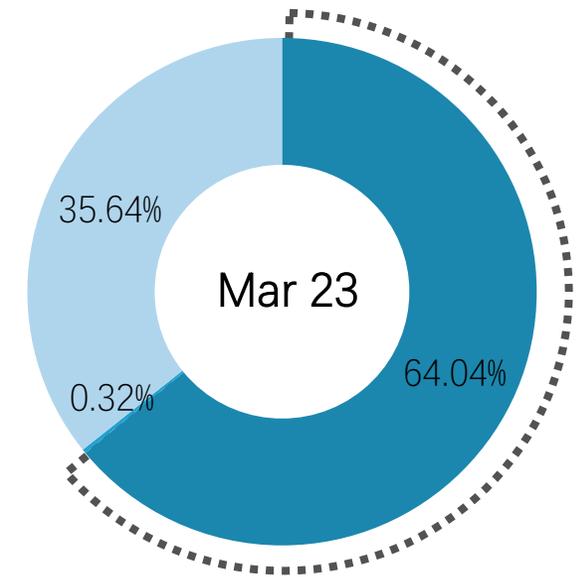
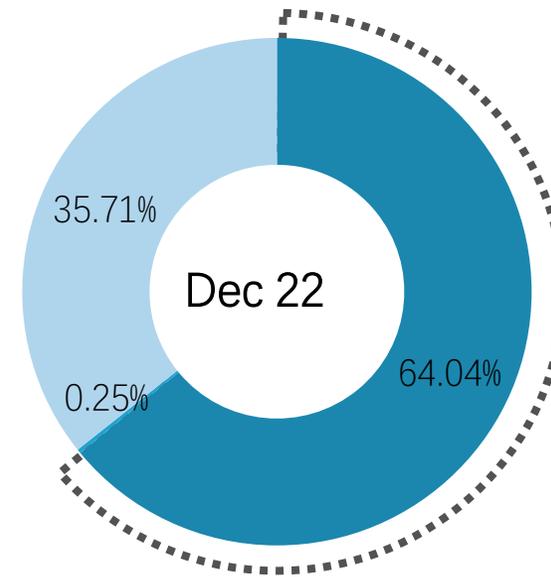
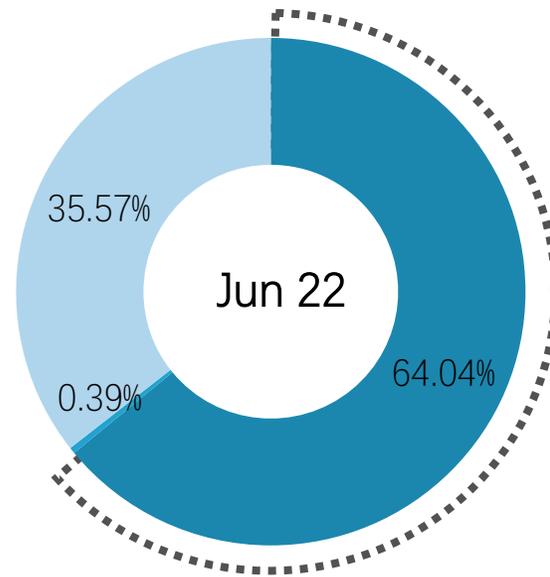
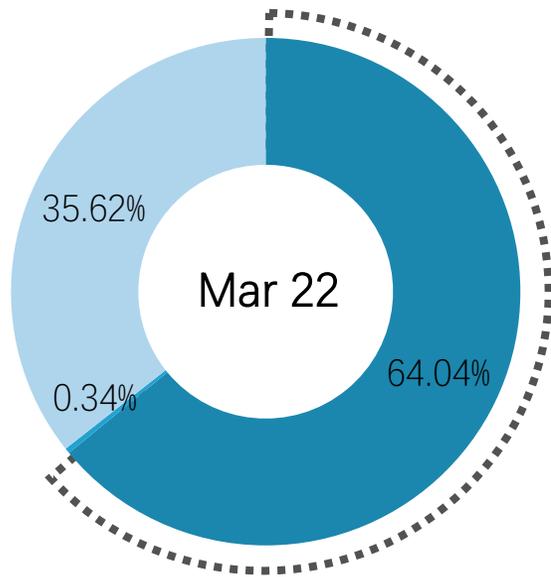
Ester 2.0 rewarding shareholders



Slump sales proceeds of Engineering Plastics business enables reduction in net debt despite fresh capitalization and investment in WOS

ROCE has reduced drastically on account of significantly lower performance of Film SBU. Performance also impacted by inflationary cost pressure and higher interest outgo.

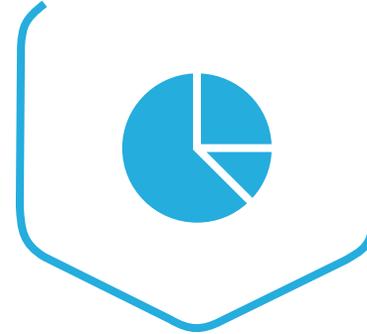
Shareholding Pattern



■ Promoter ■ FPI ■ Others

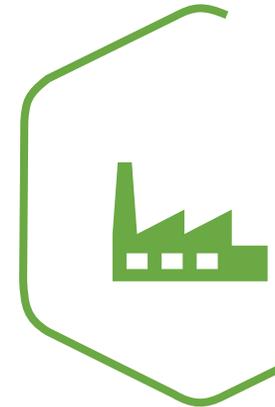
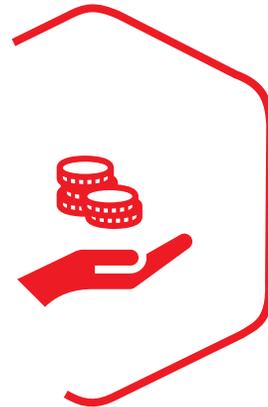
Investment Thesis

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

Focus On Sustainability

BIO-BASED Fuel Consumption



BIO-BASED Raw Material



PACKAGING MATERIAL
Reduction/ Recycling



PVC FREE PACKAGING
(Twist Wrap / Shrink Film)

PVDC FREE PACKAGING
(Transparent High Barrier film)



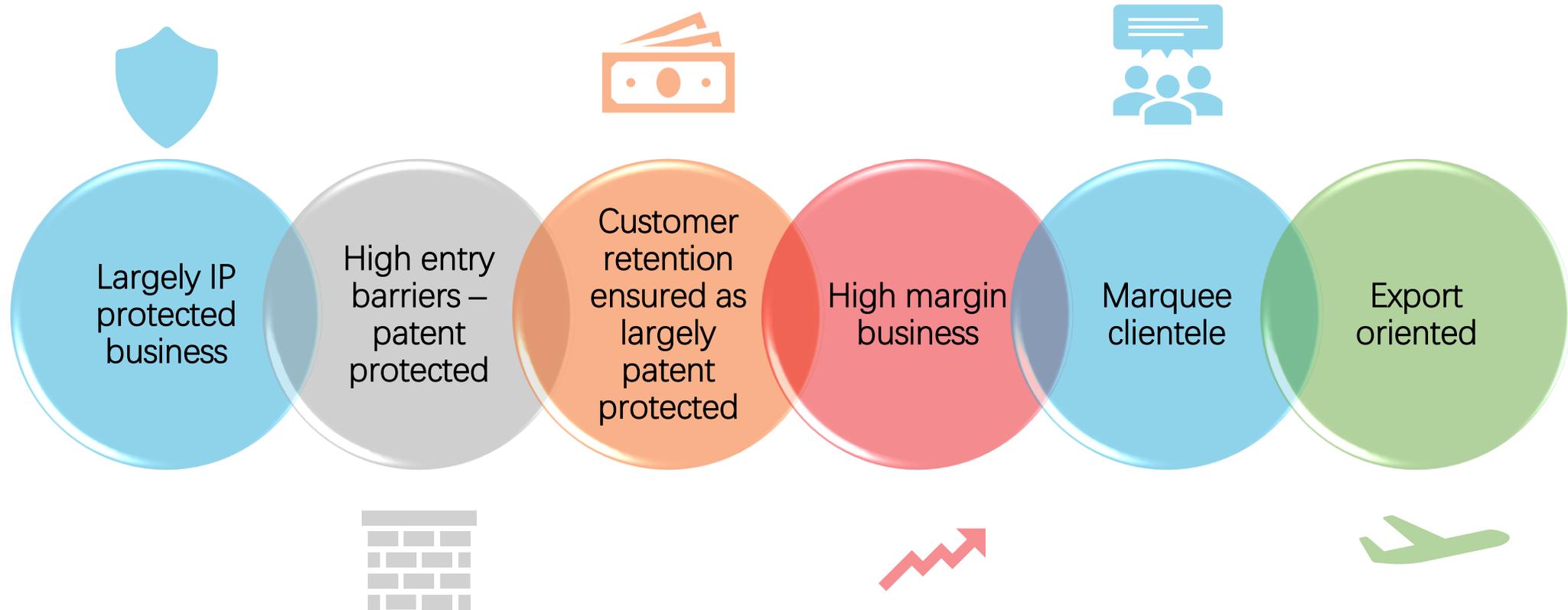
FOIL REPLACEMENT
(Metalized High Barrier film)





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, achieved volumetric sales of 1633 MT

Recessionary trends in US likely to impact off take in FY24

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

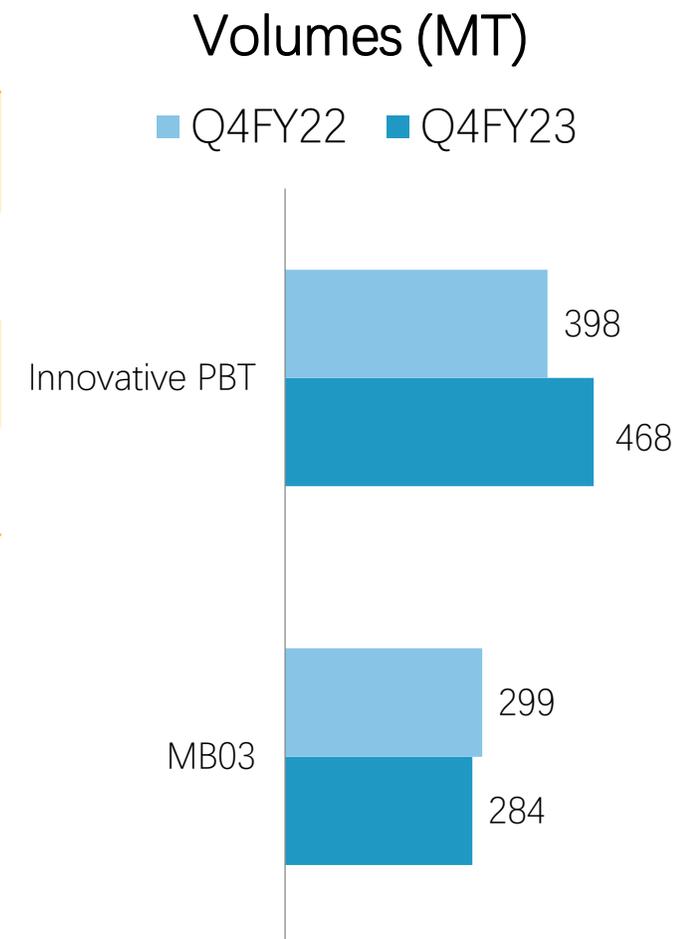
Low Melt Polymers for Textiles



Q4 & FY23 Performance

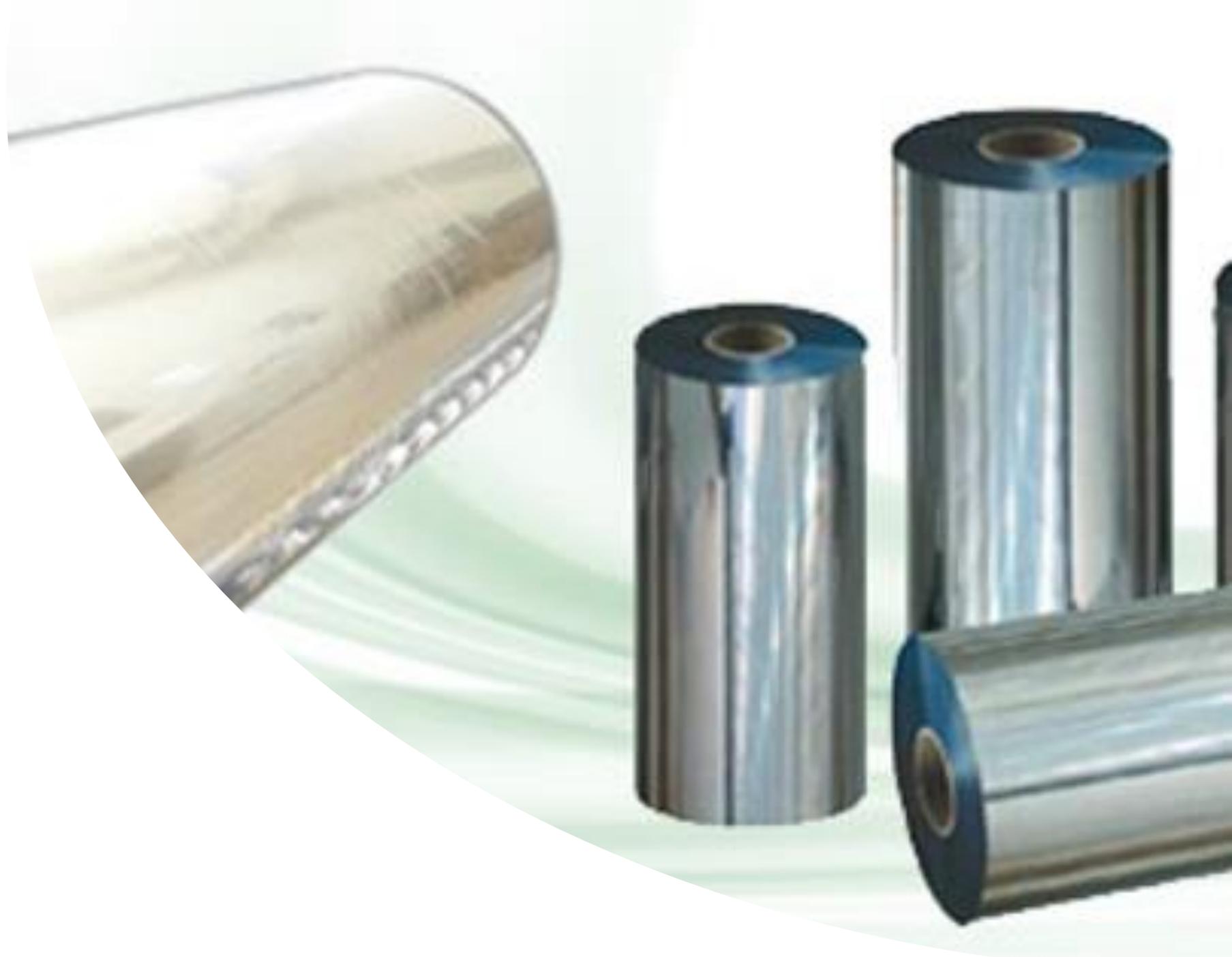
Figs. in cr

Particulars	Q4 FY23	Q4 FY22	%	FY23	FY22	%
Sales (Vol's MT)	878	903	(2.8)	3,613	3,600	+0.4
Revenue	52	47	10.6	198	173	+14.5
EBIT	12	14	(14.3)	57	56	+1.8
Margins (%)	23.5	28.9	(540 bps)	28.8	32.2	(340 bps)



- Q4FY23 witnessed a sharp recovery on a sequential basis as sales of marquee products MB03 and IQPBT revived on expected lines. On an annual basis, the performance was largely steady despite external challenges
- Profitability as well improved in Q4FY23 on a Q-o-Q basis amidst better product mix. On annual basis, profitability was stable
- Recovery in Q4FY23 over Q3FY23 is reflective of the inherent strength of the business (largely IP protected business).
- Performance of the SBU likely to remain impacted for 2 – 3 quarters until economic revival in USA

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

#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

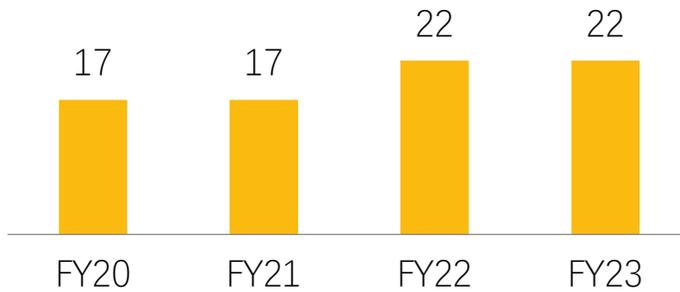
Polyethylene Terephthalate
(Polyester) Chips capacity

Telangana
Plant

Commercial production
commenced on 20th January 23

Key Strengths

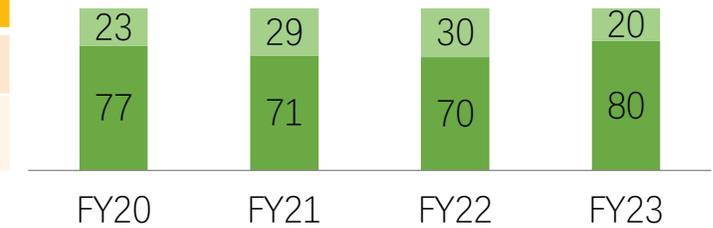
Value Added (%)



*Film business (excl. chips)

(Rs.cr)	FY20	FY21	FY22	FY23
EBIT	180	219	150	72
Margins (%)	24.5	31.9	17.8	8.1

■ 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 as far as raw material prices are concerned
 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



Q4 & FY23 Performance (Standalone)

Figs. in cr

Particulars	Q4FY23	Q4FY22	%	FY23	FY22	%
Sales (Vol's MT)	14,740	14,028	5.0	57,172	58,151	(1.6)
Revenue*	201	256	(21.5)	880	938	(6.2)
EBIT ⁺	7	49	(85.7)	72	153	(52.9)
Margins (%)	<i>3.4</i>	<i>19.2</i>	<i>(1,580 bps)</i>	<i>8.2</i>	<i>16.3</i>	<i>(810 bps)</i>

- Q4FY23 witnessed marginal recovery on sequential basis on the back of higher volumes following commercial operations at EFL. On an annual basis though, revenues moderated owing to benign margins
 - Share of Value-added products stood at 23% during Q4FY23
- EBIT for the quarter turned positive as against loss in Q3FY23. On an annual basis though, lower profitability is reflective of heightened competitive intensity (excess supply in near to medium term) and high input costs
- Improvement being witnessed in price realization and margins during Q1FY24 over Q4FY23
- While margins may remain under pressure in the near to medium term owing to build up in capacities; long term prospects of the business continue to remain favourable.

Ester Filmtech Limited (WOS) starts commercial operation

- 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.49 crore during its first quarter of operation (Q4FY23); volumes of 4,757 MT
- Low margins and lower utilization levels resulted in EBITDA loss during the quarter;
- Performance remained muted also on account of Q4FY23 being first quarter of commercial operations
- 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 crores upon achieving optimal utilization

Particulars	Q4FY23
Sales (Vol's MT)	4,757
Revenue*	49
EBITDA	(10)
Margins (%)	-

Ester Filmtech Limited – Q4 & FY23 Financials

Particulars – Continued Operations (Rs.cr)	Q4 FY23	FY23
Net Sales	49.06	49.06
Other Operating Income	0.06	0.06
EBITDA	(9.96)	(12.70)
Other Non-Operating Income	0.03	0.03
Cash Profit	(15.93)	(19.24)
PBT	(20.68)	(24.15)
PAT	(20.68)	(24.15)
OCI	(0.07)	0.08

Engineering Plastics



Q4 & FY23 Performance (Discontinued operations)

EP SBU - Discontinued Operations	Q4FY23	Q4FY22	%	FY23	FY22	%
Revenue from Operations	-	85	-	136.01	295	(54%)
Profit before Tax	-	12	-	17.68	68	(74%)
Margins (%)	-	14.1%	-	13.00%	23.1	(1010 bps)
PAT	-	9	-	13.23	51	(74%)
Margins (%)	-	10.6%	-	9.73%	17.3%	(755 bps)

Disposal of Discontinued Operations	FY23
Purchase Consideration	263.26
Less: Assets divested & expenses related to disposal	117.70
PBT on disposal of discontinued operations	145.56
Tax expense related to disposal of discontinued operations	33.57
NPAT on disposal of discontinued operations	111.98

- On 15th September 2023, 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 company to significantly improve cash reserve / liquidity position of the Company

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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ESTER
INDUSTRIES LTD.

Thank You