

Transcript of 34th Annual General Meeting of
Ester Industries Limited

11.00 AM, 28th August, 2020

Attended by:

Mr. Arvind Singhania, Chairman & CEO

Mr. Pradeep Kumar Rustagi, Executive Director & CFO

Mr. M S Ramchandran, Independent Director

Mr. Sandeep Dinodia, Independent Director

Mrs. Padmaja Shailen Ruparel, Independent Director

Mr. P S Dasgupta, Independent Director

Mr. Ashok Kumar Newatia, Independent Director

Mrs. Archana Singhania, Non-Executive Director

Mr. Diwaker Dinesh, Head-Legal & Company Secretary

Mr. Diwaker Dinesh :

Good Morning Ladies and Gentlemen,

I am Diwaker Dinesh, Company Secretary of Ester Industries Limited. I welcome all the Directors, Shareholders, and Auditors in 34th Annual General Meeting of the Company.

Ministry of Corporate Affairs has permitted Companies to hold the shareholders Meeting through Video Conferencing and Other Audio Visual Mode due to the spread of COVID-19 virus. Accordingly your Company is holding this Annual General Meeting through Video Conferencing. Please take note that the proceedings of the AGM is being recorded and the transcript of the meeting shall be uploaded on the website of the Company.

Facility of joining the AGM is being made available on first come first serve basis. All members who have joined this meeting are by default placed on mute mode to avoid any disturbance from background to ensure smooth and seamless conduct of the meeting.

I now request the Chairperson to please continue with the proceedings of meeting.

Mr. Arvind Singhania

Good Morning everyone, welcome to 34th Annual General Meeting of the Company. I am Arvind Singhania, Chairman & CEO of the Company. I am joining the meeting from the Corporate office of the Company at Gurgaon. I thank all the Shareholders, Directors and Auditors for joining this AGM through Video Conferencing. I hope all of you and your family members are safe and in good health.

Since the requisite quorum is present, I call the meeting to order.

With me here, apart from Mr. Diwaker Dinesh, Company Secretary, Mr. Pradeep Kumar Rustagi, Executive Director & CFO, Mr. Girish Behal, Business Head- Polyester Film and Mr. Ayush Vardhan Singhania, Head- Marketing and Business Development are also joining this Annual General Meeting.

Now I request all the Directors who are joining meeting through Video Conferencing, to please introduce themselves. Firstly Mr. M. S. Ramachandran who is Chairman of Nomination and Remuneration Committee

Mr. M. S. Ramachandran :

Good morning everybody, my name is M. S. Ramachandran. I am an Independent Director on the Board of Ester Industries Limited. I am also a Chairman of Nomination and Remuneration Committee and also the CSR Committee. I am participating from New Delhi.

Mr. Arvind Singhania :

Mr. Sandeep Dinodia, Chairman of Audit Committee

Mr. Sandeep Dinodia :

My name is Sandeep Dinodia. I am independent director of the company. I am the chairman of the audit committee I am participating in this annual general meeting of Ester industries Limited through video conferencing from my office in Connaught place, New Delhi.

Mr. Arvind Singhania :

Mr. Ashok Kumar Newatia, Chairman of Stakeholders' Committee and Borrowing Committee?

Mr. Ashok Kumar Newatia

I am Ashok Newatia. I am an independent director, and I chair the Stakeholders' Relationship committee and the Borrowing Committee.

Mr. Arvind Singhania :

Mrs. Padmaja Shalien Ruparel

Mrs. Padmaja Shalien Ruparel

My name is Padmaja Ruparel. I am Independent Director of the Company. I have joined from my residence in Noida for this AGM. Thank you.

Mr. Arvind Singhania :

Mr. P.S. Dasgupta

Mr. P.S. Dasgupta

Good morning to all of you. This is P. S. Dasgupta. I am an Independent Director of your company. I am attending this Annual General meeting of your company from my residence in Dubai.

Mr. Arvind Singhania :

Mrs. Archana Singhania. Can you please introduce yourself ?

Mrs. Archana Singhania :

I am Archana Singhania. I am non-executive Director. I am attending the meeting from Nainital.

Mr. Arvind Singhania:

Thank you everyone. Mr. Anand Chand Burman has expressed his inability to join this meeting due to pre-occupation. The Statutory Auditors and the Secretarial Auditors of the Company have joined this AGM from their respective locations.

Due to the spread of Corona Virus Pandemic, the AGM is being held through Video Conference/Other Audio Visual Means. This is in Compliance with the circulars issued by the Ministry of Corporate Affairs. The Company has taken requisite steps to enable members to participate and vote on the items being considered in this AGM.

Since all the members are joining this meeting through Video Conferencing, pursuant to the Circular of Ministry of Corporate Affairs, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. The Register of Directors, KMP and their Shareholding and other Statutory Registers as required under Companies Act, 2013 are open for inspection by the Shareholders. The Company has received Board resolution from 4 Corporate Shareholders having Six crores eighteen lacs ninety one thousands eight hundred and seventy three equity shares, authorizing their representative to attend the AGM and vote through remote E-voting or Voting at AGM

Notice of 34th Annual General Meeting, Auditors' Report, Audited financial statement for f/y 2019-20 and other reports have been circulated to all the members and also available on the websites of Company and Stock Exchanges. The Statutory Auditor's Report on the Accounts and other matters and the Secretarial Auditors' report do not contain any qualification, observations or adverse remarks therefore with your permission, I take the Notice and the Auditors' report as read.

Dear Shareholders, I would have very much preferred this meeting and addressing you all in person but given the current situation we have to hold this meeting over a virtual platform. I would like to thank all of you for taking the time out and joining us today from wherever you are and for your continued support to Ester Industries and its management. I hope you and your family are safe and healthy.

FY20 was an eventful year to say the least; possibly one of the most challenging years in recent times. The global economy not only had to withstand the challenges posed by the tariff war between the two economic powerhouses USA and China but the outbreak of the Covid-19 pandemic as well towards the end of the fiscal resulted in paralyzing the overall trade and growth momentum for the year. No surprise then that global economy will contract for the first time since the global financial crisis. FY21 as well is expected to be a challenging year for the global economy, as the Government along with central bankers the world over are faced with the difficult task of containing the spread of the virus while simultaneously ensuring that their economies keep firing. Monetary authorities the world over have acted proactively and boldly towards ensuring that the markets and economy remain well hydrated in terms of liquidity. Most Governments on their part have extended monetary and non-monetary support to the economy as well. Nonetheless, the path to recovery remains extremely challenging. Given that the crisis is largely health related, the ultimate solution to the problem lies in the discovery of a vaccine and effective cure.

Closer home, the Indian economy which was already reeling under the impact of a slowdown prior to the Covid-19 outbreak registered a growth of 4.2% during the fiscal, weakest since the financial crisis hit more than a decade back. The outbreak of the pandemic has severely damaged the main growth pillars of the economy, which is expected to result in de-growth during FY21 as well. Consumption momentum has been impacted as lockdown and social distancing resulted in demand shock. Manufacturing activities as well have been hit badly following the supply chain disruption and labour unavailability. Logistical challenges have impacted exports as well. Lastly, the overall panic and uncertainty following the outbreak of the pandemic triggered some risk aversion amongst investors. Amidst this unprecedented scenario the Government in collaboration with the RBI have responded bravely and acted in a timely manner. Their actions were directed towards protecting the poor and vulnerable, which are impacted the most by the lockdown and economic shocks by providing them financial, food and livelihood support. Their focus was also on protecting the economy and soft-landing with minimum damage so that the companies remain solvent, jobs remain intact and the COVID shock doesn't get amplified into real economy.

During the year, the Government undertook several measures, introduced path breaking reforms towards reviving the economy and investor sentiments. Reduction in the corporate tax rate, restructuring and recapitalisation of banks, increased allocation to agriculture and rural development etc., being some of the key initiatives. The Government also unveiled a Rs.20 lakh crore package during the year to support the economy. The RBI too offered ample liquidity support especially to industries and sectors which were impacted the most - MSMEs and agriculture. Further, the Government's push towards 'Vocal for Local' to achieve the goal of 'Atmanirbhar Bharat' is expected to provide the much needed fillip for reviving the demand for our local home-grown products. In addition the implementation of various structural reforms to address the problems surrounding land, labour, liquidity and laws to kickstart the 'Atmanirbhar campaign' are also very encouraging. Such initiatives are likely to assist every branch of the economy - from demand, supply chain to manufacturing. It will provide an opportunity for the local small scale and medium scale enterprises to demonstrate their capabilities and skillsets. It will also attract the attention of global companies who are now looking for alternatives besides China for setting up their manufacturing base. It provides a

good opportunity for us to once again showcase our talent and potential on a global scale. Such actions will also translate to lowering imports and further accelerate the export growth of our country. It will also help improve the export mix by increasing the share of finished products in place of raw materials which dominate at present. The string of reforms undertaken by government has resulted in record FDI investment in the country last year. The overall appeal is to make India shresth in terms of policies, processes and products.

In addition to various steps taken on the economic front, we should also appreciate the many steps taken by Prime Minister, Modi Ji and his team to improve the social fabric of our country. Schemes like 'Beti Bachao, Beti Padhao' underscore the Government's commitment towards bringing about a transformational shift in the way our society looks at the girl child. The campaign has delivered impressive results as can be seen from improved gender mix across districts and states. It has also helped improve environment for women at workplace. Further, initiatives like Direct Benefit Transfer (DBT) scheme based on the Jan Dhan Yojana, the world's largest financial inclusion scheme, has resulted in addition of more than 300 million poor families with no bank accounts into the country's banking system. Ayushman Bharat, the government's universal health insurance scheme for the poor is helping millions of Indian cope with the heavy medical bills. Lastly, Swachh Bharat Yojana has played a crucial role in preventing a larger public health crisis in rural India following the Covid-19 outbreak.

I will now discuss company specific developments. Despite a challenging year, Ester Industries continued to develop its business in a reliable and sustainable manner, building a platform for the future by investing in innovation and research. We delivered strong operating and financial results across all parameters in a very competitive and demanding business environment. These results validate Ester's long term value creation model based on the balanced pursuit of resource-efficient top and bottom-line growth as well as improved capital efficiency.

During the year, we reported a strong profitability growth of more than 200% on the back of strong performance from the Film and Specialty Polymer businesses. EBITDA margins as well improved 800 bps during the fiscal.

Commenting on individual businesses, starting with the Film business, the domestic polyester film market is growing at a healthy rate of 11%-13% on the back of strong demand. The total market size for BOPET films in India today stands at around 5,40,000 tonnes per annum. Volume and realisations remain strong and with raw material prices remaining benign, the profitability is expected to remain stable. Demand momentum post Covid-19, has changed for the better. The new Work from Home culture has resulted in greater consumption which in turn has translated to a significant increase in demand for packaging materials. Aside from the increase there are also newer packaging options opening, smaller packages of ketchup, mayonnaise being some examples. Furthermore demand for hygienic packaging has seen a strong uptick following the outbreak of Covid-19. Expectedly the need for soap, shampoos and sanitizers has grown multifold. Amidst such strong demand momentum, realisations have managed to remain fairly stable and the incremental capacities as well which were commissioned in recent times haven't made any dent in terms of the margin.

With the demand momentum expected to remain strong, we plan to set up an Advanced Polyester Film manufacturing facility in the State of Telangana, through our wholly owned subsidiary Ester Filmtech Limited. The implementation of the first phase of this project entails a capital outlay of Rs. 500 crore and is scheduled to be completed by the third quarter of calendar year 2022. The project will be funded through a mix of debt and internal accruals. We are conscious of the need to maintain a healthy balance sheet and as such will not aggressively fund the project with excessive debt.

The end products of the proposed facility will find its applications in the packaging material and will help contributing towards strengthening the value chain of flexible packaging industry. We also plan to export 20%-30% of the production from this site, which will help Telangana establish its footprint on the global packaging map. Following a lot of deliberation, we decided to zero in on Telangana particularly because of its industry friendly policies and the growth oriented approach demonstrated by Hon'ble CM Sri K. Chandra Sekhar Rao & Hon'ble Minister Sri K T Rama Rao. Initiatives like introduction of TSI-pass which facilitates speedy processing of licences, clearances and certificates required for setting up of industrial undertakings have received positive feedback from the business community as it cuts the bureaucratic delays and helps businesses save valuable time and efforts. No wonder the state has been able to draw attraction from both domestic and international investors.

Reflecting on our performance in the business for the year under review, we reported a volume growth of 11% for the year with overall volume of 58,033 metric tonnes compared with 52,290 metric tonnes for Polyester Film in FY19. Better realisations and efficiencies resulted in higher margins for the business. We are also working towards improving our product mix by increasing the share of value added product in the overall mix and target for it to reach 30% within the next two years. The commissioning of an off-line coater should help us meet the target. Further, the business fundamentals remain strong with no new supply expected to hit the domestic market until the middle of next year, which should help sustain the realisations and margins.

Moving on to Specialty Polymer business, FY20 was a turnaround year for the business with strong growth in revenues and profitability. Our marquee products MB-03 and innovative PBT both witnessed very good off-take. Innovative PBT in fact exceeded the minimum contract volume for the year. Another heartening development has been the traction which we are seeing in our other products. Product pipeline continues to remain healthy and strong. We are also witnessing encouraging progress in the development of another new product for the carpet industry in the US.

Specialty Polymer has evolved well over the years and while we have had our ups and downs in the business, the journey has been truly enriching. We had to start it from scratch – the turnaround time from being a 'thought' in my mind to what we have achieved today – it's truly been really remarkable. I must thank my team members as well who supported me in my decision to create something new, truly innovative. Before commencing the business, I was very clear in my mind that we needed something unique, something which will give us a competitive edge over the others. After the initial years of hardship, we were successful in creating a string of products truly novel with applications across industries. Also they are patent protected, so no one can replicate them. The first few years after the product launch as well were understandably a bit soft, given that clients were a bit hesitant to try something totally new. After few iterations though, having tested the product on a pilot basis first and after being satisfied with its efficacy and usage we received the final go ahead from the customers which got translated into confirmed orders and revenues. Volumes as well have been steadily rising.

While the momentum may soften in FY21 due to Covid-19 challenges, business fundamentals remain strong which should help regain any lost ground. The long term prospects of the business remain extremely positive. We have a good business model – patented business, which eliminates the threat of any competition. Plus the margins as well are highly lucrative in this business. We continue to invest in innovation and R&D which is one of our core strength and which helps us to maintain a strong and healthy product pipeline.

Moving on to Engineering Plastics business, FY20 was a challenging year given the weak demand from the end user industries. Auto segment, the largest end user segment in the

domestic market witnessed a 5-year low, declining by 18%. Electrical and OFC segments also experienced a slowdown on account of sluggish infrastructure development and liquidity issues. We also consciously stayed away from lighting segment given its severe liquidity issues. Volumes for the year de-grew by 10.1% while in value terms it was lower by 17.4%. Sales volumes of EP compounds (catering to end-use segments such as automotive, electrical & electronics and appliances) registered a negative growth of 1.8%, whereas volumetric sales to the Optical Fiber Cable industry declined by 22%. On the positive side, we grew our sales in the Appliance segment following addition of a new customer and also maintained its steady exports growth journey, with volumes into the Exports market registering a growth of >30%.

Given the near term challenges, our focus during FY21 would be towards customer/market retention, working capital & fixed/variable cost management and supply chain initiatives for business continuity, whilst minimizing business exposure. We would also be working towards improving the product mix by increasing the share of value added products in the overall mix. Such efforts would make us agile and future ready to tap the revival in the segment. With a major portion of raw material for Engineering Plastics being imported, we are also considering the option of shifting EP manufacturing closer to a port to derive significant savings in-bound as well as out-bound logistics cost. This will also result in substantial reduction in working capital cycle & cost.

The long term prospects of the business though remains steady, Auto sector is likely to witness a sharp pick up following greater preference for personal mobility in the post covid-19 era. Also Government's push towards digitization is expected to drive the demand for optical fibre.

In addition to the above, as most of you must be aware we had also embarked on a cost rationalization program few years back with the objective of cutting down on the unproductive expenses and improving efficiencies. We identified the cost centres, used technology, innovation and other unique ways of working to radically optimise the cost base. We also worked towards embedding a culture of cost optimization and incentivizing continuous improvement. We had to rethink our strategy and cost for delivering a strategic change and putting in place operational capabilities to deliver our desired objectives. The improvement in margins and profitability for the year vindicates the success of our strategy.

Lastly, we have been also working towards strengthening the balance sheet by consistently repaying external debt. In comparison to interest bearing debt of Rs. 142 crores as on 31st March 2020, interest bearing debt as on 30th June 2020 stood at Rs. 99 crores comprising of term debt of Rs. 73 crores and working capital debt of Rs. 26 crore. Interest-bearing debt as a multiple of EBITDA stood at 0.47x as on 30th June 2020 in comparison to 0.72x as at 31st March 20. We are confident of maintaining gearing ratio at prudent level going forward. From liquidity perspective as well, given our strong position we didn't avail the moratorium scheme offered by the RBI.

To conclude, we remain positive on the business. We believe we are on the cusp of a new growth phase. Long term growth drivers largely remain intact for all the three businesses. While the near term run rate may be somewhat benign, we expect strong growth over medium to long term. Film business is expected to perform well during the coming years on the back of consistent demand. Further, our efforts towards improving the product mix should help the profitability of the business to remain healthy. Specialty Polymer business as well after delivering a stellar performance during the year is expected to perform well over the coming years. Covid-19 related headwinds though may impact the growth momentum in near term. Product pipeline continues to remain strong offering good visibility in years to come. Further, good demand for products besides MB-03, innovative PBT, cationic dyeable master batch and the new product for carpet industry augurs well for the business. Engineering Plastics business

as well should contribute to the overall growth of the business. Despite the near term challenges, the business fundamentals continue to remain strong.

Lastly, I would once again like to thank all of you for your continued faith in Ester Industries and its management. I wish you and your family members all the best.

Thank you

Mr. Diwaker Dinesh :

Thank you Sir

Dear Shareholders

In terms of Companies Act, 2013 and the Listing Regulations, the Company had provided remote e-voting facility through the system of CDSL to shareholders. The remote e-voting period commenced at **9:00 am 25th August, 2020 and ended at 5:00 pm 27th August, 2020**. Such members, who have not already cast their vote through remote e-voting, can cast their vote now during this meeting through e-voting facility by visiting the CDSL voting page. The voting is opened and shall remain open till 15 minutes after the conclusion of this AGM.

Mr. Akash Jain, Company Secretary in Practice has been appointed as the Scrutinizer to scrutinize the vote cast at remote e-voting and Voting at this AGM. Since the meeting is being conducted through Video Conferencing and the resolutions stated in the Notice of AGM are already put to vote through remote e-voting, there will be no proposing and seconding of the resolutions. Scrutinizer shall immediately after the conclusion of voting at the AGM, unblock the votes cast through Remote e-voting and voting during AGM and make a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any. The results of the e-voting & the voting at AGM shall be declared within 48 hours of the conclusion of this AGM. The Results declared along with the Scrutinizer's Report shall be placed on the website of the Company as well as on the website of CDSL and Stock Exchanges.

In the Notice of this 34th AGM, 8 resolutions have been proposed for the approval by the members. There are 3 Ordinary Businesses and 5 Special Businesses.

Ordinary Business

Item No. 1 To receive, consider and adopt the Audited Financial Statements for the financial year ended 31st March, 2020 together with the reports of Directors and Auditors thereon.

Item No. 2 To declare final dividend for the financial year ended 31st March, 2020 @ 50% on the equity shares of the face value of Rs. 5/- each i.e. Rs. 2.50/- per share

Item No. 3 To appoint a Director in place of Mr. Arvind Singhania who retires by rotation and being eligible, offers himself for re-appointment;

Special Business

Item No. 4 Ratification of Remuneration of Cost Auditor for financial year 2020-21

Item No. 5 Appointment of Mrs. Padmaja Shailen Ruparel as Independent Director of the Company

Item No. 6 Re-appointment of Mr. Arvind Singhania as Managing Director of the Company and designated as Chairman & CEO

Item No. 7 Re-appointment of Mr. Pradeep Kumar Rustagi as Whole-Time Director of the Company and designated as Executive Director & CFO

Item No. 8 Re-appointment of Mr. Ayush Vardhan Singhania as Head – Marketing & Business Development. It is a related party transaction

Resolution No 1 to 5 have been proposed to be passed via Ordinary Resolutions and Resolution no. 6 to 8 have been proposed to be passed via Special Resolution.

Now we will begin with question-answer session. Only such Shareholders who have sent their queries in advance or have registered for speaking at the meeting as mentioned in the Notice of the AGM shall be eligible to raise their query and speak at the meeting. To start speaking, the Shareholders are requested to switch on their video mode. If such Shareholder is not able to join through video for any reason that member can join through the audio mode only. The Shareholders are advised to use headphone for Clear Video & Audio and switch off other background applications, if any, running. If there is connectivity issue for any speaker shareholder end we will request to next speaker shareholder to speak. Once the connectivity improves, we will call again the registered speaker shareholder. We request to speaker shareholder to kindly limit speech to 3 minutes.

I shall now announce the name of the Shareholders one by one who have registered themselves for speaking.

First is Mr. Kanwar Inderpal Singh Sahni

Mr. Kanwar Inderpal Singh Sahni :

I would thank to Mr. Arvind Singhania and Management of Ester who have performed so well in the last financial year. I really never thought that Ester will perform so well in last financial year. Coming to my query, I just want to know what exactly, we are having such a great margin in Speciality polymer division of 30%-40%. I just want to know what exactly, the future growth in that sector and how exactly are export orders towards the United States after the Covid situation.

Second Arvind ji you had come on the CNBC few days back and had commented that your margins have dropped in all the divisions. I just want to know what exactly the dropping margin in current scenario.

Third that you are coming up with a very large capex of Thirteen hundred crores. Coming to the size of the Company very small company and we are planning the thirteen hundred crores expansion. What exactly is the outlook in today's scenario and how will you fund it. You told that in your speech that you will be funding in through debt and internal accruals. Our accruals are just one hundred and thirty crores in total. Well I just want to know how are you going to be funding mix of our expansion and why are we doing such an expansion in the current scenario.

Do you think that it will be fruitful for us in the future time and what would be our dividend policy after such an expansion ? Because I believe there would be such a debt, or how will you be maintaining such a healthy dividend declared this time. Two small issues. Arvind ji you are such a dynamic person. Why exactly have you drawn 14.5% of total profit as remuneration. In this current scenario, everyone is really conserving resources and you have drawn 14.5% of total remuneration as total profit. Ramachandran ji Independent Director, kindly comment on that. One more thing that you have traded some share with Vettel International and few of the shares were bought by the Promoters in off market trade in last financial year. I just want to know that

these shares will come into market or are there any arrangement between Vettel and you that the shares will be bought back by the promoter as this will give some respite to the shareholders if shares don't come into the market. Thank you.

Mr. Arvind Singhania :

Mr. Sahni, thank you very much for the compliments that you have paid us and we hope that we will be able to meet your aspirations going forward as well in the future. And I'm very confident about doing that.

First of all, you ask about the future for SP as I already mentioned in the chairman speech, we are very bullish about the future for specialty polymer division in Ester industries. In FY 20, we grew the business by more than hundred percent at seventy four crores turnover with the EBIT margin of more than thirty five percent corresponding when we compare it to only thirty four crores in FY 19. FY 20 would have been a brilliant year for SP business as well had it not been for the COVID-19 pandemic, but the fundamentals of the business remain very strong and the shareholders can expect a phenomenal increase in this business going forward over the next three to four years we are very sure that this COVID-19 problem is going to end in the next few months, maybe a year and as soon as that happens and the business returns to normally in US, the dip that has taken place in FY 21, will rebound very strongly. The future rest assured remains very very strong.

Coming to your second point on the CNBC that I mentioned about the margin drop the margin drop, didn't happen across the board and all the products, it only happened in polyester film and we believe that this is only a short term phenomena because demand supply remains matched. We don't expect any further drop in margins and, in fact, we may see the margins go up again very, very quickly. As far as the Capex is concerned, yes we have plans of making of thirteen hundred and fifty crores, but that is over three phases. Only the first phase for five hundred crores has been approved by the board as of. Now, the balance is yet not being proposed to the board or cleared by them. The second and third phases will only be taken on, once we are successfully implemented the first phase and that our liquidity position is strong, we will not over leverage Ester Industries balance sheet with excessive debt to chase growth. Rest assured on this. So this thirteen hundred and fifty crores is only a plan in three phases. It is not a fixed plan to implement straight away. Only the first phase of five hundred crores, which has been approved by the board is being implemented. The second and third phases are open. They are not in implementation phase as of now and will only go into implementation phase once implemented the first phase, and we have enough liquidity without leveraging the balance sheet excessively where we go into the second and third phases.

Why the Capex ? Well, every company needs to grow. Today, Ester has a very under leveraged balance sheet. The debt level is better than prudent for a one thousand Crores company with cash accruals of about hundred and fifty crores a year and debt levels at less than a hundred crore. It is the ideal time for Ester to grow. If I don't grow, the shareholders will ask me why you are not growing and why not now, this is the best time for us to grow. We have literally, no debt on our books. We are fully capable of taking a little bit of debt. The rest will be funded by internal accruals. Every company needs growth without growth. Without growth, Companies will die and we are not overextending ourselves by making this capex.

As far as the dividend policy is concerned, we have very clearly stated that we will distribute twenty percent of the profits of the company. Whatever are profits twenty percent of that we will try to distribute and we will stick to that. Hopefully the profits will continue to grow and

you and the shareholders will continue to get benefit of more and more dividend. As far as, the remuneration is concerned, I don't know where you got the number of 14.5%, company law restricts that at 10% and we are remained within that. However, having said that I would also like to make a very clear cut statement that this ten percent will not be limitless. That means if the profits go to three hundred, four hundred crores , the management will not continue to take ten percent of the absolute profits. We will put a cap on the remuneration and the commissions that the management will take, and we will come up with a policy on that very soon as well. As far as, Vettel International shares are concerned, yes the management bought about four lacs ninety thousands shares a couple of weeks ago and this was an off market transaction. These shares, the management is going to keep, has no intention or selling in the market. We at the management has no deal or no contract or any understanding with Vettel International to buy a shares from them. It will happen as in when it happens when they are in a position to sell and we are in a position to buy. These transactions have happened, but we do not have any long term, a written or unwritten understanding on this account.

Thank you and I hope I being able to answer your queries.

Mr. Diwaker Dinesh :

Thank you Sir. The next question is from Mr. Prabhjot Singh Sahni.

Moderator :

Mr. Prabhjot Singh Sahni has not joined

Mr. Diwaker Dinesh :

Ok. The next shareholder is Mr. Lokesh Gupta.

Moderator :

Mr. Lokesh Gupta is not present at AGM.

Mr. Diwaker Dinesh :

Okay, sir we have received some questions through email. I would request to the chairman to please answer the question that we have received offline.

Mr. Arvind Singhania :

So, there were some questions received from shareholders on email offline, and I wish to answer those questions for the benefit of all the shareholders.

One of the question was raised by. Mr. Prabhjot Singh Sahni.

Question by Shareholder - I wish to discuss the Covid effect to the performance of the company.

The answer to your question Mr. Sahni.

Revenues during the quarter ended June 2020 were largely impacted by the lockdown led manufacturing and supply disruption. It is necessary to mention that though revenues during

June 2020 quarter were impacted due to Covid - 19 but profitability of the Company was not impacted due to margin improvement in Films. The business has picked up pace again and like June 2020 quarter, we will be performing well for the rest of the year.

Film business - Revenues for the quarter were lower largely due to lockdown related challenges. As a result, we lost about 1600 MT (amounting to about Rs. 20 crores) top line of sales in the month of April 20. However, since May 20, we are running our plant at full capacity. Film business has seen good traction again on the back of strong demand. While domestic demand has been growing at healthy pace of 11- 13% pa, we are also witnessing a further upsurge in demand due to Covid - 19. It appears that there is a shift towards packaged products for health, hygiene and safety reasons. Margins during the June 2020 quarter improved over corresponding quarter last year and previous quarter resulting into sustained profitability despite lower volume of sales. We expect the business momentum to continue on the back of strong domestic and international demand.

Performance of Specialty Polymer business, consequent to the pandemic and the increasing restrictions in customer markets, was muted though we are confident about long term prospects of the business as fundamentals remain strong.

Performance of the Engineering Plastics business was sub-optimal owing to suspension of operations due to softness in the application industry segments. However, return to normalcy has been faster than expected as we have been able to achieve normal level of operations in the month of July & August 2020. Though overall situation in the near term continues to remain challenging for the business, we are nonetheless undertaking steps towards reviving the business by improving the product mix and rationalising expenses.

Then the second question was performance of second project of specialty polymers unit.

The board had approved the establishment of a second project in the specialty polymer business. That is the, R-PET project, but due to certain regulatory compliance and business related issues, we have put this project on hold. We are also assessing the impact of COVID-19 on this R-PET project. So, right now the project remains on hold and will be undertaken once we are completely clear of the issues facing us at the moment on this.

The third is capacity utilization of the business facilities, capacity utilization during Fy 19-20 is as under -

Chips - CP Plant - 98%

Chips + Specialty- Batch Poly - 22%

Film - 102%

Metallized Film - 83%

EP - 70%

Then we also received some questions from another shareholder Mr. K C Poovana.

- **First Question- In the recently announced dividend distribution policy you have kept a very small window. If the policy is strictly adhered to, even the announced dividend may have to be trimmed. Therefore, I request that a wider window be kept by increasing the percentage to up to say 50%. As all the control levers will remain with the Board this should not cause any problem.**

Sir, the Board has announced that dividend pay-out as percentage of PAT (Profit after Tax) will be up to 20%. The dividend percentage can be any number. So if we have been able to distribute dividend of twenty – twenty one crores in Fy 20 being twenty percent of the profits of that year. If next year for example, profit goes to two hundred crores, twenty percent of two hundred crores will be forty crores. So forty crores will be distributed as dividend, which may become hundred percent as a dividend percentage. So just to clarify, it is twenty percent of the profits will be distributed as dividend. The percentage of dividend will vary depending on what the real profits are. I hope I being able to clarify.

- **Second question from you -There is so much of talk about bringing a ban on single use plastic. If this ban comes will any of our product be adversely affected?**

The talk is about ban on single use plastics. BOPET Film is used in multi-layered laminates and hence it is not single use plastics. Items falling in the single use plastics category are generally plastics plates, spoons, bowls etc which are used & thrown after being used once. Ban on use of single use plastics is already there in many states but it has had no effect on consumption & demand for BOPET Films as it is not single use plastics. I hope that clarifies your query.

- **Third question from you - You are showing the installed capacity of the Speciality Polymers @ 30KT p.a. At present, the capacity utilization is less than 10%. Want to know if the unutilised spare capacity here could be gainfully used to produce any other product of the Co?**

The answer to your question is we never installed any new capacity for Specialty Polymers. In the year 2011 when we installed our Continuous Polymerisation plant, the Batch Polymerisation plant became surplus. This was a old depreciated asset. With a vision to create something innovative, we started our journey of developing Specialty Polyester Polymers using depreciated assets of Batch Polymerisation unit. We expect to improve the capacity utilisation from FY 22 onwards as FY 21 has been affected by Covid - 19 though we see return to normalcy by end of the current financial year.

Thank you. I hope I've been able to clarify all your queries.

Now I authorize Mr. Diwaker Dinesh, Company Secretary to conduct the voting process. As stated earlier by the Company Secretary, voting shall remain open till 15 minutes after the conclusion of this AGM and the results will be declared within 48 hours of the conclusion of the AGM. The results will be displayed on Ester's website and the website of CDSL and stock exchanges.

I thank all the shareholders, Directors and other participants who joined the meeting through video conferencing and for their cooperation in smooth conduct of the AGM. With your consent, we now conclude the meeting.

Thank you