

Transcript of 35th Annual General Meeting of
Ester Industries Limited

11.00 AM, 27th September, 2021

Attended by:

Mr. Arvind Singhanian, Chairman & CEO

Mr. Pradeep Kumar Rustagi, Executive Director & CFO

Mr. M S Ramachandran, 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

Mr. Ayush Vardhan Singhanian, Whole-time 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 35th 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 am attending this meeting through video conferencing from Gurgaon. With me here, Mr. Pradeep Kumar Rustagi, Executive Director & CFO and Mr. Ayush Vardhan Singhania, Whole-time Director are also joining this Annual General Meeting.

Requisite quorum is present and I now request the Chairperson to please continue with the proceeding of meeting.

Mr. Arvind Singhania

Good Morning everyone, welcome to 35th Annual General Meeting of the Company. I am Arvind Singhania, Chairman & CEO of the Company. I am joining the meeting from Dubai through Video Conferencing.

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. Now I request all the Directors who are joining meeting through Video Conferencing, to please introduce themselves with their location.

Mr. M. S. Ramachandran,

Mr. M. S. Ramachandran, Chairman of Nomination and Remuneration Committee :

I am M. S. Ramachandran. I am participating in this meeting digitally from my house in Chennai.

Mr. Arvind Singhania :

Mr. Sandeep Dinodia,

Mr. Sandeep Dinodia, Chairman of the Audit Committee :

I am Sandeep Dinodia, independent director of the company. I am participating in this meeting from my office in Connaught place, New Delhi and I have received all the Agenda papers.

Mr. Arvind Singhania :

Mr. Ashok Kumar Newatia,

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

I am Ashok Newatia, independent director. I am joining the meeting from my home in Noida.

Mr. Arvind Singhania :

Mrs. Padmaja Ruparel, please introduce yourself.

Mrs. Padmaja Ruparel

My name is Padmaja Ruparel. I have joined from office in Delhi. I have received all agenda papers. My camera is not working. I am not on video.

Mr. Arvind Singhania :

Mr. P.S. Dasgupta

Mr. P.S. Dasgupta

Good morning shareholders. I am P. S. Dasgupta, Independent Director of the company. I am joining into this meeting digitally from my office in New Delhi.

Mr. Arvind Singhania :

Mr. Ayush Singhania

Mr. Ayush Singhania :

My name is Ayush Singhania. I am whole-time Director of the Company. I am joining in the meeting from the Head Quarter in Gurgaon.

Mr. Arvind Singhania :

Mr. Pradeep Kumar Rustagi

Mr. Pradeep Kumar Rustagi

I am Executive Director & CFO of the Company. I am attending this meeting from the Corporate office of the Company in Gurgaon.

Mr. Arvind Singhania:

Thank you everyone. Mrs. Archana Singhania and Dr. Anand Chand Burman have expressed their 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.

This AGM is being held through Video Conferencing/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.

Notice of 35th Annual General Meeting, Auditors' Report, Audited financial statement for f/y 2020-21 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 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 like to extend a very warm welcome to you all at the 35th Annual General Meeting of your company. It is second year in a row that the AGM is being held over a virtual platform due to COVID, although I would have much preferred addressing you all in person. 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.

The year 2020-21 proved to be a year of extraordinary challenges. The world has seen a considerable amount of turbulence over the past year due to the global pandemic. As per IMF, Global economy contracted by 3.3 percent in FY 20-21 owing to COVID 19 Pandemic. The pandemic disrupted global supply chains, operating models, and led to a change in consumer sentiments and preferences. Inflation is emerging as a key risk to sustainable global economic recovery. A rapid increase in consumer demand after reopening of major economies has pushed up the prices of key commodities such as oil and metals. Food prices are also rising, boosting prices especially in emerging markets. Tensions along the supply chains has led to sharp increase in shipping costs and container shortage. However, the global economic recovery has been gaining momentum driven mainly by advanced and emerging economies and powered by massive vaccination programs. According to the World Bank, the global economy is on a path of robust recovery, with a projected growth of 5.6% in 2021 – the strongest post-recession pace in 80 years.

The Indian economy that witnessed a sharp drop in GDP following the impact of Covid 19 induced lockdown in FY 20 showed signs of improvement during the second half of FY 21. However, the second wave that started in late March 2021 has come in the way of further recovery. Lockdowns were imposed by all the States across the country since April 2021, disrupting the manufacturing facilities as well as the supply chains in most geographies. Following the drop-in cases and mass scale vaccination initiatives, the lockdown is being relaxed in stages in many geographies since mid-June 2021. The rural economy has shown impressive growth led by good monsoon season and strong demand. Government and RBI's measures to inject liquidity into the system will also support the economic revival in a longer run. According

to IMF, Indian economy is projected to revive strongly and grow by 9.5% in FY 22, expected to be the fastest-growing major economies in the world post Covid.

During the year, Indian Government undertook several measures and introduced path breaking reforms towards reviving the economy. After phased unlocking post the second Covid wave, economic activity has gained strength. The Government announced the financial stimulus of Rs 6.3 lakh crore, focused on healthcare, tourism, agriculture, infrastructure, MSMEs and exports. The Government focused on lending rather than repayment of old loans to help and support the businesses affected by the pandemic. New loan guarantees and higher cap for Emerging credit Line Guarantee Scheme (ECLGS) provided relief to the businesses. As growth momentum gathers pace, supported by the measures undertaken by the government, the Indian economy will emerge stronger on a sustainable development path. Some key measures undertaken by the Government in the recent past such as detailing of the Asset Monetisation scheme and amendment to the Retrospective Tax has boosted investor sentiments and will help in further driving the growth momentum. The roadmap laid out by the Government for the asset monetisation pipeline by unlocking value of unutilized or underutilized public assets and creating new revenue sources will drive employment opportunities along with economic development. Further, increased employment will lead to increased income and higher demand boosting the Indian economy.

I will now discuss company specific developments. Despite COVID 19 affecting our business in first quarter of FY21, we proactively adopted strategic measures across our operations to counter the adverse impacts of the pandemic. During FY21, your company has shown strong financial performance with profits at an all-time high. 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 40% on the back of strong performance from the Film and Engineering Plastics businesses. EBITDA margins as well improved by more than 500 bps during the fiscal.

Commenting on individual businesses, starting with the Film business, the domestic film market is growing to the tune of 10-12 percent. The rise of the Indian middle class, the rapid expansion of organized retail, growth of exports, and India's rising e-commerce sector is further facilitating growth. Demand momentum post Covid has remained strong for packaged goods. It has been primarily driven by the consumer shift towards hygienically packed safer goods.

We expect this growth momentum to continue in line with the trend witnessed globally. However, with commissioning of the new capacities in second half of the current year, the demand supply dynamics may get disrupted over short to medium term basis.

Ester Industries has also announced a green-field expansion of its Polyester film business by setting up a new film line of 48,000 MTPA capacity last year. We are on track in implementing the project in the State of Telangana and it is expected to be completed by October 2022. With this expansion, Ester will be able to cater to markets in Southern India and will be able to reduce its lead time for overseas customers.

Reflecting on our performance in the business for the year under review, we reported an increase in EBIT margins to 30% as compared to 22.7% last year due to margin improvement, cost rationalization initiatives, production and process efficiencies contributing to the bottom line. Higher proportion of value added and specialty products have positively contributed to the

success of the business in recent years as well. With the commission of our new Offline Coater last year, we are on track to increase the proportion of our value added products in the overall portfolio.

Moving on to Specialty Polymer business, this business was badly impacted by the Covid last year and as a result, we were able to achieve Rs. 59 Crores as sales revenue in FY 21 against Rs. 73 Crores in FY 20. Our marquee product Stain resistant master batch MB 03 used in the Commercial carpet industry was deeply impacted by Covid last year. However, it has started gaining momentum in the current financial year and we are receiving good traction from our customers. Despite the COVID-19 Pandemic, our product Innovative Polybutylene Terephthalate (PBT) saw a growth in volume on the expected lines and we expect these volumes to increase year after year. I am very happy to share that one of our product MB 07 deep-dyeable master batch has finally found techno commercial acceptability as well after working on this product for last 3 years. Commercial volumes have already started moving and we expect the product to contribute substantially to Specialty Polymer business going forward. On our company's goal of contributing towards circular economy, we developed a low melt polymer for our customers which make their products fully recyclable. This product has continued to go through various stages of technical approval and we are happy to inform that significant headway has been made in this product as well. The demand outlook for this product is very strong and we are sure that it will start contributing to the top line and bottom line of the company in coming years. Our product, cationic dyeable masterbatch has made significant progress and regular sales of commercial volumes will commence in the current year.

Ester is committed to diversify into sustainable solutions and keeping this in mind, we had set up a dedicated facility for producing recycled polyester for challenging applications. The commissioning of this facility got delayed due to COVID-19 related travel restrictions, the erection and commissioning work was resumed in the last quarter of FY 20-21. I am happy to share that the facility is expected to start commercial production from October'21 and will start contributing to the top line from this financial year. There is a tremendous scope of the recycled product in coming years as awareness of the consumers towards sustainability is increasing and consumers are preferring recycled products over regular virgin products. The demand for this product is expected to grow significantly, giving rise to a huge business opportunity going forward.

With the demand momentum expected to remain strong, we have announced capacity expansion of Specialty Polymer Business by investing Rs. 80 Crore over a period of 2 years. Our various products like low melt polymer, deep dyeable masterbatch, cationic dyeable masterbatch have found techno commercial acceptability and their demand has started to rise from the customers. This investment will cater to the addition of few new capacities as well as modifications in the existing capacity. The project will be funded through a mix of debt and internal accruals.

With business fundamentals remaining strong for Specialty Polymer Business, we are extremely bullish about the fortunes of this SBU going forward. We expect a tremendous jump in volumes, turnover and profitability during FY 22.

We have also undertaken several projects ranging for digitization in operations, finance and HR to keep pace with our fast emerging world and to provide best solutions and service to our customers.

In the last few years, we have significantly improved our profitability, strengthened our product portfolio, built distinctive capabilities and pursued our commitment towards sustainability agenda to build strong foundation for your company. Your company's plan of doubling the revenue with stable margins is on track and various investments in capacity expansion are being continued to reach this milestone.

Moving on to Engineering Plastics business, FY21 was a challenging year given the weak demand from the end user industries. Auto segment, the largest end user segment in the domestic market declined by ~18%. Electrical segment was flat however OFC segment experienced a growth of 15% on account of infrastructure development and connectivity requirements, 5G up gradation/work from home. Despite difficult circumstances EP business managed to get new approvals/ new customers which has resulted in sales growth of 27.5% and 23% in volumetric terms. Sales volumes of EP compounds, catering to end-use segments such as automotive, electrical & electronics and appliances, registered a growth of 18%, whereas volumetric sales to the Optical Fiber Cable industry grew by ~31%. The exports sales during this period has also grown in volumetric terms by 58 %, albeit on a lower base.

Given that the same challenges shall persist in FY 22, our focus during this period would be towards customer/market retention and operational excellence. We would continue to work towards improving manufacturing efficiencies/ new product development as per customer needs and acquisition of new customers in domestic as well as exports market.

With a major portion of raw material for Engineering Plastics SBU being imported, the Board of Directors has approved shifting of EP manufacturing closer to a port to derive significant savings from in-bound as well as out-bound logistics cost. The work for the same has already started and by Q2 of FY 23 EP is expected to operate from the new location near Vadodara. The long term prospects of the business remains steady.

Lastly, basis the improved financial performance and stronger balance sheet, the external rating of the Company has improved to A minus (positive outlook) for long term debt and A2+ for short term debt by CRISIL. The finance cost for the year stood at Rs. 18.55 crores (i.e. 1.87 % of the net revenue from operations). As on 30th June 2021, the interest bearing term debt (net of free cash) stood at Rs. 167 crores while interest bearing Working Capital debt stood at Rs. 31 crores. Interest bearing debt (net of free cash) as a multiple of annualised EBITDA is at healthy levels of 0.65 as at 30th June 2021.

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. Further, our efforts towards improving the product mix in Film business should help the profitability of the business to remain healthy. Specialty Polymer business has started to witness revival from March 2021 quarter and is expected to perform well over the coming years. 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 various new products for carpet and other industries augurs well for the business. Engineering Plastics business as well should contribute to the overall growth of the business.

Lastly, I am thankful to our clients, our partners, our employees and all our stakeholders who have placed their trust and confidence in the company and its management. I am very excited about the journey we are on and we will continue to perform better as we move forward.

I wish you and your family members all the best.

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 all the shareholders. The remote e-voting facility commenced at **9:00 am 24th September, 2021 and ended at 5:00 pm 26th September, 2021.**

Such members, who have not already cast their vote earlier through remote e-voting, can cast their vote now during this meeting through e-voting facility as per the process stated in the Notice of AGM. 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 as well as 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 voting shall be declared by 29th September, 2021. 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 35th AGM, 5 resolutions have been proposed for the approval by the members. There are 3 Ordinary Businesses and 2 Special Businesses.

Ordinary Businesses

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended 31st March, 2021 together with the reports of Directors and Auditors thereon.
2. To declare final dividend for the financial year ended 31st March, 2021 at Rs. 1.90/- (One rupee and ninety paise) per share
3. To appoint a Director in place of Mr. Pradeep Kumar Rustagi who retires by rotation and being eligible, offers himself for re-appointment;

There are two Special Businesses

4. Ratification of Remuneration of Cost Auditor for financial year 2021-22
5. Appointment of Mr. Ayush Vardhan Singhania as Whole-time Director of the Company

Resolution No 1 to 4 have been proposed to be passed via Ordinary Resolutions and Resolution no. 5 has been proposed to be passed via Special Resolution.

We have not received any query or any request for speaking at the AGM. I now request the Chairman to proceed with the meeting.

Mr. Arvind Singhania :

I now declare the proceedings of the Annual General Meeting as completed. 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 latest by 29th September, 2021. The results will be displayed on Ester's website and the website of CDSL and stock exchanges.

On behalf of our Board of Directors and management of Ester, I thank all the shareholders who joined the meeting through video conferencing and for their cooperation in smooth conduct of the AGM. Stay healthy and safe. With your consent, we now conclude the meeting.

Thank you