



## Ester Industries Limited

### Q3 2025 Earnings Conference Call Transcript

February 07, 2025

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**Moderator:** Ladies and gentlemen, good day and welcome to Ester Industries Limited Q3 and 9M FY '25 Earnings Conference Call.

Please note that this conference is being recorded.

I now hand the conference over to Mr. Gavin Desa from CDR India. Thank you and over to you, Mr. Desa.

**Gavin Desa:** Thank you, Angel. Good day, everyone, and a warm welcome to Ester Industries Q3 and 9 Month FY '25 Analyst and Investor Conference Call. We have with us today Mr. Vaibhav Jha – the Deputy CEO; and Mr. Pradeep Kumar Rustagi – the Executive Director- Corporate Affairs.

We will begin this call with “Opening Remarks” from the Management, following which we will have the floor open for an interactive Q&A session.

Before we begin, I would like to point out that some statements made in today's discussions may be forward looking in nature and a note to this effect was sent to you in the invite earlier. We trust you have had a chance to go through the Communications and Financial Performance.

I would now like to invite Mr. Vaibhav Jha to make his Opening Remarks. Over to you, Vaibhav.

**Vaibhav Jha:** Thank you Gavin and thank you everyone for joining us today. I will briefly talk about the key Business developments, post which Mr. Pradeep will walk you through our Financial Performance.

I am pleased to report that we have not only sustained the business momentum of the previous quarter but have in fact further accelerated it as can be seen from our margins and profitability. While both businesses performed well, Film business in particular registered a solid performance especially with regards to margins and profitability on the back of better product & market mix. Specialty Polymer business as well registered healthy growth on a Y-o-Y basis.

Let me now move on to individual businesses.

Starting with Specialty Polymers, as I just mentioned, the business registered a strong Y-o-Y growth. The growth was primarily owing to strong demand for our marquee products MB03 and Innovative PBT. For the quarter, our overall volume of sales, excluding R – PET, stood at 785 MT, almost 40% higher compared to Q3FY24



volume of 558 MT. On a nine months basis, volume, excluding R-PET, stood at 2,610 MT compared to 1683 MT achieved in 9M FY24, higher by 55% on a YOY basis. In terms of our key products, MB03 volume stood at 202 MT during Q3FY25 as against 153 MT during Q3FY24. Volume of sales of Innovative PBT for Q3FY25 stood at 333 MT as against 314 MT of Q3FY24. Specialty Polymers, as previously mentioned, are primarily produced for sale to overseas customers, with a substantial share of its sales directed towards clients in the USA and China. The primary applications of these products are within the carpet and consumer electronics sectors. From a margin and profitability standpoint, the business remains largely protected due to the intellectual property safeguards associated with its key products. Looking ahead, we anticipate that the business will maintain its growth momentum in the coming years, supported by a promising product pipeline & human capital to pursue aggressive & focused marketing strategy for achievement of growth in the segment.

Moving to the Film business now, While Q2 was a turnaround quarter for the business, Q3 signifies a resurgence in both margin enhancement and overall profitability. As many of you may know, the industry faced significant challenges characterized by ongoing losses due to pricing pressures over the past few years. The new capacities introduced over the last two years have created a substantial oversupply, which has exerted downward pressure on pricing and profit margins within the BOPET films market. I am extremely pleased to report that we are now witnessing an improved demand supply scenario which in turn is translating into better pricing & margin environment. Despite mid- single digit volume growth during the quarter, we were able to achieve improved margins and deliver significantly better profitability largely owing to better product mix. Increased export of high margin Value-Added products during the quarter led to overall better profitability for the business. To quantify, on consolidated basis, exports registered volume growth of 5% during Q3FY25. Furthermore, on consolidated basis, the share of value-added products as well stood at 27% during the quarter as against 16% in Q3FY24.

Various initiatives to transform Ester from a commodity player to specialty film player are being pursued diligently.

Our Wholly owned subsidiary, Ester Filmtech generated revenue of Rs. 90 crores with volumes of 6,698 MT during the quarter. We expect the entity to deliver revenues of approximately Rs. 360 crores in current fiscal and Rs.450– Rs.500 crore upon achieving optimal utilization at reasonable prices / margins during next fiscal.

Further in addition to improving demand supply environment and better product mix, Plastic Waste Management Rules (PWMR) mandating utilization of 10% recycled content in flexible packaging laminate, coming into force from next year is expected to further increase demand for Polyester Film with conversion taking place from other substrates to polyester.

As regard to our JV with Loop Industries Inc, I am pleased to report that it is advancing according to the established timeline. Collaborative teams comprising members from both Ester and Loop have been established to execute the plan and oversee essential functions such as detailed engineering, project setup, raw material procurement planning, and financing. Our objective is to initiate commercial operations in the second quarter of calendar year 2027. JV Company, ELITe, has been capitalised by an amount of Rs. 17 crores with Rs. 8.50 crores each contributed as Equity by Ester and Loop

In conclusion, we expect a markedly improved operational and financial performance in the current fiscal year compared to the previous one. Specialty Polymers continues to demonstrate strength and potential. Likewise, the prospects for the Film business, supported by a more stable environment, appear encouraging. We are assured that both of our Strategic Business Units are well-positioned for growth and value enhancement. The collaboration with Loop, a groundbreaking and transformative initiative, is poised to facilitate profitable growth for the company moving forward.

That concludes my opening remarks, I now handover the floor to Pradeep, to walk you through our financial performance. Over to you Pradeep.

**Pradeep Rustagi:**

Thank you and good day, everyone. Thank you for joining us on our Q3 FY25 Earnings Call. Let me quickly walk you through our financial performance post which we can commence the Q&A session.

I would like to start with financial performance of Ester Industries Ltd.

Total income on standalone basis stood at Rs. 277 crore as against Rs. 211 crore in the corresponding quarter last year, higher by 31%. The primary reason for the growth is the strong performance of both our businesses. EBITDA during the quarter under review including non-operating income stood at Rs. 44 crores as compared to loss of Rs. 1.2 crores during Q3FY24. EBITDA during 9MFY25 stood at Rs. 98 crores as compared to Rs. 14 crores during the corresponding period last year.

Coming to the financial performance of Wholly Owned Subsidiary, Ester Filmtech, the revenues stood at Rs. 90 crores as against Rs. 99 crores in Q2FY25. Reported EBITDA during the quarter under review including non-operating income stood at Rs. 22 crores compared to Rs. 6 crores during Q2FY25. EBITDA during 9MFY25 stood at Rs. 29 crores.

In terms of sales in volumetric terms, Ester Filmtech sold 6,698 MT of Film during Q3FY25. With the pricing & margin trend improving and demand-supply mismatch narrowing, we are confident that the Ester Filmtech will contribute positively to the overall growth of the business in the coming years due to state of the art plant & machinery and low operating cost. We expect the unit to generate revenue worth Rs. 450 to Rs.500 crore at reasonable prices & margins upon achieving optimal utilization by FY26.

On consolidated basis, EBITDA for the quarter stood at Rs. 65 crores as against negative of Rs. 15 crores generated in Q3 FY24. On 9M basis, we could earn EBITDA of Rs. 125 crores as compared to negative Rs. 6 crores earned during 9MFY24.

On consolidated basis, we could earn PAT of Rs. 25 crores as compared to loss of Rs. 45 crores incurred during corresponding quarter last year.

As articulated by Vaibhav, we possess strong confidence in the growth potential and value generation of both our Strategic Business Units (SBUs). Specialty Polymers has demonstrated its potential for growth, while the Film division is exhibiting enhanced performance characterized by favourable pricing and margin trends. The significant increase in demand for BOPET Film is contributing to a more balanced demand-supply situation. Our collaboration with Loop Industries is anticipated to be transformative. Once operational, it is expected to significantly impact our growth path and profitability.

That concludes our opening remarks, we can now commence the Q&A session.

**Operator:** Thank you. We will now begin the question-and-answer session. The first question comes from the line of Jatin Damania with Svan Investment Managers LLP .

**Jatin Damania:** Good evening, sir, and thank you for the opportunity. Sir, first of all, congrats on a good set of numbers. So, sir, first question, just wanted to understand on the market demand-supply scenario, because in your opening comments, you alluded that a couple of new capacities were set up in the last 2 years, which had weighed on the pricing. And so just wanted to understand the current demand-supply dynamics in terms of the mismatch, what is it right now and how are we seeing it 1 year or 2 years down the line?

**Vaibhav Jha:** So, thank you for the question. So, basically, what has happened was that their capacity growth was more than the demand growth in last couple of years, and now we are seeing quite a decelerated pace of capacity addition, maybe 1 or 2 lines this year and then another line in subsequent year. So, this is making the market more balanced with respect to supply-demand, and therefore, we expect that this recovery should continue and the margins should stabilize, given that the supply and demand are now coming closer to each other.

Also, the other thing that we are expecting is from 1st of April, the government is going to implement PWMR rules for flexible packaging and polyester is a substrate where the recycled content can be much higher than the other substrates. So, we expect a pull coming in from the market, which would lead to an increment in the demand, much more than what we have seen over last 2 or 3 years. So, when that happens, it will further help to reduce this gap between demand and capacity, and therefore, we are quite confident that the margin situation should continue to remain stable if not improve.

**Jatin Damania:** So, sir, in terms of the quantification, if you can probably help me. Because if I am not wrong, in last call or probably a call before that, we had mentioned that the demand-supply mismatch was around 15,000 per month. So, has it come down to almost a single digit or it's still continuing to remain in the range of 10,000, 12,000?

**Pradeep Rustagi:** So, it is in that range, about 12,000 to 15,000 tons a month is the overcapacity. So, there is a domestic demand and there is a certain amount of exports happening from India. So, we are left with a surplus of about 12,000 tons a month.

**Jatin Damania:** So, secondly, now when you look at the numbers, definitely see now the demand-supply has narrowed a bit, but there is a substantial improvement in the overall margins for us, both in the stand-alone business as well as into the Ester Filmtech. So, if you can help us what was the spread in the last quarter and what was the spreads, currently, after the Q3 exit?

**Pradeep Rustagi:** So, one of the reasons why the Film has done better than the last quarter is that there has been significant improvement in the proportion of value-added and specialty films. On a consolidated basis, both the Ester and Ester Filmtech put together, we have been able to make sales of value-added products to the extent of 27%. So, that's been one of the reasons for better performance. And our exports have also increased where the margins were better. So, overall, higher exports and higher volume of value-added and specialty films has contributed to the improvement in performance of film business. Of course, the raw material has been very stable in the last quarter and before that also. So, a stable raw material scenario, increased volume of proportion of value-added products, higher exports. All that has contributed to better performance.

**Jatin Damania:** Yes. But sir, if I look at your numbers in the previous quarter, value-added proportion was much higher than what...

**Pradeep Rustagi:** That was for Ester Industries alone. On a consolidated, it was close to 19%.

**Jatin Damania:** 19% has gone to 27% in this quarter.

**Pradeep Rustagi:** Yes.

**Jatin Damania:** And how do we see the ramp up in this value-added products from a 27%?

**Vaibhav Jha:** So, our target is to take it in a steady growth trajectory and what we are doing right now is we are in the budget process. So, we will have a much better idea on what we are targeting for the next financial year by the time we have the next earnings call. But right now, the focus for this quarter is to hold on to this Specialty Polymer, and make it in the range of, say, 30% plus-minus so that this trend of high profitability continues in this quarter at least.

**Jatin Damania:** So, is it fair to assume incremental growth in the value-added products will come from the Ester Filmtech only because we operate at 55%, and there we have enough value-added or the operating leverage that can come play in the Q4 and the year after?

**Pradeep Rustagi:** No, it will come from both the companies because the major chunk of the value-added products can be produced only in Ester Industries, because of the infrastructure that we have. We have an offline coater and other various plant and machinery, which can do the products which Ester Filmtech cannot do as of now. So, the growth is going to be there from Ester Industries primarily.

**Moderator:** Mr. Damania, please rejoin the queue for more questions. Next question comes from the line of Krushna Parekh with Dolat Capital Market.

**Krushna Parekh:** Thank you for the opportunity. Sir, I have a couple of questions. First one, do you still believe on the Specialty Polymers, we are on track to do Rs. 200 crore of revenue for this year?

**Vaibhav Jha:** See on Specialty Polymers, indeed the target was to do Rs. 200 crore top line as we had shared earlier. But right now, given the way 3 quarters have shaped up, we believe that it's going to be quite tough for us to hit that Rs.200 crore top line. And we are looking to come close to it, but I believe that in the end we might end up being 10% to 15% short in the top line target of Rs. 200 crore. So, that is what we feel as of now. But we are pushing very hard to make sure that we reach as close to Rs.200 crore as possible.

**Krushna Parekh:** Okay. Thank you, sir. The second, my question was on what is your demand outlook for BOPET in the current Calendar Year '25?

**Vaibhav Jha:** So, a part of it was already answered in the previous question, but just for your benefit. See, there are multiple drivers. One is the natural growth, which is happening. And we have seen in the past that film demand has been growing in the ratio of 1.5x the GDP growth rate. So, that is one natural growth rate, which is there in the film packaging industry.

The second part of it is coming from our expectation of the PWMR rules getting implemented from 1st of April, which is again likely to give a fillip to the film demand

in India. So, that makes us very confident that if we take, say, a growth of 6.5% in the GDP, and multiply it by 1.5x, so 9% to 10% of the growth in demand in India should come because of the natural progression plus whatever growth we get due to the implementation of PWMR would be on top of that. So, we are extremely confident that we are going to see a very, very strong growth in BOPET film demand in the next financial year.

- Krushna Parekh:** Okay. Thank you, sir. That's it from my side.
- Moderator:** Thank you. Next question comes from the line of Aditya Vora with Share India Securities Ltd.
- Aditya Vora:** Yes. Thanks for the opportunity. Couple of questions from my side. One was if you could quantify what was the average gross spreads per kg for the quarter, which is the third quarter, that would be helpful.
- Pradeep Rustagi:** So, we generally focus on 12-micron commodity films. So, the value addition, which is the difference between selling price and raw material cost, in the December quarter it stood at about Rs. 43 per kg. But the blended VA for the domestic or export market would be much higher for us, because we do various grades, various varieties of films, value-added and metalized, et cetera. So, the 12 micron is about Rs. 43 in December quarter.
- Aditya Vora:** And what would it be currently in the month of February?
- Pradeep Rustagi:** Currently, it is in the same range, about Rs. 40, Rs. 42 kind of.
- Aditya Vora:** And if I were to extrapolate this to the peak, say, during I think COVID we had a peak in terms of spread. What would the peak be and how far are we from that?
- Pradeep Rustagi:** The peak that we saw was in, let's say, March '22 quarter or June '22 quarter, it was in the range of Rs. 55 to Rs. 60 kg. And at that time, the volumes were also very high. This time, the volumes are lower, the margins are at about Rs. 40.
- Aditya Vora:** Okay. And so, when we talk about the value-add, which has gone up from 19% to 27%, in that can you let me know what will be the gross spread there, over and above the normal spreads or the total number?
- Pradeep Rustagi:** So, in the VAS products, generally the value addition over and above the 12 micron is in the range of Rs. 45 to Rs. 65 a kg, depending on the product mix. The product that we have in the value-added basket are too many. So, it depends on the proportion of sales that we achieve. So, range can be over incremental of about Rs. 45 to Rs. 55.
- Aditya Vora:** Right, right. Okay. And sir, certainly, on the Specialty Polymer business, you said it's difficult to do Rs. 200 crore. But can you just guide us in terms of strategically where do we see this business? Because if we look at Ester Industries, obviously majority of your revenue comes from your BOPET, which is a commodity business. I know you're trying to increase your value-added, but the real juice lies in the Specialty Polymer business. So, in that case, where do we see this business, say, 2, 3 years down the line, considering the fact that margins are extremely higher and do we see margins going higher from here, because I think 30%, 33% is the margin? And just another follow-up on the same is that the Specialty Polymers business is down quarter-on-quarter, so any seasonality that is there?

**Vaibhav Jha:** Right. So, a couple of points. First on the strategic view of Specialty Polymer that we are taking. So, we are completely aligned. It's a high margin business. This is where, like you are rightly saying, the juice is and not to say that Film business is any lesser. But in terms of the outlook for Specialty Polymer, we definitely want to focus on it more and grow it.

Now the challenge is that while this market is very attractive, it takes time to establish new products and new customers, because of the long approval cycle for any new chemical that we develop. So, what we are doing right now is working on multiple leads. The pipeline is very strong, and we are expecting them to materialize in due course of time and the focus is going to be on market outreach to make sure that this pipeline becomes stronger and stronger, so that we are able to see significant volume growth.

In terms of profitability, we think that the profits are going to remain stable around the EBITDA levels of 30%, 33%. The focus will be to retain the EBITDA margins and grow the volumes, which is where we are. So, in 2 to 3 years' time line, we expect the volume to be significantly higher than where we are today right now. Now you had a second question, sorry, can you repeat that?

**Aditya Vora:** There was a quarter-on-quarter decline in terms of the Specialty Polymer revenues and also the margins, I think 33% has come to 30%. So, is there some seasonality or a one-off order in this?

**Vaibhav Jha:** There is definitely a seasonality, because what we see, one of major segments that we target is the Consumer Electronics segment, and the trend over there is that the manufacturing of Consumer Electronics is done in Q2, so most of the sales happen then. And in Q3 because of the holiday season in the global markets, the manufacturing is on a low side, because whatever needs to be sold in Quarter 3 has already been manufactured in Quarter 2. So, historically, we have seen a seasonality wherein the Q2 volumes due to the Consumer Electronics effect has been lower than the Q2 volumes.

**Pradeep Rustagi:** And coming to the lower EBIT margin for the Specialty Polymer. So, what has happened that if you see there is a significant increase in the volume of sales. That is because of the sale of rPET in the domestic market. The margins in rPET that is sold in the domestic market is lower than the normal Specialty Polymer product. So, that has pulled the EBIT down from 33% to 30%.

**Aditya Vora:** Right, right. And sir, just lastly, since you have seen a lot of cycles, currently, where are we in terms of the BOPET cycle? So, I am assuming that uptick started last year. So, where do we look at it? Because we have reached I think Rs. 45?

**Pradeep Rustagi:** So, only I can answer this. I have seen many cycles. So, what has happened that the upturn has started and it's likely to continue for, I would say, 3, 4 years, because no major new capacity is expected to come before '27-'28. Only 1 or 2 lines are going to come in '25-'26. The growth in demand at about 11% to 12% is going to be, the industry will need about 2 lines to come every year. So, as the time passes by, we are going to see a significant narrowing of the demand-supply gap.

Secondly, the Plastic Waste Management Rules is going to trigger a spike in the demand. So, we are going to see a much better scenario to emerge in the next, let's say, years or year after that, and the good run is expected to continue not less than 3 years.

**Aditya Vora:** Okay, sir. Thank you so much for your time.

**Moderator:** Thank you. Next question comes from the line of Saket Kapoor from Kapoor & Company. .

**Saket Kapoor:** The first point was, sir, I think so we are also in the process of installing a metallic extruder in our Khatima plant. So, is that also related to this value-addition proposition going up? I think so some Rs. 70 crore, Rs. 80 crore of capital work-in-progress was there as a closing balance.

**Pradeep Rustagi:** So, we are going to install an extruder in Ester Filmtech in Hyderabad for taking advantage of the increased demand emerging from the implementation of Plastic Waste Management Rules. There is no major CAPEX planned in Ester Khatima. Ester Filmtech, there is an extruder to be commissioned, which is likely to be installed by June or July '25.

**Saket Kapoor:** Okay. And how will we benefit out of it, sir? What would be the benefit?

**Pradeep Rustagi:** So, that machine will convert the PET bottle flakes to granules, which can then be fed as a raw material in the manufacturing process of polyester film to meet the requirement of PCR content in the film.

**Saket Kapoor:** Okay. It will be a backward integration exercise in that way?

**Pradeep Rustagi:** Yes, to some extent, yes, yes.

**Saket Kapoor:** Okay. And sir, as per your commentary also, and since Mr. Singhanian is not in the call -- firstly, I would like to thank Mr. Singhanian on behalf of investors that you and Pradeep ji have given us the right understanding as the way things were shaping up, way back in the first quarter and things have been in line with that, expectations have been met and even better.

So, my congratulations to both of you. Kindly convey my regards to Singhanian, sir, also. Sir, when we look at the way forward, going ahead since we are running at optimum level for our Khatima unit, and the demand-supply gap of 12,000, 15,000 will take time to get balanced.

So, where will the growth in the Film segment come, especially in terms of the higher value-added proposition and also export? And if you could give some colour how the mix is going to be going ahead in the next quarter and the way forward?

**Vaibhav Jha:** So, you mean the current quarter, right?

**Saket Kapoor:** Yes, correct. Current quarter, especially, also going ahead also, sir.

**Vaibhav Jha:** So, see, in terms of domestic demand, we know it's growing, but there is definitely the supply overhang, which is receding as we speak, right? So, in terms of domestic sales, we expect that the domestic sales should remain in the range where we are right now, but we are expecting to see an improvement in the export sales in this quarter. So, I would say that while there will be some improvement in the domestic sales, we are expecting a better improvement in the export sales in this quarter.

**Saket Kapoor:** Okay, and you have thrown the thrust and the weight on the value-added film segment. So, sir, actually, what has exactly being in favor of these value-added films are the product mix or some type of order that we are executing due to which the proposition has gone up and where should it be on a conservative basis going ahead?

**Vaibhav Jha:** Yes, so in terms of value-added products, see, these have long gestation period. And once you develop a product, it takes anywhere close to 1 year to 1.5 year to establish it. So, the pipeline which we had built earlier, they are slowly materializing as we speak. And that has led to the fruition of some of the value-added sales that we are seeing right now.

In terms of the growth path, we are looking at, you know, in this quarter I already mentioned that our focus will be to hold 27% VAS's share and probably grow it to the range of 30%. What we are going to do next year, we are still working out on the details as a part of our annual operating plan, and we will be in a much better position to give you an outlook for next financial year by the time we are ready for the next investor call. So, please bear with us till then, and we should have a much clearer picture by the next call.

**Saket Kapoor:** Okay. Two small points, and I will join the queue. Firstly, Pradeep ji, if you could give us the net debt numbers. And I think, so the ratings are also being given some changes last in the month of May. So, after these numbers, when are we opting for a rating review and what is our current cost of fund?

**Pradeep Rustagi:** So, as far as rating is concerned, Ester Industries is A- and Ester Filmtech is Triple B. We are targeting, we have been in discussion with the rating agencies, and we are talking to them to consider an upgrade, and we have a strong case to pursue that. And basis the December result that we have just declared and the expected performance of March. We expect some improvement in the rating from our rating agency.

As far as net debt is concerned, it is standing at about Rs.600 crore as on 31st December 24. Consolidated. This is called consolidated Rs.600 crore, including working capital, both for Ester Industries and Ester Filmtech.

**Saket Kapoor:** Sir, can you tell about the long-term borrowing in this?

**Pradeep Rustagi:** Long term will be about Rs.400 crore and working capital will be about Rs.200 crore.

**Saket Kapoor:** And our current maturity till March, how much is it?

**Pradeep Rustagi:** March Quarter, there is hardly an amount to be paid, Rs.3 to Rs.4 crore. Next year it is Rs.50 plus Rs.35, Rs.80 to Rs.85 crore.

**Saket Kapoor:** Okay. And sir, now one small point on this Loop part of the story. I think it's a big project that we have undertaken considering our size of operations. Today's valuation at \$165 million, it runs around Rs. 1,500 crore CAPEX and uncharted, if I may use the word, since the product understanding and the business profile is very unique and has unique propositions. So, what is the management objective?

I think Singhania sir is not here, but I think Pradeep ji, you would be able to give or convey to him that next time when he is there, he give us some much more understanding because this is going to be a bigger risk, if I may use the word quote-unquote, in terms of the size of the business that we are trying to inculcate the profile into the company. And out of this Rs.1,400-Rs.1,500 crore, how much will go into land, plant machinery, technology, if some break up, some understanding further would be provided to us, that would give some more input.

**Pradeep Rustagi:** So, first, coming to the size of the implementation, Rs.1500 crore appears to be big, but we have done projects about Rs.700 crore all alone, but this time we have a joint

venture partner who has developed the technology who has a pilot plant running who is looking after the marketing and sales arrangements. So, we don't see any major issue in implementation or commissioning of the plant.

As far as the funding is concerned, the breakup of \$165 million, Sourabh, would you please? You have ready numbers. So, it is \$165 million close to Rs. 1,400-1,500 crore. It will be funded through debt and equity. Equity will be 40%. 60% will be debt. And the 40% equity is going to come equally in equal parts from Ester and Loop. So it is going to be Rs. 280 crore each from Ester Industries and Loop.

As far as break-up is concerned, how the Rs. 14 crore is consisting of building, land, etc., that Sourabh will brief you.

**Sourabh Agarwal:** So, roughly around Rs. 90 crore is for the land part, and around Rs. 1,000 crore is for the plant and machinery which we are planning in this, and the balance part is your GST and interest during construction etc.

**Saket Kapoor:** Okay. And lastly, Pradeep ji, there was an Rs. 8 crore exchange fluctuation impact in the Ester Filmtech because of restating of loan. So, if we net off that, that would give a better understanding for the PBT numbers. The PBT number on a consolidated basis was Rs 31 crore. So that had a Rs.8 crore additional impact. So, if we see operational numbers, then we should eliminate the same.

**Pradeep Rustagi:** Yes. So, whatever impact was there in the second quarter, Rs. 8 crore in Ester Filmtech on account of re-instatement of foreign currency loan that we have taken from OLB, that entirely got reversed in Q3. So, the EBITDA of Ester Filmtech was hit adversely by Rs. 8 crore in Q2. Now, that has been reversed in Q3. So, if you eliminate Rs. 8 crore from the performance of Ester Filmtech, we would be standing at about EBITDA margin of 16% to 17% for Ester Filmtech, and Ester Industries remain the same.

**Moderator:** Thank you. Next question comes from the line of Jatin Damania with Svan Investment Managers LLP.

**Jatin Damania:** Yes. So, sir, just wanted to understand our margin profile in the standalone entity. So, can you help us, how does the margin differ in our film business and our chip business?

**Pradeep Rustagi:** So, you are talking of chips business for film which is captively consumed and very small quantity, or you are talking of film and specialty polymers?

**Jatin Damania:** Sir, films and the Polyester chips which we can captively consume because we sell Rs. 30-odd crore of this...

**Pradeep Rustagi:** The major quantity is captively consumed. It has hardly any contribution margin. The contribution margin is not more than Rs. 2, Rs. 3 per Kg. So, it's an intermediate product, primarily produced for captive consumption or consumption in Ester Filmtech. A very small quantity if left with us that is sold to the customers outside of Ester and Ester Filmtech.

**Jatin Damania:** That means the entire margin of standalone entity is largely a polyester film margin.

**Pradeep Rustagi:** Yes, it is a polyester film. Yes, chips is hardly anything. It is just an addition to the top line, nothing to the bottom line.

**Jatin Damania:** And sir, secondly, now when you guided, I mean, it is good to hear that we have raised our guidance for our Filmtech business from Rs. 300 crore to Rs. 350 crore at the top end for this year and Rs.400, Rs.450 to Rs. 500 crore for next year. So, if we consider next year, what will be our rated capacity utilization for Filmtech? And are we on a sustainable basis will be able to make 18% to 20% EBITDA margin in a Filmtech which we reported in the Q3?

**Pradeep Rustagi:** We are currently operating at about 55% to 60%. Going forward, we could see an increase of over 10 percentage point in capacity utilization. And the EBITDA margins at the current prices and the margins that are prevailing, we should be able to sustain that because the fixed cost will remain the same. So, only the variable cost will be incurred to achieve higher sales. So, we expect the EBITDA margins to be sustained.

**Jatin Damania:** Okay. And sir, in export, I mean, definitely you have indicated that the current quarter export will be good, and there is huge visibility for FY '26 also. So, do you have any rough order booked in terms of the export order that is there in the pipeline or probably are we bidding for something or a couple of customers which are already have tenders or things, if you can throw some light on that?

**Vaibhav Jha:** Yes, see, the export business that we have established so far, that is a very recurring kind of business, right? It's not a tender-driven business as such. So, basically, once you have established a product with a customer, then you get into repeat business mode.

So, we have that proven pipeline, which we have executed in Quarter 3, and we expect that pipeline should continue to give us business in this quarter also, plus in some newly established businesses, we will try to see if our business can expand. So, that is how the export situation is right now, and therefore we are targeting to hold on to this 27% VAS volumes and also target on a minimum the same export sales that we did in Q3 and potentially see some increase on top of what we did in Q3.

**Pradeep Rustagi:** So, in exports, what happens is that we receive order every day, every week and execute the same. So, it's almost like a running account kind of situation.

**Jatin Damania:** Sir, last question from my end. Sir, just on the specialty polymer, definitely now on an Innovative and MB03, I mean, we are probably the well-known first party in the market. But is there any other product in the pipeline that we are working on and should we launch in the next couple of quarters that could also be as big as what Innovative or MB03 is at this point of time?

**Vaibhav Jha:** Yes, so there are two strategies that we are taking in specialty polymer. One is farming what we already have, right? Like MB03 has good potential, and we are looking at other chemicals which are there but very small. We don't talk about it because the volumes are quite small, but the potential is huge. And like I said that the maturity timeline for specialty polymer is quite large. So, we have the pipeline where the approval processes are on, and we are expecting some gains in the coming quarters.

So, of course, in terms of potential and pipelines, it's quite rich. How it materializes, we are quite sure that we will be looking at, at least a double-digit growth in the next financial year across not only the existing products but the new products that we had started working on. And we have started working on these sometime back, right? So, sometime during next financial year, we should see those pipelines also materializing. But overall, in terms of understanding the volume growth, it would be safe to say that we are looking at a double-digit growth in specialty polymers.

**Jatin Damania:** Sure. So, that's all from my side. Thank you, and all the best.

**Vaibhav Jha:** Thank you.

**Moderator:** Thank you. Next question comes from the line of Saket Kapoor with Kapoor Company.

**Saket Kapoor:** Yes, thank you, sir, for the opportunity again. Rustagi Ji, when we look at the consolidated numbers for specialty polymers, we find our revenue as well as the profitability is lower. What explains this number, sir? When we look at standalone, the number is Rs. 126 crore for the 9 months and profitability, PBT number is Rs.44.53. And when we go into consolidation, then this figure is becoming little lower. It becomes Rs.123 crore. So, what exactly?

**Pradeep Rustagi:** See, in specialty polymer, there is a very small portion of specialty polymer which is sold from Ester Industries to Ester Filmtech. That amount is very, very small. As you rightly said, Rs.126 crore is getting reduced to Rs. 123 crore or Rs. 124 crore. So, that's the elimination when we look at the consolidated accounts.

**Saket Kapoor:** Okay. And also sir, when we look at the volume for the 9 months for Ester, there was a 3% volume decline. So, what explains? Although we are running at 91%, but when we look at 9 months FY'24, the volume was 38,170 and this time 9 months it is 36,998.

**Pradeep Rustagi:** So, there was what happened that the accounting standard is such that something dispatched from the factory but not reached to the customer is not recognized as sales. So, that makes a gap of about 1 percentage points to 2 percentage points. That's insignificant. So, what is transport, dispatched from the factory in this, let's say in the month of December, not reached by 31<sup>st</sup> December, will be recognized as sales in the following quarter. So, 1% to 2% variation can happen because of this figure.

**Saket Kapoor:** And sir, other than that for the specialty polymers, we had volume of say 1,155 tons as mentioned in the presentation for the 9 months. So, what should we end the year in terms of the tonnage and is that also a reason for the lower tonnage that something was got shifted to the next quarter or this is not paid out for specialty polymer?

**Pradeep Rustagi:** So, first of all, 1,155 includes 370 tons of rPET. This is Quarter 3, the only Quarter 3. In Quarter 2 also, 1,212 ton was the quantity of specialty polymer, out of which 128 was rPET. So, if you look at the total quantity that we achieved till date 31<sup>st</sup> December, 3,353 tons. We should be looking at, we should be closing near to 5,000 tons, including rPET.

**Saket Kapoor:** Okay. And sir, why is this segregation for rPET part being mentioned, if you could just provide the significance of this?

**Pradeep Rustagi:** Because rPET is sold primarily in the domestic market, and the margins are not comparable to the other specialty polymer products that we do.

**Saket Kapoor:** Correct, sir. Sir, although the organization is growing, there is impetus on growth, there is impetus on transforming the company into a value-added company, but we are also seeing, sir, attrition also in the organization at a high level. I think so Vaibhav sir is addressing investors for the first time. So, I would like to understand Pradeep ji you have a long strength here in the organization. What could be the reason for these?

**Pradeep Rustagi:** First of all, we must realize that there is no alarming attrition. The people who left us, they have served the ester for four years, five years. After that they have left. So, there are opportunities, new film players have also come in. So, people look for opportunities, but after serving the company for 5 to 6 years, if they leave, that's not an alarming situation as far as attrition is concerned.

**Saket Kapoor:** Correct. And for Vaibhav ji, sir, what is the task in hand currently, what is the role being envisaged with and your background sir, earlier role?

**Vaibhav Jha:** Yes, sure. So, I was earlier with a company called Reliance Sibur Elastomers Private Limited. I was the CEO of the company. That company was a joint venture between Reliance Industries and Sibur, which is the largest petrochemical company in Russia. So, I served Reliance for almost 13 to 13.5 years in Reliance, and I was on secondment to this JV as the CEO. So, that's my background.

In terms of the task at hand, it is very clearly to transform Ester into a specialty focused company, whether it be specialty polymers or specialty films. So, that is the key task, which is the juicy part, right? And of course, the other responsibilities are the typical organization management responsibilities, which is basically a part of day-to-day operations, but the key task is to help Ester transform into a specialty focused company.

**Saket Kapoor:** Correct, sir. And last point, sir, Pradeep ji, for this Loop industry venture, when will we be drawing the debt, particularly that 60% of the total cost of the project? Have we tied up for the loan or which stage we are? and also, the closing balance of Rs.450 crore, which is due on account of the long-term debt taken for Filmtech\*\*, when will we be able to lower that down to reasonable levels? What is the timeline there, sir?

**Pradeep Rustagi:** So, as far as Loop is concerned, so there are various activities like identification of land, feed study, raw material planning, procurement planning, etc, detail engineering. All that is going on diligently. We are in the process of getting the DPR prepared for, bankable DPR prepared, and we expect the debt to be tied up in the next four to five outer limit six months.

And in the meantime, whatever the requirement of funds will be met by the equity contribution from Ester Industries and Loop. We both have invested Rs 8.5 crore each about a week ago, and we now have Rs. 17-18 crore sitting in the Elite. And so the fund is not going to come in the way of the implementation of the project. In due course of time, both equity and debt will be tied up. We are very confident. We have reached out to a few bankers and that all would be tied up.

On the equity that has to come from Ester, we have already raised share warrants for Rs.175 crore, out of which 25% has already been received. And as we need additional money, we would be calling on the share over and told us to make the remittance.

Coming to the debt of Ester Filmtech, the repayment obligation is Rs. 50 crore each year. So, going by the current outstanding of about, so by 2030 we would be, existing debt will be liquidated. And in the intervening period, if we have some CAPEXs for which we may raise additional debt, but the existing debt will be extinguished by 2030, term debt.

**Moderator:** Thank you. Mr Kapoor, please rejoin the queue for more questions. Next question comes from the line of Jatin Damania with Svan Investment Managers LLP .

- Jatin Damania:** Yes, thank you for the opportunity again, sir. Sir, just the last question. How much of the tonnage did we do rPET in second quarter?
- Pradeep Rustagi:** rPET in December '24 quarter was 370 tons. In September '24, it was 128 tons.
- Jatin Damania:** And out of the ones, as you gave a guidance of 5,000 tons for the full year, which makes it around 1,650 tons for the next year for specialty polymers, how much will we do rPET for the fourth quarter?
- Pradeep Rustagi:** In the fourth quarter, we are expecting rPET sales to be in the range of about 800 to 1,000 tons.
- Jatin Damania:** Okay, sir. That's great. That's it from my side. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, we have reached the end of question and answer session. I would now like to hand the conference over to the management for closing comments.
- Pradeep Rustagi:** Thank you, everyone, for attending the call. We look forward to talk to you all in the month of May when we have the next earning call. Thank you.