Ester Industries Limited

Q4 and FY '23 Analyst and Investor Conference Call

June 05, 2023

Moderator: Ladies and gentlemen, good day, and welcome to Ester Industries Limited Q4 FY '23 Earnings Conference Call. Please note that this conference is being recorded.

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

Suraj Digawalekar: Thank you. Good day, everyone, and welcome to Ester Industries Q4 and FY '23 Analyst and Investor Conference Call. We have with us today Mr. Pradeep Kumar Rustagi, Executive Director, Corporate Affairs; and Mr. Girish Behal, Business Head. We will begin this call with opening remarks from the management, following which we'll have the floor open for interactive Q&A session.

Before we begin, I would like to point out that some statements made in today's discussion 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 documents on the financial performance.

I would now like to invite Mr. Pradeep Rustagi to make his opening remarks. Over to you, Pradeep.

Pradeep Kumar Rustagi: Thank you, Suraj, and thank you, everyone, for joining us today. I have alongside with me Mr. Girish Behal, Business Head present and Sourabh Agarwal, CFO. We will begin the call with a brief overview of our businesses, followed by a walk-through of our financial performance for the quarter and year ended March 31, '2023.

Starting with Q4FY23 performance, both Specialty Polymers and Films demonstrated some recovery during the quarter, after a muted Q3FY23. Furthermore, our new Film Plant in Hyderabad as well started commercial operations on 20th January 2023. While the utilization levels are expectedly at the lower end but we are confident of ramping up capacity utilization over the quarters to come. As expected & indicated in earlier calls, the overall pricing / margin environment for the Film business continues to remain weak due to over-supply situation caused by bunching of new capacities and inflationary pressure on costs.

As far as Specialty Polymer business is concerned, we saw sharp recovery in Q4FY23 in the performance over Q3FY23 with sales of marquee products making a comeback. Q3 performance as we indicated in our previous call, was largely impacted by recessionary worries / trend in end user markets namely US. On an overall basis, during FY23, we have achieved higher revenue by 14% from Rs. 173 crores to Rs. 198 crores with profitability in absolute terms almost in line with FY22. It is pertinent to mention that FY21 was impacted by Covid-19 related restrictions & issues. We witnessed significant growth in FY22. While H1FY23 turned out to be very good as compared to H1FY22 with revenues improving from Rs. 81 crores to Rs. 130 crores (up by 60%), H2FY23 was impacted by headwinds caused by recessionary trends in US and other geo-political issues. If there had been no recession, the performance of the SBU would have been much better. However, the prospects of the business remain robust basis innovative products already commercialized and expected to be introduced in near future. The persistent efforts of R&D team to improve innovation pipeline and process enables us to build a healthy product pipeline.

Let us now elaborate on the performance of each segment.

Starting with the Specialty Polymers business. As we mentioned earlier, Q4FY23 saw the business making a sharp comeback with revenues and profitability both improving significantly on a sequential basis. Q3FY23 performance as we mentioned in our earlier call, was reflective of the recessionary uncertainties prevailing in our core market – US.

Q4FY23 witnessed good recovery in volumes of both our marquee products which helped improve our revenues and profitability. Sales of our lead and established MB03 stood at 285 MT as against 143 MT in Q3FY23 and 299 MT in Q4FY22. Sales of innovative PBT as well improved to 468 MT as against 74 MT in Q3FY23 and 398 MT in Q4FY22. On an annual basis, while our top-line has seen a good growth of 14%, EBIT in absolute terms has been relatively steady due to challenging external environment and inflationary pressure on costs.

Specialty Polymer as you may be aware is largely export oriented business and any uncertainties & headwinds in the global economy are likely to have an impact on its financial performance and growth momentum. The performance of the Specialty Polymers SBU is likely to remain impacted during next 2 – 3 quarters until economic revival in US. We expect rapid expansion in both volume and value of sales post economic revival in US. We expect business to deliver steady growth over long term given its innate nature i.e. limited competition / IP protected business. Our R&D team as well continues to work towards building an exciting and innovative product pipeline which further reassures us of the robustness and long-term growth prospects of the business. We don’t foresee any major risk to the business barring global uncertainties which may impact its growth momentum. We are also seeing global freight rates moderate which should help us serve our customers better.

Moving on to Films business, on yearly basis, Films delivered a muted performance in a challenging environment. However, revenue and profitability both improved on a sequential basis during the quarter. Our new Film Plant in Hyderabad started its commercial operations during the quarter. To quantify, the unit has achieved sales of 4,757 MT translating into revenues of Rs. 50 crores.

On consolidated basis, volume improvement over Q3 is largely owing to the commissioning of the new plant in Hyderabad. Despite higher volumes, the financial performance was muted on account of pricing & margin environment that continues to remain challenging. Addition of new capacities in India in a bunched manner has resulted in an increase in overall supply, which in turn has resulted in pressure on margins. The slowdown in the US and Europe and demand supply imbalance in India is expected to see the industry continuing to experience challenges in the near to medium term. In addition to excess supply and recessionary slowdown, we are also witnessing higher prices of inputs including power and fuel which in turn are exerting further pressure on profitability.

While near to medium term outlook is expected to be challenging due to excess supply and benign realizations & margins, we are working towards improving our product mix by increasing proportion of Value Added & Specialty portfolio, ramping up the utilization levels of the new plant and cost rationalization to help us offset the headwinds and improve margins & profitability. To achieve higher proportion of VAS portfolio, we have invested in an off-line coater that is expected to be commissioned soon. Build-up of volume from new coater will be achieved gradually and continuously. We are also working on new products that will enable us to improve profitability despite adverse market scenario.

The new plant, as we had mentioned in our earlier call is of 48,000 MTPA capacity, spread over 50 acres and is built at an approximate cost of Rs. 680 crores (including margin money for working capital and GST accumulation). The plant is expected to generate revenues worth approximately Rs.500 to 550 crores upon achieving optimal utilization. We have plans in place to export part of the output from this plant.

We would just like to reiterate that both our businesses are well positioned to deliver steady growth over the coming years and create value for our shareholders. While the near-term challenges for Film business persist, we believe we are amongst the best placed players in the industry to tide over the hurdle as demonstrated in the past. Our efforts towards improving product mix, operating leverage especially in the new plant and cutting down on costs should help us improve profitability. Specialty Polymer business as such faces no threat of competition and therefore should continue its growth momentum over the coming years. Furthermore, given that it is IP protected, margins as well will sustain going forward.

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

We would now quickly walk you through our financial performance for the quarter and year ended March 31, 2023 post which we can begin the Q&A session.

Starting with the topline; on stand-alone basis, revenues from operations stood at Rs.254 crore as against Rs.388 crore reported during Q4 FY22, lower by 34% mainly due to effect of divestment of Engineering Plastics business in September 22 and drop in realization of margin in Polyester Film. However, on a sequential basis though we have seen a good recovery with Q3 sales being at Rs. 197 crores. The sequential improvement was on the back of significantly better performance by Specialty Polymer, ably supported by Film business. Revenue from Specialty Polymer for the quarter stood at Rs. 52 crores as against Rs. 16 crores generated in Q3 FY23 and Rs. 47 crores reported in Q4FY22. Chips & Film segment as well reported good recovery on sequential basis with revenue of Rs. 200 crores as against Rs. 181 crores reported in Q3FY23 and Rs. 255 crores in Q4FY22. On an annual basis, FY23 reported revenue / sales worth Rs. 1,213 crores as against Rs. 1,406 crores registered during FY22. Specialty Polymer reported revenues worth Rs. 198 crores as against Rs.173 crore registered during FY22, while Film business garnered revenues worth Rs. 879 crores during FY23 as against Rs. 937 crores reported during FY22. Revenues from EP SBU were available for about 6 months and during FY23, EP SBU generated revenues of Rs. 136 crores as against Rs. 295 crores during FY22.

EBITDA including Other Income for the quarter stood at Rs. 19 crores as against Rs. 6 crores reported during Q3FY23 and Rs. 65 crores reported during Q4FY22. Higher EBITDA on a sequential basis was owing to better profitability in Specialty Polymer business. As mentioned earlier, the pricing & margin environment for Films continue to remain challenging and is expected to remain so in the near to medium term owing to excess supply in the market, though some recovery in pricing & margins is being witnessed during Q1FY24 over Q4FY23. For the year, EBITDA including Other Income stood at Rs. 136 crores as against Rs. 252 crores reported during FY22.

PAT from both continuing & discontinued operations for the quarter and FY23 stood at Rs 3 crores and Rs.49 crores respectively. We also made a Capital Gain after Tax of Rs. 112 crores from Slump Sale of Engineering Plastics business.

On stand-alone basis, despite lower EBITDA during FY23, the net interest-bearing debt is at better than prudent level of Rs. 183 crores which is 1.35 times the EBITDA. Such low level of debt was achieved due to profits retained and cash flow generated from slump sale of Engineering plastics SBU.

On consolidated basis, as of March 31, 2023, outstanding interest-bearing debt, stood at Rs.625 crores which is 6.7 times our annualized EBITDA for the current financial year. The multiple looks on the higher side mainly on account of new plant operations being available only for a quarter (Q4FY23), lower contribution from the same given that it just started commercial operations and debt drawn for the funding of Hyderabad plant owned by our WOS EFL. It is important to mention that higher multiple is not because of higher debt but lower EBITDA. As the EBITDA earnings return to normal levels, the Debt EBITDA multiple will improve and fall within the prudent level of about 3 to 3.5. We believe that new plant will start contributing to the overall profitability and cash flows as operations and market situation starts to normalize.

We consider it necessary to mention that servicing of debt is not considered an issue at all as we have enough liquidity in the form of under – utilized WC limits and investment in liquid instruments.

We remain committed towards maintaining a strong balance sheet that is supportive of our growth initiatives.

That brings us to the end of our opening remarks. We would now like to throw open the floor for questions.

Moderator: We have a first question from the line of Tejas Sonawane from Dolat Capital.

Tejas Sonawane: Sir, in the Films business, we have seen a marginal recovery during the quarter, so what was the key driver behind the growth for this quarter? And what is your outlook for FY '24 and '25. If you can give us some color on that?

Pradeep Kumar Rustagi: So the December quarter was badly affected because there was loss of production and the margins were very low. There was some recovery in the margins in the March quarter, and therefore and the volumes were also higher. So the film plant showed some recovery in March quarter.

We have started to see some improvement in the month of May, and we expect, therefore, the June quarter to be better than March. If you were to talk of the yearly outlook, let's say, for the financial year ended March '24, March '25, gradually, there should be improvement in the margin, but it may take more than 2 to 3 quarters for us to be seeing reasonably, let's say, margins at reasonable levels. We have seen gradual improvement. And overall, we expect Films business to be positive, better than, let's say, second half of FY '23 during March '24 and '25.

Tejas Sonawane: Okay. Understood. Secondly, on the Speciality...

Pradeep Kumar Rustagi: We are focusing a lot on value-added and Specialty portfolio within Films segment. We had recently made a small investment in the offline coater, which would help us enable to achieve higher volumes of value added products going forward.

Tejas Sonawane: Okay. Understood, sir. Secondly, on the Specialty Polymers side. So we have seen good recovery during Q4, so what are your expectations for FY '24? And the kind of growth we have seen in Q4, will that be sustainable over FY '24?

Pradeep Kumar Rustagi: So the first half of FY '23 was very good. Second half was affected, though there was some revival in the Q4. Overall, we expect these to achieve turnover of close to Rs.200 crore in '23 FY '23. We expect that we would be able to operate within that range in FY '23 because the U.S. is now technically, though it did not declare a recession, but we are seeing signs of recession in there and therefore, we believe that we would still be able to achieve a turnover of close to Rs.200 crore in FY '24, which will be almost in line with the FY '23.

Tejas Sonawane: Okay. Got it, sir. One last question from my side. What sort of run rate are we expecting on the Ester Filmtech to achieve in FY '24? And at what utilization level do we expect it to break even?

Pradeep Kumar Rustagi: What happens is more important than the capacity utilization it is the margin. As the margins start to improve, you should be able to see better performance from Ester Filmtech. Currently, we are operating at about 65% capacity utilization. Technically, we should be able to reach 75% to 80% in a very short period of time, but much will depend on the market conditions. As the margins improve, then we will be able to do. it's not basically dependent too much on capacity, it is rather dependent on margins for the business to be reporting good numbers.

Moderator: We have a next question from the line of Saket Kapoor from Kapoor and Company.

Saket Kapoor: Good afternoon Sir, firstly is just there's a comment which you made about the performance of our Specialty Polymers, we will be clocking revenue closer to Rs.200 crore for FY '24.

Pradeep Kumar Rustagi: That is the estimate we have going by the current market scenario.

Saket Kapoor: Okay. And what should be the margin profile from the segment?

Pradeep Kumar Rustagi: Saket, we have always been telling that the margins in Specialty Polymers is not a matter of discussion with the customer because the products are patent protected and the margin is calculated over the raw material costs. So the margin profile should remain more or less in the region that we are seeing now. There could be, let's for example, plus of 30% EBIT margin that we could be seeing in future also.

Saket Kapoor: Because sir Q4, we did 23.5% and for the year as a whole, it was closer to 29%. So what should be the number we should consider for?

Pradeep Kumar Rustagi: It is difficult to assign a number, but if you were to go by, we should be seeing the repeat of the FY '23 in terms of margins.

Saket Kapoor: Okay. The whole year number. Sir, when we look at your performance from the wholly owned subsidiary, if you could explain towards the cash losses higher than the EBITDA part and when you look at the quarter EBITDA is Rs.10 crore loss and cash profit under cash profit column it is Rs.16 crore. So if you could explain the same sir?

Pradeep Kumar Rustagi: So this was the first rather, it was not a full quarter even we started commercial production on 20th January, so the first quarter is never indicated because in the first quarter of commercial production, we had a certain stabilization issues , related issues we plant the efficiencies of the operations is not so much. The margins were also very low during the quarter.

But as I said earlier, as we have stated earlier, that as the margins start to improve, which have started. And as we stabilize the operations, we should be seeing better performance from Ester Filmtech as well. We hope to see a rest of the cash losses in after 2 to 3 quarters, that should be possible in Ester Filmtech as well.

Saket Kapoor: Correct, sir. Sir, in your notes to account, it was also mentioned that around Rs.4.4 crore was mark-to-market because of foreign exchange restatement. So where is this line item being presented in the P&L?

Pradeep Kumar Rustagi: Yes. So this is nothing we have a foreign country loan of EUR 27 million. So we have done some principle on this fact, and there is some portion which is outstanding not held. So it is mark-to-market because at the end of the each reporting quarter, we have to re-state the liability. So it's not that we have or there is an outgo of cash, it is just that the liability has been reinstated at the prevailing rate as on 31st March '23.

Saket Kapoor: So sir under which line item? Is it in the other income?

Pradeep Kumar Rustagi: It's a noncash item.

Saket Kapoor: Yes, it's a noncash item, but where have we clubbed it, whether it's in the other income you have rounded it off or in the other expenses?

Pradeep Kumar Rustagi: Other expenses.

Saket Kapoor: In the other expenses. Also about the value-added segment, you did mention that we did 22%, 23% value-added film. So what should be our target for the current year? And how is the margin profile?

Pradeep Kumar Rustagi: So we are talking about Ester Industries. The value-added segments are not going to be so much in Ester Filmtech because there we have a plain line and a Metallizer. In Ester, we are targeting about 28% to 30% and the margin profile should be in that range. Basically, a 23% value added in volume with close to 34% in value terms that's the kind of so I suppose we are able to achieve 30% then our sales value -- in sales value terms, it should be contributing close to 40%.

Saket Kapoor: And can you give us some more color on the raw material mix for this quarter and the averages for the year? And what are the current prices?

Pradeep Kumar Rustagi: So this current cycle of PTA and MEG, currently PTA is at out Rs.71 sorry, Rs 73. And Rs 71, and MEG is at about Rs 47 and the raw material costs, PTA and MEG per kg is close to Rs 77. From April, there was some increase, but now there has been some reduction in the PTA, MEG prices. So PTA, MEG prices are more or less stable barring some fluctuation from month to month.

Saket Kapoor: Right sir. And as you mentioned in your opening remarks that because of the bunching of capacity, there is a pressure on the margin. So how are the current margins in our Film segment, sir?

Pradeep Kumar Rustagi: We also stated that -- and this has been also experienced by the industry. There has been revival in margins in the month of May over April. April's margins were as low as close to Rs 20, which has now increased to about Rs 28, Rs 29 over PTA, MEG in Ester Industries. And as we speak now, it is in that range only. So there has been significant improvement in the margins from Rs 26, let's say, Rs 28, Rs 29, close to 40%.

Saket Kapoor: And so what was the average for Q3 and Q4 last year?

Pradeep Kumar Rustagi: Q3 was close to Rs 20. March was also Rs 20, Rs 21, Rs 22.

Saket Kapoor: H1, sir?

Pradeep Kumar Rustagi: March was Rs 21.

Saket Kapoor: No, H1 sir, means last year, first half what was there?

Pradeep Kumar Rustagi: H1 should be, just hold on for a minute, Close to Rs 37, Rs 38.

Saket Kapoor: Okay. Sir going ahead with the type of capacity ramp-up and the demand is the greenfield if you see? Is it a fair assumption that two quarters down the line, we will be closer to the Rs 35, Rs 38 band, rather than staying in this lower band of Rs 20, Rs 25?

Pradeep Kumar Rustagi: Girish is responding to this.

Girish Behal: I think what you're aware that there is a bunching of capacity which has added on stream. And there is a currently global economic situation, which is not looking good. Of course, the Indian demand situation is growing at a robust pace. And as we move along, there will be whatever demand supply gap that we have that can start to get narrow and then we do have results into the margin improvement.

Saket Kapoor: Two more questions if I'm permitted to. Sir, if you could give me the net debt number? And also, sir, under the current asset, there is an investment of Rs 154 crore, if you could explain what is that attributed to?

Pradeep Kumar Rustagi: Okay. So first I'll share with you the net debt. So the net debt is nothing but the interest-bearing debt minus the liquid investment that we have. The Ester Industries it is Rs 183 crore as on 31st March '23.

ESTER INDUSTRIES LTD.

The investment of Rs 150 crore is nothing, but the sales profit that we got from the sale of Engineering Plastic Business that has been conserved and it has been invested into safe investment, a safe liquid investment which is giving us a return of close to 8% per annum. So that this liquidity is a very good sort of a safety cushion for Ester Industries for it to be able to service the debt on time.

This is also the liquidity position, the comfortable liquidity position that we have. It is also one of the reasons why the rating agencies like CRISIL have maintained our external credit rating despite the drop in margins across all the companies in the same industry.

So Rs 150 crore is nothing but the investment made out of the liquidity generated from sale of Engineering Plastic Business.

Saket Kapoor: Sir, can you give me the net debt number on a consolidated level.

Pradeep Kumar Rustagi: Consolidated level, it is close to Rs 600 and -- just a minute.

Saket Kapoor: Net debt.

Pradeep Kumar Rustagi: Net debt, because Ester Filmtech has Rs 410 crore of the, let's say, term debt and there is some working capital. So net debt on a interest-bearing debt net of liquidity investment is Rs 625 crore on a consolidated basis.

Saket Kapoor: Rs 625 crore and the cost of funds sir? Sir cost of funds, the blended cost of funds, the term loan, the working capital?

Pradeep Kumar Rustagi: Yes, yes. In Ester Filmtech, the blended cost of debt is close to 6.5% to 7%.

Saket Kapoor: And in the subsidiary?

Pradeep Kumar Rustagi: In subsidiary, it is about 6.5% to 7%. And in the parent company, it is between 9% to 9.35%.

Saket Kapoor: Correct. And still, sir, there is some left over of capital work in progress of Rs 79 crore. So what is that attributable to, sir?

Pradeep Kumar Rustagi: So like, for example, we have mentioned that we are making investment in off-line coater, so similarly, there were certain items which were required to be carried out capex items to be implemented in Khatima, so it is nothing but the amount of the offline coater and various other capexes that were initiated during last year, which are going to be capitalized or completed in this financial year were appearing at CWIP.

Moderator: We have a next question from the line of Jalaj Manocha from Svan Investments.

Jalaj Manocha: I just wanted to understand by when do we expect polyester vertical division will start to contributing to the margins in the profitable manner? And what sort of margins do we see in scenario where the demand scenario gets in the right place.

Girish Behal: I think and I'm looking at clarify your question first. Are you talking about the margin scenario in Film business or Specialty Polymers.

Jalaj Manocha: Sir, Film business.

Girish Behal: Film business. I think we have already stated that because there's a bunching of capacity, which has created a demand supply situation and which has put pressure on margins. As we go along, there will be the domestic growth is still going at a robust level, let's say, coming quarters, the demand as the demand supply gap narrows, then we would see the margin improvement coming quarter after quarter.

Jalaj Manocha: Understood. Sir, what sort of margins do we expect in a scenario when the demand and supply reached to a point when there is a optimum mix there. So what sort of margins do we expect then?

Pradeep Kumar Rustagi: At this point in time, it is difficult to predict a number, but as the margins improve we should be entering into double-digit EBIT margins in double digits, let's say, in after 2 to 3 quarters.

Jalaj Manocha: Understood.

Pradeep Kumar Rustagi: In Ester Industries. In Ester Filmtech, it may take longer because there we are making a film from chips and the chips are secured at a certain premium to PTA and MEG price. So the Ester Filmtech may take some more time to come to the double digit numbers, but Ester Industries would definitely be in double digits after 2 to 3 quarters.

Jalaj Manocha: Got it. And one last question, if I may. So just wanted to understand the demand scenario per se. Are we facing some headwinds there also? Or I understand that I'm saying right now, it did issue, that's why the margins are what we are seeing, but the demand scenario also, because there facing some scenario issues there or that is still fine there?

Girish Behal: I think as we just clarified a while ago, the demand scenario in domestic is still robust. There are some issues in global markets because of recessionary fears but the demand situation in domestic market appears healthy.

Moderator: We have a next question from the line of Pratap Makwana from Forbes Marshall.

Pratap Makwana: My first question is regarding, what should be the expected revenue by end of Q1 this quarter, by the end of June, as already 2 months has been passed. And as sir mentioned, so that there is an improvement seen from this quarter in terms of the demand side, so we expect some margin improvement also. Now the already 2 quarters had been passed in consolidation phase, so are we think the recovery as per last to last year, which we have seen the great year for Ester.

And at the end of financial year '22, '23. So the result, which has been published, it is taken for one for the onetime profit from the plastic sale business. So from this quarter and also from the end of this year. So is there any separate segment will be available of not maintaining this profit, onetime profit and just looking on the stand-alone and consolidated revenue and profit.

Girish Behal: You have multiple questions. I think I'll try to answer. During the current quarter, the new investment that what we had done would add volumes to our total P&L on a consolidated basis. As we explained earlier that we have already seen a recovery in margins in this quarter. So those 3 would also contribute.

Pratap Makwana: Great. That's first question. I'm expecting answer for the remaining 2 questions also, sir.

Girish Behal: Can you please repeat your question once again?

Pratap Makwana: Yes, already 2 quarters has been on the consolidation phase. So are we seeing the recovery on the similar phase like we have on the last-to-last year, which was a great year for the Ester. And the last question was the revenue and the profit for the March '23 financial year '23 is discovering with the onetime plastic sales business. So how we can justify the standalone consolidated revenue, not looking at the onetime profit? And what is the expectation from expected value from that?

Girish Behal So I think if we are talking about consolidated results, so consolidated of the new entity or the new line which we have commissioned in January has only a few days of operation. So as we go along, new volume would start to, let's say, count in our top line and bottom line. And in terms of, let's say, the overall profitability compared to 2 years ago, the margins currently what we are going through are very different compared to what we had 2 years ago. So there will be a margin pressure if you compare our current results with the results 2 years ago.

Pratap Makwana: Okay. So we see that Rs.136 crore of net profit I think in spite of having a lesser revenue around Rs.1,150 compared to the Rs.1,400 last year, there was a profit of same level, Rs.136 crore. That is mainly due to the onetime sale available on the plastic business.

Pradeep Kumar Rustagi: So out of Rs.160 crore, Rs.111 crore is out of the from the sale of the business. That's an extraordinary item. It cannot be repeated year after year. There is no other business to be sold. So we have to look at the profit from the operations, which was Rs.49 crore in '22, '23.

Pratap Makwana: Yes. So any guidance on that. So are we aiming for the same profit level of what we on top of any improvement on the profit level of Rs.136 crore.

Pradeep Kumar Rustagi: Where is Rs.136 crore coming from?

Sir, it's from the sale of the business, Rs.111 crore. You can remove that.

Pratap Makwana: Yes, but this is for this year and also the last year also the net profit was Rs.136 crore?

Pradeep Kumar Rustagi: Last year, the Film business was very, very good. And the current oversupply situation will not allow the industry or will not help industry see those kind of margins again for at least this financial year. So to expect that those kind of margins will not get repeated very soon. It will take some quarters, I would say, few quarters close to 7, 8 quarters for us to be able to see those kind of margins again.

'21, '22 was a very good year. Demand supply was balanced rather there were some amount of shortage of Film capacity. But now there is an oversupply situation and the growth rate as Girish has told, the growth in demand is robust at about 11% to 13% per annum in India. But despite that, it will take some time to be able to achieve those kind of margin levels again.

Pratap Makwana: Okay. Any plan to increase the top level with keeping the margin similar to achieve that kind of profit margin?

Pradeep Kumar Rustagi: We are focusing a lot on increasing the proportion of value-added in the Specialty Films. So the value-added and Specialty Films sets you better margin, and that should help us post the performance better than the previous quarters. But the ramp-up cannot happen drastically in a short span of time. It will be gradual from 23% to 30%, 32%. And -- but it will take about a year to reach that kind of level.

Moderator: We have a next question from the line of Saket Kapoor from Kapoor and Company.

Saket Kapoor: Sir, if we go to the presentation page slide number 19. The headline speaks for green initiatives focus on sustainability. If you could explain to us the green initiative part where in we have mentioned about bio-based fuel consumption, bio-based raw material, if you could explain how this slide is relevant to us? And what are we trying to convey through it.

Girish Behal: I think the slide conveys whatever the green initiative and the sustainability initiatives that we as a company are doing we use bio-waste or rice husk as our fuel which will help us reduce our carbon footprint. We use bio-based raw materials so that at least we move away from using less quantity of raw materials derived from fossil fuel. We promote, let's say, a reduction in usage of packing material so that there is a cost efficiency as well as optimum resource utilization. We on our product line, we work on a lot on sustainability, few are mentioned there.

So let's say, in many packaging applications, aluminium foil is used, we offer a product, which is a Film, which can give similar, let's say, performance as aluminium foil, despite being very low on weight and cheaper.

We offer Film for wherever currently, PVC films are currently used. We offer films made out of polyester, which can replace PVC films, where PVC is currently being used. Apart from that, although it is not mentioned in the slide, we offer now a full range of product, which has got post-consumer recycled content.

I'm not sure whether you are aware, the Pollution Control Board has already come with the guidelines on extended producer responsibility, which focuses on usage of on the collection and recycling and reuse of recycle plastic, and we are happy to report that we have already done a lot of work in that area. Most of our products have been converted in the variant where we can offer post-consumer recycled content ranging from 30% to going up to as high as 100%.

So this is the work which we are doing on promoting sustainability and circular economy. There are products which use the post-consumer recycling material.

Saket Kapoor: The last point, what you mentioned was from 30% to 100%, I missed your comment, if you could repeat that.

Girish Behal: I will explain to you. Let's say, we as a company, we have prepared ourselves for these regulations coming in the coming quarters or in coming years. We have made our full or most entire range of products to come within the variance where recycled content is incorporated into the product ranging from 30% to going up to as high as 100%.

Saket Kapoor: And the onus is on the producer itself as per the Government norm. It has to be done.

Girish Behal: Each plastic consumer has got an obligation for certain connections, recycling and reuse, so we being a value chain partner, we are happy to offer products which enable them to fulfill their obligation.

Saket Kapoor: So what are the price differentiation in this case is when this is every player in the industry is working on the same way.

Girish Behal: See, I think most of the players will be working on that. Every player has got their own strength. And since there are hundreds of products, I cannot give you one particular number, I can only say a range, the range could be anywhere between 15% to 30% higher price compared to a product which has no polyester recycle content.

Saket Kapoor: Right sir and sir, on the fuel consumption part, what percentage of our fuel requirement is from this bio-based after the total fuel mix?

Girish Behal: So if you're talking about fuels, I think our heating comes from bio-based fuels. And I think I don't have the right numbers in front of me in terms of you that we can safely assume more than 90% of our heating demand is met through bio-based fuels.

Pradeep Kumar Rustagi: Heating and steam both and power we are using from the state electricity board, which is mostly hydro power in Uttarakhand and so our consumption of furnace oil and HSD is very small, less than 10% of our total consumption on power and fuel.

Saket Kapoor: Okay. And what is the total power and fuel cost, sir for the year?

Pradeep Kumar Rustagi: Total power and fuel cost is anything between Rs.8 crore to Rs.9 crore a month currently. Last year, it was about Rs.116 crore.

Saket Kapoor: And for the utilization levels that I missed your commentary, how have the utilization levels being for the Film business for Q4? And what are the trends for this quarter?

Pradeep Kumar Rustagi: So I'll give you the company by company, just hold on for a minute. Ester Filmtech, which is the and is the number for March quarter. We started on 20th January, it is close to 60% and if you talk of Ester Industries, the Film was almost 100%. But June quarter onwards, this could be in the range of because of the demand supply in balance, this would be in the range of 75% to 80%.

Saket Kapoor: So then in that case, the number will be lower what we did for Q4, you were telling that there is a trend...

Pradeep Kumar Rustagi: What happened, the margins are likely to improve, so what you lose on the capacity side is made good by implementing the margin. Even higher margin will lead to higher selling price also.

Saket Kapoor: Correct. So in our Specialty Polymer business line, where in we see the in your Slide number 22, you mentioned about the carpet stain removal part, the problem and the solution being offered by us, sir here, we are not getting to domestic side. This is only export or the particular client we are selling for this?

Girish Behal: See, I think this particular case study is largely relevant for export market because in India, there is very less of nylon carpet, which are used in volume as compared to export market.

Saket Kapoor: Currently, I think the Welspun has come up with a new facility in the current state itself. So does those product profile augurs well for our solutions?

Girish Behal: I think carpet or any is a big subject. We are talking about a carpet made of nylon fiber. So there are many expansions happening in India, and many of these we are working on various of these opportunities. So whether it's Welspun or anybody else, we come up with an idea which where we can add value. Of course, there will be doing something with them.

Saket Kapoor: Currently, are there clients or customers in this segment? We are catering to them or?

Girish Behal: No, I think as a company, we cannot take one particular company name in this conversation, there are many similar customers who are currently our clients.

Saket Kapoor: On the dividend part, sir, I missed I think there's some notification was there for the dividend payout. So if you could...

Pradeep Kumar Rustagi: We already have a dividend payout policy, which is approved by the board and has been uploaded. So the dividend distribution is not only a function of the profit that we make, but it is also dependent on the, let's say, the outlook for the industry, the repayment obligation, the capex requirement, the working capital requirement, future cash flow, etc. So factoring all this, the directors of the company decided to recommend a dividend of INR0.50 per share in the meeting held on 1st of June '23.

Saket Kapoor: Correct. And sir, what has been the payout to the promoters, I think to the Managing Director as per percentage of.

Pradeep Kumar Rustagi: The promoter family has close to 59% of the holding, so whatever is the total amount of dividend, dividend amount will be Rs.4 crore 17 lakhs.

Saket Kapoor: No, sir. I'm talking about the remuneration.

Pradeep Kumar Rustagi: Out of that 59%

Saket Kapoor: Sorry, sir, I was just speaking about the remuneration as a percentage of net profit that is entitled to Mr. Singhania.

Pradeep Kumar Rustagi: Other than the remuneration, no commission is being claimed by the director. No commission is getting paid to the CMD in the financial year '22, '23. Only the salaries that have already been approved in the AGM by the shareholders. About Rs.3-point-some crore is the salary that withdraws.

Saket Kapoor: That is what has been paid for this year.

Pradeep Kumar Rustagi: Yes, no commission on the profit this year despite having a profit of about Rs.160 crore no commission has been proposed or recommended by the NRC. And hence, there is no pay-out of commission to CMD during 2022.

Saket Kapoor: Lastly, there was a breakdown in one of our units last year. So have we come up with the figures of what was the loss? And how are we working with the insurance company with to clear that.

Pradeep Kumar Rustagi: So there was a breakdown in our continuous polymerisation plant. And since the film plant is integrated with the CP plant, there were lots of production in Film plant as well. The loss of production work for 28 days. The assets were restored by end of October. Now they are running fine. We have launched the insurance claims, and this insurance claim is likely to be settled soon, let's say, by end of July or mid-August. And the total amount of prem is going to be in the range of anything between Rs.4.5 crore to Rs.6 crore.

We have two kinds of coverages. One is the property damage and the other is the loss of profit. so property damage is very simple. To the extent of the damage, the compensation will come from the insurance company. Loss of profit requires a lot of calculation at the surveyor's end and therefore, the wide range of about Rs.4 crore to Rs.6 crore for the insurance claim.

Saket Kapoor: Lastly that we have been noticing that not to put a thing in just to put it entirety, Mr. Singhania is not attending the calls for last 2 quarters. Any particular reason he has opted out or not seeking to investors option sir?

Pradeep Kumar Rustagi: So he wants the second line to be fully developed to be able to answer the question on the shareholders. So it's a step in preparing the next line, we'll be able to do what he was doing earlier. I put across this point of you and it is possible, he would attend one or two calls going forward. And as of now, he has given his job to Girish and me?

Saket Kapoor: Yes, sir, we have been adequately answered with all the questions to the utmost satisfaction. Thank you for the presentation also, sir, that it speaks of volume, and it gives us a correct picture of what the current situation is. So please continue with this in the same process.

Moderator: I would like to hand the conference over to management for closing comments. Over to you.

Pradeep Kumar Rustagi: Thank you, everyone, for participating in the earnings call. We look forward to meeting you all by end of July or, let's say, first fortnight of August when we are ready with our June quarter results. Thank you so much.