



ESTER
INDUSTRIES LTD.

Q1 FY23 Investor Presentation

August, 2022

Disclaimer

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local political or economic developments, technological risks, and many other factors that could cause actual results to differ materially from those contemplated by the relevant forward looking statements. Ester Industries Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

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Business Overview

About Us

Diversified business portfolio

Comprehensive product suite

State-of-the-art manufacturing facilities

Global footprint

Experienced management team

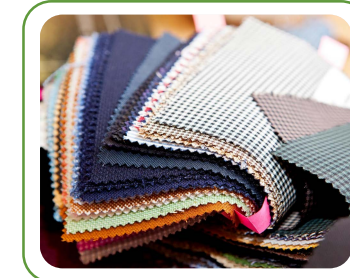
Strong Financial profile

Sales Mix (Q1 FY23)



**Polyester
Films**

66%



**Specialty
Polymers**

14%



***Engineering
Plastics**

19%

* Quarterly results of EP Business reported as "Discontinued operations" since Business Transfer Agreement (BTA) signed on 6th May 2022

Quick Facts

1985

Year of Incorporation

GURGAON, INDIA

Corporate Headquarters

3

Business Segments*

About 50 COUNTRIES

Global Footprint

**494 – KHATIMA,
SITARGANJ,
GURGAON**

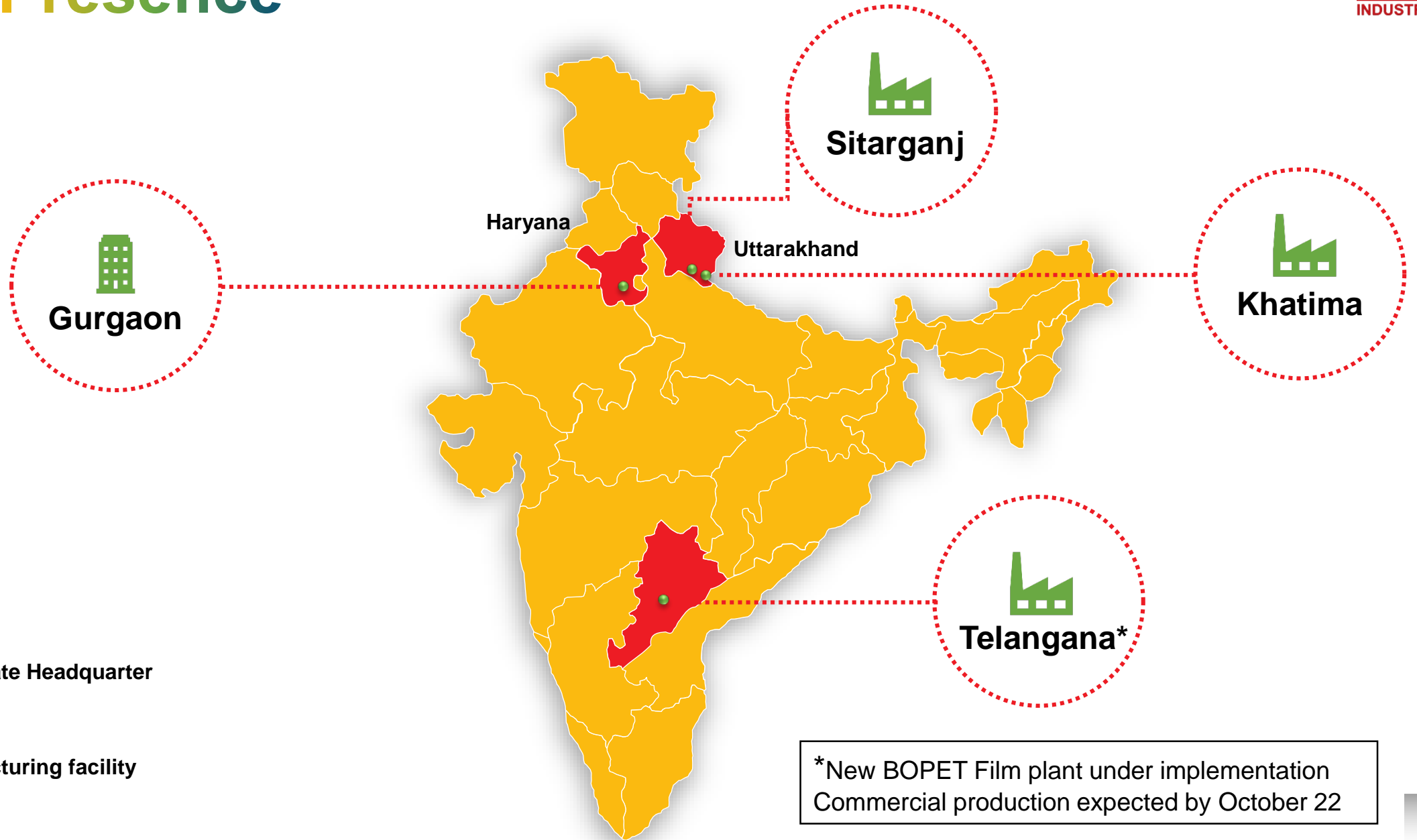
139 - HYDERABAD
People

CRISIL A
(stable outlook)

Credit Rating (Long Term)

* **PF** - Polyester Film; **SP** - Specialty Polymers; **EP** - Engineering Plastics (Discontinued operations)

Our Presence



 Corporate Headquarter

 Manufacturing facility

*New BOPET Film plant under implementation
Commercial production expected by October 22

Global Presence

We serve about 50 Countries



Q1 FY23 Performance Overview

Financial Summary

Particulars (Rs.cr)	Q1 FY23	Q1 FY22	%	Q4 FY22	%
Revenues	402	319	26.0	388	3.6
EBITDA*	73	65	13.4	65	12.4
Margins (%)	18.2	20.2	(200 bps)	16.8	+140 bps
PAT	42	38	11.9	33	28.7
Margins (%)	10.5	11.8	(130 bps)	8.5	+200 bps

*including other non operating income

- Core businesses - Films and Specialty Polymers performed well; registering revenue and profitability growth during the quarter
- Operating profit increased 13% on a Y-o-Y basis and 12% on a Q-o-Q basis despite inflationary environment
 - Better product mix, improved realisations and higher sales volumes resulted in delivering higher operating profitability despite elevated feedstock & fuel (especially Rice Husk) prices
- Strong performance of the core businesses coupled with lower finance expenses resulted in profitability growth both on a Y-o-Y and Q-o-Q basis

Commenting on the results, Mr. Arvind Singhania, Chairman, Ester Industries said “We have started the year on a strong note, with both our core businesses Films and Specialty Polymers registering good growth in revenue and profitability.

Specialty Polymer business has not only maintained its recent growth momentum but has accelerated even further. We expect the growth momentum to continue throughout the year and onwards. Volume growth for marquee products remains encouraging. Innovative PBT has been growing significantly year after year and has seen a sharp pick up in volumes during the quarter. Due to better product mix, margins as well have picked up on a sequential basis and we expect the trend to continue over the coming quarters. Product pipeline for the business remains encouraging, offering better visibility and potential for improved performance over the coming years.

Film business delivered yet another solid performance, with improvement in volumes as well as realizations. Margins as well have expanded despite inflationary environment largely owing to better product mix and price revisions undertaken to offset the impact of rising input prices. Our sustained efforts towards increasing the share of value-added & specialty products in the overall mix have started to pay dividends, in part helping us to de-commoditize the product portfolio. While inflationary pressure and demand supply imbalance caused by commissioning of new production lines may cause margin compression in the near term, the long term prospects of the business remain strong.

We are on course to commence commercial production from Telangana plant by October 22. Basis low cost of operations and proximity to markets, we expect Telangana plant to post satisfactory financial performance.

The deal for divestment of Engineering Plastics business on Slump Sale basis as a Going Concern is estimated to fructify within next 25 – 30 days. While our balance sheet is already healthy & resilient, the divestment of Engineering Plastics business will further strengthen it and provide us with the requisite growth capital to further scale up our core businesses.

We believe our core businesses are well placed to deliver consistent growth and create value for our shareholders.”

Chairman's Comments

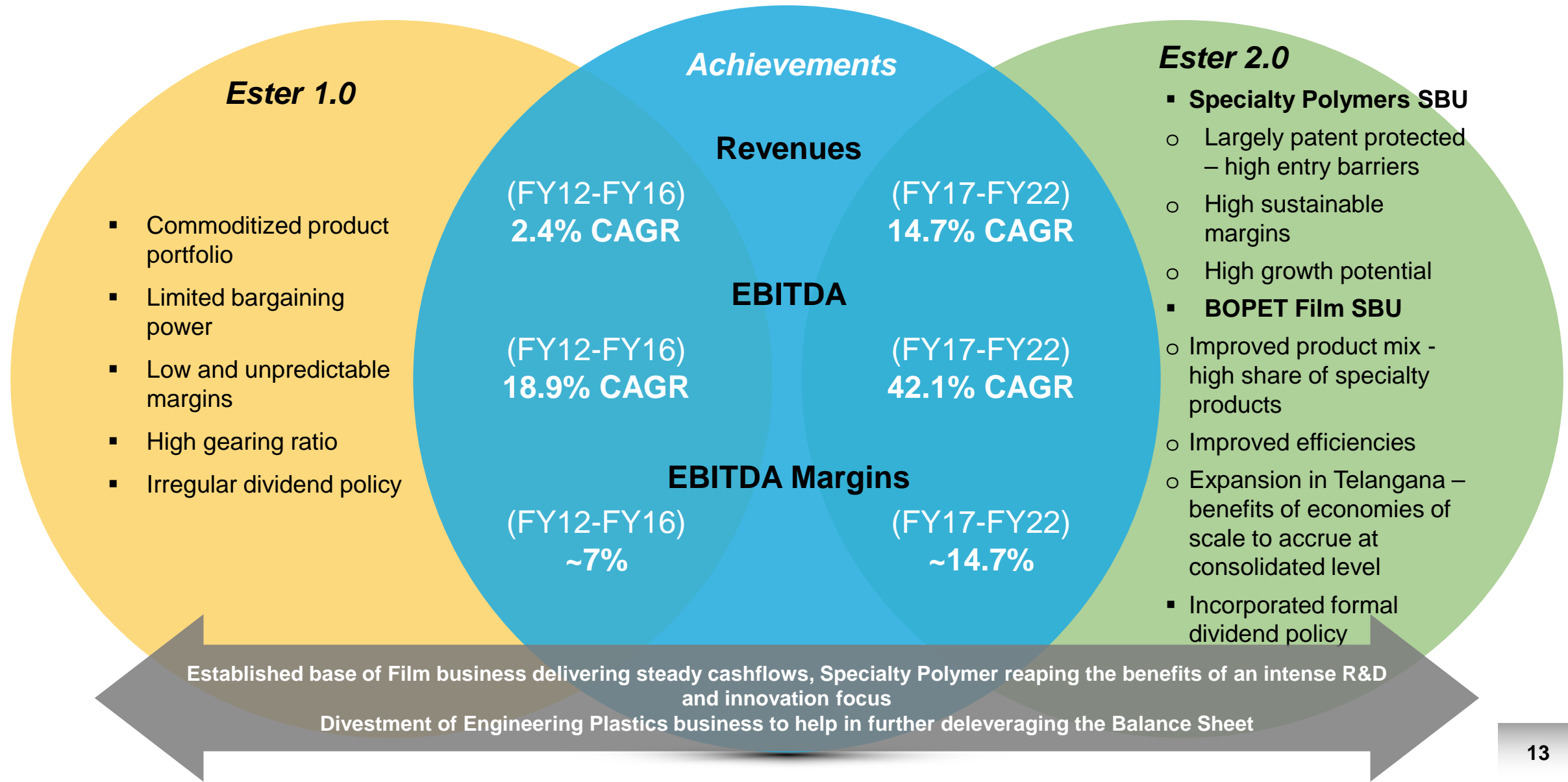




Ester 2.0 “Specialty” Company

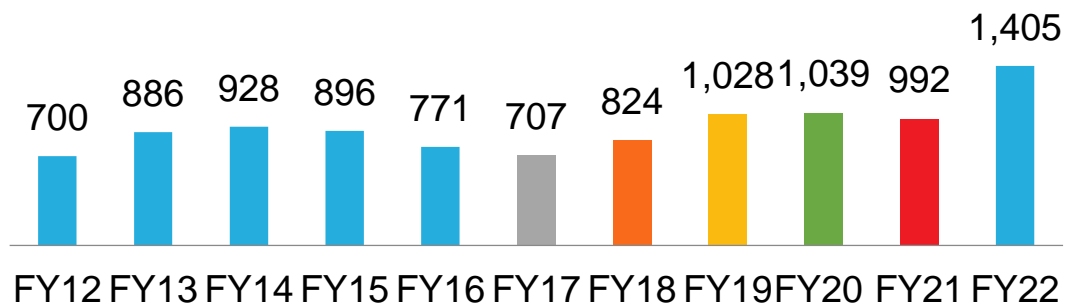


Ester 2.0 - Transformed into a “Specialty” Co.

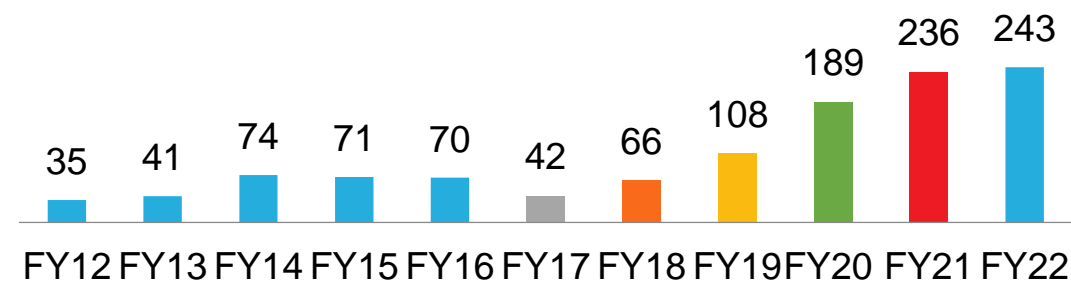


Ester 2.0 delivering consistent returns

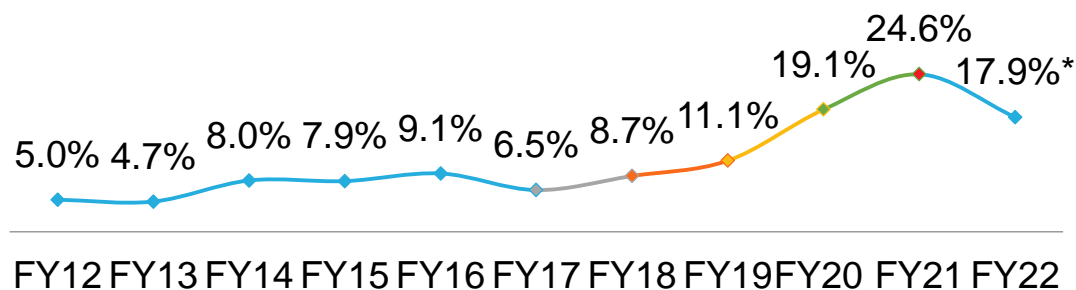
Revenues (Rs.cr)



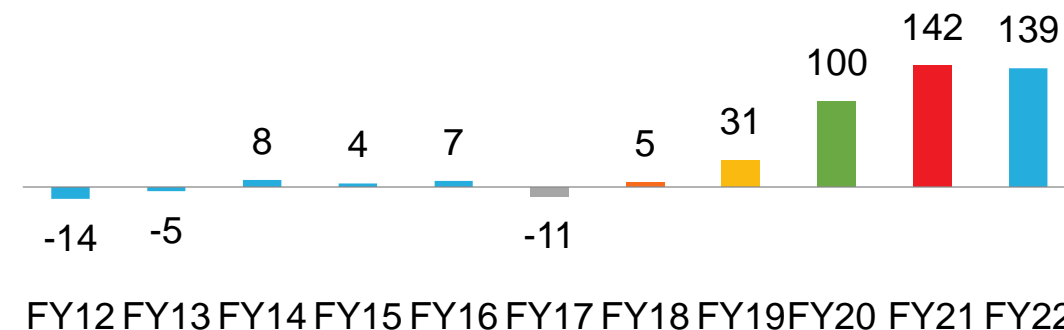
EBITDA (Rs.cr)



EBITDA Margins (%)

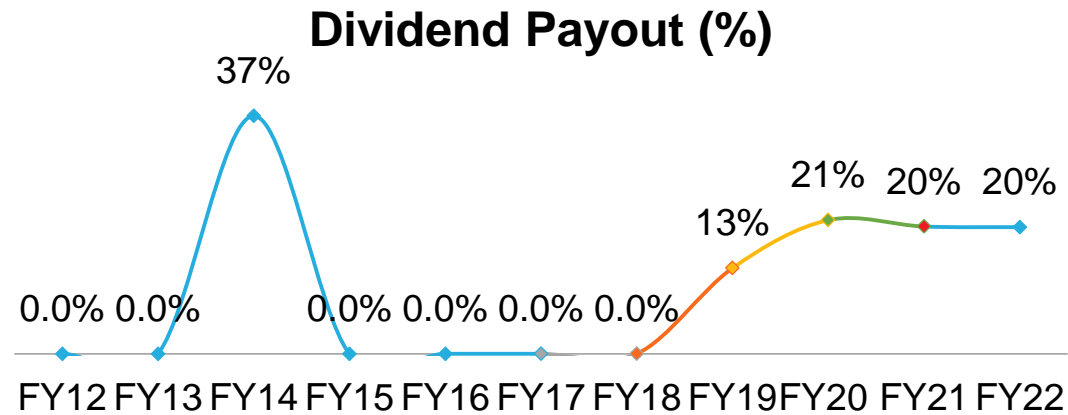
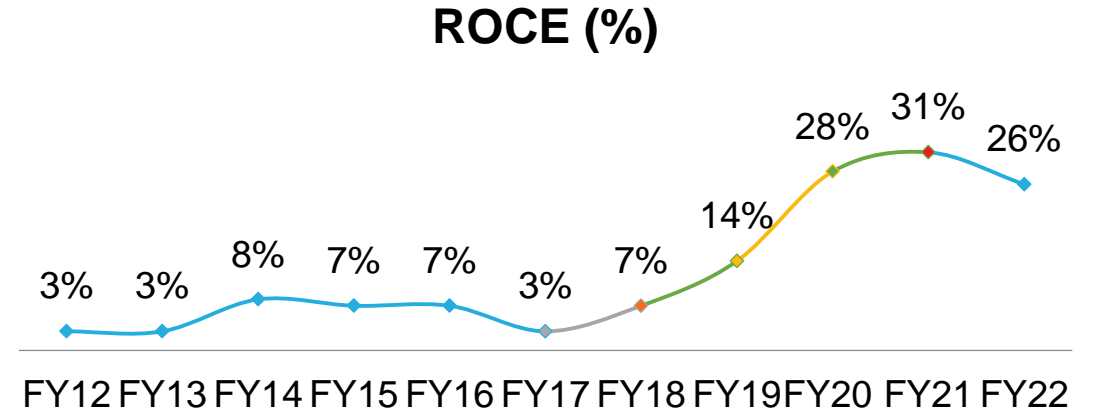
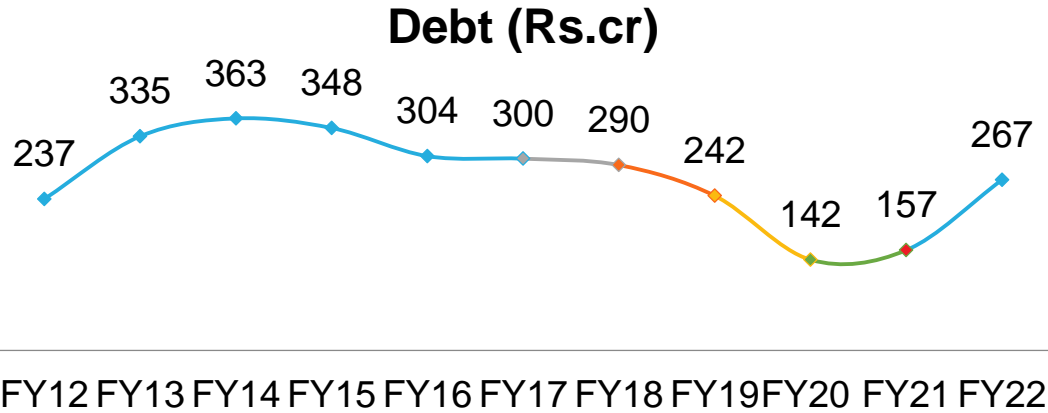


PAT (Rs.cr)



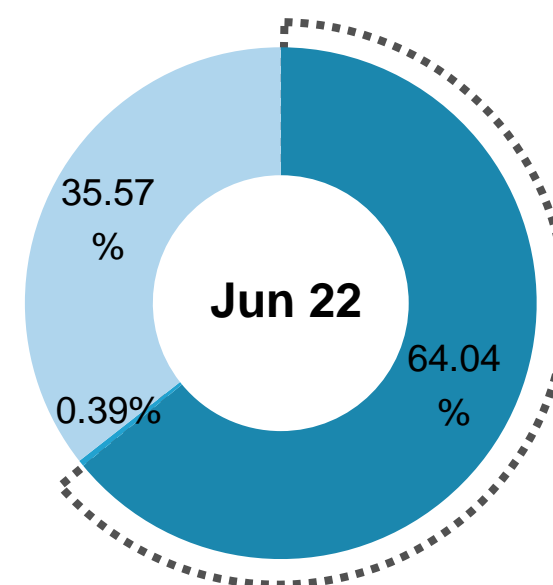
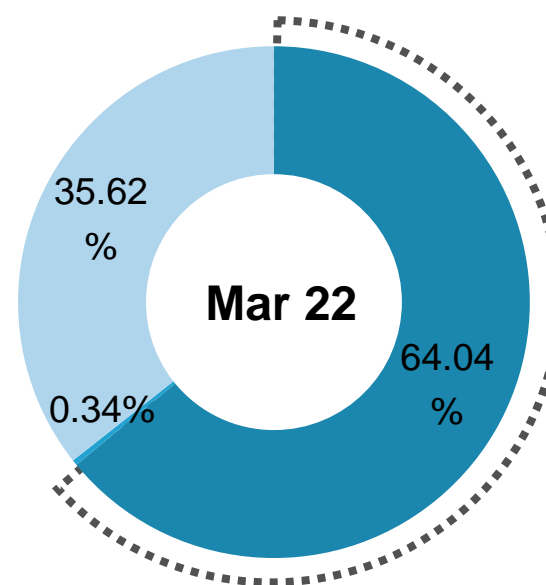
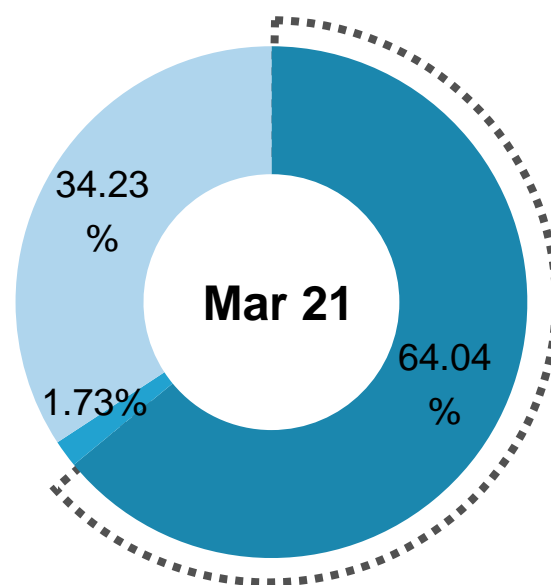
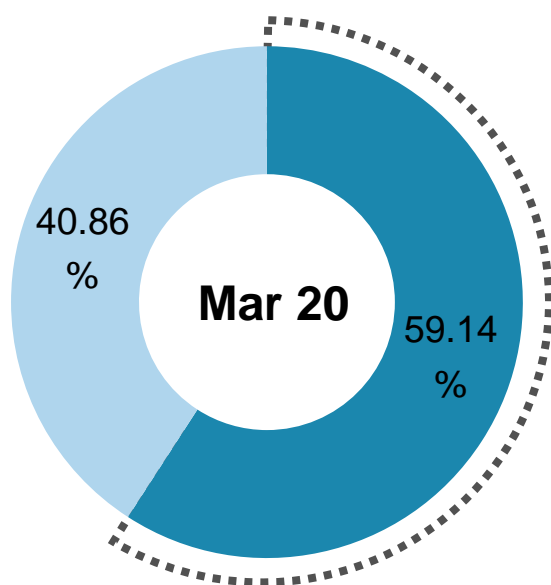
Increase in feedstock prices passed through. As a result revenues increased significantly. Though EBITDA & PAT in absolute terms is almost same, EBITDA margin is lower due to higher denominator effect

Ester 2.0 rewarding shareholders



Due to fresh capitalization, investment in WOS and increase in gross current assets, debt in absolute terms has increased and ROCE in percentage terms has reduced though EBIT in absolute terms is almost same as FY 2020-21

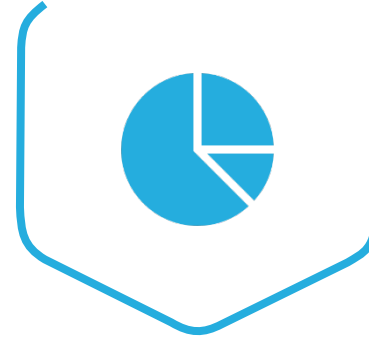
Shareholding Pattern



■ Promoter ■ FPI ■ Others

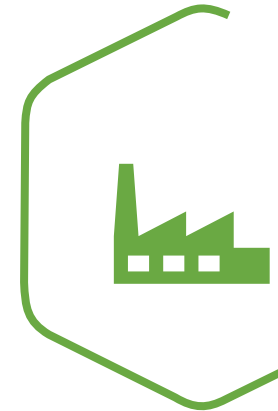
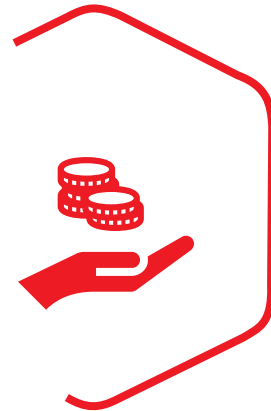
Investment Thesis

Specialty Polymers -
Largely IP protected
product portfolio



Polyester Films - High
share of value added
products

Rewarding
shareholders with
dividend



Scaling up capacities



Strong balance sheet

Green Initiatives

Focus On Sustainability

BIO-BASED Fuel Consumption



BIO-BASED Raw Material



PACKAGING MATERIAL
Reduction/ Recycling



PVC FREE PACKAGING
(Twist Wrap / Shrink Film)

PVDC FREE PACKAGING
(Transparent High Barrier film)



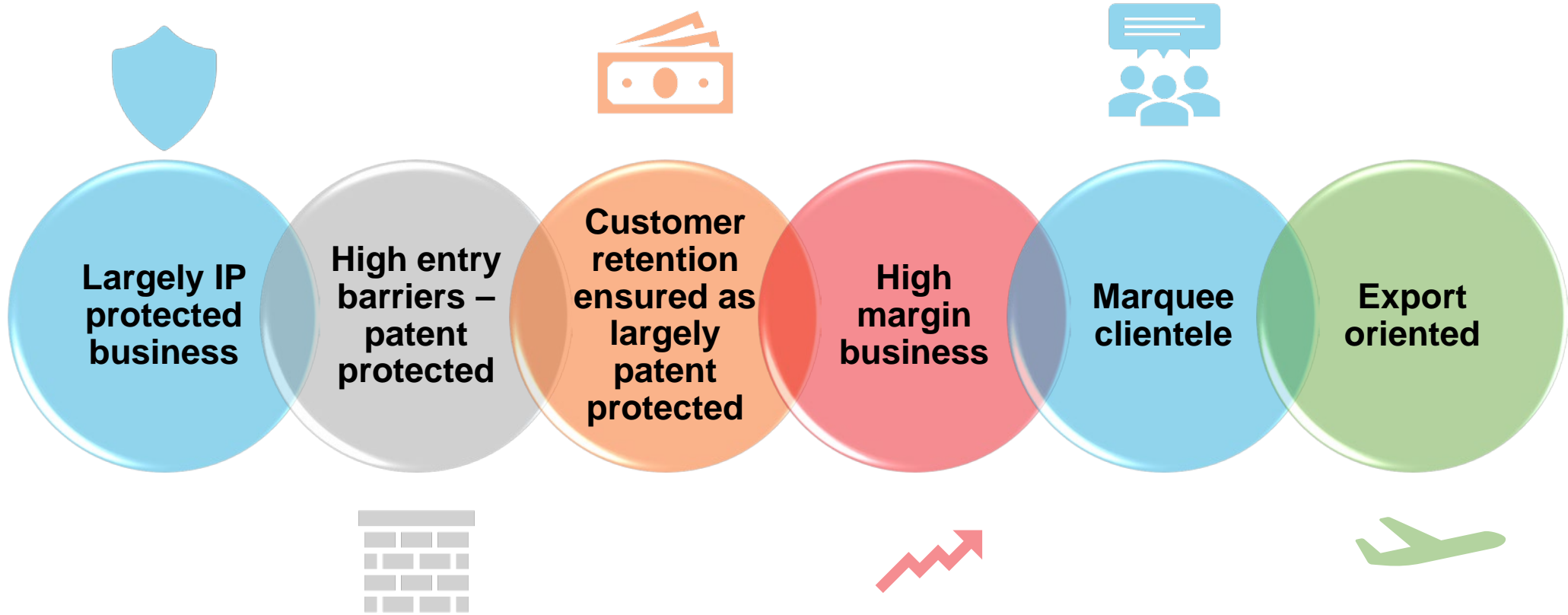
FOIL REPLACEMENT
(Metalized High Barrier film)





Specialty Polymer

Specialty Polymer – Business Salience



Specialty Polymers – Case Study

Problem



High cost towards carpet stain removal

- Stain marks on (nylon) carpets given spillover / spillage of liquid shortens its life
- Impairs aesthetic appeal
- Present technology – ‘Sulphonated Nylon’ (Costly & inflexible) and ‘Topical coating’ (wash fastness & longevity issue) for addressing the problem are not economically feasible

Solution



Flexible low cost solution

- Ester has developed a PET based master batch, which imparts permanent stain resistance in nylon carpets
- Provides total flexibility to producers of “nylon yarns for carpets” to adjust the content of the active ingredient for stain resistance to their specific need
- Granted patent in USA; India, Europe & Korea

Business Opportunity

USA, largest producer of Carpets & Rugs boasts of an industry with annual revenues of ~USD 15 Billion

Innovative PBT: Manufacturing for global chemical leader

Regularly manufacturing & supplying Innovative Polybutylene Terephthalate (PBT) polymers to a global chemical leader

Ester Industries is among the only company globally equipped with the expertise and infrastructure to manufacture the product

Innovative PBT being manufactured from recycled material is more eco-friendly than PBT which is manufactured using virgin raw materials

Innovative PBT finds application across multiple industries – Consumer electronics, textile, fibre & automotive

Signed 'Manufacture and Supply Agreement' with a global chemical leader in April 2019 effective 1st April 2019 for 2 years for 400 MT per annum

Achieved sales of 465 MT in the first year of Agreement against committed volume of 400 MT.

Achieved sales of 1042 MT during FY 2020-21 against committed volume of 400 MT

Achieved sales of 1190 MT during FY 2021-22.

Basis performance of FY20, 21 & 22 confident of substantially scaling up volumes in FY23 and beyond

EPS and Margin accretive

Exciting product portfolio

▪ MB07

- MB07 is added to make polyester dye-able with deeper and darker color
- Achieved customer approval after 3 years of relentless hard work
- Started commercial sales with good volumes
- Achieved sales of 830 MT during FY22

Global supply chain disruptions & inflationary pressure caused feedstock prices to rise significantly. Consequently finished product prices increased substantially making the product expensive for the customer. Rationalization of feedstock prices has started and therefore expect sales to resume in near term.

▪ LMC 03

- Techno commercial qualification achieved
- Customers introduced their final product in the market
- Will make the final product recyclable

Increase in raw material prices and consequently higher finished product prices resulted into high input cost for the customers. With raw material prices starting to settle down, we expect sales to restart in near term

▪ MB16

- Close to achieving techno commercial qualification
- Product in final stages of trial with customers
- Potential for sizable sales volume

Due to Covid – 19 related lockdowns in China, qualification process got delayed. Expect approval soon

*Strong
product
pipeline*

*Attractive array of
products at varied
stages of
development*

*Patents for six
products granted
in USA & India*

Specialty Polymers – Products & Applications

Products

Polyethylene Terephthalate (PET)

Polybutylene Terephthalate (PBT)

Polyethylene Naphthalate (PEN)

Master Batches

Applications

Consumer electronics

Textile – Flame Retardant, Deep dyeable master batches, Cationic dyeable master batch

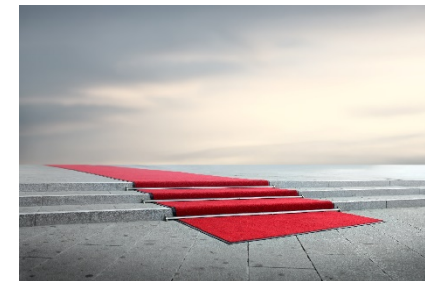
Carpets – Stain Resistant Master Batches

Carpets – Deep Dyeable Master Batch

Heat Sealable

Engineered Plastics / Injection Moulding

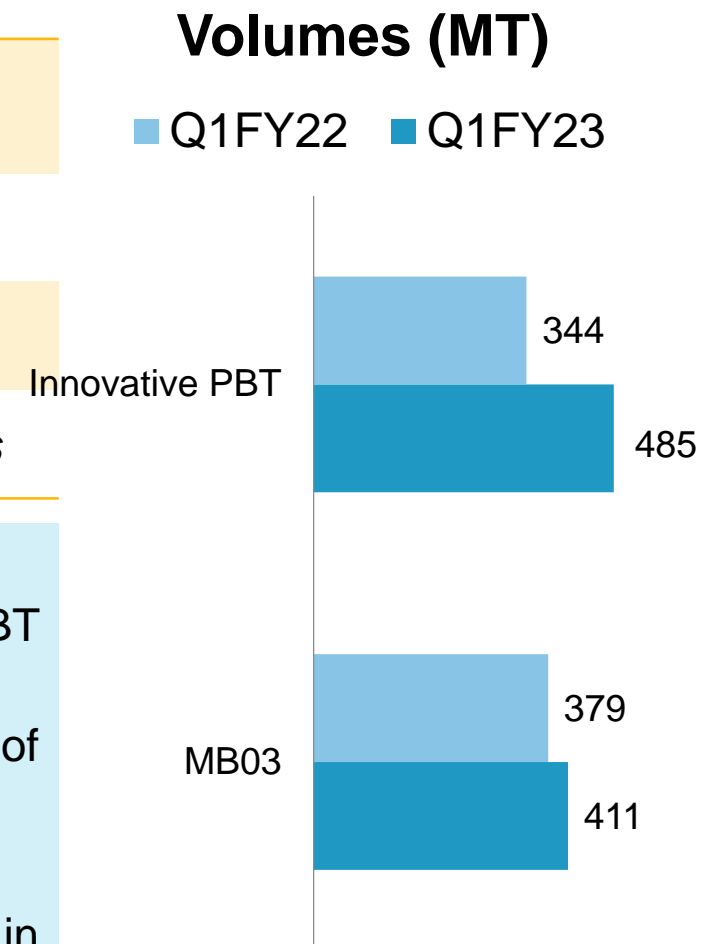
Low Melt Polymers for Textiles



Q1FY23 Performance

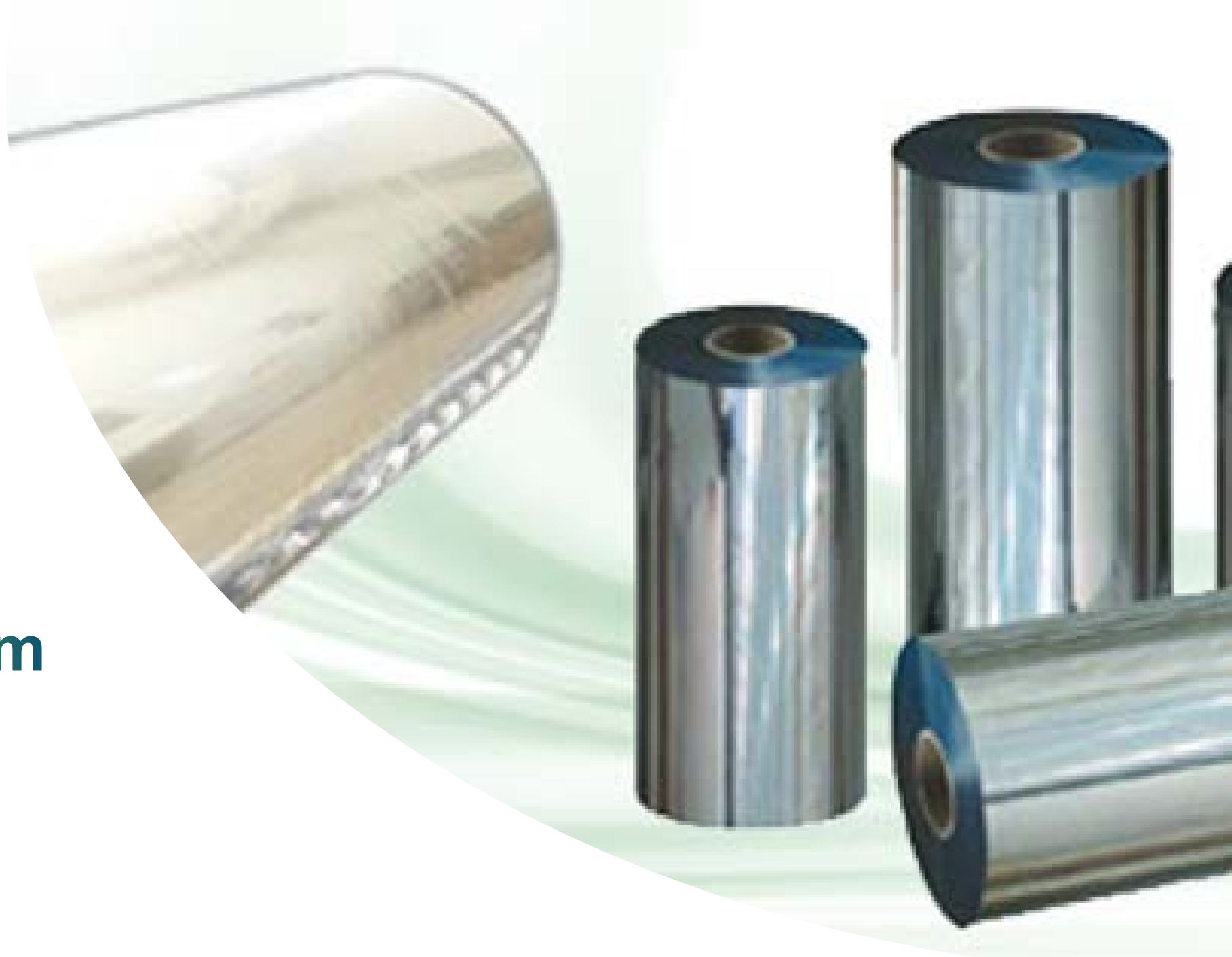
Figs. in cr

Particulars	Q1 FY23	Q1 FY22	%	Q4 FY22	%
Sales (Vol's MT)	1,082	861	25.6	903	19.8
Revenue	58	35	65.7	47	23.4
EBIT	18	13	38.5	14	28.6
Margins (%)	30.9	36.4	(550 bps)	28.9	+200 bps



- Higher product off-take resulted in revenue growth both on a Y-o-Y and Q-o-Q basis
- While demand for MB-03 remained steady; strong traction was seen for Innovative PBT during the quarter
- Realisations are linked to raw material prices; variation in average price is a function of raw material cost, product mix and customer mix
- Product pipeline remains strong; expect momentum to continue throughout the year
- Basis volume off take during FY 2021-22 and Q1FY23, expect substantial increase in revenues during FY 2022-23

Packaging Film Business



Industry Overview



Global Scenario:

- Demand growth of 6% - 6.5%
- BOPET film used in flexible packaging applications will continue to be the key end use sector, accounting for nearly 60% of global consumption, and drive demand over the next five years
- Gaining wider application across both industrial & consumer staples and discretionary sector
- Design versatility; low carbon footprint and better cost economics driving demand
- Approx. 1.1 Million Tons of Capacity likely to be added by 2023 – 2024 globally
- China and India account for ~60% of global output



Domestic Scenario:

- Strong double digit growth rate of 11%-13% pa over past 5 years
- Low per capita consumption of BOPET; new innovative products and rising disposable income – key growth drivers
- Capacity expansion in Converting space, export opportunities in laminates promising brighter future
- Availability of recycled content films, helping sustainability initiatives

Current inflationary pressure coupled with commissioning of new production lines may cause margin compression in the near term. However, long term prospects of the business remain favorable.

Packaging Film Business - Overview

#30+

Years of experience

**60,000
MTPA**

Polyester Film Mfg. capacity

**13,200
MTPA**

Metallized Polyester Film
Mfg. capacity

**About
50**

Export market
(# of countries)

22%

Share of value-added
products (Q1 FY23)

**67,000
MTPA**

Polyethylene Terephthalate
(Polyester) chips Mfg.
capacity

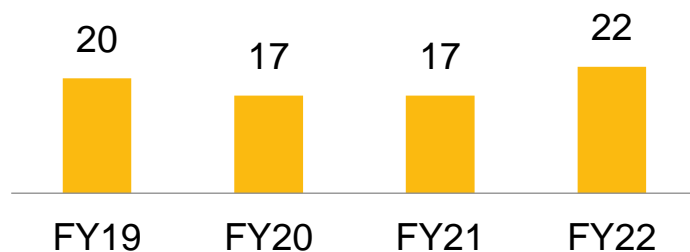
**48,000
MTPA***

BOPET Film Capacity
expansion under
implementation

**commercial production expected by Oct 22*

Key Strengths

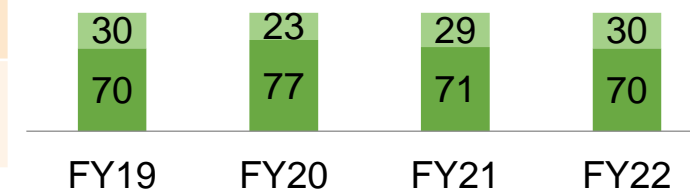
Value Added (%)



*Film business (excl. chips)

(Rs.cr)	FY19	FY20	FY21	FY22
EBIT	118	180	219	150
Margins (%)	16.4	24.5	31.9	17.8

■ Domestic ■ Exports



Product mix – despite reduction in recent past, aiming towards increasing the share of value added products to ~25% - 30% by FY23

Pass through business model – provides protection against volatility in raw material prices (petrochemical based)

Balanced mix of domestic and exports orders

*Drop in margins (%) due to higher revenues & steep increase in feedstock prices (denominator effect)

Polyester Films – Products & Applications

Products	White Opaque	High Clear	Applications	Flexible Packaging
	High Barrier	Embossable		Barrier Packaging
	Heat Saleable	Twist Wrap		Embossing
	Shrink film	Anti - Static		Lidding
	Metalized High Barrier	Matte		Label & Graphics



Q1FY23 Performance

Figs. in cr

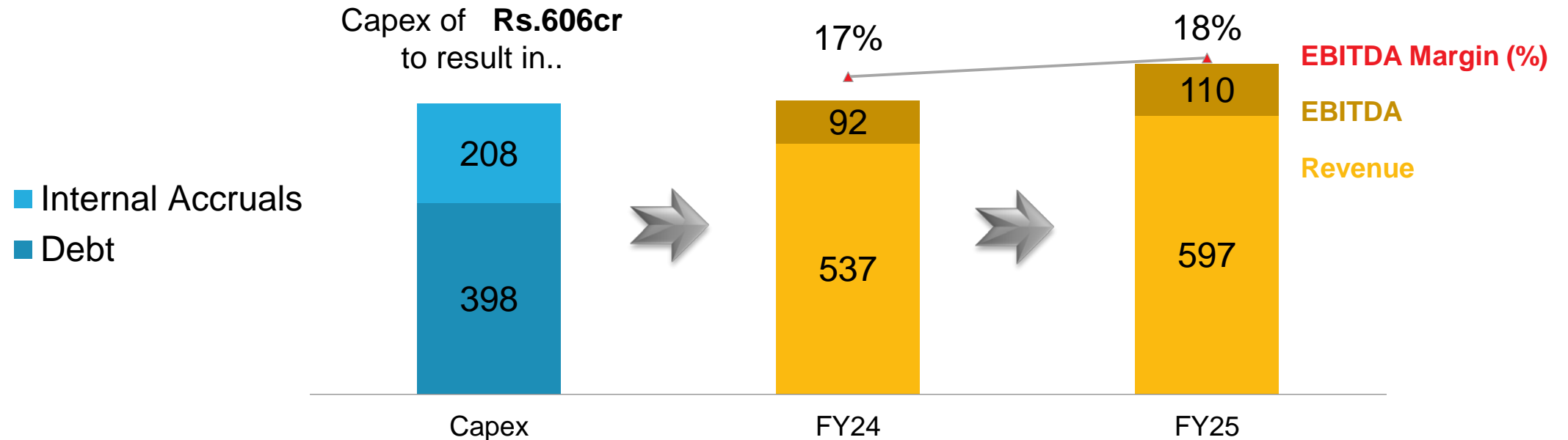
Particulars	Q1FY23	Q1FY22	%	Q4 FY22	%
Revenue*	266	225	18.2	256	3.9
EBIT ⁺	53	36	47.2	49	8.2
Margins (%)	19.8	15.9	+390 bps	19.2	+60 bps

*Revenue includes chip sales worth Rs. 4.27 cr (Q1 FY23) ; Rs. 26 cr (Q1 FY22); Rs. 21.06 (Q4 FY22)

+Adjusted for chip sales, EBIT for Film business would have been 20% (Q1 FY23); 18% (Q1 FY22); 20.6% (Q4 FY22)

- Better realizations and higher volumes resulted in revenue growth both on a Y-o-Y and Q-o-Q basis
 - Share of Value-added & specialty products stood at 22% during Q1FY23 as against 20% during Q1FY22
- Margins improvement during the quarter was driven by:
 - Better product mix and higher realizations (price revisions undertaken to offset rising input prices)
- While there may margin compression in the near term owing to build up of new capacities; long term prospects of the business continues to remain favourable.
 - Domestic market growing at 11%-13%; Exports market continue to grow at 6%-6.5%

Capex to drive next leg of growth



- Setting up state of the art 48,000 MTPA BOPET Film plant and 8,333 MTPA Metallized BOPET Film plant in Telangana through Wholly Owned Subsidiary
- Achieved financial closure
 - **Debt structure:** Rs. 227 crore Euro denominated term loan at less than 2% all in cost along with Rs. 171 crore rupee term loan at interest rate of ~ 8% - 8.5%. Weighted average cost of debt ~5.5% to 6%
- Commercial operations / production to commence by October 2022

Engineering Plastics



Q1FY23 Performance

Figs. in cr



Particulars	Q1 FY23	Q1 FY22	%	Q4 FY22	%
Sales Volume (MT)	2,816	2,400	17.3	3,246	(13.2)
Revenue	78	59	32.2	85	(8.2)
PBT	11	22	(50)	12	(8.3)
PBT Margins (%)	13.7	37.2	(2,350 bps)	14.4	(70 bps)

- Double-digit volume and revenue growth on a Y-o-Y basis due to lower base; Q-o-Q decline reflective of lower demand amidst higher prices
- EBIT and margins declined primarily on account of lower volumes of EP compounds, OFC grade material and gradual moderation in realizations
- EBIT margins started to improve from September 20 quarter, reached its peak during June 21 quarter and then started to gradually moderate with almost normal margins during June 22 quarter.
- Board approved sale of Engineering Plastics division to Radici Plastics India Private Limited in an all-cash slump sales transaction, amounting to Rs. 289.33 crore

Divestiture of Engineering Plastics business

- Entered into a definitive agreement to sell its Engineering Plastic Business to Radici Plastics India Private Limited in an all-cash slump sales transaction, amounting to Rs 289.33 crore (subject to adjustments specified in Business Transfer Agreement (BTA) and other agreements)
- Strategic exit enables Company to focus on Core Businesses of Polyester Films and Specialty Polymers
- Proceeds from the transaction will not only results in stronger balance sheet but also provide the requisite growth capital for scaling up the core businesses of the Company
- Ester's Engineering Plastics business manufactured multiple grades of engineering plastic products, catering to various industries like Automotive, Electrical & Electronics, Consumer durables, Telecom and other industrial applications
- Transaction with Radici Plastics India Private Limited is also a reflection of Ester's ability to build a business and create value.

Investor Contacts

About Us: (CIN :- L24111UR1985PLC015063)

Incorporated in 1985, Ester Industries Limited (EIL) is an ISO 9001:2008, ISO 22000:2005, TS16949:2002 certified Company engaged in the manufacture of polyester films, specialty polymers, engineering plastics and polyester chips with manufacturing facilities located in Khatima & Sitarganj (Uttarakhand). A globally recognized player Ester manufactures and markets its polyester films under the brand 'UmaPET' and engineering plastics as 'Estoplast'. The Specialty Polymers business is driven by technology and innovation and the Company presently has many patent applications pending for this business. With state-of-the-art manufacturing plant, skillfully managed operations and a committed work force Ester continuously strives to meet commitments towards total customer satisfaction.

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ESTER
INDUSTRIES LTD.

Thank You