



Date: 5th August 2025

BSE Limited (BSE) Department of Corporate services Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400023	National Stock Exchange of India Limited (NSE) Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400051
Scrip Code: 500136	Symbol: ESTER

Subject: Transcript of the Earnings call held on 1st August 2025

Dear Sir/Madam,

In continuation of our letter dated 1st August 2025 regarding Audio recording of Earnings call for Investors and Analysts and pursuant to Regulation 30 read with Part A of schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the said Earnings call is enclosed herewith and is also available on the website of the company at the following link-
<https://www.esterindustries.com/node/1124>

Please take the same on your records.

**Thanking you,
Yours faithfully,
For Ester Industries Limited**

**Poornima Gupta
Company Secretary & Compliance Officer
Membership No.: A49876**

Encl: As above

Ester Industries Limited

(CIN: L24111UR1985PLC015063)

Corporate Office: Block-A, Plot No. 11, Infocity-I, Sector-34, Gurgaon – 122001, Haryana, India

Phone: +91 124-2656100, 4572100 **Fax:** +91 124-4572199, 2656199 **E-Mail:** info@ester.in **Website:** www.esterindustries.com

Regd. Office & Works: Sohan Nagar, P.O. Charubeta, Khatima – 262308, Distt. Udham Singh Nagar, Uttarakhand

Phone: EPABX No. (05943) 250153-57 **Fax No.:** (05943) 250158



“Ester Industries Limited
Q1 FY '26 Earnings Conference Call”
August 01, 2025



MANAGEMENT: **MR. VAIBHAV JHA – DEPUTY CHIEF EXECUTIVE OFFICER – ESTER INDUSTRIES LIMITED**
MR. PRADEEP KUMAR RUSTAGI – EXECUTIVE DIRECTOR, CORPORATE AFFAIRS – ESTER INDUSTRIES LIMITED
MR. SOURABH AGARWAL – CHIEF FINANCIAL OFFICER – ESTER INDUSTRIES LIMITED

MODERATOR: **MR. AMIT SHARMA – ADFACTORS PR INVESTOR RELATIONS**



Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY '26 Earnings Conference Call of Ester Industries Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star "*" then zero "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Sharma from Adfactors PR Investor Relations team. Thank you, and over to you, sir.

Amit Sharma: Thank you, Avirath. Good evening, everybody, and a very warm welcome to you all. Thank you, everyone for participating in this earnings call of Ester Industries Limited for the quarter ended June 30th 2025.

Before we begin, please note that this conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the Company as on date of this call. The statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict.

On the call with us, we have Mr. Vaibhav Jha, Deputy CEO; Mr. Pradeep Kumar Rustagi, Executive Director, Corporate Affairs and Mr. Sourabh Agarwal, CFO.

The management will take us through the operational and financial performance for the quarter gone by, following which we will open the forum for Q&A.

I now request Mr. Vaibhav Jha to take us through the Company's performance. Thank you and over to you, sir.

Vaibhav Jha: Thank you, Amit, and thank you, everyone, for joining us today. I will briefly talk about the key business developments, post which Sourabh will walk you through our financial performance. Before we delve into the performance highlights for the quarter, I would like to begin with an important update on our brand identity.

On 11th July 2025, we unveiled a refreshed Company logo, which is aligned with our long-term strategic focus, and a change that goes beyond just visual aesthetics. Our new identity is a reflection of our evolving mindset, precise, purposeful and firmly future focused. It represents our commitment to innovation, sustainability and designing high-performance materials for enduring tomorrow. It is also a reflection of sharper and quick response to every dynamic -- to ever dynamic nature of industries that we serve. This transformation marks a significant step in how we present ourselves to various stakeholders and it sets the tone for the next phase of our journey.

Coming to the performance of Q1 FY '26, we are encouraged by the continued progress across both our key business segments.

On a consolidated basis, during the quarter under review, revenue grew by a healthy 19% and EBITDA margin improved by 240 bps on a year-on-year basis. The actual EBITDA earned stood at 8.35%. EBITDA margin would have been 11.8%, but for the adverse impact of the exchange



fluctuation and MTM losses on FCL or derivative availed by Ester Filmtech, reflecting healthy demand trends and strong execution of stock adopted strategy.

Earnings before depreciation and taxes or cash profit, in other words, which excludes the losses on the account of MTM of these foreign derivatives and also excludes the reinstatement of FC loans in -- yes, so just to restate the cash profits, which is EBT has improved from a negative of INR 1.46 crores in Q1 FY '25 to positive INR25.4 crores in Q1 FY '26, showing improvement in the operating performance.

Our standout performance this quarter has been the remarkable increase in the recycled PET revenue, which surged from just INR 0.5 crores in quarter 1 FY '25 to INR 14 crores during the quarter under review, driven by the significant volume expansion.

Before I delve on the performance of each business segment, let me inform you that from this quarter onwards, following an operational realignment and revised approach for performance evaluation and resource allocation, recycled PET revenue will be reported under the Polyester Films segment instead of the Specialty Polymer segment.

This change reflects our business structure and the increasing relevance of sustainable materials within the core films operations. Starting with Polyester Films business, on a consolidated basis, the capacity utilization improved to 82% as compared to 64% during Q1 FY '25. Polyester Films delivered a robust performance by recording sales of 21,531 metric tons, reflecting a growth of 22.57% over Q1 FY '25.

An improved demand supply scenario and higher proportion of value-added and specialty products resulted in revenue enhancing from INR 228.67 crores to INR 276.07 crores, an increase of 20.7%. Concerted efforts enabled us to enhance share of value-added products to 24% in total segmental volume. The upward trajectory is clearly evident from the growth of 37% in volume of VAS products achieved on year-on-year basis.

The increasing shift from the commodity to specialty has contributed meaningfully to profitability and differentiation. The main factors causing such growth were improved demand supply balance and higher volume of VAS products. Implementation of PWM rules with effect from 1st April 2025 has started to enhance demand for differentiated offering of BOPET films with varied PCR content levels. We are proud to be at the forefront in exploiting the opportunity offered in this regard.

The significant growth of rPET sales in volumetric terms resulted in revenue growing remarkably. This highlights the growing traction in sustainable product categories. We are pleased to report that the project for installing additional capacity of 20,000 tons per annum in Hyderabad is progressing as per schedule and commencement of commercial production is expected by September 2025.

Now turning to Specialty Polymers business. We recorded a volume growth of 4% year-on-year with total sales reaching 954 metric tons in Q1 FY '26. Quarter ended June 2024 had an exceptionally favorable product mix that resulted in EBIT margin of 43%. Quarter ended June 2025 is more aligned to usual product mix and EBIT margin of 30% to 35%.



This explains why we witnessed a downward trend in EBIT margin on a year-on-year basis. We continue to focus on optimizing product mix and driving innovation, while targeting growth in volume with sustained margins. We are confident that business will remain -- will maintain its growth momentum in the coming quarters and years supported by a promising product line and human capital to pursue aggressive and focused R&D activities and implementing chosen marketing strategy.

Moving to Ester Filmtech Limited, the business delivered a notable improvement this quarter, both on a year-on-year and sequential basis. Capacity utilization stood at 72% as compared to 49% in Q1 FY '25, highlighting operational ramp-up and improved production efficiency. On a quarterly basis, volume grew by 23%, while revenue increased by 16% in value terms.

Though the margin improved, the realization was lower due to pass-through business model for raw material prices. Production efficiency and higher operating leverage coupled with a better product mix and margin environment led to improved profitability, excluding the adverse impact of the foreign currency fluctuations.

EBITDA for the quarter Q1 FY '26 would have been positive INR9.26 crores with a healthy EBITDA margin of 9.8%, but for the adverse impact of exchange fluctuation and MTM losses on FCL or derivatives availed by the company. Earnings before depreciation and taxes or cash profit, excluding losses on account of MTM and reinstatement of FC loans improved from a negative of INR10.54 crores in quarter 1 FY '25 to positive INR1.8 crores in Q1 FY '26.

As regards to our 50-50 joint venture with Loop Industries, we are pleased to report that the execution of our joint venture plans is advancing according to the established time lines. We are diligently pursuing various activities related to implementation of the project. We remain enthusiastic about the transformational potential of this initiative in the circular economy space.

In conclusion, Q1 FY '26 has been a strong and encouraging quarter for the company, marked by improved capacity utilization, volume-led growth and higher volume of VAS products. Our focused business strategy, concerted efforts in product innovation, strong product pipeline and expanding global footprint positions us well to deliver consistent and sustainable growth across both business segments. We remain committed to creating long-term value for all stakeholders.

That concludes my opening remarks. I now hand over the floor to Sourabh to walk you through our financial performance. Over to you, Sourabh.

Sourabh Agarwal:

Thank you, Vaibhav, and good day, everyone. Thank you for joining us on our Q1 FY '26 earnings call. Let me quickly walk you through the financial performance, post which we can commence the Q&A session. I would like to start with the stand-alone financial performance. In Q1 FY '26, the company reported a total income of INR 284 crores, INR 284.97 crores, representing a 16.9% growth on a year-on-year basis.

EBITDA for the quarter stood at INR 31.94 crores, making an impressive 88.77% increase over Q1 FY '25 with the EBITDA margin expanding by 427 basis points to 11.21%. This significant improvement reflects the benefit of a higher capacity utilization, higher proportion of VAS products, better product mix and cost optimization efforts.



The company also delivered a strong bottom line recovery, reporting a profit after tax of INR 9.64 crores compared to a loss after tax of INR 2.04 crores during Q1 FY '25. PAT margin stood at 3.38%.

For Ester Filmtech, which is a subsidiary, we reported a robust 22.93% year-on-year growth in sales volumes, reaching 7,992 tons from 6,501 tons in Q1 FY '25. This was accompanied by a 16.32% increase in total income, which stood at INR 94.13 crores compared to INR 80.9 crores in the corresponding quarter last year, reflecting improvement in operational scale and stronger market traction. However, EBITDA for the quarter stood at negative of INR 2.69 crores primarily impacted by exchange rate fluctuations and mark-to-market losses on foreign currency loans, derivatives availed by Ester Filmtech.

At a net level, the loss after tax stood at INR 16.54 crores – INR 16.5 crores. EBITDA would have been INR 9.23 crores, with a healthy EBITDA margin of 9.8%, but for adverse impact of foreign exchange fluctuation and mark-to-market loss on foreign currency loans and derivatives availed by the company.

Earnings before depreciation and taxes, excluding losses on account of mark-to-market and reinstatement of foreign currency loans improved from a negative of INR 10.54 crores in Q1 FY '25 to INR 1.8 crores in Q1 FY '26. This reflects the underlying strength in operations, driven by improved production efficiency, better operating leverage and a favourable pricing and margin environment.

While the reported profitability has been impacted by foreign currency-related factors, the core business performance continues to move in the right direction.

On a consolidated basis, we recorded a total income of INR 346.85 crores, making a strong 18.64% Y-on-Y growth compared to INR 292.35 crores in Q1 FY '25. This was driven by healthy volume growth and improved revenue contribution from both Film and Specialty Polymer segments. EBITDA stood at INR 28.96 crores, reporting a 66.53% increase over the previous year, with EBITDA margin expanding to 8.35%, up by 240 basis points. EBITDA for the quarter, Q1 FY '26 would have been INR 40.88 crores but for the adverse impact of foreign exchange fluctuation and MTM loss on foreign currency loans and derivatives available by Ester Filmtech Limited.

Earnings before depreciation and taxes, excluding loss on account of mark-to-market and reinstatement of foreign currency loans improved from a negative of INR 1.46 crores in Q1 FY '25 to a positive of INR 25.4 crores in Q1 FY '26. This improvement reflects stronger operational efficiency, a better product mix and higher capacity utilization across business verticals.

Both Ester Industries and Ester Filmtech have been absolutely regular with repayment of term loans as per schedule. Basis the budgeted improvement in profitability, coupled with free cash and bank balance in hand, we are absolutely confident of adhering to the repayment schedule. On the working capital front, both the companies have adequate limits to sustain budgeted enhanced operations.



Overall, the company has demonstrated resilient operational progress with enhanced margins and narrowed net losses, setting the stage for improved profitability in the coming quarters. This concludes our opening remarks. We can now commence the Q&A session. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Aman Kumar Sonthalia from AK Securities.

Aman Sonthalia:

My question is that the BOPET industry settled with very high capacity and oversupply situation. So when we can see that this overcapacity gets over?

Vaibhav Jha:

So you are right, there is overcapacity, but what we have been seeing in a sustained way is the reduction in surplus capacity. Right now, what we see is that the operating rates of the Indian capacity is in the range of 80%, which is quite healthy. And the growth in BOPET segment is likely to be nearing double-digit number of 10% year-on-year, which means that the domestic industry itself is - I mean, the domestic demand itself is going to grow almost, let's say, 80 kt, 80,000 to 85,000 tons per year.

So what we are seeing is that this coupled with the fact that there is a sustained increase in exports from India to various geographies, at least 90 to 100 kt of demand is going to be added for the Indian capacity year-on-year. So right now, the total demand that Indian industry is catering to is in the range of 1 million to 1.1 million and the capacity is 1.35 million tons. So the surplus capacity is hardly 250,000 tons.

And in 2 to 3 years' time, this would be completely sold out, right, and so we see that despite some new capacities which have been announced and which would start coming in sometime from mid of next year, we still see that the operating rate is going to be reasonably good. And that itself will give some sustainability to the margins.

One of the challenges which we have been seeing is the imports, which have been coming at quite low rates from the overseas geographies. Those are something that are limiting the upside on the margins. But we are working through various channels to ensure that we are able to balance the pressure of the imports with our margin resilience.

So what we have been able to demonstrate in last 6 to 9 months is that we have found that sort of margin, which is far better than what we had seen maybe a year back, mainly due to the operating rates improving and we'll continue to take steps to make sure that the margins are sustained and we keep a healthy profitability in the industry.

Aman Sonthalia:

Sir, in the month of May, I think there was a fire in one of the peers plant. So after that, there was a significant jump in the both BOPET and BOPP prices. And after that, I think a lot of import has happened and the price increase which was taken place during the month of May and June has -- again, the price is back to square one, I think it's again come back to the old level.

So I think it will make do you think that upside is very limited because whenever there is upside, import will happen, and it is very difficult to manage that.



- Vaibhav Jha:** Yes. So, you are right that -- that's what I meant when I said that the balance between our margins and the import prices, right, So we are maintaining that balance. And we are also trying to take some steps with the government to make sure that we avoid unnecessary imports which are coming at artificially low prices.
- So we are taking steps in that direction and we are hopeful that maybe within a quarter or two quarters, we will have some positive development, which will help us stem the flow of low-priced imports.
- Pradeep Rustagi:** So we are in the process of evaluating the various trade measures and trade remedies that are available to the domestic industry, and once we have evaluated and explored those remedies, there is a possibility that we would be able to restrict the import at cheaper rates.
- Vaibhav Jha:** Let me also add to this that our core strategy is to increase the share of Specialty Films, right, which is almost now 25% of our sales. And the reason for that is that we get out of this impact of commodity markets. So that is another thing which we are focusing on to get less impact from these kind of imports.
- Aman Sonthalia:** Sir, what is the current split at the moment and what it was in the previous quarter?
- Vaibhav Jha:** So previous quarter, it was in the range of , if you take the average, it was in the range of INR 27, INR 28, and this quarter, we expect it on an average to remain in the similar range.
- Aman Sonthalia:** Same of last quarter?
- Vaibhav Jha:** When we talk about these margins, please remember, we are talking about the commodity part of our business. So basically.
- Aman Sonthalia:** This is the commodity part.
- Vaibhav Jha:** Commodity part, yes.
- Aman Sonthalia:** And sir, whether there are any significant capacity coming overseas also?
- Vaibhav Jha:** Overseas, there is further capacity growth is there. See, there are, let's say, more than 50, 60 plants, which are there in China itself, right, So it's difficult to keep track of whatever new capacities are coming in each country, right, But what we have seen as a trend is that the addition of new capacities, which had been tremendous in the years of '22, '23 in China, that has slowed down.
- And in fact, we are seeing that there has been some cancellations on the orders which were already placed. So there is a complete reversal of the trend of capacity addition globally.
- Aman Sonthalia:** Okay and sir, what about this rPET, what type of potential we are seeing and how much margin it can be, we will achieve from rPET?
- Vaibhav Jha:** See, rPET for us is integral to our film business. What has happened is that because of various sustainability regulations in India and also in some international markets, there has been



increased demand of films with recycled content. So the recycled PET that we manufacture is mainly geared to be used as a raw material in manufacturing of these sustainable films.

And what we are seeing is that there is an increased demand for these recycled BOPET in India. So the margins for the PCR films with recycled content is much higher than the commodity films. And so the true margin that we will get out of the rPET investment should actually be the rPET plus the margins that we get in the film, right, So that's one part of it.

The second part of it is that we will definitely have some surplus capacity as the demand for sustainable films keeps ramping up. So we intend to sell this outside at reasonable margins in line with what the markets are. So these would, this is more or less a commodity product if sold outside, like in recycled PET chip, right, So that's a temporary stop gap.

The intention for investing in this capacity was to have really good quality of recycled PET chips as a feedstock for our PCR films because we want to be able to make the best quality recycled films, which is quite a difficult endeavor.

Aman Sonthalia: So sir, it is a textile grade or foot grade?

Moderator: Mr. Aman, may I request you return to the question queue for a follow-up question. Thank you. The next question is from the line of Saransh Gupta from Svan Investments.

Saransh Gupta: So I have a couple of questions. So it goes as, sir, as we can see that in our Specialty Polymers, 85% to 88% of our contribution is from two products, that is Innovative PBT and MB03. So going ahead, how do we see this moving, and what is the potential of other products?

Vaibhav Jha: So right now, I think IQ PBT, we are seeing a very strong demand this year. And we expect that with the certain innovations, which are in the pipeline in this product, we expect to see a continued trend of increased demand for this product year-on-year. Now coming to the second product, which is MB03, again, over here, we are in a very good position in terms of our placement in the market.

We are seeing continued increase in the demand from international markets as we see that sulfonated nylon demand is increasing day by day because now nylon has become very cheap compared to alternative products. And therefore, our product becomes a very much commercially viable compared to the other competing products like PTT.

So we expect that, again, over here, we should see very good pipeline of growth. One of the new things that we have started doing is promoting this material into new geographies, including India. And these products take anywhere between 9 to 12 months to mature and start showing some volume buildup.

So the visibility that we have is that we should start seeing new customer additions with reasonable quantities in next 6 to 9 months. And then once they are in with some smaller volumes, they keep on continuing to grow as their confidence in our product increases and as they start finding end markets for their products. So overall, we are quite bullish on the growth trend for IQ PBT and MB03.



Apart from these two products, we have a few other products where the margins are reasonably good, not as high as IQ PBT or MB03, but it helps us to fill up our capacity, which we have with us. So we have also taken a call to start promoting those products in order to build some cash flow in the business. Again, as I said, that these products have a long pipeline, I'm sorry, long maturity period of 9 to 12 months.

Again, over here, we see that in next 6 to 9 months, we should start seeing addition of new products and new customers and volume should start increasing. So overall, in specialty polymer space, we have reasonably good confidence to grow it in double digits over next 3 to 4 years. .

Saransh Gupta: My next question is that how much of our revenue is contributed by exports as of Q1 FY '26?

Pradeep Rustagi: Close to 35% has come from the exports because -- especially polymer is majorly exported and then certain sizable portion of polyester film is also exported. So close to 35% of our revenue for the quarter has come from the exports.

Saransh Gupta: And what are geographies are we exporting to currently?

Pradeep Rustagi: We export to almost all the continents. We have presence in 50 countries. It doesn't mean that every product will be sold to all the 50 countries in a month. But in a year, our penetration is more than 50 countries across all continents.

Saransh Gupta: Sir, as we know that Trump has said that there will be 25% tariff on Indian goods. So how do we see that coming into our numbers? Like will it be shared with the customer also? And if what, then what will be the impact on the margin for Specialty Polymers?

Vaibhav Jha: So it's a very interesting question. So let me give you an overview of our thinking. So first of all, this is an evolving situation. And right now, it's not very clear to us what is going to be the long-term tariff implication. So right now, it's 25%, but then there is also a talk of a 10% penalty. In fact, the penalty is not at all clear, though some reports at 10%, we are not very clear.

Then there is also this talk of the negotiations continuing with U.S. delegation visiting August. So we believe this is an evolving situation. And what we see now may not perceive and there is also a very bright chance, and our belief that the tariffs are going to be more in line with what we have seen with others in the range of 15% to 20%, but really no one knows, to be honest.

But having said that, and if you look at the current clarity on 25%, we believe that the important thing is not to look at the absolute quantum, but the relative position of Indian tariffs with respect to others. So other competitors for us in Asia, they are placed in and around 19%, 20%. So it's a 5% to 6% disadvantage as of now, which is not very large as it appears when we think about 25%.

Also, our revenue exposure to U.S. is about 10% of our total revenue. So we are exposed, but it is a limited exposure for us. And also, what we sell into U.S. are all specialty films products or specialty polymers, where we have a very strong price resilience. So when the tariffs moved up from 6%, 6.5% to 16.5%, we were able to pass on the entire tariff load to our customers because of this price resilience in the nature of product we sell.



And right now, we believe that because of this price resilience, our impact, we will have to assess on a case-by-case basis. And we expect the impact to be minimal to moderate at best, right, so we don't see a big impact on our profitability because of this movement.

Saransh Gupta:

That's nice. So sir, factoring everything in and like we are looking out for other geographies as well for our specialty polymer products. And factoring in that other products like MB07 will also start contributing to our revenue just as like Innovative PBT and MB03 are doing right now. So what can we see as the potential revenue from Specialty Polymers? And by when can we achieve it?

Vaibhav Jha:

So see, at this point in time, it's very difficult to give the exact number in terms of numbers that we would hit, but like I said earlier that our effort is to grow it in healthy two-digit percentage points, double-digit percentage points year-on-year for next 3 to 4 years. So let's say, we have been projecting 20% to 25% growth. So we would stick to that kind of growth numbers in this business.

Moderator:

The next question is from the line of Vidhith Shah, an Individual Investor.

Vidhith Shah:

Yes. Am I audible?

Vaibhav Jha:

Yes.

Vidhith Shah:

So my question is regarding the Ester Filmtech. So how long until that can deliver sustained PAT level profits given the utilization and normalized EBITDA?

Vaibhav Jha:

So see, the thing with EFTL is that we are getting, first of all, badly hit as we saw in this quarter due to Ester Filmtech, so that is something which really we believe it was a very high impact in last 2 quarters, I think. And this impact should normalize now going forward, right, Because it cannot be sustained and the currency movements move in jerks and then they tend to stabilize.

So we believe that the stabilization phase is here. So at least that impact will normalize in the future quarters. Next thing what we are trying to do is the scale-up of the volumes there and increasing the specialty part of the sales from EFTL. And we believe that in next couple of quarters, we should be in a position where we can start giving sustained positive PAT.

I would also like to reinforce that even this time, if you look at the cash profit after removing the impact of MTM, we have seen a significant improvement in cash profit by almost INR 5 crores to INR 6 crores from a negative INR 4 crores, INR 4.5 crores, INR 5 crores to positive EBDT of INR 1.5 crores around about.

So this itself shows that we are moving in a very steady manner towards profitability, and so we are doing well. And if this trend continues in a couple of quarters, we see ourselves being firmly in the PAT positive zone.

Pradeep Rustagi:

So there are three, four positives as far as Hyderabad operations, Ester Filmtech operations are concerned. Number one, there is going to be consistent improvement in the capacity utilization,



which we have seen in the quarter 1 also. Number two, when the recycling extruder is commissioned, it will make us make more money from the polyester film with PCR content.

And third, we are increasing the proportion of the value-added products in the film segment in Hyderabad. So all these three factors, better capacity utilization, rPET getting commissioned and the value-added films increasing in quantitative terms. This is going to do good to the bottom line of Ester Filmtech.

- Vidhith Shah:** Okay. Sir, any guidance why rPET commissioning got delayed?
- Pradeep Rustagi:** We were targeting 31st August. Now it is getting commissioned by 15th September. So there is no delay actually.
- Vidhith Shah:** Understood.
- Moderator:** The next question is from the line of Urmish Shah from Moneywisers.
- Urmish Shah:** I have a couple of questions. One question is based on the question of previous participant on the tariffs only. So if the tariffs continue, so any fluctuations in the forex, how are we looking to safeguard us from that?
- Vaibhav Jha:** Fluctuation in price due to tariff situation worsening.
- Sourabh Agarwal:** So if you see the trajectory in the last 2 to 3 months of both euro as well, so we basically export in both Euro currency as well as Dollar currency. And there is an appreciation in both the currencies against Rupee, right? So as far as FX is concerned, we don't see any major challenge as such. And going forward also, we expect that the currency will depreciate further, though we don't see a significant drop reduction in the INR Euro, INR-dollar as well as INR Euro. And we believe that in the next 2 to 3 months or up to December the currency will remain in this range bound manner.
- Vaibhav Jha:** To add to what Sourabh was saying, our entire sales is dollar-denominated. Even the domestic sale is dollar-denominated because it is mainly marked to the import landed prices. So that way we expect that we should be able to address these foreign exchange fluctuations in a large way.
- Urmish Shah:** Okay. That helps. And the second question is on the Hyderabad capacity. So once the capacity goes live in September, so what is the peak optimization capacity utilization that you are targeting and the top line contribution from Hyderabad, if you can just give a ballpark figure?
- Vaibhav Jha:** You're talking about the rPET. So like I said that rPET for us is a strategic investment to feed into the films business where we anticipate additional demand and ramp-up in the additional demand for sustainable films, right, So it's a feedstock in that film, right, So as such, we are not looking at it as a profit generation investment on a standalone basis, right, So it will feed into the films and the profits would be realized mainly in the film business from this.
- Urmish Shah:** So it will be on a consol basis?



Management: Yes. Eventually, over a period of a few quarters, this will become an integral part of the film and will be used as a feedstock for making film with recycled content.

Urmish Shah: Okay. And any capacity utilization, as you were saying that capacity utilization will improve going forward. So any optimum capacity utilization that you think would be ideal?

Vaibhav Jha: For the film business or...

Urmish Shah: For the film...

Vaibhav Jha: See, I mean, the ideal capacity utilization is always 100%, right, So our attempt will be to move towards that. And we are confident that in maybe two to three quarters, we should reach that level or at least close to that level. I think we are already doing 80% plus and we will work on keeping on improving it and go towards 100%. But it's not far off.

Moderator: The next question is from the line of Mr. Chandrasekar from Family Office.

Chandrasekar: I have a question that in the operational challenges in ramping up capacity at Hyderabad. Since it is consistently operating at lower capacity utilization as compared to Khatima plant, why?

Sourabh Agarwal: Sir, we lost you. You are not audible for some time.

Chandrasekar: Sorry.

Sourabh Agarwal: You were not audible for some time.

Chandrasekar: Can you hear me now?

Sourabh Agarwal: Yes.

Chandrasekar: Yes. Are we facing any operational challenges in ramping up capacity at our Hyderabad unit since it is consistently operating at lower capacity utilization as compared to Khatima unit?

Pradeep Rustagi: So the Hyderabad plant was commissioned in January '23. So since it is a separate legal entity, the many products are to be approved by the overseas customers. And since we have only one production line, the capability to produce value-added products was also restrained, but we have been taking steps to increase the production of value-added products.

We are getting approval from the customers because it being a separate legal entity. And over the last two, three quarters, there has been consistent improvement in the capacity utilization. So as Vaibhav told in the previous question, we are going to see consistent growth in the capacity utilization. And very soon, we should be in the range of 80% to 85% capacity utilization, which will be then comparable to the Khatima capacity utilization.

Chandrasekar: Sir. Now my second question is, have we acquired the land for our new project in joint venture with the Loop?



- Sourabh Agarwal:** So for the land, we are looking at multiple options as far as the land acquisition for the new project is concerned. And going forward in the next 5 to 6 months, we should be able to have the possession of land in our control.
- Pradeep Rustagi:** So we are in very advanced discussions with the potential sellers. The process as such takes about 4 to 6 months to complete. So we have identified the piece of land, the seller has been identified. Almost all the commercial terms have been negotiated, but the process itself will take about 4 to 6 months to complete.
- Chandrasekar:** Will this delay the project?
- Pradeep Rustagi:** No. We are targeting commencement of commercial production by quarter 4 of calendar '27. So that's there. And such a large project, a delay of a quarter is not something which is very significant.
- Chandrasekar:** My last question is, do you foresee any drop in business with the new tariff announced by U.S.A. in our films and especially polymer business?
- Vaibhav Jha:** So like I said that our sales to U.S. is quite resilient because we sell specialty films and polymers. So we don't see much impact in terms of volumes over there.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Co.
- Saket Kapoor:** Thank you for very detailed conversation. Firstly, sir, if you could just repeat for the sake of repetition also, what is the global capacity addition and also the capacity addition in the country in the BOPET segment, sir, for this financial year and for the coming one more financial year or calendar year?
- Vaibhav Jha:** See, in last financial year, I think we had one small capacity coming up. When I say small in terms of the entire demand, there was only one line which came up. But we should also remember that due to certain causes, much larger capacity went out of the Indian market because of the fire. So net-net, in terms of the capacity, it's almost similar to -- or rather the net addition is zero.
- In the next 12 months, we expect another line to be added, which would add another 40,000 tons of capacity in India per annum. So that is about 2.5% to 3% capacity addition. But the Indian demand is growing at a healthy rate of 9% to 10%, right? So net-net, the operating rate of the Indian capacities should see increase in this financial year.
- Pradeep Rustagi:** So the pace of expansion, which we witnessed 2.5 or 3 years ago is not going to get repeated. The installation of or commissioning of new lines is going to be in a phased manner. And with the demand growing at more than 10% per annum, the industry will need about a line or 2 each year to be able to serve the growing demand of the country.
- Saket Kapoor:** Okay, sir. And sir, what is the current demand-supply ratio currently? What is the current demand? And how are the supply stood up? And if you could give the gap also?



- Vaibhav Jha:** Yes, yes. So right now, the capacity is in the range of 1.35 million tons per annum. And the domestic demand is in the range of 850,000 to 900,000 tons per annum. And India also exports close to 250,000 per year. So roughly 1.1 million to 1.15 million tons of production is there and total capacity is 1.35 million tons per annum.
- So roughly, you can say that around 2 lakh to 2.50 lakh ton per annum is the surplus capacity. But let me also add that the capacity I talked about are the rated capacity. The actual capacity that is available for production is usually 5%, at least 5% lower than the rated capacity, right? So the gap is even narrower if you look at the realistic production capacity.
- Saket Kapoor:** Okay. Sir, only reiterating two points. You mentioned that the spread for Q4 were in the range of INR27 to INR28 for the commodity film, and this is what we have posted for the first quarter also?
- Pradeep Rustagi:** Yes.
- Saket Kapoor:** Okay. And sir, what has been the trend currently, I think somebody was alluding to the fact that the prices moved up and then came back to what it was 2 months ago. So what are the current spread, sir, for the month of July or any event which you can share?
- Vaibhav Jha:** So right now, I think we are operating at exactly the similar kind of range, INR27, INR28.
- Pradeep Rustagi:** The impact of fire that was occurred in Jindal, it had more effect on the polypropylene film than on the polyester because in polypropylene, they were in a dominant position, and the damage to capacity was much more severe in polypropylene than in polyester. So the industry did not witness any major improvement in the prices because of the fire. So it's been more or less stable. The margins have been more or less stable since let's say, since the month of May or June.
- Saket Kapoor:** Sir, earlier also, we have expressed our intent to be more on the value-added segment. And also, I think so correct me there, 35% of the total sales we have targeted and the value addition. So where are we in that path?
- Pradeep Rustagi:** So actually, what is happening, if you look at the last year, we ended it with 23% proportion coming from the value-added products. But what has happened that the total sales have increased. Therefore, in terms of percentage, it has moved from 23% to 24%. But if you look at the volume growth in the VAS segment, it is almost 37% as against 3,700 tons of VAS product in June '24 quarter.
- This quarter, we have done about 5,100. So there is a massive increase. But in terms of percentage of total volume, it is increasing from 23% to 24% because of the larger base.
- Saket Kapoor:** Okay. And what are we envisaging, sir, for this financial year to close with an average in tonnage also or in percentage because of the reasons mentioned by you?
- Vaibhav Jha:** Our target is that by the exit quarter, which is the last quarter of this financial year, we should be in and around 30% share.



- Saket Kapoor:** Okay. Can you, sir, the point of one more concern for investors are also being the finance cost, especially for the Filmtech, the plant in Telangana. And I think so, Rustagi, you have articulated to us the three, four strategies that are currently in line, if those get executed, I think so there will be greater generation of cash going ahead and hence, this finance cost hitting the bottom line will also get reduced. This understanding is correct going ahead?
- Sourabh Agarwal:** So finance cost is a function of two things. One is the amount of debt that we have on the balance sheet as well as the requirement for working capital for the business. So as we have elaborated, there is going to be a significant growth in the turnover of Ester Filmtech going forward, and we are going to see a reasonable increase, which is going to call for higher working capital.
- So as the amount of working capital increases, you will appreciate that the requirement for working capital loans will also increase. So we don't, so on an overall basis, in absolute numbers, we don't see a significant drop in the finance cost going forward. But yes, as a percentage of the total turnover, it is definitely going to drop.
- Pradeep Rustagi:** And that we are also investing INR 50 crores in the new machine, the recycling extruder. So the additional debt will result into some additional interest. But as Sourabh said, as a percentage to the turnover, we are going to see a drop in the interest cost.
- Saket Kapoor:** Right, sir. One more point, two points and then I'll join the queue. Sir, firstly, if you could just give me the net debt numbers in rupee terms. And sir, what is the exact arbitrage we have to carry these euro loans, I think so current rate of interest and the availability of funds here domestically is very benign. So what is the cost arbitrage we have that we carry these euro loans for, we may have booked the loans at the time of inception of the plant for conceptualizing the same.
- But today, do we have that significant arbitrage that we are carrying these euro loans and rising on the currency translation?
- Sourabh Agarwal:** So the arbitrage has to be seen in relative terms. That is point number one. So while there has been a rate reduction in India by almost 100 basis points in the last 6 to 8 months, we should also understand that there has been a parallel rate reduction across, right, So because of which the interest cost on a euro loan has also decreased from where we were in the past.
- Now the concern that you have, which is quite obvious is because of the mark-to-market, which is there in the P&L. So that is a temporary phase. And as like, for example, as on 30th June, the rate for INR Euro was INR 100, roughly touching INR 100. But we have, and the actual repayment that we did for that quarter was at a much lower rate because we have done hedging.
- So as a strategy, a foreign currency loan definitely is an arbitrage compared to an Indian loan. The arbitrage can vary from 1.5% to maybe 2.5%, depending upon the commercial understanding. As far as hedging is concerned, we continue to monitor the market on a regular basis, and we will ensure that as and when the right point comes, we are able to hedge our exposure in euro again for the next 6 to 12 months because any long-term hedge is very expensive at this point of time.



So our strategy is to hedge for the next two instalments which is basically 12 months as well as we have an interest benefit, which is in line with whatever rate reduction has happened in India.

Saket Kapoor:

Right, sir, thank you for the detailed discussion we have. And also, sir, I need to congratulate the team for listening to the investor request of holding Board meeting much earlier. I hope this becomes a new normal for the company with the 40th year of existence. And one more request, Rustagi Ji and Vaibhav Ji and Sourabh sir, is that if we could also continue with the press release and the investor document submitted either along with the results or within a few hours and not to be with a gap of 24 hours, that gives a lag time.

And in a busy earnings season, we find it very difficult to get along with so many results with a lag of presentation. It is not serving the purpose for people, I think, so if you get my point, sir?

Pradeep Rustagi:

Point well taken. This time, you would have received the investor presentation much earlier, but it was a chaos yesterday in Gurgaon. So much of rain. And so we were targeting to release the investor presentation by 2:00 p.m. yesterday, but because of the unprecedented rain, we had this situation.

Saket Kapoor:

Okay. Not an issue, sir. And sir, this share of loss of joint venture, what is this attributed to of INR 20 lakh per quarter, the last two preceding quarters, we have been booking?

Sourabh Agarwal:

So basically, as we have discussed, we have entered into a joint venture with a Canada-based company, and we are setting up a project, and there was one question about the land acquisition there also. So we are incurring, so the company is already in place last year. We incorporated the company last year in July.

And it's a 50-50 joint venture between Ester Industries and Loop Industries Canada. So as the project is progressing, we are incurring some cost in terms of maintaining the company, some employees are there. There are certain regulatory compliances, which we need to do. So this loss of INR 20 lakh is basically on that account.

Management:

So Saket, what happens, any new project, everything is not capitalized as preoperative. So there are certain expenses which are not allowed by the accounting standard in force to be capitalized. They are to be charged to the profit and loss account. So something which will be capitalized as part of the preoperative will not hit the P&L. These are the expenses which are not allowed to be capitalized.

Saket Kapoor:

Right, sir. And last point, sir, on the Specialty Polymer, have you guided, have you given the current business sentiment taking into account what the current scenario is and our order booking in the sales, sir, going ahead, what's the outlook looking like in terms of the tonnage part and also the realization front?

Vaibhav Jha:

See, like I already mentioned earlier that in the Specialty Polymer business, we have very specialized products, which has very high customer stickiness. And there is also the price and margin resilience, right, So this is demonstrated by the fact that we have hardly made any margin compromise despite the tariff increasing in U.S. from 6% to 15.5%.



And so we believe that the nature of product is such that in terms of tonnage, we should not have any shortfall, right, Because the customer also is wedded to us because of the technical nature of our products, and it's not easy to find a substitute product. The second part of it is the margins and the revenue. So what we see is that, again, revenue is quite correlated with the volume, so we don't see an issue.

On the margin side, the tariff in U.S. will have to be fully settled down before we can give you a very accurate assessment of what's going to happen. This will also require a discussion with our customers, and we will have to see case-by-case basis what we will do. And earlier, I had given a full overview of our thought process on the U.S. duty and how it's going to impact to us.

So I suggest that we will be in a better position to comment on this thing by the next investor meeting by when the dust would have settled down and we would have had demonstrated results of how we see the margins panning out. But as such on right now, we don't see a major movement in our margins. There could be some small movements, but not a major one.

Saket Kapoor:

Not even volume also, sir?

Pradeep Rustagi:

Coming to the volume, definitely, no. Coming to the revenue last year, we recorded a sales turnover of INR 158 crores in Specialty Polymer. And in the first quarter, we have done INR 48 crores. So you can draw your own conclusion from the trend.

Saket Kapoor:

Thank you to the entire team. Best of luck for the new project, the Loop one and also we hope for good times ahead for the industry. And all the best for the we are in the 41st year now and the best is yet to come, we can wish for them. Thank you, sir. My best wishes.

Moderator:

Thank you. Ladies and gentlemen, we'll take that as the last question for the day. I now hand the conference over to Mr. Vaibhav Jha for closing comments.

Vaibhav Jha:

All right. So I would like to thank all our stakeholders, partners and team members for their continued support and thank you all for participating in this call. We remain committed to driving sustainable growth, delivering value and building on the momentum achieved in this quarter. We look forward to an even stronger FY '26. Thank you.

Moderator:

Thank you. On behalf of Ester Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.