

ESTER**INDUSTRIES LTD.**

CIN : L24111UR1985PLC015063

Date: 9th August, 2021

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

Dear Sir

Subject: Investor presentation on financial results for the quarter ended on 30th June, 2021We wish to submit the Investor presentation on financial results for the quarter ended on 30th June, 2021.

Please acknowledge the receipt of the same.

Thanking You

Yours Faithfully

For **Ester Industries Limited****Diwaker Dinesh**
Head-Legal & Company Secretary

Encls: As Above

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



ESTER
INDUSTRIES LTD.

Q1 FY22 Investor Presentation

August, 2021

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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Ester 2.0

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About Us

Diversified business portfolio

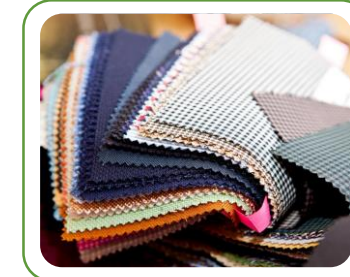
Comprehensive product suite

State-of-the-art manufacturing facilities

Global footprint

Experienced management team

Strong Financial profile



Sales Mix (FY21)

Polyester Films **73%**

Specialty Polymers **6%**

Engineering Plastics **21%**

Quick Facts



1985

Year of Incorporation

GURGAON, INDIA

Corporate Headquarters

3

Business Segments*

43 COUNTRIES

Global Footprint

556

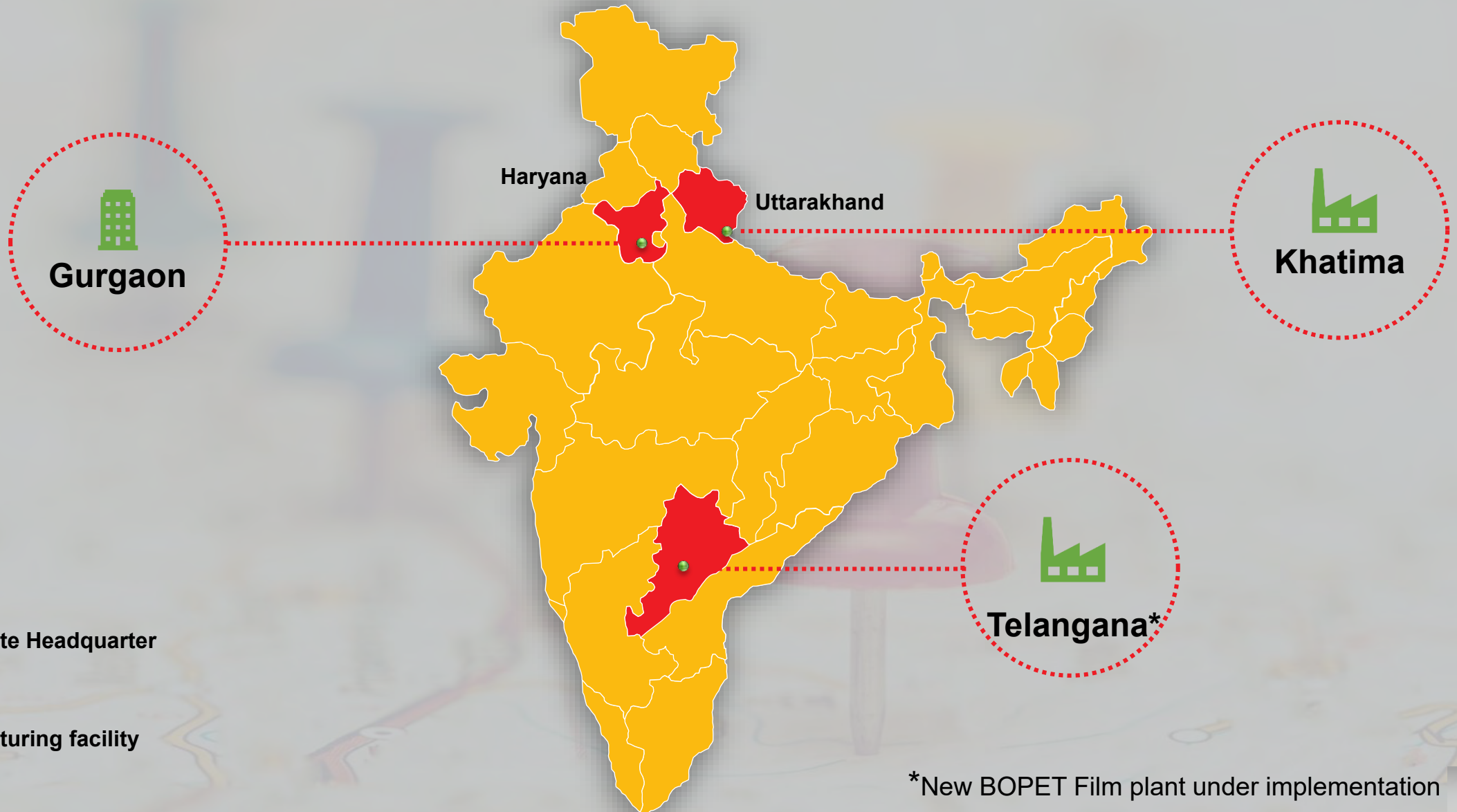
People

CRISIL A-

Credit Rating (Long Term)

* **PF** - Polyester Film; **SP** - Specialty Polymers; **EP** - Engineering Plastics

Our Presence



*New BOPET Film plant under implementation

Global Presence

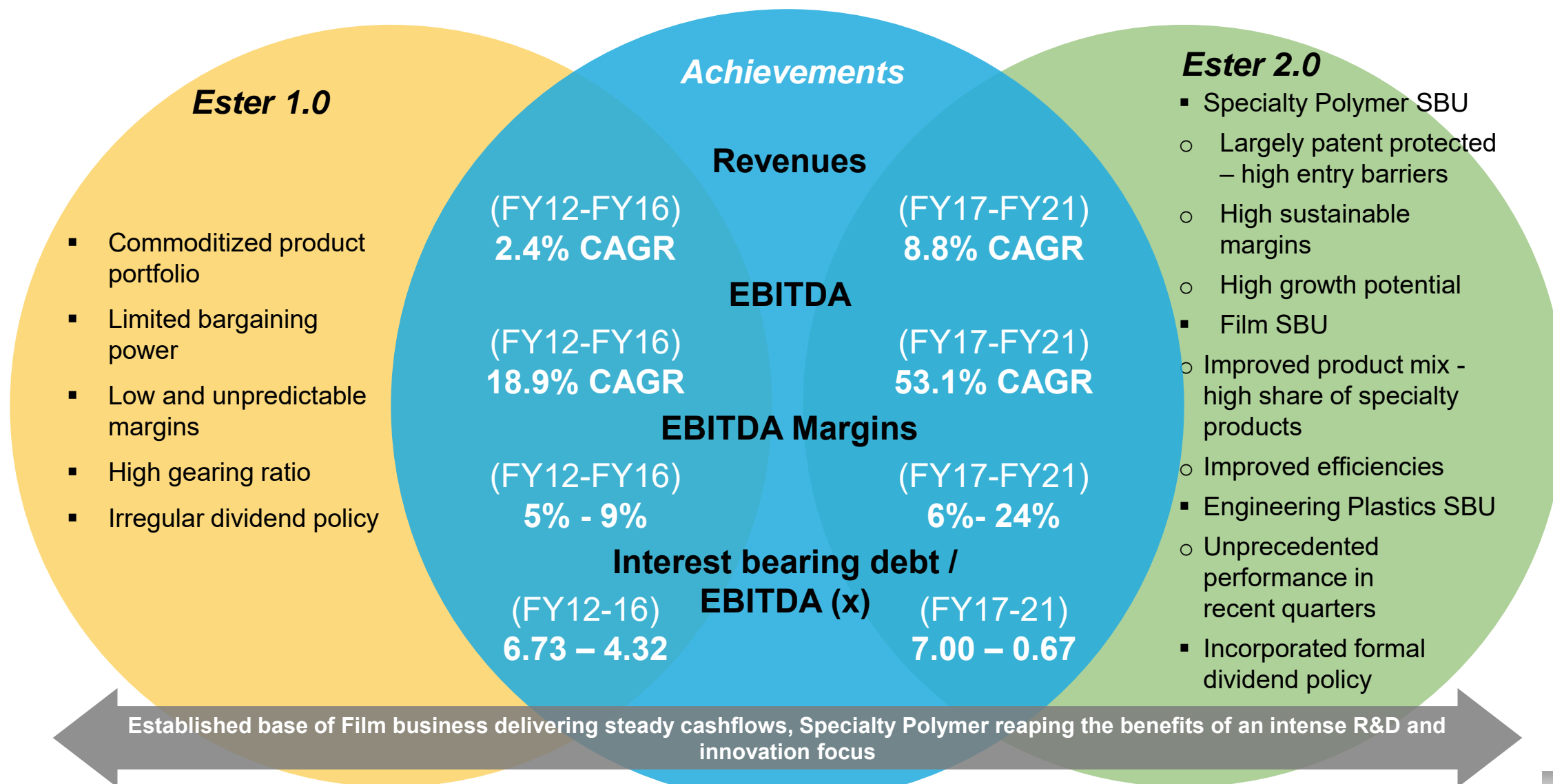
We serve more than 40 Countries



Ester 2.0
“Specialty” Company

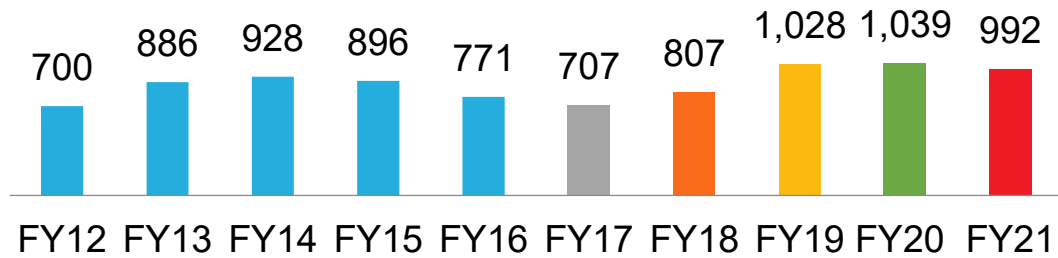


Ester 2.0 - Transformed into a “Specialty” Co.

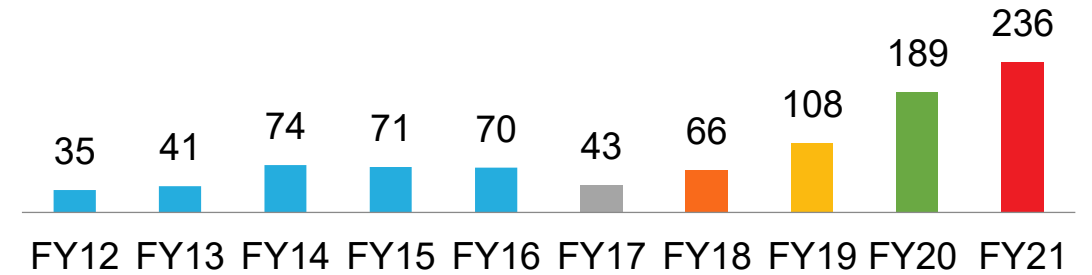


Ester 2.0 delivering consistent returns

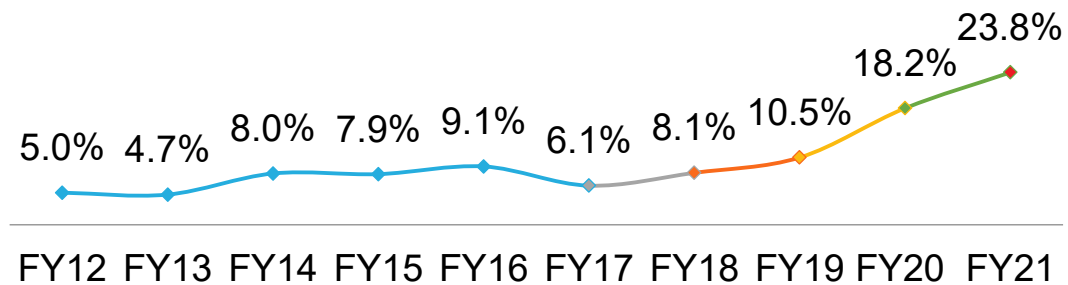
Revenues (Rs.cr)



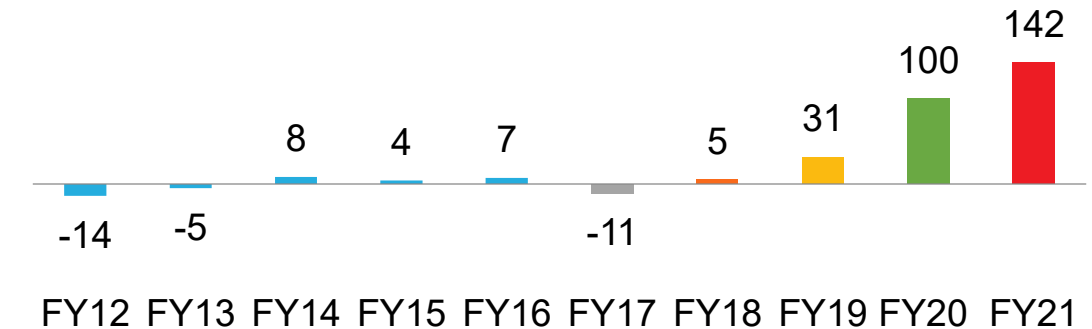
EBITDA (Rs.cr)



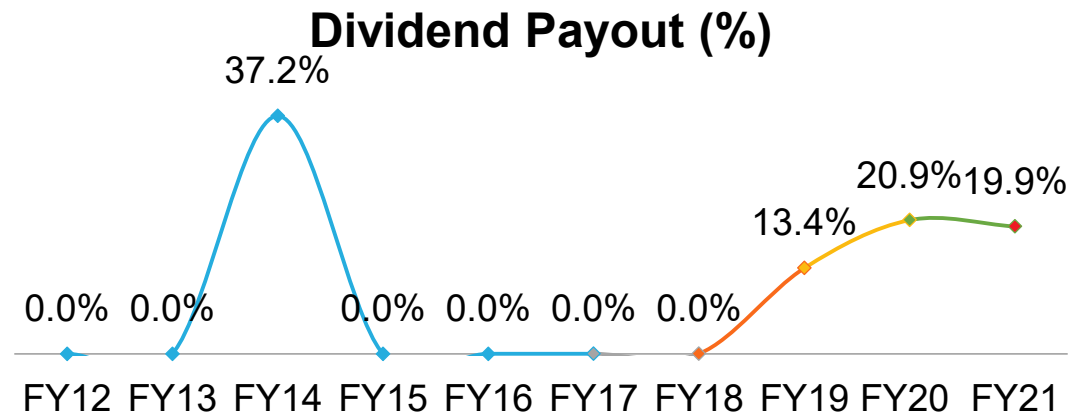
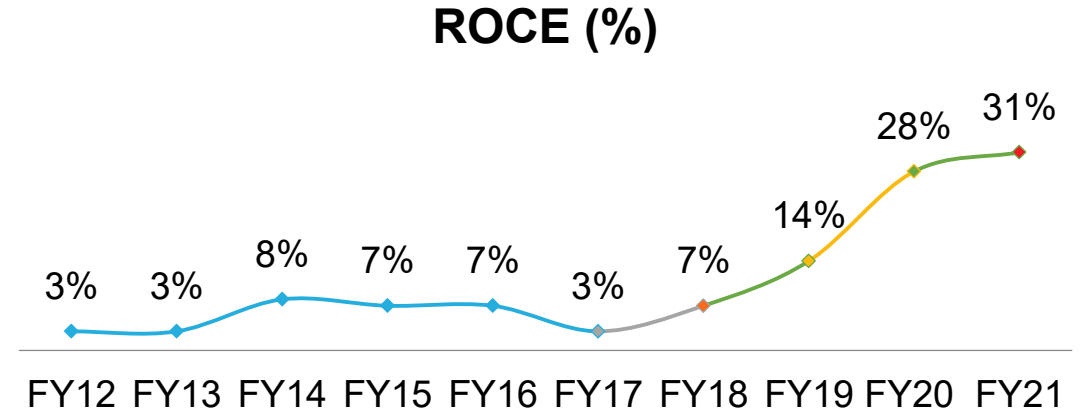
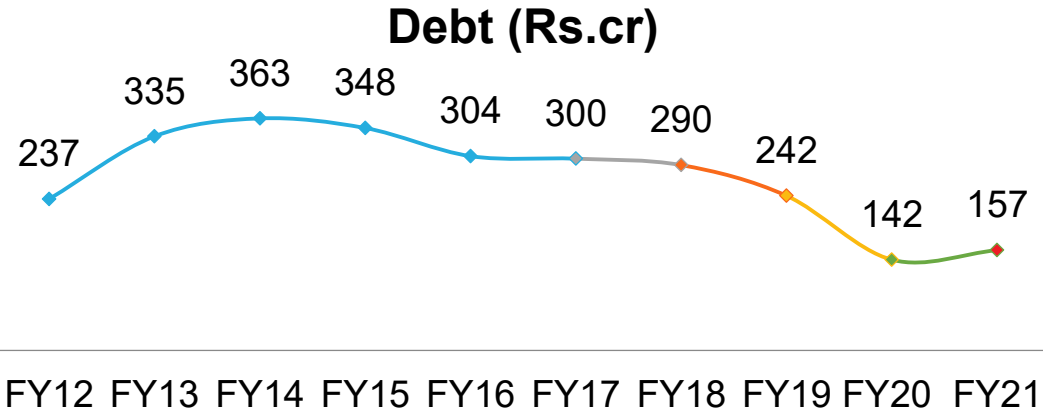
EBITDA Margins (%)



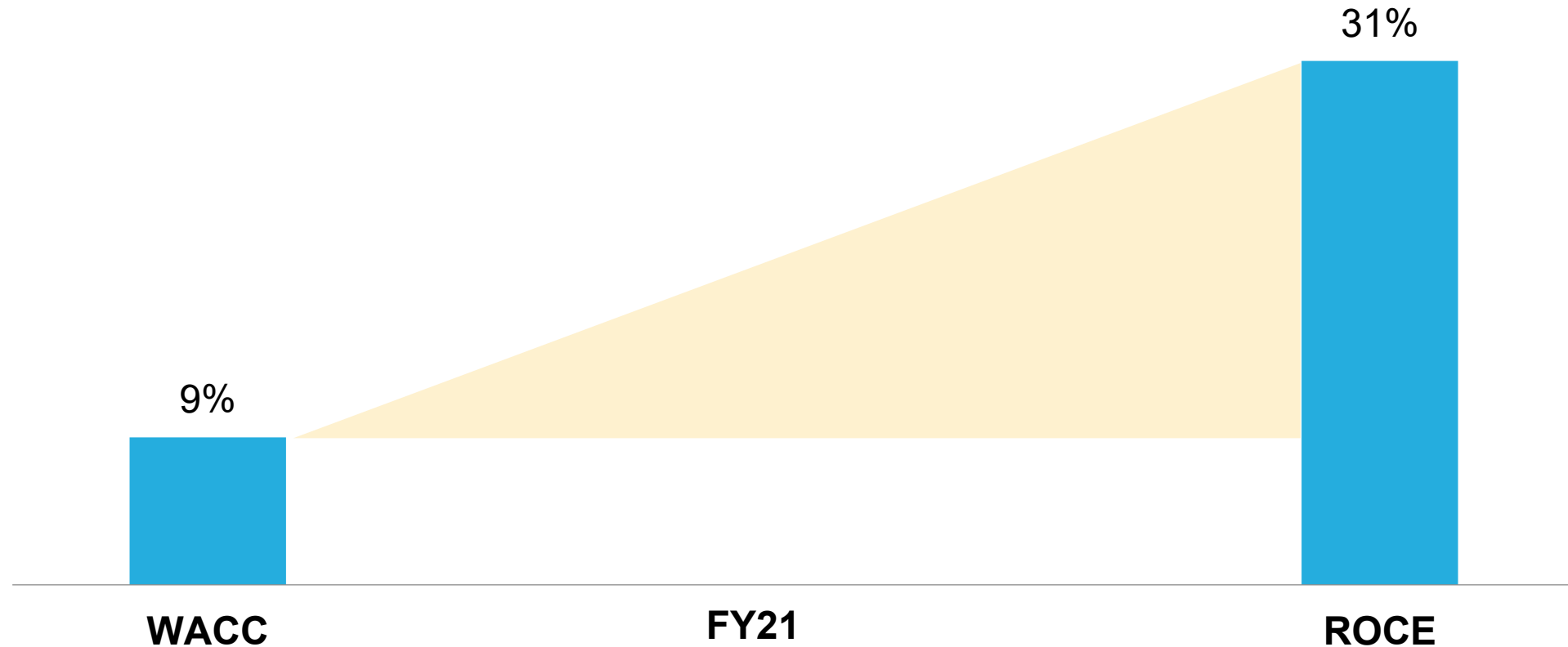
PAT (Rs.cr)



Ester 2.0 rewarding shareholders

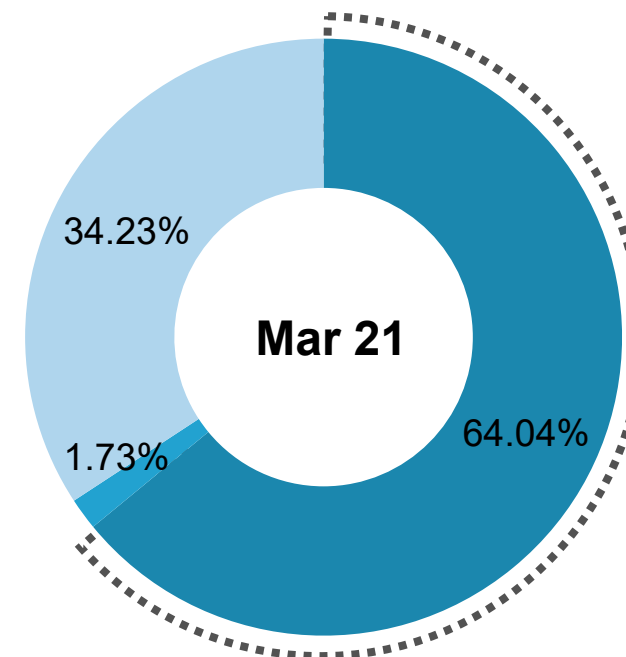
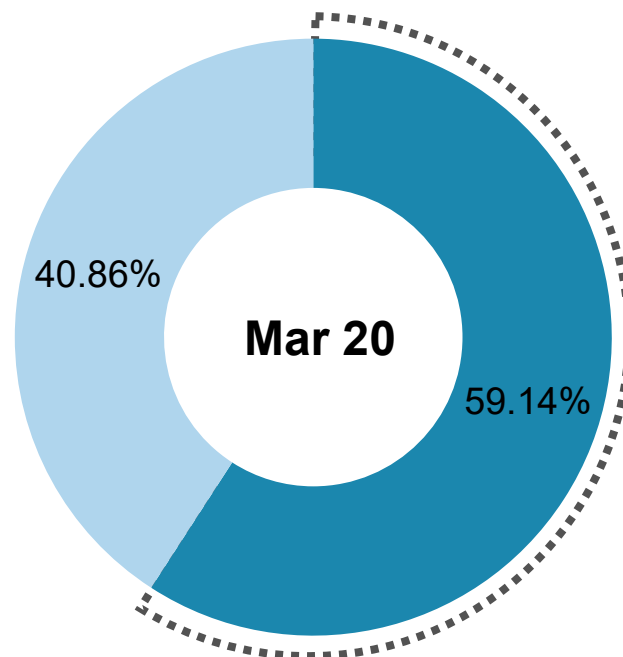
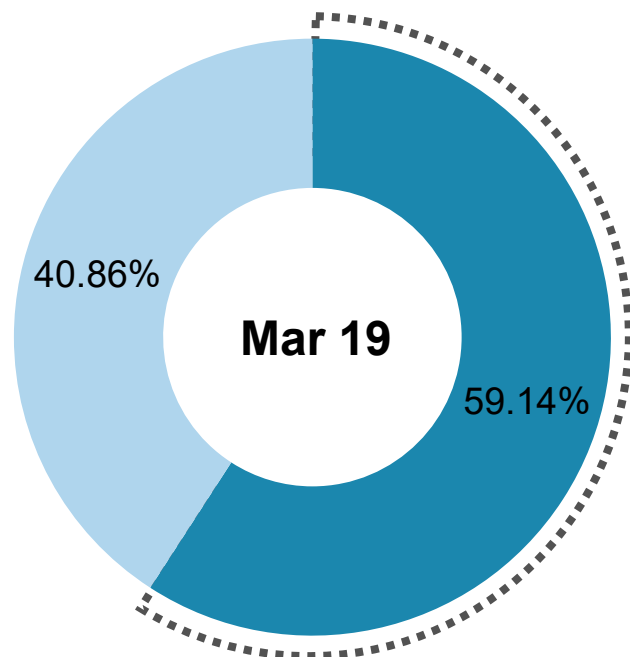


Ester 2.0 creating value for stakeholders



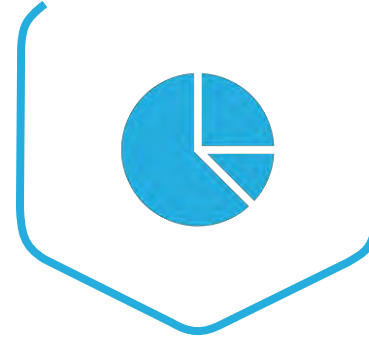
*Source: Bloomberg

Shareholding Pattern



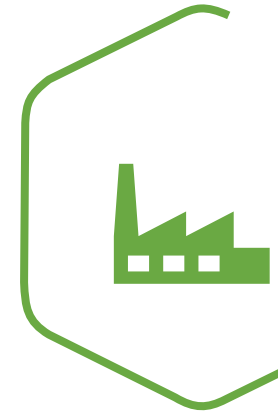
Investment Thesis

**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)



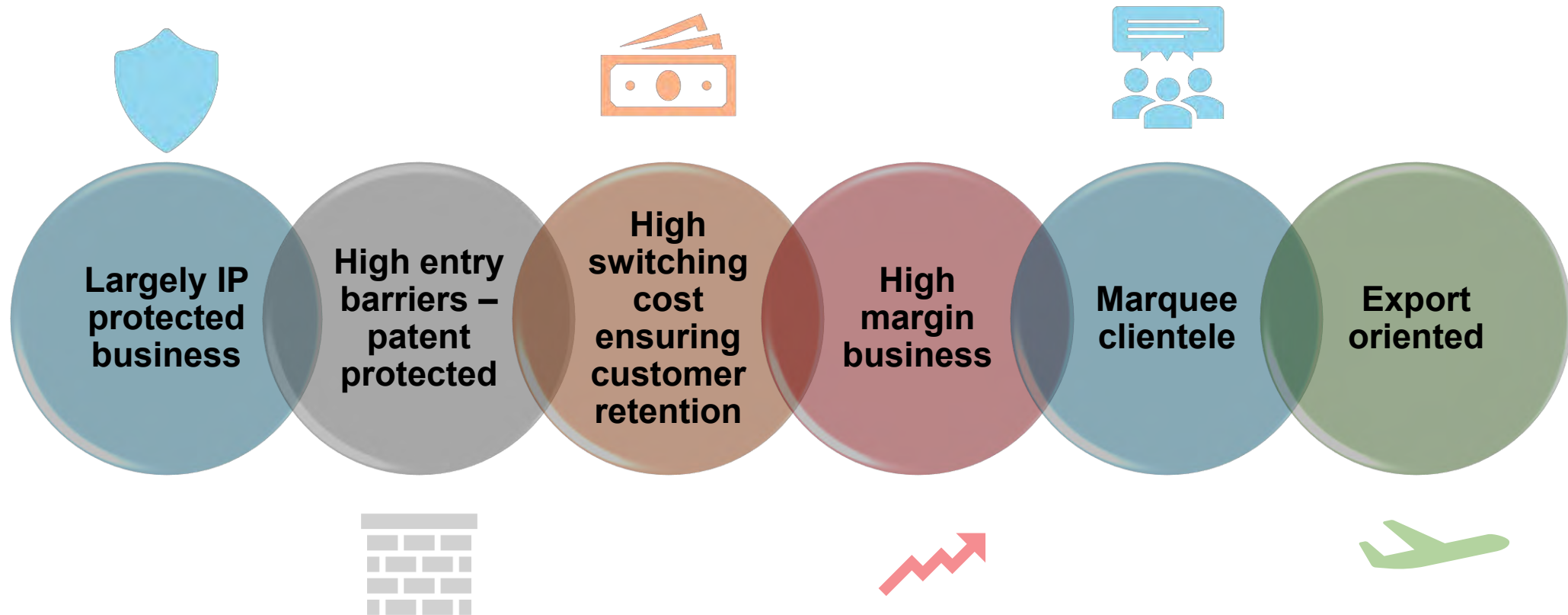
FOIL REPLACEMENT
(Metalized High Barrier film)





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; filed in 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

Achieved sales of 1042 MT during FY 2020-21

Basis performance of FY20 & 21 confident of scaling up volumes in FY22 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
 - Steady state business going forward
 - As committed in earlier calls, commercial sales started that are there to stay
- **LMC 03**
 - Techno commercial qualification achieved
 - Customers are introducing their final product in the market
 - Volumes to grow significantly over the next 2-3 years
 - Will make the final product recyclable
- **MB16**
 - Close to achieving techno commercial qualification
 - Product in final stages of trial with customers
 - Expect commercial sales volume by end of FY 2021-22

*Strong
product
pipeline*

*Attractive array of
products at varied
stages of
development*

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

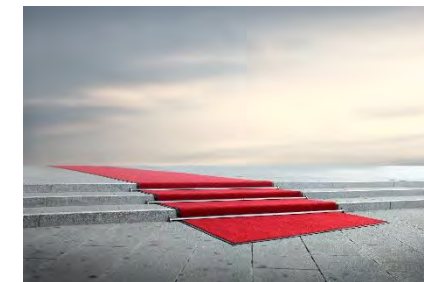
Carpets – Stain Resistant Master Batches

Carpets – Deep Dyeable Master Batch

Heat Sealable

Engineered Plastics / Injection Moulding

Low Melt Polymers for Textiles



Q1 FY22 Performance

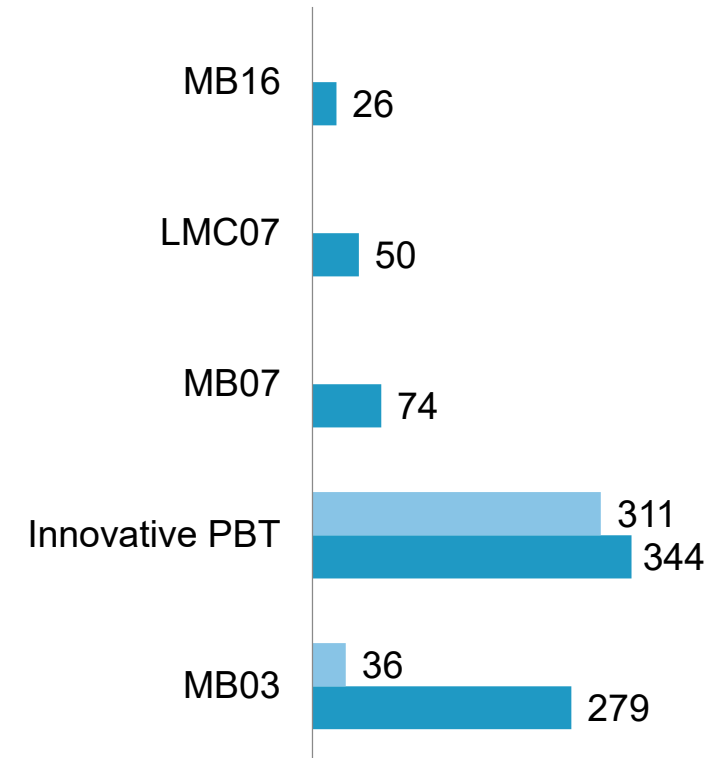
Figs. in cr

Particulars	Q1FY22	Q1FY21	%	Q4 FY21	%
Sales (Vol's MT)	861	411	109.5	821	4.9
Revenue	35	10	237.8	24	48.2
EBIT	13	2	566.8	8	52.7
Margins (%)	36.4	18.4	1800 bps	35.3	110 bps

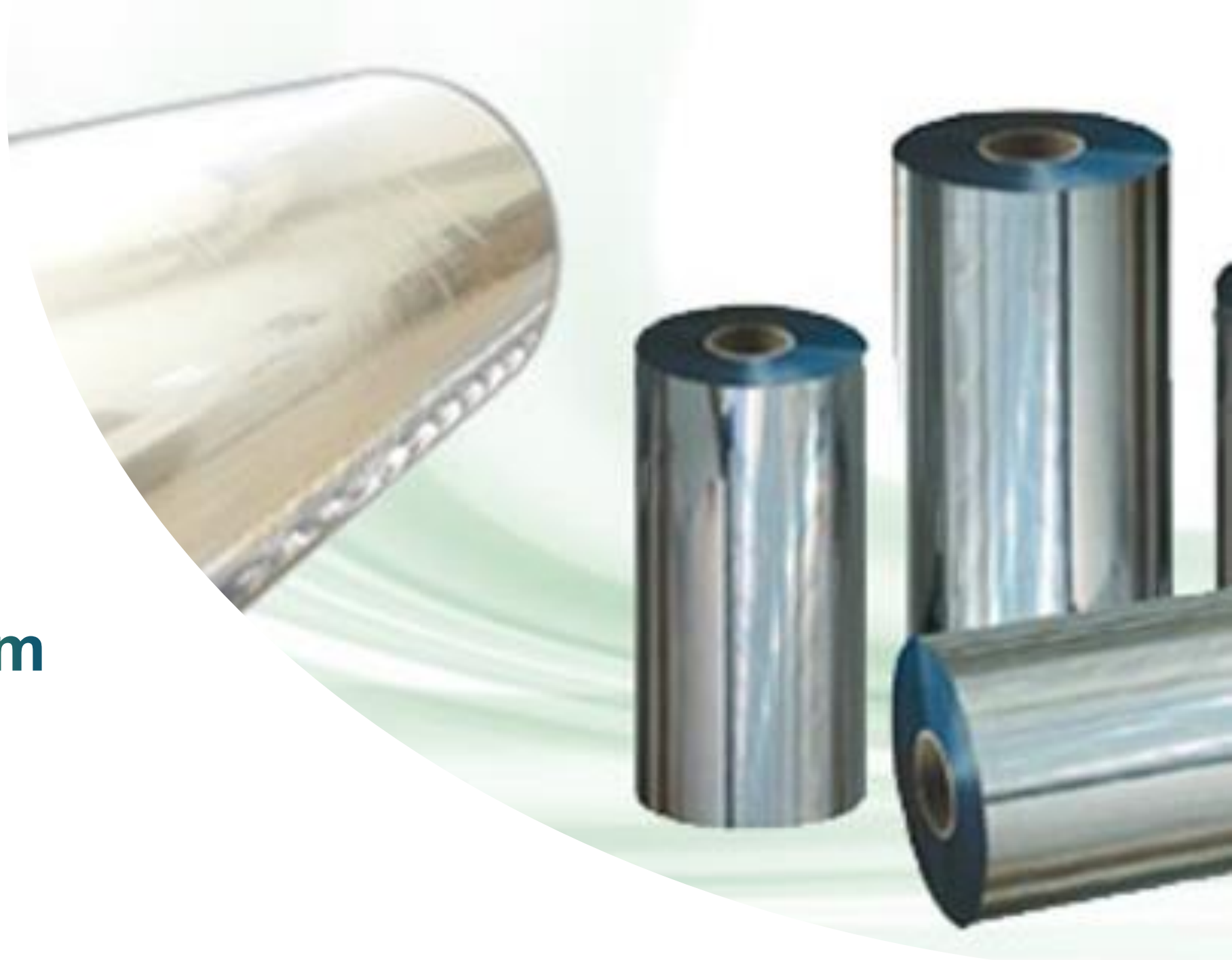
- Sharp pick up in the business; revenue growth of 238% on a Y-o-Y basis
- Higher product off-take, reflective of strong demand
- Positive response for newly introduced products; received customer approval for MB07
- Better product mix (greater share of high margin products) and operating leverage resulting in profitability and margin expansion

Volumes (MT)

■ Q1FY21 ■ Q1FY22



Packaging Film Business



Industry Overview



Global Scenario:

- Demand growth of 5% - 6%
- 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 globally
- China and India account for ~60% of global output



Domestic Scenario:

- Strong double digit growth rate of 10%-12% 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

Packaging Film Business - Overview

#30+

Years of experience

**60,000
MTPA**

Polyester Film Mfg. capacity

**13,200
MTPA**

Metallized Polyester Film
Mfg. capacity

43

Export market
(# of countries)

17%

Share of value-added
products (FY21)

**67,000
MTPA**

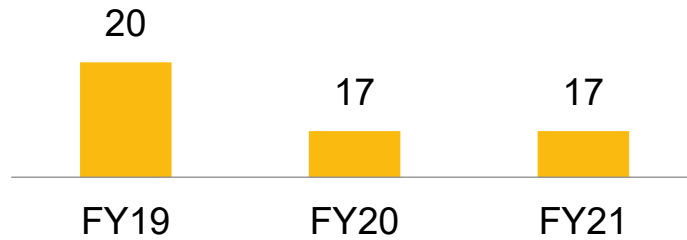
Polyethylene Terephthalate
(Polyester) chips Mfg.
capacity

**48,000
MTPA**

BOPET Film Capacity
expansion under
implementation

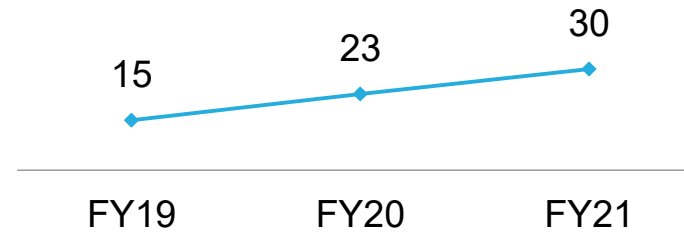
Key Strengths

Value Added (%)



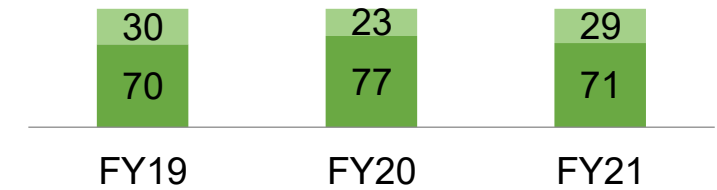
Product mix – despite reduction in recent past, aiming towards increasing the share of value added products to ~25% - 30% by FY23

EBIT Margins (%) – as per segmental results



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

■ Domestic ■ Exports



Balanced mix of domestic and exports orders

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



Q1 FY22 Performance

Figs. in cr

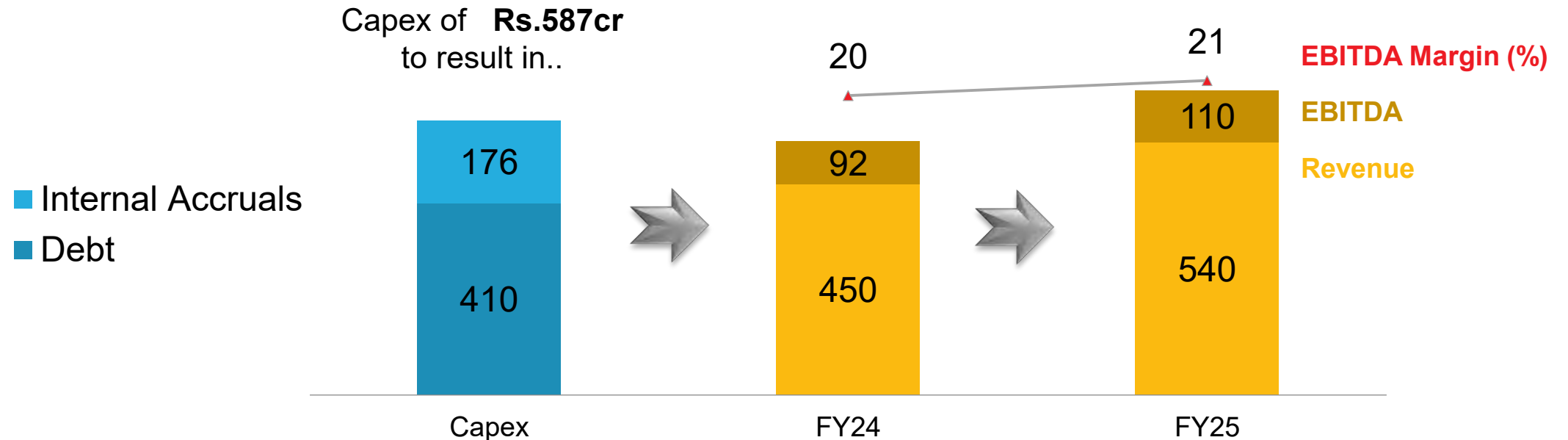
Particulars	Q1FY22	Q1FY21	%	Q4 FY21	%
Sales (Vol's MT)	15,283	12,629	21	14,408	6
Revenue*	225	161	39.8	195	15.2
EBIT ⁺	36	55	(34.9)	43	(15.9)
Margins (%)	15.9	34.1	(1,820 bps)	21.9	(600 bps)

*including Chips sale worth Rs. 26 crore (Q1FY22); ~Rs.2 crore (Q1FY21) & ~Rs. 3 crore (Q4FY21)

+adjusted for chip sales EBIT margins for Q1 FY22 would have been 18% as against 34% in Q1FY21 and 22% in Q4FY21

- Strong volume growth during the quarter (up 21% Y-o-Y) on the back of consistent demand from end-user industries and also because of low base of Q1FY21 that was affected by Covid – 19
- Margin compression during the quarter owing to:
 - Surge in ocean freight
 - Commissioning of new capacities globally exerting pressure on realization
 - Input cost pressure impacting economics of smaller packs of snack foods, exerting pressure on demand in short term
 - Higher proportion of low margin Chips sales
- Expect margin trajectory to improve in the coming years on the back of growing product portfolio, expansion in range of products with recycled content and higher sales of Offline coated products

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. 239 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 in October 2022

Engineering Plastics



Engineering Plastics Business - Overview

25+

Years of
experience

**# 350
grades**

Diverse
product
portfolio

**13,500
MTPA**

Manufacturing
capacity

#3

State-of-the-
art
compounding
lines

**“Gold
Winner
”**

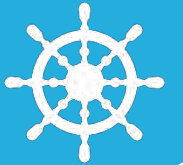
“Fastest
growing
Enterprise –
Processing
Engineering
Polymers”
2015

Business Salience

Diverse product portfolio



Backward integrated player



Increasing share of high margin products



“Unit relocation” to result in margin expansion



Strong sector tailwinds



Engineering Plastics – Products & Applications

Products

Polybutylene Terephthalate (PBT)

Polyethylene Terephthalate (PET)

Polyamide 6 (Nylon 6)

Polyamide 66 (Nylon 66)

Polycarbonate (PC)

Acrylonitrile Butadiene Styrene (ABS)

Polyoxymethylene (POM)

Alloys & Blends



Applications

Switchgear Industry

MCB, MCCB, RCCB, etc. Case, Cover & other Parts

Lighting Industry

Switches, Sockets, LED/CFL Holders, etc.

Appliances Industry

Knobs, Rotary Switches, Couplers, Body Parts, etc.

Textile Industry

Bobbins, Apron Gauge, Suction Tubes, etc.

Automotive Industry - Passenger Vehicles

External - Door Handles, Bezels, Wheel Cover, Mirror parts, etc.

Internal - Center Fascia, HVAC Parts, Clips, Engine Parts like Connectors

Automotive Industry - 2 Wheelers

Handle Bar parts, Grab Handles, Covers, Bezels, Ignition Coils, etc.

Safety Devices

Helmet Parts, Toe-guards, etc.

Q1 FY22 Performance

Figs. in cr

Particulars	Q1FY22	Q1FY21	%	Q4 FY21	%
Sales (Vol's MT)	2,400	1,262	90.2	4,175	(42.5)
Revenue	59	16	252.5	78	(24.5)
EBIT	22	(1)	NA	22	-
Margins (%)	37.2	-	NA	27.9	930 bps

- Second wave of the pandemic impacted the recent business momentum; resulting in lower volumes (sequentially). On a Y-o-Y basis though, witnessed smart recovery of 253% growth in revenues. Volumes have subsequently picked up pace, should revert to normal levels in the coming quarters
- EBIT during the quarter remained steady despite revenue compression on a sequential basis on the back of improved margins
- Sharp improvement in margins owing to rising trend in base polymer prices
- Relocation of unit should help in further improvement in operations and profitability of the business



Q1FY22 Performance Overview

Financial Summary

Particulars (Rs.cr)	Q1 FY22	Q1 FY21	%	Q4 FY21	%
Revenues	319	189	69.1	297	7.4
EBITDA*	64	52	23.2	60	6.8
Margins (%)	20.2	27.8	(760 bps)	20.3	(10 bps)
PAT	38	29	28.1	34	11.0
Margins (%)	11.8	16.0	(420 bps)	11.4	40 bps

**including other non operating income*

- Strong performance of Films and SP SBUs drove bulk of the revenue growth; lockdown led manufacturing and supply disruption impacted EP SBU's volume momentum, however activities have subsequently resumed and are regaining momentum - running close to normal levels
- Greater contribution from high margin Specialty Polymers SBU and sustained profitability in EP SBU resulted in EBITDA expansion
- Better product mix & efficiencies, coupled with steady reduction in debt led to higher profitability during the quarter

Commenting on the results, Mr. Arvind Singhania, Chairman, Ester Industries said “We have started the year on a positive note with a healthy growth in topline and profitability. The performance could have been even better but for the second wave of the pandemic which disrupted operations in the early part of the quarter. All our businesses performed well, demonstrating the resilience and innate strengths of the business.

Specialty Polymer business rebounded strongly on expected lines on the back of high demand and normalization of business environment in customer markets (especially USA). MB-03, our marquee product, reported sharp volume growth during the quarter. Innovative PBT as well delivered Y-o-Y improvement in volume terms. The other positive development has been the commercial sales of MB07, which received final approval from customers after 3 years of rigorous hard work. We expect the volumes to grow steadily for the same over the coming quarters. Further, we also achieved techno commercial qualification for LMC03. Other innovative product namely MB16 is close to achieving techno commercial qualification. We are extremely positive on the business prospects of Specialty Polymers SBU and expect overall volumes to significantly pick up in coming years.

Film business continued to maintain its recent growth momentum, with volumes remaining elevated. Margins though softened a bit during the quarter despite reporting a healthy top line growth. The main reason for margin compression is commissioning of two new production lines overseas. Another reason exerting pressure on demand in the short term is input cost pressure on smaller packs. Besides benign realisation, higher proportion of chips sales that has very low margin contributed to lower margin percentage. We are working towards improving our product mix by increasing the share of valued added products and expect the business to deliver consistent growth in coming years, which will be aided in part by commissioning of our new BOPET film plant in the state of Telangana. We expect Film SBU to deliver consistent performance over long term.

Performance of Engineering plastics business in volumetric terms during the quarter was impacted in part by the second wave of pandemic. However, despite lower volume & revenues, the business reported sharp improvement in profitability owing to rising trend in base polymer prices. We expect the business to perform well over the coming quarter and contribute positively to the overall profitability of the Company. Relocation of unit will also facilitate further improvement in operations and profitability of the business

We believe all our businesses are well positioned to deliver consistent growth in the coming years and create value for our shareholders.”

Chairman's Comments



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 (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