



June 20, 2020

Q4 & FY20 RESULTS PRESENTATION



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.



Q4 & FY20 Performance Overview



Financial Summary

Q4 FY20

Q4 FY19

FY20

FY19

	Revenues	EBITDA	PAT
Q4 FY20	254	53	37
Q4 FY19	255	31	8
	(0.5%)	72%	359%
FY20	1,039	198	100
FY19	1,028	114	31
	1%	75%	220%

Strong performance of Film & Specialty polymers businesses resulted in higher profitability growth in FY20

Increasing volume & enhanced margins in Film business led to significantly improved profitability

Stellar performance from high margin Specialty Polymers business – 85% volume growth, 140% revenue growth, 28X profitability expansion

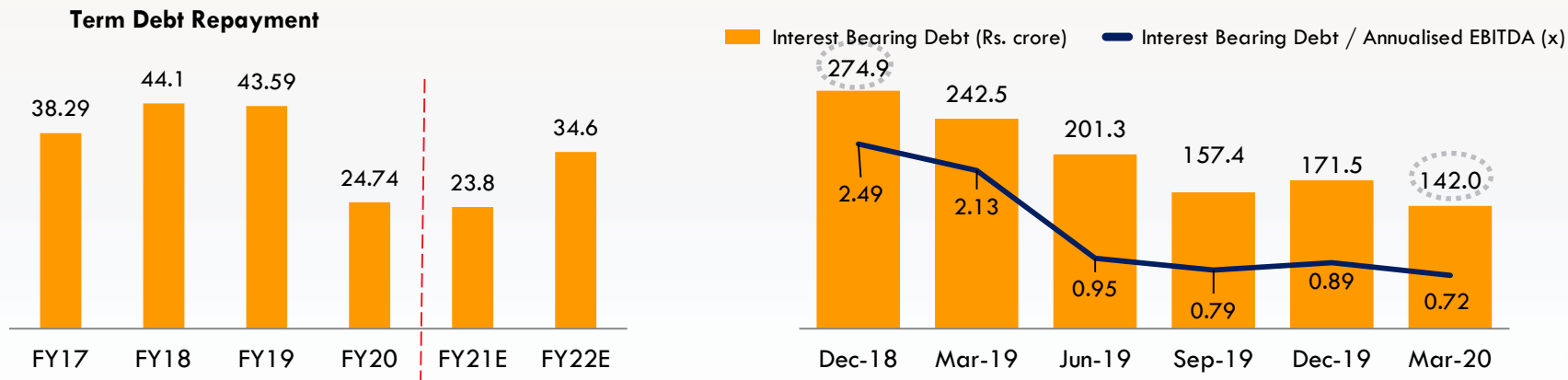
Strong operational performance, coupled with improved efficiencies and lower interest outgo contributed to 3x profitability in FY20

Formalised Dividend Distribution Policy

- The Board of Directors at its meeting held on 17th June 2020, has recommended final dividend of Rs. 2.50/- per equity share for the year ended on 31 March 2020, subject to the approval of the shareholders of the Company in the forthcoming Annual General Meeting
- Further, the Board of Directors has also approved a formal dividend distribution policy which shall be effective and applicable for dividend from financial year 2020-21 onwards
- As per the Policy, the Company shall endeavor to declare/recommend total dividend amount (both interim and final dividend) including applicable tax upto 20% of the annual Profits after Tax (PAT) of the company in any financial year

Debt rationalization

Focused on improving Debt/EBITDA (x) by paying off debt



- Ester is diligently working towards continuously deleveraging its balance sheet and improving its leverage ratios.
- Total interest bearing debt as on 31st March 2020 stood at Rs. 142 crores comprising of interest bearing Working Capital of Rs. 68 crores and Term Debt amounting to Rs. 74 crores
- Interest bearing WC liabilities stood at Rs. 68 crores as at 31st March 2020 as compared to Rs. 99 crores as at 31st Dec 2019
- Total Outside Liabilities (TOL) : Tangible Net Worth (TNW) ratio stood at 0.62 as at 31st March 2020 as compared to 0.74 as at 31st December 2019
- Out of the total Rs. 23.83 crores that will become due for payment in FY 2010-21, the Company has already repaid Rs. 8.14 crore during April- June 15, 2020. Another Rs. 2.03 crore will be repaid on 30th June 2020.
- Given its strong financial & liquidity position; the Company has decided not to avail the benefits of Reserve Bank of India's moratorium scheme with respect to loan repayment

Chairman's Comments



Commenting on the results, Mr. Arvind Singhania, Chairman, Ester Industries said *"Despite nationwide lockdown due to Covid-19 pandemic at the end of the year, we have reported a strong financial performance during the fiscal. The profitability growth was largely driven by robust performance of our Film & Specialty Polymers businesses. Specialty Polymer business has had one of its best performances till date on the back of good demand and consistent product off-take. Performance of both MB03 and innovative PBT showed marked improvement over the previous year. While Covid – 19 may have moderated growth momentum for a few months, we are confident of catching up soon, as business fundamentals continue to be structurally strong. We are also confident of even better prospects & outlook for the business going forward on the back of certain high margin products under development.*

Film business continued to perform well on the back of increasing volumes and realizations. A strong demand from our International clients also contributed to the overall growth of the business. Through various initiatives, we were able to enhance productivity on sustainable basis by about 11%. In addition to enhanced production, improved margins have contributed towards significantly improved profitability of the SBU. We are continuously taking initiatives to further enhance productivity over the coming years. Further our attempts towards improving the product mix by increasing the share of value added products should help us maintain the momentum.

As regards Engineering Plastics SBU, though performance during FY 20 is better than FY 19, the business continues to face challenges that are aggravated by Covid – 19 outbreak, primarily on account of slowdown in the auto as well as electrical & electronic sectors. This SBU is likely to face challenges in the near term amidst Covid – 19 pandemic in terms of lower volume off – take. We are nonetheless undertaking steps towards reviving the business. We do not expect return to normalcy before second half of the current financial year.

Given enhanced demand for packaged food & other items, there is a need to enhance capacity in Film SBU. Due to uncertainties created by Covid – 19, we had put on hold the implementation of expansion announced in March 2020, but active steps are now being taken to begin the implementation of this project. We continue to repose confidence in the potential and resilience of the business. "

Covid-19 Impact & Measures



Covid-19 Impact on business

➤ **Scaling down of activities – Specialty Polymer**

- Sales in June 2020 quarter impacted due to slowdown in US on account of outbreak of Covid – 19
- Due to recovery in economic activity in the US & EU, we expect to return to normal levels of operation soon
- Despite lockdown, Company will be able to achieve sales of about Rs. 11 crore during Q1FY21

➤ **Scaling down of activities – Film**

- Company had to marginally scale down its production & sales activities amidst restricted movement of material & labour **only** during the month of April 2020 and has been able to achieve normal level of operations from May 2020 onwards

➤ **Suspension of Manufacturing operations of Engineering Plastic Segment**

- In light of the orders passed by Central / State Government to contain the outbreak of Covid-19 pandemic, the Company had to suspend its manufacturing operations of Engineering Plastic Segment at its Khatima Plant for the period March 25th – May 8th.
- On account of nationwide lockdown, inflow of orders from customers got impacted
- Revenue loss on account of suspension & drop in demand has been approximately Rs. 26 crore

Ester Industries response to Covid -19

- Undertook series of steps towards supporting the society & protecting its employees
- **Supporting the Society**
 - Contributed protective gear to healthcare workers, Police Staff etc.
 - Non-monetary support to the under-privileged in the society & migrant labour
- **Employee centric measures**
 - Strictly adhering to the Govt.'s guidelines; stringent social distancing and other prescribed measures have been adopted
 - Ensuring health and safety of the employees as the top priority
 - Regular environmental cleaning (disinfection, wipe off work surfaces, doorknobs, workstations)

Specialty Polymers



Specialty Polymer – The Catalyst



High entry barriers -
Patent protected
business (Product &
process)

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Patents
filed

19

Product
portfolio

30,000_{MTPA}

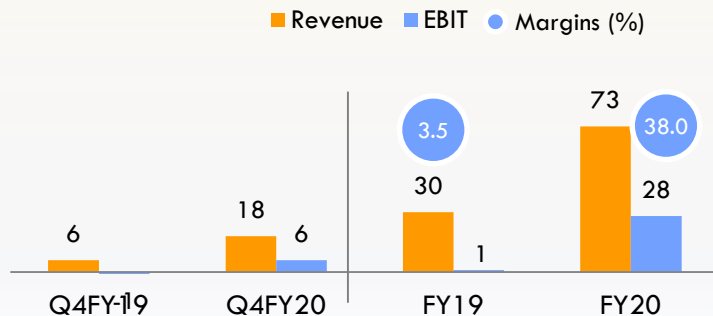
Production Capacity

30%+

EBIT margins on
achieving of adequate
scale of operations

Specialty Polymers

Figs in cr.



- Delivered stellar performance in FY20 – 85% volume growth, 140% revenue growth; 28x profitability expansion
- Proportion of MB – 03 & innovative PBT in the total sales volume increased from 33% to 76%
- Closure and lockdown in India & USA impacted sales in Q1FY21
- Promising outlook on the back of exciting product pipeline

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- Product portfolio -19 products at various stages of development of which patents have been filed in respect of 7
- High entry barriers protected by Intellectual Property rights
- Existing Product Portfolio –
 - Stain resistant Master Batch: ~ 200% growth in sales volume in FY20 as compared to FY19. Despite the setback due to Covid – 19, we expect to sustain volumes at FY20 levels during FY21, which otherwise would have been well exceeded
 - Innovative PBT: Achieved sales of 465 MT in the first year of operation
 - Encouraging progress made in the development of another new product for carpet industry in USA
 - Master batch for a Cationic Dyeable Yarn and Deep Dyeable Yarn- Patent application filed in US, European Union, Korea, Thailand and China for a Master Batch to produce specialized polyester yarn. Gaining strong potential in China and Taiwan

Expect business momentum to continue in FY21

➤ **Partners with a Global Chemical Leader in Manufacturing innovative Polybutylene Terephthalate (PBT)**

- Signed '**Manufacture and Supply Agreement**' with a global chemical leader in April 2019 effective 1st April 2019
- Agreement is renewable by mutual consent after two years
- While agreement is for nominal quantity, there is possibility of substantial upside.
- Achieved sales of 465 MT in the first year of Agreement as against minimum committed volume of 400 MT
- During FY21, expect to significantly exceed the minimum volume of sales (400 MT) as per the Agreement
- Innovative PBT find application across varied Industries and products - automotive to consumer products, and from electronics to fibers.

➤ **Cationic Dyeable Master Batch (MB-06)**

- Approaching final stages of product development phase
- Expect good demand in years to come

➤ **Deep Dyeable Master Batch (MB-07)**

- Cleared qualification steps at various customers in USA, EU, China and Korea
- Commercial sales have begun albeit with very small volumes
- Expect volumes to pick up in coming years

Patent Status

Product Code	Product Description	Status of Patent	Product approval from customer	Application
ESTER HR-03	Hot Fill PET by normal ISBM	Granted in USA and filed in India, Europe	Approved	Packaging
ESPET MB-03	Masterbatch Sulfonated PET	Granted in USA and filed in India, Europe, Korea	Approved	Stain Resistance in Nylon Carpet
ESPBN	Clear PBN	Granted in USA & EU and filed in India	Under Trials	Monolayer and Multilayer Containers
ESPET HR-01 B3	Beer Keg PET	Granted in USA and filed in India & EU	Under Trials	Monolayer containers/Kegs
ESPET MW-01	Microwaveable PET	Filed in India	Under Trials	Extrusion and thermoforming
ESPET FR-10	Flame Retardent PET	Filed in India	Approved	Flame retardant master batch for PET Polyester in textile (PFY/PSF) & Film application
ESPET MB-06 R4 & ESPET MB-07 R8	Easy Dyeable & Cationic Masterbatch	Filed in India, USA, European Union, China, Korea & Thailand	MB-06 R3 - Under Trial MB-07 R7 - Approved	Deep and Dark dyeability in Textile

Specialty Polymers – Products & Applications

Products

Polyethylene Terephthalate (PET)

Polybutylene Terephthalate (PBT)

Polyethylene Naphthalate (PEN)

Master Batches

Applications

Rigid Packaging – Hot-fill / Beer Kegs

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

Carpets – Stain Resistant Master Batches

Heat Sealable

Engineered Plastics / Injection Moulding

Low Melt Polymers for Textiles



Polyester Films



Polyester Film – “De-Commoditizing”



De-commoditizing the business by changing product mix



Mfg. Capacity -57,000MTPA Polyester Films & 13,200 MTPA Metalized polyester films



Strong sector fundamentals – Stable pricing environment;

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No. of countries (exports)

~30%

Share of value added product in next two years from ~16% (FY20)



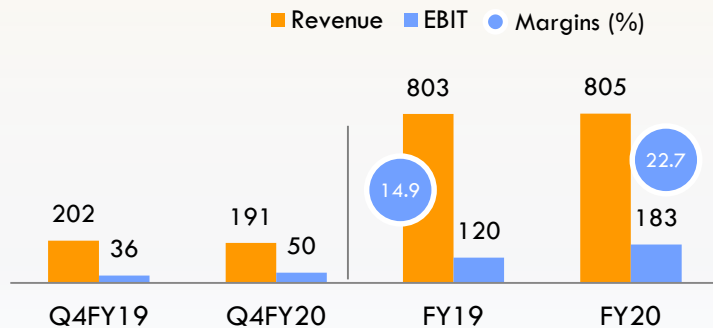
Cost rationalization initiatives and improving production & process efficiencies contributed to bottom line



Improved productivity & efficiency drives growth in production

Polyester Films

Figs in cr.



- Business momentum continues – Increasing volume and enhanced margins drive profitability growth
- Improving product mix – Increasing share of value added products in overall mix post commissioning of an Off – Line Coater in June 2020
- Strong international demand results in improved off take

FY 20 – Film includes revenue of Rs. 69.98 crore & EBIT of Rs. 2.61 crore from Polyester Chips.

FY 19 – Film includes revenue of Rs. 85.45 crore & EBIT of Rs. 2.53 crore from Polyester Chips

Excluding Chips, the EBIT margins for the Film SBU stood at 24.5% (FY20) as against 16.4% (FY19) higher by 810 bps

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- Manufactures and markets polyester films under the brand “**UmaPET**”
- **Manufacturing capacity - 57,000 MTPA for polyester films** & 13,200 MTPA for metalized polyester films
- **Integrated player** – Polyethylene Terephthalate (Polyester) chips manufacturing capacity 67,000 MTPA
- **Global Footprint** : Formidable reach across more than 56+ countries
- Value Added & Specialty products include transparent barrier film, shrink film & silky matte etc.
- Thrust on increasing proportion of value added & specialty products in overall mix by focusing on innovation, development and partnership with customers both in India and overseas.

Potential impact of Covid-19 on the Film business

- Demand growth from Consumer Staples for flexible packaging is expected to remain strong
- Increased focus on health & hygiene products to result in further growth in demand
- Raw material prices are expected to remain benign in the near term
- Due to changes in the macro-economic scenario on account of Covid – 19 outbreak, there is a likelihood that some of the planned commissioning of new capacities in near term may be delayed

Film Business – Expect momentum to continue

Industry Dynamics

- Market size of Domestic BOPET films ~504000 tpa
- Domestic demand growing at 10%-11%
- Incremental supply of about 65000 TPA on account of commissioning of 2 new production lines in August & November 2019 already absorbed by the market with minimal disruption

Company specific initiatives

- Working towards increasing the share of value added products – ~30% within next 2 years
- Off Line Coater that has been commissioned in May 2020 will enable us to enhance the volume of Value Added & Specialty Films significantly. Commercial sales have started from the month of June 2020
- BOPET Film made from 100% PCR has been certified by a reputed institution
- Active steps are now being taken to begin implementation of expansion project earlier announced by the Company

Polyester Films – Products & Applications

Products

White Opaque	High Clear
High Barrier	Embossable
Heat Saleable	Twist Wrap
Shrink film	Anti - Static
Metalized High Barrier	Matte

Applications

Flexible Packaging
Barrier Packaging
Embossing
Lidding
Label & Graphics



Engineering Plastics



Engineering Plastics – “Structurally positive; near term challenging”

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Product Portfolio

13,500MTPA

Mfg. capacity

“Estoplast”

Products marketed
under the brand



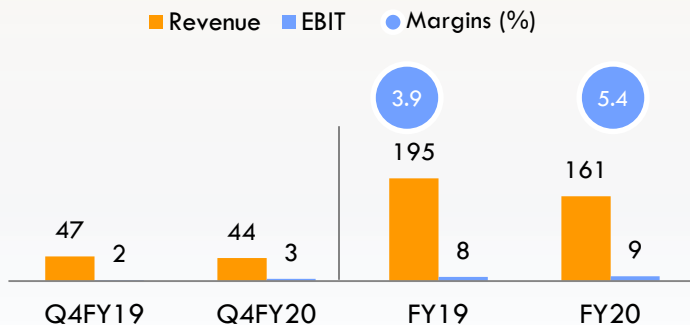
“Fastest Growing Enterprise
Processing (Engineering Polymers)”
at the Plastindia Exhibition in
February 2015



Improving product / customer
mix, expanding exports &
controlling costs to improve
margin profile & return ratio

Engineering Plastics

Figs in cr.



- 190 bps improvement in EBIT margin during Q4FY20
- Covid-19 pandemic disrupts the steady recovery in Engineering Plastics business.
- Return to normalcy not expected before second half of the current financial year
- Working towards increasing share of high margin products in the overall mix

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Business highlights

- A well regarded manufacturer of Engineering plastics
- Diverse Product Portfolio – 250+ grades / products marketed under the brand “ESTOPLAST”
- Manufacturing capacity - 13,500 MTPA
- Achieved CAGR of 0.1% and 3.6% in volume & value terms respectively over last 3 years
- Awarded the prestigious Plasticon Gold Award for the “Fastest Growing Enterprise – Processing (Engineering Polymers)” at the Plastindia Exhibition in February 2015

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.



Investor Contacts

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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.