

Date:16th November 2022

BSE Limited (BSE) Department of Corporate services Phirojee 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: Investor Presentation on Financial results for the quarter and six-month period ended on 30th September 2022.

Dear Sir

We wish to submit the Investor presentation on financial results for the quarter and six-month period ended on 30th September 2022.

Please acknowledge the receipt of the same.

Thanking You

Yours Faithfully
For **Ester Industries Limited**

Diwaker Dinesh
Head-Legal & Company Secretary

Encls: As above

Ester Industries Limited

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ESTER
INDUSTRIES LTD.

Q2 & H1 FY23 Investor Presentation

November, 2022

Disclaimer

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

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Business Overview

About Us

Diversified business portfolio

Comprehensive product suite

State-of-the-art manufacturing facilities

Global footprint

Experienced management team

Strong Financial profile

Sales Mix (H1 FY23)



**Polyester
Films**

65%



**Specialty
Polymers**

17%



***Engineering
Plastics**

18%

** Financial results of EP Business reported as "Discontinued operations" since business was transferred on 15th September 2022 as a Going Concern on Slump Sale basis in term of Business Transfer Agreement (BTA) dated 6th May 2022*

Quick Facts

1985

Year of Incorporation

GURGAON, INDIA

Corporate Headquarters

2

Business Segments*

About 50 COUNTRIES

Global Footprint

**445 – KHATIMA,
SITARGANJ,
GURGAON**

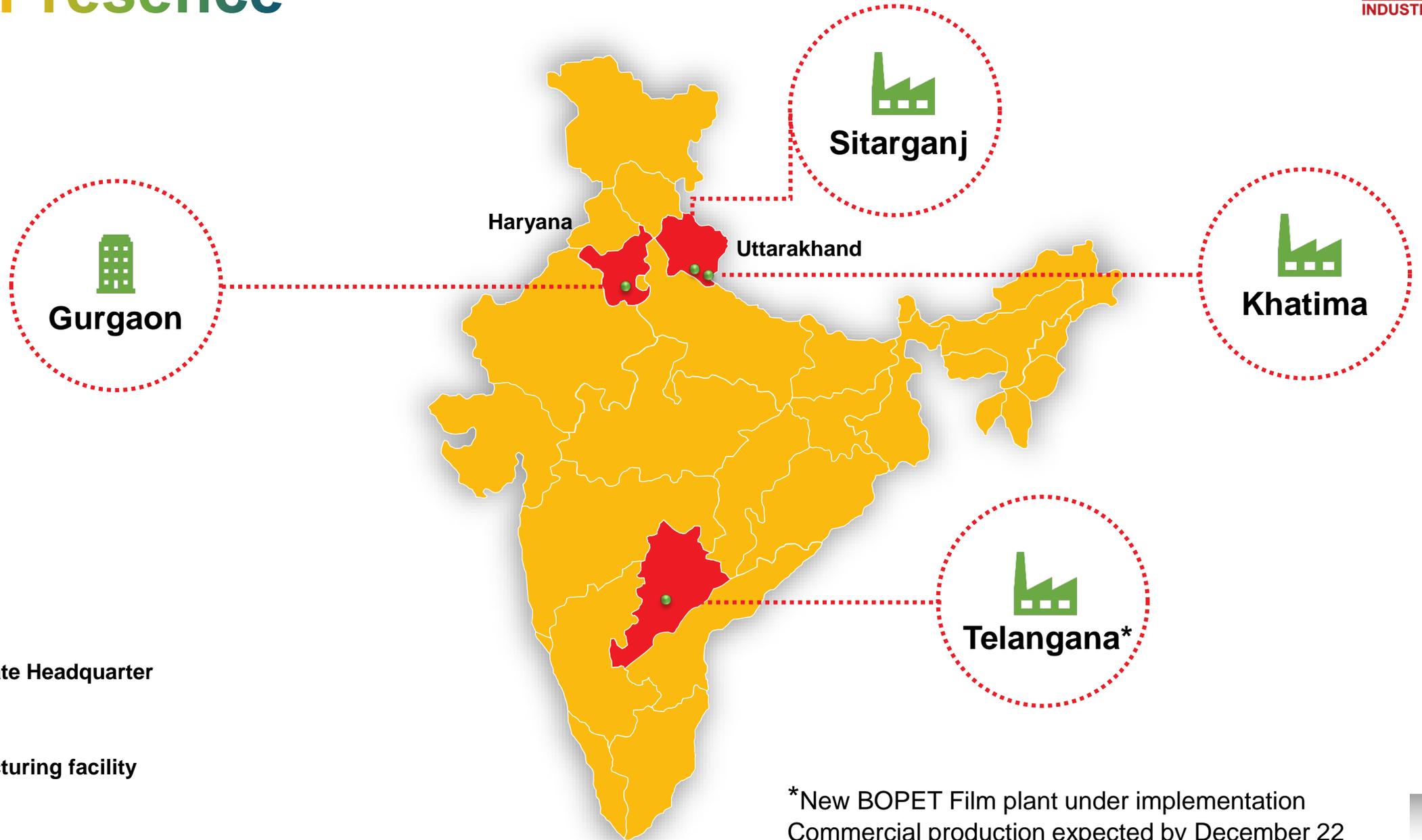
135 - HYDERABAD
People

CRISIL A
(stable outlook)

Credit Rating (Long Term)

* **PF** - Polyester Film; **SP** - Specialty Polymers; **EP** - Engineering Plastics (Transferred on Slump Sales basis on 15th Sept 2022)

Our Presence



 Corporate Headquarter
 Manufacturing facility

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

Global Presence

We serve about 50 Countries



Q2 & H1 FY23 Performance Overview

Financial Summary

Particulars – Continued Operations (Rs.cr)	Q2 FY23	Q2 FY22	%	H1 FY23	H1 FY22	%
Revenues	304.22	258.78	17.6%	628.51	518.7	21.2%
EBITDA (including Non operating income)	30.22	40.68	(25.7%)	92.22	82.69	11.5%
Margins (%)	9.9%	15.7%	(579 bps)	14.7%	15.9%	(127 bps)
PAT (Continuing operations)	7.62	19.84	(61.6%)	41.73	41.02	1.7%
Margins (%)	2.5%	7.7%	(517 bps)	6.6%	7.9%	(127 bps)
Particulars – Discontinued Operations (Rs.cr)						
PAT from discontinued operations	5.3	13.2	(60.08)	13.23	29.59	(55.29)
PAT from disposal of discontinued operations	114.03	-	-	114.03	-	-
Particulars – Company as a whole (Rs.cr)						
PAT	126.90	32.99	284.7	168.99	70.61	139.3
EPS (Rs.)	15.22	3.96	284.7	20.26	8.47	139.3

- Higher off-take in Specialty Polymers with favorable product – mix and higher per unit realization in Polyester Film consequent to increase in feedstock prices resulted in revenue growth of 21% during the first half of the fiscal
- Operating profit reduced due to margin compression in Polyester Film on account of higher competition consequent to commissioning of new capacities
- Inflationary cost pressure resulted in higher cost of conversion / operations
- Pressure on margins in Polyester Film business off-sets strong performance of Specialty Polymer business leading to lower profitability

Commenting on the performance, Mr. Arvind Singhania, Chairman, Ester Industries said:

“We have had a good first half wherein both Films and Specialty Polymers reported good volume of sales resulting in higher revenue growth.

Specialty Polymer business has had a stellar run with Q2 registering highest sales and EBIT (in absolute terms) till date. The performance is both volume and value driven. We continue to see good traction for our marquee products namely MB03 and especially Innovative PBT. We continue to enhance our capabilities through fresh investment and focus on development of new innovative products.

While it possible that in the near term demand may be impacted due to recessionary trend in global markets (especially US), in the long term we remain extremely bullish about this business. We have some exciting new products in the pipeline which are expected to start getting commercialized in the first half of CY24.

Growth in revenue in Film business was mainly driven by increase in feedstock prices leading to higher per unit realization. The margins however remained benign following commissioning of newer capacities. Another reasons for lower performance is inflationary pressure resulting in higher cost of conversion / operations. While a slowing macro-economic environment combined with increasing supplies presents some challenges in the near term; we remain positive about this business in the medium to long term. We continue to increase our focus on enhancing proportion of value added products which will help mitigate the cyclical nature of the business.

Sale of EP SBU has happened at the right time as margins that peaked in June 21 have started to normalize. Proceeds from the slump sale have enabled the Company to improve its liquidity position and further strengthen the leveraging position as demonstrated by Net Debt / EBITDA multiple of 0.23 as at 30th Sept 2022.

We are confident of the long term growth outlook for both our businesses and the commissioning of our new unit will help to further strengthen our competitive position as new unit will turn out to be low cost operations. Our strong balance sheet offers comfort and is supportive of our growth plans”

Chairman's Comments

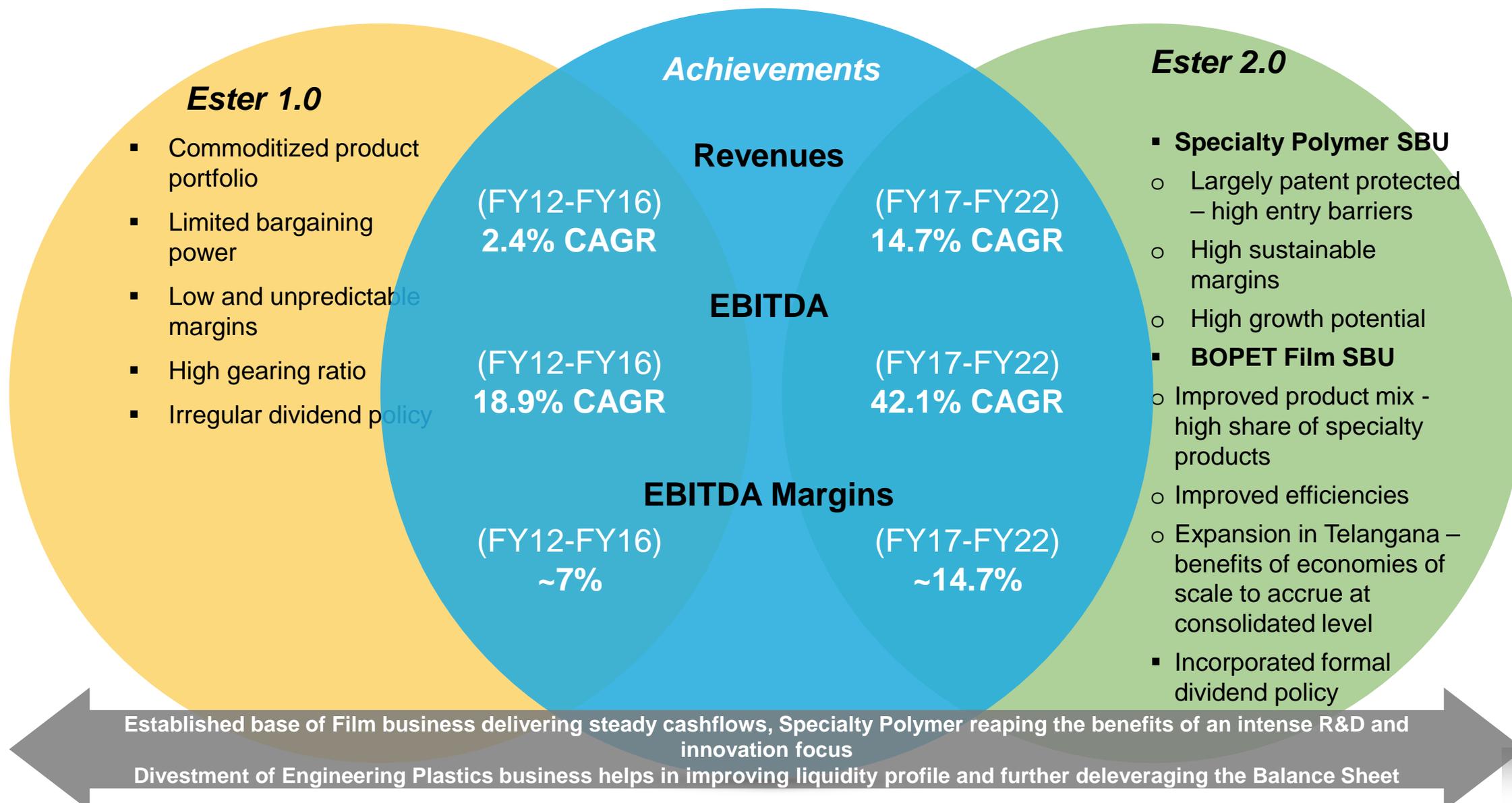




Ester 2.0 “Specialty” Company

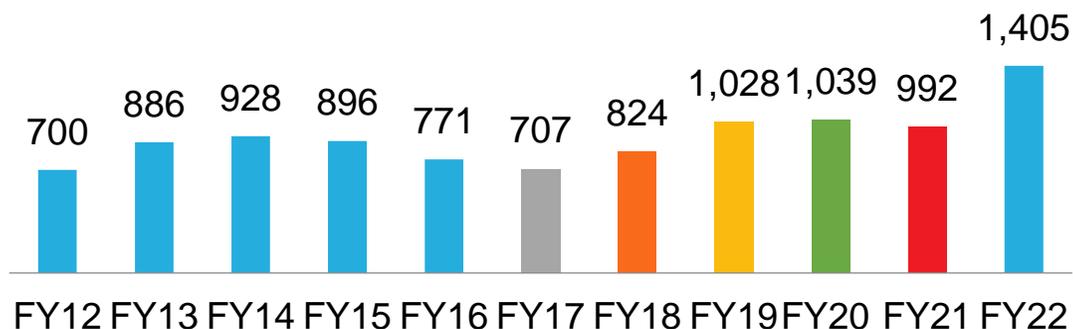


Ester 2.0 - Transformed into a “Specialty” Co.

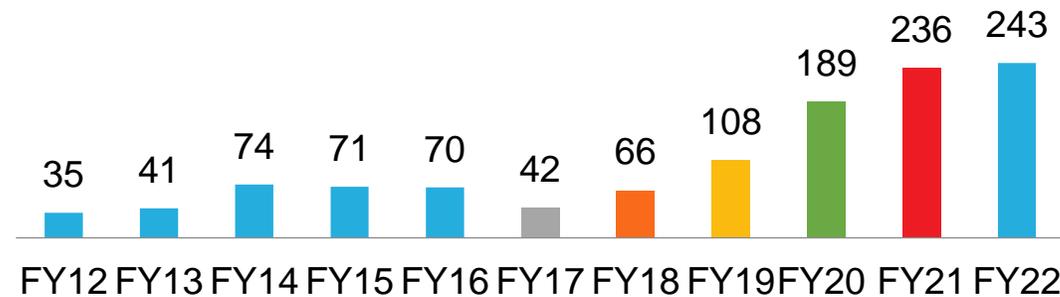


Ester 2.0 delivering consistent returns

Revenues (Rs.cr)

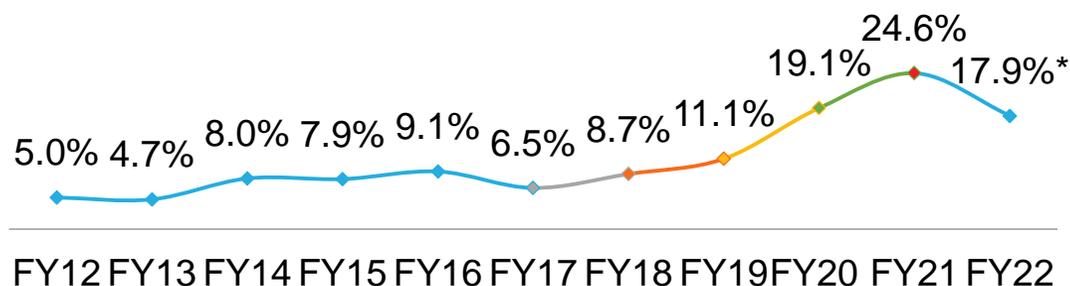


EBITDA (Rs.cr)

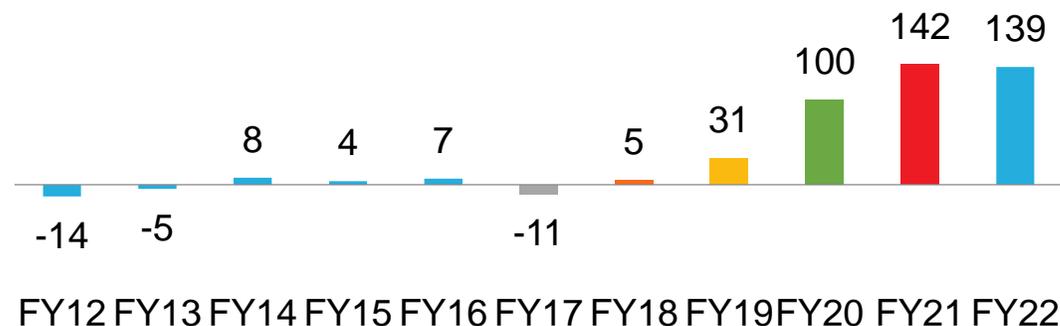


EBITDA Margins (%)

* Decline due to higher denominator effect

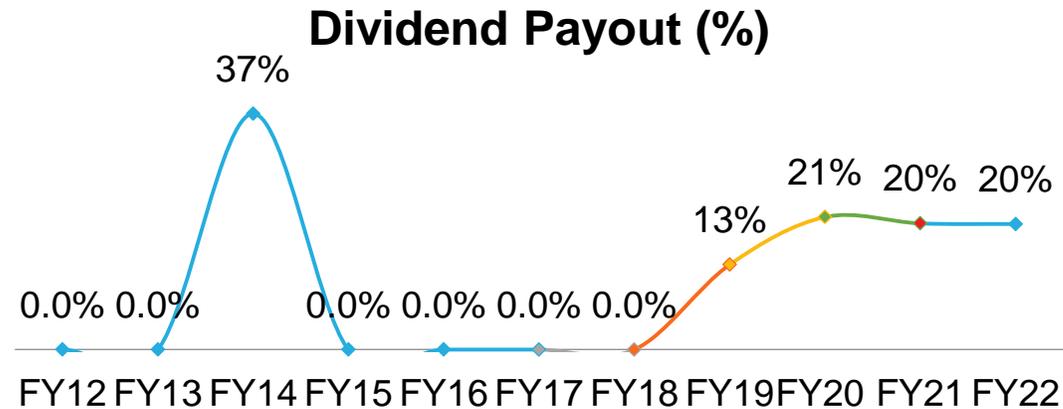
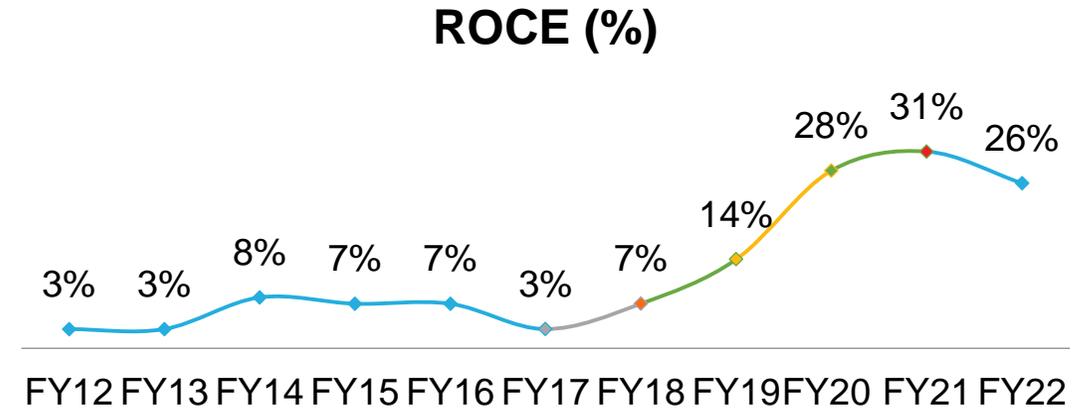
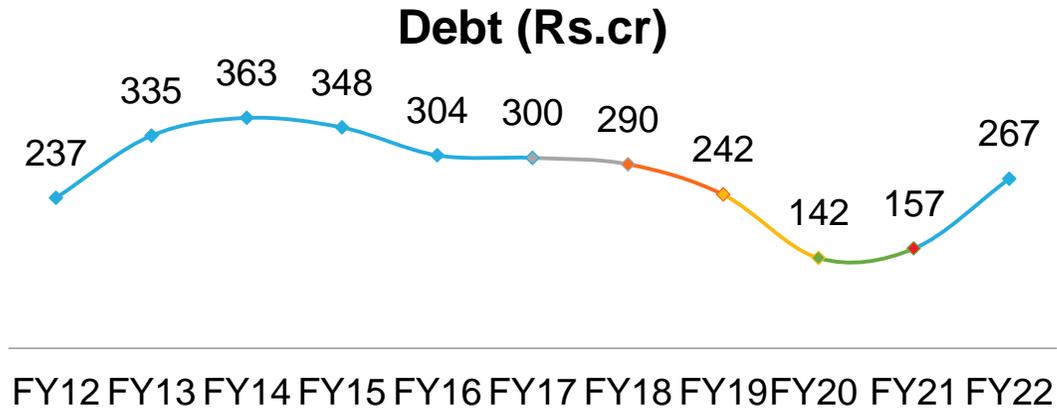


PAT (Rs.cr)



Due to fresh capitalization, investment in WOS and increase in gross current assets, debt in absolute terms has increased and ROCE in percentage terms has reduced though EBIT in absolute terms in FY22 is almost same as FY21

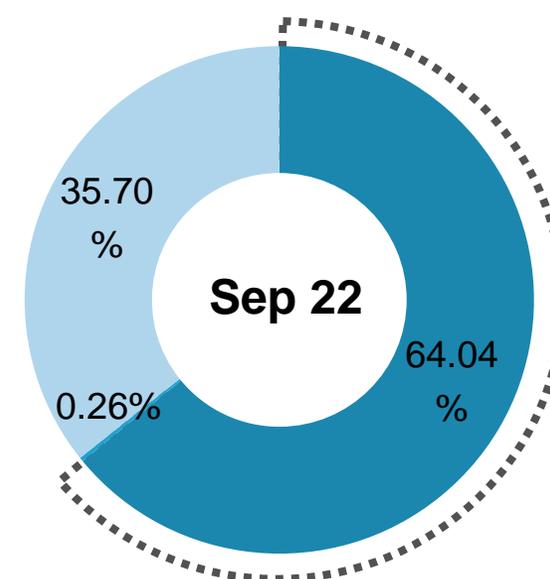
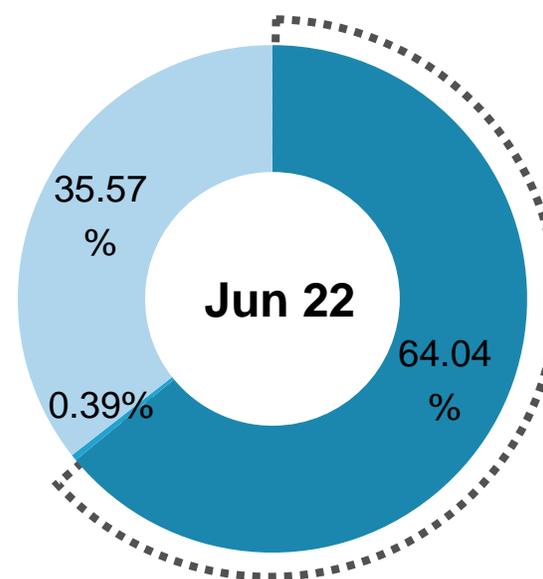
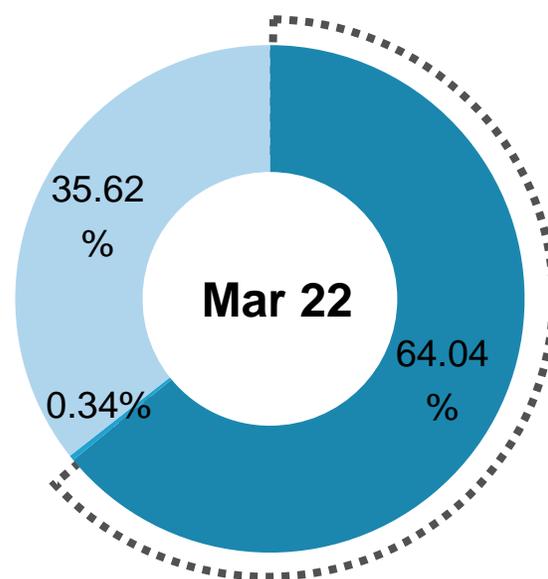
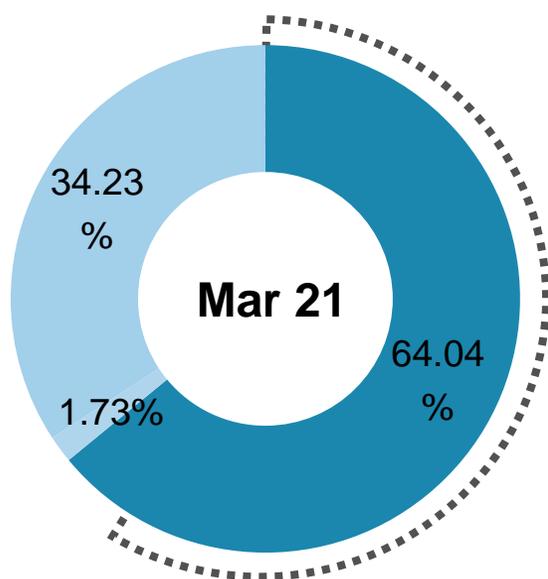
Ester 2.0 rewarding shareholders



Due to fresh capitalization, investment in WOS and increase in gross current assets, debt in absolute terms has increased and ROCE in percentage terms has reduced though EBIT during FY22 in absolute terms is almost same as FY21

Due to proceeds from Slump Sale of EP SBU, debt (net of cash and liquid investments) has reduced from Rs. 299.55 crores as on 30th June 2022 to Rs. 49.93 crores as on 30th September 2022

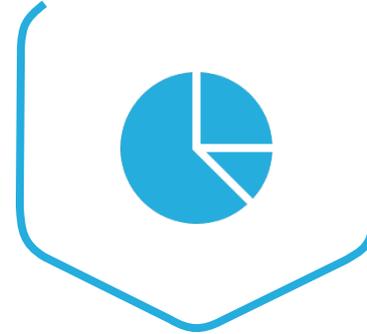
Shareholding Pattern



■ Promoter ■ FPI ■ Others

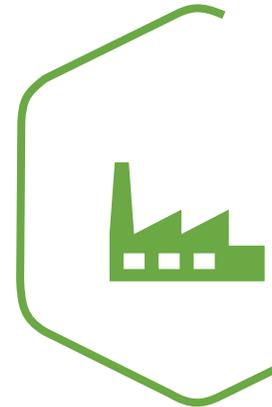
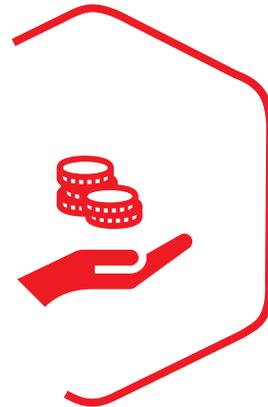
Investment Thesis

Specialty Polymers -
Largely IP protected
product portfolio



Polyester Films - High
share of value added
products

Rewarding
shareholders with
dividend



Scaling up capacities



Strong balance sheet

Green Initiatives

Focus On Sustainability

BIO-BASED Fuel Consumption



BIO-BASED Raw Material



PACKAGING MATERIAL
Reduction/ Recycling



PVC FREE PACKAGING
(Twist Wrap / Shrink Film)

PVDC FREE PACKAGING
(Transparent High Barrier film)



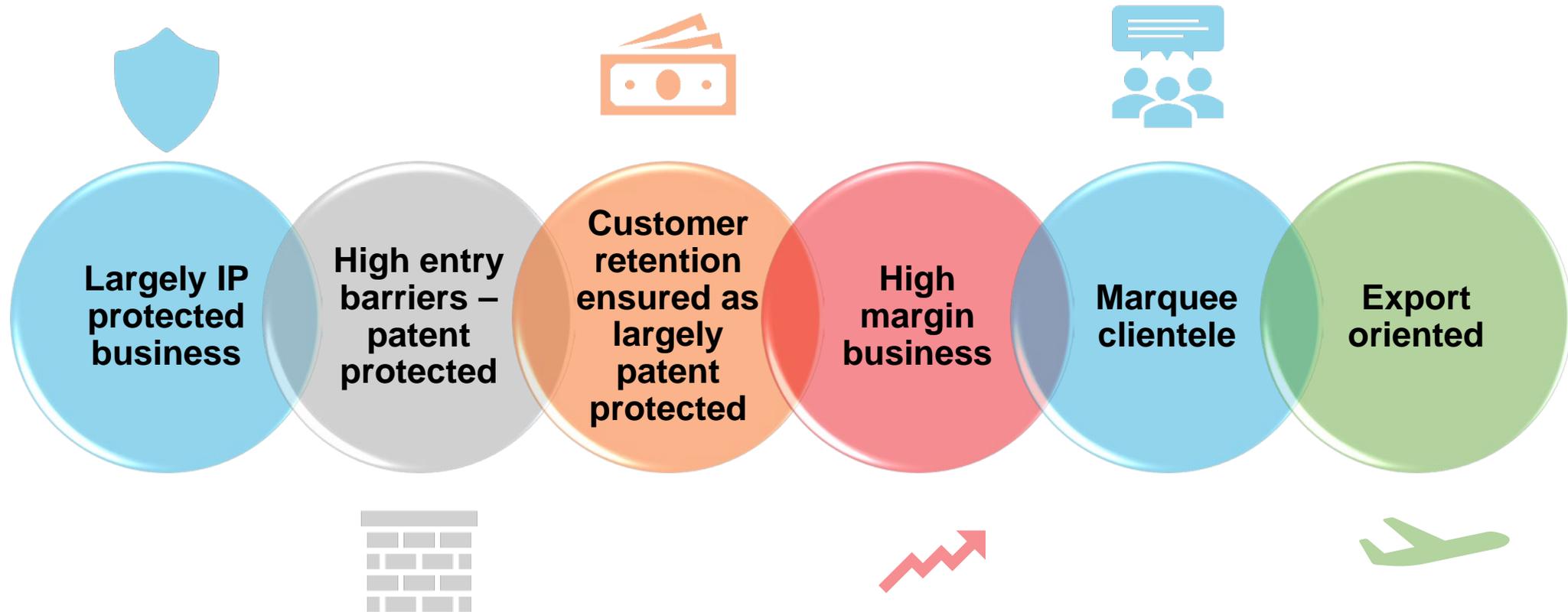
FOIL REPLACEMENT
(Metalized High Barrier film)





Specialty Polymer

Specialty Polymer – Business Salience



Specialty Polymers – Case Study

Problem



High cost towards carpet stain removal

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

Solution



Flexible low cost solution

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

Business Opportunity

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

Innovative PBT: Manufacturing for global chemical leader



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

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

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

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

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

Achieved sales of 465 MT in the first year (FY 2019-20) of Agreement against committed volume of 400 MT.

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

Achieved sales of 1190 MT during FY 2021-22

Basis performance of FY21, FY22 and H1FY23, confident of substantially scaling up volumes in FY23 and beyond

EPS and Margin accretive

We continue to enhance our capabilities through fresh investment and focus on development of new innovative products. Continue to get encouragement from overseas customers as these new products satisfy their varied needs.

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

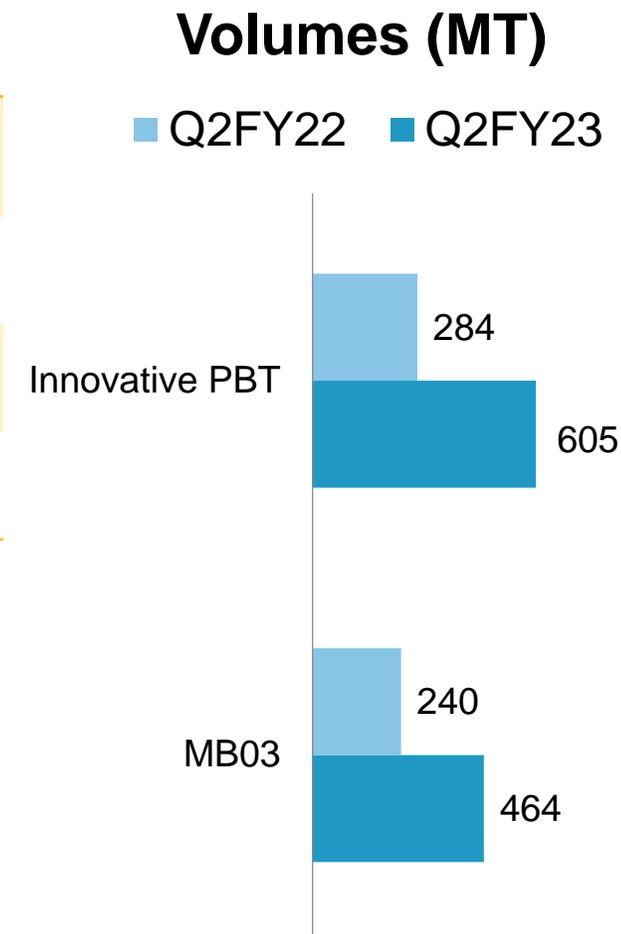
Low Melt Polymers for Textiles



Q2 & H1 FY23 Performance

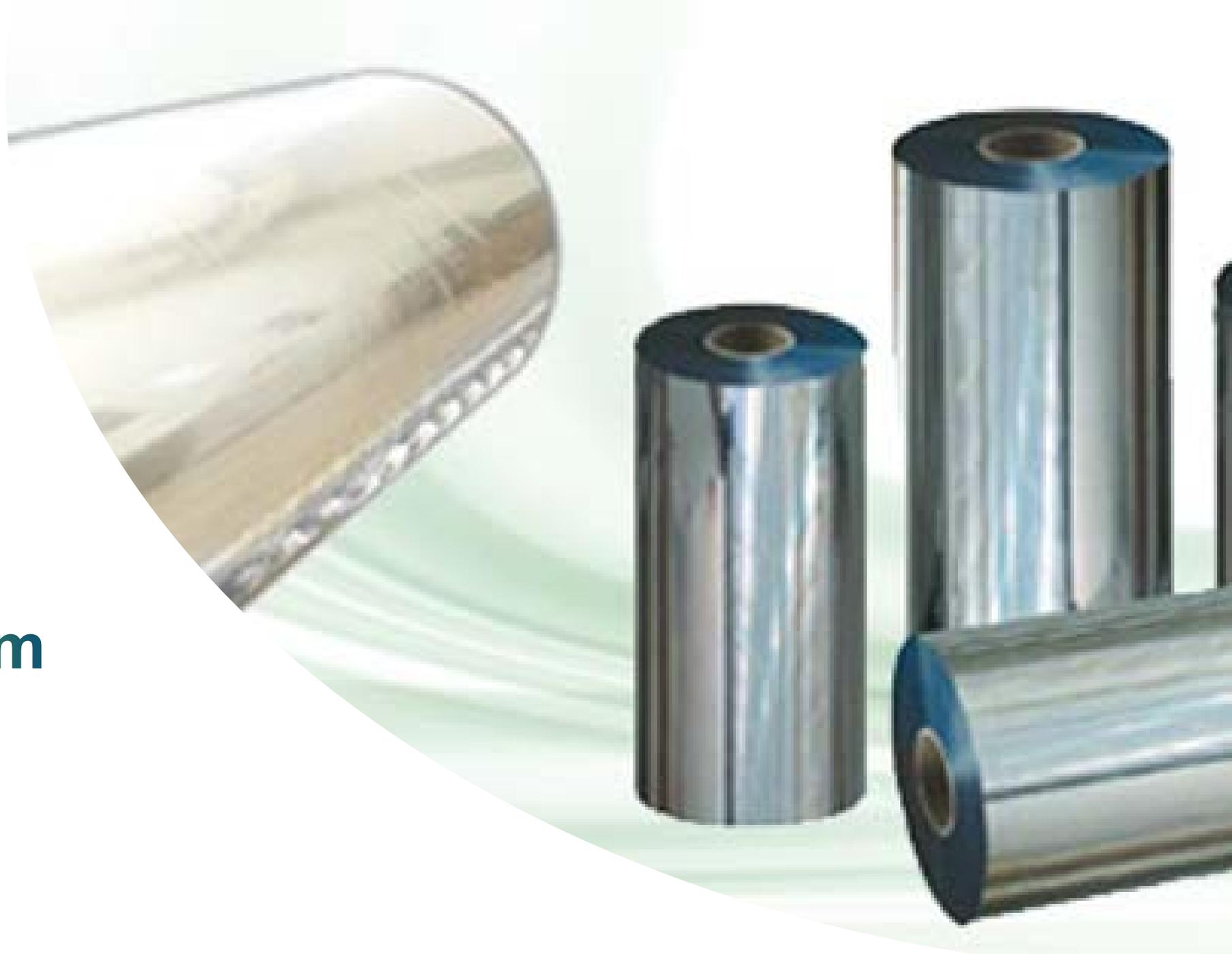
Figs. in cr

Particulars	Q2 FY23	Q2 FY22	%	H1 FY23	H1 FY22	%
Sales (Vol's MT)	1,248	884	41.1	2,330	1,745	33.5
Revenue	72	46	56.5	130	81	60.5
EBIT	23	17	35.3	41	30	36.7
Margins (%)	31.9	36.9	(500 bps)	31.5	37.0	(550 bps)



- Higher product off-take coupled with improved product mix resulted in higher revenue growth during Q2 as well as H1FY23
 - Generates highest ever sales till date during Q2 FY23
- Registers highest ever EBIT (in absolute terms) till date on account of higher volumes and better product mix
- Product pipeline remains strong; although global slowdown (especially in US) may reduce the growth momentum given that the products we produce are exported to customers mainly in US

Packaging Film Business



Industry Overview



Global Scenario:

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



Domestic Scenario:

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

Packaging Film Business - Overview

#34+

Years of experience

**60,000
MTPA**

Polyester Film Mfg. capacity

**13,200
MTPA**

Metallized Polyester Film
Mfg. capacity

50

Export market
(# of countries)

23%

Share of value-added
products (Q2 FY23)

**67,000
MTPA**

Polyethylene Terephthalate
(Polyester) chips Mfg.
capacity

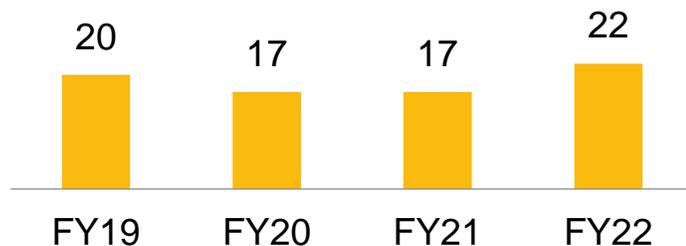
**48,000
MTPA***

BOPET Film Capacity
expansion under
implementation

**commercial production expected by Dec 22*

Key Strengths

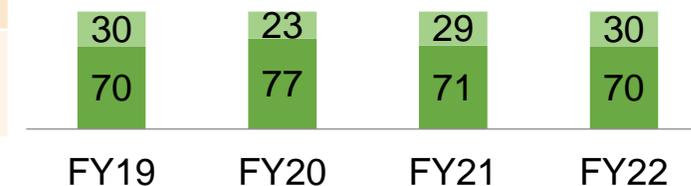
Value Added (%)



*Film business (excl. chips)

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

■ Domestic ■ Exports



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

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

Balanced mix of domestic and exports orders

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

Polyester Films – Products & Applications

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



Q2 & H1 FY23 Performance

Figs. in cr **ESTER**
INDUSTRIES LTD.

Particulars	Q2FY23	Q2FY22	%	H1 FY23	H1 FY22	%
Sales (Vol's MT)	14,885	14,591	2.0	29,698	29,874	(0.6)
Revenue*	232	213	8.9	498	438	+13.7
EBIT ⁺	14	28	(50.0)	67	64	+4.7
Margins (%)	6.1	13.1	(700 bps)	13.5	14.6	(110 bps)

*Revenue includes chip sales worth Rs. 6.80 cr (Q2 FY23) ; Rs. 18.28 cr (Q2 FY22);
+Adjusted for chip sales, EBIT for Film business would have been 6.2% (Q2 FY23); 14.1% (Q2 FY22);

- Higher volume growth coupled with higher per unit realization consequent to increase in feedstock prices resulted in revenue growth of ~9% for Q2FY23
 - Share of Value-added products stood at 23% during Q2FY23 as against 20% during Q2FY22
- EBIT moderation in Q2 FY23 was largely owing to pressure on margins consequent to commissioning of new capacities.
- Inflationary pressure on costs resulted into higher cost of conversion / operations
- While margins may remain under pressure in the near term owing to build up in capacities; long term prospects of the business continues to remain favorable

Expansion of BOPET and Metallized BOPET capacity through Wholly Owned Subsidiary in Telangana

- **Location:** Hyderabad, Telangana
- **Project** being implemented by Wholly Owned Subsidiary of Ester Industries Limited in the name of Ester Filmtech Limited
- **Project cost:** Rs. 646.03 crores including margin money for working capital and GST accumulation
- **Sources of Funds:**
 - Equity from Parent Company – Ester Industries Limited: Rs. 247.52 crores
 - Rupee Term Loan from Indian banks: Rs. 170.94 crores
 - Foreign Currency Loan from a German bank: Euro 26.952 million (equivalent Rs. 227.57 crores)
- **Cost of Debt:** FCL at all in cost of about 3% per annum, RTL and WC limits at 8.5% per annum. Overall weighted average cost of debt about 6.25% to 6.5% per annum
- **Commercial Production:** Expected by 31st December 2022 (would have started by October 22 but for availability of state power)
- **Expected revenue:** To generate revenues of about Rs. 600 crores upon full capacity utilization

Engineering Plastics



Q2 & H1 FY23 Performance (Discontinued operations)

Figs. in cr

EP SBU - Discontinued Operations	Q2 FY23	Q2 FY22	%	H1 FY23	H1 FY22	%
Revenue from Operations	58.36	74.23	(21.4%)	136.01	133.23	2.1%
Profit before Tax	7.02	17.57	(60.0%)	17.68	39.54	(55.3%)
Margins (%)	12.03%	23.67%	(1164 bps)	13.00%	29.68%	(1668 bps)
PAT	5.25	13.15	(60.1%)	13.23	29.59	(55.3%)
Margins (%)	9.00%	17.72%	(872 bps)	9.73%	22.21%	(1248 bps)

Figs. in cr

Disposal of Discontinued Operations	Q2 FY23
Purchase Consideration	263.26
Less: Assets divested & expenses related to disposal	115.04
PBT on disposal of discontinued operations	148.22
Tax expense related to disposal of discontinued operations	34.19
NPAT on disposal of discontinued operations	114.03

- Lower volume off-take resulted in revenue moderation for the quarter and first half
- EBIT and margins declined marginally on expected lines; primarily on account of lower volumes of EP compounds, OFC grade material and gradual moderation in realizations
- Pursuant to the Board of Directors approving the sale of Engineering Plastics division to Radici Plastics India Private Limited in an all-cash slump sales transaction amounting to Rs. 263.26 crore
- This represented the last quarter for the business operating within the Company

Positive Outcomes of divestment of EP SBU

- Conditions as stipulated in Business Transfer Agreement dated 6th May 2022 were complied with by end of August 2022 and the EP SBU was transferred to Radici Plastics India Private Limited on 15th September 2022
- Divestment of EP SBU at the right time as margins that peaked in June 21 have come back to normal levels
- Sales proceeds help in improving liquidity position of the Company
- Surplus liquidity of about Rs. 207 crores generated from sale of SBU invested in safe and secure financial instruments. Expect returns of about 8% per annum
- Debt (net of cash and liquid investments) as a multiple of annualized EBITDA stands at a very healthy level of 0.23 as at 30th September 2022
- Proceeds from the transaction not only enables Company to further strengthen its already strong balance sheet but also provide the requisite growth capital for scaling up the core businesses of the Company namely Polyester Film and Specialty Polymers
- Transaction with Radici Plastics India Private Limited is also a reflection of Ester's ability to build a business and create value.

Investor Contacts

About Us: (CIN :- L24111UR1985PLC015063)

Incorporated in 1985, Ester Industries Limited (EIL) is an ISO 9001:2008, ISO 22000:2005, TS16949:2002 certified Company engaged in the manufacture of polyester films, specialty polymers and polyester chips with manufacturing facilities located in Khatima (Uttarakhand) and Sitarganj (Uttarakhand). A globally recognized player Ester manufactures and markets its polyester films under the brand 'UmaPET'. 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.

For more information contact:

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ESTER
INDUSTRIES LTD.

Thank You