

**ESTER****INDUSTRIES LTD.**

CIN : L24111UR1985PLC015063

**Date:** 11<sup>th</sup> November, 2024

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

**Subject: Transcript of the Earnings Call held on 8<sup>th</sup> November, 2024**

Dear Sir/Madam,

In continuation of our letter dated 8<sup>th</sup> November, 2024 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-

[www.esterindustries.com/node/1124](http://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****Encl: As above****Ester Industries Limited**

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## Ester Industries Limited Q2 & H1 FY25 Earnings Conference Call November 08, 2024

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**Moderator:** Ladies and gentlemen good day and welcome to Ester Industries Limited's Q2 and H1 FY25 Earnings Conference Call.

As a reminder, all participants' 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 this conference, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gavin Desa from CDR India. Thank you and over to you sir.

**Gavin Desa:** Thank you Neerav. Good day everyone and a warm welcome to Ester Industries Q2 and H1 FY25 Analyst and Investor Conference Call.

We have with us today Mr. Arvind Singhania – Chairman and CEO and Mr. Pradeep Kumar Rustagi – Executive Director Corporate Affairs.

We will begin this call with “Opening Remarks” from the Management following which we will have the floor open for an interactive Q&A session.

Before we begin, I would like to point out that a few statements made in today's discussions may be forward looking in nature and a note to this effect was sent in the invite to you earlier. We trust you have had a chance to go through the documents on financial performance. I would now like to invite Mr. Arvind Singhania to make his opening remarks over to you.

**Arvind Singhania:** Thank you Gavin and thank you everyone for joining us today. I will briefly talk about the key Business developments, post which Pradeep will walk you through our Financial Performance.

We are pleased with our performance for the quarter under review driven by improved operating & financial metrics and a better macro environment for both BOPET films as well as Specialty Polymer. This is in line with our expectations that we shared with you all in previous calls. We expect H2 to be better than H1, as both the businesses are expected to sustain their momentum.

Let me now move on to individual businesses.

Starting with Specialty Polymers, Q2 performance was steady on expected lines. We have seen a good pick up in volumes on a Year on Year basis. Demand for our

marquee products namely MB03 and Innovative PBT remains buoyant. For the quarter, our overall volume of sales stood at 1,216 MT, almost double when compared to volume of sales of 599 MT achieved in Q2FY24. On a half yearly basis, volume stood at 2,198 MT compared to 1125 MT achieved in H1FY24, again almost 2x on a YOY basis. In terms of our key products, MB03 volume stood at 284 MT during Q2FY25 as against 179 MT during Q2FY24. Volume of sales of Innovative PBT for Q2FY25 stood at 476 MT as against 185 MT of Q2FY24. Specialty Polymers as mentioned in the past is largely an export-oriented business -deriving a significant portion of its sales to customers based out of USA and China. The end use of these products is mainly for carpet and consumer electronics industry based in USA. From margin and profitability perspective, the business is largely insulated given the IP protection available for major products. Going forward, we expect H2 to sustain momentum amidst exciting product pipeline and growth visibility.

Moving to the Film business now, I am extremely pleased to report that we are now witnessing an improved demand supply scenario which in turn is translating into better pricing & margin environment. Significant new capacities commissioned over the last two years resulted in massive oversupply that put pressure on pricing & margins in BOPET Films. However, the growth in demand both within India and across the world remained robust on account of growth in application segments, enhanced consumerism & growing GDP. Our volume of sales during the quarter under review was affected by the plant shutdown undertaken for a couple of weeks. Despite lower volume, we were able to achieve improved margins and deliver significantly better profitability largely owing to improved demand supply scenario and better product mix. As I have been highlighting, our efforts are directed towards improving our product mix by increasing the share of Value Added & Specialty products. I am pleased to share that on consolidated basis, we have been able to increase the share of value-added products to 29% during the quarter, as against 17% in Q2FY24. Our Wholly owned subsidiary, Ester Filmtech generated revenue of Rs. 99 crores with volumes of 7,425 MT during the quarter. We expect the entity to deliver revenues of approximately Rs. 375 crores in current fiscal and Rs.450–Rs.500 crore upon achieving optimal utilization at reasonable prices / margins during next fiscal.

Further in addition to improving demand supply environment and better product mix, Plastic Waste Management Rules (PWMR) mandating utilization of minimum 10% recycled content in flexible packaging laminate, coming into force from 1st April 2025 is expected to further increase demand for Polyester Film with conversion taking place from other substrates to polyester.

As regard to our JV with Loop Industries Inc, I am happy to inform you that it is progressing as per schedule. An entity by the name Ester Loop Innovative Technologies Private Limited (ELITe) has been incorporated. Teams having members from both Ester & Loop have been formed for implementation of the plan and look after key functions like detailed engineering, project set up, raw material procurement planning, financing etc. Our target timeline is to commence commercial operations in the second quarter of calendar 2027.

In summary, we anticipate a significantly better operating & financial performance during the current fiscal as compared to fiscal gone by. Specialty Polymers highlighted its resilience and potential during the first half. Similarly, the outlook for the Film business on the back of a more stable environment, is promising. We are confident that both our SBUs are primed for growth and value creation. The partnership with Loop, a transformative and path breaking endeavour, is set to drive profitable expansion for the company in the future.

That concludes my opening remarks, I now handover the floor to Pradeep, to walk you through our financial performance. Over to you Pradeep.

**Pradeep Rustagi:**

Thank you and good day, everyone. Thank you for joining us on our Q2 FY25 Earnings Call. Let me quickly walk you through our financial performance post which we can commence the Q&A session.

I would like to start with financial performance of Ester Industries.

Total income on standalone basis stood at Rs. 302 crores as against Rs. 244 crores in the corresponding quarter last year, higher by 24%. The primary reason for the growth is the strong revival in both Specialty Polymers and Film businesses. EBITDA during the quarter under review including non-operating income stood at Rs. 36 crores as compared to Rs. 3 crores during Q2FY24. In percentage terms, it stood at about 12% as compared to 1% during Q2FY24. EBITDA during the H1FY25 stood at Rs. 53 crores as compared to Rs. 15 crores during the corresponding half year last year.

Coming to the financial performance of Wholly Owned Subsidiary, Ester Filmtech, the revenues stood at Rs. 99 crores as against Rs. 68 crores in the corresponding quarter last year, higher by 46%, basis strong revival in Film business. Reported EBITDA during the quarter under review including non-operating income stood at Rs. 6 crores as compared to negative of Rs. 3 crores during Q2FY24. EBITDA for the Q2FY25 would have been Rs. 14 crores (14%) but for impact of exchange fluctuation & MTM on FCL / derivative availed by Ester Filmtech. EBITDA during the H1FY25 stood at Rs. 7 crores as compared to negative of Rs. 6 crores during the corresponding half last year. The same would have been Rs. 15 crores but for impact of exchange fluctuation & MTM on FCL / derivative availed by Ester Filmtech.

In terms of sales in volumetric terms, Ester Filmtech sold 7425 MT of Film during Q2FY25. With the pricing & margin trend improving and demand-supply mismatch narrowing, we are confident that the Ester Filmtech will contribute positively to the overall growth of the business in the coming years due to its low operating cost. We expect the unit to generate revenue worth Rs. 450 to Rs.500 crore upon achieving optimal utilization by FY26.

On consolidated basis, EBITDA for the quarter stood at Rs. 43 crores as against negative of Rs. 0.4 crore generated in Q2 FY24. On half yearly basis, we could earn EBITDA of Rs. 60 crores as compared to Rs. 9 crores earned during H1FY24. EBITDA for the quarter and half year would have been higher by Rs. 8 crores but for impact of exchange fluctuation & MTM on FCL / derivative availed by Ester Filmtech.

On consolidated basis, we could earn PAT of Rs. 3 crores as compared to loss of Rs. 30 crores incurred during corresponding quarter last year. PAT of Rs. 3 crores would have been higher by Rs. 8 crores but for impact of exchange fluctuation & MTM on FCL / derivatives.

Liquidity position at consolidated level remains strong as can be seen from cash flow statement for the half year ended Sept 24 provided in the Investor Presentation. Leveraging in terms of Net Debt EBITDA multiple is also improving with improved operating performance.

All our accounts with all the lenders remain in order. In fact, we have repaid instalments of term loans ahead of schedule. We are also maintaining more than adequate headroom in working capital credit lines sanctioned to us by banks.

For funding JV, Ester Industries has come out with issue of share warrants through preferential route amounting to Rs. 175 crores. We have received the requisite approval from both BSE and NSE. 25% of the issue amount that is Rs. 43.75 crores is expected to be received in next few days from promoters & other independent investors.

As stated by Arvindji, we have confidence in the growth potential and value creation of both our SBUs. Specialty Polymers has showcased its growth capabilities, and the Film business is showing improved performance with a positive pricing & margin trend. The robust growth in demand for BOPET Film is aiding in balancing the demand-supply dynamics. Our partnership with Loop Industries is poised to be a game-changer. When operational, it is expected to substantially alter our growth trajectory and profitability.

That concludes my opening remarks, we can now commence the Q&A session.

**Moderator:** Thank you very much. We will begin with the question-and-answer session. The first question is from the line of Krushna Parekh from Dolat Capital.

**Krushna Parekh:** My first question is, what are the present contributions for BOPET and where do you see them progressing over the next year?

**Arvind Singhania:** The current value additions that we have is about Rs. 45 per kg for 12 micron plain over PTE and MEG It is expected to be in the same ballpark going forward as well.

**Krushna Parekh:** Second is what is the maximum utilizations can we achieve at Ester Filmtech?

**Arvind Singhania:** When, in what period?

**Krushna Parekh:** In next year

**Arvind Singhania:** Next year will be substantially better than this year. If we talk about FY26 I think we should be in the range of about 75% to 80%, maybe even 85%.

**Pradeep Rustagi:** And H2 we could be 65% to 70%, H2 of this fiscal.

**Krushna Parekh:** And what are will be the annual revenues and margins do you foresee from our Loop JV?

**Arvind Singhania:** Please understand that JV is a completely separate company. So in the Loop JV, the JV company the capital expenditure is in the range of about \$165 million which is about Rs. 1,450 crore. We expect revenues to be in the same region say about Rs.1,500 crore. And the EBITDA margins will be in the region of about 35%.

**Krushna Parekh:** And what are the competing technologies available?

**Arvind Singhania:** As of now we don't see any technology which is ready to be deployed commercially globally.

**Moderator:** Next question is from the line of Jatin Damania from Svan Investments.

**Jatin Damania:** Sir, in your opening remarks you alluded that there is an oversupply in the BOPET market. But despite that over supply we have seen a significant improvement in our spreads across both the businesses. So, can you help us understand what is the

demand supply scenario that we are seeing as compared to the past year and how shall we foresee going ahead?

**Arvind Singhania:** So as far as the specialty polymer business is concerned, there is no oversupply. It was a demand problem arising of the recessionary situation in the US which has changed. Now the demand has picked up. So, there is no oversupply in the specialty polymer business. The oversupply was only in the polyester film business which over the last 2 years has improved substantially. Now the demand supply has closed quite a bit and I think in the next 12 to 18 months this will be completely balanced.

**Jatin Damania:** But in the last con-call this is indicated that the demand supply has narrowed down to almost 15,000 tons on a monthly basis. So, like to like basis if someone wants to compare it, what is the number right now?

**Arvind Singhania:** So right now, the demand supply gap would be in the region of about 15%-20% max.

**Jatin Damania:** So that's continue to remain the same level only.

**Arvind Singhania:** No, it will keep improving because the demand is going to continue to grow while there are no new major capacities expected. The demand supply will become better and better over the period of time.

**Pradeep Rustagi:** There are two triggers. One is the continuous growth in demand in the domestic market which is expected to be in the 11% to 13% range and the global demand at about 6%. And then from 1<sup>st</sup> April onwards the plastic waste management rules is likely to trigger a spurt in demand.

**Jatin Damania:** So now the demand since there's no new incremental supply that is going to hit in BOPET as of now and with the demand improving by probably a higher single digit globally, don't we expect the spreads over MEG and PTA to improve from Rs. 45 a kg that what we reported in the last quarter?

**Arvind Singhania:** See please understand this is domestic supply. Globally the situation is different because a lot of capacities are coming up in China and global demand supply is going to take a little bit longer but it is not going to affect our domestic demand supply. So, the domestic will be very good but the pricing of the export market is not going to be that lucrative as it used to be before. But we expect just to be a little bit more prudent, we don't expect our margins to go up substantially over the existing Rs. 45 or 50.

**Jatin Damania:** So now when you said that, on the specialty we don't see any problem. But because the demand now started it improved. But since our specialty doesn't have any competition and margins are also protected, despite that and improvement in the BOPET, we have seen a decline in specialty polymer business margin on a sequential basis. So, what was the reason for that?

**Arvind Singhania:** Very simple, actually in this quarter we got a one-off business of a product in the domestic market at very low margins. It is a one-off business. We decided to take it, that we will make some money, so we took that business. This is not going to be repeated again. So actually, you will see a slight dip in the revenue also in the coming quarter because this business will not come back. And the drop in margin was because of this and because this will not be sold again, the margin percentage will go back up in the next quarter.

**Jatin Damania:** So that means to say that sequentially in third quarter and fourth quarter, our revenue will dip with a lower volume but our margin will improve, is it fair to assume?

**Arvind Singhania:** Exactly. Yes, the revenue will be slightly lower than Q2, but the margin percentage will go back to 37%-38%.

**Jatin Damania:** And in terms of the Loop, now we have indicated in 18 months we will be commencing production. So just wanted to understand how much we have spent till date on the same.

**Arvind Singhania:** Right now, we haven't spent much at all. The company has just been formed and now the funding will start and now the next step will be, we've already given the engineering contract to Tata Consulting. So, the expenditures are now going to begin. Nothing has happened till now.

**Jatin Damania:** So, for '25 and '26, what shall we assume as far as the CAPEX on the Loop to be?

**Arvind Singhania:** See the CAPEX of Loop is \$165 million which is about 1,450 crore. And this will be spent over a period between now and June '27.

**Jatin Damania:** Yes, I agree but I mean in terms of the actual spending, are we going to spend major portion towards the commissioning?

**Arvind Singhania:** The major portion will be spent after third quarter of next year.

**Moderator:** Next question is from the line of Aman Kumar Sonthalia from AK Securities.

**Aman Sonthalia:** What are the chances that the government will implement this recycling by 1<sup>st</sup> of April 2025?

**Arvind Singhania:** It's already notified.

**Aman Sonthalia:** It's notified. But is there any chances that they will change the dates again?

**Arvind Singhania:** I cannot read the Government's mind. I don't think so because if they had to get extension, they would have already done it by now. Now only 4 months are left. I don't think now there is any chances of it getting extension is low I would say in my opinion. But it's the government. Anything can happen. But we doubt that it will happen because now sustainability is a very strong requirement everywhere across the world. And even India has made commitments and our Prime Minister is so clear about it that the sustainability project will not be postponed anymore.

**Aman Sonthalia:** So, what are the chances that it will improve the demand of the BOPET?

**Arvind Singhania:** We feel so because I have said this before, polyester film is the only substrate which can offer material with recycled content, BOPP it's not possible.

**Aman Sonthalia:** Lot of companies are setting up plants overseas. What are the benefits they are getting instead of setting up a plant?

**Arvind Singhania:** Which company, which product are you talking about, people are setting up?

**Aman Sonthalia:** BOPET and BOPP like SRF and like Polyflex, like UFlex, they are setting up plants outside India.

**Arvind Singhania:** No, I think you got your information wrong. No more new lines are coming up by any of these companies except for one line by SRF which they're setting up in India of BOPP. No new polyester expansion by any Indian company have been announced right now. SRF is also BOPP in India, not BOPET.

**Aman Sonthalia:** What is the current spread at the moment, previous quarter it was Rs. 45 and what is the split currently in the month of November?

**Arvind Singhania:** Rs. 47-48 right now.

**Aman Sonthalia:** And it's quite stable here?

**Arvind Singhania:** Yes.

**Moderator:** Next question is from the line of Saket Kapoor from Kapoor & Co.

**Saket Kapoor:** Thank you for a very detailed investor presentation and also the description given there, line by line explanation. It clears maximum questions as we hope the continuity of the quality of presentation to continue and kudos to the team for the same. I was looking at the capital work in progress closing balance of Rs.85 crore. If you could just provide the breakup of the same. Since for this quarter it is only Rs.18 crore, that is in the purchase of property plant and equipment. So, if you could just provide the breakup and where is this money being spent?

**Pradeep Rustagi:** Rs.85 crore.

**Arvind Singhania:** I don't know where you have got the number from.

**Saket Kapoor:** Sorry sir, I am wrong.

**Pradeep Rustagi:** We have placed order for an extruder to be installed in Hyderabad for recycling of the PET for which advance has been given. If you look at the consolidated balance sheet.

**Saket Kapoor:** It is Rs.85 crore.

**Pradeep Rustagi:** So, there are advances for extruders and then there are certain capital work in progress related to modifications in our existing Khatima plant. So, there is a CP continuous polymerization plant revamping. There is an offline coater for which advance has been given which is we have three coater. There is advance given for fourth coater for producing value added films. So, it is not for expansion of existing capacity. It's for downstream value-added products and to take advantage of the plastic waste management rule which will kick in from 1<sup>st</sup> April '25.

**Saket Kapoor:** So, when are we going to capitalize these and the benefits will start accrue?

**Pradeep Rustagi:** Most likely by June of '25.

**Saket Kapoor:** And you mentioned that.

**Pradeep Rustagi:** Delivery time for these are imported machines, there are machines which are under construction. So, it will take about that much time.

**Saket Kapoor:** This will add to our margins going ahead.



**Pradeep Rustagi:** We have always maintained that we are going to focus on building up or increasing the volume of VAS products. So, these actions are to achieve that objective.

**Saket Kapoor:** What was our sales mixer in this for the first half in terms of the value-added film, unit wise?

**Pradeep Rustagi:** On a consolidated basis we have done 29% of our volume has been in value added and especially products, 29% of consolidated basis. On a standalone basis 33%.

**Saket Kapoor:** And with the implementation of these modifications, what are we eyeing in terms of the contribution to rise to?

**Pradeep Rustagi:** 40% to 45%.

**Saket Kapoor:** And this will be apparent for the next financial year itself?

**Arvind Singhanian:** No, the extruder will start up sometime in July, June July. So, I think we will miss one quarter next year and then we will also see how the ramp up happens for the demand for film with recycled content. But we expect we will have a substantial number next year itself.

**Moderator:** Next question is from line of Ritu Kumari from Emkay Investment Managers.

**Ritu Kumari:** I have two questions. The first one is, what are the new products in specialty polymer which you believe could do well? And the second one is where do you see the business, the specialty polymer business in the next 3 years both in terms of revenue and margins?

**Arvind Singhanian:** I will give you answer to that. As far as our existing specialty polymer business is concerned, we expect it to grow by about 25% to 30% year-on-year. And some new products are in the pipeline, some of which are under trials and qualifications with customers. One or two qualifications have already been achieved. I will refrain from talking about the exact product right now because of confidentiality. But that's the kind of business growth we expect from specialty polymers over the next few years. Apart from that once the Loop project is commissioned, we will get doing tolling for the Loop project to the extent of about 50,000 tons per year which will give Ester a major boost in the specialty polymer business.

**Pradeep Rustagi:** Conversion of certain material into polymers on job work basis.

**Arvind Singhanian:** That's going to be substantial volume of 50,000 tons starting around June or July of '27.

**Moderator:** Next question is from the line of Surendra B, individual investor.

**Surendra B:** My question is that regarding in the standalone balance sheet the top line and in consolidate top line, the difference is not reflecting about sales of Ester Filmtech, that is Rs.99 crore. Can you just elaborate that point?

**Pradeep Rustagi:** In consolidation there is a certain amount of sales made by Ester Industries of polyester chips to Ester Filmtech. So, when you consolidate the accounts of two companies, the inter company transactions are eliminated. So, these sales made by Ester Industries to Ester Filmtech was about Rs.75 crore which has been eliminated.

**Surendra B:** Another point is that, have you identified any location for our JV project?

**Arvind Singhania:** Yes, in Gujarat. It will be in Gujarat.

**Surendra B:** Regarding this specialty polymer business, now in the presentation you are showing only two items that is PBT and one more MB-03. Is there any more item that is under our sales?

**Arvind Singhania:** We have only mentioned two because these two are the biggest. There are many other products which are smaller volumes, so we haven't because if I start mentioning all the products it doesn't make any sense. We just mentioned two of our major products. Apart from that we have 5 or 6 other products which are being sold but in smaller volume. And there are 2 or 3 other products which are under qualification right now which are new products.

**Moderator:** Next question is from the line of Aditya Vora from Share India Securities.

**Aditya Vora:** I had two questions. One is we export the specialty polymer; I think majority of it is exported. So, are we facing any issues in terms of logistics cost going up or the logistical delays?

**Arvind Singhania:** It was, the logistics cost did go up. But our specialty polymer is done on FOB basis, so that it really doesn't matter. Everything is a pass through. The freight rate go up it gets passed through. If they come down it gets to them. So, we supply on FOB basis.

**Aditya Vora:** Secondly, I was looking at your margins. Your commodity margins, the polyester margin are at 8% in this quarter. I mean logically how do we see that over the next two-three quarters? I mean you mentioned that you are at Rs. 45 per kg in terms of gross spread. But because in Covid we did up to 20%-22% EBITDA margin. I understand that is not going to come back. But how do we see margin ramping up going ahead?

**Arvind Singhania:** No, so like you rightly said and I've said it before the margin we saw during COVID period we don't expect them to come back, at least not in the near future or the medium-term future. And I think the margins we have today of Rs. 45-48 are in any case very healthy margins. And for the moment we don't expect these margins to improve any further. The margins are expected to remain at the same level. Only thing that will happen is that capacity utilization will keep improving between now and the next, relatively quarter-on-quarter. And that will result into improved profitability.

**Aditya Vora:** So, basically the polyester business operating leverage will play an important role. And the margin expansion could come from your specialty polymer business, right?

**Arvind Singhania:** Yes. Please understand, these are two separate businesses Aditya. So, the specialty polymer business will keep growing in volume and polyester film business will also keep growing on volume because the capacity utilization will keep improving but the margin per kilo is not expected to improve in polyester film business.

**Moderator:** Next question is from the line of Yash Dedhia from Maximal Capital.

**Yash Dedhia:** I joined a little late, so my question could be repetitive. I just wanted to know, industry wide update on the polyester business. So, any capacity which is going to come in near to medium term?

**Arvind Singhania:** No, I mean we have one line which is already started up a month, two months ago. And apart from that the next line is expected to start up only in early '26. And by that time the demand is going to grow substantially. With the current demand growth, we will need two new lines every year '26 onwards. Otherwise, there will be a shortage.

**Yash Dedhia:** In industry you are saying that the new line which is going to come is now going to come in FY26?

**Arvind Singhania:** Late '25 or early '26, I am not sure but somewhere there.

**Yash Dedhia:** And is it substantial?

**Arvind Singhania:** No, same size. All the lines are same size now, 44,000 tons per annum capacity.

**Yash Dedhia:** This line you are talking about is it for us or for the industry?

**Arvind Singhania:** It's not for us, somebody else is putting it up. We are not expanding any more in our capacity.

**Yash Dedhia:** And then I am not able to comprehend why we don't foresee any rise in margin when the consumption is going to go and the new capacity is not going to come.

**Arvind Singhania:** There is still excess supply over demand.

**Yash Dedhia:** Understood. But then the gap between demand and supply is also narrowing down.

**Arvind Singhania:** It is narrowing, it is not finished.

**Yash Dedhia:** Correct. Margin which was there 6 months ago and margins which are there now have improved.

**Arvind Singhania:** Sorry I can't understand your question. What is your question? I am really not able to comprehend your question only.

**Yash Dedhia:** So, the margins which were there 6 months ago and margins which are there right now have improved?

**Arvind Singhania:** Yes.

**Yash Dedhia:** That has been the case even when the supply was more than the demand.

**Arvind Singhania:** What is the question? Again, I am not able to understand your question.

**Yash Dedhia:** I am just not able to comprehend why the margins would stay where they are and only the capacity utilization will improve. I mean the capacity utilization was never the constraint 6 months ago as well.

**Arvind Singhania:** That's what I explained. It is our projection that they will remain stable. Actually, if they go up, we don't know but as of now we expect it to remain stable.

**Yash Dedhia:** In our mix of specialty products in the polyester business, how do we see it improving?

**Arvind Singhania:** See Pradeep just mentioned a short while ago, I don't know if you were there on the line. Right now, we are doing about 30% value added products which by March of '26 we should be at about 40%-45%.

**Yash Dedhia:** And the margin for this business is sustainable irrespective of the commodity prices.

**Arvind Singhania:** Yes largely.

**Yash Dedhia:** And what is the delta?

**Arvind Singhania:** The various products have different delta.

**Yash Dedhia:** On an average for us what would be the delta, say for the key products?

**Pradeep Rustagi:** So, I will give you just the proportion in the volume and the value. So, like 30% of the value-added products have given us 45% of the contribution in the sales. So that gives you an idea of what kind of margins could be there in value add in especially product it ranges from Rs. 60 to 120 also.

**Yash Dedhia:** One last question. I just wanted to know that there are several players in this industry and everyone is having different capacity utilization. So, for example some of our competitors are running on optimum utilization, some of our competitors are running say maybe on 50%-60% as well. So, going ahead do we see an excessive ramp up in the capacity utilization from those players?

**Arvind Singhania:** I don't know where you're getting the capacity utilization number of individual companies? We don't have it.

**Yash Dedhia:** No, not all the companies but few players who are listed at least.

**Arvind Singhania:** I don't know. I can't predict the capacity utilization of my competitors.

**Pradeep Rustagi:** We can share our numbers.

**Arvind Singhania:** We can share our numbers. I can't talk about others.

**Moderator:** Next question is from now Saket Kapoor from Kapoor & Co.

**Saket Kapoor:** Can you provide me with the net debt number on a consol basis and also what are our current maturities?

**Pradeep Rustagi:** So, the term debt in Ester Industries interest bearing is about Rs.181 crore, Ester Filmtech it is Rs.350, total Rs.530 crore. Working capital, both the companies put together is Rs.197. That makes it about Rs.725 or Rs.730 crore of debt. But we have net cash of about Rs.74 crore in the balance sheet. So, we have net debt of Rs.650 crore. And the repayment obligation going forward from next year onward would be about Rs.35 crore in Ester Industries and about Rs.50 crore in Ester Filmtech. So, the repayment per year on a consolidated basis would be about Rs.80 crore.

**Saket Kapoor:** And for this Loop JV part, what would be the ratio of investment? How much will be invested by Ester and then our partner?

**Arvind Singhania:** Equal. It's a 50-50 joint venture and both of us will be investing about Rs.250 crore each in equity.

**Saket Kapoor:** And when the first tranche of money will be made available? So when will be investing our money Rs. 250 crore will be at one go itself.

**Arvind Singhania:** No, it'll be done over a period of, as per requirement we will keep on investing. The first tranche of investors investment that we expect to make is in the second half of November.

**Saket Kapoor:** November '25?

**Arvind Singhania:** In the second half of November. This month.

**Saket Kapoor:** And what would be amount?

**Arvind Singhania:** The first investment by Ester and by Loop into the JV will be made in this month between 15<sup>th</sup> and 30<sup>th</sup> of November and we expect the first tranche of investment will be between Rs.25 and Rs.30 crore each.

**Saket Kapoor:** And for the raw material mix, if you could give me the trend for MEG and the PTA prices.

**Pradeep Rustagi:** PTA and MEG both are quite stable. In international dollar terms 700 is the range for PTA, 550 is the range for MEG. On a per kg basis, currently the PTA is about Rs. 75 and MEG is about Rs. 55.

**Moderator:** Next question is from the line of Surendra B, individual investor.

**Surendra B:** In this Loop joint venture, the sourcing of raw material will be from where?

**Arvind Singhania:** All the raw material is scrap, polyester scrap of all kind.

**Arvind Singhania:** So, it will be bottle scrap, it will be textile scrap. The whole project is based on sustainability, to be able to consume scrap and make it into virgin quality material.

**Surendra B:** Will that amount of scrap is available right now?

**Arvind Singhania:** Yes, we've done a survey already and there is plenty material available.

**Surendra B:** You just said that the specialty polymer of 50,000 tons, you will do with Loop in JV. Will the project also be in Gujarat? I am talking about the specialty polymers.

**Arvind Singhania:** We are shifting the specialty polymer from Khatima, we are going to be shifting it right next to the joint venture because we are going to be tolling and doing job work of such a huge volume 50,000 tons per year. It doesn't make sense to transport 50,000 tons from Gujarat to the north and bringing it all the way back when everything has to be exported. So, it is cheaper for us to shift the entire operations on Khatima and located right next to the JV company. Only specialty operations polymer operations.

**Surendra B:** I was just asking you the same concept. The polyester batches of raw material which we transfer from Khatima to Hyderabad, is it viable?

**Arvind Singhania:** Please understand we have a film business in Hyderabad.

**Surendra B:** Yes, but I am talking about the batches of the film business. I am saying raw material, the heavy finished product you are transferring from Khatima to....

**Pradeep Rustagi:** The monthly raw material requirement is around Rs. 20 to 25 crore which is in Ester Filmtech. We just send a small quantity from here from Khatima because we have capacity available and marginal costing, it is viable and major portion of the chips that we need at Hyderabad are purchased from Gujarat based suppliers. It is not full Rs.25 crore of a month, but we just send only Rs.7- Rs.8 crore of material.

**Surendra B:** But is this transportation viable?

**Pradeep Rustagi:** Yes, its viable.

**Arvind Singhania:** Why will do it without viability.

**Pradeep Rustagi:** We are going according to marginal costing concept and it is viable.

**Moderator:** Thank you very much. As there are no further questions, I will now hand the conference over to the management for closing comments.

**Arvind Singhania:** Thank you very much for joining us for the investors call for Q2 FY25 and we look forward to seeing you for the next Q3 call in January. Thank you.

**Pradeep Rustagi:** Thank you.