

ESTER**INDUSTRIES LTD.**

CIN : L24111UR1985PLC015063

Date: 21st May, 2022

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 and year ended on 31st March, 2022

We wish to submit the Investor presentation on financial results for the quarter and year ended on 31st March, 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.

Q4 & FY22 Investor Presentation

May, 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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Ester 2.0

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About Us

Diversified business portfolio

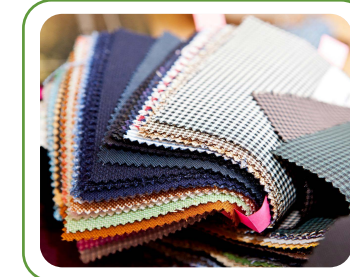
Comprehensive product suite

State-of-the-art manufacturing facilities

Global footprint

Experienced management team

Strong Financial profile



Sales Mix (FY22)

Polyester Films **67%**

Specialty Polymers **12%**

Engineering Plastics **21%**

Quick Facts

1985

Year of Incorporation

GURGAON, INDIA

Corporate Headquarters

3

Business Segments*

43 COUNTRIES

Global Footprint

658

People

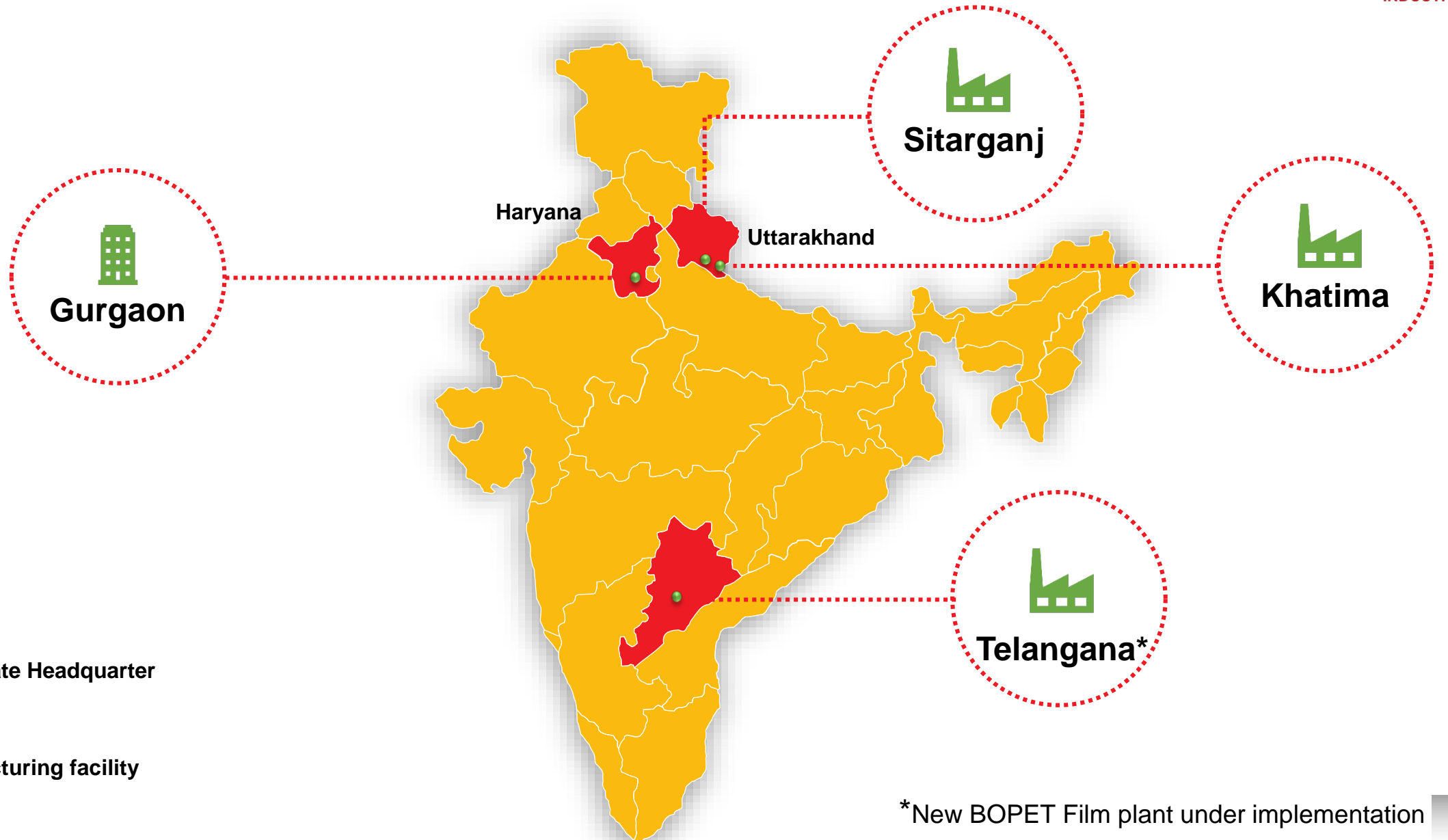
CRISIL A

(stable outlook)

Credit Rating (Long Term)

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

Our Presence



*New BOPET Film plant under implementation

Global Presence

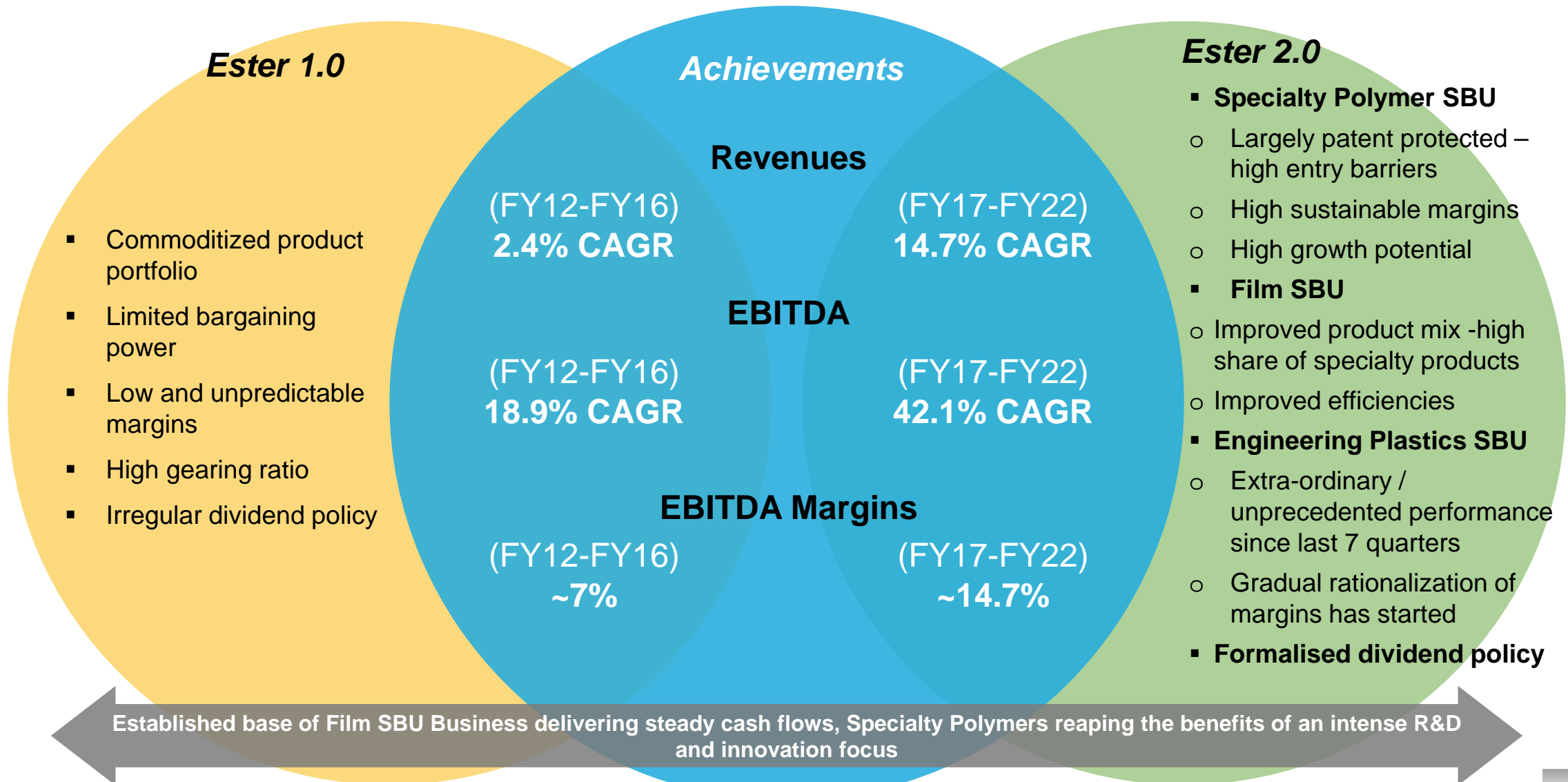
We serve more than 40 Countries



Ester 2.0
“Specialty” Company

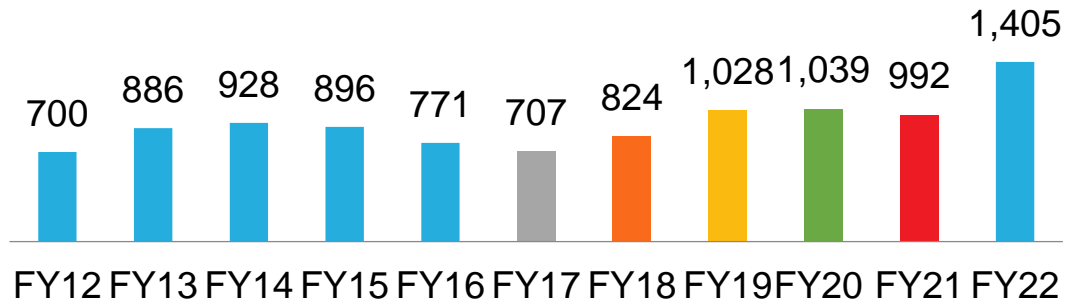


Ester 2.0 - Transformed into a “Specialty” Co.

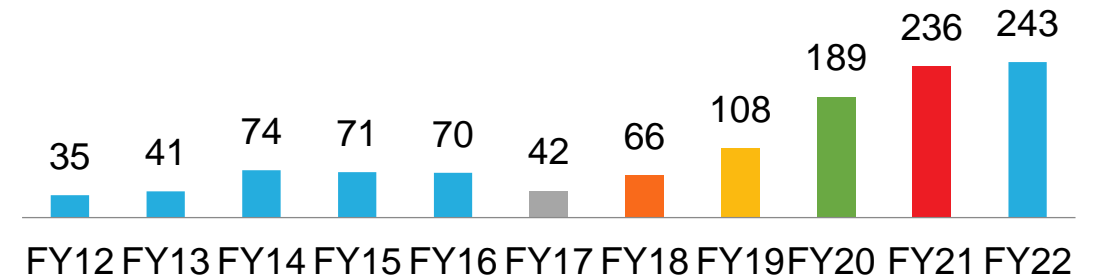


Ester 2.0 delivering consistent returns

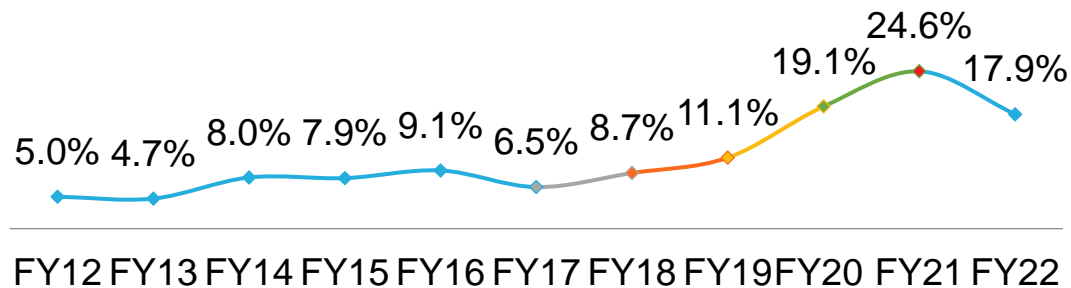
Revenues (Rs.cr)



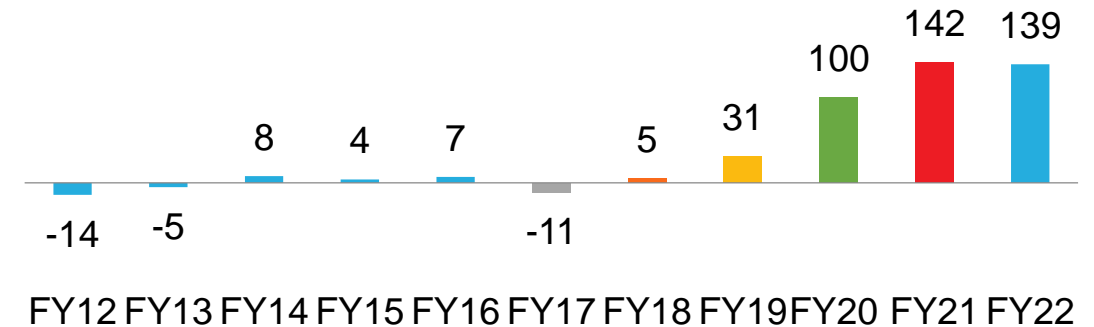
EBITDA (Rs.cr)



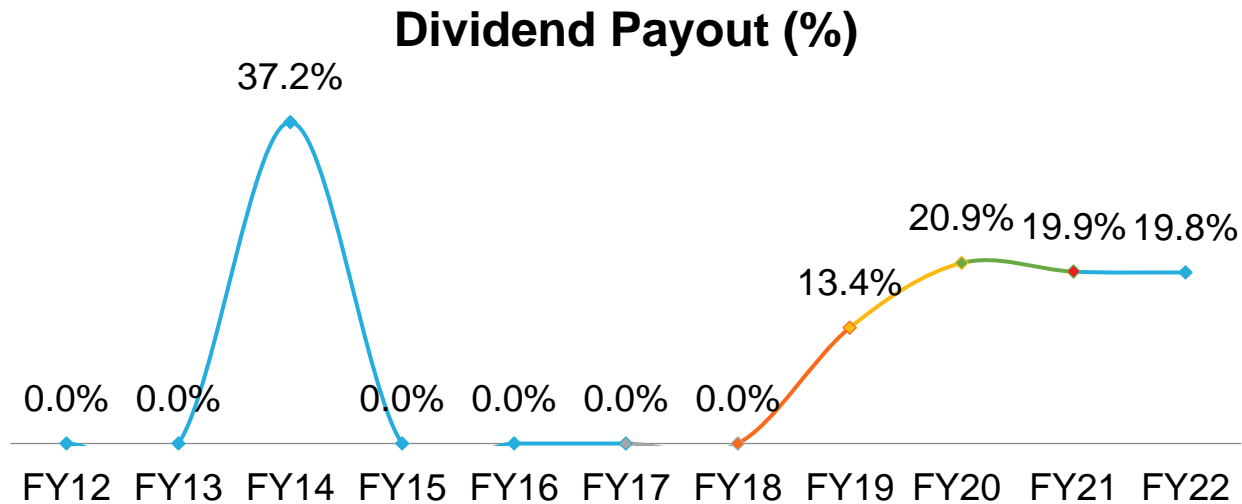
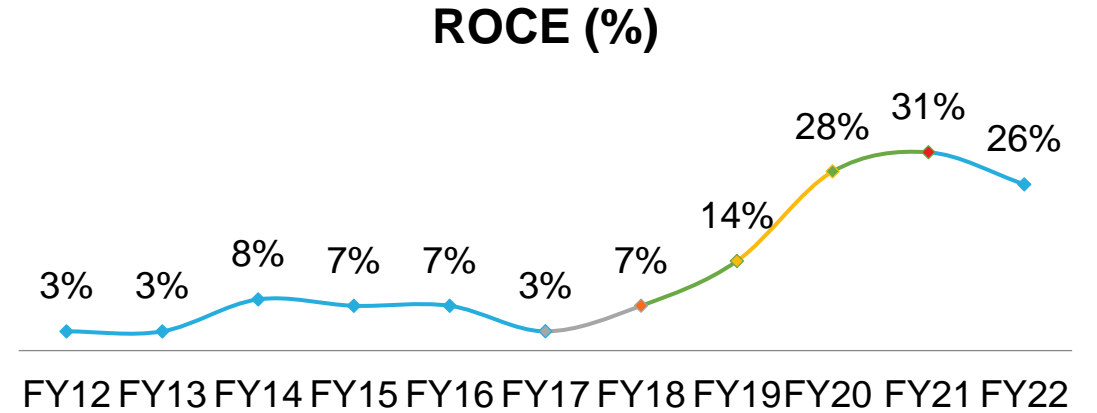
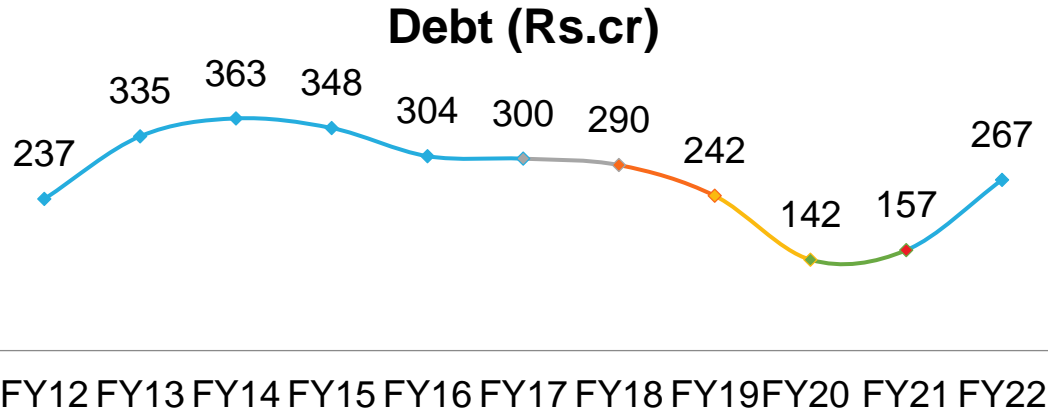
EBITDA Margins (%)



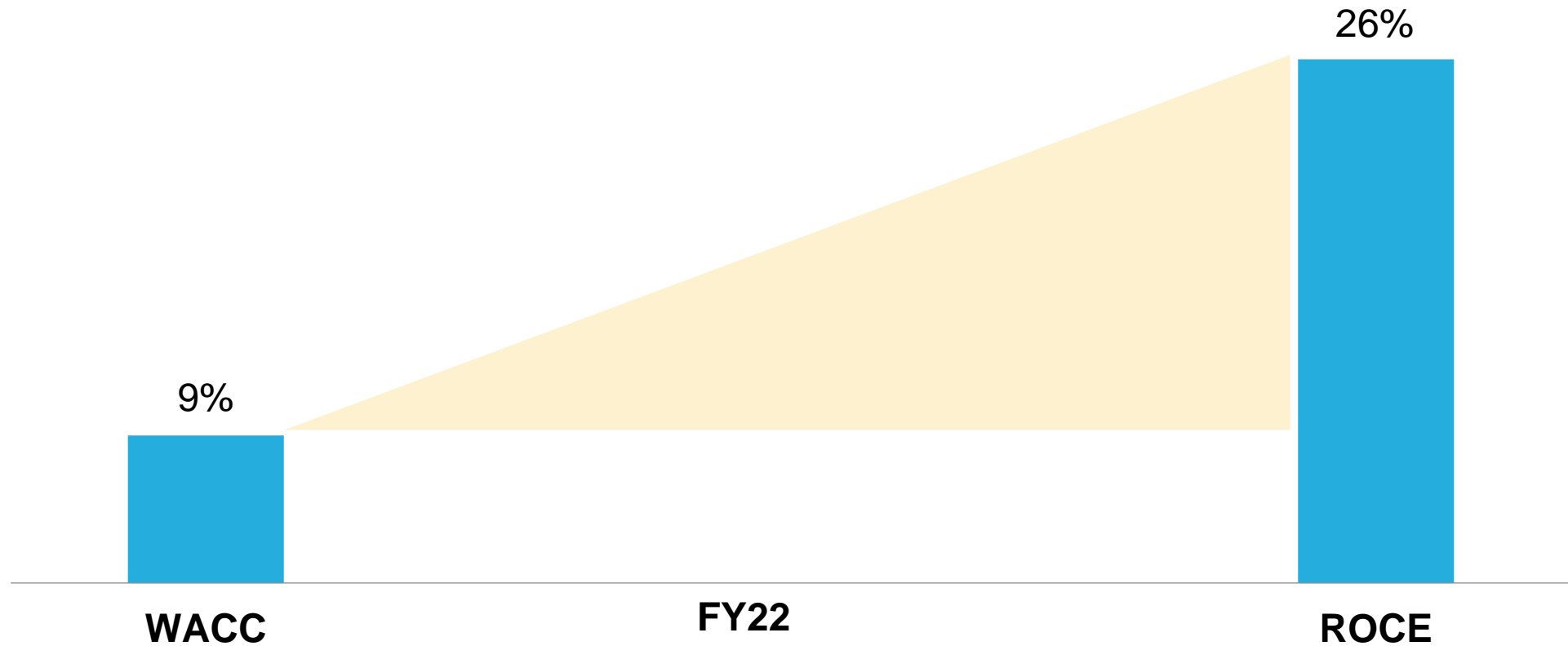
PAT (Rs.cr)



Ester 2.0 rewarding shareholders

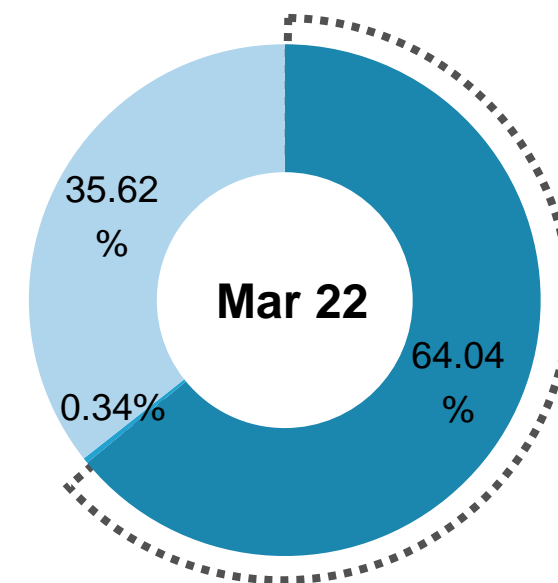
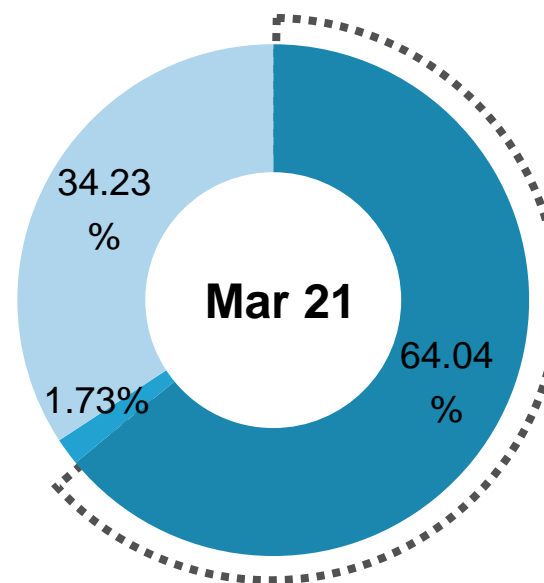
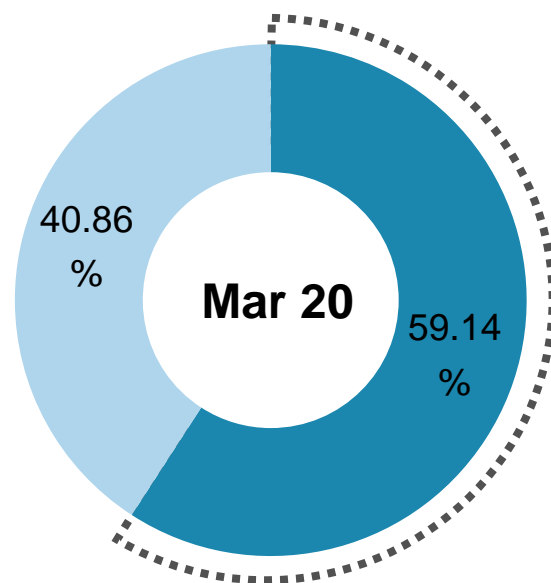
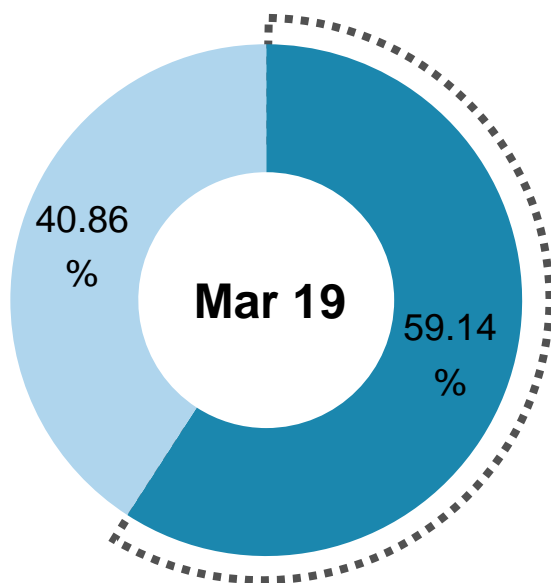


Ester 2.0 creating value for stakeholders



**Source: Bloomberg*

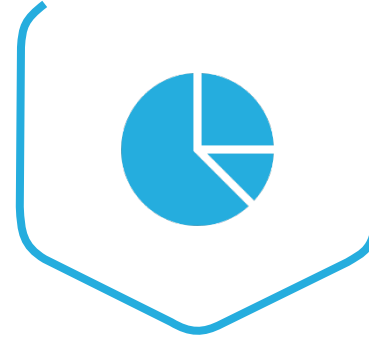
Shareholding Pattern



■ Promoter ■ FPI ■ Others

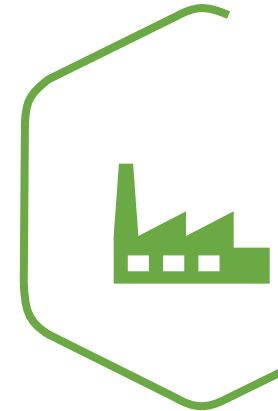
Investment Thesis

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)



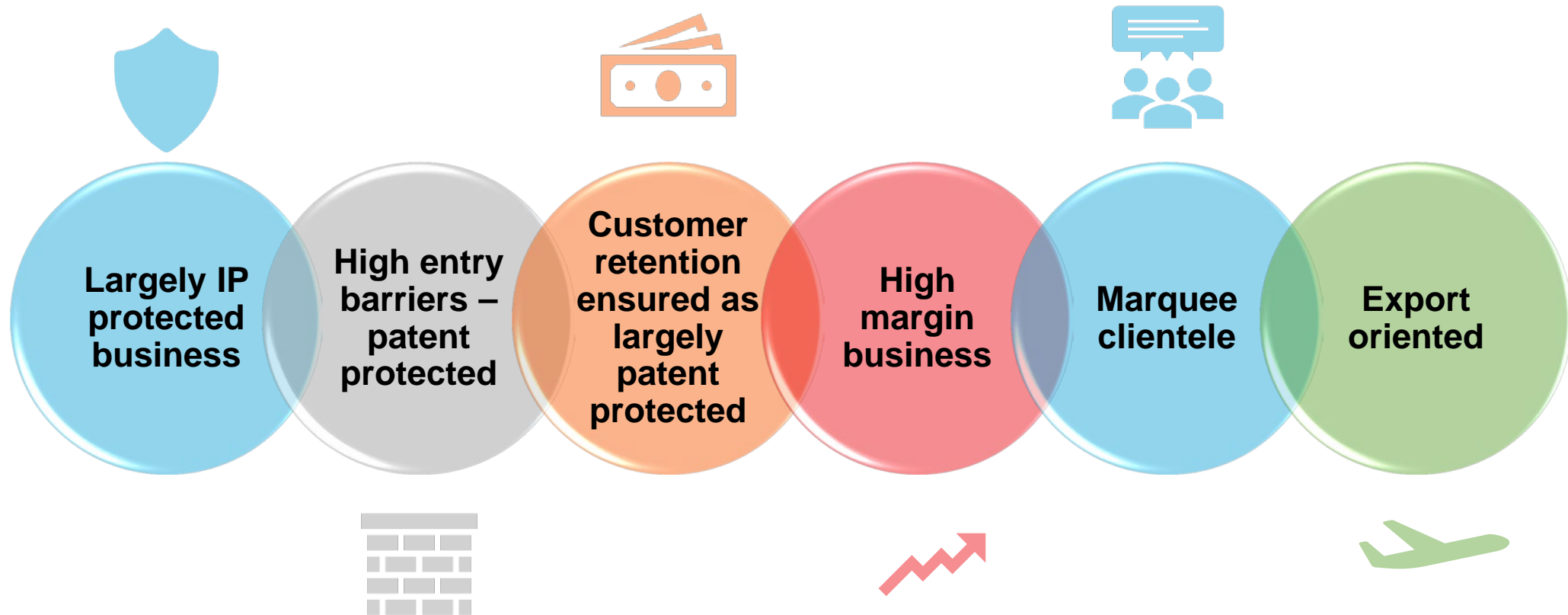
FOIL REPLACEMENT
(Metalized High Barrier film)





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 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 FY22.

Basis performance of FY20, 21 & 22, confident of substantially scaling up volumes in FY23 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
 - Achieved sales of 830 MT during FY22

- **LMC 03**
 - Techno commercial qualification achieved
 - Customers are introducing their final product in the market
 - Will make the final product recyclable
 - Commercial sales commenced

- **MB16**
 - Close to achieving techno commercial qualification
 - Product in final stages of trial with customers
 - Potential for sizable sales volume

*Strong
product
pipeline*

*Patents for six
products granted
in USA & India*

*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

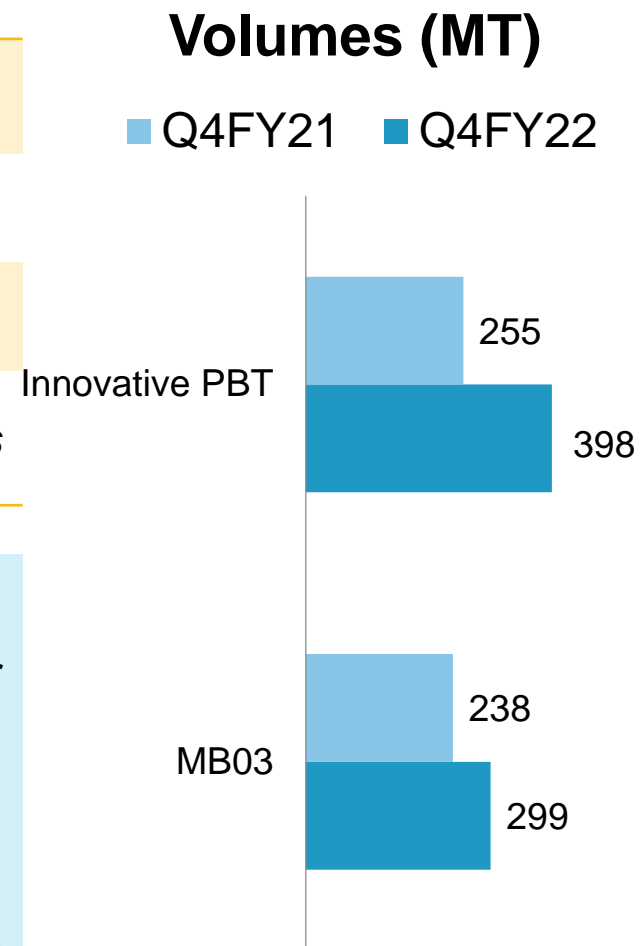


Q4 & FY22 Performance

Figs. in crores

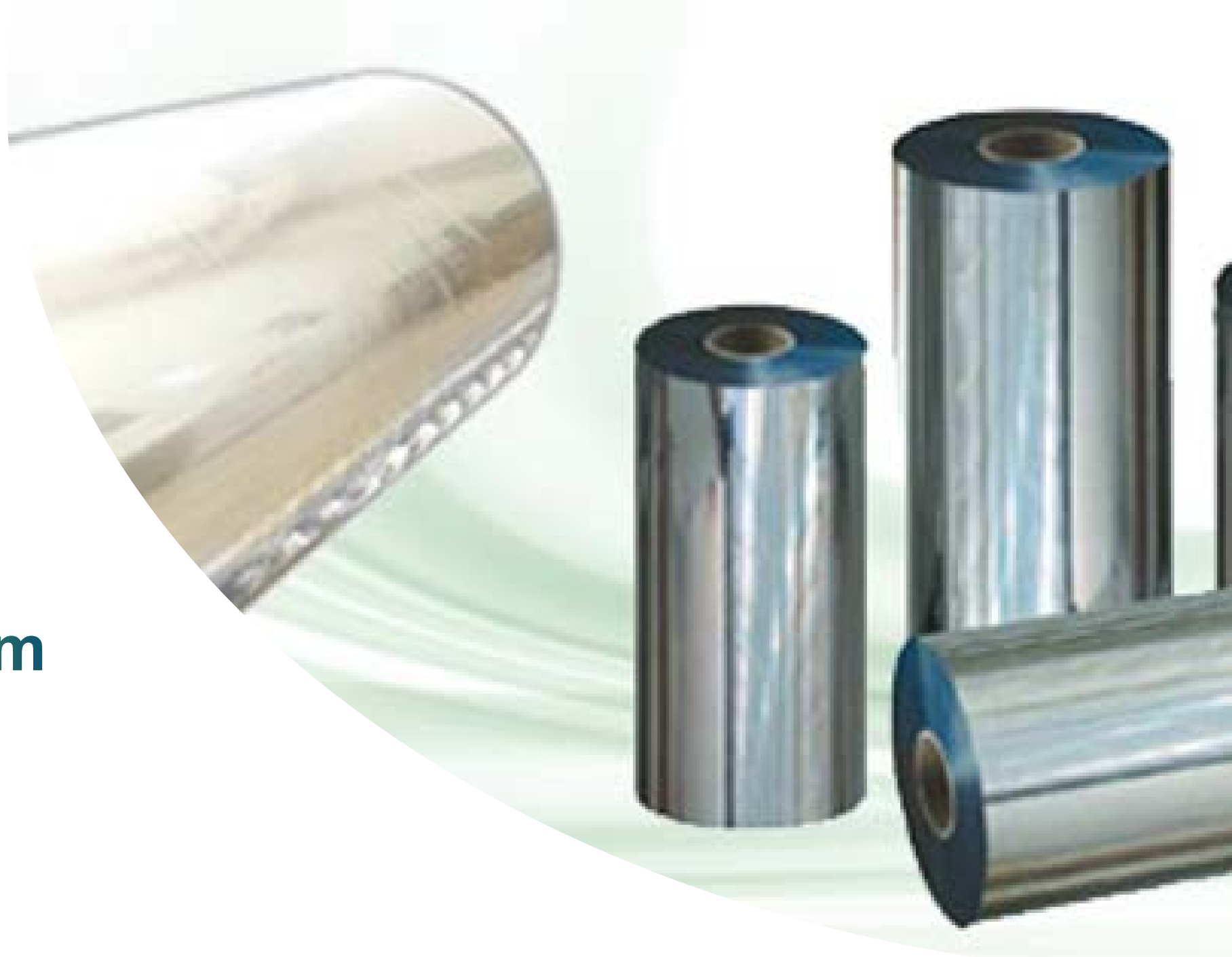


Particulars	Q4 FY22	Q4 FY21	%	Q3 FY22	%	FY22	FY21	%
Sales Volume(MT)	903	821	10.0	953	(5.2)	3600	2316	55.4
Revenue	47	24	95.8	44	6.8	173	59	191.0
EBIT	14	8	75.0	12	16.7	56	14	300.0
Margins (%)	28.9	35.3	(640bps)	27.3	+160bps	32.2	23.2	+900bps



- Improved product mix and better realisations resulted in a strong revenue growth
- Demand for existing marquee products (MB03 & Innovative PBT) and potential for new products continues to remain strong
- Innovative PBT witnessed a sharp recovery (Q-o-Q basis) on expected lines, expect the momentum to continue in FY23 as well
- Product pipeline remains strong; expect momentum for the SBU to continue in FY23

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

#30+

Years of experience

**60,000
MTPA**

Polyester Film Mfg. capacity

**13,200
MTPA**

Metallized Polyester Film
Mfg. capacity

43

Export market
(# of countries)

22%

Share of value-added
products (FY22)

**67,000
MTPA**

Polyethylene Terephthalate
(Polyester) chips Mfg. capacity

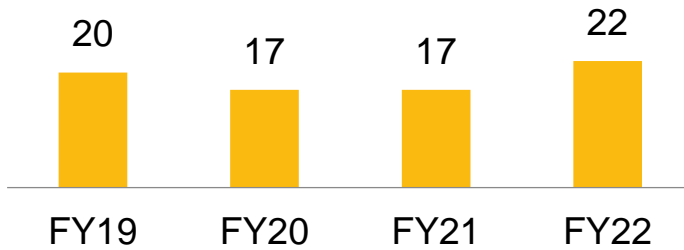
**48,000
MTPA***

BOPET Film Capacity expansion
under implementation

**commercial production
expected by Oct'22*

Key Strengths

Value Added (%)

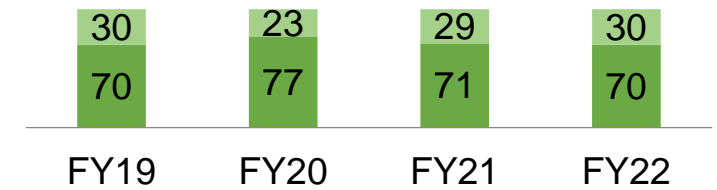


*Film business (excl EBIT from chips)

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

*Disproportionate drop in margins (%) due to higher revenues on account of steep rise in feedstock prices (larger denominator)

■ 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

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



Q4 & FY22 Performance

Figs. in cr



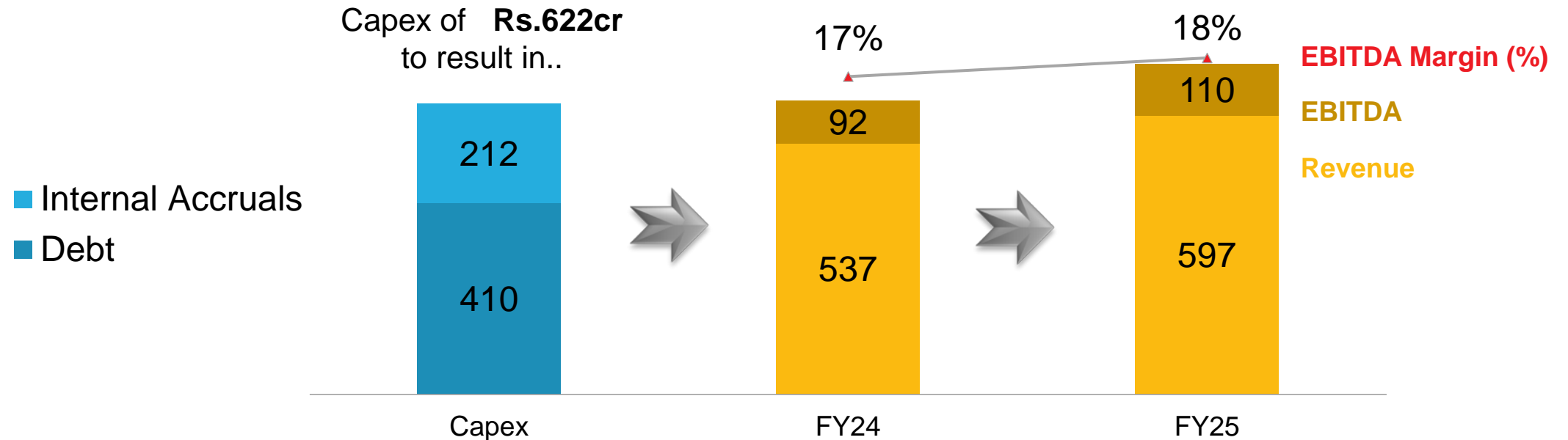
Particulars	Q4FY22	Q4FY21	%	Q3 FY22	%	FY22	FY21	%
Sales (Vol's MT)	14,028	14,408	(2.6)	14,248	(1.5)	58,151	56,336	3.2
Revenue*	256	195	31.2	244	4.9	938	727	29.0
EBIT+	49	43	11.3	40	22.5	153	219	(30.1)
Margins (%)	19.2	22.2	(300bps)	16.2	+300bps	16.3	30.1	(1,380bps)

* Revenue includes chip sales worth Rs. 21.06 cr (Q4 FY22); Rs. 2.56 cr (Q4 FY21); Rs. 29.72 (Q3 FY22); Rs. 95.35 cr (FY22) and Rs. 4.23 cr (FY21)

+ Adjusted for chip sales, EBIT for Film business would have been 20.6% (Q4 FY22); 22.5% (Q4 FY21); 18.1% (Q3 FY22); 17.8% (FY22) and 30.2% (FY21)

- Higher realizations on account of higher input prices coupled with better product mix resulted in revenue growth of 31%, despite lower volumes during the quarter
 - Share of Value-added products stood at 23% during Q4FY22 as against 20% during Q4FY21
- Margins in absolute terms for the quarter improved on a sequential basis: Margins in percentage terms lower for the quarter due to larger denominator
 - Better pricing environment and higher share of value-added products resulted in margin progression in absolute terms
- While margins may remain under pressure in the near term owing to build up of new capacities; long term prospects of the business continue to remain favourable.
 - Domestic demand growing at 11%-13%; Global demand continue to grow at 6%-6.5%

Capex to drive next phase 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



Q4 & FY22 Performance

Figs. in cr 

Particulars	Q4 FY22	Q4 FY21	%	Q3 FY22	%	FY22	FY21	%
Sales (Vol's MT)	3,246	4,175	(22.3)	2,911	11.5	11,530	13,419	(14.1)
Revenue	85	78	8.9	77	10.4	295	205	43.9
EBIT	12	22	(45.5)	16	(25.0)	68	41	65.9
Margins (%)	14.4	27.9	(1350 bps)	21.3	(690 bps)	23.1	19.8	+330bps

- Revenue growth of 9% on a Y-o-Y basis was largely driven by higher sales realization though volume of sales was lower
- EBIT and margins declined on expected lines (on a Y-o-Y basis as Q4FY21 was an exceptional quarter for the business with unprecedented margins). Gradual rationalization of margins since Q4 FY21. Margins still continue to remain at reasonably good levels
- Board approved sale of Engineering Plastics division to Radici Plastics India Private Limited in an all-cash slump sales transaction amounting to Rs. 289.33 crore

Divestiture of Engineering Plastics business

- Engineering Plastics business not considered as Core business by the management
- Entered into a definitive agreement to sell its Engineering Plastic Business to Radici Plastics India Private Limited in an all-cash slump sales transaction, amounting to Rs 289.33 crore (subject to adjustments specified in Business Transfer Agreement and other agreements)
- Strategic exit enables Company to focus on Core Businesses of Polyester Films and Specialty Polymers
- Proceeds from the transaction not only results in stronger balance sheet but also provide the requisite growth capital for scaling up the core businesses of the Company
- Ester's Engineering Plastics business manufactured multiple grades of engineering plastic products, catering to various industries like Automotive, Electrical & Electronics, Consumer durables, Telecom and other industrial applications
- Transaction with Radici Plastics India Private Limited is also a reflection of Ester's ability to build a business and create value.



Q4 & FY22 Performance Overview

Financial Summary

Particulars (Rs.cr)	Q4 FY22	Q4 FY21	%	Q3 FY22	%	FY22	FY21	%
Revenues	388	297	30.6	365	6.3	1,406	992	41.7
EBITDA*	65	60	8.3	64	1.6	252	244	3.3
Margins (%)	16.8	20.2	(340 bps)	17.4	(60 bps)	17.9	24.6	(670 bps)
PAT	33	34	(2.9)	36	(8.3)	139	142	(2.1)
Margins (%)	8.5	11.4	(290 bps)	9.7	(120 bps)	9.9	14.3	(440 bps)

*including other non operating income

- Higher unit sales realizations consequent to increase in feedstock prices across businesses resulted in strong 30% growth (Y-o-Y) in revenues for the quarter
- EBITDA growth of 8% for the quarter despite higher raw material prices
 - Better product mix, improved realisations and higher volumes resulted in delivering higher operating profitability despite elevated input prices
 - Lower performance of EP SBU made good by Specialty Polymer sand Film SBUs
- Higher interest and tax outgo resulted in marginally lower profitability for the quarter, despite strong top-line growth

Commenting on the results, Mr. Arvind Singhania, Chairman, Ester Industries said “We have ended the year on a strong note with Q4 delivering a revenue growth in excess of 30%, driven by strong sales momentum across our businesses.

Specialty Polymer business returned stellar performance during the year with a strong revenue and profitability growth. Product off-take for both our marquee legacy products remained robust, indicative of the strong underlying demand. Potential for the newly introduced products remains strong as well. Sales of Innovative PBT picked up during the quarter on expected lines, following a soft Q3 and we expect the trend to continue in the coming years as well. MB-03 registered a healthy volume growth during the quarter & the year and should drive the business’ performance in the near term. Margins in percentage terms are lower due to denominator effect. Product pipeline for the business remains strong and we expect the momentum to continue in FY 23 as well.

Film business performed well during the year with revenue growth of ~30% both for the quarter as well as the year. While volumes for the quarter were slightly lower, improved realizations coupled with better product mix helped improve the profitability and margins. The improved product mix is largely owing to our conscious attempt towards scaling up the share of value-added products in the overall mix. The higher pricing during the quarter was largely owing to high input prices which was passed through ensuring margin maintenance in absolute terms. On a short-term basis though the margins may remain under pressure owing to incremental supply likely to hit the market. On a long-term basis, we expect volumes and margins to remain attractive. Implementation of Telangana project is progressing as per schedule and should result in scaling up our revenues and profitability post commencement of commercial production in October 2022.

As regard to Engineering Plastics business, we are witnessing gradual rationalisation of margins which had reached extraordinary / unprecedented levels in March 21 & June 21 quarters. The margins in Engineering plastics business were lower during Q4FY22 despite revenue growth of 9% over the Q4FY21. We have decided to sell the business to Radici Plastics India Private Limited to enable us to concentrate focus on our core businesses of Films and Specialty Polymers. The proceeds from the sale will not only help us strengthen our balance sheet but also provide us the growth capital for scaling up capacities in our core businesses.

Going forward, we believe we are well placed to deliver significant growth and create value for our shareholders going forward.”

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