Date: 21st February, 2024

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

Subject: Transcript of the Earnings Call held on 15th February 2024

Dear Sir,

In continuation of our letter dated 15th February, 2024 regarding Audio recording of Earnings Call for Investors and Analysts and pursuant to Regulation 30 (6) 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-

https://www.esterindustries.com/node/1124

Please take the same on your records.

Thanking You,
Yours Faithfully,
For **Ester Industries Limited**

Poornima Gupta

Digitally signed by Poornima Gupta
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Poornima Gupta
Company Secretary & Compliance Officer

Encl: As above

Ester Industries Limited

Q3FY24 Earnings Conference Call Transcript
February 15, 2024

Moderator Ladies and gentlemen, good day and welcome to Ester Industries Limited Q3 FY24 Earnings Conference Call.

As a reminder, all participant 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 the conference call, 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, Mr. Desa.

Gavin Desa: Thank you. Good day everyone and a warm welcome to Ester Industries Q3 and 9-month FY24 Analyst and Investor Conference Call.

We have with us today Mr. Arvind Singhania – the Chairman and CEO; Mr. Girish Behal – Business Head, SBU and Mr. Sourabh Agarwal, Chief Financial Officer.

We will begin this call with opening remarks from the management, following which you will have the floor open for a redirected Q&A session. Before we begin, I would like to point out that some statements made in today's discussions may be forward-looking in nature, and a note to this effect has been included in the invite area. I trust you have a chance to go through the financial documents, the report documents and financial performance.

I would now like to invite Mr. Arvind Singhania to make his opening remarks. Over to you, Arvind.

Arvind Singhania: Thank you, Gavin and thank you everyone for joining us today. I have alongside with me Mr. Girish Behal -- Business Head Film SBU and Sourabh our Chief Financial Officer. I will briefly talk about the key Business Highlights, post which Sourabh will walk you through our Financial Performance.

Our performance for the quarter is largely reflective of the pain across both our businesses. While temporary disruption in domestic demand-supply dynamics has impacted film business performance, the ongoing inflation worries in US has halted the growth momentum of Specialty Polymer business. Film business has seen acute pressure in realisations and margin post the commissioning of the new facilities which has dented the performance of our peers and industry at large.

As far as our financial performance is concerned, our revenues for the quarter on a standalone basis stood at Rs.204 crore with an EBITDA loss of Rs.1 crore.

Moving on to individual businesses now, starting with specialty polymer. While we have seen volumes for the business somewhat sustain, it continues to trend below its historical levels. The reason for the deceleration in business momentum is largely owing to the challenges grappling the US economy, the main market for the business. Volumes for the quarter stood at 558 MT as against 405 MT in corresponding quarter last year and 599 MT in Q2FY24. While the realizations are stable across products, volumes remains under pressure compared to expectation.

Sales of our marquee products MB03 and Innovative PBT have shown resilience. We have started seeing improvement in volume from Q4 FY 2024 and expect this positive momentum to continue to improve. In terms of marquee products, MB03 volumes for the quarter stood at 153 MT as against 143 MT in Q3FY23 and 179 MT in Q2FY24. Q3FY 24 volumes for Innovative PBT amounted to 314 MT as against 74 MT in Q3FY23 and 185 MT in Q2 FY24.

Profitability for the current quarter though was impacted by a one-time inventory write-off and adverse product mix, the combination of which significantly dented our margins as well for the business. As many of you may recall, this business is largely IP protected and as such the threat of heightened competition doesn't arise. The softness in the business is largely owing to the demand uncertainties prevailing in its major market.

We are hopeful that the demand and subsequently the volumes and profitability of the business will revise maybe after a couple of quarters as the US economy starts to recover. Our focus remains towards harnessing our R&D expertise to infuse innovative and captivating products.

We remain positive and confident of the medium and long term profitability and growth prospects of the business.

Shifting focus to our Film business, as highlighted in our previous conversations, there has been a surge in excess capacity in the market resulting from the commissioning of new production units. Although demand growth remains robust, with domestic demand increasing at a rate of 11% to 13% annually and global demand at 5.5% to 6% annually, supply has exceeded demand by a significant margin. This imbalance has triggered a chain reaction of declining prices and margins. Our overall volumes for the quarter stood at 19,781 metric tons comprising of 12,816 metric tons on a standalone basis and 5,975 metric tons at a subsidiary level.

We believe the pricing pressure will continue at least in the near-term. Our efforts till then will be directed towards enhancing efficiencies and improving product mix by increasing the share of value-added products.

On a standalone level, we have seen our share of value-added products comprising 24% during the quarter. We are also working on new products that will enable us to improve profitability and mitigate the effect of a network market scenario. We are also focusing on containing costs and strengthening our cash flows. To maintain healthy liquidity, the company is raising Rs 100 crore through preferential placement of equity shares. This strategic move will enhance Company's ability to meet its short-term and long-term obligations.

In conclusion, despite potential challenges in the short term, we are confident that both our businesses are strategically positioned to seize the underlying demand in their respective markets and generate value for our shareholders.

Sourabh Agarwal: Thank you and good day, everyone. Thank you for joining us on our Q3 FY24 Earnings Call.

Let me quickly walk you through our financial performance post which we can commence the Q&A session. Starting with the revenues on a standalone basis the same stood at Rs. 203 crore as against Rs. 237 crore in the corresponding quarter last year, lower by 14%. The reason for the degrowth as mentioned by Arvind ji pertains to excess supply in film business and recessionary worries in US, the key market for our specialty polymer business. EBITDA for the quarter stood at loss of Rs. 1 crore as against Rs. 30 crore generated in Q2 FY23 .

Lower realizations in margins in the film business coupled with adverse product mix for the quarter in Specialty polymer business led to lower profitability and margin for the quarter. Loss for the quarter stood at Rs.16 crore as against profit of Rs.8 crore garnered in Q3 FY23. Lower offtake coupled with weaker realization/ margin resulted in loss for the quarter.

Moving on to the performance of Ester Filmtech Limited our wholly owned subsidiary. Revenues for the same stood at Rs. 74 crore with EBITDA loss of Rs. 14 crore for the quarter. In terms of volume Q3 FY24 generated 6,964 metric ton as against 5,975 metric tons volume generated in previous quarter. EBITDA losses are largely owing to lower utilization level and the stress in the film business prevailing currently and adverse foreign exchange fluctuation of Rs 8 crores on reinstatement of EURO denominated Term Loan.

With time, we are confident that the Ester Filmtech will contribute positively to the overall growth of the business due to its low operating cost. As mentioned previously, the plant is expected to generate revenue worth Rs. 500 to Rs.550 crore upon achieving optimal utilization.

In summary, we would like to reaffirm that although the immediate future present challenges for both our businesses, we maintain an optimistic and confident stance. We are returning to overcome these obstacles and propel our business to their full potential in the medium-to-long term, that concludes my opening remarks. We can now commence the Q&A session.

Moderator: The first question is from the line of Nitesh Dhoot from Dolat Capital.

Nitesh Dhoot: Sir, how do you propose to utilize the proceeds of the preferential issue?

Arvind Singhania: So, this is basically to shore up the cash flow and ensure that we are able to meet all our obligations towards repayment of interest and principal largely through equity, participation of equity in subsidiary and also to be able to meet, to fund the losses.

Nitesh Dhoot: And sir, secondly on the value-added portfolio in the packaging films business. So, your presentation says that it's 24% in Q3. So, what exactly are these value-added products here? Any special films or whether it's higher margin? And how is the contribution likely to increase going forward?

Arvind Singhania: So, there is a very long list of products, very difficult to explain to you the list in detail, but we are continuously increasing. Some of them are online produced products, some are offline coated products, some are metallized and coated products. So, there is a various lists of products that we are doing and a lot of them are very high margin content. It's very difficult to give you exact lists and we would actually refrain from doing that on a public platform.

Moderator: The next question is from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: Hello Sir, thank you for a very detailed presentation and also opening remarks. Sir, coming to the preferential allotment, therein it has been mentioned that a commitment of Rs. 24 crore 90 lakhs from yourself, Arvind ji and then mentions about Modi Rubber promoter group. So, I would like to understand, in the shareholding pattern, we are not able to recognize Modi Rubber. Is Modi Rubber the same listed company which you are talking about here?

Arvind Singhania: Yes, that's right. It's a listed company. They were never shareholders before. They're a new shareholder. They will become a new shareholder after allotment.

Saket Kapoor: And they will be clubbed as promoters?

Arvind Singhania: Yes. They will be clubbed as promoters.

Saket Kapoor: And in the non-promoter category, sir, we have two entities, first is by the name of Mr. Kamalesh Jayant Shah and then is RJ Corp. So, RJ Corp is again that the listed company, I think so they have a...

Arvind Singhania: No. So, RJ Corp is a holding company for Varun Beverages and Devyani International and both are owned by Ravi Jaipuria.

Saket Kapoor: So, I just wanted to understand their commitment from the Jaipuria Group and Modi Rubber to take interest? What is the roadmap ahead? Is it only just, it may not be only to fund your cash flows or the losses, what's the trajectory going ahead? If you could just elaborate in detail?

Arvind Singhania: Yes, it is not just to fund losses. Basically, they see a lot of value in the business going ahead, and they recognize that this is a short-term problem in the film business, being created by overcapacity. So, all the investors who have come in are see long term value in the business. Mr. Ravi Jaipuria, through RJ Corp has done a full due diligence, Modi Rubber has done a full due diligence, Mr. Shah has done a full due diligence. And they have all come to the conclusion that there is a long term value in the business, including myself. I mean, I'm putting in money myself. And there is a long term value in the business and therefore to demonstrate our commitment to the business as well as to shooffer up the cash flow, this investment is being made.

Saket Kapoor: Just a small point for here, once again. So, Mr. Kamlesh Jayant sir, can you give the background of which industry does he belongs to?

Arvind Singhania: He runs the auto component business.

Saket Kapoor: Is he from listed space or is he unlisted?

Arvind Singhania: Unlisted.

Saket Kapoor: And then coming to the point that generally in case of allotment 25% is what to be paid at upfront and the balance 75% we have a window of 18 months.

Arvind Singhania: No, this is a full 100% payment through preferential allotment and the entire allotment will be done within 45 days approximately. These are not warrants, these are full 100% preferential share allotment.

Saket Kapoor: Correct sir, thank you for correcting me here. So, the entire money will be coming up before 31st March 24?

Arvind Singhania: Hopefully, it could be one or two days here or there, but otherwise the target is before 31st of March.

Sourabh Agarwal: So, Mr. Kapoor, this is subject to regulatory approvals from the stock exchanges as well as the shareholders' approval. We have followed the process and as per our estimate, we should complete this by 31st of March, but obviously it is subject to regulatory approvals.

Saket Kapoor: Now sir coming to the operational performance, firstly for our subsidiary, therein it has been mentioned that foreign exchange loss to the tune of Rs. 8 crore is because of restatement of loan. Other than that, the cash loss mentioned is of Rs. 22 crore. So, this is what we are burning? or depreciation element is also here.

Arvind Singhania: It is including depreciation.

Saket Kapoor: Okay, this is the cash loss we are incurring, Rs. 22 crore.

Sourabh Agarwal: No, so the total profit before tax is Rs. 28 crore, which includes the foreign exchange loss of around Rs. 8 crore, and then you adjust for the interest in the EBITDA portion, accordingly you can arrive at the cash loss.

Saket Kapoor: What are our utilization levels for Esther Filmtech?

Sourabh Agarwal: Utilization levels are around 50% to 60%.

Saket Kapoor: And for our unit at Khatima, the mother plant, how are the utilization?

Arvind Singhania: 75% to 80%.

Saket Kapoor: And sir, if you could give us some color on how the raw material basket is currently shaped up for the quarter and the current price trend?

Sourabh Agarwal: So, see, in our line of business, raw material cost is mainly pass through and as I've mentioned in the previous calls also, the raw material prices are pretty stable and there is no concern as far as the prices are concerned. So, the last one year, there is not much movement in the raw material prices.

Saket Kapoor: Can you give me breakups, sir? What are the current price for PTA and MEG? Do we have the numbers with you?

Arvind Singhania: No. We can't reveal exact pricing for confidentiality purposes on public platforms.

Saket Kapoor: Sir, we have heard on another call that one of your competitors is also planning to curtail its capacity, lower down its capacity so as to reduce losses. So, going ahead taking into account the current business environment, are we also emphasizing on the same path?

Arvind Singhania: I don't understand what my competitor is doing. I have not heard anything. I cannot comment on anything what my competitor does.

Saket Kapoor: Okay, we are looking to maintain this capacity utilization levels at 75%.

Arvind Singhania: Capacity utilization will keep improving with the improvement in demand.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Arvind Singhania: Thank you very much everybody for joining us for the earnings call today and we look forward to welcoming you for our next Earnings Call which will be for the year ending FY24 which will be sometime in May. Thank you very much.