

Retail Equity Research

Ester Industries Ltd

Packaging

CMP Rs. 161
Rating: Overweight
NSE CODE: ESTER
BSE CODE: 500136

Ester Industries has shown a strong recovery in the second half of FY24, with a significant turnaround in profitability. Sales grew by 16% in Sep-24, compared to a 3% growth in the preceding quarters, indicating robust demand in the market. Operating profit surged 256%, reversing from previous losses, signaling an improvement in operational efficiency and cost management. The net profit turnaround, up 633% YoY, highlights the company's improved cost control and better-than-expected performance in its core operations.

Expenses increased by 6% in Sep-24, but this was more than offset by strong sales growth. The company's interest and depreciation remained stable, and a modest reduction in other income is a minor concern. Despite tax provisions rising, the company delivered a positive net profit of ₹3.02 crore. Going forward, sustained growth in sales and further operational improvements could drive continued profitability.

Company Data

Market Cap (cr)	Rs.	1,504.21
Enterprise Value (cr)	Rs.	1,454.18
Outstanding Shares (cr)		9.40
52 week high	Rs.	178.00
52 week low	Rs.	84.60
1m average volume (lacs)		4.42
Face value	Rs.	5.00

	FY22	FY23	FY24
Sales	1110.25	1114.14	1063.45
Growth(%)	12%	0%	-5%
EBITDA	230.74	229.41	3.39
EBITDA Margin(%)	20.8%	20.6%	0.3%
PAT	136.71	136.90	-121.05
Growth(%)	-1%	0%	-188%
EPS	16.4	16.4	-12.9
P/E	8.7	5.3	-6.6
P/B	1.9	1.0	1.1
EV/EBITDA	7.7	6.5	429.0
ROE(%)	22%	18.4%	-17%
ROCE(%)	15%	11.9%	-4.3%
ROIC(%)	12%	12.1%	-4.1%
D/E	1.03	1.10	1.08

Robust Segment Performance: Specialty Polymers saw Q2 FY25 sales volumes nearly double YoY, driven by strong export demand in the USA and China and a robust product pipeline with IP-protected margins. The Film Business benefited from better demand-supply dynamics and a higher share of value-added products, growing to 29% in Q2 FY25 from 17% YoY. Subsidiary Ester Filmtech contributed significantly, with revenues projected to reach ₹450-₹500 crores in the next fiscal.

Strategic and Regulatory Advances: The upcoming Plastic Waste Management Rules (PWMR), effective April 2025, are expected to boost demand for polyester films. Meanwhile, the joint venture with Loop Industries (ELITE) marks a strategic move toward sustainability, with plans to commence commercial operations by Q2 2027, positioning the company for long-term growth.

Financial Strength and Optimistic Outlook: Consolidated Q2 FY25 EBITDA rose to ₹43 crores from a negative ₹0.4 crore YoY, reflecting significant financial improvement, with PAT also turning positive. The management expects continued growth in specialty polymers (25-30% YoY) and value-added products (targeting 40-45%), supported by strong liquidity and favorable market conditions.

Key Highlights

- **Industry Expertise and Business Foundation:** Ester Industries Limited, with over 30 years of industry expertise, specializes in manufacturing Polyester Films, Specialty Polymers, and Polyester Chips. The company is headquartered in Gurgaon, NCR, and has developed a strong presence in various markets including food packaging, beverages, home and personal care, and automotive industries. Its extensive product offerings cater to diverse applications ranging from food on-the-go and shelf-stable products to industrial and optical fiber cable packaging. Ester's established legacy in the industry positions it as a leader in the production of high-quality materials.
- **Diverse Business Segments:** The company operates in two major business segments: Polyester Films and Specialty Polymers. Polyester Films form the core of its operations, contributing 91% of revenue in 9M FY24, an increase from 82% in FY23. These films are used in a wide range of applications such as flexible and barrier packaging, lidding, labeling, and more. The Specialty Polymers segment, which accounted for 9% in 9M FY24, includes products like Polyethylene Terephthalate (PET), Polybutylene Terephthalate (PBT), Polyethylene Naphthalate (PEN), and Masterbatches. These products cater to industries such as consumer electronics, textiles, and engineered plastics.
- **Geographical Presence:** Ester Industries has a balanced geographical footprint, with 60% of its revenue coming from the domestic market and 40% from exports. This diverse geographic reach allows the company to tap into both local and international demand, positioning it well for sustained growth. The export market includes major economies, including the USA and China, while domestic sales cater to multiple industries within India, enhancing the company's market resilience.
- **State-of-the-Art Manufacturing Facilities:** The company operates three advanced manufacturing facilities located in Sitarganj, Khatima, and Telangana. The facilities are designed to cater to the production of Polyester Films, Metalized Polyester Films, Polyester Chips, and Specialty Polymers. With a combined manufacturing capacity of 1,08,000 MTPA for Polyester Films, 23,200 MTPA for Metalized Polyester Films, 67,000 MTPA for Polyester Chips, and 30,000 MTPA for Specialty Polymers, Ester has the infrastructure to meet the growing demand in both domestic and international markets.
- **Strategic Capital Expenditure (Capex):** Ester continues to invest in expanding its manufacturing capacity. In Q4 FY24, the company commenced commercial production at its new Polyester (BOPET) film plant in Telangana, with a capacity of 48,000 MTPA. This plant, built at a cost of ₹650 crores, is expected to generate revenues of approximately ₹500-550 crores upon achieving optimal utilization. This investment underscores the company's commitment to increasing its production capabilities to cater to rising market demands and its growth strategy.
- **Divestment of Engineering Plastics Business:** In Q2 FY23, Ester Industries made a strategic decision to divest its Engineering Plastics business to Radici Plastics India for ₹263 crores. This division had contributed 21% to the company's revenue in FY22. The divestment allows the company to focus more on its core segments of Polyester Films and Specialty Polymers, streamlining its operations and boosting its long-term growth potential by reallocating resources to more profitable and high-growth areas.
- **Fundraising and Financial Position:** Ester Industries demonstrated strong financial discipline by raising ₹100 crores in Q4 FY24 through the allotment of 1.05 crore equity shares at an issue price of ₹94.60 per share. This fund-raising initiative was carried out on a preferential basis to both promoter and non-promoter groups. The capital infusion strengthens the company's liquidity position, enabling it to fund its expansion plans and future growth initiatives while maintaining a solid financial base.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	261.37	267.76	276.73	286.15	331.16
Growth(%)	1%	2%	3%	3%	16%
Expenses	271.58	287.26	270.75	274.97	291.34
Operating Profit	-10.21	-19.50	5.98	11.18	39.82
Growth(%)	-9382%	-91%	131%	87%	256%
Other Income	9.78	4.62	3.22	6.21	2.62
Depreciation	16.82	17.18	17.75	17.29	17.24
Interest	17.71	17.92	17.98	16.76	18.46
Profit before tax	-34.96	-49.98	-26.53	-16.66	6.74
Tax	-4.52	-5.16	-2.80	-0.56	3.72
Net profit	-30.44	-44.82	-23.72	-16.10	3.02
Growth(%)	-28%	-32%	89%	47%	633%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-16	Mar-21	Mar-22	Mar-23	Mar-24
Sales	768.13	991.76	1,110.25	1,114.14	1,063.45
Growth(%)	-14%	29%	12%	0%	-5%
Expenses	697.52	760.27	939.01	1,021.56	1,086.06
Operating Profit	70.61	231.49	171.24	92.58	-22.61
Growth(%)	-1%	228%	-26%	-46%	-124%
Other Income	4.60	7.71	59.50	136.83	26.00
Depreciation	32.36	35.23	36.82	43.93	68.03
Interest	36.01	18.57	24.88	36.34	70.36
Profit before tax	6.84	185.40	169.04	149.14	-135.00
Tax	2.27	47.91	32.32	12.24	-13.95
Net profit	4.56	137.49	136.71	136.90	-121.05
Growth(%)	19%	2915%	-1%	0%	-188%

Balance Sheet

(Rs Cr)

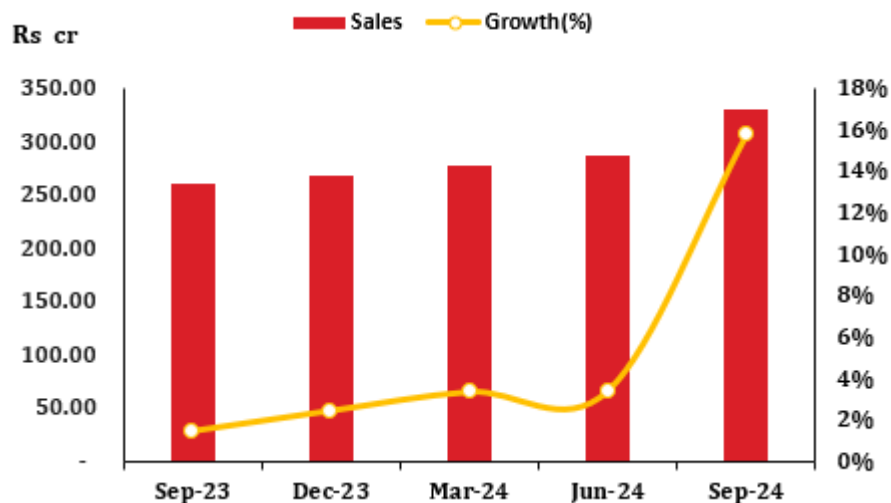
Report Date	Mar-16	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	41.70	41.70	41.70	41.70	46.98
Reserves	250.48	470.32	580.01	701.74	670.57
Borrowings	316.24	207.79	638.69	815.71	772.53
Other Liabilities	80.06	141.89	167.80	155.39	152.98
Total	688.48	861.70	1,428.20	1,714.54	1,643.06
Net Block	384.99	376.79	389.63	978.66	988.79
Capital Work in Progress	23.48	76.40	434.91	78.77	82.82
Investments	0.41	1.33	-	153.93	69.27
Other Assets	279.60	407.18	603.66	503.18	502.18
Total	688.48	861.70	1,428.20	1,714.54	1,643.06

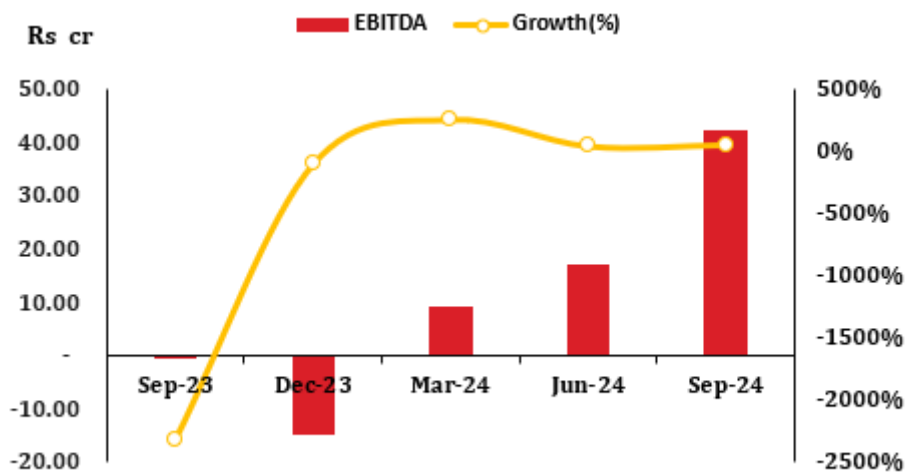
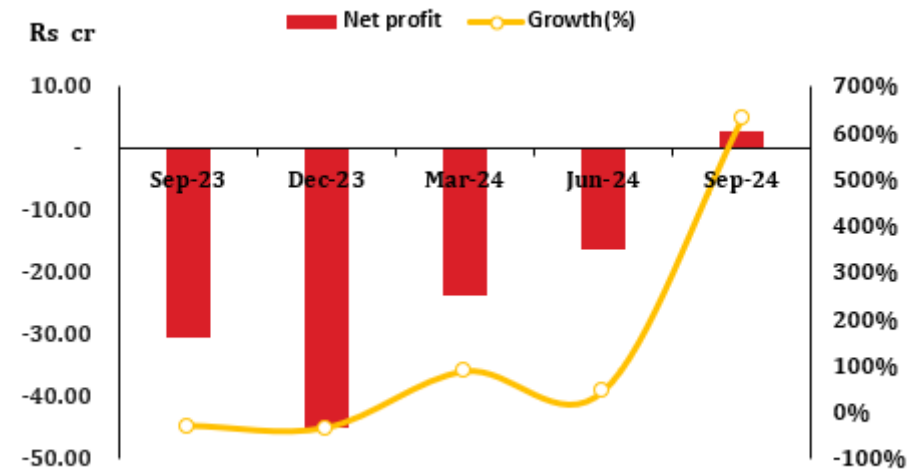
Cash Flow

(Rs Cr)

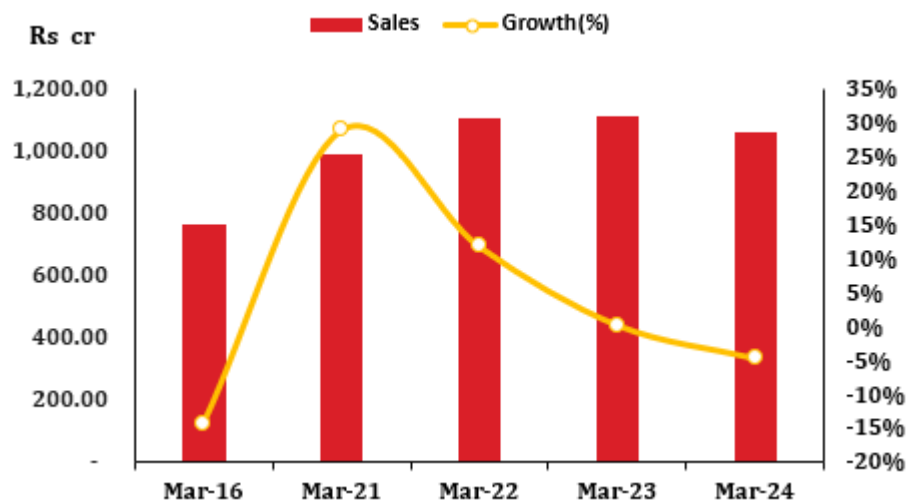
	Mar-16	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	81.47	145.51	61.87	57.74	43.78
Cash from Investing Activity	-20.19	-147.26	-391.6	-199.33	41.71
Cash from Financing Activity	-75.41	3.33	384.05	113.81	-13.88
Net Cash Flow	-14.13	1.58	54.33	-27.79	71.61

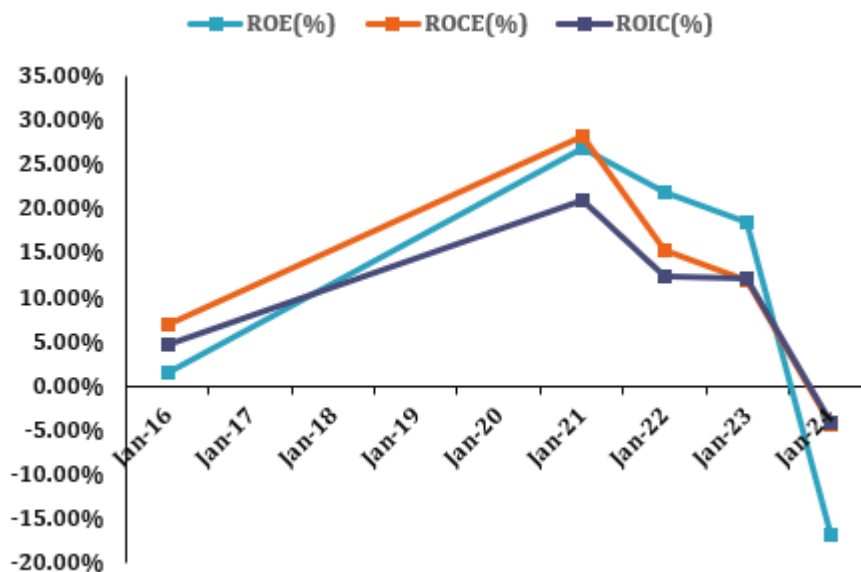
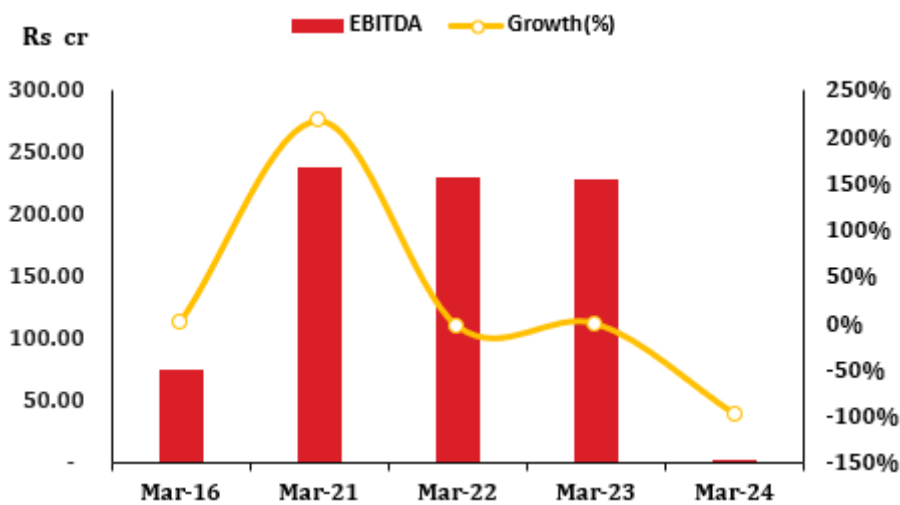
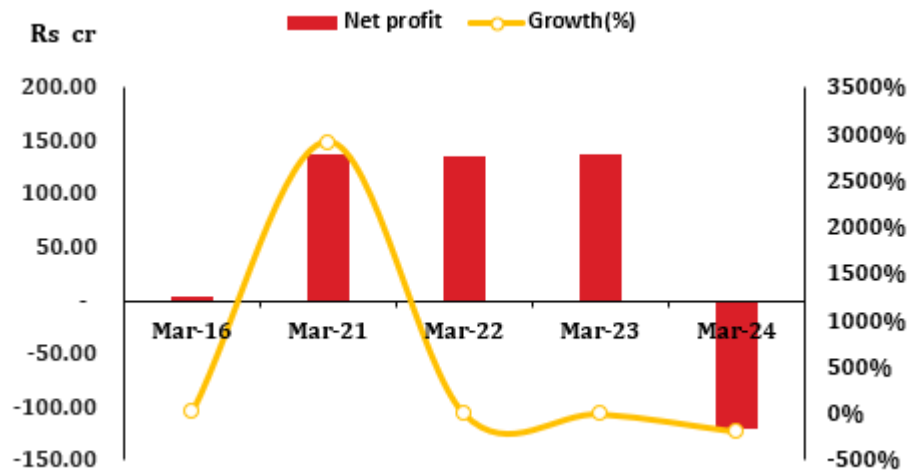
Key Metrics: Quarterly





Key Metrics: Yearly





Key Ratio:

Leverage Ratios	Mar-16	Mar-21	Mar-22	Mar-23	Mar-24
D/E	1.08	0.41	1.03	1.10	1.08
Debt/Assets	0.46	0.24	0.45	0.48	0.47
Debt/Ebitda	4.20	0.87	2.77	3.56	227.88
Debt/Capital Ratio	52%	29%	51%	52%	52%
Cash flow/Debt	0.26	0.70	0.10	0.07	0.06
Interest coverage ratio	1.19	10.98	7.79	5.10	-0.92
Sales Change	-14%	29%	12%	0%	-5%
Ebit Change	2%	376%	-5%	-4%	-135%
Operating Leverage	0.09	7.83	-2.18	-131.11	27.35
Financial Leverage	2.36	1.68	2.30	2.31	2.29

Efficiency ratios					
Receivable days	53	56	64	50	51
Receivable turnover	6.85	6.56	5.74	7.35	7.22
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	5	6	5	6	8
Net Fixed assets turnover	2.00	2.63	2.85	1.14	1.08
Sales/capital employed	1.26	1.38	0.88	0.71	0.71
Total Asset Turnover	1.12	1.15	0.78	0.65	0.65

Profitability ratios					
Ebitda	75.21	239.2	230.74	229.41	3.39
Ebitda margin	10%	24%	21%	21%	0%
Gross Profit	176.85	358.6	290.83	253.39	136.77
Gross Profit Margin	23%	36%	26%	23%	13%
EBIT	42.85	203.97	193.92	185.48	-64.64
EBIT Margin	6%	21%	17%	17%	-6%
ROE	2%	27%	22%	18%	-17%
Net profit margin	1%	14%	12%	12%	-11%
EPS	0.55	16.49	16.39	16.41	-12.88
DU Pont ROE	2%	27%	22%	18%	-17%
Net Profit Margin	1%	14%	12%	12%	-11%
Sales/Total assets	1.12	1.15	0.78	0.65	0.65
Financial Leverage	2.36	1.68	2.30	2.31	2.29
DU PONT ROA	1%	16%	10%	8%	-7%
Net Profit Margin	1%	14%	12%	12%	-11%
Sales/Total assets	1.12	1.15	0.78	0.65	0.65

Capital Allocation Ratios	Mar-16	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	6%	23%	12%	3%	-6%
EBIT Margin	6%	21%	17%	17%	-6%
Sales/cap employed	1.26	1.38	0.88	0.71	0.71
NOPAT	28.63	151.26	156.84	170.26	-57.96
Capital employed	608.42	719.81	1260.4	1559.15	1490.08
ROIC	5%	21%	12%	11%	-4%

Valuation Ratios					
Price/Earnings	95.93	7.08	8.72	5.29	-6.60
Price/Book	1.50	1.90	1.92	0.97	1.11
Marketcap	437.43	973.70	1,192.20	724.75	798.53
Enterprise Value	745.86	1,153.92	1,769.98	1,488.73	1,454.18
EV/EBITDA	9.92	4.82	7.67	6.49	428.96

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