

ESTER

INDUSTRIES LTD.

MD	<input checked="" type="checkbox"/>			BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>			DPY	NA
RO	<input checked="" type="checkbox"/>			DIV	NA
TRA	<input checked="" type="checkbox"/>			AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		SHI	<input checked="" type="checkbox"/>
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TWELFTH ANNUAL REPORT 1997-98



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LISTING OF SECURITIES

THE STOCK EXCHANGE
KAMDHENU COMPLEX, OPP. SAHAJANAD COLLEGE
PANJARAPOLE,
AHMEDABAD - 380 015

BANGALORE STOCK EXCHANGE LIMITED
STOCK EXCHANGE TOWER
NO. 51, 1ST CROSS, J.C. ROAD
BANGALORE - 560 027

THE STOCK EXCHANGE, MUMBAI
PHIROZE JEEJEEBHOY TOWERS
25TH FLOOR, DALAL STREET
MUMBAI - 400 001

THE CALCUTTA STOCK EXCHANGE ASSOCIATION LIMITED
7, LYONS FANGE
CALCUTTA - 700 001

THE DELHI STOCK EXCHANGE ASSOCIATION LIMITED
WEST PLAZE-I, I.G. STADIUM
INDRAPRASTHA ESTATE
NEW DELHI - 110 002

THE UTTAR PRADESH STOCK EXCHANGE ASSOCIATION LTD.
PADAM TOWERS, 14/113, CIVIL LINES
KANPUR - 208 001, UTTAR PRADESH



BOARD OF DIRECTORS	MR. SITARAM SINGHANIA	<i>CHAIRMAN</i>
	MR. I.P. SHROFF	<i>DIRECTOR</i>
	MR. M.R. HOSANGADY	<i>DIRECTOR</i>
	MR. R.G. NIRMAL	<i>NOMINEE DIRECTOR (IFCI)</i>
	MR. I.L. NAGPAL	<i>NOMINEE DIRECTOR (UTI)</i>
	DR. R.C. VAISH	<i>DIRECTOR</i>
	MR. V.B. HARIBHAKTI	<i>DIRECTOR</i>
	MR. H.S. MAJUMDER	<i>DIRECTOR</i>
	MR. A.P. SARWAN	<i>DIRECTOR</i>
	MR. STEFAN POCKRANDT	<i>DIRECTOR</i>
	MR. A.K. SINGHANIA	<i>MANAGING DIRECTOR</i>
	MR. A.K. NEWATIA	<i>EXECUTIVE DIRECTOR</i>
COMPANY SECRETARY	MR. SANJAY KUMAR JAIN	
STATUTORY AUDITORS	M/S. ARUN K. GUPTA & ASSOCIATES, NEW DELHI M/S. JAIN ARORA TREHAN, NEW DELHI	
CONCURRENT AUDITORS	M/S. T.R. CHADHA & COMPANY, NEW DELHI	
BANKERS	BANK OF INDIA BANK OF BARODA UNION BANK OF INDIA CANARA BANK STATE BANK OF BIKANER & JAIPUR	
HEAD OFFICE	75-76 AMRIT NAGAR, BEHIND N.D.S.E. PART-I NEW DELHI - 110 003	
REGISTERED OFFICE & WORKS	SOHAN NAGAR P.O. CHARUBETA KHATIMA - 262 308 DISTT. UDHAMSINGH NAGAR UTTAR PRADESH	
REGISTRAR & SHARE TRANSFER AGENTS	MCS LIMITED SRI VENKATESH BHAVAN 212 A, SHAHPURJAT BEHIND PANCHSHEEL CLUB NEW DELHI - 110 049	



NOTICE

NOTICE IS HEREBY GIVEN that the 12th Annual General Meeting of the members of Ester Industries Limited will be held on Friday, the 11th September, 1998 at 9.30 a.m. at the Registered Office at Sohan Nagar, P.O. Charubeta, Khatima-262 308, Distt. Udham Singh Nagar, Uttar Pradesh to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as on 31st March, 1998 and the profit and loss account for the year ended on that date together with the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri I.P. Shroff who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Dr. R.C. Vaish who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By order of the Board of Directors

New Delhi
14th July, 1998

S. K. JAIN
COMPANY SECRETARY

Registered Office

Sohan Nagar, P.O. Charubeta,
Khatima - 262 308,
Distt. Udham Singh Nagar,
UTTAR PRADESH.

NOTES:

1. A member entitled to attend and vote at this Annual General Meeting may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a Member of the Company. Proxies in order to be effective must be received at Sohan Nagar, P.O.

Charubeta, Khatima - 262 308, Distt. Udham Singh Nagar, Uttar Pradesh not less than 48 hours before this Annual General Meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 1st September, 1998 to Friday, 11th September, 1998 (both days inclusive).
3. The members are requested to :
 - a) bring their copy of Annual Report at the Annual General Meeting.
 - b) notify immediately the change of address, if any, to the Company at 75-76 Amrit Nagar, Behind N.D.S.E. Part-I, New Delhi - 110 003 or to the Registrar and Share Transfer Agent of the Company, MCS Limited, Srivenkatesh Bhavan, 212 A, Shahpurjat, Behind Panchsheel Club, New Delhi - 110 049 quoting their folio number.
 - c) send, incase of those members who have multiple accounts in identical names or joint names in same order, all the share certificates to the Registrar and Share Transfer Agent of the Company, MCS Limited at the aforesaid address for consolidation of all such shareholding into one account to facilitate better service.
4. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
5. Members desiring any information on the accounts are requested to write to the Company at 75-76 Amrit Nagar, Behind N.D.S.E. Part-I, New Delhi - 110 003 atleast one week before the meeting so as to enable the management to keep the information ready. Replies will be provided only at the meeting.
6. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on all working days except Saturdays upto the date of the Annual General Meeting.

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the 12th Annual Report together with Audited Statement of Accounts for the year ended 31st March, 1998.

FINANCIAL HIGHLIGHTS

	For the year Ended 31.3.1998 (Rs. in lacs)	For the period 17 months from 01.11.1995 to 31.03.1997 (Rs. in lacs) (Annualised basis)
Sales & Other Income	1,92,74.69	2,73,51.08
Operating Profit before Interest, Depreciation & Tax	32,68.68	42,41.77
Less: Interest	23,57.97	21,61.74
Gross Profit	9,10.71	20,80.03
Less: Depreciation	8,71.86	7,32.94
Misc. Expenditure		
Written Off	10.64	10.64
Provision for Taxes	1.91	1,40.04
Net Profit	26.30	11,96.41
		For 17 months Period 16,94.91
Add/Less: Prior period adjustment	2,03.43	(1.05)
Add: Balance Brought forward	29,00.59	12,06.73
Balance carried to Appropriation A/c	31,30.32	29,00.59
Less: Amount transferred to FCCB Redemption Reserve	4,54.00	—
Amount transferred to Capital Redemption Reserve	55.61	—
Balance Carried to Balance Sheet	26,20.71	29,00.59

DIVIDEND

The Company has registered a small net profit for the year; but because of the insufficiency of profits, your Directors do not recommend any dividend for the year.

OPERATIONS

The Sales excluding excise duty during the year under report is Rs.1,53,97.24 lacs compared to Rs.2,18,86.76 lacs in the previous year on 12 months basis despite increase in sales

volume of Films, Yarn and Engineering Plastics due to substantial fall in per unit selling price of all products.

Operating Profit before Interest, Depreciation and Taxes in the year under report is Rs.32,68.68 lacs as compared to Rs.42,41.77 lacs in the previous year on 12 months basis, i.e. a decrease of 23%. Despite better production and sales volume, the net income and operating profits have come down because of the severe recessionary trends and poor market conditions experienced during the year under report. One of the major factors that contributed to the recessionary trend and spiralling down of prices is the South East Asian currency crisis which hit the world economy most unexpectedly. During the 12 months period under review, the production of almost all products increased significantly and sales also increased on all items except Chips vis-a-vis the previous year when compared on a 12 months basis as shown below:-

Item	For the year ended 31.03.1998	For the period 17 months from 01.11.1995 to 31.03.1997 (Annualised)	% increase/ decrease on 12 months basis
PRODUCTION (MT)			
Chips	27189	30147	(-) 10
Film	7347	5613	+ 31
Yarn	5822	5538	+ 5
Engg. Plastics	674	282	+ 139
Methanol	8273	9809	(-) 16
SALES (MT)			
Chips	12481	19693	(-) 37
Film	6987	5525	+ 26
Yarn	5825	5620	+ 4
Engg. Plastics	663	284	+ 133
Methanol	8383	9732	(-) 14

The various modernisation and de-bottlenecking measures implemented last year have started yielding tangible results in improved output and quality, reduced rejections and better conversion efficiencies, all contributing to more economic operations enabling the Company to survive despite highly competitive market situation.

During the year the industry faced downtrend in the prices of finished goods and fluctuating market conditions. However, your Directors are pleased to inform you that with the foresight shown and timely steps taken by the Company's Management such as cost reduction, better inventory management and thrust on value added products and exports, unfavourable situations were minimised. The depressed market situation continues both domestically and internationally. However your Directors feel confident that the situation will soon get stabilised providing opportunity for enhanced utilisation of the Film line capacity and benefit from further addition of value-added products.

EXPORTS

During the year under review, your Company exported 3112 MT of Film of value Rs.24,17.23 lacs as compared to an export of 1834 MT of value Rs.25,21.52 lacs in the previous period on 12 months basis. It indicates a 70% increase in export volume, but 4% fall in value.

This was because of the unusual situation in the export markets in consequence of the S.E. Asian crisis with major exporting countries like S. Korea and Indonesia cutting down their prices drastically in the current year. Despite general fall in prices, it is gratifying to note that because of fall in input

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costs, the per unit realisation was not sacrificed much and your Company pursued a balanced policy for domestic/export sales mix in order to maximise the value addition in the given situation and also fulfilling the export commitment vis-à-vis the expansion scheme.

With the commissioning of the expansion programme of Polyester Film, your Company is in a position to produce a larger variety of Films at lower costs and thereby be in a position to command a larger share of the export market at remunerative prices in the coming years.

COST REDUCTION

Your Directors are glad to report that your Company's Management has responded to the tight market situation faced during the year under report by several cost cutting measures. Compared to the previous year, on 12 months basis, the employment related costs and administration cost and other expenses have remained substantially the same despite substantial increase in production capacity.

The systematic efforts in optimisation of energy utilisation have already resulted in significant saving in per unit energy cost. These efforts have been continued during the year also. With various measures taken for improved productivity of the human resources, even with the expansion/modernisation scheme implemented fully resulting in increased Film production, there is no increase in employment related or general administration costs. All these and the continuing efforts in these directions are expected to make your Company much healthier and fitter to face a highly competitive market in the future.

ISO 9002

The ISO 9002 programme for restructuring the Company's technological and engineering management and all facets of administration on a professional and system-based manner with a view to ensure high level of quality and zero defect in manufacture and full customer satisfaction has been successfully implemented and the ISO Certification has been obtained in the previous year. Thereafter, the Company has successfully gone through Three Six-monthly surveillance Audits conducted by the Certifying Agency (DNV, Netherlands).

MODERNISATION & EXPANSION

The most significant achievement during the year under review was the successful completion of the long cherished expansion-cum-modernisation programme with an investment of Rs.125 crores for increasing the annual production capacities of Chips from 20000 MT to 36000 MT and Polyester Film from 4000 MT to 18000 MT. The commercial production of Film line was commenced on 1st January, 1998.

DIRECTORS

Shri I.P. Shroff and Dr. R.C. Vaish retire by rotation in accordance with the requirement of Companies Act, 1956 and the provisions of Articles of Association of the Company, and being eligible, offer themselves for re-appointment.

During the year under report, Industrial Development Bank of India has withdrawn the nomination of Shri M.L. Purohit w.e.f. 3rd March, 1998. The Directors record their appreciation of the contribution made by him.

AUDITORS' REPORT

The Comments in the Auditors' Report read with the notes to the accounts in Schedule 17 are self-explanatory and do not

call for further explanations.

AUDITORS

The Company's Auditors, M/s. Arun K. Gupta & Associates and M/s. Jain Arora Trehan, retire at the forthcoming Annual General Meeting and being eligible, are willing to be re-appointed.

PARTICULARS OF EMPLOYEES

The details as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 are given in the Annexure and form part of this Report.

LISTING OF SECURITIES

The Equity Shares and Preference Shares of the Company are listed at Ahmedabad, Bangalore, Bombay, Calcutta, Delhi and Kanpur (Regional Stock Exchange). The Company has paid the listing fees for the financial year 1998-99 to all the Stock Exchanges.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The prescribed details as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the Annexure forming part of this Report.

EMPLOYEE RELATIONS, DEVELOPMENT & WELFARE

The considerable interest taken by your Company on employee development and welfare was continued and several training modules for transformation of work culture have been conducted. Majority of the employees at all levels have gone through the schemes. These development programmes along with the continued implementation of TQM has resulted in continuous improvement in our Capability, Team Work and total Employee involvement and have helped in improving human resources productivity.

The Industrial Relations continued to be cordial and harmonious. In May this year, we have signed a Three Years wage agreement with the trade union valid upto May, 2001. Your Directors wish to place on record their sincere appreciation for the devoted services rendered by the workers, staff and executives of the Company at all levels which have in no small way contributed to the efficient and successful management of the Company.

ACKNOWLEDGEMENT

Your Directors take this opportunity to offer their sincere thanks to various departments of Central and State Governments, Indian and Foreign Financial Institutions, Banks and Investors for their unstinted support and assistance and valuable guidance.

On behalf of the Board

New Delhi
14th July, 1998

SITARAM SINGHANIA
CHAIRMAN

Registered Office

Sohan Nagar, P.O. Charubeta,
Khatima - 262 308,
Distt. Udham Singh Nagar,
UTTAR PRADESH.



ANNEXURE-I

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT

FORM - A (See Rule 2)

Form for Disclosure of particulars with respect to conservation of energy

For the year 01.04.1997 to 31.03.1998	For the period 17 months from 01.11.1995 to 31.03.1997
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A. Power & Fuel Consumption

1. Electricity

a. Purchased unit (KWH)	6222750	15722330
Total Amount (Rs.)	2,50,10,900	4,97,08,300
Rate per unit (Rs./Kwh)	4.02	3.16

b. Own Generation

i) Through Diesel Generator

Unit (Kwh)	29295528	34076780
Units/Ltr. of Diesel Oil (HSD)	3.60	3.53
Cost per unit (Rs./KWH)	2.61	2.68

ii) Through Steam Turbine/ Generator

N.A.	N.A.
N.A.	N.A.

2. Coal

3. Furnace Oil Quantity (K.Ltr.)

i) Primary Heating (HSD/FO)	KL	3949	5460
ii) Boiler (RFO/FO/HSD)	KL	742	2433
Total	KL	4691	7893
Total amount (Rs.)		2,77,74,800	3,55,11,400
Average Rate/K.Ltr (Rs.)		5,921	4,499

4. Husk

Quantity (M.T.)	16671	30687
Total amount (Rs.)	1,33,69,200	2,18,76,100
Average Rate/M.T.(Rs.) (Steam Through Husk)	802	713

B. Consumption per unit of production

1. Electricity

Product	Unit	(Per Ton)	(Per Ton)
Polyester Chips	(KWH)	199	246
Polyester Film (Line-1)	(KWH)	1186	1246
Polyester Yarn	(KWH)	1166	1271
Polyester Film (Line-2)	(KWH)	3362	—

2. Furnace Oil

Product	Unit	(Per Ton)	(Per Ton)
Polyester Chips	(KL)	0.099	0.139
Polyester Film (Line-1)	(KL)	0.129	0.157
Polyester Yarn	(KL)	—	—
Polyester Film (Line-2)	(KL)	0.187	—

The % saving in consumption of various forms of energy per MT of Chips, Yarn & Film during the year under report (April '97 to March '98) as compared to previous year (April '96 to March '97) are given below:

	% Saving/M.T. of Product			
	Chips	Yarn	Film-1	Film-2
1. Power	12%	1.7%	2.1%	—
2. Steam	31%	—	—	—
3. Refrigeration	23%	—	—	—
4. Primary Heating (Oil)	2%	—	—	—

FORM - B (See Rule 2)

RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A. RESEARCH & DEVELOPMENT (R&D) :

- | | |
|---|---|
| 1. Specific areas in which R&D carried out by the Company | a) New film grades developed to promote better ink and metal adhesion. |
| | b) Thick film upto 100 micron developed for motor insulation/paper lamination. |
| | c) New additive system developed for film grade polymer. |
| | d) Chemically treated film developed. |
| | e) Nylon-6 and polycarbonate based Engg. Plastic developed. |
| 2. Benefits derived as a result of the above R&D | a) This will help in getting more customers of printing/metallising sector. |
| | b) Due to wide product range, we can serve market in a better way and will help in competing with today's market. |
| | c) New additive system helps to improve film surface. |
| | d) This is a new product and will help in improving volume of sales. |
| | e) These are variety products of Engg. Plastic and will help in catering to new sectors of market. |

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3. Future Plan of Action
- To develop clean film for optical end use.
 - To develop Nylon-6, 6 based Engg. Plastic.
4. Expenditure on R&D
- Capital NIL
 - Recurring 0.09
 - Total 0.09
 - Total R&D expenditure as percentage of the total turnover —

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

- Efforts in brief made towards technology absorption & innovation
 - New film line of capacity 12000 MT per annum commissioned in Sept. '97. This film plant is having latest technology and plant operation is totally computerised.
- Benefits derived as a result of the above efforts e.g. product development, import substitution etc.
 - Film plant capacity increased from 6000 MT per annum to 18000 MT per annum. Besides quantity, quality has also improved due to complete automation.

C. FOREIGN EXCHANGE EARNINGS/RECEIPTS AND OUTGO (ON CASH BASIS) :

	For the year ended 31.03.1998 (Rs. in lacs)	For the period 17 months from 01.11.1995 to 31.03.1997 (Rs. in lacs)
1. Earnings (FOB) Value of Exports	24,17.23	35,72.15
2. Receipts		
— FCCB-proceeds	35,83.00	0.00
— Loan from Foreign Institution	30,59.00	0.00
3. Outgo (including CIF Value of Imports)	80,45.79	51,30.83

D. ENERGY CONSERVATION MEASURES TAKEN IN 1997-1998 (APRIL '97 TO MARCH '98) :

Energy Conservation Measures Taken.	Approx. Saving/Month (Rs. in lacs)
1. Fuel consumption (FO) decreased in primary furnace No. 2 by increasing/optimising the combustion efficiency of the furnace and also by TDO Exhaust system in Film Line-II	1.5
2. In Film plant-II TDO Blowers speed reduced/ optimised and electricity consumption reduced.	1.0
3. In AHU of Film Plant-1, the speed of blowers reduced/optimised and thereby reduction in electricity consumption.	1.0
4. In Diesel Generating sets, the fuel efficiency increased by increasing loading. Overly fuel efficiency also increased due to installation of new 04 Nos. 1250 KVA capacity each D.G. Sets.	1.25
5. Compressed air consumption reduced by arresting leakages through vigorous monitoring, by optimising air requirement in chips conveying system and by increasing air dryer efficiency.	2.5
6. In cooling towers, aluminium blade fans replaced with energy efficient FRP fans. One replaced in this financial year, balance will be done by June '98.	0.5
7. UPSEB Contract Demand reduced from 4000 KVA To 2000 KVA with effect from 1st February '98.	3.5

ANNEXURE-II

STATEMENT OF PARTICULARS UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1998

A. EMPLOYED THROUGHOUT THE YEAR

1	2	3	4	5	6	7	8	9
Sl. No.	Name of Employee	Age Yrs.	Designation	Date of Joining	Remuneration (Rs.)	Qualification	Expe-rience (yrs)	Previous Employment
1.	Lt.Col. (Retd.) B.R. Malhotra	54	Vice President (Admn. & HRD)	02.08.95	6,60,042	Diploma in PM & IR, Diploma in Ind.Law	35	Bharat Electronics Ltd.
2.	Mr. L.C. Bhandari	47	Vice President (Mgt. Ser. & Exce. Asstt. to M.D.)	03.10.91	6,44,732	B.Com., LLB, FCA	21	Prakash Industries Ltd.
3.	Mr. R.R. Maheshwari	44	Vice President (Mkt. & Business Dev.)	01.08.92	6,95,357	B.E.(H), MBA, ICWA	23	Cimmco Ltd.
4.	Mr. D.K.Dosi	43	Vice President (Works)	01.08.92	4,36,709	B.E.(H) Chemical, MBA,	21	Modipon Fibres Ltd.
5.	Mr.T.A.Menon	61	Corporate Adviser	01.11.95	4,03,150	B.E. (Elec. Engg.)	35	Esslon Syn. Ltd.
6.	Mr.R.C.Rustagi	40	General Manager (Finance & Accounts)	05.10.87	4,40,512	M.Com.	20	Victor Cable Ltd.
7.	Mr. R.P.Sinha	46	General Manager (Film Marketing)	25.10.89	4,76,826	BBM, PGDM & S	21	Excel Marketing Pvt. Ltd.
8.	Mr. M.G.Gattani	45	General Manager (Chips & Yarn Marketing)	05.09.91	4,77,088	M.Com.	21	Kanoria Chem. & Ind. Ltd.
9.	Mr. Anil Aggarwal	48	General Manager (Purchases)	01.07.96	4,64,025	B.Tech(Mech.), PGCGM	23	Flender Macneill Ltd.
10.	Maj. (Retd.) Santosh Kr.	54	General Manager (P & A)	20.03.95	3,89,061	PGD in PM+IR	36	Prag Bosimi Ltd.
11.	Mr. Rajiv Arora	35	Dy.General Manager (Engg. Plastic)	10.01.94	3,86,499	B.E.(H)Chemical Engg., PG	13	SRF Ltd.
12.	Mr. K.K. Mangal	48	Dy.General Manager (Film Marketing)	31.11.89	3,62,986	B.Com.	25	Orson Electron Ltd.

B. EMPLOYED FOR THE PART OF THE YEAR

1.	Mr. N.K. Singhal	53	Executive Vice President	26.08.94	5,34,001	B.E. Hons.(Mech.)	31	Harayana Petrochemicals Ltd.
2.	Mr. D.L. Mehta	67	General Manager (Marketing)	15.06.89	2,23,400	B.E. (Mech.Engg.)	45	Hindustan Petroleum Ltd.
3.	Mr. Jitendra Kumar	61	Officer On Special Duty (ISO 9002)	07.05.92	1,98,113	M.A., ICWA	37	Pasupati acrylon Ltd.
4.	Mr.H.Subharamaniam	48	General Manager (Engineering)	02.08.95	4,20,216	Diploma in (Mech.)	24	SRF Ltd.

NOTES:

- The remuneration as shown above includes salary, contributions to P.F., Contribution to Superannuation and value of perquisites and benefits computed on the basis of the Income Tax Rules, 1962.
- Designation represents the nature of duties of the employees.
- None of the employee is on contractual employment except Sl. No. A(5) & B(3).
- None of the employee is a relative of any Director.

New Delhi
14th July, 1998

Registered office
Sohan Nagar, P.O. Charubeta,
Khatima - 262 308,
Distt. Udham Singh Nagar,
UTTAR PRADESH.

On behalf of the Board

SITARAM SINGHANIA
CHAIRMAN



AUDITORS' REPORT

TO THE MEMBERS OF ESTER INDUSTRIES LIMITED

We have audited the attached Balance Sheet of ESTER INDUSTRIES LIMITED as at 31st March, 1998 and the Profit and Loss Account for the year ended 31.03.1998 annexed thereto and report that:

1. As required by the Manufacturing and other Companies (Auditors' Report) Order 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper Books of account as required by Law have been kept by the Company, so far as appears from our examination of the books.
 - c. The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account of the company.

In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account read together with the notes thereon and subject to :

- (i) Note No.B-5 of Schedule 17 regarding non provision for doubtful debts of Rs.110.57 lacs; and
- (ii) Note No.A-10(a) regarding change in method of providing gratuity liability.

The information required by the Companies Act 1956, in the manner so required and give a true and fair view :

- (i) In so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March, 1998; and
- (ii) In so far as it relates to the Profit and Loss Account of the **PROFIT** of the Company for the year ended on that date.

For **Arun K. Gupta & Associates**
Chartered Accountants

For **Jain Arora Trehan**
Chartered Accountants

Ashok Agrawal
Partner

Rajeev Rastogi
Partner

New Delhi
14th July, 1998

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE REPORT OF EVEN DATE OF THE AUDITORS TO THE MEMBERS OF ESTER INDUSTRIES LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1998.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The Company has a regular programme for physical verification of its fixed assets over a period of three years which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies have been noticed on such verification.
2. During the year none of the fixed assets has been revalued. Refer Note no. A-7 of Schedule 17.
3. Physical verification of stocks of finished goods, stores, spares and raw materials was conducted by the Management during the year and in our opinion, the frequency of verification is reasonable.
4. Procedures for physical verification of stocks followed by the Company are reasonable and adequate, commensurate with the size of the Company and the nature of its business.
5. According to the records produced before us for our verification, no material discrepancies have been noticed on physical verification of stock as compared to the book records.
6. In our opinion, the valuation of stock is fair and proper, in accordance with the normally accepted accounting principles as per test checks carried out by us in this respect.
7. The Company has neither taken nor granted any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. We have been informed that there are no Companies under the same Management as defined under Section 370 (1B) of the Companies Act, 1956.
8. In respect of loans and advances in the nature of loans given by the Company, where stipulations have been made, parties are repaying the principal and interest amount as stipulated.
9. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of business with regard to purchase of stores, raw materials including components, plant and machinery, equipments and other assets and for the sale of goods.
10. In our opinion and according to the information and explanations given to us, the transactions of purchases and sales of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating to Rs.50,000/- or more during the year in respect of each party, have been made at