



SIXTEENTH
ANNUAL REPORT
2001 - 2002

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LISTING OF SECURITIES

THE STOCK EXCHANGE
KAMDENU COMPLEX OPP. SAHAJANAD COLLEGE
PANJARPOLE
AHMEDABAD – 380 015

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

THE CALCUTTA STOCK EXCHANGE ASSOCIATION LTD.
7, LYONS RANGE
KOLKATA – 700 001

THE DELHI STOCK EXCHANGE ASSOCIATION LTD.
DSE HOUSE, 3/1 ASAF ALI ROAD
NEW DELHI – 110 002

THE UTTAR PRADESH STOCK EXCHANGE LTD.
PADAM TOWER, 14/114 CIVIL LINES
KANPUR - 208 001, UTTAR PRADESH

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



| | | |
|--|--|-------------------------|
| BOARD OF DIRECTORS | MR. SITARAM SINGHANIA | CHAIRMAN |
| | MR. I. P. SHROFF | DIRECTOR |
| | MR. M.R. HOSANGADY | DIRECTOR |
| | MR. M.R. SURYA PRAKASH | NOMINEE DIRECTOR (IFCI) |
| | MR. I.L.NAGPAL | NOMINEE DIRECTOR (UTI) |
| | MR. H.S. MAJUMDER | DIRECTOR |
| | MR. V.B. HARIBHAKTI | DIRECTOR |
| | MR. A.P. SARWAN | DIRECTOR |
| | MR. A.K. SINGHANIA | MANAGING DIRECTOR |
| | MR. A.K. NEWATIA | EXECUTIVE DIRECTOR |
| COMPANY SECRETARY | MR. S.K. JAIN | |
| STATUTORY AUDITORS | M/S. S.R. BATLIBOI & ASSOCIATES, 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-1 NEW DELHI - 110 003 | |
| REGISTERED OFFICE & WORKS | SOHAN NAGAR P.O. CHARUBETA KHATIMA - 262 308 DISTRICT UDHAMSINGH NAGAR UTTARANCHAL | |
| REGISTRAR & SHARE TRANSFER AGENTS | MCS LIMITED SRI VENKATESH BHAWAN 212 A SHAHPUR JAT BEHIND PANCHSEEL CLUB NEW DELHI - 110 049 | |



NOTICE

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of Ester Industries Limited will be held on Thursday, the 26th September 2002 at 9.30 a.m. at the registered office of the Company at Sohan Nagar, P.O. Charubeta, Khatima-262 308, District Udham Singh Nagar, Uttaranchal to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as on 31st March 2002 and the Profit and Loss account for the year ended on that date together with the reports of Directors' and Auditors' thereon.
2. To reappoint Mr. H.S. Majumder who retires by rotation and being eligible offers himself for reappointment.
3. To reappoint Mr. V.B. Haribhakti who retires by rotation and being eligible offers himself for reappointment.
4. To consider and, if thought fit, to pass with or without modification (s), the following resolution as an Ordinary resolution: -

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. S.R. Batliboi & Associates, Chartered Accountants, New Delhi be and are hereby appointed as Statutory Auditors of the Company to hold office till the conclusion of the next Annual General Meeting at the remuneration as may be mutually agreed upon between the Board of Directors and the Auditors."

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass

with or without modification (s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions, inter alia of Section 269, 309 and 198 and other applicable provisions, if any, of the Companies Act, 1956 or any modification or re-enactment thereof and subject to the approvals of the Central Government and financial institutions, if required, and such other approvals as may be necessary, the approval of the Company be and is hereby accorded to the re-appointment of Mr. Arvind Kumar Singhania as Whole Time Director designated Managing Director of the Company for a period of 5 years w.e.f. 1st December 2002 and be paid remuneration in the manner and to the extent set out: -

A. Salary Rs. 80,000/- per month w.e.f. 01.12.2002.

B. In addition to salary, Mr. Arvind Kumar Singhania shall be entitled to perquisites and allowances like furnished residential accommodation or house rent allowance in lieu thereof including reimbursement of gas, electricity and water, furnishing and repair, reimbursement of medical expenses and leave travel assistance for self and family, club fees, premium on personal accident insurance and such other perquisites and allowances as may be decided by the Board of Directors subject to the monetary value of such perquisites and allowances being limited to Rs. 9,60,000/- per annum.

C. Mr. Singhania shall also be eligible to the following perquisites, which shall not be included in computation of the



ceiling on remuneration specified above : -

1. Company's contribution to the provident fund, superannuation fund or annuity fund as per the rules of the Company to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
 2. Gratuity payable at the rate of half-a-month's salary for each completed year of service; and
 3. Encashment of leave at the end of the tenure.
- D. The Company shall also provide a car with driver to the Managing Director for Company's business and also telephone at his residence. Personal long distance calls on telephone shall be billed by the Company to Mr. Arvind Kumar Singhania.
- E. The remuneration comprising salary, perquisite and other benefits and allowances of the Managing Director shall be subject to the overall ceiling laid down in Section 198 and 309 Companies Act, 1956 or any modification or re-enactment thereof.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits, Mr. Arvind Kumar Singhania would be paid the same remuneration, perquisites and benefits as above, subject to compliance with the applicable provisions of Schedule XIII of the Act, if and to the extent necessary, with the approval of the Central Government.

RESOLVED FURTHER THAT the Board of Directors (including its Committee constituted for the purpose) be granted

power to grant increments and alter and vary from time to time the amount and type of perquisites to be provided to Mr. Arvind Kumar Singhania, so as not to exceed the remuneration limits as specified in Schedule XIII of the Companies Act, 1956 and settle any question or difficulty in connection therewith or incidental thereto."

By Order of the Board of Directors

New Delhi (S.K.Jain)
21st August 2002 Company Secretary

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 effective must be received at the Registered Office of the Company at Sohan Nagar, P.O. Charubeta, Khatima-262 308, District Udham Singh Nagar, Uttaranchal not less than 48 hours before this Annual General Meeting.
2. The Register of Member and Share Transfer Books of the Company will remain closed from Saturday 21st September 2002 to Thursday 26th September 2002 (both days inclusive).
3. The members are requested to:
 - a. bring their copy of Annual report at the Annual General Meeting.
 - b. **In case shares are held in physical form:** notify immediately the change of address, if any, to the Company at 75-76 Amrit Nagar, Behind N.D.S.E. Part-1, New Delhi - 110 003 or to the Registrar and Share Transfer Agents of the



Company, MCS Limited, Sri Venkatesh Bhawan, 212A Shahpurjat, Behind Panchsheel Club, New Delhi-110 049 quoting their folio number.

except Saturday up-to the date of the Annual General Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

II In case shares are held in dematerialised form: notify to their depository participants, change/correction in their address/bank account particulars, etc. as the Company uses the information provided by Depositories in respect of shares held in dematerialised form.

- c. Send, in case of those members who have multiple accounts in identical names or joints names in same order, all the share certificates to the Registrar and Share Transfer Agents of the Company, MCS Limited at the aforesaid address for consolidation of all such shareholdings 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 required to write to the Company at 75-76 Amrit Nagar, Behind N.D.S.E. Part-1, New Delhi-110 003 at least 7 days before the Meeting so as to enable the Management to keep the information ready. Replies will be provided only at the Meeting.
6. All the 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 the working days

Item no. 5

Mr. Arvind Kumar Singhania was reappointed as Whole Time Director designated Managing Director of the Company for a term of 5 years, which will expire on 30.11.2002. The Board has reappointed him for further of 5 years w.e.f 1st December 2002. Mr. Arvind Kumar Singhania is a graduate in Commerce and has more than 16 years of experience in manufacturing industry and is managing the affairs of the Company since inception.

His appointment was approved by the members at the Annual General Meeting held on 4th September 1997 at a salary of Rs. 40,000/- per month. Considering the inflationary trend and increase in work and responsibilities and also the amount being paid to managerial person occupying similar position in other comparable companies, the Remuneration Committee at its meeting held on 21st August 2002 have deemed fit to fix the limit of salary at Rs. 80,000/- per month w.e.f. 1st December 2002, within the limits specified in Schedule XIII of the Act, as may be amended from time to time.

The reappointment and remuneration payable to Mr. Arvind Kumar Singhania are not within the ceiling laid down under Sections 198, 269 & 309 of the Companies Act, 1956 and are subject to the approvals of the Central Government, financial institutions and members of the Company.

The above statement may be treated as an abstract of term of contract and



memorandum of interest under Section 302 of the Companies Act, 1956.

None of the directors except Mr. Sitaram Singhania, Mr. I.P. Shroff and Mr Arvind Kumar Singhania is, in any way, concerned or interested in the resolution. The Board of Directors of your Company recommends this resolution for your approval.

By Order of the Board of Directors

New Delhi (S.K.Jain)
21st August 2002 Company Secretary

NOTES ON DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AS REQUIRED UNDER CLAUSE 49 VI(A) OF THE LISTING AGREEMENT ENTERED INTO WITH THE STOCK EXCHANGES

At the ensuing Annual General Meeting, Mr. H.S. Majumder and Mr. V.B. Haribhakti retire by rotation and being eligible, offer themselves for reappointment. The term of appointment of Mr. Arvind Kumar Singhania, Managing Director, is expiring on 1st December 2002 and he is to be reappointed for 5 years. The particulars of the Directors are given below:

Mr. H.S. Majumder aged about 80 years is a professional and independent director and is associated with the Company since 1991. Mr. Majumder retired as Deputy Managing Director of State Bank of India. The other directorship of Mr. H.S. Majumder is as follows:

1. Gansons Limited
2. Tata Construction and Projects Limited

Mr. V.B. Haribhakti aged about 73 years is a professional and independent

director and is associated with the Company since 1991. Mr. Haribhakti is a fellow member of the Institute of Chartered accountants of India. He is also member and Chairman of Audit Sub Committee and member of Remuneration Committee of the Board. The other directorship of Mr. V.B. Haribhakti is as follows: -

1. Bajaj Electricals Limited
2. Rohit Pulp and Paper Mills Limited
3. The Simplex Mills Company Limited
4. The Anglo-French Drug Co. (Eastern) Limited
5. Tilaknagar Industries Limited
6. Lakshmi Automatic Loom Works Limited
7. Prudential ICICI Trusrt Limited
8. Hindustan Composites Limited
9. Mutual Mecaplast Limited
10. Haribhakti Financial Services Private Limited
11. Moores Rowland Consulting Private Limited

Mr. Arvind Kumar Singhania aged 38 years and is associated with the Company since 1985. Mr. Singhania is an industrialist having rich experience. The other directorship of Mr. Arvind Kumar Singhania is as under: -

1. Super Leasing Limited
2. Ramona Investment Limited
3. Fenton Investment Limited
4. Anala Finance & Leasing Limited
5. Shirdi Trading & Agencies Limited
6. Rekha Finance & Leasing Limited
7. Acme Investment Limited



DIRECTORS' REPORT

To The Members

Your directors are pleased to present the sixteenth Annual Report together with Audited Statement of Accounts of your Company for the year ended 31st March 2002.

FINANCIAL RESULTS

| | (Rs. in lacs) | |
|---|-------------------------------|-------------------------------|
| | For the year ended 31.03.2002 | For the year ended 31.03.2001 |
| Sales and other Income | 24,120.20 | 25,254.11 |
| Gross Profit before Interest, Depreciation, Write off, Provisions and Tax | 3,672.92 | 2,537.09 |
| Less: Interest & other Financial Expenses | 4,057.82 | 3,693.22 |
| Gross Profit/(Loss) | (384.90) | (1,156.13) |
| Less: Depreciation | 1,931.45 | 1,447.67 |
| Miscellaneous Expenses written off | 6.77 | 12.98 |
| Bad debts, Advances and Irrecoverable balances written off | 19.62 | 1.70 |
| Provision for Doubtful Debts/Advances | 226.92 | 131.63 |
| Provisions for Obsolete Inventories | 207.52 | - |
| Provision for Diminution in Value of Investments | 14.70 | 32.73 |
| Provision for Taxes | 1.46 | 0.79 |
| Net Profit/(Loss) | (2,793.34) | (2,783.63) |
| Add: Balance brought forward | (8,370.82) | (5,587.19) |
| Balance carried to appropriation A/c | (11,164.16) | (8,370.82) |

DIVIDEND

In the absence of profits, your directors do not recommend any dividend.

OPERATIONS

The sales excluding excise duty during the year under review is Rs. 20,990.04 lacs compared to Rs. 22,107.43 lacs in the previous year resulting in a decrease of

5.05%. The main reason for reduction is lower sales value of Chips and by-product Methanol. The sales value of Chips has decreased because the Company decided to decrease the production in the interest of better profitability.

The operating profit before interest, depreciation, write off, provisions and taxes in the year under review is Rs. 3,672.92 lacs as compared to Rs. 2,537.09 lacs in the previous year. The improvement in profitability at the operating level during the year under review has been because of the following factors:

- (i) Reduction in raw material costs
- (ii) Increase in production and sales quantities of Engineering plastics by approximately 40%.

'Other Income' during the year 2000-01 was higher on account of insurance claim related to fire that occurred in April 2000.

During the year under review, the capacity utilisation in respect of Engineering Plastics was significantly higher (approximately 40%) than the previous year. The capacity utilisation in case of Polyester Film remained higher than the installed capacity. It was 106% of the installed capacity during the year under review.

Despite better operating level profit, the company has incurred net loss of Rs. 2,793.34 lacs (Previous Year Rs. 2,783.63 lacs) on account of -

- (i) Higher interest and financial cost
- (ii) Higher depreciation
- (iii) Provision for doubtful debts and advances
- (iv) Provision for obsolete inventory

The prices of Polyester Film in the domestic market are expected to remain volatile in the current year as well because of variation in the prices of inputs and on account of uncertainties emerging from wide spread drought in country and imposition of countervailing duties in USA.

Due to imposition of countervailing duty (anti subsidy and anti dumping) by United States on Indian manufacturers of Polyester Film



including your company, the volume of export to USA decreased substantially during the year under review. However, your company still managed to maintain the export volume in quantitative terms because of the timely decision taken by the management in focusing attention on export markets other than Europe and USA. Your directors are further pleased to report that despite imposition of countervailing duty by Europe/USA, the company has been able to keep itself ahead in successfully fulfilling the export obligation under EPCG scheme.

The Company continues to take various process and cost control measures which have yielded tangible results in improved output and quality, reduced rejection and better conversion efficiencies, all contributing to more economical operations helping the Company to survive despite highly competitive and recessionary market situation. Steps towards energy conservation are being continuously taken to reduce wastage and improve efficiency resulting in reduced energy costs. Your Company continues its focus on development of new products, better product mix, stringent quality control and cost reduction.

STATUS OF REHABILITATION PROPOSAL

The company was registered as a Sick Industrial Undertaking under the provisions of Section 15(1) of SICA on 8th January 2001 and was declared a Sick Industrial Undertaking by the Hon'ble BIFR vide its order dated 22nd October 2001. As per directions of Hon'ble BIFR, the company has submitted a Draft Rehabilitation scheme to the Operating Agency, IDBI and other financial institutions.

LOANS

Subsequent to submission of the Draft Rehabilitation Scheme to the Operating Agency the company has entered into, in the month of April and May 2002, settlement agreements with the foreign institutional lenders namely CDC & DEG.

In view of the company's registration as a Sick Industrial Undertaking under the provisions of SICA, the Uttaranchal High Court has neither formed an opinion nor

given a decision in the matter of winding up petition filed by ICICI Bank Limited under Sections 433, 434 read with 439 of the Companies Act. Since then a settlement has been reached with ICICI Bank Limited regarding its dues. Negotiations are underway with other lenders for settlement of the outstanding dues.

STRIKE

During the year under review, on 9th December 2001 the workers (though not all) commenced an illegal strike demanding bonus at rates higher than the statutory payment due. The strike was not total and the company with the support of workers present, contract labour and staff could ensure uninterrupted production and despatches even during the period of strike, which eventually faded off and was called off after 45 days.

SUBSIDIARY COMPANIES

In pursuance to Section 212 of the Companies Act, 1956, the audited statement of accounts along with the report of the Board of Directors of Ester International (USA) Ltd. and Ester Europe GmbH are annexed.

FIXED DEPOSIT

The Company has not accepted/renewed any deposit during the year.

DIRECTORS

Mr. H.S. Majumder and Mr. V.B. Haribhakti, Directors of the Company retire by rotation as required under the Companies Act, 1956 and being eligible, offer themselves for re-appointment.

Mr. Arvind Kumar Singhania, Whole Time Director designated Managing Director was reappointed by the Board of Directors in the Board Meeting held on 21st August 2002 for 5 years w.e.f. 1st December 2002.

CORPORATE GOVERNANCE

The Company has complied with the mandatory provisions of corporate governance as prescribed in the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance is included as a part of the annual report along with the Auditors' Report on its compliance.



DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, the Directors confirm on the basis of information placed before them by the Management and Auditors: -

1. that in the preparation of the annual accounts for the Financial year ended 31st March 2002, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. that the Company has selected appropriate accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair state of the affairs of the Company at the end of the financial year and of the profit and loss of the Company for the year under review;
3. that the Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that the accounts of the Company for the financial year ended 31st March 2002 have been prepared on a going concern basis.

AUDITORS' REPORT

The Directors' explanation to the qualifications in the Auditors' Report is as under:

- a) Regarding Note No. 1(a) to the Auditors' Report, the Company has already submitted a rehabilitation proposal to the Operating Agency IDBI and the Hon'ble BIFR, which is under their active consideration. Subsequent to submission of the rehabilitation proposal, the Company has been able to enter into Settlement Agreements with three of its lenders namely CDC, DEG & ICICI Bank Ltd.
- b) Regarding Note No. 1(b) to the Auditors' Report, the Company has already taken

steps to resolve the matter of unreconciled difference of Rs. 503.73 lacs with IDBI and arrange account reconciliation/ balance confirmation from GIC and its subsidiaries as well and appropriate effect would be given in the accounts for the next year.

- c) Regarding Note No. 1 in the Annexure to Auditors' Report, the Company has already started the process of updating the fixed assets register and is in the process of formulating a continuing programme for physical verification of fixed assets.
- d) Regarding Note No. 12 in the Annexure to Auditors' Report, the Management has already initiated steps to further strength the existing internal audit system so as to make it commensurate with the size and nature of its business.

AUDITORS

During the year, M/s. Amod Agrawal & Associates and M/s. Sunil Trehan & Associates erstwhile Statutory Auditors had resigned and in their place M/s. S.R. Batliboi & Associates, Chartered Accountants, New Delhi were appointed the Statutory Auditors by the members in the Extra Ordinary General Meeting held on 4th January 2002 who retire at the forthcoming Annual General Meeting and are eligible to be reappointed.

PARTICULARS OF THE EMPLOYEES

There is no employee drawing the salary as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

LISTING OF SECURITIES

The Equity Shares and Preference Shares of the Company are listed at Ahmedabad, Bangalore, Delhi, Kanpur (Regional Stock Exchange), Kolkata and Mumbai. The Company has paid the listing fees for the financial year 2002-03 to all the Stock Exchanges.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING 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 Di-