



# **TWENTY FIRST ANNUAL REPORT 2006-2007**

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## LISTING OF SECURITIES

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

THE STOCK EXCHANGE, MUMBAI  
PHIROZE JEEJEEBHOY TOWERS,  
25<sup>TH</sup> FLOOR, DALAL TOWERS,  
MUMBAI - 400 001



<b>BOARD OF DIRECTORS</b>	MR. A.K. SINGHANIA	CHAIRMAN &
		MANAGING DIRECTOR
	MR. M.R. HOSANGADY	DIRECTOR
	MR. V.B. HARIBHAKTI	DIRECTOR
	MR. A.P. SARWAN	DIRECTOR
	MR. A.K. NEWATIA	DIRECTOR
	MR. PALEM SRIKANTH REDDY	DIRECTOR
	MR. D.K. DOSI	EXECUTIVE DIRECTOR
<b>COMPANY SECRETARY</b>	MR. S.K. JAIN	
<b>STATUTORY AUDITORS</b>	M/S. S.R. BATLIBOI & ASSOCIATES, NEW DELHI	
<b>BANKERS</b>	BANK OF INDIA BANK OF BARODA UNION BANK OF INDIA CANARA BANK STATE BANK OF BIKANER & JAIPUR	
<b>HEAD OFFICE</b>	2 <sup>ND</sup> FLOOR, TOWER A, DLF BUILDING NO. 8 SECTOR-25, PHASE II, GURGAON-122 002, HARYANA	
<b>REGISTERED OFFICE &amp; WORKS</b>	SOHAN NAGAR P.O. CHARUBETA KHATIMA – 262 308 DISTRICT UDHAMSINGH NAGAR UTTARAKHAND	
<b>REGISTRAR &amp; SHARE TRANSFER AGENT</b>	MCS LIMITED SRI VENKATESH BHAWAN W-40 OKHLA INDUSTRIAL AREA PHASE II NEW DELHI – 110 020	

## NOTICE

NOTICE IS HEREBY GIVEN that the 21<sup>st</sup> Annual General Meeting of Ester Industries Limited will be held on Monday, the 17<sup>th</sup> September 2007 at 10.30 a.m. at the registered office of the Company at Sohan Nagar, P.O. Charubeta, Khatima - 262 308, District Udham Singh Nagar, Uttarakhand to transact the following business: -

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as on 31<sup>st</sup> March 2007 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. V.B. Haribhakti who retires by rotation and being eligible offers himself for reappointment;
3. To reappoint Mr. A.P. Sarwan who retires by rotation and being eligible offers himself for reappointment;
4. To appoint Auditors and to fix their remuneration.

### 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 198, 269 and 309 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 appointment of Mr. Dilip Kumar Dosi as Whole Time Director designated as Executive Director of the Company for a period of 3 years w.e.f. 6<sup>th</sup> May 2007 and be paid

remuneration in the manner and to the extent set out: -

- A. Salary Rs. 1,140,000/- per annum.
- B. In addition to salary, Mr. Dilip Kumar Dosi, Executive Director will be entitled to perquisites and allowances like furnished residential accommodation or house rent allowance in lieu thereof, including reimbursement of expenses in respect of gas, electricity and water, reimbursement of medical expenses incurred and leave travel assistance for self and family, club fees, premium on personal accident insurance, performance allowance and such other perquisites and allowances as decided by the Remuneration Committee of the Board of Directors subject to the monetary value of the such perquisites and allowances being limited to Rs. 18,53,000/- per annum .
- C. Mr. Dilip Kumar Dosi, Executive Director will be eligible to the following perquisites, which shall not be included in the computation of aforesaid ceiling on remuneration: -
  1. Contribution to 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 as per the rules of the Company; and
  3. Encashment of leave as per the rules of the Company.

- D. The Company shall also provide a car with driver to the Mr. Dilip Kumar Dosi, Executive 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. Dilip Kumar Dosi. The value of these perquisite will be determined in accordance to the Income Tax Rules, 1962 and/or guidelines issued thereunder.
- In the event of absence or inadequacy of profits, Mr. Dilip Kumar Dosi, Executive Director shall be paid remuneration, perquisites and benefits as stated above, subject to a ceiling as laid down in schedule XIII of the Companies Act, 1956 and approval of the Central Government, if and to the extent necessary."
6. 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 198, 269 and 309 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 appointment of Mr. Arvind Kumar Singhania as Whole Time Director designated as Chairman and Managing Director of the Company for a period of 5 years w.e.f. 1<sup>st</sup> December 2007 and be paid remuneration in the manner and to the extent set out: -
- A. Salary Rs. 2,400,000/- per annum.
- B. In addition to salary, Mr. Arvind Kumar Singhania will be entitled to perquisites and allowances like furnished residential accommodation or house rent allowance in lieu thereof, including reimbursement of expenses in respect of gas, electricity and water, reimbursement of medical expenses incurred 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 the such perquisites and allowances being limited to Rs. 2,400,000/- per annum.
- C. Mr. Arvind Kumar Singhania will be eligible to the following perquisites, which shall not be included in the computation of ceiling on remuneration: -
1. Contribution to provident fund, superannuation fund or annuity fund 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 Chairman and 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. The perquisite value

of these will be determined according to the Income Tax Rules, 1962.

- E. The remuneration comprising salary, perquisite and other benefits and allowance of the Chairman & Managing Director shall be subject to the overall ceiling laid down in Section 198 and 309 of the Companies Act, 1956, or any modification or re-enactment thereof.

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 a ceiling as laid down in schedule XIII of the Companies Act, 1956 and approval of the Central Government, if and to the extent necessary."

By Order of the Board of Directors  
New Delhi (S.K. Jain)  
31<sup>st</sup> July 2007 **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, Uttarakhand not less 48 hours before this Annual General Meeting.
2. The Register of Member and Share Transfer Books of the Company will remain closed from Tuesday 11<sup>th</sup> September 2007 to Monday 17<sup>th</sup> September 2007 (both days inclusive).
3. The members are requested to:

- a. bring their copy of Annual report at the Annual General Meeting.

I **In case shares are held in physical form:** notify immediately the change of address, if any, and bank details to the Company at 2<sup>nd</sup> Floor, Tower A (Adjacent to Infinity Tower), (Next to Ship Building (Gateway Tower), just before Convergys & DLF Square), National Highway – 8, DLF Building No 8, Sector 25, DLF City Phase-II, Gurgaon or to the Registrar and Share Transfer Agent of the Company viz. MCS Limited, Sri Venkatesh Bhawan, W 40 Okhla Industrial Area Phase II, New Delhi-110 020 quoting their folio number.

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 dematerialized for.

- b. 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 Agent of the Company viz. MCS Limited at the aforesaid address for consolidation of all such shareholdings into one account to facilitate better service.
5. Members/proxies should bring the attendance slip duly filled in for attending the Meeting.
  6. Members desiring any information on

the accounts are required to write to the Company at 2<sup>nd</sup> Floor, Tower A (Adjacent to Infinity Tower), (Next to Ship Building (Gateway Tower), just before Convergys & DLF Square), National Highway – 8, DLF Building No 8, Sector 25, DLF City Phase-II, Gurgaon 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.

7. 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 except Saturday up-to the date of the Annual General meeting.

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

**Item No. 5**

Mr. Dilip Kumar Dosi was appointed Whole Time Director designated as Executive Director w.e.f. 6<sup>th</sup> May 2004 for a period of 3 years and his terms of appointment has expired on 6<sup>th</sup> May 2007 by the members of the Company in the Annual General Meeting held on 16<sup>th</sup> September 2004 on a salary of Rs. 900,000/- p.m. with perquisites and benefits to the extent of Rs. 1,857,000/- per annum.

The Remuneration Committee and the Board of Directors respectively at their meetings held on 26<sup>th</sup> April 2007 have reappointed Mr. Dosi for a period of 3 years effective 6<sup>th</sup> May 2007. The Remuneration Committee having considered 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, fixed salary at Rs. 1,140,000/- per annum (Rs. 95,000/- per month) w.e.f. 6<sup>th</sup> May 2007.

Mr. Dilip Kumar Dosi is a Chemical

Engineer and MBA with more than 30 years of rich and varied experience in design, project, marketing, production and general management. Mr. Dosi is associated with the Company since 1992 and was instrumental in implementing the project initially and setting up the second film line in 1997 and the revival of the Company.

The remuneration payable to Mr. Dilip Kumar Dosi shall be subject to Section 198, 269 and 309 of the Companies Act, 1956 and Schedule XIII to the Companies Act, 1956 and the approvals of the members of the Company and financial institutions, if required.

None of the directors except Mr Dilip Kumar Dosi is, in any way, concerned or interested in the resolution.

The Board of Directors of your Company recommends this resolution for your approval.

**Item No. 6**

Mr. Arvind Kumar Singhania was reappointed as Whole Time Director designated Vice Chairman & Managing Director of the Company for a term of 5 years by the members at the Annual General Meeting held on 26<sup>th</sup> September 2002 at a salary of Rs. 80,000/- per month and perquisites. Having considered 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 1<sup>st</sup> November 2004 has deemed fit to increase the limit of salary at Rs. 200,000/- per month w.e.f. 1<sup>st</sup> November 2004 within the limits specified in Schedule XIII of the Act, as may be amended from time to time with perquisites and allowances as mentioned in the resolution.

The Remuneration Committee and the Board of Directors respectively at their meetings held on 26<sup>th</sup> April 2007 have



reappointed Mr. Singhania for a period of 5 years effective 1<sup>st</sup> December 2007 on the same salary at Rs. 2,400,000/- per annum (Rs. 200,000/- per month) with perquisites and benefits to the extent of Rs. 2,400,000/- per annum.

Mr. Arvind Kumar Singhania is a Graduate in Commerce and has more than 21 years of experience in manufacturing industry and is managing the affairs of the Company since inception.

The remuneration payable to Mr. Arvind Kumar Singhania shall be subject to Section 198, 269 and 309 of the Companies Act, 1956 and Schedule XIII to the Companies Act, 1956 and the approvals of the members of the Company and financial institutions, if required.

None of the directors except 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)  
31<sup>st</sup> July 2007 **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. V.B. Haribhakti and Mr. A.P. Sarwan retire by rotation and being eligible, offer themselves for reappointment. The particulars of the Directors are given below:

**Mr. V.B. Haribhakti** aged about 78 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. Anglo French Drugs and Industries Limited
5. Tilaknagar Industries Limited
6. Lakshmi Automatic Loom Works Limited
7. Hindustan Composites Limited
8. Haribhakti MRI Corporate Services Private Limited
9. Moores Rowland Consulting Private Limited

**Mr. A.P. Sarwan** aged about 73 years is a professional and independent director and is associated with the Company since 1991. Mr. Sarwan, IAS, retired as Chief Secretary of Government of Assam. He is also member of Audit Sub Committee. The other Directorship of Mr. A.P. Sarwan is as follows: -

1. Nirma Limited
2. Rubber products Limited
3. Gujrat Hylden Limited

**Mr. Dilip Kumar Dosi** aged about 52 years is a professional executive director and joined the Company as General Manager in 1992. He is also member of Share Transfer Cum Shareholders/ Investors Grievance Committee of the Board. Mr. Dilip Kumar Dosi is not holding the directorship of any other Company.

**Mr. Arvind Kumar Singhania** aged about 43 years is a promoter director. The other Directorship of Mr. Arvind Kumar Singhania is as follows: -

1. Super Leasing Limited
2. Anala Finance and Leasing Private Limited
3. Ramona Investments Private Limited
4. Shirdi Trading and Agencies Private Limited
5. Rekha Finance and Leasing Limited
6. Fenton Investment Private Limited



## DIRECTORS' REPORT

To The Members

Your directors are pleased to present the Twenty First Annual Report together with Audited Statement of Accounts of your Company for the year ended 31<sup>st</sup> March 2007.

### FINANCIAL RESULTS

	(Rs. in lacs)	
	For the year ended 31.03.2007	For the year ended 31.03.2006
Sales and Other Income	31,049.20	27,811.61
Profit before Financial Expenses, Depreciation, Extra Ordinary Items and Tax	1,479.62	247.21
Less: Interest & Other Financial Expenses	1,259.25	836.62
Profit / (Loss) before Depreciation, Extra Ordinary Items and Tax	220.37	(589.42)
Depreciation	1,617.58	1,662.81
Profit / (Loss) before Extra Ordinary Items and Tax	(1,397.21)	(2,252.23)
Exceptional Item: Loss on discarding of Machinery of Chips / Yarn Plant	-	247.22
Profit / (Loss) before Tax	(1,397.21)	(2,499.45)
Fringe Benefit Tax	29.96	27.50
Deferred Tax	(29.68)	(845.68)
Profit / (Loss) after Tax	(1,397.49)	(1,681.27)
Add: Balance brought forward	793.36	2,474.62
Balance Carried to Balance Sheet	(604.13)	793.36
Basic Earnings Per Share (Rupees)	(2.52)	(3.03)
Diluted Earnings Per Share (Rupees)	(2.52)	(3.03)

### DIVIDEND

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

### OPERATIONS

The sales including excise duty and other income during the year under review are Rs.31,049.20 lacs compared to Rs. 27,811.61 lacs in the previous year resulting in an increase of 11.64%. This increase is mainly due to higher price realization in Polyester Film and marginal increase in sales of Polyester Film by 3.88% in volume terms. The production of Polyester Film was higher at 27215 MT as compared to 26063 MT during 2005-06 as a result of modernization of Film Plant # 1. The capacity utilization remained higher than the nameplate capacity at 151%.

Though the sales of Compounded Engineering Plastics increased both in terms of volume and value by 6% and 6.5% respectively, there has been reduction in sales of OFC grade Engineering Plastics both in terms of volume and value by 59.5% and 57%. As a result, overall sale of Engineering Plastics has decreased both in volume and value terms by 16.6% and 13.2% respectively. Reduction in sale of OFC grade Engineering Plastics is on account of change effected vide Finance Budget 2005 whereby certain electronics industries including OFC industry have been allowed duty-free raw material imports. Sales of Polyester Chips has increased in value terms by 4.4% but decreased by 2.5% in volume terms.

The operational performance showed improvement over the last year due to improvement in demand supply situation especially in the domestic market. Modernization and cost reduction initiatives undertaken during the year 2005-06 and the year under review enabled the Company to increase the sales realization and keep the costs under control.

(9)

As a result, the company has posted a lower Net Loss after Tax (PAT) of Rs. 1397.49 Lacs. Despite very competitive market conditions for the second consecutive year, the Company was able to sell entire production, both in the domestic and overseas markets. Exports accounted for 37% of the turnover during the year. Interest and Other Financial Expenses increased during the year under review on account of availment of fresh loans, higher utilization of working capital limits and increase in interest rates.

Details on operations and a view on the outlook for the current year are provided in the 'Management Discussion & Analysis Report'.

#### **MODERNISATION AND PROJECT SCHEMES**

Upon installation of Co-extruder, Company has been able to produce high value added products. Company expects to increase the volume of such Value Added Products resulting into improved performance during the current & ensuing years.

Your Directors are pleased to inform that Company has planned an investment of Rs. 400 Lacs in installing two extruders of combined capacity of 3600 TPA with an objective to expand our presence profitably in the Engineering Plastics Compounds and Blends market in India. Extruders are expected to be commissioned by end of September 2007. This investment will enable the Company to strengthen its Engineering Plastics revenue stream.

#### **COST REDUCTION INITIATIVES**

Cost reduction initiatives namely installation of an Uninterrupted Power Supply System and modernization of Film Line # 1 completed last year have yielded results as envisaged. Company continues to remain focused on Cost reduction.

#### **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 any deposit during the year.

#### **DIRECTORS**

Mr. H. S. Majumder resigned from the directorship of the Company with effect from 26<sup>th</sup> April 2007. The Board placed on record its appreciation of the valuable services rendered by him during his tenure on the Board.

In accordance with the requirement of the Companies Act, 1956 and pursuant to the Article No. 157 of the Articles of Association, two of your directors viz. Mr. V. B. Haribhakti and Mr. A.P. Sarwan, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **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' Certificate 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: -