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ESTER
INDUSTRIES LTD.

**TWENTY SECOND
ANNUAL REPORT
2007-2008**

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Ester International (USA) Ltd.

Ester Europe GmbH

LISTING OF SECURITIES

BOMBAY STOCK EXCHANGE LIMITED

PHIROZE JEEJEEBHOY TOWERS

25TH FLOOR, DALAL STREET

MUMBAI 400 001

THE CALCUTTA STOCK EXCHANGE

ASSOCIATION LIMITED

7, LYONS RANGE

KOLKATA – 700 001



BOARD OF DIRECTORS	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

COMPANY SECRETARY MRS. SHWETA YADAV

STATUTORY AUDITORS M/S. S.R. BATLIBOI & COMPANY, GURGAON

BANKERS	BANK OF INDIA
	BANK OF BARODA
	UNION BANK OF INDIA
	CANARA BANK
	STATE BANK OF BIKANER & JAIPUR

HEAD OFFICE	DLF BUILDING NO. 8, TOWER A, 2 ND FLOOR, DLF CITY, PHASE – II, SECTOR – 25, GURGAON HARYANA – 122 002, INDIA
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REGISTERED OFFICE & WORKS	SOHAN NAGAR P.O. CHARUBETA KHATIMA – 262 308 DISTRICT UDHAM SINGH NAGAR UTTARAKHAND
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REGISTRAR & SHARE TRANSFER AGENTS	MCS LIMITED SRI VENKATESH BHAWAN W- 40 OKHLA INDUSTRIAL AREA PHASE II NEW DELHI – 110 020
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NOTICE

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of Ester Industries Limited will be held on Friday, the 19th September 2008 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 31st March 2008 and the Profit and Loss account for the year ended on that date together with the reports of Directors' and Auditors' thereon.
2. To declare dividend on Equity Shares of Rs. 0.50 per share i.e. 10% on equity share of face value of Rs. 5.00 each.
3. To appoint Mr. Dinesh Kothari as a Director in place of Mr. Palem Srikant Reddy, Director who retires by rotation and though being eligible for re-appointment, has requested to be relieved from his responsibility.
4. To appoint a Director in place of Mr. A.K. Newatia who retires by rotation and being eligible, offers himself for re-appointment;
5. To appoint M/s S.R.Batliboi & Co. , Chartered Accountants, the retiring auditors, to hold office as auditors from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as Ordinary Resolution:

"RESOLVED THAT Mr. M.S. Ramachandran in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 together with a deposit of Rs. 500 (Rupees Five Hundred) as required under the Act, be and is hereby appointed as a Director of the Company and the period of his office is liable to determination by retirement of Directors by rotation."

7. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to Section 269 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the said Act and in continuation of previous approval already granted in the last Annual General Meeting for appointment of Mr. Arvind Kumar Singhania as Managing Director of the Company for a period of 5 years w.e.f. 1st December 2007, approval be and is hereby accorded to pay remuneration in addition to remuneration already sanctioned in the previous Annual General Meeting, by way of commission on profits every year w.e.f. 1st April 2008, as may be determined by the Board from time to time.

RESOLVED FURTHER THAT the total remuneration comprising of salary, perquisites and allowances as approved in the previous Annual General Meeting and commission as approved now shall not exceed 5% of the profits of the Company calculated in accordance with Section 198 and Section 309 of the Companies Act, 1956.

RESOLVED FURTHER THAT the limits stipulated in this Resolution are

the maximum limits and the Board may in its absolute discretion pay a lower remuneration and revise the same from time to time within the maximum limits stipulated by this resolution.

RESOLVED FURTHER THAT in the absence or inadequacy of profits in any financial year, the remuneration payable to a Managing Director by way of salary, perquisites, allowances and commission shall not exceed the maximum limits prescribed under Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT in the event of any re-enactment or recodification of the Companies Act, 1956 or the Amendment thereto, this Resolution shall continue to remain in force and the reference to various provisions of the Companies Act, 1956, shall be deemed to be substituted by the corresponding provisions of the new Act or the amendments thereto or the Rules and notifications issued there under."

8. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to Section 309 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and subject to all permissions, sanctions and approvals as may be necessary, approval of the Company be and is hereby accorded for the payment of commission to the Director(s) of the Company who is/are neither in the whole time employment nor managing director(s), in accordance with and upto the limits laid down under the provisions of Section 309(4) of the Act, computed in the manner

specified in the Act, for a period of 5 years from the financial year commencing 1st April, 2008, in such manner and upto such extent as the Remuneration Committee of the Board may, from time to time, determine.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board and/or Remuneration Committee constituted by the Board be and are hereby authorised to take all actions and do all such deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

9. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT the existing Article No. 4 be and is hereby amended by insertion of new Clause 4(a) and 4(b) after the existing Clause No.4 as under:

4(a) Subject to the provisions of the SEBI (Disclosure and Investors Protection) Guidelines as may be applicable from time to time and with the consent of the Members of the Company at a General Meeting by way of Special Resolution, the Board of Directors of the Company or a Committee thereof duly authorised by the Board of Directors may issue and allot Warrants convertible into the Equity Shares on such rate, terms and conditions to the existing shareholders, general public, or on preferential basis to the promoters, directors, bodies corporate, banks, financial institutions, OCBs, NRIs or such other persons from time to time

on receipt of at least 10% of the face value of the Warrants, as it may think fit. Board of Directors of the Company shall be authorized to make provisions as to the allotment and issue of Warrants and in particular may determine to whom the same shall be offered whether at par or at premium subject to the provisions of the Companies Act, 1956 and all the applicable provisions of the SEBI Guidelines.

4(b) The Company may by special resolution authorise the Board to convert warrants into the equity shares at such rates (including premium), terms and conditions as may be determined by the Board and in accordance with the guidelines issued by the SEBI, Stock Exchange, Central Govt. or other authorities either in single trench or otherwise as per the discretion of the Board.

RESOLVED THAT the existing Article No. 35 be and is hereby amended by insertion of new Clause 35(c) after the existing Clause No.35(b) as under:

35(c) The Board may from time to time subject to the terms on which any warrants convertible into equity shares may have been issued make call upon the warrant holders in respect of the balance amount unpaid on the warrants held by them respectively at the time of providing option for conversion of warrants into the equity shares of the Company and shall be payable at such fixed times by the warrant holder who shall pay the amount of the call made on them at time and places appointed by the Board. In case of failure to exercise the option and make payment thereof, the amount so deposited at the time of allotment of

warrant shall be forfeited by the Board."

By Order of the Board of Directors

For ESTER INDUSTRIES LTD.

Gurgaon
28th July 2008

(Shweta Yadav)

Company Secretary

NOTES

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, which sets out details relating to Special Business to be transacted at the meeting is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO 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 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.**
3. Pursuant to Section 154 of the Companies Act, 1956, the Register of Member and the Share Transfer Books of the Company will remain closed from Tuesday, 26th August 2008 to Friday, 29th August 2008 (both days inclusive).
4. The relevant details of Item Nos. 3, 4 & 6 pursuant to Clause 49 of the Listing Agreement are annexed hereto.
5. The dividend as recommended by the Board of Directors, upon declaration by the members at the 22nd Annual General Meeting, shall be paid to those members whose name appear

on the Register of Members of the Company on 29th August 2008.

In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on the closing hours of business on 25th August 2008 as per the details furnished by the Depositories for this purpose.

6. In view of the circular no. DCC/FIIT/Cir-3/2001 dated October 15, 2001 issued by SEBI, the ECS facility should mandatorily be used by the Companies for the distribution of dividend to its members. Those members holding shares in physical form are requested to send duly filled in ECS form annexed as **Annexure "C"** herewith at the earliest. In case of members holding shares in demat mode, they should furnish details in the prescribed format to their Depositories Participant (DP).
7. The Company is obliged to print such bank details on the dividend warrants as furnished by National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL), "the Depositories" to the Company and the Company can not entertain any request for deletion/change of bank details already printed on the dividend warrant(s) based on the information received from the concerned Depositories, without confirmation from them. In this regard, members are advised to contact their DP and furnish them the particulars of any change desired.
8. Members are requested to notify immediately:

- I **In case shares are held in physical form:** any change in address, if any, to the Company at **DLF Building No. 8, Tower A, 2nd Floor, DLF City, Phase – II, Sector – 25, Gurgaon**

Haryana – 122 002, India 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 dematerialized form:** any change in address, if any, to their depository participants.

9. The members are requested to bring their copy of Annual report at the Annual General Meeting.
10. Members/proxies should bring the attendance slip duly filled in for attending the Meeting.
11. Members desiring any information on the accounts are required to write to the Company at **DLF Building No. 8, Tower A, 2nd Floor, DLF City, Phase – II, Sector – 25, Gurgaon Haryana – 122 002, India** 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.
12. 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. 6

To broaden the base of the existing Board, it is proposed to appoint Mr. M.S. Ramachandran, Former Chairman - Indian Oil Corporation Limited who possesses rich and diversified experience in managing large business enterprises. With his induction as a Director on the Board of

Ester Industries Limited, the Company will be immensely benefited.

None of the Directors of the Company is interested or concerned in this resolution.

The Board of Directors accordingly recommends the resolution set out at Item No. 6 of the accompanying Notice for the approval of the Members.

ITEM NO. 7

Mr. Arvind Kumar Singhania is a Commerce Graduate and had been managing the affairs of the Company for more than 21 years. He was re-appointed as the Managing Director of the Company w.e.f. 1st December 2007 for a period of 5 years with the approval of Shareholders in the 21st Annual General Meeting of the Company. The Board is of the view that keeping in mind his challenging role and enormous responsibility as a Chairman and Managing Director of the Company he should be additionally remunerated by way of commission on profits every year w.e.f. 1st April 2008 in addition to the salary and perquisites as approved in the previous Annual General Meeting.

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 approvals of the members of the Company and financial institutions, if required.

None of the Directors, except Mr. Arvind Kumar Singhania is concerned or interested in this resolution.

The Board of Directors accordingly recommends the resolution set out at Item No. 7 of the accompanying Notice for the approval of the Members.

ITEM NO. 8

The Non Executive Directors are required to devote more time and attention, more

so with the requirements of the revised Corporate Governance Policies. The Board therefore recognizes the need to suitably remunerate the Director(s) of the Company who are neither in the whole time employment nor managing director(s) with such commission upto a ceiling of 1% of the net profits of the Company every year, computed in the manner specified in the Act, or such other limit as may be approved by the Central Government, for a period of 5 years from the financial year commencing 1st April, 2008.

The quantum of the said commission will be apportioned amongst the non-executive Directors commensurate with their respective performance, which will be adjudged by the Remuneration Committee of the Board.

All the non executive Directors of the Company, may be deemed to be concerned or interested in this resolution to the extent of commission that may be payable to them from time to time.

The Board of Directors accordingly recommends the resolution set out at Item No. 8 of the accompanying Notice for the approval of the Members.

ITEM NO. 9

New Clause No. 4(a), 4(b) and 35(c) proposed to be inserted after the existing Clause No. 4 and 35(b) to reflect and to incorporate the provisions relating to the issuance of warrants convertible into the Equity Shares of the Company and for which it is required to seek approval of members by way of Special Resolution.

A draft copy of the Memorandum and Articles of Association of the Company after making proposed amendments have been kept at the Registered Office for inspection.

None of the Directors of the Company is, in any way concerned or interested in this

resolution except, as a Member of the Company.

The Board of Directors accordingly recommends the resolution set out at Item No. 9 of the accompanying Notice for the approval of the Members.

By Order of the Board of Directors

For ESTER INDUSTRIES LTD.

Gurgaon (Shweta Yadav)
28th July 2008 **Company Secretary**

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

The particulars of Mr. Dinesh Kothari, Mr. Ashok Newatia and Mr. M.S. Ramachandran are given below:

A. Mr. Dinesh Kothari, aged about 58 years is a Chartered Accountant by profession. He started his career in 1972 with ICICI Ltd. In October 1974, he joined Bukhatir Group of companies in Sharjah, U.A.E., one of the largest diversified Conglomerates. In his capacity as **Executive Director** of the Group, with a turnover of US\$ 200 Million, he was responsible for the Corporate Planning for expansion and diversification, monitoring the joint venture companies, negotiating new joint venture collaborations, planning the financial structure etc. One of the major deals handled was to do a reverse takeover of a publicly quoted company on London Stock Exchange. After 12 years of service with Bukhatir Group, in 1986, he set up **Interstar Financial Services Ltd.**, in New Delhi, India to provide a wide range of consulting and advisory services to non-resident Indians, resident Indians and

large Indian corporate houses on financial matters. As a part of Interstar's expansion programme, in association with **M/s. New Delhi Law Offices**, a leading law firm in New Delhi, in 1999 set up a Consultancy Firm in the name of New Delhi Corporate Consultancy Services Pvt. Ltd. to provide Legal & Consultancy Services under the same umbrella to the Corporate Sector within the country and abroad. He has also contributed greatly in the education sector by setting up three schools in collaboration with Delhi Public School Society (DPSS) in Jodhpur, Sharjah, U.A.E. and Dubai, U.A.E.

Directorships of Mr. Dinesh Kothari are as follows:-

Sl. No. Name of Company

1. Pearl Engineering Polymers Ltd.
2. Holcim (India) Private Limited
3. Ambuja Cement India Ltd.
4. Aro Granite Industries Ltd.
5. International Print-O-Pac Ltd.
6. Penam Laboratories Ltd.
7. New Delhi Corporate Consultancy Services Pvt. Ltd.
8. Interstar Financial Services Ltd.

Mr. Dinesh Kothari is Chairman of Audit Committee of Pearl Engineering Polymers Limited and Member of Audit Committee of Aro Granite Industries Limited.

He (either own or held by/ for other persons on a beneficial basis) does not have any shareholding in the Company.

B. Mr. A.K. Newatia aged about 66 years is a professional and indepen-

dent director and is associated with the Company since 1994. Mr. Newatia is a Chemical Engineer. He is not holding any directorships/ memberships of committees of any other Company.

He (either own or held by/ for other persons on a beneficial basis) does not have any shareholding in the Company.

- C. Mr. M.S. Ramachandran** aged about 63 years is a Mechanical Engineer by profession and the former Chairman of Indian Oil Corporation Limited. He had been associated with Indian Oil Corporation Limited since 1969 and during his tenure with IOC he had redirected the organization around key business lines with greater commercial focus, capital prudence and market-facing capabilities. As head of the national oil company, he had helped the government

to initiate and implement several crucial policy changes to support deregulation and energy security. He had been honoured with Chemtech-Pharma Bio Hall of Fame Award, 2005 for outstanding contribution to the petroleum and petrochemicals industry.

Directorships of Mr. M.S. Ramachandran are as follows:-

Sl. No. Name of Company

1. Cals Refineries Limited
2. Gulf Oil Corporation Limited
3. Supreme Petrochem Limited

Mr. M.S. Ramachandran is a member of remuneration committee of Gulf Oil Corporation Limited.

He (either own or held by/ for other persons on a beneficial basis) does not have any shareholding in the Company.