



Contents

Ester - At a glance	2
Chairman's Message	4
Management Discussion and Analysis	6
Corporate Information	19
Directors' Report	20
Annexure to Directors' Report	24
Corporate Governance Report	27
Auditors' Report	38
Balance Sheet	42
Profit and Loss Account	43
Cash Flow Statement	44
Schedules to Balance Sheet & Profit and Loss Account	45
Balance Sheet Abstract and Company's General Business Profile	73
Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Company	74
Auditors' Report on Consolidated Financial Statement	75
Consolidated Balance Sheet	76
Consolidated Profit and Loss Account	77
Consolidated Cash Flow Statement	78
Schedules to Consolidated Balance Sheet & Profit and Loss Account	79
Subsidiary's Financial Statement	104
Notice	105



ve

Our DNA at Ester.

Because when the times are tough, we focus on building capabilities, improving processes, optimising costs and thinking creatively.

Because when it comes to execution, we deliver with courage, commitment, passion and excellence.

The result: we are now among India's largest Thin BOPET Film manufacturers.

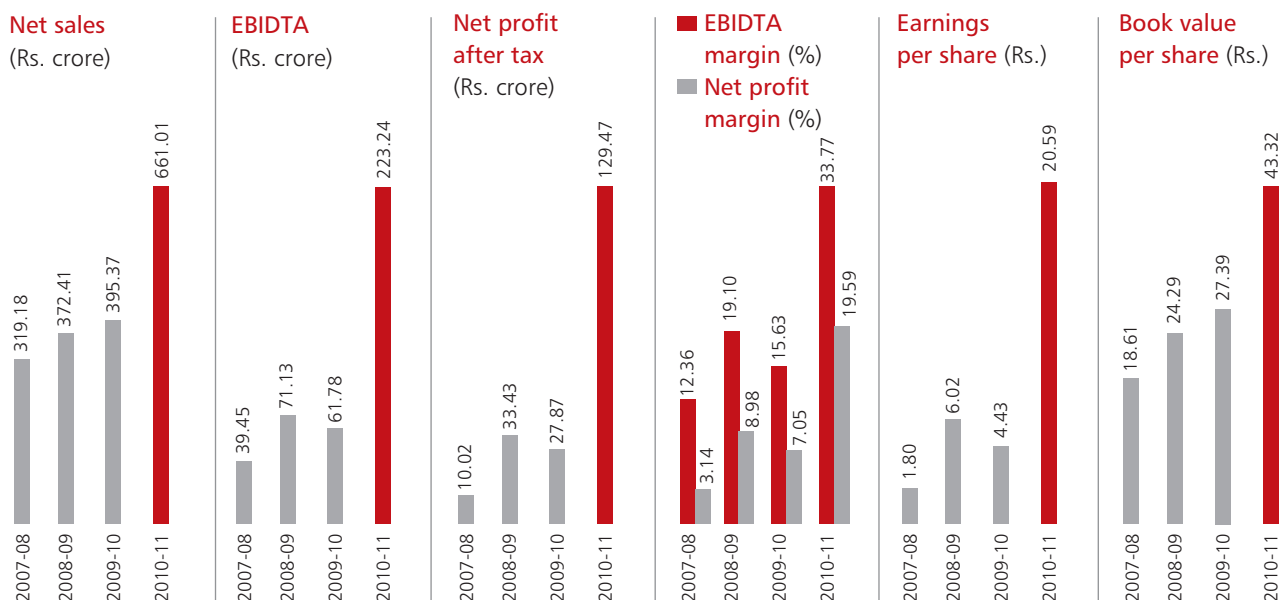


Ester Industries Limited is India's leading integrated manufacturer of Thin Biaxially Oriented Polyethylene Terephthalate (BOPET) Films and a significant player in the field of Engineering Plastics.

✚ Ester manufactures a range of Thin BOPET Films (marketed under the UmaPET brand). Its Engineering Plastics include compounds of PBT, Nylon-6, Nylon-66, Poly Carbonate and ABS, marketed under the Estoplast brand.

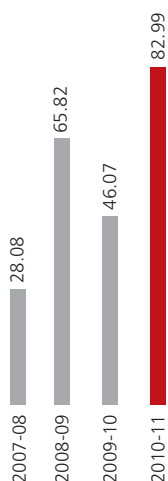
✚ Ester is headquartered in Gurgaon (Haryana, India) with its manufacturing facility in Khatima (Uttarakhand, India). The Company has a customer base across more than 70 countries. The equity shares of the Company are listed on the Bombay Stock Exchange, (BSE) and National Stock Exchange (NSE), India

Past performance at a glance

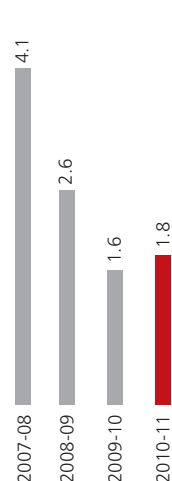




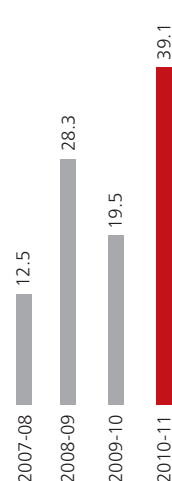
Operating cash flow
(Rs. crore)



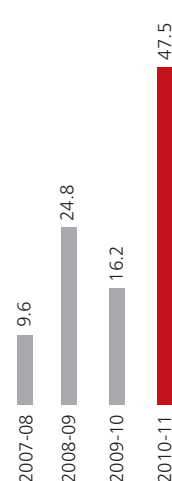
Financial expense/sales
(%)



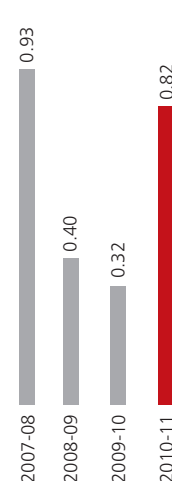
ROCE
(%)



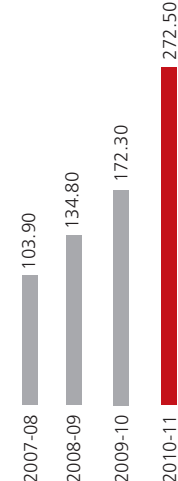
ROE
(%)



Debt-equity
(x)



Equity shareholders' funds
(Rs. crore)





Chairman's message



“Driven by strong demand, and a global shortage in polyester films, 2010-11 was a watershed year for Ester Industries.”

Arvind Kumar Singhania reviews the Company's performance and outlines the road ahead.

Dear Shareholders,



It gives me immense pleasure to present the Annual Report for the year 2010-11 and share with you the highlights of the year and our plans going forward.

The world economy has demonstrated continued recovery post the financial meltdown in 2008, barring a few shocks in the European Union in Greece, Spain and Portugal which, momentarily, threatened to push the world towards a double-dip recession. However, adequate corrective actions taken by the European Union have ensured stable economic scenario and a healthy growth prospects in the future.

Driven by strong demand coupled with global capacity shortages in polyester films, 2010-11 has truly been a watershed year for Ester Industries in many ways. Strategically, with the addition of a new 30,000 MT of polyester film line at our manufacturing site in Khatima, Uttarakhand, India your Company has taken a significant step towards accomplishing its goal of becoming one of the world's leading polyester films company.

Operationally, our Net Sales Turnover increased by 67% from Rs. 39,537 lacs to Rs. 66,101 lacs. The strong demand increase exhibited is another testament of the fact that Ester's products are attractive and sought-after by customers. Financially, our performance in 2010-11 has been outstanding. EBITDA and PAT grew 261% and 365% respectively compared to last year. This has enhanced the efficiency of Ester and increases our financial headroom for the future. The bourses rewarded our performance with Ester's share price peaking to its historical high of Rs. 104.65 per share.

Post our expansion, the Polyester Film capacity now stands at

57,000 MT and Metalised Film capacity at 13,200 MTPA. The Polyester Films business exhibited strong growth of 79% with Net Sales increasing from Rs. 29,177 lacs to Rs. 52,317 lacs driven by increased volumes, higher film price realisation and larger share of exports. Our sales volume has grown from 29,841 MT to 31,377 MT representing 5% growth contributed by better utilisation and new line commissioning in last quarter of financial year. In 2010-11 the Company increased the share of value-added products to 23% up from 17% in 2009-10. Ester also extended its global presence in 2010-11. Our exports presence is now in 75 countries up from 50 countries in 2009-10. For 2010-11 our exports now account for 43% of volume sold & 41% of the Net Sales Turnover

Your Company's strong performance in 2010-11 was also a reflection of underlying structural changes impacting the global thin polyester films industry. Global demand for thin polyester films grew around 8% in 2010-11. Our industry also witnessed a demand supply mismatch with the closure of unviable thin polyester film manufacturing units in high cost developed countries. Several thin film lines also converted to thick film lines in 2010-11.

Similar robust performance was expected to continue through 2011-12 as well. However, the recent ban on the use of plastic films in domestic tobacco products ('gutka') which accounts for 25-30% of domestic sales volume of polyester films, has adversely impacted our business with margins coming under pressure. The matter is sub-judice in the Honorable Supreme Court with a final decision on the ban expected in the second quarter of FY 2011-12.

Ester is navigating this regulatory headwind with our focus on product innovation and development backed by aggressive sales and marketing initiatives to: (a) diversify our customer base; (b) find new export markets and (c) increasing the basket of value-added products in our portfolio to mitigate the low margins on plain polyester films.

The Engineering Plastics Business has demonstrated a 15% growth in 2010-11 with Net Sales increasing from Rs. 6,737 lacs to Rs. 7,733 lacs driven by better price realisation. Engineering polymers are capable of high performance in a variety of environments and are hence being used in applications such as automotive, electrical and electronics appliances. These segments are demonstrating double digit annual growth rates. Overall the Indian Engineering Plastics market is growing at a pace of 15% per annum. During 2010-11 we have further enhanced our capabilities in human resources, sales and marketing and in R&D in the EP business. We are confident of delivering a better performance in EP during 2011-12.

Our balance sheet looks even healthier this year with significant improvement in the shareholders' fund with book value per equity share improving by 58% from Rs. 27.4 to Rs. 43.3. In line with our performance, the Company declared an interim dividend of 40%. The Directors have also recommended a final dividend of 40% making an aggregate dividend of 80% for 2010-11. We will use our earnings and liquidity to drive forward the development of the Company.

Ester's management is committed to delivering sustained profitable growth to its shareholders. Operational excellence is an important focus area in the pursuit of sustainable value creation. Ester's manufacturing operations continue to have a consistent track record in establishing efficiency enhancements that represent major changes in performance and add to the bottom line. We will deliver value to our shareholders through a business plan based on three key elements (a) ensuring cost efficiencies across the entire business value chain, (b) deployment of innovative product marketing strategies to quickly identify and capture high margin value-added products and (c) development of our core organisational capabilities.

Ester assigns very high importance to its customer relationships. This is evident by the introduction of a corporate requirement in 2010 to undertake Net Promoter Score (NPS) surveys to gauge our customer relationship programs and getting a consistently good score on these surveys.

In line with our future growth plans to make Ester a best-in-class business process driven company, Ester's leadership team with assistance from Hay Group – a globally recognised organisational effectiveness consulting firm – reviewed Ester's organisation capabilities to deliver on our growth plans. I am

pleased to share with you two critical organisation wide initiatives which we rolled out in 2010-11.

The first initiative is to enable a high performance culture at Ester through 'business focused' behaviour – aptly named 'The Esterian DNA' – that need to be displayed by every Ester employee as they form the DNA of success at Ester – for every individual and for the Company as a whole. Through a rigorous and research-backed method, Ester's leadership has identified 'The Esterian DNA' which encompass both operational as well as soft skill elements that will be a key differentiator for us as we continue to grow and will play a key role in making our growth story a success.

The second initiative is our new performance management system - 'PACE' (Performance and Capability Enhancement) which captures the essence of our performance management philosophy. The new Performance Management System is designed to:

- + Drive a high performance culture by motivating individuals to 'raise the bar' on performance
- + Put in place a systematic approach for leadership development to meet today's challenge
- + Create a leadership pipeline for future needs of the business
- + Improve organisational performance in the long run by raising the level of performance of all employees
- + Differentiate high performers and reward them adequately
- + Provide a fair and transparent process for managing individual performance
- + Drive employee engagement and communication

Ester strives to be global employer of choice for high performance talent and I am confident that this objective and metrics driven performance management process will be a key enabler in implementing our strategic priorities and in helping us realise our business goals and aspirations. We will build on our culture change program with an emphasis on external orientation, accountability for performance and inspirational leadership. All these elements will be implemented with a focus on collaboration and speed of execution to support the realisation of our strategy and to reach our goals.

I take this opportunity to express my gratitude to all the shareholders for their continued support and confidence in our Company. I am also thankful to my fellow Directors for their support and valuable guidance in our growth story and would also like to thank all our employees, customers, dealers, suppliers and other business associates for their association with Ester.

I look forward to your continued support as we take this company towards a promising future.

Arvind Kumar Singhania
Chairman



Management Discussion and Analysis

Indian economy



India's GDP grew at a healthy 8.6% in 2010-11 as compared to 8.0% in 2009-10 surpassing estimates of an 8.5% growth at the start of fiscal 2010-11.

This growth was largely due to the significant growth in the agriculture sector at 5.4% (0.4% in 2009-10); the services and industrial sectors maintained their previous year growth momentum. The accelerated growth in the industrial sector in the first half of 2010-11 was hit by instability in the capital goods segment in the second half of 2010-11.

The confidence in the Indian growth story was witnessed in the record FII inflows in the economy and the revival in domestic investor confidence which helped the Indian stock markets to regain the pre-crisis record levels. Net capital inflows increased USD 13.7 bn to reach USD 36.7 bn; foreign exchange reserves grew USD 20 bn to cross the USD 300 bn threshold – at about USD 305.49 bn.

Even as the macroeconomic numbers displayed a strong performance, they were marked by significant volatility evident not only in the numbers but also in the sentiments primarily driven by the global clues and policy responses to cater to inflation.

The inflation witnessed a relentless rise during the first half of 2010 and remained in double digits for almost five months of 2010. The uneven monsoon during 2009, domestic supply side constraints coupled with the rising international prices of food grains had pushed the prices of primary food articles, which eventually drove inflation in the manufacturing goods as well as service sectors.

Operational performance

Business segment 1

Thin BOPET films

The product

PET is a versatile plastic used to produce a wide spectrum of packaging material for beverages, food, personal and home care, pharmaceuticals, as well as other consumer and industrial products. PET is a strong, lightweight, non-reactive and inert material. Accordingly PET film is ideal product to protect food, beverages & pharmaceuticals against oxidation and aroma loss so as to achieve long shelf life. Health-safety agencies around the world have approved PET as safe for use with foods and beverages. The PET Film industry comprises of both thin films (50 micron and under) and thick films (above 50 microns)

Global markets

Overview: Global BOPET Film industry is estimated to grow at CAGR of about 8 - 9% over next five years which is higher than the CAGR of about 7% p.a. during 2004-2009. Currently, Asian countries account for the largest market share for BOPET films with 65 -70% of BOPET Films produced and consumed within this region.

Growth and drivers: BOPET film sector is expected to grow at about 8-9% per annum in the next five years primarily on account of

- + Growth in new applications such as LCD's, touch screen panels, smart phones, solar panel back sheets and photovoltaic cells
- + Changes in demography & lifestyle in fast developing and emerging economies

Ester is exploring options to enter into this 'High Growth High Margin' segment of BOPET Films.

Indian markets

Overview: India has an installed capacity of about 400,000 MTPA of Thin BOPET films and accounts for about 17% of the global installed capacity. Over 65-70% of the India's production is consumed domestically while exports account for the balance. Continuous capacity addition over the years strengthened India's position in the global markets. Domestic demand for Thin BOPET film is growing at a CAGR of about 15%. Ester is engaged in the manufacture of Thin BOPET Films.

Growth and drivers: The growth in India is driven by demographic and lifestyle changes (rising middle class population), increasing investments in supermarkets, hypermarkets and organised retail sector. This is resulting in greater demand for sophisticated and attractive high quality printed packaging. Government Regulation to improve quality and safety of the packaged food products continues to enhance demand for Thin BOPET Films.

India's per capita packaging consumption at 0.24 Kgs as compared to 0.80 kgs in the developed economies (worldwide average of about 0.40 kgs) offers tremendous growth opportunities. According to an industry body and Ernst & Young study on the Indian food industry 'Flavours of Incredible India – Opportunities in the Food Industry', (October 2009), investment opportunities in the Indian food industry are set to grow by 42.5% by 2020. This is expected to accelerate the demand for BOPET films.

Thin BOPET Films – the mainstay of Ester

Capacity	Contribution to the Company's revenue	Team	Products
57,000 MTPA as at 31st March 2011	79% during 2010-11	390 members as at 31st March 2011	About 100

Highlights: 2010-11

Shop floor	Innovation	Market place	Project
<ul style="list-style-type: none"> Increased PET chip production by 19.5% from 36,177 tonnes in 2009-10 to 43,219 tonnes Increased BOPET film production by 6.6% from 30,122 tonnes in 2009-10 to 32,116 tonnes Increased metalised film production by 22.6% from 4,936 tonnes in 2009-10 to 6,051 tonnes 	<ul style="list-style-type: none"> Developed new Value Added products like High Barrier Clear Films which offer excellent potential in terms of volume and margins. 	<ul style="list-style-type: none"> Increased sales volume of BOPET films by 5.2% from 29,842 tonnes in 2009-10 to 31,379 tonnes Increased the sales of valued-added films by 43% Extended global presence across 25 nations; taking the global footprint to 75 countries 	<ul style="list-style-type: none"> Commissioned the PET Continuous Polymerisation (CP) plant of 71,000 MTPA in November 2010 Commissioned an additional PET film line with a capacity of 30,000 MTPA in January 2011 Expanded metalising capacity by 7,200 MTPA in November 2010

Overview

Ester is the second largest Thin BOPET Film producer in India in terms of installed capacity. The Company's vertically integrated operations based out of Khatima, Uttarakhand comprise of PET chips, Thin BOPET Films and Metalised Thin BOPET Film manufacturing facilities.

Sold under brand name 'UmaPET', Ester offers a diversified portfolio of Value Added plain and metalised BOPET Films. The Company enjoys long healthy business relations with marquee clients across India. Its global footprint extends over 75 countries including the US, Europe and Latin America.

Ester is the second-largest Thin BOPET film producer in India in terms of installed capacity with a global marketing footprint across 75 countries including the the US, Europe and Latin America.