27th Annual Report 2012-13

Ester Industries Limited

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CORPORATE INFORMATION

BOARD OF DIRECTORS	**MR. ARVIND KUMAR SINGHANIA**	NON - EXECUTIVE CHAIRMAN
	MR. V. B. HARIBHAKTI	DIRECTOR
	MR. A. K. NEWATIA	DIRECTOR
	MR. M. S. RAMACHANDRAN	DIRECTOR
	MR. DINESH CHANDRA KOTHARI	DIRECTOR
	DR. ANAND CHAND BURMAN	DIRECTOR
	MR. P. S. DASGUPTA	DIRECTOR
	MR. PRADEEP KUMAR RUSTAGI	EXECUTIVE DIRECTOR & CFO
	MR. ASHOK KUMAR AGARWAL	EXECUTIVE DIRECTOR - OPERATIONS & PROJECTS

COMPANY SECRETARY

MR. DIWAKER DINESH

STATUTORY AUDITORS

M/S S.R. BATLIBOI & CO. LLP, GURGAON

BANKERS

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

HEAD OFFICE

PLOT NO. 11, BLOCK-A, INFOCITY-I,
SECTOR 33 & 34, GURGAON-122001, HARYANA

REGISTERED OFFICE & WORKS

SOHAN NAGAR, P.O. CHARUBETA
KHATIMA – 262 308, DISTRICT UDHAM SINGH NAGAR
UTTARAKHAND

REGISTRAR & SHARE TRANSFER AGENTS

MCS LIMITED
F-65, OKHLA INDUSTRIAL AREA, PHASE-I
NEW DELHI – 110 020

LISTING OF SECURITIES

BOMBAY STOCK EXCHANGE LIMITED
PHIROZE JEEJEEBHOY TOWERS
25TH FLOOR, DALAL STREET
MUMBAI 400 001

NATIONAL STOCK EXCHANGE OF INDIA LTD.
EXCHANGE PLAZA,
PLOT NO. C/1, G BLOCK,
BANDRA-KURLA COMPLEX, BANDRA (E)
MUMBAI - 400 051

NOTICE

NOTICE is hereby given that the 27th ANNUAL GENERAL MEETING of ESTER INDUSTRIES LIMITED will be held on 30th September, 2013 at 11.30 AM at the Registered Office of the Company at Sohan Nagar, P.O. Charubeta, Khatima - 262308, 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 2013 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 Dr. Anand Chand Burman who retires by rotation and being eligible, offers himself for re-appointment;
3. To appoint a Director in place of Mr. P. S. Dasgupta who retires by rotation and being eligible, offers himself for re-appointment;
4. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:-

   "**RESOLVED THAT** subject to the provisions of Section 224 & 225 and other applicable provisions, if any, of the Companies Act, 1956, M/s. S.R. Batliboi & Associates LLP, Chartered Accountants, be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting in place of the retiring Auditors, M/s S.R. Batliboi & Co. LLP, Chartered Accountants, at a remuneration to be fixed by the Board of Directors

By Order of the Board of Directors
For Ester Industries Limited

Place : Gurgaon
Date : 5th August, 2013

Diwaker Dinesh
Company Secretary

NOTES

1) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE (ON A POLL ONLY) ON HIS/HER BEHALF AND 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-262308, DISTRICT UDHAM SINGH NAGAR, UTTARAKHAND NOT LESS THAN 48 HOURS BEFORE THE MEETING.**

2) The relevant details of Item Nos. 2 and 3 pursuant to Clause 49 of the Listing Agreement are annexed hereto.

3) The Register of Member and Share Transfer Books will remain closed from Monday, 23rd September, 2013 to Friday, 27th September, 2013 for the purpose of Annual General Meeting.

4) In case of Joint holders attending the meeting, only such Joint holder who is higher in the order of names will be entitled to vote.

5) Corporate Members intending to send their Authorized Representative to attend the Meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.

6) 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 Plot No.11, Block-A, Infocity-I, Sector 33 & 34, Gurgaon – 122001 , India or to the Registrar and Share Transfer Agent of the Company viz. MCS Limited, F-65, Okhla Industrial Area Phase I, New Delhi- 110 020 quoting their folio number.

   II. **In case shares are held in dematerialised form:** any change in address, if any, to their Depository Participants

7) Members/Proxies should bring Annual Report along with the attendance slip duly filled in for attending the Meeting. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.

8) Members desiring any information on the accounts are required to write to the Company at Plot No.11, Block-A, Infocity-I, Sector 33 & 34, Gurgaon – 122001, 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.

9) 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.

10) Pursuant to Section 205A and 205C of the Companies Act, 1956, any money transferred to the Unpaid Dividend Account of the Company, which remains Unpaid or Unclaimed for a period of 7 (Seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government and the shareholders shall not be able to claim any unpaid dividend from the said fund from the Company thereafter.

    The Unclaimed and Unpaid final dividend for the year 2004-05, had been transferred to IEPF on 7th November, 2013. The Company had not declared any dividend for financial years 2005-06, 2006-07 and 2011-12.

    Members who have not yet encashed their dividend warrant(s) for the financial year 2007-08 to 2010-11 are requested to claim the amount of dividend from the Company immediately. The details of the said unclaimed/ unpaid dividend are available on the Company's website viz. **www.esterindustries.com** as well as on the website of Ministry of Corporate Affairs viz. **www.iepf.gov.in**.

NOTE ON APPOINTMENT OF M/S. S. R. BATLIBOI & ASSOCIATES LLP, CHARTERED ACCOUNTANTS AS STATUTORY AUDITORS OF THE COMPANY (ITEM NO. 4)

M/s S.R. Batliboi & Co. LLP, Chartered Accountants who retires at this Annual General Meeting has shown its unwillingness for reappointment as Statutory Auditors of the Company and has not offered themselves for reappointment.

Further the Company has received special notice of a resolution from a Member of the Company, in terms of the applicable provisions of the Act, signifying his intention to propose the appointment of M/s. S. R. Batliboi & Associates LLP as the statutory auditors, in place of existing Statutory Auditors, of the Company from the conclusion of this AGM till the conclusion of the next AGM of the Company.

M/s. S. R. Batliboi & Associates LLP has expressed its willingness to act as statutory auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Act.

The Members' approval is being sought for the appointment of M/s. S. R. Batliboi & Associates LLP as the statutory auditors and to authorise the Board of Directors to determine the remuneration payable to them. None of the Directors is concerned or interested in this resolution.

INFORMATION OF DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT

The particulars of Directors seeking appointment/re-appointment as required under clause 49 of the listing agreement are given below:

A. Dr. Anand Chand Burman

Dr. Anand Chand Burman is an eminent Industrialist having expertise in Oncology, Active Pharmaceutical Ingredients and Formulations. He is a leading figure specializing in the area of research and development, invention of new drugs, pharmaceuticals, medicines and chemicals in all or any of the systems of medicines. He is Doctorate in Pharmaceutical Chemistry from University of Kansas, USA.

Directorships of Dr. Anand Chand Burman as on 31st March, 2013 are as follows:

S. No.	Name of the Company
1	Dabur India Limited
2	Dabur Pharmaceuticals Limited
3	Dabur International Limited
4	Dabur UK Limited
5	B. A. Holdings Pvt. Ltd.
6	Dabur Research Foundation
7	Hindustan Motors Limited
8	Puran Associates Pvt. Ltd.
9	ACEE Enterprises
10	Excellent (India) Pvt. Limited
11	Milky Investments & Trading Co.
12	Moonlight Ranch Pvt. Ltd.
13	H & B Stores Ltd.
14	IMB Infrastructures Pvt. Ltd.
15	Vansh Holdings Pvt. Ltd.
16	KBC India Pvt. Ltd.
17	Aviva Life Insurance Company India Ltd.
18	Vic Enterprises Pvt. Ltd.
19	Althea Lifesciences Limited
20	Hero Motocorp Ltd.
21	Windy Investments Pvt. Ltd.

22	M. B. Finmart Pvt. Ltd.
23	A.V.B. Finance Pvt. Ltd.
24	Diwan Chand Medical Services Pvt. Ltd.
25	Hobi Kosmetik
26	Dermoviva Skin Essentials Inc.
27	Diwan Chand Radnet Services Pvt. Ltd.
28	Diwan Chand Integral Health Services Pvt. Ltd.
29	Asia Pacific Healthcare Pvt. Ltd.
30	Windy Finvest Pvt. Ltd.
31	Dabur Securities Pvt. Ltd.

Membership of Dr. Anand Chand Burman in Committees of the Board as on 31st March, 2013 is as follows:

S. No.	Name of the Company	Nature of Committee	Designation
1	Dabur India Limited	Remuneration Committee	Member

Dr. Anand Chand Burman has no relationship with other Directors of the Company. He does not have any shareholding in the Company.

B. Mr. P. S. Dasgupta

Mr. P. S. Dasgupta was admitted to the Delhi Bar Council in the year 1978. He has been engaged in the practice of Law since 1978. He has a vast knowledge and experience of Law in the last over 32 years of legal practice. He is a specialist in structuring and negotiation of Joint Ventures and Foreign Collaborations & devising entry strategies. He counsels on Corporate Laws, Foreign Exchange, Antitrust and Mercantile Laws, Project Contracts, Construction Contracts including Telecom and other Infrastructure Projects and Financing Contracts, Specialized Corporate Litigation, Mergers and Acquisitions, Domestic and International Arbitrations.

Directorships of Mr. P. S. Dasgupta as on 31st March, 2013 are as follows:

S.No.	Name of the Company
1	Cummins India Ltd.
2	Otis Elevator Co. India Ltd.
3	Maral Overseas Ltd.
4	Bhilwara Technical Textiles Ltd.
5	Tricone Projects India Limited
6	Asian Hotels (North) Limited
7	Interstar Financial Services Ltd.
8	Timken India Ltd.
9	Bausch & Lomb Eyecare (India) Pvt. Ltd.
10	Snap-on Tools Pvt. Ltd.
11	Holcim India Pvt. Ltd.
12	Dasgupta Consulting Pvt. Ltd.
13	NDLO Consulting Pvt. Ltd.
14	Kothari Education Infrastructure Pvt. Ltd.
15	Afforce Business Consulting Pvt. Ltd.

Membership of Mr. P. S. Dasgupta in Committees of the Board as on 31st March, 2013 is as follows:

S. No.	Name of the Company	Nature of Committee	Designation
1	Cummins India Ltd.	a) Finance and Audit Committee b) Shareholders/ Investors Grievance Committee	Member Member
2	Tricone Projects India Ltd.	a) Audit Committee	Member
3	Otis Elevator Co. I. Ltd.	a) Audit committee b) Shareholders/ Investors Grievance Committee	Member Member
4	Timken India Ltd.	a) Remuneration Committee b) Audit Committee	Member Chairman
5	Maral Overseas Ltd.	a) Remuneration Committee b) Audit Committee	Member Member
6	Bhilwara Technical Textiles Ltd.	a) Shareholders/ Investors Grievance Committee b) Remuneration Committee c) Audit Committee	Chairman Chairman Member

Mr. P. S. Dasgupta has no relationship with other Directors of the Company. He does not have any shareholding in the Company.

By Order of the Board of Directors
For Ester Industries Limited

Place : Gurgaon
Date : 5th August, 2013

Diwaker Dinesh
Company Secretary

CHAIRMAN'S MESSAGE

Dear shareholders,

I am pleased to present the Annual report for the financial year 2012-13 and share with you the developments and progress.

The year 2012-13 has been quite challenging as the world economy continues to endeavor to stabilize at marginal growth levels. While certain developed economies (especially the Eurozone) grappled with their financial woes, there were indications of a recovery in North America. However the growth in emerging markets was slower than expected. Areas such as Africa and the Middle East continue to address challenging socio-political conditions.

India was also affected by the global uncertainties. India's GDP grew at a rate of 5% in 2012-13 as compared to 6.9% in 2011-12, the lowest in a decade. There is a significant economic slowdown, primarily due to deceleration in industrial growth, more specifically in private investment. Rising cost of credit and weak domestic business sentiment, added to this decline. Taking a macro view of the overall economy and keeping in mind the difficult global environment, the RBI expects the GDP growth in 2013-14 to be around 6.1 – 6.7%.

The year 2012-13 presented many challenges to the BOPET Film SBU (Strategic Business Unit) due to demand supply mismatch due to over capacity additions and subdued economic growth in global markets. Additional global capacities commenced production coupled with a weak demand environment had a significant impact on pricing in the second half of the year.

Ester maintained its focus on value added and specialty products through the year and delivered a volume growth of 18% on this portfolio. The share of the value added product portfolio increased from 18% to 21% of the overall business and thereby partially mitigated the challenges of the operating environment. Ester's R&D efforts enabled the launch of two new products which were well accepted by select markets. Ester strengthened its efforts towards long term partnerships with key customers and the response has been very encouraging. Ester endeavored to build on a portfolio of developmental projects with key FMCG players via a process of co-creation based on consumer insights.

The relentless focus on cost leadership continued in 2012-13. An investment was made in another biomass fired boiler to meet

the energy needs of our manufacturing facility, which would be commissioned in the following year. Further, a reclaim extruder was installed in our largest film production line which resulted in a 40% reduction of the accumulated reclaim.

The Engineering Plastics SBU staged a significant recovery in 2012-13, recording a material sales growth of around 50%, much ahead of Industry growth. Focused customer acquisition process and improved product range enabled us to enhance the active customer base by ~ 50%. Approvals were secured from various OEMs in the automotive, electrical and appliances industries. Efforts towards development of cost-effective formulations yielded desired results in the increasingly competitive market environment.

We plan to maintain our aggressive growth strategy in 2013-14 and have planned for capacity enhancement to support our growth aspirations. We expect to further improve our performance, with respect to sales as well as profitability, by continuing to focus on new product/application development, consistent product quality and rapid response to customer needs.

The Specialty Polymers SBU made material progress by way of developing the Polyester grades, PEN (Poly Ethylene Naphthalate) & Specialty PBT (Poly Butylene Terephtahlate). Developmental efforts in partnership with global companies have been put into place to expedite the product trials & qualifications. Hot-fill PET, Dish-washable PET & EBM PET are other products which are expected to pave the forward for volume growth in this business. Ester has also developed specialty PET grades based on PCR (Post Consumer Recycled) PET.

Recession in Europe has globally affected the PET rigid packaging market. Demand for rigid packaging is growing uniformly at a CAGR of 10%, in spite of a significant growth in recycling. The interest in recycling and sustainability is seen to be increasing with many entities devoting resources to work on bio derived monomers.

Ester is concerned for the environment and is committed to sustainability. Our focus in this area is evident by the following efforts:

1. Commercial launch of PCR (Post Consumer Recyled) BOPET films.
2. Usage of bio-mass to replace fossil fuels.
3. Increasing usage of bio-based raw material.
4. Exploring and experimenting with ox—biodegradable BOPET films.

You will be happy to note that as a result of these efforts, Ester has reduced its carbon footprint (fossil fuel consumption per unit) by more than 80% over the last ten years and we endeavor to further reduce the same in the coming years. I remain personally involved in all efforts related to sustainability.

While the journey around people initiatives continued, the year 2012-13 witnessed efforts enabling change management. The robust implementation of our Performance Management System (PACE) combined with the deployment of the Ester Competency Framework (Esterian DNA) challenged the team to not only bring about a positive change in their behaviors, but also brought about an appreciation for results rather than efforts. This was made possible by executing a road map which included regular communication and engagement with employees at various levels and structured training interventions. With an objective of creating a talent pool, we plan to take our people development initiatives to the next level by introducing High Potential management and Succession Planning programs.

Going forward, the two strategic priorities are profitable growth and sustainability. To progress this critical agenda, Ester would continue to focus on developing a robust customer portfolio, long term sales agreements and product mix. Long term and productive relationships with key accounts (whose priorities are aligned with Ester's innovation and development efforts) will determine the customer portfolio. The developing product mix will focus on specialty products and customized solutions for valued customers. Ester aspires to be the solution provider of choice.

I would like to take this opportunity to thank all stakeholders, including my fellow directors for their support and guidance.

I look forward to your confidence and engagement as we take our company towards a promising future.

With regards,

Arvind Kumar Singhania
Chairman

DIRECTORS' REPORT

To The Members

Your directors are pleased to present the Twenty Seventh Annual Report together with Audited Statement of Accounts of your Company for the year ended 31st March 2013.

FINANCIAL RESULTS

(Rs. in lacs)

	For the year ended 31.03.2013	For the year ended 31.03.2012
Sales and Other Income	**96442.59**	74785.38
Profit before Financial Expenses, Depreciation and Tax	**4724.44**	4106.41
Less: Interest & Other Financial Expenses	**2646.81**	3549.48
Profit / (Loss) before Depreciation, Extra Ordinary Items and Tax	**2077.63**	556.93
Depreciation	**2858.52**	2653.54
Profit / (Loss) before Tax	**(780.89)**	(2096.61)
Deferred Tax	**(253.90)**	(704.70)
Profit / (Loss) after Tax	**(526.99)**	(1391.91)
Balance brought forward from previous year	**12373.89**	13765.80
Appropriation : General Reserve	**–**	–
: Dividend & Tax on Dividend	**–**	–
Balance Carried to Balance Sheet	**11846.90**	12373.89
Basic Earnings Per Share (Rupees)	**(0.84)**	(2.21)

DIVIDEND

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

OPERATIONS REVIEW

The Gross Revenue from operations during the year under review is Rs. 96,442.59 lacs as compared to Rs. 74,785.38 lacs in the previous year, an increase of 29%. The increase is primarily on account of higher sales volume of Polyester Chips, Engineering Plastics and Specialty Polymers. Though the sales volume of Polyester Films decreased marginally, revenues of Polyester Film increased by 5.9%. The margins in the Polyester Film business remained under pressure due to an adverse demand supply situation caused by commissioning of further new capacities in 2012-13. The collective demand for Polyester Film in India in FY 2012-13 and FY 2011-12 increased to such an extent that all the loss of demand caused in the domestic market due to the ban on use of Plastics Films in packing of Pan Masala and Gutkha during FY 2010-11, was more than recovered. To mitigate the effect of loss of sales volumes due to the aforesaid ban and cyclicality in its markets, the Company continued to focus on increasing the proportion of Value Added and specialty products in its portfolio and also initiated engagements with key accounts to ink long term sales agreements indexed to the raw material. The sales of

Value Added products and Specialty films increased from 8898 MT in 2011-12 to 10493 MT in 2012-13

To counter the threat of cheaper imports of Engineering Plastics in CFL segment, development of cost effective formulations yielded the desired results and the Company could regain erstwhile lost market share. The Company witnessed a material growth of 49% in sales of Engineering Plastics products. Consequently, the Net Sales of Engineering Plastics increased from Rs. 7,036.84 lacs to Rs. 10,528.07 lacs.

As a result of a focused strategy adopted by the management, the sales of Polyester Chips increased by about 180% both in quantity and value terms.

The Company's initiative to diversify into Specialty Polymers is on track and is likely to yield good results in the following years. The Sales volume of Specialty Polymers increased from 472 MT in FY2011-12 to 2241 MT in FY2012-13, an increase of 375% with corresponding sales value increasing from Rs. 568.98 lacs to Rs. 3983.68 lacs.

As a result of various initiatives and capacity expansions over the last five years, the Net Sales have grown at a CAGR of 22% pa, viz from Rs. 31,918.21 lacs in FY2007-08 to Rs. 87,129.44 lacs in FY2012-13.

The production of Polyester Film was marginally lower at 50,076 MT as compared to 51,744 MT during the year 2011-12. The capacity utilization in Polyester Films was approx. 88%, which is a good performance considering that the capacity was enhanced in FY 2010-11.

Pursuant to the clarification issued by Ministry of Corporate Affairs, Government of India dated 9th August 2012, the foreign exchange fluctuation on foreign currency borrowings for Capital goods has been capitalized. Interest and financial expenses during the year under review were 2.99% of Net Sales with overall leveraging at prudent levels of 1.48.

Subsequent to the registration of Bio-mass based Thermal Energy generation project of the Company by the Executive Board of the Clean Development Mechanism (CDM) under United Nations Framework Convention on Climate Change in its meeting dated 15th April 2011, the Company has started to earn Certified Emissions Reductions (CERs) with effect from November 2010. As the Company is aware of ongoing global environment concerns, it has committed to enhance its Thermal Energy generation capacity by installing an additional Bio-mass based Thermal Energy generation project of 10 million kilo calories during FY2013-14 to reduce its dependence on Furnace Oil based thermal energy generation.

Details on operations, a view on the outlook for the current year and various strategies (internal and external) adopted by the Management are provided in the 'Management Discussion & Analysis Report' which forms an integral part of this Annual Report.

CORPORATE OFFICE BUILDING

During the year under review, the Company moved its Corporate Office from a rented premises in the Central Business District of Gurgaon to a self owned premises in the upcoming area of Infocity, Gurgaon.

DEBOTTLENECKING AND MODERNIZATION PROJECTS

The Company has undertaken to invest about Rs. 60 crores during FY 2013-14 in various initiatives that will enhance capability / capacity to increase production of Value Added products, reduce Power & Fuel cost and improve operating efficiency. By the end of FY2013-14, Company would be commissioning additional extrusion capacity of 8000 MT per annum in Engineering Plastics. With this expansion, the operating capacity in Engineering Plastics will increase from 8500 MT per annum to 16500 MT per annum.

SCHEME OF ARRANGEMENT

Ester Industries Limited (Transferee) has entered into a Scheme of Amalgamation with M/s. Sriyam Impex Private Limited (Transferor). Your directors have already approved the Scheme. After the implementation of the Scheme, M/s. Sriyam Impex Private Limited will be merged into your company. The Company has obtained 'No Objection Certificates' from NSE and BSE as per Listing Agreement and as on date, the company is in process to file the petition to Hon'ble High Court of Uttarakhand.

SUBSIDIARY COMPANIES

Pursuant to Circular no. 2/2011 dated 8th February, 2011 of Ministry of Corporate Affairs (MCA), the Company has not attached Annual Accounts and other statutory reports of Ester International (USA) Limited (Subsidiary of Ester Industries Limited) for financial year 2012-13, subject to compliance of conditions stated in the Circular.