

ESTER

INDUSTRIES LTD.

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THIRTEENTH ANNUAL REPORT 1998-99

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LISTING OF SECURITIES

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

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

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

THE DELHI STOCK EXCHANGE ASSOCIATION LIMITED
WEST PLAZA – I, I.G. STADIUM
INDRAPRASTHA ESTATE
NEW DELHI – 110 002

THE UTTAR PRADESH STOCK EXCHANGE ASSOCIATION LIMITED
PADAM TOWER, 14/113 CIVIL LINES
KANPUR – 208 001,
UTTAR PRADESH

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

BOARD OF DIRECTORS	MR. SITARAM SINGHANIA	CHAIRMAN
	MR. I. P. SHROFF	DIRECTOR
	MR. M.R. HOSANGADY	DIRECTOR
	MR. R.G. NIRMAL	NOMINEE DIRECTOR (IFCI)
	MR. I.L. NAGPAL	NOMINEE DIRECTOR (UTI)
	MR. TURAN CAGLAYAN	NOMINEE DIRECTOR (DEG)
	MR. G. SABARINATHAN	NOMINEE DIRECTOR (CDC)
	MR. H.S. MAJUMDER	DIRECTOR
	MR. V.B. HARIBHAKTI	DIRECTOR
	DR. R. C. VAISH	DIRECTOR
	MR. A.P. SARWAN	DIRECTOR
	MR. A. K. SINGHANIA	MANAGING DIRECTOR
	MR. A. K. NEWATIA	EXECUTIVE DIRECTOR
COMPANY SECRETARY	MR. SANJAY KUMAR JAIN	
STATUTORY AUDITORS	M/S. ARUN K. GUPTA & ASSOCIATES, NEW DELHI M/S. JAIN ARORA TREHAN, 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-I NEW DELHI – 110 003	
REGISTERED OFFICE & WORKS	SOHAN NAGAR P.O. CHARUBETA KHATIMA – 262 308 DISTT. UDHAMSINGH NAGAR UTTAR PRADESH	
REGISTRAR & SHARE TRANSFER AGENTS	MCS LIMITED SRI VENKATESH BHAWAN 212 A SHAHPUR JAT BEHIND PANCHSHEEL CLUB NEW DELHI – 110 049	

NOTICE

NOTICE IS HEREBY GIVEN that the 13th Annual General Meeting of Ester Industries Limited will be held on Thursday, the 16th September, 1999 at 9.30 a.m. at the registered office at Sohan Nagar, P.O. Charubeta, Khatima - 262 308, District Udham Singh Nagar, Uttar Pradesh to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as on 31st March, 1999 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 Mr. M. R. Hosangady who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Mr. H. S. Majumder 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 pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s Amod Agrawal & Associates, Chartered Accountants, New Delhi and M/s. Sunil Trehan & Associates, Chartered Accountants, New Delhi be and are hereby appointed as joint Statutory Auditors in place of M/s Arun K. Gupta & Associates, Chartered Accountants and M/s Jain Arora Trehan, Chartered Accountants 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 an ordinary resolution:

"RESOLVED THAT pursuant to the provisions, *inter alia*, of Section 257 of the Companies Act, 1956 and Article 157 of the Articles of Association of the Company, Mr. Turan Caglayan be and is hereby appointed Director of the Company, liable to retire by rotation."

6. 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, *inter*

alia, of Section 257 of the Companies Act, 1956 and Article 157 of the Articles of Association of the Company, Mr. G. Sabarinathan be and is hereby appointed Director of the Company, liable to retire by rotation."

By order of the Board of Directors

New Delhi
30th July, 1999

(S. K. Jain)
Company Secretary

Registered Office:

Sohan Nagar, P.O. Charubeta,
Khatima - 262 308,
Distt. Udham Singh Nagar,
Uttar Pradesh

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 be effective must be received at Sohan Nagar, P.O. Charubeta, Khatima - 262 308, Distt. Udham Singh Nagar, Uttar Pradesh not less than 48 hours before this Annual General Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 11th September, 1999 to Thursday, the 16th September, 1999 (both days inclusive).
3. The members are requested to : -
 - a. bring their copy of Annual Report at the Annual General Meeting.
 - b. 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, Srivenkatesh Bhawan, 212 A, Shahpurjat, Behind Punchsheel Club, New Delhi - 110 049 quoting their folio number.
 - c. send, in case of those members who have multiple accounts in identical names or joint names in same order, all the share certificate to the Registrar and Share Transfer Agents of the Company, MCS Limited at the aforesaid address for consolidation of all such shareholding 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 requested to write to the Company at 75-76, Amrit Nagar, Behind N.D.S.E. Part - 1, New Delhi - 110 003 atleast one week 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 except Saturdays upto the date of the Annual General Meeting.
7. By virtue of an amendment in the Companies Act, 1956, every shareholder is now entitled to nominate a person to whom his shares in the Company shall vest in the unfortunate event of his death.
 - a) Nomination by Joint Holder: where the shares are held jointly by two persons, the joint holders may together nominate a person to whom all rights in the shares shall vest in the event of death of both the joint holders. It may be noted that nomination of separate persons by the joint holders is not permitted.
 - b) Nomination of a minor: where the nominee is minor, the shareholder may appoint any person to become entitled to the securities in the event of his death during minority.

The Shareholders who want to avail of the facility of nomination may send in their nomination in form 2B prescribed under the Companies Act, 1956. A specimen of the said form is appended to the notice as Annexure 'I'.

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

Item No. 4

The Company's Auditors, M/s Arun K. Gupta & Associates, Chartered Accountants and M/s Jain Arora Trehan, Chartered Accountants retire at the forthcoming Annual General Meeting and they have expressed their unwillingness vide their letters dated 29th July, 1999 to be re-appointed as auditors of the Company due to their preoccupation.

M/s Amod Agrawal & Associates, Chartered Accountants, New Delhi and M/s Sunil Trehan & Associates, Chartered Accountants, New Delhi have expressed their willingness

vide their letters dated 29th July, 1999 to be appointed joint Statutory Auditors of the Company and they have furnished a certificate that their appointment, if made, will be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

None of the Director 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. 5

DEG-Deutsche Investitions Und Entwicklungsgesellschaft mbH (DEG), Germany, with whom the Company has signed the Subscription Agreement dated 15th January 1997, has nominated Mr. Turan Caglayan in place of Mr. Stefan Pockrandt, as their representative on the Board of the Company in pursuance of Article 3 of the said Agreement. Mr. Turan Caglayan was appointed as an additional director w.e.f. 27th April, 1999 pursuant to the provisions contained in Article 143 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. According to the provisions of the said Article and the Act, he holds office upto the date of this Annual General Meeting.

As required under Section 257 of the said Act, Notice has been received together with necessary deposit from the member of the Company signifying his intention to propose Mr. Turan Caglayan as a candidate for the office of the Director.

None of the Director except Mr. Turan Caglayan 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

Commonwealth Development Corporation (CDC) has subscribed to 2000 foreign currency convertible bonds (FCCB) of USD 5000 each issued by the Company. Therefore, CDC has nominated Mr. G. Sabarinathan as their representative on the Board of the Company. Mr. G. Sabarinathan was appointed as an additional director w.e.f. 30th July, 1999 pursuant to the provisions contained in Article 143 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. According to the provisions of the said Article and the Act, he holds office upto the date of this Annual General Meeting.



As required under Section 257 of the said Act, Notice has been received together with necessary deposit from the member of the Company signifying his intention to propose Mr. G. Sabarinathan as a candidate for the office of the Director.

None of the Director except Mr. G. Sabarinathan 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
30th July, 1999

(S. K. Jain)
Company Secretary

Registered Office:
Sohan Nagar, P.O. Charubeta,
Khatima – 262 308,
Distt. Udham Singh Nagar,
Uttar Pradesh



FORM 2 B

(See Rules 4 CCC and 5D)

Nomination Form

(To be filled by individual applying singly or jointly)

I/We.....and..... the holders of shares/debentures/fixed deposit bearing Folio no./Receipt no. @..... of M/s. Ester Industries Ltd. wish to make a nomination and do hereby nominate the following persons in whom all rights of transfer and/or amount payable in respect of shares/debentures/deposits shall vest in the event of my/our death.

Name and Address of Nominee

Name.....

Address.....

Date of Birth*.....

* To be furnished in case the nominee is a minor

** The Nominee is a minor whose guardian is (Name and Address.....)

.....)

(** To be deleted if not applicable)

Signature.....

Signature.....

Name.....

Name.....

Address.....

Address.....

.....

.....

.....

.....

Date.....

Date.....

Signature of two witnesses

@delete whichever is not applicable

Name and Address

Signature with date

1.

2.

Instructions:

1. Nomination can be made by individuals only applying/holding shares/debentures on their own behalf singly or jointly upto two persons. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of power of attorney cannot nominate. If the shares are held jointly, all joint holders will sign the nomination form.
2. A minor can be nominated by a holder of shares/debentures/deposits and in that event, the name and address of the Guardian shall be given by the holder.
3. The nominee shall not be a trust, body corporate, partnership firm, Karta of HUF or a power of attorney holder. A Non Resident Indian can be a nominee on re-patriable basis.
4. Nomination stands rescinded upon transfer of shares/debentures or repayment/renewal of deposits made.
5. Transfer of shares/debentures in favour of a nominee and repayment of amount of deposit to nominee shall be valid discharge by the Company against the legal heir.



DIRECTORS' REPORT

TO THE MEMBERS

Your Directors are pleased to present the Thirteenth Annual Report together with the Audited Statement of Accounts of your Company for the year ended 31st March 1999

FINANCIAL RESULTS

	For the year Ended 31.03.1999 (Rs. in lacs)	For the year Ended 31.03.1998 (Rs. in lacs)
Sales & other Income	2,08,69.13	1,92,74.69
Gross Profit before Interest, Depreciation, Tax & Write offs	17,59.44	32,68.68
Less : Interest	30,50.20	23,57.97
Gross Profit/(Loss)	(12,90.76)	9,10.71
Less: Depreciation	13,75.22	8,71.86
Miscellaneous Expenditure		
Written off	19.11	10.64
Provision for Taxes	0.99	1.91
Net Profit/(Loss)	(26,86.08)	26.30
Less: Prior Period Adjustments	29.84	2,03.43
Add : Balance brought forward	26,20.71	29,00.59
Balance carried to Appropriation Account	(35.53)	31,30.32
Less :Amount transferred to FCCB Redemption Reserve	0.00	4,54.00
Amount transferred to Capital Redemption Reserve	0.00	55.61

DIVIDEND

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

OPERATIONS

The sales excluding excise duty during the year under report is Rs. 1,72,93.85 lacs compared to Rs. 1,53,97.24

lacs in the previous year resulting an increase of 12.32%. Operating Profits before Interest, Depreciation and Taxes in the year under report is Rs. 17,59.44 lacs as compared to Rs. 32,68.68 lacs in the previous year i.e. a decrease of 46.17%. Despite better production and sales volume, the Company has incurred net loss of Rs. 26,86.08 lacs because of the severe recessionary trends and poor market conditions experienced for the second successive year. During the year under review, the production and sales of all the products except yarn have increased significantly vis-à-vis the previous year as shown below:

Item	For the year Ended 31.03.1999	For the year Ended 31.03.1998	% increase/ (decrease)
PRODUCTION (MT)			
Chips	34379	27189	26
Film	11700	7347	59
Yarn	5795	5822	-
Engg.Plastics	935	674	39
Methanol	11302	8273	37
SALES(MT)			
Chips	16672	12481	34
Film	11819	6987	69
Yarn	5706	5825	(02)
Engg.Plastics	934	663	41
Methanol	11289	8383	35

The Company continued to take various process and cost control measures which have yielded tangible results in improved output and quality, reduced rejections and better conversion efficiencies, all contributing to more economic operations enabling the Company to survive despite highly competitive and recessionary market situation.

During the year, the Company continuously faced downward trend in the prices of finished goods. However, with timely steps taken by the Management the impact of unfavourable conditions was minimised. The depressed market situation continues both domestically and internationally. However, your Directors are optimistic that the economic situation will soon get stabilised providing opportunity for enhanced utilisation of the film line capacity and the Company will get benefit from the additional value additions.

During the year, the domestic and international prices of raw materials, DMT/MEG continued to decline. However, the decline in the prices of finished goods was higher than the reduction in the prices of raw materials resulting in the margins remaining under tremendous pressure throughout the year.

The impact of the 1999-2000 Union Budget has generally been positive with the removal of 5% restriction on MODVAT availability and marginal reduction in import duty on the various raw materials.

Your Company continues its focus on development of new products, better product mix, stringent quality control and cost reduction. This is expected to help improve performance.

EXPORTS

During the year under review, your Company exported 5555 MT of Film of value Rs.34.68.41 lacs as compared to an export of 3112 MT of value Rs. 24,17.23 in the previous year. It indicates a 79% increase in export volume and 45% increase in value. The percentage increase in export value vis a vis export volume was lower because of unusual situation of reducing price trend due to increased competition in international markets.

Despite general recession, your Company was able to increase the volume of exports and it is gratifying to note that the Company could fulfill the export commitments vis-a-vis the expansion scheme.

DEVELOPMENT OF SPECIALITY PRODUCTS

With a view to increase capacity utilisation and value additions, your Company has undertaken various research & development programmes to develop various types of speciality films. Your Company is happy to state that the initial trials taken by the customers have yielded positive response and the efforts undertaken in this direction should start yielding results in a short period of time.

ISO 9002 CERTIFICATION

Your Company was granted the ISO 9002 certification for its quality systems, by DNV, Netherlands in the year 1996 and thereafter, it has successfully gone through periodical surveillance audits conducted by the certifying agency DNV.

Y2K COMPLIANCE

Majority of Hardware and Software, which are used as parts of manufacturing process, are already Y2K compliant and the remaining activities would be over by 30th September, 1999.

The Hardware and operating system in commercial operations are also predominantly Y2K compliant and the remaining operations would be completed by 30th September, 1999.

The Y2K compliance would be audited by an external agency by 15th November, 1999.

SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts along with the report of the Board of Directors of Ester International (USA) Ltd. is annexed.

FIXED DEPOSIT

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

DIRECTORS

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

During the year under report, DEG-Deutsche Investitions Und Entwicklungsgesellschaft mbH (DEG), Germany has nominated Mr. Turan Caglayan in place of Mr. Stefan Ponkrandt on the Board of the Company. Mr. Turan Caglayan was appointed as an additional director on 27th April, 1999. Commonwealth Development Corporation (CDC), London has nominated Mr. G. Sabarinathan as their representative on the Board of Company and he was appointed as an additional director on 30th July, 1999.

AUDITORS' REPORT

The Comments in the Auditors' Report read with the notes to the accounts in Schedule 17 are self-explanatory and do not call for further explanation.

AUDITORS

The Company's Auditors, M/s Arun K. Gupta & Associates, Chartered Accountants, New Delhi and M/s Jain Arora Trehan, Chartered Accountants, New Delhi retire at the forthcoming Annual General Meeting and they have expressed their unwillingness to be re-appointed as auditors of the Company due to their preoccupation.

M/s Amod Agrawal & Associates, Chartered Accountants, New Delhi and M/s Sunil Trehan & Associates, Chartered Accountants, New Delhi have expressed their willingness to be appointed joint Statutory Auditors of the Company and they have furnished a certificate that their appointment, if made, will be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

LISTING OF SECURITIES

The Equity Shares and Preference Shares of the Company are listed at Ahmedabad, Bangalore, Calcutta, Delhi, Kanpur (Regional Stock Exchange) and Mumbai. The Company has paid the listing fees for the financial year 1999-2000 to all the Stock Exchanges.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS 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 Directors) Rule, 1988 are set out in the Annexure-I forming part of this report. Your Company has become net foreign exchange earner during the year.

**PARTICULARS OF THE EMPLOYEES**

The details as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 are given in the Annexure - II and form part of the this Report.

PERSONNEL

The considerable interest taken by your Company on employee development and welfare was continued and several training modules for transformation of work culture have been conducted. These development programmes have resulted in continuous improvement in our capability, teamwork and total employee involvement and have helped in improving human resources productivity.

The Industrial Relations continued to be cordial and harmonious. Your Directors wish to place on record their sincere appreciation for the devoted services rendered by the workers, staff, and executives of the Company at all

levels which have in no small way contributed to the efficient and successful management of the Company.

ACKNOWLEDGEMENT

Your Directors take this opportunity to offer their sincere thanks to various departments of Central and State Government, Indian and Foreign Financial Institutions, Banks and Investors for their unstinted support, assistance and valuable guidance.

On behalf of the Board

New Delhi
30th July, 1999

Sitaram Singhania
Chairman

Registered Office:
Sohan Nagar, P.O. Charubeta,
Khatima – 262 308,
Distt. Udham Singh Nagar,
Uttar Pradesh

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