



**FOURTEENTH
ANNUAL REPORT
1999-2000**



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LISTING OF SECURITIES

THE STOCK EXCHANGE
KAMDENU COMPLEX, OPP. SAHAJANAD COLLEGE
PANJARPOLE
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
DSE HOUSE, 3/1 ASAF ALI RAOD
NEW DELHI - 110 002

THE UTTAR PRADESH STOCK EXCHANGE ASSOCIATION LIMITED
PADAM TOWER, 14/114 CIVIL LINES
KANPUR - 208 001, UTTAR PRADESH

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



BOARD OF DIRECTORS	MR. SITARAM SINGHANIA	CHAIRMAN
	MR. I. P. SHROFF	DIRECTOR
	MR. M.R. HOSANGADY	DIRECTOR
	MR. DINESH SHARMA	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. HANS G. HANSMANN	ALTERNATE DIRECTOR TO MR. TURAN CAGLAYAN
	MR. A. K. SINGHANIA	MANAGING DIRECTOR
	MR. A. K. NEWATIA	EXECUTIVE DIRECTOR
COMPANY SECRETARY	MR. SANJAY KUMAR JAIN	
STATUTORY AUDITORS	M/S. AMOD AGRAWAL & ASSOCIATES, NEW DELHI M/S. SUNIL TREHAN & ASSOCIATES, 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 DISTRICT 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 14th Annual General Meeting of Ester Industries Limited will be held on Friday, the 29th September, 2000 at 9.30 a.m. at the Registered Office of the Company 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, 2000 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. V.B. Haribhakti who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Mr. A.P. Sarwan 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 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 269, 309 and 198 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 re-appointment of Mr. Ashok Kumar Newatia as Whole Time Director designated Executive Director of the Company for a period of 1 year with effect from 1st July, 2000 and be paid remuneration in the manner and to the extent set out :

- A) Salary Rs. 25,000/- per month with suitable increase as may be determined by the Company through its Chairman/Managing Director.

- B) Perquisites as may be agreed to between the Company through its Chairman/Managing Director, comprising provisions of furnished residential accommodation or house rent allowance together with gas, electricity and water, reimbursement of medical expenses incurred and leave travel assistance for self and family, club fees, premium on personal accident insurance, contribution to provident fund, superannuation fund or annuity fund and gratuity as specified at item (D) hereunder, encashment of leave at the end of the tenure, and other benefits and allowance.

The Company shall also provide a car with driver to the Executive Director for Company's business and also telephone at his residence. The perquisite value of these will be determined according to the Income Tax Rules, 1962.

- C) The remuneration comprising salary, perquisites and other benefits and allowance of the Executive 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.
- D) In the event of absence or inadequacy of profits, Mr. Ashok Kumar Newatia would be paid the remuneration subject to a ceiling as laid down in schedule XIII of the Companies Act, 1956 and/or as decided by the Chairman/Managing Director of the Company which shall not include the following in computation of ceiling on remuneration :

- a. 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;
- b. Gratuity payable at the rate of half-a-month's salary for each completed year of service; and
- c. Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT the Chairman/Managing Director of the Company be and is hereby authorised to vary or revise the remuneration of the Executive Director within the overall limit as specified in Scheduled XIII of the Companies Act, 1956 and settle any question or difficulties in connection therewith or incidental thereto."

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 Section 31 and other

applicable provisions, if any, of Companies Act, 1956, the Articles of Association of the Company be and is hereby altered as follows :

- (i) After Article 5, the Article 5A be added as under :

5A SHARES WITH NONVOTING RIGHTS

The Directors may issue shares with non voting rights attached to them upon such terms and conditions and with such rights and privileges annexed thereto as thought fit and as may be permitted by the law.

- (ii) After Article 12, the Article 12A be added as under :

12A SWEAT EQUITY SHARES

The Company shall have the power, subject to and in accordance with the provisions of Section 79A of the Act and other relevant regulations including regulations laid down by Securities and Exchange Board of India (SEBI) in this regard from time-to-time, to issue sweat equity shares to employees and/or directors on such terms and conditions and in such manner as may be prescribed by law from time to time.

- (iii) After Article 29, the Article 29A be added as under :

29A BUY BACK OF SHARES

The Company shall have power, subject to and in accordance with the provisions of Sections 77A, 77AA and 77B of the Act and other relevant regulations including regulations laid down by Securities and Exchange Board of India (SEBI) in this regard from time-to-time, to purchase any of its shares or such other specified securities as may be notified by the Central Government from time to time, on such terms and conditions and in such manner as may be prescribed by law from time to time.

- (iv) After Article 73, the Articles 73A and 73B be added as under :

73A NOMINATION

- i) Every holder of share(s) in and/or debenture(s) of the Company, so entitled under the Act and Rules framed thereunder, may, at any time, in the manner prescribed under the Act, nominate a person to whom his share(s) in and/or debenture(s) of the Company shall vest in the event of his death.
- ii) Where the share(s) in and/or debenture(s) of the Company are held by more than one person jointly, the joint-holders, so entitled under the Act and Rules framed thereunder, may together nominate, in the manner prescribed under the Act, a person to whom all the rights in the share(s) and/or debenture(s) of the Company, as the case may

be, shall vest in the event of death of all the joint-holders.

- iii) Notwithstanding anything contained in any other law for the time being in force or in these Articles or in any disposition, whether testamentary or otherwise, in respect of the share(s) and/or debenture(s) of the Company, where a nomination made in the manner prescribed under the Act, purports to confer on any person the rights to vest the share(s) and/or debenture(s) of the Company, the nominee shall, on the death of the shareholder and/or debentureholder concerned or on the death of the joint-holders, as the case may be, become entitled to all the rights in relation to such share(s) and/or debenture(s), to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner prescribed under the Act.
- iv) Where the nominee is a minor, the holder of the share(s) and/or debenture(s) of the Company can make a nomination in the manner prescribed under the Act, to appoint any person to become entitled to the share(s) and/or debenture(s) of the Company, in the event of his death, during the minority.

73B TRANSMISSION IN CASE OF NOMINATION

- i) Notwithstanding anything contained in these Articles, any person who becomes a nominee by virtue of the provision of Article 73A, upon the production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either :
 - a) to be registered himself a holder of the share(s) and/or debenture(s), as the case may be; or
 - b) to make such transfer of the share(s) and/or debenture(s), as the case may be, as the deceased shareholder and/or debentureholder concerned or deceased joint-holders, as the case may be, could have made.
- ii) If the person being a nominee, so becoming entitled, elects himself to be registered as holder of the share(s) and/or debenture(s), as the case may be, he shall deliver or send to the Company, a notice in writing duly signed by him stating that the nominee concerned so elects and such notice shall be accompanied with the death certificate(s) of the deceased shareholder/ debentureholder/joint holders, as the case may be.
- iii) All the limitations, restrictions and provisions of



these Articles, relating to the right to the transfer and the registration of transfer of share(s) and/or debenture(s), shall be applicable to any such notice or the transfer as aforesaid as if the death of the shareholder/debentureholder had not occurred and the notices or transfer were signed by that shareholder/debentureholder or joint-holders, as the case may be.

- iv) A person being a nominee, becoming entitled to the share(s) and/or debenture(s), by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share(s) and/or debenture(s), except that he shall not, before being registered a member in respect of his share(s) and/or debenture(s) be entitled in respect of it to exercise any right conferred by membership in relation to a meeting of the Company.

Provided that the Board may, at any time give notice requiring any such person to elect either to be registered himself or to transfer the share(s) and/or debenture(s); and if the notice is not complied with within 90 days, the Board may thereafter withhold payment of all dividends, bonuses, or other moneys payable or rights accruing in respect of the share(s) and/or debenture(s) until the requirements of the notice have been complied with.

- (v) After Article 78, the Article 78A be added as under:

78A DEMATERIALISATION OF SECURITIES

Definitions

- i) For the purpose of this Article

"Beneficial Owner" mean a person whose name is recorded as such with a Depository.

"Depository" means the Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992.

"Depositories Act" means Depositories Act, 1996, or any statutory modification or re-enactment thereof.

"Registered Owner" means a Depository whose name is entered as such in the records of the Company.

"Securities" means such securities as may be specified by the Securities and Exchange Board of India from time to time.

Dematerialisation of Securities

- ii) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act.

Option for Investor

- iii) Every person subscribing to securities offered by the Company shall have the option to receive security certificate(s) or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate(s) of securities, if a person opts to hold his securities with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its records the name of the allottee as the beneficial owner of the security.

Securities in Depositories to be in Fungible Form

- iv) All securities held by a Depository shall be dematerialised and shall be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B and 187C of the Companies Act, 1956 shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owner.

Right of Depositories and Beneficial Owner.

- v) (a) Notwithstanding anything to the contrary contained in the Companies Act, 1956 or in these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of the security on behalf of the beneficial owners.
- (b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting right in respect of securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be

a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a Depository.

Service of Documents

- vi) Notwithstanding anything in the Companies Act, 1956 or in these Articles to the contrary, where securities are held in a Depository, the notice of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of Securities

- vii) Nothing contained in Section 108 of the Companies Act, 1956 or in these Articles shall apply to transfer of securities effected by a transferor and a transferee, both of whom are entered as beneficial owners in the records of the Depository.

Allotment of Securities

- viii) Nothing contained in Section 108 of the Companies Act, 1956 or in these Articles after issue where the securities are dealt with in a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

Distinctive Numbers of Securities

- ix) Nothing contained in Companies Act, 1956 or in these Articles regarding necessity of having distinctive numbers for securities issued by the Company shall apply to securities held by a Depository.

Register and Index of Beneficial Owners

- x) The Register and Index of beneficial owners maintained by a Depository under the Depositories Act, shall be deemed to be the Register And Index of Members and security holders for the purpose of these Articles."

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

"RESOLVED THAT the Equity Shares and 10% Redeemable Cumulative Preference Shares of the Company listed at Ahmedabad, Bangalore and Calcutta Stock Exchanges be delisted in accordance with the relevant laws, rules, regulations and guidelines (including any statutory modification(s) or re-enactments thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions as may be necessary

and compliance with such conditions and modifications as may be necessary for this purpose;

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred by the Board) be and is hereby authorised to seek voluntary delisting, to take all necessary steps in this regard and to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in regard to delisting of the Equity Shares and 10% Redeemable Cumulative Preference Shares and to execute all such deeds, documents, writings as may be necessary, desirable or expedient as may be deemed fit and for this purpose, to delegate the authority and duty vested in it by virtue hereof to the Managing Director or the Company Secretary or any other person whom the Managing Director may consider suitable to do the various acts, deeds, and things required to be done in this behalf."

By order of the Board of Directors

New Delhi

16th August, 2000

S. K. Jain

Company Secretary

Registered Office :

Sohan Nagar, P.O. Charubeta,
Khatima - 262 308,
District 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 the Registered Office of the Company at Sohan Nagar, P.O. Charubeta, Khatima - 262 308, District Udham Singh Nagar, Uttar Pradesh not less than 48 hours before the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 23rd September, 2000 to Friday, 29th September, 2000 (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 Panchsheel 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 certificates to the Registrar and Share Transfer Agent of the Company, MCS Limited at the aforesaid address for consolidation of all such shareholdings 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 7 days 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 up-to the date of the Annual General Meeting.
7. The Company, consequent to introduction of the Depository System (DS), is in the process of entering into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDS). Members, therefore, will have option of holding and dealing in the equity shares of the Company in electronic form through NSDL or CDS shortly.

Effective 27th November, 2000 trading in shares of the Company is permitted only in dematerialised form.

The DS envisages the elimination of several problems involved in the scrip-based system such as bad deliveries, fraud transfers, fake certificates, thefts in postal transit, delay in transfers, long settlement cycles, mutilation of share certificates, etc. Simultaneously, DS offers several advantages like exemption from stamp duty, elimination of bad deliveries, reduction in transaction costs, improved liquidity, etc.

If you wish to maintain your shareholding in the electronic form by joining the DS, you will have to open an account with Depository Participant (DP), who are agents of NSDL or CDS and lodge your share certificates through the DP with Share Department of the Company for Dematerialisation. The Company will send confirmation of Dematerialisation to NSDL/CDS who in turn will confirm the same to respective DP. You are also permitted under the DS to reconvert your electronic shareholding into the physical form of share certificates by a process of Rematerialisation. It may be noted that the DP would charge some amount to the investors for its services, which may vary from one DP to another.

It may be noted that the dividend warrants in respect

of shares held in the electronic form will be sent by the Company to respective shareholders directly to their address.

It is reiterated that requests for Dematerialisation or Rematerialisation are to be made only to the DP with whom you have opened an account and not directly to the Company.

The Company is also pleased to inform the Shareholders that with effect from 27th November, 2000 it will start offering the facility of simultaneous transfer cum dematerialisation of physical shares. Under this scheme, on completion of process of transfer of physical Shares, sent by you, the Company will give the option to the concerned shareholders for getting the said shares dematerialised. In case, the option is accepted by the shareholder and the formalities are completed within the prescribed time, the Company will arrange to confirm the credit (against the said physical shares) in electronic form.

8. As per the provisions of the amended Companies Act, 1956 facilities for making nominations is now available to individual holding shares in the Company in the prescribed Nomination Form - 2B. 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. 5

Mr. Ashok Kumar Newatia was last appointed as Whole Time Director designated Executive Director for a term of 3 years, which has expired on 30.06.2000. The Board has reappointed him for a further period of 1 year w.e.f. 01.07.2000. Mr. Ashok Kumar Newatia is a Master of Science in Chemical Engineering and has more than 38 years of experience in the related areas with the leading industrial houses. He is actively involved in day-to-day affairs of the Company since 15.07.1994.

The re-appointment and remuneration payable to Mr. Ashok Kumar Newatia are well within the ceiling laid down under Section 198, 269 and 309 of the Companies Act, 1956 and are subject to the approvals of the financial institutions and members of the Company.

None of the Director except Mr. Ashok Kumar Newatia 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

Consequential to the amendment to the Companies Act, 1956 by the Companies (Amendment) Act, 1999, the Articles of Association of the Company is altered by inserting the provisions related to Shares with non-Voting Rights, Sweat Equity Shares, Buy Back of Shares and

Nomination and it is, therefore, proposed that the Company's Articles of Association be suitably altered, as set out in the resolution, to give effect to the said provisions. With the introduction of the Depositories Act, 1996, and the Depository System, some of the provisions of the Companies Act, 1956 relating to the issue, holding, transmission of shares and other securities have been amended to facilitate the implementation of the new system. The Depository System of holding securities in an electronic form is a far safer and more convenient method for holding and trading in the securities of a Company. Your Company is in the process of joining the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDS) and it is, therefore, proposed that the Company's Articles of Association be suitably altered, as set out in the resolution, to reflect the provisions introduced by the Depositories Act, 1996 and to spell out the rights of the beneficial owners of the securities in such a system.

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. 7

Presently, the Equity Shares and 10% Redeemable Cumulative Preference Shares are listed on the Stock Exchanges at Ahmedabad, Bangalore, Calcutta, Delhi, Kanpur and Mumbai. Consequent to the recent rapid

changes in the capital market in relation to the manner of dealing in shares/securities of companies, the volume of trading in Company's Equity Shares on the Stock Exchanges at Ahmedabad, Bangalore and Calcutta has reduced to negligible level. The Board of Directors of the Company at their meeting held on 16.08.2000 has, therefore, decided to get the shares of the Company voluntarily delisted from the Stock Exchanges at Ahmedabad, Bangalore and Calcutta in accordance with the applicable laws, rules, regulations and guidelines.

As required under the listing agreement entered into by the Company under the said Stock Exchanges, your approval is sought by way of a special resolution for delisting the shares of the Company from the said Stock Exchanges.

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.

By order of the Board of Directors

New Delhi
16th August, 2000

S. K. Jain
Company Secretary

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



DIRECTORS' REPORT

TO THE MEMBERS

Your directors are pleased to present the Fourteenth Annual Report together with the Audited Statement of Accounts of your Company for the year ended 31st March, 2000.

FINANCIAL RESULTS

	For the year 1999-2000 (Rs. In lacs)	For the year 1998-99 (Rs. In lacs)
Sales & other Income	2,37,78.99	2,08,97.67
Gross Profit before interest, depreciation, write off and tax	4,50.94	17,89.32
Less : Interest	34,71.83	30,50.20
Gross Profit/(Loss)	(30,20.89)	(12,60.88)
Less : Depreciation	16,33.63	13,75.22
Miscellaneous Expenditure written off	15.72	19.11
Bad Debts, Advances and Recoverable written off	7,02.07	0.04
Provision for Taxes	1,79.35	0.99
Net Profit/(Loss)	(55,51.66)	(26,56.24)
Add : Balance brought forward	(35.53)	26,20.71
Balance carried to Appropriation A/c	(55,87.19)	(35.53)

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. 2,00,14.33 lacs compared to Rs. 1,72,93.85 lacs in the previous year resulting in an increase of 15.73%.

Operating Profit before Interest, Depreciation and Taxes in the year under review is Rs. 4,50.94 lacs as compared to Rs. 17,89.32 lacs in the previous year. Despite better production and sales volume, the Company has incurred net loss of Rs. 55,51.66 lacs because of the severe recessionary trends and poor market conditions experienced for the third successive year. During the year under review, the production and sales of all the products except chips

and yarn have increased significantly vis-à-vis the previous year as shown below :

Item	For the year Ended 31.03.2000	For the year Ended 31.03.1999	% increase/ (decrease)
PRODUCTION (MT)			
Chips	33509	34379	(03)
Film	15712	11700	34
Yarn	5451	5795	(06)
Engineering Plastics	1341	935	43
SALES (MT)			
Chips	11150	16672	(33)
Film	15591	11819	32
Yarn	5512	5706	(03)
Engineering Plastics	1267	934	36

Although the capacity utilisation of the two main products viz. Polyester Film and Engineering Plastics was significantly higher than the previous year, the Company was unable to achieve full capacity utilisation due to over-supply situation in the market, thereby affecting the profitability substantially.

The year under review witnessed steep hike in the price of crude oil from a level of approx. US\$ 9 per barrel to more than US\$ 30 per barrel. This hike in the price of crude oil resulted in steep escalation in the prices of raw materials i.e. DMT and MEG. The prices of these raw materials increased by about 55% and 85% respectively. To further add to the problems, the increase in the crude oil prices resulted in substantial increase in the energy costs as the prices of HSD and FO increased by 38% and 80% respectively. This substantial increase in raw materials and energy prices could not be passed on, resulting in reduction in value addition in respect of all the products.

The substantial losses during the year under review have also resulted in an increase in the interest cost of the Company. Provisions and write off in respect of bad debts, advances and recoverables have also added to the loss of the Company.

During the year, the European Commission imposed countervailing duties (anti-subsidy) on the Indian manufacturers of Polyester Film including your Company. This has resulted in additional pressure on the margins in respect of exports to the European Union. Your Company has now moved its attention to export markets other than Europe as a result of the imposition of this duty.

During the current year, there was a fire in the panels of the slitter of the new film line on 21st April,