



TWENTIETH ANNUAL REPORT 2005-2006

CONTENTS

Notice and Explanatory Statement	4
Directors' Report	6
Annexure to Directors' Report	10
Management Discussion and Analysis	11
Corporate Governance	14
Auditors' Report	20
Balance Sheet	25
Profit and Loss Account	26
Cash Flow Statement	27
Schedules to Balance Sheet & Profit and Loss Account	38
Balance Sheet Abstract and Company's General Business Profile	54
Auditors' Report on Consolidated Financial Statement	55
Consolidated Balance Sheet	56
Consolidated Profit and Loss Account	57
Consolidated Cash Flow Statement	58
Schedules to Consolidated Balance Sheet & Profit and Loss Account	70
Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in Subsidiary Companies	85
Ester International (USA) Ltd.	86
Ester Europe GmbH	89

LISTING OF SECURITIES

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

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



BOARD OF DIRECTORS	MR. A.K. SINGHANIA	CHAIRMAN &
		MANAGING DIRECTOR
	MR. M.R. HOSANGADY	DIRECTOR
	MR. H.S. MAJUMDER	DIRECTOR
	MR. V.B. HARIBHAKTI	DIRECTOR
	MR. A.P. SARWAN	DIRECTOR
	MR. A.K. NEWATIA	DIRECTOR
	MR. PALEM SRIKANT REDDY	DIRECTOR
	MR. D.K. DOSI	EXECUTIVE DIRECTOR

COMPANY SECRETARY	MR. S.K. JAIN
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STATUTORY AUDITORS	M/S. S.R. BATLIBOI & ASSOCIATES, NEW DELHI
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BANKERS	BANK OF INDIA BANK OF BARODA UNION BANK OF INDIA CANARA BANK STATE BANK OF BIKANER & JAIPUR
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HEAD OFFICE	75-76 AMRIT NAGAR BEHIND N.D.S.E. PART-1 NEW DELHI - 110 003
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REGISTERED OFFICE & WORKS	SOHAN NAGAR P.O. CHARUBETA KHATIMA – 262 308 DISTRICT UDHAMSINGH NAGAR UTTARANCHAL
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REGISTRAR & SHARE TRANSFER AGENTS	MCS LIMITED SRI VENKATESH BHAWAN W-40 OKHLA INDUSTRIAL AREA PHASE II NEW DELHI – 110 020
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NOTICE

NOTICE IS HEREBY GIVEN that the 20th Annual General Meeting of Ester Industries Limited will be held on Friday, the 15th September 2006 at 10.30 a.m. at the registered office of the Company at Sohan Nagar, P.O. Charubeta, Khatima - 262 308, District Udham Singh Nagar, Uttaranchal to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as on 31st March 2006 and the Profit and Loss account for the year ended on that date together with the reports of Directors' and Auditors' thereon;
2. To reappoint Mr. A.K. Newatia who retires by rotation and being eligible offers himself for reappointment;
3. To reappoint Mr. M.R. Hosandagya who retires by rotation and being eligible offers himself for reappointment;
4. To appoint Auditors and to fix their remuneration.

By Order of the Board of Directors

New Delhi (A.K. Singhania)
31st July 2006 Chairman & Managing Director

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, Uttaranchal not less than 48 hours before this Annual General Meeting.

2. The Register of Member and Share Transfer Books of the Company will remain closed from Friday 8th September 2006 to Friday 15th September 2006 (both days inclusive).
3. The members are requested to:
 - a. bring their copy of Annual report at the Annual General Meeting.

I In case shares are held in physical form: notify immediately the change of address, if any, and bank details to the Company at 2nd Floor, Tower A (Adjacent to Infinity Tower), (Next to Ship Building (Gateway Tower), just before Convergys & DLF Square), National Highway – 8, DLF Building No 8, Sector 25, DLF City Phase-II, Gurgaon or to the Registrar and Share Transfer Agent of the Company viz. MCS Limited, Sri Venkatesh Bhawan, W 40 Okhla Industrial Area Phase II, New Delhi-110 020 quoting their folio number.

II In case shares are held in dematerialized form: notify to their depository participants, change/correction in their address/bank account particulars etc. as the Company uses the information provided by Depositories in respect of shares held in dematerialized form.

- b. 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 viz. MCS Limited at the aforesaid address for consolidation.

tion 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 required to write to the Company at 2nd Floor, Tower A (Adjacent to Infinity Tower), (Next to Ship Building (Gateway Tower), just before Convergys & DLF Square), National Highway – 8, DLF Building No 8, Sector 25, DLF City Phase-II, Gurgaon 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.
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 Saturday up-to the date of the Annual General meeting.

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

At the ensuing Annual General Meeting, Mr. A.K. Newatia and Mr. M.R. Hosangady retire by rotation and being eligible, offer themselves for reappointment. The particulars of the Directors are given below:

Mr. A.K. Newatia aged about 64 years is a professional and independent director and is associated with the Company since 1994. Mr. Newatia is a Chemical Engineer. He is not holding the directorship of any other Company.

Mr. M.R. Hosangady aged about 80 years is a professional and independent director and is associated with the Company since 1991. Prior to this, Mr. Hosangady was the Managing Director of May & Backer and Country Manager of Rhone-Poulenc. He is also member of Audit Sub Committee and Remuneration Committee of the Board. Mr. M.R. Hosangady is also Director in Triton Valves Limited and Anglo French Drug Industries Limited.

DIRECTORS' REPORT

To The Members

Your directors are pleased to present the Twentieth Annual Report together with Audited Statement of Accounts of your Company for the year ended 31st March 2006.

FINANCIAL RESULTS

	(Rs. in lacs)	
	For the year ended 31.03.2006	For the year ended 31.03.2005
Sales and Other Income	27,811.61	29,125.44
Profit before Financial Charges, Depreciation, Extra Ordinary Items and Tax	250.12	4,063.24
Less: Interest & Other Financial Expenses	839.54	966.43
Profit / (Loss) before Depreciation, Extra Ordinary Items and Tax	(589.42)	3,096.81
Depreciation	1,662.81	1,613.67
Profit / (Loss) before Extra Ordinary Items and Tax	(2,252.23)	1,483.14
Exceptional Item: Loss on discarding Machinery of Chips / Yarn Plant	247.22	109.25
Profit / (Loss) before Tax	(2,499.45)	1,373.89
Fringe Benefit Tax	27.50	0.00
Deferred Tax	(845.68)	441.11
Provision of Income Tax	0.00	41.62
Profit / (Loss) after Tax	(1,681.27)	891.16
Add: Balance brought forward	2,474.62	1,900.66
Profit available for appropriation	793.35	2,791.82
Interim and Final Dividend	0.00	277.51
Tax on Dividend	0.00	39.62
Balance Carried to Balance Sheet	793.35	2,474.62
Basic Earnings Per Share (Rupees)	(3.03)	1.61
Diluted Earnings Per Share (Rupees)	(3.03)	1.61

DIVIDEND

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

OPERATIONS

The sales including excise duty and other income during the year under review are Rs. 27,811.61 lacs compared to Rs. 29,125.44 lacs in the previous year resulting in decrease of 4.51%. This reduction is substantially due to lower price realization in Polyester Film despite increase in sales of Polyester Film by 6.80% in volume terms. The production of Polyester Film was higher at 26063 MT as compared to 25524 MT during 2004-05. The capacity utilization remained higher than the installed capacity at 145%.

Sales of Engineering Plastics increased both in terms of volume and value by 10.06% and 13.91% respectively. Sales of Polyester Chips increased both in terms of volume and value by 163.10% and 102.93% respectively.

The operational performance was adversely affected due to demand supply imbalance resulting from substantial increase in global production capacity for Polyester Film during the year 2004-05 & 2005-06. Margins in Polyester Film reached historically low levels, especially in the domestic market. Further, there was substantial increase in the prices of feed stocks namely PTA & MEG and Fuel Oils consequent to increase in the crude oil prices. The increase in input costs could not be passed on to customers.

As a result, the Company has posted Net Loss after Tax (PAT) of Rs. 1,681.27 lacs. However, despite very competitive market conditions, the Company was able to sell entire production, both in the domestic and overseas markets. Exports accounted for 34% of the turnover during the year. Interest and Other Financial Expenses

reduced from Rs. 966.43 lacs to Rs. 839.54 lacs during 2004-05 on account of term loan repayments and realignment of various Working Capital facilities.

Details on operations and a view on the outlook for the current year are provided in the 'Management Discussion & Analysis Report'.

MODERNISATION AND PROJECT SCHEMES

1. Your Directors are pleased to inform that a state of the art 2450 mm wide Metallizer of 4873 TPA capacity was successfully commissioned at the existing factory site at Khatima, in the month of October 2005. Metallized Film produced by the Company has been well accepted, both in the domestic and overseas markets. Capacity utilization in the first six months of operation was 74%. Metallizer has provided us a new product range with higher value additions.
2. Film Line # 1 modernization project was completed on schedule in the month of March 2006. Since then, the plant has been able to produce additional quantities of about 115 MT per month, at marginal cost.
3. Your Directors are further pleased to inform that Co – Extruder system in the Film Line # 2 has also been successfully commissioned in the month of May 2006. With the installation of Co-extruder, the Company would be able to produce high value added products resulting into improved performance for the Company.

All the aforesaid initiatives are expected to enable the Company to post better results in the ensuing years.

COST REDUCTION INITIATIVES

Company continues to remain focused on

Cost reduction and accordingly, has taken following steps in this direction:

- a) Due to sharp and sudden increase in Crude Oil prices, power cost of the Company increased substantially during 2005-06. In the month of May 2006, the Company has installed an Uninterrupted Power Supply System (UPS) so that critical plants could be run uninterruptedly on Power from the State grid which has become less expensive. Company expects to achieve substantial savings in its Power & Fuel cost with installation of UPS.
- b) In the month of August 2005, the management of the Company brought out a Voluntary Retirement Scheme (VRS) to reap full benefits of the investments made on modernization scheme and automation. 160 workmen accepted VRS.

SUBSIDIARY COMPANIES

In pursuance to Section 212 of the Companies Act, 1956, the audited statement of accounts along with the report of the Board of Directors of Ester International (USA) Ltd. and Ester Europe GmbH are annexed.

FIXED DEPOSIT

The Company has not accepted any deposit during the year.

DIRECTORS

In accordance with the requirement of the Companies Act, 1956 and pursuant to the Article No. 157 of the Articles of Association, two of your directors viz. Mr. A.K. Newatia and Mr. M. R. Hosangady, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE

The Company has complied with the mandatory provisions of Corporate Governance as prescribed in the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance is included as a part of the Annual Report along with the Auditors' Certificate on its compliance.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, the Directors confirm on the basis of information placed before them by the Management and Auditors:-

1. That in the preparation of the annual accounts for the financial year ended 31st March 2006 the applicable Accounting Standards have been followed;
2. That the Company has selected appropriate accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair state of the affairs of the Company at the end of the financial year and of the Profit and Loss of the Company for the year under review;
3. That the Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. That the accounts of the Company for the financial year ended 31st March 2006 has been prepared on a going concern basis.

CONSOLIDATED FINANCIAL STATEMENT

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for Investments in Associates, your directors provide the audited Consolidated Financial Statements in the Annual Report.

AUDITORS' REPORT

Auditors' Report read together with Annexures referred to in Paragraph 3 of the Auditors' Report do not contain any qualification of significant nature and do not call for any explanation/clarification.

AUDITORS

The Company's Auditors M/s. S.R. Batliboi & Associates, Chartered Accountants, New Delhi retire at the forthcoming Annual General Meeting and are eligible for reappointment.

LISTING OF SECURITIES

Your Company's securities are currently listed with CSE (Kolkata) and BSE (Mumbai). The Company has paid the listing fees to Bombay Stock Exchange (BSE) for the financial year 2006 - 07.

The Company's application for voluntary delisting, pursuant to the special resolution passed by the shareholders in the 17th Annual General Meeting in this behalf, of securities from The Calcutta Stock Exchange Association Limited is pending with the exchange since October 2003. Therefore, the listing fee has not been paid to this exchange.

The Company has submitted an application to National Stock Exchange (NSE) for listing of its Equity Shares and 0.1% Redeemable Cumulative Preference Shares (RCPS) on the exchange.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING 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) Rules, 1988 are set out in the Annexure 'A' forming part of this report. Your Company continues to be net foreign exchange earner for the 8th year in succession.

PARTICULARS OF THE EMPLOYEES

There is no employee drawing the salary as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

PERSONNEL

Your Directors wish to place on record their appreciation of the sincere services rendered by the workmen, staff and executives of the Company at all levels.

SYSTEMS

Business Process Reengineering and Enterprise Resource Planning System – SAP R/3, installed on 1st April 2004, have started yielding good results in respect of response to customers' needs, managing processes in a seamless manner more effectively & efficiently. SAP R/3 has enabled optimization of production planning and controlling costs. These have helped the organization, across all the levels, to be leaner, more efficient and effective.

ACKNOWLEDGEMENT

Your directors take this opportunity to offer their sincere thanks to various department of Central and State Government, Banks and investors for their unstinted support, assistance and valuable guidance.

On behalf of the Board

Gurgaon

(A.K. Singhania)

31st July 2006 Chairman and Managing Director

ANNEXURE - I

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT

FORM -A (See Rule 2)

Form for Disclosure of Particulars with respect to Conservation of Energy

31.03.2006 31.03.2005

A. Power & Fuel Consumption

1. Electricity

a. Purchased		
Unit (KWH)	7074550	2576232
Total Amount (Rs.)	18,535,321	7,041,841
Rate per unit(Rs./KWH)	2.62	2.73
b. Own Generation		
i) Through Diesel Generator		
a) Through HSD Unit (KWH)	972883	1439245
Unit/Ltr. of Diesel Oil(HSD)	3.37	3.30
b) Through LDO Unit (KWH)	-	-
Unit/Ltr. of LDO	-	-
c) Through FO Unit (KWH)	25593935	29102026
Unit/Ltr. of FO	4.18	4.20
Cost per unit(Rs./KWH)	3.64	2.83
ii) Through Steam turbine/Generator	N.A.	N.A.
2. Coal	N.A.	N.A.

3. Furnace Oil Quantity

i) Primary Heating (FO/HSD) MT/KL	4097	4329
ii) Boiler (FO/HSD) MT/KL	114	91
Total MT/KL	4211	4420
Total Amount (Rs.)	68,378,218	52,823,685
Average Rate per MT (Rs.)	16,238	11,951

4. Husk

Quantity (MT)	11,622	11,242
Total Amount (Rs.)	17,684,965	11,958,782
Average Rate/MT (Rs.)	1,522	1,064
(Steam through Husk)		

B. Consumption per unit of Production

1. Electricity

Product	Unit	Per Ton	Per Ton
Polyester Chips	KWH	105	111
Polyester Film (Line-1)	KWH	892	983
Polyester Film (Line-2)	KWH	743	792

2. Furnace Oil

Product	Unit	Per Ton	Per Ton
Polyester Chips	KWH	0.078	0.089
Polyester Film (Line- 1)	KWH	0.065	0.076
Polyester Film (Line-2)	KWH	0.069	0.076

The % saving in consumption of various forms of energy per MT of Chips & Film during the year under report as compared to Previous year are given below :-

	Chips	Film-1	Film-2
1. Power	5.4%	9.2%	6.18%
2. Steam	15.43%	-	-
3. Primary Heating (Oil)	12.35%	14.47%	9.20%

FORM-B (See Rule 2)

RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A) RESEARCH & DEVELOPMENT (R&D) :

- | | |
|--|--|
| <p>1. Specific areas in which R&D carried out by the Company :</p> | <p>a) Developed CFL base in filled non-FR grade.</p> <p>b) Developed non-halogenated flame retardant material in Nylon-66.</p> <p>c) Special coated film for metallization and in adhesion.</p> <p>d) High barrier metallized film.</p> |
| <p>2. Benefits derived as a result of the above R&D :</p> | <p>a) Product accepted in the market and commercialized.</p> <p>b) Product has been accepted in the market and commercialized.</p> <p>c) Product has been accepted in the market and commercialized.</p> <p>d) Further developments are in progress.</p> |
| <p>3. Future course of action :</p> | <p>a) To develop mineral filled PBT compound for automotive application.</p> <p>b) To develop unfilled and glass filled grades in polycarbonate.</p> <p>c) To develop special coated film for metallization and ink adhesion.</p> <p>d) High clear and ultra clear film for metallization and other application.</p> <p>e) To develop heat sealable, embosseble and holographic films.</p> |

B. Technology Absorption, Adaptation and Innovation :

- | | |
|---|--|
| <p>1. Efforts in brief made towards technology absorption and innovation.</p> | <p>No new technology was introduced in this period.</p> |
| <p>2. Benefits derived as a result of the above efforts e.g. product development, import substitution, etc.</p> | <p>Both the Film Lines are operating satisfactorily.</p> |

C. Foreign Exchange Earnings and Outgo:

31.03.2006 31.03.2005
(Rs. in lacs) (Rs. in lacs)

1. Earning (FOB value of Exports)	8,997.80	9,663.81
2. Outgo (including CIF value of Imports)	2,229.67	2,049.86