



TWENTY THIRD
ANNUAL REPORT
2008 - 2009

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LISTING OF SECURITIES

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

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



BOARD OF DIRECTORS	MR. A.K. SINGHANIA	CHAIRMAN & MANAGING DIRECTOR
	MR. M.R. HOSANGADY	DIRECTOR
	MR. V.B. HARIBHAKTI	DIRECTOR
	MR. A.P. SARWAN	DIRECTOR
	MR. A.K. NEWATIA	DIRECTOR
	MR. M.S. RAMACHANDRAN	DIRECTOR
	MR. DINESH KOTHARI	DIRECTOR

COMPANY SECRETARY MRS. SHWETA YADAV

STATUTORY AUDITORS M/S. S.R. BATLIBOI & COMPANY, GURGAON

BANKERS

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

HEAD OFFICE

DLF BUILDING NO. 8, TOWER A,
2ND FLOOR, DLF CYBER CITY, DLF PHASE II,
SECTOR 25, GURGAON
HARYANA - 122 002, INDIA

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

NOTICE

NOTICE IS HEREBY GIVEN that the 23rd Annual General Meeting of Ester Industries Limited will be held on Wednesday, the 1st July 2009 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, Uttarakhand to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2009 and the Profit and Loss account for the year ended on that date together with the reports of Directors' and Auditors' thereon;
2. To declare dividend on Equity Shares of Re. 0.50 per share i.e. 10% on equity share of face value of Rs. 5.00 each;
3. To appoint a Director in place of Mr. M.R. Hosangady who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Mr. V.B. Haribhakti who retires by rotation and being eligible, offers himself for re-appointment;
5. To appoint M/s S. R. Batliboi & Co., Chartered Accountants, the retiring auditors, to hold office as auditors from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 269, 309 and other applicable provisions, if any, of

the Companies Act, 1956 and subject to the limits laid down in Section 198 and 309 of the Companies Act, 1956, read with Schedule XIII of the Companies Act, 1956 or any modification or re-enactment thereof and subject to the approval of Central Government, if required, and such other approvals as may be necessary, the approval of the Shareholders be and is hereby accorded to the payment of increased remuneration w.e.f. 1st April 2009 to Mr. Arvind Kumar Singhania, Chairman & Managing Director of the Company in the manner and to the extent set out: -

- A. Salary Rs. 33,00,000/- per annum.
- B. In addition to salary, Mr. Arvind Kumar Singhania will be entitled to perquisites and allowances like furnished residential accommodation or house rent allowance in lieu thereof, including reimbursement of expenses in respect of gas, electricity and water, reimbursement of medical expenses incurred and leave travel assistance for self and family, club fees, premium on personal accident insurance, and such other perquisites and allowances as may be decided by the Board of Directors subject to the monetary value of the such perquisites and allowances being limited to Rs. 33,00,000/- per annum.
- C. Mr. Arvind Kumar Singhania will be eligible to the following perquisites, which shall not be included in the computation of ceiling on remuneration: -
 1. 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;
 2. Gratuity payable at the rate of half-a-month's salary for each completed year of service; and

3. Encashment of leave at the end of the tenure.
 - D. The Company shall also provide a car with driver to the Chairman and Managing Director for Company's business and also telephone at his residence. Personal long distance calls on telephone shall be billed by the Company to Mr. Arvind Kumar Singhania. The perquisite value of these will be determined according to the Income Tax Rules, 1962.
 - E. Mr. Arvind Kumar Singhania shall also be entitled to the payment of commission on profits at the rate to be decided by the Board of Directors from time to time and such commission along with the above-mentioned salary, allowances, benefits and perquisites shall be within the overall limits prescribed under the Companies Act, 1956 or any modification or re-enactment thereof.
 - F. In the event of absence or inadequacy of profits in any financial year, the remuneration payable to Mr. Arvind Kumar Singhania by way of salary, perquisites, allowances and commission shall be in accordance with Section II of Part II of Schedule XIII of the Companies Act, 1956, as may be amended from time to time."
- By Order of the Board of Directors
For ESTER INDUSTRIES LTD.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO 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, UTTARAKHAND NOT LESS 48 HOURS BEFORE THIS ANNUAL GENERAL MEETING.**
 3. Pursuant to Section 154 of the Companies Act, 1956, the Register of Member and the Share Transfer Books of the Company will remain closed from Tuesday, 16th June 2009 to Friday, 19th June 2009 (both days inclusive).
 4. The relevant details of Item Nos. 3 & 4 pursuant to Clause 49 of the Listing Agreement are annexed hereto.
 5. The dividend as recommended by the Board of Directors, upon declaration by the members at the 23rd Annual General Meeting, shall be paid to those members whose name appear on the Register of Members of the Company on 19th June 2009.

Gurgaon (Shweta Yadav)
April 25, 2009 Company Secretary

NOTES

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, which sets out details relating to Special Business to be transacted at the meeting is annexed hereto.
2. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on the closing hours of business on 15th June 2009 as per the details furnished by the Depositories for this purpose.
6. The Company is obliged to print such bank details on the dividend warrants as furnished by National Securities Depository Limited (NSDL) and

Central Depository Services Limited (CDSL), "the Depositories" to the Company and the Company can not entertain any request for deletion/change of bank details already printed on the dividend warrant(s) based on the information received from the concerned Depositories, without confirmation from them. In this regard, members are advised to contact their DP and furnish them the particulars of any change desired.

7. 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 DLF Building No. 8, Tower A, 2nd Floor, DLF Cyber City, Phase-II, Sector 25, Gurgaon, Haryana 122 002, 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 dematerialized form: any change in address, if any, to their depository participants.

8. The members are requested to bring their copy of Annual report at the Annual General Meeting.
9. Members/proxies should bring the attendance slip duly filled in for attending the Meeting.
10. Members desiring any information on the accounts are required to write to the Company at DLF Building No. 8, Tower A, 2nd Floor, DLF Cyber City, Phase-II, Sector 25, Gurgaon, Haryana 122 002, 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.

11. 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.

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

ITEM NO. 6

Mr. Arvind Kumar Singhania is a Commerce Graduate and had been managing the affairs of the Company for more than 21 years. He was re-appointed as the Managing Director of the Company w.e.f. 1st December 2007 for a period of 5 years with the approval of Shareholders in the 21st Annual General Meeting of the Company. The Board is of the view that keeping in mind his challenging role and enormous responsibility as a Chairman and Managing Director of the Company his remuneration be increased from Rs. 48.00 Lacs per annum to Rs. 66.00 Lacs per annum w.e.f. 1st April 2009 to match with his assigned duties and responsibilities.

The remuneration payable to Mr. Arvind Kumar Singhania shall be subject to Section 198, 269 and 309 of the Companies Act, 1956 and Schedule XIII to the Companies Act, 1956 and approvals of the members of the Company and of Central Government, if required.

None of the Directors, except Mr. Arvind Kumar Singhania is concerned or interested in this resolution.

The Board of Directors accordingly recommends the resolution set out at Item No. 6 of the accompanying Notice for the approval of the Members.

By Order of the Board of Directors
For ESTER INDUSTRIES LTD.

Gurgaon (Shweta Yadav)
April 25, 2009 **Company Secretary**

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

The particulars of Mr. M.R. Hosangady and Mr. V.B. Haribhakti are given below:

A. Mr. M.R. Hosangady, aged about 83 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 & Baker and Country Manager of Rhone-Poulenc. He is also a member of Audit Committee and Remuneration Committee of the Board of Ester Industries Limited.

Other Directorships of Mr. M.R. Hosangady are as follows:-

Sl. No.	Name of Company
1.	Triton Valves Limited
2.	Anglo French Drugs And Industries Limited

He (either own or held by/ for other persons on a beneficial basis) does not have any shareholding in the Company.

B. Mr. V.B. Haribhakti aged about 80 years is a professional and independent director and is associated with the Company since 1991. Mr. Haribhakti is a fellow member of the Institute of Chartered Accountants of India. He is also a Chairman of Audit Committee and Remuneration Committee of the Board of Ester Industries Limited.

Other Directorships of Mr. V.B. Haribhakti are as follows:-

Sl. No.	Name of Company
1.	Bajaj Electricals Limited
2.	Citadel Realty And Developers Limited
3.	The Simplex Reality Limited
4.	The Anglo-French Drug Co.

- (Eastern) Limited
5. Lakshmi Automatic Loom Works Limited
6. Hindustan Composites Limited
7. Tilaknagar Industries Limited
8. BDO Haribhakti Consulting Private Limited
9. Mirae Asset Trustee Co. Private Limited

Chairmanships in Committees of other Companies are as follows:-

Audit Committee

Sl. No.	Name of Company
1.	Bajaj Electricals Limited
2.	Hindustan Composites Limited
3.	Tilaknagar Industries Limited
4.	Citadel Realty And Developers Limited

Remuneration Committee

Sl. No.	Name of Company
1.	Bajaj Electricals Limited
2.	Citadel Realty And Developers Limited
3.	The Simplex Reality Limited
4.	Hindustan Composites Limited
5.	Tilaknagar Industries Limited

Memberships in Committees of other Companies are as follows:-

Audit Committee

Sl. No.	Name of Company
1.	Lakshmi Automatic Loom Works Limited

Investors' Grievance Committee

Sl. No.	Name of Company
1.	Bajaj Electricals Limited
2.	Hindustan Composites Limited
3.	Tilaknagar Industries Limited

Mr. V.B. Haribhakti holds 1500 shares of Ester Industries Limited in his own name.

DIRECTORS' REPORT

To The Members,

Your directors are pleased to present the Twenty Third Annual Report together with Audited Statement of Accounts of your Company for the year ended 31st March 2009.

FINANCIAL RESULTS

	(Rs. in lacs)	
	For the year ended 31.03.2009	For the year ended 31.03.2008
Sales and Other Income	40514.06	35098.87
Profit before Financial Expenses, Depreciation and Tax	7113.76	3944.96
Less: Interest & Other Financial Expenses	963.45	1297.01
Profit / (Loss) before Depreciation, Extra Ordinary Items and Tax	6150.31	2647.95
Depreciation	1341.68	1397.47
Profit / (Loss) before Tax	4808.64	1250.48
Current Tax- Minimum Alternate Tax	540.86	209.65
MAT Credit Entitlement	(682.54)	-
Fringe Benefit Tax	34.90	39.29
Deferred Tax	1572.03	-
Profit / (Loss) after Tax	3343.39	1001.54
Balance brought forward from previous year	459.62	(604.13)
Less: Adjusted against General Reserve as per contra	-	380.86
Add: Adjustment for Employee Benefit Provision	-	7.01
Appropriation :		
Transfer to:	279.76	-
Capital Redemption Reserve		
Dividend & Tax on Dividend	324.98	325.66
Balance Carried to Balance Sheet	3198.27	459.62
Basic Earnings Per Share (Rupees)	6.02	1.80

DIVIDEND

Your directors are pleased to recommend subject to the approval of the shareholders, a dividend of 10% i.e. Re. 0.50 per equity share on the paid-up equity share capital, in respect of financial year 2008-09.

OPERATIONS

Your directors are pleased to inform that there has been a significant improvement in the performance during the year under review. Company has earned Net Profit after Tax of Rs. 3343.39 lacs as compared to Rs. 1001.54 lacs in the year 2007-08. The sales including excise duty and other income during the year under review are Rs. 40514.06 lacs as compared to Rs. 35098.87 lacs in the previous year, an increase of 15.4%. This increase is mainly due to higher price realization in Polyester Film, increase in sale of Value Added Niche products in Polyester Film both in quantitative and value terms, marginal increase in sales of Polyester Film by 1.9% in volume terms and increase in sale of Engineering Plastics both in quantitative & value terms. The production of Polyester Film was higher at 29,534 MT for the year under review as compared to 29,020 MT during 2007-08 as a result of process improvements. The capacity utilization remained higher than the operating capacity at 109.4%.

Sales of Compounded and Unfilled Engineering Plastics increased from 2224 MT to 2744 MT, an increase of 19.1%. Increase in sales value was 18.4%. Sales of Polyester Chips has increased in quantitative and value terms by 8.1% & 13.1% respectively.

The operational performance showed improvement over the last year due to favorable demand supply scenario in Polyester Film both in the domestic as well as overseas market. During the year

under review, new value added niche products in Polyester Film were developed and commercialized. Modernization, production / sales of value added Niche products in Polyester Film, increase in production / sales of Engineering Plastics, and cost reduction initiatives undertaken during the past years resulted in improved performance.

Exports accounted for 24.0% of the turnover during the year. Interest and Other Financial Expenses reduced significantly during the year due to repayment of term loans and lower utilization of working capital facilities as a result of substantially higher profits earned during the year under review and retained in the business.

Details on operations and a view on the outlook for the current year are provided in the 'Management Discussion & Analysis Report' which forms an integral part of this Annual Report.

ENGINEERING PLASTICS

As reported in last year's Directors' Report, your company had commissioned new capacity for Compounded Engineering Plastics totaling to 3600 MTPA in October 2007. Your directors are pleased to report that sales of compounded and unfilled Engineering Plastics have increased from 2224 MT in 2007-08 to 2744 MT in 2008-09. Sales (net of Excise Duty) in value terms increased from Rs. 2882.36 lacs to Rs. 3411.23 lacs, an increase of 18.4%. The Company is confident of achieving 100% capacity utilization in 2009-10.

THERMIC FLUID HEATER

Your directors are pleased to inform that the Company has commissioned a Biomass (Rice Husk) based Thermic Fluid Heater of 7 million kilo calories per

hour capacity at its plant in Khatima to meet the in-house requirement of thermal energy in the month of December 2008. The project activity has capacity to reduce overall Green House Gas emissions that would have been generated by combustion of fossil fuel, Furnace Oil (FO) equivalent to approximately 18,000 tonnes of Carbon di-oxide (CO₂) per year. The Company is in the process of getting Clean Development Mechanism (CDM) benefits under Kyoto Protocol of United Nations Framework Convention on Climate Change (UNFCCC). This installation is first of its kind by any of the Polyester Film manufacturing plant in the world.

GLYCOL EJECTORS

During the year under review, Steam ejectors were replaced with cost efficient Glycol ejectors in the Polyester Chips plant. Installation of Glycol ejectors is expected to bring about both improvement in quality of Polyester Chips and cost reduction.

COST REDUCTION INITIATIVES

Your Directors are pleased to inform that continuous focus on Cost reduction has enabled the Company to remain competitive. During the year 2009-10, a further investment of Rs. 300 lacs has been planned in various projects which will have a Payback period of less than a year.

REDEMPTION OF REDEEMABLE CUMULATIVE PREFERENCE SHARES

Redeemable Cumulative Preference Shares amounting Rs. 279.76 lacs were redeemed during the year at a discounted rate of 12% pa compounded annually. Resultant gain on account of discount of Rs. 76.58 lacs has been credited to Capital Reserve.

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

Mr M R Hosangady and Mr. V B Haribhakti, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, have offered 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 practicing Company Secretary's 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 2009 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 2009 has been prepared on a going concern basis.

CODE OF CONDUCT

The Code of Conduct, as adopted by the Board of Directors, is applicable to all Directors, senior management and employees of the Company. This Code is based on fundamental principles, viz. good corporate governance and good corporate citizenship. The Code covers Company's commitment to sustainable development, concern for occupational health, safety and environment, a gender friendly workplace, transparency and auditability and legal compliance. The Code is available on the Company's corporate website.

CONSOLIDATED FINANCIAL STATEMENT

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