

26th
Annual Report
2011-12

Ester Industries Limited

CONTENTS

Corporate Information	2
Notice of Annual General Meeting.....	3
Chairman's Message	8
Directors' Report	10
Annexure to Directors' Report	14
Management Discussion & Analysis	18
Corporate Governance Report	26
Auditors' Report	39
Balance Sheet	44
Profit and Loss Account	45
Cash Flow Statement	46
Notes to Balance Sheet & Profit and Loss Account	47
Statement pursuant to Section 212(3) of the Companies Act, 1956, relating to Subsidiary Company.....	76
Auditors' Report on Consolidated Financial Statement	77
Consolidated Balance Sheet	78
Consolidated Profit and Loss Account	79
Consolidated Cash Flow Statement	80
Notes to Consolidated Balance Sheet & Profit and Loss Account	81
Statement pursuant to Section 212(8) of the Companies Act, 1956, relating to Subsidiary Company.....	110
E-mail Registration Form	111
Attendance Sheet and Proxy Form	113

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

COMPANY SECRETARY

MR. DIWAKER DINESH

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

LISTING OF SECURITIES

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

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

NOTICE

NOTICE is hereby given that the 26th ANNUAL GENERAL MEETING of ESTER INDUSTRIES LIMITED will be held on Friday, 28th September 2012 at 12:00 Noon at the Registered Office of the Company at Sohan Nagar, P.O. Charubeta, Khatima - 262308, District Udham Singh Nagar, Uttarakhand, to transact the following businesses:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2012 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. Dinesh Chandra Kothari who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Mr. Arvind Kumar Singhania who retires by rotation and being eligible, offers himself for re-appointment;
5. To appoint M/s S.R. Batliboi & Co., Chartered Accountants, (Registration No. 301003E), 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 authorise Board of Directors to fix their remuneration.

Special Business

To consider and if thought fit, to pass with or without modification(s), the following resolutions:

As ordinary Resolution -

6. **Increase in the Donation Limit under Section 293(1) (e) of the Companies Act, 1956**

"RESOLVED THAT pursuant to Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the Board of Directors of the Company to contribute during any financial year to charitable and other funds or trusts upto an annual limit of Rs. 1,00,00,000 (Rupees One Crore) or 5% of the average net profits of the Company as determined in accordance with the provisions of the Section 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceding, whichever is greater.

RESOLVED FURTHER THAT, the Board of Directors be and is hereby authorised to sign and execute such documents/deeds/writings or other papers as may be necessary and to do all such acts, deeds, matters and things as it may, in its sole discretion, deem necessary, proper, desirable, expedient or incidental for the purpose and to settle any question, difficulty or doubt that may arise in giving effect to this resolution."

As Special Resolutions

7. **Commission on Profits to Non Executive Director of the Company**

"RESOLVED THAT pursuant to Section 309 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and subject to all permissions, sanctions and approvals as may be necessary, approval of the Company be and is hereby accorded for the payment of commission to the Non Executive Directors, in accordance with and upto the limits laid down under the provisions of Section 309(4) of the Act, computed in the manner specified in the Act for a period of five years from the Financial Year commencing from 1st April, 2013, in such manner and upto such extent as the Board of Directors, may time to time, determine.

RESOLVED FURTHER THAT, the Board of Directors be and is hereby authorised to sign and execute such documents/ deeds/writings or other papers as may be necessary and to do all such acts, deeds, matters and things as it may, in its sole discretion, deem necessary, proper, desirable, expedient or incidental for the purpose and to settle any question, difficulty or doubt that may arise in giving effect to this resolution.”

8. Modification in terms and conditions of appointment of Mr. Ayush Vardhan Singhania

“RESOLVED THAT in modification of earlier resolution passed at 24th Annual General Meeting held on 27th July, 2010 and pursuant to Section 314 and other applicable provisions, if any, of the Companies Act, 1956, Directors’ Relatives (Office or Place of Profit) Rules 2003, or any amendment or substitution thereof, approval of the Company be and is hereby accorded to modify the terms and conditions of appointment of Mr. Ayush Vardhan Singhania (son of Mr. Arvind Kumar Singhania, Chairman) to hold office as ‘Group Leader – Marketing & Business Development’ on the following terms and conditions –

1. **Period of Appointment**-3 years from 1st October, 2012 to 30th September, 2015

2. **Details of Remuneration**-Total Remuneration paid to Mr. Ayush Vardhan Singhania shall be limited to Rs. 2,49,000/- (Rupees Two Lacs and Forty Nine Thousands only) p.m. which may include Basic Salary, Special Allowance, House Rent Allowance and other benefits like Contribution to Provident Fund, Superannuation Fund and such other allowances, incentives, perquisites, benefits and amenities as may be provided by the Company to other employees in that grade from time to time, subject to the ceiling of Remuneration as specified above.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to sign and execute such documents/ writings or other papers as may be necessary and to do all such acts, deeds, matters and things as it may, in its sole discretion, deem necessary, proper, desirable, expedient or incidental for the purpose and to settle any question, difficulty or doubt that may arise in giving effect to this resolution.”

**By Order of the Board of Directors
For Ester Industries Limited**

Date : 1st August, 2012
Place : New Delhi

Diwaker Dinesh
Company Secretary

NOTES

- 1) **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 ONLY) ON HIS/ HER BEHALF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY AT SOHAN NAGAR, P.O. CHARUBETA, KHATIMA-262308, DISTRICT UDHAM SINGH NAGAR, UTTARAKHAND NOT LESS THAN 48 HOURS BEFORE THE MEETING.**

- 2) An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.
- 3) The relevant details of Item Nos. 2, 3 and 4 pursuant to Clause 49 of the Listing Agreement are annexed hereto.

- 4) The Register of Members and Share transfer Books will remain closed from Tuesday, 18th September 2012 to Friday, 21st September 2012 (both days inclusive) for the purpose of Annual General Meeting.
- 5) Pursuant to Section 205A of the Companies Act, 1956, as amended from time to time, any money transferred to the Unpaid Dividend Account of the Company, which remains Unpaid or Unclaimed for a period of 7 (Seven) years from the date of such transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government and the shareholders shall not be able to claim any unpaid dividend from the said fund or from the Company thereafter. Therefore Members who have not claimed the dividend for the year 2004-05 and any subsequent dividend payment(s) are requested to make their claims to the Company. The Unpaid Dividend for financial year 2004-05 is due for transfer to IEPF on 16th October, 2012.

- 6) In case of Joint holders attending the meeting, only such Joint holder who is higher in the order of names will be entitled to vote.
 - 7) Corporate Members intending to send their Authorized Representatives to attend the Meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
 - 8) 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 2nd Floor, Tower A, DLF Building No. 8, DLF Cyber City, DLF 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 dematerialised form:** any change in address, if any, to their Depository Participants
- 9) The members are requested to bring their copy of Annual report at the Annual General Meeting.
 - 10) Members/proxies should bring the attendance slip duly filled in for attending the Meeting. Members who hold shares in dematerialised form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting.
 - 11) Members desiring any information on the accounts are required to write to the Company at 2nd Floor, Tower A, DLF Building No. 8, DLF Cyber City, DLF 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.
 - 12) 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/REAPPOINTMENT AS REQUIRED UNDER CLAUSE 49 IV (G) (i) OF THE LISTING AGREEMENT ENTERED INTO WITH THE STOCK EXCHANGES

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

A. Mr. V B Haribhakti

Mr. V. B. Haribhakti is an Independent Director at Ester and has been associated with the company since 1991. Mr. Haribhakti is a fellow member of the Institute of Chartered Accountants of India.

Directorships of Mr. V. B. Haribhakti in other Companies (excluding Private, Foreign and Section 25 Companies) as on 31st March, 2012 are as follows:

S.No.	Name of the Company
1	Tilaknagar Industries Limited
2	Lakshmi Automatic Loom Works Limited
3	The Simplex Realty Ltd.
4	The Anglo-French Drug Co. (Eastern) Ltd.
5	Bajaj Electricals Limited
6	Citadel Realty and Developers Ltd.

Membership of Mr. V B Haribhakti in Committees of the Board of other companies as on 31st March, 2012 is as follows:

S. No.	Name of the Company	Nature of Committee	Designation
1	Tilaknagar Industries Limited	Audit & Remuneration Committee	Chairman
2	The Simplex Realty Ltd.	Audit & Remuneration Committee	Chairman
3	Bajaj Electricals Limited	Audit & Remuneration Committee	Chairman
4	Tilaknagar Industries Limited	Shareholders' Grievance Committee	Member
5	Lakshmi Automatic Loom Works Limited	Audit Committee	Member
6	Bajaj Electricals Limited	Shareholders' Grievance Committee	Member
7	Citadel Realty and Developers Ltd.	Audit Committee	Member

He holds 1500 shares in Ester Industries Ltd.

B. Mr. Dinesh Chandra Kothari

Mr. Dinesh Chandra Kothari is a professional and independent director. Post qualification as Chartered Accountant in November 1972, joined ICICI Ltd and was in appraisal of projects including financial structuring and analysis of projects for financial assistance. In October 1974, joined Bukhatir Group of companies in Sharjah, U.A.E., one of the largest diversified Conglomerates. After 12 years of service with Bukhatir Group, in 1986, set up Interstar Financial Services Ltd., in New Delhi, India to provide a wide range of consulting and advisory services to non-resident Indians, resident Indians and large Indian corporate houses on financial matters. As a part of Interstar's expansion programme, in association with M/s. New Delhi Law Offices, a leading law firm in New Delhi, in 1999 set up a Consultancy Firm in the name of New Delhi Corporate Consultancy Services Pvt. Ltd., in order to provide Legal & Consultancy Services under the same umbrella to the Corporate Sector within the country and abroad.

Directorships of Mr. Dinesh Chandra Kothari in other Companies (excluding Private, Foreign and Section 25 Companies) as on 31st March, 2012 are as follows:

S.No.	Name of the Company
1	Aro Granite Industries Limited
2	Asian Hotels (North) Limited
3	Magus Estates and Hotels Limited
4	Interstar Financial Services Limited

Memberships/Chairmanships of Mr. Dinesh Chandra Kothari in Committees of the Board of other Companies as on 31st March, 2012 are as follows:

S. No.	Name of the Company	Nature of Committee	Designation
1	Aro Granite Industries Ltd.	Audit Committee & Remuneration Committee	Chairman
2	Asian Hotels (North) Ltd.	Investors' Grievance Committee	Chairman
3	Aro Granite Industries Ltd.	Investors' Grievance Committee	Member
4	Asian Hotels (North) Ltd.	Audit Committee & Remuneration Committee	Member

He holds 20,000 equity shares in Ester Industries Ltd.

C. Mr. Arvind Kumar Singhania

Mr. Arvind Kumar Singhania is Promoter and Non-Executive Chairman of the Company. He is a Commerce Graduate. His vision and passion have been integral to Ester's success, building the company from a small start up to one of India's leading, most recognized polyester film manufacturing company. He has been associated with the company since its inception. He has 28 years of rich and varied operations experience including production, supply chain, finance and people management. He was holding the position of Managing Director in the Company till 31st March, 2011. Under his tutelage, Ester has undertaken and seen tremendous success with its various expansion and modernization initiatives.

Directorships of Mr. Arvind Kumar Singhania in other Companies (excluding Private, Foreign and Section 25 Companies) as on 31st March, 2012 are as follows:

S.No.	Name of the Company
1	ACME Investments Limited

He doesn't hold any Membership/Chairmanship in Committees of the board of other Companies

He holds 150 shares in Ester Industries Ltd.

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

ITEM NO. 6

As per the provisions of Section 293(1)(e) of the Companies Act, 1956, the Board of Directors of a public company shall not except with the consent of members of the Company, contribute to Charitable and other funds not directly relating to the business of the Company or the welfare of its employees in excess of Rs. 50,000 or 5% of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956, during the three financial years, immediately preceding, whichever is greater.

To enable your Company to discharge its responsibility towards charitable, social, philanthropic and other causes of public utility, your Directors recommend for approval by the members that the limit of contribution to charitable and other funds be fixed upto an annual limit of Rs. 1,00,00,000 (Rupees One

Crore) or 5% of the average net profits of the Company as determined in accordance with the provisions of the Section 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceding, whichever is greater. Your Directors recommend the approval of proposed Ordinary Resolution by the Members.

None of the Directors of the Company is concerned or interested in the Resolution.

ITEM NO. 7

Section 309 of the Companies Act, 1956 provides that a Director who is neither in the whole-time employment of the Company nor a managing director may be paid remuneration by way of commission, if the Company by special resolution, authorizes such payment.

The Board of Directors is of the opinion that, in order to remunerate the Non-Executive Directors of the Company for the responsibilities entrusted upon them under the law particularly with the requirements of the Companies Act, 1956 and Corporate Governance norms, according to the current trends and commensurate with the time devoted and the contribution made by them, subject to such statutory approvals as may be necessary, commission in terms of Section 309 of the Companies Act, 1956, be paid to the Non-Executive Directors of the Company.

The Board of Directors of the Company proposes for the payment of commission to Non-Executive Directors of the Company, within the maximum limit of 1% of net profits of the Company, as per Section 309 of the Companies Act, 1956, over a period of five years commencing from 1st April 2013 upto 31st March 2018 in such manner and to such extent as the Board of Director determines time to time.

Your Directors recommend the approval of proposed Special Resolution by the Members.

All Non-Executive Directors of the Company namely, Mr. Ashok Newatia, Mr. V B Haribhakti, Mr. Dinesh Chandra Kothari, Mr. M S Ramachandran, Mr. Anand Chand Burman, Mr. P S Dasgupta and Mr. Arvind Kumar Singhania are concerned or interested in the Resolution to the extent of the remuneration that may be received by them.

ITEM NO. 8

Mr. Ayush Vardhan Singhania is a graduate from Bentley University, Waltham, Massachusetts, USA. He has majored in Management and International Studies. The shareholders of the Company in the Annual General Meeting held on 27th July, 2010 approved his appointment as 'Group Leader - Development' for a period of 3 years from 1st August, 2010 to 31st July, 2013.

After considering his performance during his job tenure, it is proposed by the Board of Directors to increase his remuneration as specified in the proposed resolution given under Item no. 8.

The proposed remuneration to Mr. Ayush Vardhan Singhania is commensurate with his qualification and is in line with the industry standards. Since Mr. Ayush Vardhan Singhania, who is son of Mr. Arvind Kumar Singhania, Chairman, proposes to hold the office or place of profit carrying a total monthly remuneration in excess of Rs. 50,000/- per month, consent of the members by a Special Resolution is required in terms of Section 314 of the Companies Act, 1956.

None of the Directors except Mr. Arvind Kumar Singhania, Chairman, is concerned or interested in this resolution. Your Directors recommend the Resolution for your approval as a Special Resolution

**By Order of the Board of Directors
For Ester Industries Limited**

Date : 1st August, 2012
Place : New Delhi

Diwaker Dinesh
Company Secretary

CHAIRMAN'S MESSAGE



Dear shareholders,

I am pleased to present the Annual Report for the financial year 2011-12 and share with you our strategy and priorities going forward.

The year 2011-12 has been a volatile period, both politically and economically and the world economy continues to endeavor to recover and stabilize. While certain developed economies (especially the Eurozone) battled with their financial crisis, growth in emerging markets was slower than expected. Areas such as Africa and the Middle East had to address challenging socio-political conditions.

India was also affected by the global uncertainties, resulting in less than 7% growth during the year. This was significantly less than the GDP growth achieved in the preceding year, and could be attributed primarily due to deceleration in industrial growth. Inflation remained in double digits and various monetary and fiscal policy measures announced to curb inflation met with

limited success. The investment climate was also affected due to the rising cost of credit and weaker business sentiment.

In order to mitigate the aforesaid volatile economic scenario, Ester undertook various strategic initiatives for growth and sustainability. As an endeavor in this direction, Ester has entered the arena of Rigid packaging by incorporating a Strategic Business Unit (SBU) - Specialty Polymers. With the commissioning of the new Continuous Polymerisation plant in November 2010, Ester was able to effectively redeploy the 40,000 Tons per annum of batch polymerisation capacity for the production of Specialty Polymers. This diversification into Specialty Polymers business not only has a lot of synergy with the existing business lines but is also a strategic move progressing Ester's agenda towards innovation and technological development. The Specialty Polymers SBU will enhance Ester's positioning as an organization focused on providing innovative solutions to its customers. The major markets for these Specialty products are USA, European Union, China, Japan and other developed countries of the Asia Pacific regions.

The year 2011-12 presented many challenges for the BOPET Film SBU, including disproportionate capacity additions globally as well as the continuation of the legislative ban on the use of plastic films in the packing of Pan Masala & Gutkha (chewing tobacco). These developments created an adverse demand-supply scenario affecting margins. While recent demand trends are encouraging, the additional capacities may continue to exert pressure on end prices. At Ester, production grew by over 60% by optimum utilization of the recently added capacity. Ester continued its R&D efforts to develop a variety of value added products which were introduced during the year. Further test and trials continue at several customer sites across the world.

In the Engineering Plastics SBU, cheaper imports and rising raw material costs continued to pose a challenge to realizations. Despite stiff competition, Ester succeeded in passing on a

part of the raw material cost increase, while retaining its customer base. Efforts to develop cost-effective formulations have yielded success and we expect to improve market share moving forward. We plan to ensure profitable growth in the Engineering Plastics SBU by our continued focus on new product/application development and exploring opportunities in overseas markets.

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

1. Active work in progress to incorporate PCR (Post Consumer Recycled) in our value chain
2. Usage of bio-mass to replace fossil fuels.
3. Increasing usage of bio-based raw material

You will be happy to note that as a result of these efforts, Ester has reduced fossil fuel consumption per unit by more than 80% over the last ten years. I remain personally involved in all efforts related to sustainability.

People initiatives continue to be on the high priority agenda for Ester, as we believe that employees are our valued assets. The Performance Management System implemented last year has

brought about a lot of objectivity thus enabling the Esterian to develop to his/ her full potential and being able to contribute materially towards the organizational objectives. We continue our efforts to enable employees to embrace the Esterian DNA. In 2012-13, we plan to focus on employee development and career progression.

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

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

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

With regards,

Arvind Kumar Singhania

Chairman