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ESTER
INDUSTRIES LTD.

75-76, Amrit Nagar
(Behind NDSE-1)
New Delhi - 110 003

SEVENTEENTH ANNUAL REPORT 2002-2003

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LISTING OF SECURITIES

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

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

THE CALCUTTA STOCK EXCHANGE ASSOCIATION LTD.
7, LYONS RANGE
KOLKATTA – 700 001

THE DELHI STOCK EXCHANGE ASSOCIATION LTD.
DSE HOUSE. 3/1 ASAF ALI ROAD
NEW DELHI – 110 002

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

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



BOARD OF DIRECTORS	MR. SITARAM SINGHANIA MR. I. P. SHROFF MR. M.R. HOSANGADY MR. M.R. SURYA PRAKASH MR. H.S. MAJUMDER MR. V.B. HARIBHAKTI MR. A.P. SARWAN MR. A.K. SINGHANIA MR. A.K. NEWATIA	CHAIRMAN DIRECTOR DIRECTOR NOMINEE DIRECTOR (IFCI) DIRECTOR DIRECTOR DIRECTOR MANAGING DIRECTOR EXECUTIVE DIRECTOR
COMPANY SECRETARY	MR. S.K. JAIN	
STATUTORY AUDITORS	M/S. S.R. BATLIBOI & 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-1 NEW DELHI - 110 003	
REGISTERED OFFICE & WORKS	SOHAN NAGAR P.O. CHARUBETA KHATIMA – 262 308 DISTRICT UDHAMSINGH NAGAR UTTARANCHAL	
REGISTRAR & SHARE TRANSFER AGENT	MCS LIMITED SRI VENKATESH BHAWAN 212 A SHAHPUR JAT BEHIND PANCHSEEL CLUB NEW DELHI – 110 049	

NOTICE

NOTICE IS HEREBY GIVEN that the 17th Annual General Meeting of Ester Industries Limited will be held on Monday, the 29th September 2003 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, Uttaranchal to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as on 31st March 2003 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.P. Sarwan who retires by rotation and being eligible offers himself for reappointment.
3. To reappoint Mr. Ashok Kumar Newatia who retires by rotation and being eligible offers himself for reappointment.
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. S.R. Batliboi & Associates, Chartered Accountants, New Delhi be and are hereby appointed as 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 a Special Resolution:

"RESOLVED THAT pursuant to the provisions, inter alia of Section 309, 310 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 increase the remuneration of Mr. Ashok Kumar Newatia, Executive Director of the Company w.e.f. 1st May 2003 and be paid remuneration in the manner and to the extent set out: -

- A. Salary Rs. 75,000/- per month.
- B. In addition to salary, Mr. Ashok Kumar Newatia shall be entitled to perquisites and allowances like furnished residential accommodation or house rent allowance in lieu thereof including reimbursement of gas, electricity and water, furnishing and repair, reimbursement of medical expenses 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. 9,00,000/- per annum.
- C. Mr. Newatia shall also be eligible to the following perquisites, which shall not be included in computation of the ceiling on remuneration specified above: -
 1. Company's contribution to

the provident fund, superannuation fund or annuity fund as per the rules of the Company 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 Executive 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. Ashok Kumar Newatia.
- E. The remuneration comprising salary, perquisite and other benefits and allowances of the Executive Director shall be subject to the overall ceiling laid down in Section 198 and 309 Companies Act, 1956 or any modification or re-enactment thereof.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits, Mr. Ashok Kumar Newatia would be paid the same remuneration, perquisites and benefits as above, subject to compliance with the applicable provisions of Schedule XIII of the Act, if and to the extent necessary, with the approval of the Central Government.

RESOLVED FURTHER THAT the Board of Directors (including its Committee constituted for the purpose) be granted power to grant increments and alter and vary from time to time the amount and type of perquisites

to be provided to Mr. Ashok Kumar Newatia, so as not to exceed the remuneration limits as specified in Schedule XIII of the Companies Act, 1956 and settle any question or difficulty 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 subject to the provisions, if any, of the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956 or any modification or re-enactment thereof, the Securities Contracts (Regulation) Act, and the rules framed thereunder, Listing Agreements and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by 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 on the Board by the Resolution), the consent be and is hereby accorded to the Board to delist the Equity Shares of the Company from (i) The Stock Exchange, Ahmedabad – 380 015, (ii) The Calcutta Stock Exchange Association Limited, Kolkata – 700 001, (iii) The Delhi Stock Exchange Association Limited, New Delhi – 110 002, (iv) The Uttar Pradesh Stock Exchange Association Limited, Kanpur – 208 001 and (v) Bangalore Stock Exchange Limited, Bangalore-560027.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all necessary steps in this regard and to do all such acts, deeds and things, as it may, in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty and doubt that may arise in this regard to delisting of the equity shares of the Company."

By Order of the Board of Directors

New Delhi (S.K.Jain)
28th August 2003 Company Secretary

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 Members and Share Transfer Books of the Company will remain closed from Tuesday, 23rd September 2003 to Monday, 29th September 2003 (both days inclusive).
3. The members are requested to:
 - a. bring their copy of Annual Report at the Annual General Meeting.
 - b. I **In case shares are held in physical form:** 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 Agent of the Company, MCS Limited, Sri Venkatesh
- c. Send, in case of those members who have multiple accounts in identical names or joints 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 required to write to the Company at 75-76 Amrit Nagar, Behind N.D.S.E. Part-1, New Delhi-110 003 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.

Bhawan, 212A Shahpurjat, Behind Panchsheel club, New Delhi-110 049 quoting their folio number.

II In case shares are held in dematerialised 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 dematerialised form.

**EXPLANTORY STATEMENT PURSU-
ANT TO SECTION 173 (2) OF THE
COMPANIES ACT, 1956****Item no. 5**

Mr. Ashok Kumar Newatia was reappointed as Whole Time Director designated Executive Director of the Company for a term of 3 years effective 1st July 2001 by the members at the Annual General Meeting held on 28th September 2001 at a salary of Rs. 25,000/- per month with benefits and allowances as decided by the Chairman/Managing Director of the Company. Mr. Ashok Kumar Newatia is a Chemical Engineer with more than 40 years of rich and varied experience in design, project, marketing, production and general management. Mr. Newatia is at the helm of affairs since 1994 and was instrumental in setting up and implementing the second film line in 1997.

Considering the inflationary trend and increase in work and responsibilities and also the amount being paid to managerial person occupying similar position in other comparable companies, the Remuneration Committee and the Board of Directors at their meetings held on 30th July 2003 have deemed fit to fix the limit of salary at Rs. 75,000/- per month w.e.f. 1st May 2003 within the limits specified in Schedule XIII of the Act, as may be amended from time to time.

The remuneration payable to Mr. Ashok Kumar Newatia are subject to Section 309 & 310 of the Companies Act, 1956 and the approvals of the Central Government, financial institutions and members of the Company.

None of the directors 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

The Company's Equity Shares are listed at the following Stock Exchanges:

The Stock Exchange, Mumbai – 400 001

The Stock Exchange, Ahemdabad – 380 015

The Calcutta Stock Exchange Association Limited, Kolkatta – 700 001

The Delhi Stock Exchange Association Limited, New Delhi – 110 002

The Uttar Pradesh Stock Exchange Association Limited, Kanpur – 208 001

Bangalore Stock Exchange Limited, Bangalore-560 027.

With the extensive net working of the Stock Exchange, Mumbai and the extension of their respective trading terminals to other cities as well, investors have access to online dealings in the Company's securities across the country. The bulk of the trading takes place on the BSE and the trading volumes of the Company's Equity Shares on these Stock Exchanges at Ahemdabad, Bangalore, Delhi, Kanpur and Kolkatta are either nil or very low. Besides this listing fees payable to these exchanges is disproportionately high compared to the nil or extremely low trading volumes of the Company's securities on these exchanges.

The Securities and Exchange Board of India (SEBI) has issued "The Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003". Under these guidelines, a Company may delist from Stock Exchange where its securities are listed provided that: -

1. the securities of the Company have been listed for a minimum period of 3 years on any stock exchange; and
2. an exit opportunity has been given to the investors at an exit price to be determined in accordance with "book building process". However, in cases where the securities are continue to be listed in a stock exchange having nation wide trading terminals, i.e. BSE/NSE, exit opportunity need not be given.

Approval of the members by way of special resolution is being sought for delisting of Company's equity shares from Stock Exchanges at Ahemdabad, Bangalore, Delhi, Kanpur and Kolkatta. The Company's equity shares will continue to be listed on BSE after the proposed delisting.

None of the directors 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

28th August 2003

(S.K. Jain)

Company Secretary

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

At the ensuing Annual General Meeting, Mr. A. P. Sarwan and Mr. Ashok Kumar Newatia retire by rotation and being eligible, offer themselves for reappointment. The particulars of the Directors are given below:

Mr. A.P. Sarwan aged about 69 years is a professional and independent director and is associated with the Company since 1991. Mr. Sarwan, IAS, retired as Chief Secretary of Government of Assam. He is also member of Audit Sub Committee. The other Directorship of Mr. A.P. Sarwan is as follows: -

1. Nirma Limited
2. Assam Carbon Limited
3. Gujarat Hylden Limited

Mr. Ashok Kumar Newatia aged about 61 years is a professional and independent director and is associated with the Company since 1994. He is also member of Share Transfer Cum Shareholders/Investors Grievance Committee. Mr. Ashok Kumar Newatia is not holding the directorship of any other Company.

DIRECTORS' REPORT

To The Members

Your directors are pleased to present the Seventeenth Annual Report together with Audited Statement of Accounts of your Company for the year ended 31st March 2003.

FINANCIAL RESULTS

	(Rs. in lacs)	
	For the year ended 31.03.2003	For the year ended 31.03.2002
Sales and Other Income	28,424.94	24,120.20
Profit before Financial Charges, Depreciation, Extra Ordinary Items and Tax	5,831.42	3,197.40
Less: Interest & Other Financial Expenses	1,511.23	4,057.82
Profit/(Loss) before Depreciation, Extra Ordinary Items and Tax	4,320.19	(860.42)
Depreciation	1,613.67	1,931.45
Profit/(Loss) before Extra Ordinary Items and Tax	2,706.52	(2,791.88)
Extra Ordinary Item: Write Back of Interest upon OTS	4,027.87	0.00
Profit/(Loss) before Tax	6,734.39	(2,791.88)
Provision for Wealth Tax	1.46	1.46
Profit/(Loss) after Tax	6,732.93	(2,793.34)
Amount transferred from FCCB Redemption Reserve Account	454.00	0.00
Add: Balance brought forward	(11,164.16)	(8,370.82)
Balance Carried to Balance Sheet	(3,977.23)	(11,164.16)
Basic Earnings Per Share (Rupees)	16.29	(7.05)
Diluted Earnings Per Share (Rupees)	16.27	(7.05)

DIVIDEND

Though your Company has earned profits during the year but since the accumulated losses have not yet been fully wiped out, your directors do not recommend any dividend.

OPERATIONS

The sales including excise duty and other income during the year under review are Rs.28,424.94 lacs compared to Rs. 24,120.20 lacs in the previous year resulting in an increase of 18%. This has been possible due to increase in production and sales of Polyester Film by about 21%. The capacity utilization in case of Polyester Film remained higher than the installed capacity at 129%.

As is evident from the financial results, there has been a significant improvement in the operational and financial performance of your company. Profit before Financial Charges, Depreciation, Extra Ordinary Items and Tax for the year under review is Rs. 5,831.42 lacs as compared to Rs. 3,197.40 lacs, i.e. an improvement of 82% over the previous year. This has been possible due to improved production, cost cutting measures and substantially lower interest cost as a result of financial restructuring/one time settlement with the financial institutions.

The Company has earned net profit of Rs.6,732.93 lacs (previous year Net Loss of Rs.2,793.34 lacs) on account of:-

- Substantial increase in production and sales quantities of Polyester Film.
- Improvement in selling prices.
- Reduction in interest cost.
- Write back of interest upon OTS.

Due to continued imposition of countervailing duty (anti subsidy and anti dumping) by United States on Indian manufacturers of Polyester Film includ-

ing your Company, the volume of export to USA remained at very low level during the year under review. However, your Company still managed to increase the export volume in quantitative and value terms as more focused attention was put on export markets other than Europe and USA. Exports accounted for 30% of the turnover. Your directors are further pleased to report that despite imposition of countervailing duty by Europe/USA, the Company has been able to successfully fulfill its export obligation under the EPCG scheme.

The Company continues to take various process and cost control measures which have yielded tangible results in improved output and quality, reduced rejection and better conversion efficiencies, all contributing to more economical operations helping the Company to turn around despite highly competitive market situation. Steps towards energy conservation are being continuously taken to reduce wastage and improve efficiency resulting in reduced energy costs. Your Company continues to focus on development of new products, better product mixes, stringent quality control and cost reduction.

STATUS OF REHABILITATION PROPOSAL

The Company was registered as a Sick Industrial Undertaking under the provisions of Section 15(1) of SICA on 8th January 2001 and was declared a Sick Industrial Undertaking by the Hon'ble BIFR vide its order dated 22nd October 2001. As per directions of Hon'ble BIFR, the Company has reached settlement with its all Foreign & Indian Financial Institutions and has submitted a fully tied Rehabilitation Proposal to Operating Agency, IDBI and other financial institutions. Based on the proposal, a Draft Rehabilitation Scheme (DRS) has been submitted by the Operating Agency, IDBI to Hon'ble

BIFR for approval. Upon settlement, the overall debt burden and interest cost have reduced substantially. This would enable the Company to operate more efficiently and develop its business in highly competitive environment. The payments are being made as per the schedule. Full and final payments have been made to CDC - London, DEG - Germany and UTI. No dues certificates have also been received from them.

LOANS

In the matter of winding up petition filed by ICICI Bank Limited under Sections 433, 434 read with 439 of the Companies Act, because of Company's registration as a Sick Industrial Undertaking under the provisions of SICA, the Uttaranchal High Court has kept the proceedings in abeyance till decision by Hon'ble BIFR in the matter. ICICI Bank Limited has also agreed to sine die adjournment till such time the Company completes making payments as undertaken by it or fails to do so.

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/renewed any deposit during the year.

DIRECTORS

Mr. A.P. Sarwan and Mr. Ashok Kumar Newatia, Directors of the Company retire by rotation as required under the Companies Act, 1956 and being eligible, offer themselves for re-appointment.

Mr. I.L. Nagapl, Nominee Director (UTI) resigned from the directorship of the Com-