

**TWENTIETH
ANNUAL REPORT
2005-2006**

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LISTING OF SECURITIES	THE CALCUTTA STOCK EXCHANGE ASSOCIATION LIMITED 7, LYONS RANGE KOLKATA – 700 001
	THE STOCK EXCHANGE, MUMBAI PHIROZE JEEJEEBHOY TOWERS 25 TH FLOOR, DALAL TOWERS MUMBAI - 400 001



BOARD OF DIRECTORS	MR. A.K. SINGHANIA MR. M.R. HOSANGADY MR. H.S. MAJUMDER MR. V.B. HARIBHAKTI MR. A.P. SARWAN MR. A.K. NEWATIA MR. PALEM SRIKANT REDDY MR. D.K. DOSI	CHAIRMAN & MANAGING DIRECTOR DIRECTOR DIRECTOR DIRECTOR DIRECTOR DIRECTOR DIRECTOR EXECUTIVE DIRECTOR
COMPANY SECRETARY	MR. S.K. JAIN	
STATUTORY AUDITORS	M/S. S.R. BATLIBOI & ASSOCIATES, 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 AGENTS	MCS LIMITED SRI VENKATESH BHAWAN W-40 OKHLA INDUSTRIAL AREA PHASE II NEW DELHI – 110 020	

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. Hosandagy 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 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 joints 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 consolida-

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
31st July 2006

(A.K. Singhania)

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) :

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

B. Technology Absorption, Adaptation and Innovation :

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Your Company is engaged in the manufacture and sale of PET Film and Engineering Plastics. During the current year PET Film accounted for 82% of sales revenue. Sales of PET Film including Metallized PET Film was 26580 MT out of which 11020 MT was exported to many countries around the globe and 15560 MT was sold in domestic market.

Engineering Plastics accounted for 11% of sales revenue recording a total production of 2111 MT and sales of 2102 MT and balance 7% from PET Chips.

Your Company installed a state of the art Metallizer which commenced production in October 2005. Capacity utilization in the first six months of operation was 74%.

POLYESTER FILM BUSINESS

Current Scenario

During the past year, the industry witnessed excess supply due to capacity additions in the preceding years both in India and abroad.

Worldwide, the growth in thin films, the business we are in, is a healthy 6 to 8%. However, bulk of this growth is contributed by 15 to 20% growth in China and India. Despite the high growth rate, supplies have outstripped demand due to bunched capacity additions in the last two years, especially in China and India and to some extent in the Middle East, Turkey and South East Asia. The pace of new capacity additions seems to be slowing down. Despite US, EU and Japan being the leaders in consumption, there have been no new capacities in these areas in last several years and some of the small old uneconomic lines may face closure in these high cost areas.

Hence, the demand growth in these countries are most likely going to be met by imports from the low cost areas and the unfavourable disparity between supply and demand currently faced in the market is likely to ease leading to a consolidation of the market yielding better margins on the product.

The substantial investments made in your Company in the recent past by way of modernization schemes, cost reduction schemes, value addition projects etc. are of long term benefits and these would be forthcoming in coming years resulting in better financial performance of your Company. The investments made towards this end are:-

- A state of the art Metalliser Plant. This was commissioned in October 2005. It is now running at full capacity. This will increase the margins available to the Company.
- Film Line # 1 modernization. This will increase production by 115 MT/month at marginal costs. Line is running at higher speeds since March 2006.
- An Uninterrupted Power Supply system. This was commissioned in May 2006 to utilize cheaper power available from Uttaranchal State Grid.
- Co-extrusion system in Film Line # 2. This was commissioned in June 2006. It will enable the Company to produce value added products and improve margins.
- Voluntary Retirement Scheme. It was well received by the workmen and a total of 160 workmen availed of the scheme. This will result in lower costs in the coming years.

Outlook

- The growth in consumption of Polyester Film continues to be robust. The growth in domestic demand which is approximately 16 to 17% would mean 20000 tons additional demand per year. This is equivalent to nearly one large film line per year. With continued growth of the Indian economy and huge investments in food processing and retailing, packaging as a business and, therefore, demand for Polyester Film as a vital input to packaging will continue to grow at a very handsome rate.
- Excess Film capacity in China is slowly heading towards getting balanced, but would probably continue to be a cause of concern for a year or two.
- Trade barriers to large traditional markets like US and EU continue for Indian Film producers. To overcome this, some of the Indian manufacturers have set up manufacturing facilities outside India and this is a strong indicator of where our future investments should be.
- Feedstock supplies are expected to remain comfortable though the prices are showing increasing trend due to increase in Crude Oil prices. With the markets moving towards getting balanced we expect to be able to pass on the raw material price increase to customers.
- As already mentioned earlier the Company has made substantial investments in creating capabilities for value added products. The Metallizer is now successfully running at full capacity and product has been accepted both in domestic as well as International markets. This has also created opening for us to service US markets where

no trade barriers exist on Metallized Film.

- The Co-Extrusion facility has just been commissioned and some new products have already been produced and are under different stages of approval by the customers and we expect to be ready to derive the benefits of these investments in coming months.

Future Plans & Strategy

- We plan to continue the aggressive strategy of introducing more value added products and cost reduction measures.
- To support value added products a new R&D Cell has been established and investments are planned in Laboratory & Pilot facility.
- In view of the growth in polyester film consumption worldwide and that the current capacity of your company being fully utilized, it is evident that your company has to grow and commit investment by commissioning new production facility. With the down cycle in the industry coming to an end, your Company is evaluating various options to expand polyester film manufacturing capacity.

ENGINEERING PLASTICS BUSINESS

Engineering Plastic business has been performing consistently during the past year. Your Company's strength in this field has been its ability to develop compounds to suit individual customers and specific applications together with ability to service small customers and small quantities. These strengths have ensured that Company retains its brand equity and eminent position in the field.

The Engineering Plastic market can be

broadly divided into two categories, viz. non-compounded and compounded segments. The compounded segment is showing handsome growth rates in the region of 15 to 20% on the back of large-scale growth in automobile and electrical industries.

Continuous improvement in product quality to global standards and offering cost competitive products remain focus areas. Companies' production capacity is utilised fully and capacity expansion is being evaluated.

Human Resources

People continue to be an asset of any organization and your organization is no exception to this where they are valued immensely. Your Company believes and practices in boundaryless operation. During the year, Company had opened a VRS, which was well received by the workmen. In all 160 workmen availed of the scheme. After the VRS phase, your Company has restructured the entire operations to work with the reduced strength. This has resulted in better workflow and higher efficiencies. As part of Human Resource development regular training programs are in place at all levels. We strive hard to create an environment for getting best performance from the employees.

Health & Safety

You would be pleased to note that during the year under review the health and safety of our employees was taken utmost care and year passed uneventful. We continue to keep in focus the health and safety of all the employees and all business activities are undertaken keeping in consideration this aspect.

Environment

We continue to keep up the continuous monitoring program of environment pollutants and effluents. Your Company follows richest standards of hygiene to ensure well-being of the customers, employees and environment. To meet the objective of ensuring that our products meet the highest standards of food grade application, the Company obtained approval of HACCP.

Cautionary Statement

This report is based on certain assumptions and expectation of certain future events. This process does involve certain degree of uncertainty. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any future events.

CERTIFICATE

To

The Members of Ester Industries Limited,

To

The Members of Ester Industries Limited,

We have examined the compliance of conditions of corporate governance by Ester Industries Limited, for the year ended on 31st March 2006, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For R.S. ASSOCIATES

Company Secretaries

per

Ravi Sharma, FCS

CP-3666

Gurgaon

31st July 2006

We have examined the compliance of conditions of corporate governance by Ester Industries Limited, for the year ended on 31st March 2006, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges the Company submits the report on the matters mentioned in the said Clause and practice followed by the Company:

1. Company's Philosophy on Code of Governance

Your Company believes that good corporate governance practice ensures the attainment of the highest levels of transparency, accountability and equity in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, employees, the government and the lenders.

2. Board of Directors

The Board of Directors consists of 8 directors.

Composition and category of Directors is as follows:

Category	Name of the Directors
Promoter/Executive Director	A.K. Singhania
Non- Promoter Executive Director	Dilip Kumar Dosi
Non Executive and Independent Directors	A.P. Sarwan V.B. Haribhakti M.R. Hosangady H.S. Majumder A.K. Newatia Palem Srikant Reddy

Attendance of each Director at the Board meetings, last Annual General Meeting and Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies:

Name of Directors	Attendance Particulars		No. of other directorships and Committee Member/Chairmanship		
	Board Meeting	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
A.K. Singhania	6	No	6	1	None
A.K. Newatia	5	Yes	None	None	None
A.P. Sarwan	5	No	3	1	None
D.K. Dosi	5	Yes	-	1	None
V.B. Haribhakti	5	Yes	11	12	8
M.R. Hosangady	4	No	2	1	None
H.S. Majumder	5	Yes	-	None	None
Palem Srikant Reddy	2	No	7	None	None

Number of Board Meetings held and the dates on which held

6 Board Meetings were held during the year, as against the minimum requirement of 3 meetings. The dates on which the meetings were held are as follows: 26th April 2005, 13th June 2005, 27th July 2005, 3rd November 2005, 20th January 2006 and 31st January 2006.

3. **Audit Committee**

The Board of the Company has constituted an Audit Committee, comprising 3 independent and Non Executive Directors viz Mr. V.B. Haribhakti, Chairman; Mr. A.P. Sarwan and Mr. M.R. Hosangady. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956.

The terms of reference stipulated by the Board to the Audit Sub Committee are, as contained under clause 49 of the Listing Agreement, as follows:

- a. To oversee financial reporting and disclosure process.
- b. To recommend the appointment and removal of statutory auditors and decide their remuneration.
- c. To review financial results and statements, before submission to the Board, focus primarily on-
 - Any change in accounting policies and practices.
 - Major accounting entries, based on exercise of judgment by the management.
 - Qualifications in the draft audit report.
 - Significant adjustments arising out of the audit.
 - Going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements.
 - Any related party transactions i.e. transactions of the Company of a material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with larger interests of the Company.
- d. to oversee adequacy of internal control systems.
- e. Reviewing adequacy of internal audit function, coverage and frequency of internal audit report.
- f. Discussion with internal auditors and concurrent auditors on any significant findings in their reports and follow up thereon.
- g. Discussion with external auditors before audit commences, as regards nature and scope of audit, as well as having post audit discussions to ascertain any areas of concern.
- h. Reviewing the Company's financial and risk management policies.

During the year, the Committee has met 4 times, as against the minimum requirement of 3 meetings on 13th June 2005, 27th July 2005, 3rd November 2005 and 31st January 2006.

4. **Remuneration Committee**

The Board of the Company has constituted a Remuneration Committee, comprising of 2 independent, Non Executive Directors viz Mr. V.B. Haribhakti and Mr. M.R. Hosangady.

The remuneration Committee has been constituted to recommend/review the remuneration packages of the Managing/Whole Time Directors, based on performance and defined criteria.

During the year, the Committee did not meet since there was no need to convene the meeting.

Details of remuneration paid to the Directors for the year

The aggregate value of salary and perquisite for the year ended 31st March 2006 to Whole Time Directors as follows: - Mr. Arvind Kumar Singhania, Chairman & Managing Director – Rs. 31.36 lacs and Mr. D.K. Dosi, Executive Director – Rs. 25.11 lacs.

The Company pays sitting fees to all Non Executive Directors. The sitting fees paid for the year ended 31st March 2006 to the Directors are as follows: - Mr. A.P. Sarwan, Director, Rs. 45,000/-, Mr. V.B. Haribhakti, Director, Rs. 45,000/-, Mr. M.R. Hosangady, Director, Rs. 35,000/-, Mr. A.K. Newatia, Director, Rs. 25,000/-, Mr. H.S. Majumder, Director-Rs. 25,000/- and Mr. Palem Srikant Reddy, Director-Rs. 10,000/-.

5. Shareholders'/Investors' Grievance Committee

The Board of the Company has reconstituted a Shareholders'/Investors' Grievance Committee, comprising of Mr. A.K. Singhania, Mr. D.K. Dosi and Mr. S.K. Jain. The Committee, inter-alia, approves issue of duplicates certificate and oversees and reviews all matters connected with the securities transfers.

The Company has received a few complaints from the shareholders and all of them have been resolved by furnishing requisite information/documents. There was no complaint pending as on 31st March 2006.

The Board has designated Mr. Sanjay Kumar Jain, Company Secretary as the Compliance Officer.

6. General Body Meetings

Location and time for last 3 Annual General Meetings were:

Year	AGM	Location	Date	Time
2002-2003	AGM	Sohan Nagar, PO Charubeta, Khatima – 262308, District Udham Singh Nagar, Uttaranchal	29.09.2003	9.30 a.m.
2003-2004	AGM	Same as above	16.09.2004	9.30 a.m.
2004-2005	AGM	Same as above	09.09.2005	9.30 a.m.

No postal ballots were used/invited for voting at these meetings in respect of special resolutions passed, as there were no such provisions in the Companies Act, 1956. The Company will comply with the requirements relating to postal ballots as and when it is required.

7. a. Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

None of the transactions with any of the related parties were in conflict with the interest of the Company.

b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock exchanges or SEBI, or any statutory authority on any matter related to capital markets, during the last three years.

None

8. Means of communication

Quarterly results

The quarterly results are generally published in Economic Times/Statesman, New Delhi and Amar Ujjala/Dainik Jagran/Viswamanav, Bareilly, Uttar Pradesh.

9. General Shareholder Information:

9.1 Annual General Meeting

- Date and Time September 15, 2006 at 10.30 a.m.
- Venue Sohan Nagar, P.O. Charubeta, Khatima – 262308, District Udham Singh Nagar, Uttaranchal

9.2 Financial Calender(Tentative and subject to change):

Financial Results for the Quarter ending 30 th June 2006	July 2006
Financial Results for the Quarter ending 30 th September 2006	October 2006
Financial Results for the Quarter ending 31 st December 2006	January 2007
Financial Results for the Quarter ending 31 st March 2007	June 2007
Annual General Meeting	September 2006

- 9.3 Books closure date** 8th September 2006 to 15th September 2006 (both days inclusive)

- 9.4 Listing of Equity Shares and: Redeemable Cumulative Preference Shares on Stock Exchanges at** Mumbai, Kolkata*

*The Company's application for voluntary delisting, pursuant to the special resolution passed by the shareholders in the 17th Annual General Meeting held on 27th September 2003 in this behalf, of securities from The Calcutta Stock Exchange Association Limited is pending with the exchange. The listing fees for the year 2006-2007 have been paid to BSE where the shares of the Company are listed.

- 9.5 (a) Stock Code:** Trading Symbol Bombay Stock Exchange ESTER IND (PU)-500136

- (b) Demat ISIN Numbers in NDSL & CDSL for Equity Shares** ISIN No. INE778B01029

9.6 Stock Market Data:

Months	Bombay Stock Exchange (BSE) (In Rs.)		Volume (No. of Shares)
	Month's High Price	Month's low Price	
April 2005	19.85	16.50	709291
May 2005	21.50	16.20	2341001
June 2005	22.80	18.40	2942451
July 2005	20.90	18.00	1787894
August 2005	21.30	17.70	3530210
September 2005	21.35	16.25	4247964
October 2005	17.90	13.35	784385
November 2005	15.98	13.40	432265
December 2005	13.84	12.10	522551
January 2006	14.05	10.68	810512
February 2006	10.62	7.46	810950
March 2006	8.10	6.25	1123372

9.7 Registrar and Share Transfer: Agents MCS Limited,
Sri Venkesh Bhawan
W 40 Okhla Industrial Area
Phase II,
New Delhi – 110 020
E-Mail : mcsdel@vsnl.com

9.8 Share Transfer System: Presently, the share transfer which are received in physical form are processed and the share certificates returned within a period of 15 to 20 days from the date of receipts, subject to the documents being valid and complete in all respects.

9.9 Distribution of shareholding as on 31st March 2006:

Categories	No. of Shares	%
Non Resident Indians/OCB	31400530	56.58
Financial Institutions	1028095	1.85
Mutual Funds	19400	0.04
Banks	1500	0.00
Foreign Institutional Investors	23100	0.04
Bodies Corporate	3604017	6.49
Resident Individuals	19425758	35.00
Total	55502400	100.00

9.10 Dematerialisation of Shares: Over 95% of the outstanding shares have been dematerialised up to 31st March 2006. Trading in Equity Shares of the Company is permitted only in dematerialized form w.e.f. 27th February 2001 as per notification issued by the Securities and exchange Board of India (SEBI).

9.11 Plant location Sohan Nagar, PO Charubeta, Khatima – 262 308, District Udham Singh Nagar, Uttaranchal

9.12 (i) Investor Correspondence (For transfer/dematerialisation of shares and any other query related to the shares of the Company)

	For shares held in physical form : MCS Limited	For shares held in Demat form To the Depository Participant
	Sri Venketesh Bhawan W 40 Okhla Industrial Area Phase II, New Delhi – 110 020 E-Mail: - mcsdel@vsnl.com	

(ii) Any query on Annual Report **Secretarial Department**
2nd Floor, Tower A, DLF Building No. 8,
Sector 25, Phase II, Gurgaon, Haryana – 122 002
E-Mail: sharesdept@esterindustries.com

AUDITORS' REPORT

To

The Members of Ester Industries Limited

1. We have audited the attached Balance Sheet of Ester Industries Limited as at March 31, 2006 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been

kept by the Company so far as appears from our examination of those books;

- iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
- v. On the basis of the written representations received from the directors, as on March 31, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006;
 - b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Raj Agrawal
Partner

Gurgaon

29th June 2006

Membership No.: 82082

Annexure referred to in paragraph 3 of our report of even date

Re : Ester Industries Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance of the said program, part of the fixed assets have been physically verified during the year. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company
- has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, provisions of Clause iii (b to d) are not applicable to the Company.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, provisions of Clause iii (f & g) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. There is no sale of service, hence provisions of this clause, to the extent of sale of services are not applicable to the Company. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations provided by the management, there are no contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301. Therefore, provi-

sions of Clause v (b) are not applicable to the Company.

- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statu-

tory dues have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases.*

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty and cess on account of any dispute, are as follows:

Name of the Statute	Nature of Dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	MODVAT credit not available on chips, used in yarn and on exempted clearance of chips.	1.59	July 1987 to December 1988	Commissioner Central Excise (Noida)
Central Excise Act, 1944	MODVAT credit utilised on inputs not covered.	8.06	March 1990 to May 1991	Commissioner (Appeals), Central Excise Ghaziabad
Central Excise Act, 1944	Disallowance of Modvat on TEG as documents were more than six months old.	4.80	March 1992	Customs, Excise, Service Tax Appellate Tribunal (Delhi)
Central Excise Act, 1944	Removal of excess PET Chips given in custody without payment of duty	6.95	January 1995	Commissioner Central Excise (Noida)
Central Excise Act, 1944	Demand of Duty on Film sold at a higher rate.	26.96	June 1988 to November 1993	Commissioner Central Excise (Noida)
Central Excise Act, 1944	Reversal of MODVAT credit availed on DMT, Catalyst & Additives used in Chips cleared at nil rate of duty for Yarn, job work & Chips sold at nil rate.	164.20	April 1990 to February 1992	Commissioner (Appeals), Central Excise Ghaziabad

Name of the Statute	Nature of Dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Disallowance of MODVAT credit on certain Capital Goods	1.60	October 1994 to February 1995	Commissioner (Appeals) Central Excise Ghaziabad
The Customs Act, 1962	Custom Duty forgone on value based advance licence.	57.72	June 1993 to April 1995	Commissioner/Additional Commissioner Customs (DEEC) Mumbai
The Customs Act, 1962	Disallowance of remission on MEG lost in Transit	0.66	1993	Assistant Commissioner, Rampur
Central Excise Act, 1944	MODVAT credit availed on Raw Material to be utilised on prorata basis but utilized the excess credit for the clearance of Polyester Film.	11.72	June 1987 to October 1988	Assistant Commissioner, Rampur
Central Excise Act, 1944	Duty Demand on excess credit utilised on clearance of duly paid Methanol vis-a-vis Chips Production.	20.61	March 1991 to May 1991	Assistant Commissioner Central Excise, Rampur
Central Excise Act, 1944	Clearance of Polyester Film at higher rate.	4.04	July 1993 to May 1994	Deputy Commissioner Central Excise, Rampur
Central Excise Act, 1944	Demand on PET Chips waste cleared at nil rate of duty.	1.94	July 1993 to Nov 1993	Deputy Commissioner Central Excise, Rampur
Central Excise Act, 1944	MEG received under chapter X after rescinding of Notification No. 34/87 CE	0.24	August 1991	Deputy Commissioner Central Excise, Rampur
Central Excise Act, 1944	Denying the admissibility of Cenvat credit on welding electrode / Rod.	0.22	May 2001 to July 2003	ACCE , Comm (A),CEGAT
Central Excise Act, 1944	Inadmissibility of MODVAT credit against PBT Chips and Polyester back for processing U/R 173H/57A/G.	6.03	February 2000	Deputy Commissioner Central Excise, Rampur
Central Excise Act, 1944	Inadmissibility of MODVAT credit on defective returned Polyester Film.	0.36	August 2000	Deputy Commissioner Central Excise, Rampur
U.P. Trade Tax Act, 1948	Stock transfers of Chips outside Uttar Pradesh (U.P.) treated as Central Sales.	26.60	1994-95	High Court, Uttaranchal
Income Tax Act, 1961	Income Tax imposed on assessment.	1.84	1988-89	High Court, Delhi

(x) The Company has no accumulated losses at the end of the financial year. *It has incurred cash losses in the current financial year; however, in the immediately preceding financial year, there were no cash losses.*

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company

has not defaulted in repayment of dues to a financial institution or bank. The Company has not issued any debentures.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge

- of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants
per

Raj Agrawal
Partner

Gurgaon
29th June 2006 **Membership No.: 82028**

BALANCE SHEET

AS AT 31ST MARCH 2006

SOURCES OF FUNDS	Schedules	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
Shareholders' Funds			
Share Capital	1	3,054.88	3,054.88
Reserves & Surplus	2	9,013.62	11,274.91
		<u>12,068.50</u>	<u>14,329.79</u>
Loan Funds			
Secured Loans	3	6,268.20	6,284.32
Unsecured Loans	4	627.51	615.19
		<u>6,895.71</u>	<u>6,899.51</u>
Liabilities under Deferred Payments			
Deferred Tax Liabilities (Net)	5	1,223.56	0.00
		<u>29.68</u>	<u>875.36</u>
		<u>20,217.45</u>	<u>22,104.66</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	36,705.12	38,515.33
Less: Depreciation/Amortisation		<u>22,357.66</u>	<u>23,560.40</u>
Net Block		<u>14,347.46</u>	<u>14,954.93</u>
Capital Work-in-Progress (including Capital Advances)		344.27	102.12
		<u>14,691.73</u>	<u>15,057.05</u>
Investments	7	43.48	250.38
Current Assets, Loans and Advances			
Inventories	8	2,876.96	3,629.53
Sundry Debtors	9	2,815.35	3,388.52
Cash and Bank Balances	10	699.98	814.20
Other Current Assets	11	311.99	386.68
Loans and Advances	12	1,178.93	823.25
		<u>7,883.21</u>	<u>9,042.18</u>
Less: Current Liabilities & Provisions			
Current Liabilities	13	2,532.53	1,658.36
Provisions	14	307.30	640.71
		<u>2,839.83</u>	<u>2,299.07</u>
Net Current Assets		<u>5,043.38</u>	<u>6,743.11</u>
Miscellaneous Expenditure (to the extent not written off or adjusted)	15	438.86	54.12
		<u>20,217.45</u>	<u>22,104.66</u>
TOTAL		<u>20,217.45</u>	<u>22,104.66</u>
Notes to Accounts	24		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For and on behalf of the Board of Directors

For S.R.Batliloi & Associates
Chartered Accountants
per

S.K.Jain
Company Secretary

A.K.Singhania
Chairman & Managing Director

Raj Agrawal
Partner
Membership No. 82028

Pradeep Rustagi
General Manager (F&A)

D.K. Dosi
Executive Director

Gurgaon
29th June 2006

Ashok Newatia
Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 2006

	Schedule	31.03.2006 (Rs. in lacs)		31.03.2005 (Rs. in lacs)
INCOME				
Turnover (Gross)		27,479.47		28,976.50
Less: Excise Duty		2,492.72		2,590.97
Turnover (Net)		<u>24,986.75</u>		26,385.53
Other Income	16	332.14		148.94
		<u>25,318.89</u>		<u>26,534.49</u>
EXPENDITURE				
Purchase for Resale		173.36		213.67
Manufacturing Expenses	17	20,378.26		19,067.36
(Increase)/Decrease in Inventories	18	280.84		(847.15)
Personnel Expenses	19	1,385.40		1,267.28
Administrative and Other Expenses	20	1,102.38		1,222.40
Selling Expenses	21	1,748.52		1,547.70
Depreciation/Amortisation		2,155.00	2,140.96	
Less : Transfer from Revaluation Reserve		<u>492.19</u>	<u>527.29</u>	1,613.67
Financial Expenses	22	839.54		966.43
Profit/(Loss) before Tax and Exceptional Items		<u>(2,252.22)</u>		1,483.14
Exceptional Items :				
Loss on Discarding of Machinery of Chips/Film Divisions		247.22		109.25
Profit/(Loss) before Tax		<u>(2,499.44)</u>		1,373.89
Provision for Current Income Tax		0.00	75.00	
Provision for Income Tax for earlier years written back		0.00	(33.38)	
Fringe Benefit Tax		27.50	0.00	
Deferred Tax charge/(credit)		<u>(845.68)</u>	441.11	482.73
Profit/(Loss) after Tax		<u>(1,681.26)</u>		891.16
Credit Balance brought forward from previous year		2,474.62		1,900.66
Profit available for appropriation		<u>793.35</u>		<u>2,791.82</u>
Appropriations :				
Dividend on Preference Shares		0.00		0.07
Proposed dividend		0.00		277.51
Tax on dividend		0.00		39.62
Surplus carried to Balance Sheet		<u>793.35</u>		<u>2,474.62</u>
Earnings per share	23			
Basic [Nominal value of shares Rs. 5/- (Previous Year : Rs. 5/-)]		(3.03)		1.61
Diluted [Nominal value of shares Rs. 5/- (Previous Year : Rs. 5/-)]		(3.03)		1.61
Notes to Accounts 24				

The schedules referred to above and the notes to accounts form an integral part of the Profit & Loss Account.

As per our report of even date

For and on behalf of the Board of Directors

For S.R.Batliloi & Associates
Chartered Accountants
per

S.K.Jain
Company Secretary

A.K.Singhania
Chairman & Managing Director

Raj Agrawal
Partner
Membership No. 82028

Pradeep Rustagi
General Manager (F&A)

D.K. Dosi
Executive Director

Gurgaon
29th June 2006

Ashok Newatia
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
CASH FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax	(2,499.44)	1,373.89
Adjusted for:		
Depreciation/Amortisation	1,662.81	1,613.67
Loss on Fixed Assets Sold/Discarded	287.46	143.13
Interest Expenses	703.30	691.32
Interest Income	(35.58)	(6.81)
Dividend Income	(15.24)	(1.81)
Exchange Difference	12.63	(20.64)
Miscellaneous Expenditure (to the extent not Written off)	(384.74)	53.22
Provision for Doubtful Debts and Advances	25.03	18.18
Loss on Settlement of Equity Stock Futures	10.37	5.89
Profit on Sale of Current Investments	(84.83)	(23.10)
Provision for Obsolete Inventories	9.87	14.27
Provision for Diminution in Value of Investments	0.00	27.78
Operating Profit/(Loss) before Working Capital Changes	(308.37)	3,889.00
Adjustment for:		
Decrease in Trade/Other Receivables	422.23	518.62
(Increase)/Decrease in Inventories	742.71	(993.57)
Increase/(Decrease) in Trade/Other Payables	874.47	(2,894.46)
Cash Generated from Operations	1,731.04	519.59
Direct Taxes Paid	(44.99)	(26.67)
Net Cash from Operating Activities (a)	1,686.05	492.92
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,329.61)	(1,064.34)
Proceeds from sale of Fixed Assets (discontinued operations)	0.00	410.00
Sale of Fixed Assets	29.03	9.92
Loss on Settlement of Equity Stock Futures	(10.37)	(5.89)
Sale/(Purchase) of Investments (Net)	291.73	310.97
Interest Received	19.05	7.88
Dividend Received	15.24	1.81
Net Cash (used in) Investing Activities (b)	(1,984.93)	(329.63)
CASH FLOW FROM FINANCING ACTIVITIES		
Movement in Short Term Borrowings	715.17	1,323.63
Receipts of Long Term Borrowings	1,245.93	79.11
Repayment of Long Term Borrowings	(753.66)	(638.82)
Interest Paid	(706.27)	(691.34)
Dividend Paid	(316.51)	(303.06)
Net Cash from/(used in) Financing Activities (c)	184.66	(230.48)
Net (Decrease) in Cash & Cash Equivalents (a+b+c)	(114.22)	(67.19)
Opening Balance of Cash & Cash Equivalents	814.20	881.39
Closing Balance of Cash & Cash Equivalents	699.98	814.20
Cash & Cash Equivalents includes:	Closing Balance	Closing Balance
Cash on Hand	4.40	7.15
Balances with Scheduled Banks :		
- On current accounts	19.43	65.88
- On fixed deposit accounts	660.00	729.72
- On Unpaid Dividend Account	16.15	11.45

Notes :

- 1 The Cash Flow Statement has been prepared under the indirect method as set out in Accounting standard -3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- 2 Negative figures have been shown in brackets .

As per our report of even date

For and on behalf of the Board of Directors

For S.R.Batlboi & Associates
Chartered Accountants
per

S.K.Jain
Company Secretary

A.K.Singhania
Chairman & Managing Director

Raj Agrawal
Partner
Membership No. 82028

Pradeep Rustagi
General Manager (F&A)

D.K. Dosi
Executive Director

Gurgaon
29th June 2006

Ashok Newatia
Director

SCHEDULE - 1

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
SHARE CAPITAL		
Authorised		
600000 Cumulative Convertible Preference Shares of Rs. 50/- each	300.00	300.00
8000000 Redeemable Cumulative Preference Shares of Rs. 50/- each	4,000.00	4,000.00
150000000 Equity Shares of Rs. 5/- each	<u>7,500.00</u>	<u>7,500.00</u>
	<u>11,800.00</u>	<u>11,800.00</u>
Issued, Subscribed and Paid-up		
55502400 Equity shares of Rs. 5/- each fully paid-up (includes 3882000 equity shares issued on conversion of CCPS during the year 2003-04)	2,775.12	2,775.12
559521 0.10% Redeemable Cumulative Preference Shares of Rs.50/- each fully paid-up. (Redeemable at par during the period 31.12.2011 to 31.12.2012)	279.76	279.76
	<u>3,054.88</u>	<u>3,054.88</u>

SCHEDULE - 2

	01.04.2005 (Rs. in lacs)	Additions (Rs. in lacs)	Deduction (Rs. in lacs)	31.03.2006 (Rs. in lacs)
RESERVES AND SURPLUS				
a) Profit on re-issue of Forfeited Shares	0.95	0.00	0.00	0.95
b) Capital Reserve*	5,701.05	0.00	0.00	5,701.05
c) Revaluation Reserve **	1,264.88	0.00	580.02	684.86
d) Securities Premium Account	1,396.94	0.00	0.00	1,396.94
e) Capital Redemption Reserve	55.61	0.00	0.00	55.61
f) General Reserve	380.86	0.00	0.00	380.86
g) Surplus in Profit & Loss Account	2,474.62	0.00	1,681.27	793.35
Total	<u>11,274.91</u>	<u>0.00</u>	<u>2,261.29</u>	<u>9,013.62</u>

* Represents write back of principal amount of loan due to One Time Settlement with lenders during the year 2002-03.

** Deduction in Revaluation Reserve represents additional depreciation on revaluation for the year and adjustment on disposal of fixed assets amounting to Rs. 492.19 lacs and Rs. 87.83 lacs respectively.

SCHEDULE - 3

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
SECURED LOANS		
Rupee Term Loans		
From Banks	3,058.49	3,759.12
Working Capital Loans from Banks		
Cash Credit facilities	2,131.22	564.70
Bills Discounting	982.44	1,833.79
Vehicle Loans		
From Banks	68.67	95.64
From Bodies Corporate	27.38	31.07
	<u>6,268.20</u>	<u>6,284.32</u>

Notes:

1. Rupee term loans from banks are secured by first mortgage created by way of deposit of title deeds in respect of the Company's immovable properties, both present and future, and a first charge by way of hypothecation of all the Company's movable assets (save and except book debts, vehicles acquired under vehicle loans and equipments installed or to be installed under Metallizer Project), both present and future, subject to prior charges created/to be created in favour of the Company's bankers for working capital requirements in the ordinary course of business, ranking pari passu inter-se. Loans from banks are further secured by irrevocable guarantees of a Director of the Company & his relative and a Promoter company.
2. Working capital loans from banks are secured by hypothecation of stocks of raw materials, finished goods, semi finished goods, stores and spares, book debts and other receivables, both present and future, and further secured by irrevocable guarantees of a Director of the Company & his relative and a Promoter Company. These are further secured by way of second charge in respect of Company's immovable properties and movable fixed assets,
3. Vehicle loans are secured by hypothecation of specified vehicles acquired out of proceeds of the Loans.
4. Term Loans and Vehicle Loans installments falling due within next 12 months Rs.1,093.36 lacs (Previous Year Rs. 749.44 lacs).

SCHEDULE - 4

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
UNSECURED LOANS		
Foreign Currency Loan (Interest Free)		
From Overseas Corporate Body	627.51	615.19
(The above Loan was repayable in one installment on 31.03.2005, which had been rescheduled and was payable by 31.03.2006)		
	<u>627.51</u>	<u>615.19</u>

SCHEDULE - 5

DEFERRED TAX LIABILITIES (NET)	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
Deferred Tax Liabilities		
Depreciation and other differences in block of fixed assets	<u>2,831.29</u>	<u>3,075.32</u>
Gross Deferred Tax Liabilities	(a) 2,831.29	<u>3,075.32</u>
Deferred Tax Assets		
Unabsorbed Depreciation	2,282.29	1,879.40
Carried Forward Business Loss	178.83	—
Effect of expenditure debited to profit and loss account but allowable for tax purposes in following years	1.71	1.51
Provision for Gratuity	67.36	68.02
Provision for Leave Encashment	24.54	23.60
Provision for Doubtful Debts and Advances	160.95	152.53
Others	85.93	74.90
Gross Deferred Tax Assets	(b) 2,801.61	<u>2,199.96</u>
	(a-b) 29.68	<u>875.36</u>

SCHEDULE - 7

INVESTMENTS

Long Term Investments

A. Trade (Quoted) Equity Shares Fully Paid	Number of Shares	Face Value (Rs.)	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
Recron Synthetics Ltd.	50	10	0.02	0.02
Pearl Polymers Ltd.	100	10	0.04	0.04
Polyplex Corporation Ltd.	100	10	0.05	0.05
Orkay Silk Mills Ltd.	100	10	0.04	0.04
J.K.Synthetics Ltd.	100	10	0.03	0.03
J.K.Cement Ltd	10	10	0.00	0.00
Reliance Industries Ltd.	100	10	0.14	0.14
Reliance Communication Ventures Limited (Previous year - Nil)	100	5	0.00	0.00
Reliance Energy Ventures Limited (Previous year - Nil)	100	10	0.00	0.00
Reliance Capital Ventures Limited (Previous year - Nil)	100	10	0.00	0.00
Reliance Natural Resources Limited (Previous year - Nil)	100	5	0.00	0.00
Haryana Petrochemicals Ltd.	100	10	0.04	0.04
Central India Polyesters Ltd.	50	10	0.06	0.06
Sanghi Polyester Ltd.	100	10	0.08	0.08
Garware Nylons Ltd.	100	10	0.01	0.01
Venlon Enterprises Ltd.	360	5	0.10	0.10
Nirlon Ltd.	196	10	0.02	0.02
Modipon Ltd.	100	10	0.11	0.11
Garware Polyester Ltd.	100	10	0.01	0.01
SRF Ltd.	100	10	0.02	0.02
Flex Industries Ltd.	100	10	0.05	0.05
Jindal Poly Films Ltd.	100	10	0.03	0.03
B. Other than trade (Quoted) Equity Shares Partly Paid				
Industrial Development Bank of India	68700	10	25.03	25.03
			(a) 25.88	25.88
C. In Wholly Owned Subsidiary Companies : Unquoted, fully paid-up	Number of Shares	Face Value (USD)		
Equity Shares of Ester International (USA) Ltd.	25000	1	9.69	9.69
Share Capital in Ester Europe GmbH, Germany			12.36	12.36
			(b) 22.05	22.05
Current Investments(Quoted) :	Number of Shares	Face Value (Rs.)		
A. Equity Shares Fully Paid				
Bharati Shipyard Ltd. (Previous year - 39 Shares)	0	10	0.00	0.03
Ashok Leyland Ltd. (Previous year - 30000 Shares)	0	1	0.00	7.51
Bajaj Hindustan Ltd. (Previous year - 9500 Shares)	0	1	0.00	15.95
BOC India Ltd. (Previous year - 5000 Shares)	0	10	0.00	5.31
Ceat Ltd. (Previous year - 15485 Shares)	0	10	0.00	16.09
Centurian Bank Ltd. (Previous year - 50000 Shares)	0	1	0.00	9.55
Century Textiles & Industries Ltd. (Previous year - 8015 Shares)	0	10	0.00	18.57
DCM Shriram Consolidated Ltd. (Previous year - 500 Shares)	0	10	0.00	2.46
Escorts Ltd. (Previous year - 7000 Shares)	0	10	0.00	6.67
Essar Steel Ltd. (Previous year - 10000 Shares)	0	10	0.00	5.71
Indian Petrochemicals Corporation Ltd. (Previous year - 5360 Shares)	0	10	0.00	10.22
Indo Gulf Fertilizers Ltd. (Previous year - 2000 Shares)	0	10	0.00	2.64
Ispat Industries Ltd. (Previous year - Nil Share)	50000	10	11.95	0.00
Jindal Vijaynagar Steel Ltd.	656	10	2.90	2.90
Mid-Day Multimedia Ltd. (Previous year - 1231 Shares)	0	10	0.00	1.15
Neyveli Lignite Corporation Ltd. (Previous year - 4000 Shares)	0	10	0.00	2.84

	Number of Units	Face Value (Rs.)	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
Oriental Bank of Commerce	1000	10	3.72	3.72
Rain Calcining Ltd. (Previous year - 5000 Shares)	0	10	0.00	1.47
Raipur Alloys & Steel Ltd. (Previous year - 5000 Shares)	8500	10	11.25	7.51
Reliance Communication Ventures Limited (Previous year - Nil Share)	500	10	1.51	0.00
Soma Textiles & Industries Ltd. (Previous year - 3100 Shares)	0	10	0.00	1.15
Tata Chemicals Ltd. (Previous year - 2000 Shares)	0	10	0.00	3.37
Tata Iron & Steel Co. Ltd. (Previous year - 2000 Shares)	0	10	0.00	8.05
Tata Motors Ltd. (Previous year - 4500 Shares)	0	10	0.00	22.50
Tata Teleservices (Maharashtra) Ltd. (Previous year - 75000 Shares)	0	10	0.00	23.49
UCO Bank (Previous year - 60000 Shares)	25000	10	8.17	21.53
UTV Software Communications Ltd. (Previous year - 10000 Shares)	0	10	0.00	17.52
Current Investments :				
B. Mutual Fund				
HDFC Long Term Equity Fund - Growth Plan	100000	10	10.00	0.00
BOB Global Fund - Growth Plan	50000	10	5.00	0.00
Reliance Vision Fund - Dividend Plan	6244	10	3.40	0.00
BOB-Balanced Fund - Growth Plan (Previous year - 31969 Units)	0	10	0.00	5.00
BOB-Growth Fund - Growth Plan (Previous year - 29377 Units)	0	10	0.00	5.00
Franklin India Prima Fund - Growth Plan (Previous year - 9676 Units)	0	10	0.00	10.00
HDFC Capital Builder Fund - Growth Plan (Previous year - 29189 Units)	0	10	0.00	10.00
HSBC Equity Fund - Growth Plan (Previous year - 13965 Units)	0	10	0.00	5.00
Kotak Equity FOF - Growth Plan (Previous year - 41446 Units)	0	10	0.00	5.00
Reliance Growth Fund - Growth Plan (Previous year - 9495 Units)	0	10	0.00	10.00
Sundaram Select Midcap - Growth Plan (Previous year - 27631 Units)	0	10	0.00	10.00
			<u>0.00</u>	<u>10.00</u>
			(c) 57.90	277.91
Total (a) + (b) + (c)			105.83	325.84
Less : Provision for Diminution in the Value of :				
- Long Term Investments			47.68	47.68
- Current Investments			14.67	27.78
			<u>43.48</u>	<u>250.38</u>
Aggregate amount of quoted investments			83.78	303.79
Market value			46.14	255.40
Aggregate amount of unquoted investments			22.05	22.05

SCHEDULE - 8

INVENTORIES	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
Raw Materials (including material in transit Rs. 237.61 lacs, Previous Year Rs.652.43 lacs)	838.82	1,195.72
Stores & Spares (including material in transit Rs. 20.31 lacs, Previous Year Rs. 23.62 lacs)	580.97	598.91
Work-in-progress	415.42	391.48
Finished goods (including material in transit Rs. 272.18 lacs, Previous Year Rs. 103.38 lacs)	1,041.03	1,442.22
By-product and waste	0.71	1.20
	<u>2,876.96</u>	<u>3,629.53</u>

SCHEDULE - 9

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	41.02	21.14
Unsecured, considered doubtful	387.05	388.09
Other debts		
Unsecured, considered good	<u>2,774.33</u>	<u>3,367.38</u>
	3,202.40	3,776.61
Less: Provision for Doubtful Debts	387.05	388.09
	<u>2,815.35</u>	<u>3,388.52</u>

SCHEDULE - 10

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
CASH AND BANK BALANCES		
Cash on Hand/Cheques in transit	4.40	7.15
Balances with Scheduled Banks :		
- On current accounts	19.43	65.88
- On deposits accounts (including receipts for Rs. 121.13 lacs pledged with banks, Previous Year Rs. 39.75 lacs)	660.00	729.72
- On Unpaid Dividend Account	16.15	11.45
	<u>699.98</u>	<u>814.20</u>

SCHEDULE - 11

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
OTHER CURRENT ASSETS		
Interest receivable on Deposits	16.78	0.25
Export Benefits Receivable	139.65	366.43
Fixed Assets held for Sale	155.56	20.00
	<u>311.99</u>	<u>386.68</u>

SCHEDULE - 12

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
LOANS AND ADVANCES		
Unsecured, considered good		
Advances Recoverable in cash or in kind or for value to be received	635.47	482.92
Income Tax Deducted at Source & Refunds Recoverable	8.73	2.95
Balances with Excise and Custom Authorities	408.45	246.64
Loans to Employees	18.17	32.81
Deposits-others	108.11	57.93
Considered Doubtful		
Advances Recoverable in cash or in kind or for value to be received	<u>102.15</u>	<u>76.08</u>
	1,281.08	899.33
Less: Provision for Doubtful Advances	102.15	76.08
	<u>1,178.93</u>	<u>823.25</u>

SCHEDULE - 13

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
CURRENT LIABILITIES		
Acceptances *	1,257.78	548.38
Sundry Creditors	1,076.17	938.54
Advances from Customers	66.03	87.90
Unclaimed Statutory Liabilities (as referred in Section 205C of Companies Act, 1956)		
- Unclaimed Dividend	16.15	11.45
Deposits from Dealers/Customers & Others	6.46	11.37
Interest accrued but not due on Loans	0.08	3.08
Other Liabilities	104.15	42.35
Unearned Income on Forward Contracts	5.70	15.29
	<u>2,532.52</u>	<u>1,658.36</u>
Dues to Small Scale Industrial Undertakings included in Sundry Creditors	45.77	77.56
Dues to other than Small Scale Industrial Undertakings included in Sundry Creditors	1,030.40	860.98

* Acceptances includes Rs. 285.76 lacs, payable to Bank of Baroda, incurred for purchase of items installed for modernisation of film line # 1 project. Company's Lead bank, Bank of India has sanctioned a term loan of Rs. 550.00 lacs subsequent to balance sheet date for payment of bills accepted.

SCHEDULE - 14

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
PROVISIONS		
Taxation (net of advance payments)	33.12	50.61
Wealth Tax	1.14	1.40
Proposed Dividends	0.00	277.58
Tax on Proposed Dividends	0.00	38.93
Gratuity	200.13	202.07
Leave Encashment	72.91	70.12
	<u>307.30</u>	<u>640.71</u>

SCHEDULE - 15

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary Expenses		
Opening Balance	1.87	2.50
Less: Written off during the Year	<u>0.62</u>	<u>0.63</u>
Share Issue Expenses		
Opening Balance	18.45	24.60
Less: Written off during the Year	<u>6.15</u>	<u>6.15</u>
Deferred Revenue Expenses		
Payments under Voluntary Retirement Scheme		
Opening Balance	33.80	80.23
Add: Incurred during the Year	<u>536.35</u>	<u>5.90</u>
	570.15	86.13
Less: Written off during the Year	<u>144.84</u>	<u>52.33</u>
	<u>425.31</u>	<u>33.80</u>
	<u>438.86</u>	<u>54.12</u>

SCHEDULE - 16

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
OTHER INCOME		
Interest on:		
Bank Deposits (Tax Deducted at Source Rs. 6.79 lacs, Previous Year Rs. 1.29 lacs)	33.05	6.38
Others	2.53	0.43
Dividend on Long Term Investments - Trade	0.10	0.09
Dividend on Current Investments - Non Trade	15.14	1.72
Profit on Sale of Current Investments - Non Trade (net)	84.83	23.10
Provision for Diminution in the value of Current Investments written back	13.11	0.00
Miscellaneous Receipts	<u>183.38</u>	<u>117.22</u>
	<u>332.14</u>	<u>148.94</u>

SCHEDULE - 17

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
MANUFACTURING EXPENSES		
Raw Materials Consumed	17,018.50	16,341.03
Packing Materials Consumed	623.28	540.85
Power & Fuel	2,060.73	1,642.40
Stores & Spares Consumed	539.66	421.98
Repairs & Maintenance - Plant & Machinery	78.70	70.55
Material Handling Charges	57.39	50.55
	<u>20,378.26</u>	<u>19,067.36</u>

SCHEDULE - 18

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
(INCREASE)/DECREASE IN INVENTORIES		
Inventories as at March 31, 2006		
- Work in Progress	415.42	391.48
- Finished Goods	1,041.03	1,442.22
- By-product and waste	<u>0.71</u>	<u>1.20</u>
	1,457.16	1,834.90
Inventories as at March 31, 2005		
- Work in Progress	391.48	273.61
- Finished Goods	1,442.22	596.32
- By-product and waste	<u>1.20</u>	<u>0.44</u>
	1,834.90	870.37
Excise Duty on the difference between Closing and Opening Stocks	<u>(96.90)</u>	<u>117.38</u>
	<u>280.84</u>	<u>(847.15)</u>

SCHEDULE - 19

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
PERSONNEL EXPENSES		
Salaries, Wages and Bonus *	1,150.40	1,013.94
Contribution to Provident Fund	71.57	63.48
Gratuity	87.89	61.32
Contribution to Other Funds	0.18	43.03
Workmen and Staff Welfare Expenses	75.36	85.51
	<u>1,385.40</u>	<u>1,267.28</u>

* including Miscellaneous Expenditure (VRS Expenses) written off Rs. 144.84 lacs (Previous Year Rs. 52.33 lacs)

SCHEDULE - 20

	31.03.2006 (Rs. in lacs)		31.03.2005 (Rs. in lacs)
ADMINISTRATIVE AND OTHER EXPENSES			
Rent	79.24		83.17
Rates, Taxes and License Fees	11.00		11.57
Insurance	94.63		122.94
Repairs & Maintenance -			
- Buildings	14.39	35.08	
- Others	48.88	67.75	102.83
Travelling & Conveyance	266.39		265.98
Donations (other than Political Parties)	8.21		13.79
Directors' Sitting Fees	1.85		2.10
Auditors' Remuneration	17.33		16.64
Provision for Doubtful Debts and Advances	25.03		18.18
Loss on Fixed Assets Sold/Discarded (net)	40.24		33.88
Loss on Settlement of Equity Stock Future	10.37		5.89
Bad Debts, Advances and Irrecoverable Balances Written Off (net)	3.27		0.73
Provision for Diminution in the Value of Current Investments	0.00		27.78
Loss on Sale of DEPB	12.23		20.05
Provision for Obsolete Inventories	9.87		14.27
Miscellaneous Expenditure Written Off	6.77		6.79
Miscellaneous Expenses	452.68		475.81
	<u>1,102.38</u>		<u>1,222.40</u>

SCHEDULE - 21

	31.03.2006 (Rs. in lacs)		31.03.2005 (Rs. in lacs)
SELLING EXPENSES			
Freight	1,245.77		1,212.74
Commission and Brokerage (other than Sole Selling Agents)	410.56		232.19
Discount, Claims & Rebates	59.13		71.23
Others	33.06		31.54
	<u>1,748.52</u>		<u>1,547.70</u>

SCHEDULE - 22

	31.03.2006 (Rs. in lacs)		31.03.2005 (Rs. in lacs)
FINANCIAL EXPENSES			
Interest			
- on Term Loans	427.23		527.63
- To Banks and Others	276.03		132.86
- Hire Finance Charges	0.04		0.21
- on Minimum Alternate Tax	0.00		30.63
Bank Charges	133.32		184.57
Exchange Difference (net)	2.92		90.53
	<u>839.54</u>		<u>966.43</u>

SCHEDULE - 23

	31.03.2006 (Rs. in lacs)		31.03.2005 (Rs. in lacs)
EARNING PER SHARE (EPS)			
Net Profit/(Loss) as per Profit & Loss Account	(1,681.26)		891.16
Less: Preference dividends and tax thereon	0.32		0.32
Net Profit/(Loss) for calculation of EPS	(1,681.58)		890.84
Weighted average number of equity shares in calculating EPS	55502400		55502400
- Basic EPS Computed on the basis of earnings	(3.03)		1.61
- Diluted EPS Computed on the basis of earnings	(3.03)		1.61

SCHEDULE 24: Notes to Accounts

1. Nature of Operations

Ester Industries Limited (hereinafter referred to as 'the Company') is a manufacturer of Polyester Film, Polyester Chips and Engineering Plastics.

2. Statement of Significant Accounting Policies

(1) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention, except where otherwise stated, and on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except as mentioned in Note no. 3 below.

(2) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any, except Land, Building and Plant & Machinery, which had been revalued on 31.10.1992 by a Government registered valuer on the basis of the then replacement value. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. Expenditure for addition, improvement and renewal are capitalised and expenditure for repairs and maintenance are charged to Profit and Loss Account.

(3) Intangibles

Software costs relating to acquisition of initial software license fee and installation costs are capitalized in the year of purchase and amortized on a straight-line basis over its useful life, which is considered to be of a period of three years.

(4) Depreciation

- (a) Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher
- (b) Depreciation on the amount of additions made to Fixed Assets on Revaluation is adjusted against the Revaluation Reserve.
- (c) Depreciation on the amount of addition made to Fixed Assets acquired from outside India due to exchange fluctuation is provided over the remaining useful life of the asset to which the fluctuation relates.
- (d) Depreciation on the amount of addition made to Fixed Assets due to

upgradations/improvements is provided over the remaining useful life of the asset to which it relates.

(5) Impairment of assets

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised wherever the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows (discounted to their present value, based on an appropriate discounting factor) are used. Impairment losses are recognised in the Profit and Loss Account.

(6) Leases

Where the Company is the lessee

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(7) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of such investments.

(8) Equity Index Futures and Equity Stock Futures

Equity Index Futures and Equity Stock Futures are accounted for on Mark-to-Market-Margin basis, which is determined index-wise / scrip-wise and necessary provision for the anticipated loss, if any, in respect of the open futures contracts is made. However, any unrealized profits on open future contracts are not recognized.

(9) Inventories

Inventories are valued as follows:

Raw materials, stores and spares	Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products, in which they will be incorporated, are expected to be sold at or above cost. Cost of Raw materials is determined on a monthly moving weighted average basis and cost of stores and spares is determined on transaction moving weighted average.
Work-in-progress and finished goods	Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.
By Products and waste	Net realizable value

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

(10) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are net of return, volume discount and sales tax but including excise duty.

Dividends

Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date.

(11) Preliminary Expenses and Share Issue Expenses

Preliminary Expenses and Share Issue Expenses incurred for financing the New Film Line project are being written off over a period of ten years.

(12) Deferred Revenue Expenditure

Deferred Revenue Expenses incurred for payments made to employees under Voluntary Retirement Scheme are being amortized over a period of 3 years.

(13) Foreign currency transactions

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on restatement of Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise except exchange difference on liabilities for acquisition of capital assets from outside India, which are adjusted in the carrying cost of respective fixed assets.

Forward Exchange Contracts

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(14) Retirement Benefits

- (a) Retirement benefits in the form of Provident Fund and Superannuation / Pension Schemes are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.
- (b) Gratuity liability under the Payment of Gratuity Act and provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.

(15) Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depre-

ciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

(16) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(17) Segment Reporting Policies

Identification of segments:

The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the geographical location of the customers.

Inter Segment Transfers:

Inter Segment transfers of goods, as marketable products produced by separate segments of the Company for captive consumption, are not accounted for in the books of account of the Company. For the purpose of segment disclosures, however, inter segment transfers have been taken at cost.

Allocation of common costs:

Common allocable costs are allocated to each segment in proportion to the turnover of the segment, except where a more logical allocation is possible.

Unallocated items:

Corporate income and expense are considered as a part of un-allocable income & expense, which are not identifiable to any business segment.

(18) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

3. Change in Accounting Policies

In view of large payments effected during the year on account of voluntary retirement scheme, the Company has decided to amortise such payments over a period of thirty six months from the month of payment instead of hitherto followed practice of amortising such expenditure in 3 (three) equal annual installments, starting from the year of such payment. As a result of above change, loss before tax for the year is lower by Rs 65.79 lacs.

4. Capital Commitments

	2006 (Rs. in lacs)	2005 (Rs. in lacs)
Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	925.25	897.56

5. Contingent Liabilities not provided for

	2006 (Rs. in lacs)	2005 (Rs. in lacs)
(a) Bank Guarantees:		
District Judge, Mathura for Suit Filing	3.88	3.88
Dy. Excise & Taxation Commissioner against Sales Tax	0.00	2.00
Commissioner of Sales Tax	2.00	2.00
BSNL, Kolkata for Earnest Money	4.11	0.00
Total	9.99	7.88
(b) Bonds amounting to Rs. 510 lacs executed in favour of Central Excise & Customs Authorities, out of which, amount to be re-credited on receiving the proof of export.	72.30	222.86
(c) Excise Duty and Customs Duty pending hearing of appeals/writ petitions:		
(i) Cenvat credit disallowed on certain items	8.06	8.06
(ii) Removal of PET chips without payment of duty	6.95	6.95
(iii) Goods sold from depot at higher value than one declared at factory gate price	26.96	26.96
(iv) Cenvat credit disallowed on inputs	164.20	164.20
(v) Reversal of Cenvat credit availed on HSD	206.92	206.92
(vi) Cenvat credit availed on raw material utilized on prorata basis.	11.72	11.72
(vii) Availment of credit on importation of Dimethyl Terephalate	57.71	57.71
(viii) Other Miscellaneous Cases	42.08	37.96
Total	524.60	520.48

	2006 (Rs. in lacs)	2005 (Rs. in lacs)
(d) Sales Tax:		
Stock Transferred to Noida treated as Sales	26.60	26.60
Demand raised during assessment	1.61	0.00
(e) Income Tax:		
Demand raised during assessment	1.84	1.84
(f) Electricity cases:		
Pending in High Court, Delhi	39.20	36.66
(g) Labour Cases:		
Workers suspended, pending in High Court, Delhi	3.56	27.51
Total	597.41	613.09
(h) Other Claims not acknowledged as Debts	44.60	60.02
(i) Custom Duty payable in case of non-fulfillment of Export Obligation (for import of capital goods under EPCG License)	561.60	0.00
(j) Dividend on Preference Shares	0.32	0.00

Based on favourable decisions in similar cases, legal opinion taken by the Company, discussions with the solicitors etc., the Company believes that there is fair chance of decisions in its favour in respect of all the items listed in (c) to (h) above and hence no provision is considered necessary against the same.

6. 'Liability under deferred Payments' represents Acceptances under Letters of Credit and is payable after 35 months from the date of shipment. 'Liability under Deferred Payments' to the extent of Rs. 983.00 Lacs is secured by first exclusive charge by way of hypothecation in favour of Bank of India of all the equipments, both present and future, under the Metallizer project.
7. Advances Recoverable include an amount of Rs. 42.21 lacs incurred for the implementation of Oman Project and the same is considered to be recoverable from the Project upon its commissioning.
8. Items pertaining to earlier years amounting to Rs. 59.64 lacs (credit) (Previous year Rs. 3.55 lacs (debit)) have been adjusted in the Profit & Loss Account.

9. Directors' Remuneration

	2006 (Rs. in lacs)	2005 (Rs. in lacs)
(a) Salary	45.00	23.73
(b) Perquisites	5.83	14.47
(c) Contribution to Provident fund	4.14	2.85
(d) Contribution to Superannuation fund	0.00	3.56
(e) Gratuity, Leave Encashment and Ex-gratia on retirement	1.50	22.22
Total	56.47	66.83

Whole-time directors are covered under the Company's gratuity scheme along with the other employees of the Company. The gratuity liability is determined for all the employees on an independent actuarial valuation. The specific amount of gratuity for whole time directors cannot be ascertained separately and accordingly the same has not been included in the above note.

Managerial Remuneration paid during the year is subject to approval of members by Special Resolution in Annual General Meeting.

Note: In respect of the Managerial Remuneration of Rs. 15.50 lacs paid during earlier years and not sanctioned by the Department of Company Affairs, an interim stay has been granted by the Hon'ble High Court of Delhi on the writ petition filed by the Company.

10. Auditors' Remuneration

	2006	2005
	(Rs.in lacs)	(Rs. in lacs)
(a) Audit fee	8.00	8.00
(b) Tax-audit fee	2.00	1.50
(c) Limited Reviews & Certification etc.	6.00	6.00
(d) Out of Pocket Expenses & Service Tax	1.33	1.14
Total	17.33	16.64

11. The names of Small Scale and Ancillary Undertakings (SSI) units to whom the Company owes any sum for more than 30 days are as follows:

A.P. Polyplast (P) Ltd., Ashu Plastics, Jaina Sons, Nainital Woven Sacks (P) Ltd., N. K. Paper Tubes Industries, Polyblends (I) Pvt. Ltd., Ruchira Packaging Products, Secure Polymers, Shri Balaji Plastics, Shyam Plastics Industry, Techno Packings, Kewal Sons, Industrial Roller Company.

(The list has been compiled by the management to the extent identification of such units could be made and the same has been relied upon by the Auditors).

12. The Company has acquired Vehicles under Hire Purchase finance, the cost of which included in the Gross Block of Vehicles is Rs. Nil (Previous Year Rs. 6.04 lacs), written down value being Rs. Nil (Previous Year Rs. 4.22 lacs). The breakup of Minimum Installment Payments outstanding as of March 31, 2006 is as follows:

Period	(Rs.in lacs)					
	Lease Payments		Principal		Interest	
	2006	2005	2006	2005	2006	2005
Payable within one year	0.00	0.97	0.00	0.91	0.00	0.06
Payable after one year but within five years	0.00	0.00	0.00	0.00	0.00	0.00
Payable after five years	0.00	0.00	0.00	0.00	0.00	0.00

13. Following Non-trade Investments have been Purchased and Sold during the year:

Description	Number/ Units	Purchased (Rs. in lacs)	Sold (Rs. in lacs)
Equity Shares of Rs.10 each of :-			
Arvind Mills Ltd.	5000	6.95	6.97
Bajaj Hindustan Ltd.	22220	36.00	36.16
BOC India Ltd.	28852	29.72	30.04
Bongaigaon Refinery & Petrochemicals Limited	23395	22.43	22.55
Ceat Limited	27249	27.57	27.26
Century Textiles & Industries Limited	32425	78.07	80.00
Centurion Bank Limited	100000	17.18	16.17
CESC Limited	4774	9.07	9.18
Escorts Limited	9000	8.45	8.20
Essar Steel Ltd.	20000	11.40	11.53
Gujarat Alkalies & Chemicals Limited	39391	53.54	54.80
Gujarat Narmada Valley Fertilisers Company Limited	40000	41.28	42.25
Himachal Futuristic Communications Limited	68000	17.76	18.28
Indian Petrochemicals Corporation Limited	10360	20.18	19.71
Indo Gulf Fertilizers Limited	2545	3.28	3.20
Kalyani Steels Limited	16160	23.33	23.70
KEC International Limited	4017	8.78	8.93
Kotak Mahindra Bank Limited	100	0.33	0.33
Mid-Day Multimedia Limited	1231	1.15	1.14
Mount Everest Mineral Water Limited	535	0.16	0.17
Neyveli Lignite Corporation Limited	4000	2.84	2.92
NIIT Limited	1000	1.87	1.89
Patspin India Limited	45700	11.07	11.25
PBA Infrastructure Limited	3000	4.93	4.99
Rain Calcining Limited	5000	1.47	1.50
Reliance Industries Limited	28855	190.07	190.02
Saksoft Limited	17499	21.14	21.31
Saregama India Limited	1000	1.04	1.23
Sarla Polyester Limited	5000	6.15	6.29
Satnam Overseas Limited	2174	1.77	1.78
Soma Textiles and Industries Limited	25437	11.91	12.54
Sona Koyo Steering Systems Limited	12500	8.25	8.55
State Bank of India	2000	14.24	14.17
Tata Chemicals Limited	2000	3.37	3.16
Tata Motors Limited	4500	22.50	21.94
Tata Teleservices (Maharashtra) Limited	175000	50.78	50.15
Tata Iron & Steel Company Limited	26000	101.37	100.87
UTV Software Communications Limited	14000	24.51	24.98
Valecha Engineering Limited	300	0.74	0.78
Vivimed Labs Limited	9500	21.80	21.80

Description	Number/ Units	Purchased (Rs. in lacs)	Sold (Rs. in lacs)
Equity Shares of Re. 5 each of :-			
Four Soft Limited	1000	0.40	0.40
Equity Shares of Re. 2 each of :-			
Bharat Forge Limited	616	8.04	8.09
DCM Shriram Consolidated Limited	500	2.46	2.55
Equity Shares of Re. 1 each of :-			
Ashok Leyland Limited	38765	9.58	9.83
Units of Mutual Funds of Rs.10 each of:-			
BOB Balanced Fund - Growth	88442	16.00	19.19
BOB Growth Fund - Growth	101000	21.00	25.84
Fidelity Equity Fund - Dividend	68121	10.00	11.49
Franklin India Flexicap Fund - Dividend	288693	37.90	43.56
Franklin India Prima Fund - Growth	50782	35.00	43.89
HDFC Capital Builder Fund - Growth	113134	32.85	36.51
HDFC Core & Satellite Fund - Dividend	64707	11.29	12.98
HSBC Equity Fund – Growth	13965	5.00	5.12
Kotak Equity FOF - Growth	41446	5.00	6.75
Pru ICICI Dynamic Fund - Dividend	139649	21.85	26.62
Pru ICICI FMCG Fund - Dividend	76822	20.00	23.90
Reliance Growth Fund – Growth	16834	20.00	30.70
Reliance Vision Fund- Dividend	80511	33.74	40.09
SBI Contra Fund – Dividend	231730	45.00	56.65
SBI Magnum Multiplier Fund – Dividen	88715	20.00	27.96
Sundram Select Midcap – Growth	134440	32.06	39.16
Tata Growth Fund – Dividend	41505	10.00	10.06
GRAND TOTAL		1,315.61	1,404.04

14. During the Current Financial Year, the Company has acquired Equity Stock Futures through a trading member. However, no initial margin has been paid as deposit. In respect of initial margin, current investments of Rs. 23.14 lacs have been lodged with the trading member.

The Company has the following Equity Stock Futures contracts outstanding at the year-end :

S. No.	Name of Equity Stock Futures	No. of contracts	No. of Shares	
			Long	Short
1	Bharat Electrical Limited	1	4950	

15. Derivative Instruments and Unhedged Foreign Currency Exposure

Forward contract outstanding as at Balance Sheet date.

Particulars of Derivatives			Purpose
SELL	USD	4,159,980	Hedge of debtors/expected future sales
SELL	EURO	279,550	Hedge of debtors

Particulars of Unhedged foreign Currency Exposure as at the Balance Sheet date

Particulars	Amount (in Foreign Currency)	Amount (Rs. in lacs)
Import Creditors	Euro 2,817,076	1,540.91
Import Creditors	USD 2,419,538	1,083.34
Import Creditors	JPY 4,039,200	15.46
Export Debtors	Euro 143	0.08

16. a. Related Party Disclosures

(Rs. in lacs)

Nature of Transactions	Subsidiaries	Key Management Personnel	Relative of Key Management Personnel	Individuals owning, directly or indirectly, a substantial interest in the voting power of the Company	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
Transaction during the year						
Managerial Remuneration						
-A.K.Singhania	-	31.36	-	-	-	31.36
	(-)	(22.08)	(-)	(-)	(-)	(22.08)
-D.K.Dosi	-	25.11	-	-	-	25.11
	(-)	(22.00)	(-)	(-)	(-)	(22.00)
- A.K.Newatia	-	-	-	-	-	-
	(-)	(22.75)	(-)	(-)	(-)	(22.75)
Total	-	56.47	-	-	-	56.47
	(-)	(66.83)	(-)	(-)	(-)	(66.83)
Rent Paid						
-Super Leasing Ltd	-	-	-	-	6.00	6.00
	(-)	(-)	(-)	(-)	(6.00)	(6.00)
Dividend Paid						
-Saraswati Trading Company Limited	-	-	-	-	119.31	119.31
	(-)	(-)	(-)	(-)	(149.14)	(149.14)
- Sri Lakshmi Investments Limited	-	-	-	35.45	-	35.45
	(-)	(-)	(-)	(6.17)	(-)	(6.17)
- Others	-	1.87	14.53	11.39	7.14	34.93
	(-)	(2.34)	(3.86)	(2.13)	(8.91)	(17.24)
Total	-	1.87	14.53	46.84	126.45	189.69
	(-)	(2.34)	(3.86)	(8.30)	(158.05)	(172.55)
Miscellaneous Income						
- Ester International USA Limited	59.64	-	-	-	-	59.64
	(-)	(-)	(-)	(-)	(-)	(-)
Balances Outstanding as at year end						
Equity Investment						
- Ester International USA Limited	9.69	-	-	-	-	9.69
	(9.69)	(-)	(-)	(-)	(-)	(9.69)
- Ester Europe GmbH	12.36	-	-	-	-	12.36
	(12.36)	(-)	(-)	(-)	(-)	(12.36)
Total	22.05	-	-	-	-	22.05
	(22.05)	(-)	(-)	(-)	(-)	(22.05)
Provision for Diminution in Value of Investments	22.05	-	-	-	-	22.05
	(22.05)	(-)	(-)	(-)	(-)	(22.05)
Balance payable						
- Ester International USA Limited	60.00	-	-	-	-	60.00
	(-)	(-)	(-)	(-)	(-)	(-)

Balance Recoverable						
- Ester International USA Limited	59.64	-	-	-	-	59.64
	(-)	(-)	(-)	(-)	(-)	(-)
Interest Free Loan Taken*						
- Spring Falls Limited	-	-	-	-	627.51	627.51
	(-)	(-)	(-)	(-)	(615.19)	(615.19)
Guarantees given against Loans Taken (jointly and severally) by the Company						
- Sitaram Singhania	-	8,654.29	8,654.29	8,654.29	-	8,654.29
- A.K.Singhania	(-)	(6,709.08)	(6,709.08)	(6,709.08)	(-)	(6,709.08)
- Saraswati Trading Company Limited						

- Previous Year figures are given in brackets.

- No amount has been written off or provided for in respect of transactions with the related parties, except for provision for diminution in the value of Investments as disclosed above.

* Increase in Loan amount is on account of Foreign Exchange Fluctuation.

b. Names of Related Parties

Nature of Relationship

Name of Related Party

Subsidiaries

- Ester International USA Limited (EIUL)
- Ester Europe GmbH (EEG)

Individuals owning, directly or indirectly, a substantial interest in the voting power of the Company.

- Uma Devi Singhania*
- Saraswati Trading Company Limited**
- Sri Lakshmi Investment Limited
- Mr. A.K.Singhania (Chairman & Managing Director)

Key Management Personnel

- Mr. D. K. Dosi (Executive Director w.e.f. 6th May 2004)
- Mr. A. K. Newatia (Executive Director upto 6th May 2004)

Relatives of Key Management Personnel

- Mr. Sitaram Singhania (Father of Mr. A.K.Singhania)
- Jai Vardhan Singhania
- Ayush Vardhan Singhania

Enterprises owned or significantly influenced by key management personnel or their relatives

- Spring Falls Limited
- Super Leasing Limited

* Also relative of Key Management Personnel

** Also the investing party in respect of which the Company is an associate.

17. Details of Loans and Advances to Parties in which Directors are interested and investment by the loanee in the shares of the Company (as required by Clause 32 of the Listing Agreement):

(Rs. in lacs)

Description	Outstanding amount as at		Maximum amount outstanding	
	2006	2005	2006	2005
- Super Leasing Ltd.	1.50	7.50	7.50	13.50
Investment by the above mentioned loanee (Super Leasing Ltd.) in the preference shares of the Company	44.11	44.11	44.11	44.11

18. Segment Information

Primary Segment Reporting - Business Segments

The Company has two business segments, viz. Polyester Film and Engineering Plastics.

Polyester Film Segment:

This segment is engaged in the business of manufacturing of the Polyester Films used for applications like flexible packaging, cable insulation, thermal lamination, etc.

Engineering Plastic Segment:

This segment is engaged in the business of manufacturing of Engineering Polymers, that are high performance thermoplastic resins.

Secondary Segment Reporting - Geographical Segments

Geographical Segment: The analysis of geographical segment is based on the geographical location of the customers.

Segment Information

A) Primary Segment Reporting (by Business Segments)

Segment Revenues, Results and Other Information

(Rs. in lacs)

Particulars	Polyester Film	Engineering Plastics	Total
External Sales / Income	22,670.53	2,468.28	25,138.81
	(24,287.05)	(2,177.48)	(26,464.53)
Inter Segment Sales / Income	361.34	0.00	361.34
	(158.69)	(0.00)	(158.69)
Segment Revenue	23,031.87	2,468.28	25,500.15
	(24,445.74)	(2,177.48)	(26,623.22)
Segment Results-	-35.82	314.61	278.79
	(3,528.03)	(597.72)	(4,125.75)
Segment Assets	18,886.18	926.90	19,813.08
	(20,492.38)	(958.41)	(21,450.79)
Segment Liabilities	3,806.09	303.13	4,109.22
	(574.35)	(450.67)	(1,025.02)
Capital Expenditure	2,038.47	0.03	2,038.50
	(1,027.06)	(15.51)	(1,042.57)
Depreciation	1,513.49	11.50	1,524.99
	(1,405.87)	(9.19)	(1,415.06)
Non Cash Expenses	0.00	0.00	0.00
	(8.98)	(2.22)	(11.20)

Reconciliation of Reportable Segment with the Financial Statements

	Revenues	Results/Net Profit	Assets	Liabilities
Total of Reportable Segments	25,500.15	278.79	19,813.07	4,109.22
	(26,623.22)	(4,125.75)	(21,450.79)	(1,025.02)
Add/(Less) : Corporate Unallocated	180.08	-1,938.72	2,805.36	6,879.56
	(69.97)	(-1,785.43)	(2,898.83)	(9,048.93)
Inter-Segment Elimination	-361.34	0.00	0.00	0.00
	(-158.69)	(0.00)	(0.00)	(0.00)
Interest Expenses (Net)	0.00	-839.53	0.00	0.00
	(0.00)	(-966.43)	(0.00)	(0.00)
Taxes	0.00	818.19	0.00	0.00
	(0.00)	(-482.73)	(0.00)	(0.00)
As per Segment	25,318.89	-1681.27	22,618.43	10,988.78
	(26,534.50)	(891.16)	(24,349.62)	(10,073.95)
As per Financial Statements	25,318.89	-1681.27	22,618.43	10,988.78
	(26,534.49)	(891.16)	(24,349.62)	(10,073.95)

Previous Year figures are given in brackets.

B) Secondary Segment Reporting (by Geographical Segments)

The following is the distribution of the Company's consolidated sales by geographical market, regardless of where the goods were produced:

	2006 (Rs. In lacs)	2005 (Rs. in lacs)
Sales to Domestic Market	15,774.95	16,181.54
Sales to Overseas Market	9,211.80	10,204.01

The Company has common assets for producing goods for Domestic Market and Overseas Market. Hence, separate figures for assets / additions to fixed assets cannot be furnished.

19. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

19.1 Licensed Capacity, Installed Capacity and Actual Production:

Class of Goods	Unit	Licensed Capacity		Installed Capacity		Actual Production	
		2006	2005	2006	2005	2006	2005
Polyester Chips	MT	36000*	36000	36000	36000	30328	27307
Polyester Film	MT	18000*	18000	18000	18000	26063	25524
Engineering Plastic	MT	1500*	1500	1500	1500	2111	1835

* Based on memorandum of SIA registration.

Installed capacities have been certified by the Management and relied on by the Auditors, being a technical matter.

19.2 Consumption of Raw Materials :

Particulars	2006		2005	
	Qty. (MT)	Value (Rs. In lacs)	Qty. (MT)	Value (Rs. In lacs)
PTA	25696	10,270.49	23079	9,574.87
MEG	10512	4,552.42	9448	5,211.94
DMT	385	149.66	142	62.31
Butandiol	191	167.10	64	38.88
Super Bright Chips	0	0.00	337	193.22
Bright Chips	0	0.00	260	151.94
PBT Chips	887	748.58	975	733.58
Chemicals & Consumables etc		1,200.41		869.27
		17,088.66		16,836.02
Add : Freight		656.80		491.01
		17,745.46		17,327.03
Less : Export Incentives		726.96		986.00
TOTAL		17,018.50		16,341.03

19.3 Imported and Indigenous Raw Materials and Spare Parts Consumed:

Particulars	2006		2005	
	Percentage	Value	Percentage	Value
		(Rs. in lacs)		(Rs. in lacs)
i) Raw Materials				
Imported	14.56	2,478.13	8.84	1,445.19
Indigenous	85.44	14,540.37	91.16	14,895.84
Total	100.00	17,018.50	100.00	16,341.03
ii) Stores & Spare Parts				
Imported	62.73	338.53	41.93	176.95
Indigenous	37.27	201.13	58.07	245.03
Total	100.00	539.66	100.00	421.98

19.4 Details of Trading Goods:

	Opening Stock		Purchases		Turnover		Closing Stock	
	Qty. (MT)	Value (Rs. in lacs)	Qty. (MT)	Value (Rs. in lacs)	Qty. (MT)	Value (Rs. in lacs)	Qty. (MT)	Value (Rs. in lacs)
Film	21 (1)	22.05 (1.03)	157 (172)	148.10 (203.23)	178 (152)	172.75 (180.55)	— (21)	— (22.05)
Others	— (—)	— (—)	35 (—)	26.27 (10.46)	35 (—)	9.26 (12.37)	— (—)	— (—)

(Previous Year figures are given in brackets)

19.5 Production, Turnover and Stocks in respect of Manufactured Goods:

	Opening Stock		Production	Turnover		Closing Stock	
	Qty. (MT)	Value (Rs. in lacs)		Qty. (MT)	Value*	Qty. (MT)	Value (Rs. in lacs)
Polyester/ PBT Chips	233 (105)	172.54 (76.18)	30328 (27307)	3394 (i) (1290)	2,062.77 (1,016.48)	289 (233)	197.59 (172.54)
Polyester Film	1165 (362)	1,066.90 (299.43)	26063 (25524)	26402 (ii) (24721)	22,328.46 (25,221.37)	780 (1165)	636.91 (1,066.90)
Engg. Plastics	171 (246)	179.91 (219.52)	2111 (1835)	2102 (1910)	2,886.59 (2,534.05)	180 (171)	205.33 (179.91)
Methanol (By-product)	— (1)	— (0.03)	118 (32)	115 (33)	6.04 (1.72)	3 (0)	0.15 (0.00)

(i) Excludes captive consumption of 26878 MT (Previous Year 25889 MT) and inclusive of export sales 398 MT (Previous Year 20 MT).

(ii) Excludes captive consumption of 46 MT (Previous Year Nil MT) and inclusive of export sales of 11020 MT (Previous Year 10936 MT).

* Do not include Rs.13.60 lacs (Previous Year Rs. 9.98 lacs) on account of sale of waste.

Previous Year figures are given in brackets.

19.6 Value of imports calculated on CIF basis : (on cash basis)

	2006	2005
	(Rs. in lacs)	(Rs. in lacs)
Capital Goods	207.24	167.69
Raw Materials	1,388.19	1257.12
Stores & Spare Parts	207.24	348.90
TOTAL	1,802.67	1,773.71

19.7 Expenditure in Foreign Currency:

(on cash basis including amounts capitalized during the year)

	2006	2005
	(Rs. in lacs)	(Rs. In lacs)
Interest and Bank Charges	4.73	9.12
Legal & Professional	18.32	24.55
Expense on Foreign Technicians	26.96	38.25
Brokerage & Commission	321.37	156.88
Travelling Expenses	36.22	41.48
Quality Compensation	13.62	0.00
Miscellaneous Expenses	5.78	5.87
TOTAL	427.00	276.15

19.8 Earnings in Foreign Currency:

	2006	2005
	(Rs. in lacs)	(Rs. in lacs)
FOB value of Export of Goods	8,938.16	9,663.81
Miscellaneous Income	59.64	0.00

(FOB Value of Exports does not include Deemed Exports of Rs. 832.91 lacs (Previous Year Rs.733.37 lacs).

19.9 Net Dividend Remitted in Foreign Currency

	2006	2005
Number of NRI Shareholders	2	2
Number of Shares held by them	30952800	30952800
Dividend Paid (Rs. in lacs)	154.76	155.31
Year to which dividend relates	2004-05	2003-04

20. Previous Year figures have been regrouped / reclassified wherever considered necessary, so as to confirm with the current year's classification.

As per our report of even date

For and on behalf of the Board of Directors

For S.R.Batliboi & Associates
Chartered Accountants
per

S.K.Jain
Company Secretary

A.K.Singhania
Chairman & Managing Director

Raj Agrawal
Partner
Membership No. 82028

Pradeep Rustagi
General Manager (F&A)

D.K. Dosi
Executive Director

Gurgaon
29th June 2006

Ashok Newatia
Director

C. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Information pursuant to of Part III of Schedule VI to the Companies Act,1956.

a. Registration Details :

1. Registration No.	15063
2. State Code	20
3. Balance Sheet Date	31.03.2006

b. Capital raised during the year (Amount in Rs./lacs)

1. Public Issue	0.00
2. Rights Issue	0.00
3. Bonus Issue	0.00
4. Private Placement	0.00

c. Position of Mobilisation and Deployment of Funds (Amount in Rs./lacs)

1. Total Liabilities	23,057.28
2. Total Assets	23,057.28
3. Sources of Funds :	
-Paid-up Capital	3,054.88
-Reserves & Surplus	9,013.62
-Secured Loans	6,268.20
-Liabilities under Deferred Payments	1,223.56
-Unsecured Loans	627.51
-Deferred Tax Liabilities	29.68
Total	<u>20,217.45</u>
4. Application of Funds :	
-Net Fixed Assets (Including Capital work in progress)	14,691.73
-Investments	43.48
-Net Current Assets	5,043.38
-Miscellaneous Expenditure	438.86
Total	<u>20,217.45</u>

d. Performance of Company (Rs. in lacs)

1. Turnover/Other Income	27,811.61
2. Total Expenditure	30,311.05
3. Profit Before Tax	(2,499.44)
4. Profit After Tax	(1,681.26)
5. Basic Earnings Per Share (Rs.)	(3.03)
6. Diluted Earnings Per Share (Rs.)	(3.03)
7. Dividend Rate (in %)	0.00

e. Generic Names of Three Principal Products/Services of Company

(as per monetary terms)

1. -Item Code No. (ITC Code)	:	392069
-Product Description	:	Polyester Chips
2. -Item Code No. (ITC Code)	:	392069
-Product Description	:	Polyester Film
3. -Item Code No. (ITC Code)	:	392069
-Product Description	:	Engineering Plastic

As per our report of even date

For and on behalf of the Board of Directors

For S.R.Batliloi & Associates
Chartered Accountants
per

S.K.Jain
Company Secretary

A.K.Singhania
Chairman & Managing Director

Raj Agrawal
Partner
Membership No. 82028

Pradeep Rustagi
General Manager (F&A)

D.K. Dosi
Executive Director

Gurgaon
29th June 2006

Ashok Newatia
Director

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ESTER INDUSTRIES LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ESTER INDUSTRIES LIMITED AND ITS SUBSIDIARIES

1. We have audited the attached Consolidated Balance Sheet of Ester Industries Limited and its subsidiaries (the Ester Group) as at 31st March 2006, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statements for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs.6.02 lacs as at 31st March 2006 and total revenues of Rs.59.95 lacs for the year then ended. These financial statements and other financial information (*except for Ester Europe GmbH, whose unaudited financial statements reflecting total assets of Rs.3.49 lacs and total revenues of Rs. Nil for the year then ended have been included in consolidation since there are no operations in the subsidiary and the Company has applied for liquidation thereof*) have been audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements issued by the Institute of Chartered Accountants of India.
5. *Subject to our comments in paragraph 3 above*, based on our audit and on consideration of report of other auditor on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Ester Group as at 31st March 2006;
 - (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Ester Group for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Ester Group for the year ended on that date.

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants
per

Gurgaon
29th June 2006

Raj Agrawal
Partner
Membership No. 82028

ESTER INDUSTRIES LIMITED AND ITS SUBSIDIARIES CONSOLIDATED BALANCE SHEET

AS AT 31ST MARCH 2006

	Schedule	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	3,054.88	3,054.88
Reserves & Surplus	2	8,947.98	11,210.96
		<u>12,002.87</u>	<u>14,265.84</u>
Loan Funds			
Secured Loans	3	6,268.20	6,284.32
Unsecured Loans	4	632.85	620.75
		<u>6,901.05</u>	<u>6,905.07</u>
Liabilities under Deferred Payments			
Deferred Tax Liabilities(Net)	5	1,223.56	0.00
		<u>29.68</u>	<u>875.36</u>
		<u>20,157.16</u>	<u>22,046.27</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	36,705.13	38,515.33
Less: Depreciation/Amortisation		22,357.66	23,560.40
Net Block		14,347.47	14,954.93
Capital Work-in-Progress (including Capital Advances)		344.27	102.12
		<u>14,691.74</u>	<u>15,057.05</u>
Investments	7	43.48	250.38
Current Assets, Loans and Advances			
Inventories	8	2,876.95	3,629.53
Sundry Debtors	9	2,815.35	3,388.52
Cash and Bank Balances	10	705.08	822.86
Other Current Assets	11	311.99	386.68
Loans and Advances	12	1,119.84	823.82
		<u>7,829.21</u>	<u>9,051.41</u>
Less: Current Liabilities & Provisions			
Current Liabilities	13	2,538.83	1,725.98
Provisions	14	307.30	640.71
		<u>2,846.13</u>	<u>2,366.69</u>
Net Current Assets		<u>4,983.08</u>	<u>6,684.72</u>
Miscellaneous Expenditure (to the extent not written off or adjusted)	15	438.86	54.12
		<u>20,157.16</u>	<u>22,046.27</u>
Notes to Accounts	24		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For and on behalf of the Board of Directors

For S.R.Batlilboi & Associates
Chartered Accountants
per

S.K.Jain
Company Secretary

A.K.Singhania
Chairman & Managing Director

Raj Agrawal
Partner
Membership No. 82028

Pradeep Rustagi
General Manager (F&A)

D.K. Dosi
Executive Director

Gurgaon
29th June 2006

Ashok Newatia
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 2006

	Schedule	31.03.2006 (Rs. in lacs)		31.03.2005 (Rs. in lacs)
INCOME				
Turnover (Gross)		27,479.47		28,976.52
Less: Excise Duty		<u>2,492.72</u>		<u>2,590.97</u>
Turnover (Net)		24,986.75		26,385.55
Other Income	16	332.45		149.03
		<u>25,319.20</u>		<u>26,534.58</u>
EXPENDITURE				
Purchase for Resale		173.36		213.67
Manufacturing Expenses	17	20,378.26		19,067.36
(Increase)/Decrease in Inventories	18	280.84		(847.15)
Personnel Expenses	19	1,385.40		1,267.28
Administrative and Other Expenses	20	1,103.27		1,223.27
Selling Expenses	21	1,748.53		1,547.70
Depreciation/Amortisation		2,154.83	2,140.96	
Less : Transfer from Revaluation Reserve		<u>492.02</u>	<u>527.29</u>	1,613.67
Financial Expenses	22	839.54		966.62
Profit/(Loss) before Tax and Exceptional Items		(2,252.81)		1,482.16
Exceptional Items :				
Loss on Discarding of Machinery of Chips/Film Divisions		247.22		109.25
Profit/(Loss) before Tax		(2,500.03)		1372.91
Provision for Current Income Tax		0.04	75.66	
Provision for Income Tax for earlier years written back		0.00	(33.38)	
Fringe Benefit Tax		27.50	0.00	
Deferred Tax Charge/(Credit)		<u>(845.68)</u>	<u>441.11</u>	483.39
Profit/(Loss) after Tax		(1,681.88)		889.52
(Debit)/Credit Balance brought forward from Previous Year		2,403.17		1,830.84
Profit available for appropriation		721.29		2,720.36
Appropriations :				
Dividend on Preference Shares		0.00		0.07
Proposed final dividend		0.00		277.51
Tax on dividend		0.00		39.62
Surplus carried to Balance Sheet		<u>721.29</u>		<u>2,403.16</u>
Earnings per share	23			
Basic [Nominal value of shares Rs. 5/- (Previous Year : Rs. 5/-)]		(3.03)		1.60
Diluted [Nominal value of shares Rs. 5/- (Previous Year : Rs. 5/-)]		(3.03)		1.60
Notes to Accounts	24			

The schedules referred to above and the notes to accounts form an integral part of the Profit & Loss Account.

As per our report of even date

For and on behalf of the Board of Directors

For S.R.Batlboi & Associates
Chartered Accountants
per

S.K.Jain
Company Secretary

A.K.Singhania
Chairman & Managing Director

Raj Agrawal
Partner
Membership No. 82028

Pradeep Rustagi
General Manager (F&A)

D.K. Dosi
Executive Director

Gurgaon
29th June 2006

Ashok Newatia
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2006

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
CASH FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax	(2,500.03)	1,372.91
Adjusted for:		
Depreciation/Amortisation	1,662.81	1,613.67
Loss on Fixed Assets Sold/Discarded	287.46	143.13
Interest Expenses	703.30	691.32
Interest Income	(35.58)	(6.90)
Dividend Income	(15.24)	(1.81)
Exchange Difference	12.63	(20.63)
Miscellaneous Expenditure (to the extent not Written off)	(384.74)	53.21
Provision for Bad & Doubtful Debts and Advances	25.03	18.18
Loss on Settlement of Equity Stock Futures	10.37	5.89
Profit on Sales of Current Investments	(84.83)	(23.10)
Provision for Obsolete Inventories	9.87	14.27
Provision for Diminution in Value of Investments	0.00	27.78
Operating Profit/(Loss) before Working Capital Changes	(308.96)	3,887.92
Adjustment for:		
Decrease in Trade/Other Receivables	481.89	518.58
(Increase)/Decrease in Inventories	742.71	(993.58)
Increase/(Decrease) in Trade/Other Payables	810.50	(2,903.28)
Cash Generated from Operations	1,726.13	509.64
Direct Taxes Paid	(44.99)	(27.33)
Net Cash from Operating Activities (a)	1,681.14	482.31
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,329.61)	(1,064.34)
Proceeds from sale of Fixed Assets (discontinued operations)	0.00	410.00
Sale of Fixed Assets	29.32	9.93
Loss on Settlement of Equity Stock Futures	(10.37)	(5.89)
Sale/(Purchase) of Investments (Net)	291.73	310.97
Interest Received	19.05	7.99
Dividend Received	15.24	1.81
Net Cash (used in) Investing Activities (b)	(1,984.64)	(329.53)
CASH FLOW FROM FINANCING ACTIVITIES		
Movement in Short Term Borrowings	715.17	1,323.63
Receipts of Long Term Borrowings	1,245.93	79.11
Repayment of Long Term Borrowings	(753.88)	(638.53)
Interest Paid	(706.29)	(691.34)
Dividend Paid	(313.86)	(305.71)
Net Cash from/(used in) Financing Activities (c)	187.06	(232.83)
Net (Decrease) in Cash & Cash Equivalents (a+b+c)	(116.44)	(80.05)
Opening Balance of Cash & Cash Equivalents	822.86	902.87
Less: Foreign Currency Translation Difference	1.10	(0.04)
Closing Balance of Cash & Cash Equivalents	705.32	822.86
Cash & Cash Equivalents includes	Closing Balance	Closing Balance
Cash on Hand	4.40	7.16
Balances with Scheduled Banks :		
- On current accounts	19.43	65.88
- On fixed deposits accounts	660.00	729.72
- On Unpaid Dividend Account	16.15	11.45
Balances with Non-Scheduled Banks :		
- On current accounts	5.10	8.65

Notes :

- 1 The Cash Flow Statement has been prepared under the indirect method as set out in Accounting standard -3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India .
- 2 Negative figures have been shown in brackets .

As per our report of even date

For and on behalf of the Board of Directors

For S.R.Batliboi & Associates
Chartered Accountants
per

S.K.Jain
Company Secretary

Pradeep Rustagi
General Manager (F&A)

A.K.Singhania
Chairman & Managing Director

D.K. Dosi
Executive Director

Raj Agrawal
Partner
Membership No. 82028

Gurgaon
29th June 2006

Ashok Newatia
Director

SCHEDULE - 1

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
SHARE CAPITAL		
Authorised		
600000 Cumulative Convertible Preference Shares of Rs. 50/- each	300.00	300.00
8000000 Redeemable Cumulative Preference Shares of Rs. 50/- each	4,000.00	4,000.00
150000000 Equity Shares of Rs. 5/- each EIUL- Common stock, no par value (200 shares) EE GmbH Common Stock	7,500.00	7,500.00
	<u>11,800.00</u>	<u>11,800.00</u>
Issued, Subscribed and Paid-up		
55502400 Equity Shares of Rs. 5/- each fully paid-up (Includes 3882000 Equity Shares issued on conversion of CCPS during the year 2003-04) EIUL- Common stock, no par value (200 shares) EE GmbH-Common Stock	2,775.12	2,775.12
559521 0.10% Redeemable Cumulative Preference Shares of Rs.50/- each fully paid-up. (Redeemable at par during the period 31.12.2011 to 31.12.2012)	279.76	279.76
	<u>3,054.88</u>	<u>3,054.88</u>

SCHEDULE - 2

	01.04.2005 (Rs. in lacs)	Additions (Rs. in lacs)	Deduction (Rs. in lacs)	31.03.2006 (Rs. in lacs)
RESERVES AND SURPLUS				
a) Profit on re-issue of Forfeited Shares	0.95	0.00	0.00	0.95
b) Capital Reserve*	5,701.05	0.00	0.00	5,701.05
c) Revaluation Reserve **	1,264.88	0.00	580.02	684.86
d) Securities Premium Account	1,396.94	0.00	0.00	1,396.94
e) Capital Redemption Reserve	55.61	0.00	0.00	55.61
f) Foreign Exchange Translation Difference	7.50	0.00	1.11	6.39
f) General Reserve	380.86	0.00	0.00	380.86
g) Surplus in Profit & Loss Account	2,403.17	0.00	1,681.84	721.33
Total	<u>11,210.96</u>	<u>0.00</u>	<u>2,262.97</u>	<u>8,947.98</u>

* Represents write back of principal amount of loan due to One Time Settlement with lenders during the year 2002-03.

** Deduction in Revaluation Reserve represents additional depreciation on revaluation for the year and adjustment on disposal of fixed assets amounting to Rs. 492.02 lacs and Rs. 87.58 lacs respectively.

SCHEDULE - 3

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
SECURED LOANS		
Rupee Term Loans		
From Banks	3,058.49	3,759.12
Working Capital Loans from Banks		
Cash Credit facilities	2,131.22	564.70
Bills Discounting	982.44	1,833.79
Vehicle Loans		
From Banks	68.67	95.64
From Bodies Corporate	27.38	31.07
	<u>6,268.20</u>	<u>6,284.32</u>

Notes:

- Rupee term loans from banks are secured by way of first mortgage created by way of deposit of title deeds in respect of the Company's immovable properties, both present and future, and a first charge by way of hypothecation of all the Company's movable assets (save and except book debts and vehicle loans and equipments installed or to be installed under Metallizer Project), both present and future, subject to prior charges created / to be created in favour of the Company's bankers for working capital requirements in the ordinary course of business, ranking pari passu inter-se. Loans from banks are further secured by irrevocable guarantees of a Director of the Company & his relative and a Promoter company.
- Working capital loans from banks are secured by hypothecation of stocks of raw materials, finished goods, semi finished goods, stores and spares, book debts and other receivables, both present and future, and further secured by irrevocable guarantees of a Director of the Company & his relative and a Promoter Company. These are further secured by way of second charge in respect of Company's immovable properties and movable fixed assets.
- Vehicle loans are secured by hypothecation of specified vehicles acquired out of proceeds of the Loans.
- Term Loans and Vehicle Loans installments falling due within next 12 months Rs. 1,093.36 lacs (Previous Year Rs. 749.44 lacs).

SCHEDULE - 4

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
UNSECURED LOANS		
Foreign Currency Loan (Interest Free)		
From Overseas Corporate Body (The above Loan was repayable in one installment on 31.03.2005, which had been rescheduled and was payable by 31.03.2006.)	627.51	615.19
Other Loan	5.34	5.56
	<u>632.85</u>	<u>620.75</u>

SCHEDULE - 5

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
DEFERRED TAX LIABILITIES (NET)		
Deferred Tax Liabilities		
Depreciation and other differences in block of fixed assets	2,831.29	3,075.32
Gross Deferred Tax Liabilities	(a) 2,831.29	<u>3,075.32</u>
Deferred Tax Assets		
Unabsorbed Depreciation	2,282.29	1,879.40
Carried Forward Business Loss	178.83	0.00
Effect of expenditure debited to Profit and Loss Account but allowable for tax purposes in following years	1.71	1.51
Provision for Gratuity	67.36	68.02
Provision for Leave Encashment	24.54	23.60
Provision for Doubtful Debts and Advances	160.95	152.53
Others	85.93	74.90
Gross Deferred Tax Assets	(b) 2,801.61	<u>2,199.96</u>
	(a-b) 29.68	<u>875.36</u>

SCHEDULE - 6

FIXED ASSETS

Description	Gross Block			Depreciation		Net Block				
	01.04.2005	Additions	Deductions/ Adjustment	31.03.2006	31.03.2005	Current Year	Deductions/ Adjustments	31.03.2006	31.03.2006	31.03.2005
Tangible Assets:										
Land (Freehold) (i)	60.03	0.00	0.00	60.03	0.00	0.00	0.00	0.00	60.03	60.03
Buildings	2,529.06	33.13	0.00	2,562.19	977.17	71.75	0.00	1,048.92	1,513.27	1,551.89
Plant & Machinery (iv)	34,703.71	2,006.66	3,772.93	32,937.44	21,983.12	1,955.54	3,283.82	20,654.84	12,282.60	12,720.59
Furniture & Fixtures	210.27	10.60	0.83	220.04	141.05	6.36	0.07	147.34	72.70	69.23
Office equipments	417.18	6.37	2.02	421.53	281.30	32.28	0.93	312.65	108.88	135.88
Vehicles (iii)	444.65	30.70	121.88	353.47	137.30	38.93	72.92	103.31	250.16	307.35
Intangible Assets:										
Softwares	150.43	0.00	0.00	150.43	40.46	50.14	0.00	90.60	59.83	109.97
Previous Year	38,515.33	2,087.46	3,897.66	36,705.13 (ii)	23,560.40	2,155.00	3,357.74	22,357.66	14,347.47	14,954.94
Capital Work in Progress (including Capital Advances Rs. 192.88 lacs, Previous Year Rs. 102.12 lacs.)	38,785.16	1,225.54	1,495.37	38,515.33	22,671.68	2,140.98	1,252.25	23,560.41	14,954.93	16,113.48
									344.27	102.12

Notes :

- (i) Conveyance deed in respect of part of the land valued at Rs. 4.75 lacs (Previous Year Rs. 4.75 lacs) is pending for execution.
- (ii) Gross Block of Fixed Assets as at 31.03.2006 includes Rs. 7,933.38 lacs (Previous Year Rs. 9,608.07 lacs) being the amount added on revaluation of Fixed Assets on 31.10.1992.
- (iii) Includes Rs. Nil (Previous Year Rs. 6.04 lacs) acquired on hire purchase basis.
- (iv) (a) Current year's additions to Plant & Machinery includes Rs. 41.26 lacs (Previous Year Rs. 14.82 lacs) on account of Foreign Exchange Fluctuation.
 (b) Current year's deletions from Plant & Machinery include Rs. 3,394.32 lacs (including Revaluation Reserve of Rs.1,564.49 lacs) on account of discarding of the Machinery of Chips and Film Division.

SCHEDULE - 7

INVESTMENTS

Long Term Investments

A. Trade (Quoted) Equity Shares Fully Paid	Number of Shares	Face Value (Rs.)	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
Recron Synthetics Ltd.	50	10	0.02	0.02
Pearl Polymers Ltd.	100	10	0.04	0.04
Polyplex Corporation Ltd.	100	10	0.05	0.05
Orkay Silk Mills Ltd.	100	10	0.04	0.04
J.K.Synthetics Ltd.	100	10	0.03	0.03
J.K.Cement Ltd	10	10	0.00	0.00
Reliance Industries Ltd.	100	10	0.14	0.14
Reliance Communication Ventures Limited (Previous year - Nil)	100	5	0.00	0.00
Reliance Energy Ventures Limited (Previous year - Nil)	100	10	0.00	0.00
Reliance Capital Ventures Limited (Previous year - Nil)	100	10	0.00	0.00
Reliance Natural Resources Limited (Previous year - Nil)	100	5	0.00	0.00
Haryana Petrochemicals Ltd.	100	10	0.04	0.04
Central India Polyesters Ltd.	50	10	0.06	0.06
Sanghi Polyester Ltd.	100	10	0.08	0.08
Garware Nylons Ltd.	100	10	0.01	0.01
Venlon Enterprises Ltd.	360	5	0.10	0.10
Nirlon Ltd.	196	10	0.02	0.02
Modipon Ltd.	100	10	0.11	0.11
Garware Polyester Ltd.	100	10	0.01	0.01
SRF Ltd.	100	10	0.02	0.02
Flex Industries Ltd.	100	10	0.05	0.05
Jindal Poly Films Ltd.	100	10	0.03	0.03
B. Other than trade (Quoted) Equity Shares Partly Paid				
Industrial Development Bank of India	68700	10	25.03	25.03
			(a) 25.88	25.88

Current Investments(Quoted) :

	Number of Shares	Face Value (Rs.)		
A. Equity Shares Fully Paid				
Bharati Shipyard Ltd. (Previous year - 39 Shares)	0	10	0.00	0.03
Ashok Leyland Ltd. (Previous year - 30000 Shares)	0	1	0.00	7.51
Bajaj Hindustan Ltd. (Previous year - 9500 Shares)	0	1	0.00	15.95
BOC India Ltd. (Previous year - 5000 Shares)	0	10	0.00	5.31
Ceat Ltd. (Previous year - 15485 Shares)	0	10	0.00	16.09
Centurian Bank Ltd. (Previous year - 50000 Shares)	0	1	0.00	9.55
Century Textiles & Industries Ltd. (Previous year - 8015 Shares)	0	10	0.00	18.57
DCM Shriram Consolidated Ltd. (Previous year - 500 Shares)	0	10	0.00	2.46
Escorts Ltd. (Previous year - 7000 Shares)	0	10	0.00	6.67
Essar Steel Ltd. (Previous year - 10000 Shares)	0	10	0.00	5.71
Indian Petrochemicals Corporation Ltd. (Previous year - 5360 Shares)	0	10	0.00	10.22
Indo Gulf Fertilizers Ltd. (Previous year - 2000 Shares)	0	10	0.00	2.64
Ispat Industries Ltd. (Previous year - Nil Share)	50000	10	11.95	0.00
Jindal Vijaynagar Steel Ltd.	656	10	2.90	2.90
Mid-Day Multimedia Ltd. (Previous year - 1231 Shares)	0	10	0.00	1.15
Neyveli Lignite Corporation Ltd. (Previous year - 4000 Shares)	0	10	0.00	2.84

	Number of Units	Face Value (Rs.)	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
Oriental Bank of Commerece	1000	10	3.72	3.72
Rain Calcining Ltd. (Previous year - 5000 Shares)	0	10	0.00	1.47
Raipur Alloys & Steel Ltd. (Previous year - 5000 Shares)	8500	10	11.25	7.51
Reliance Communication Ventures Limited (Previous year - Nil Share)	500	10	1.51	0.00
Soma Textiles & Industries Ltd. (Previous year - 3100 Shares)	0	10	0.00	1.15
Tata Chemicals Ltd. (Previous year - 2000 Shares)	0	10	0.00	3.37
Tata Iron & Steel Co. Ltd. (Previous year - 2000 Shares)	0	10	0.00	8.05
Tata Motors Ltd. (Previous year - 4500 Shares)	0	10	0.00	22.50
Tata Teleservices (Maharashtra) Ltd. (Previous year - 75000 Shares)	0	10	0.00	23.49
UCO Bank (Previous year - 60000 Shares)	25000	10	8.17	21.53
UTV Software Communications Ltd. (Previous year - 10000 Shares)	0	10	0.00	17.52
Current Investments :				
B. Mutual Fund				
HDFC Long Term Equity Fund - Growth Plan	100000	10	10.00	0.00
BOB Global Fund - Growth Plan	50000	10	5.00	0.00
Reliance Vision Fund - Dividend Plan	6244	10	3.40	0.00
BOB-Balanced Fund - Growth Plan (Previous year - 31969 Units)	0	10	0.00	5.00
BOB-Growth Fund - Growth Plan (Previous year - 29377 Units)	0	10	0.00	5.00
Franklin India Prima Fund - Growth Plan (Previous year - 9676 Units)	0	10	0.00	10.00
HDFC Capital Builder Fund - Growth Plan (Previous year - 29189 Units)	0	10	0.00	10.00
HSBC Equity Fund - Growth Plan (Previous year - 13965 Units)	0	10	0.00	5.00
Kotak Equity FOF - Growth Plan (Previous year - 41446 Units)	0	10	0.00	5.00
Reliance Growth Fund - Growth Plan (Previous year - 9495 Units)	0	10	0.00	10.00
Sundaram Select Midcap - Growth Plan (Previous year - 27631 Units)	0	10	0.00	10.00
			(b) 57.90	277.91
Total (a) + (b)			83.78	303.79
Less : Provision for Diminution in the Value of :				
- Long Term Investments			25.63	25.63
- Current Investments			14.67	27.78
			43.48	250.38
Aggregate amount of quoted investments			83.78	303.79
Market value			46.14	255.40

SCHEDULE - 8

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
INVENTORIES		
Raw Materials (including material in transit Rs. 237.61 lacs, Previous Year Rs. 652.43 lacs)	838.82	1,195.72
Stores & Spares (including material in transit Rs. 20.31 lacs, Previous Year Rs. 23.62 lacs)	580.97	598.91
Work-in-progress Finished goods (including material in transit Rs. 272.18 lacs, Previous Year Rs. 103.38 lacs)	415.42	391.48
By-product and waste	1,041.03	1,442.22
	0.71	1.20
	2,876.95	3,629.53

SCHEDULE - 9

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	41.02	21.14
Unsecured, considered doubtful	462.30	461.93
Other debts		
Unsecured, considered good	<u>2,774.33</u>	<u>3,367.38</u>
	3,277.65	3,850.45
Less: Provision for Doubtful Debts	<u>462.30</u>	<u>461.93</u>
	<u>2,815.35</u>	<u>3,388.52</u>

SCHEDULE - 10

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
CASH & BANK BALANCES		
Cash on Hand	4.40	7.16
Balances with Scheduled Banks :		
- On Current Accounts	19.43	65.88
- On Deposits Accounts (including receipts for Rs. 121.13 lacs pledged with banks, Previous Year Rs. 39.75 lacs)	660.00	729.72
- On Unpaid Dividend Account	16.15	11.45
Balances with Non-Scheduled Banks :		
- On Current Accounts	<u>5.10</u>	<u>8.65</u>
	<u>705.08</u>	<u>822.86</u>

SCHEDULE - 11

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
OTHER CURRENT ASSETS		
Interest Receivable on Deposits	16.78	0.25
Export Benefits Receivable	139.65	366.43
Fixed Assets held for Sale	<u>155.56</u>	<u>20.00</u>
	<u>311.99</u>	<u>386.68</u>

SCHEDULE - 12

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
LOANS & ADVANCES		
Unsecured, Considered Good		
Advances Recoverable in Cash or in kind or for value to be received	575.83	482.92
Tax Deducted at Source & Refunds Recoverable	8.73	2.95
Balances with Excise and Custom Authorities	408.44	246.63
Loans to Employees	18.17	32.81
Deposits-others	108.67	58.51
Considered Doubtful		
Advances Recoverable in Cash or in kind or for value to be received	<u>102.15</u>	<u>76.08</u>
	1,221.99	899.90
Less: Provision for Doubtful Advances	<u>102.15</u>	<u>76.08</u>
	<u>1,119.84</u>	<u>823.82</u>

SCHEDULE - 13

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
CURRENT LIABILITIES		
Acceptances *	1,257.78	548.38
Sundry Creditors	1,082.48	1,006.16
Advances from Customers	66.03	87.90
Unclaimed Statutory Liabilities (as referred in Section 205C of Companies Act, 1956) - Unpaid Dividend	16.15	11.45
Deposits from Dealers/Customers & Others	6.46	11.37
Interest Accrued but not Due on Loans	0.08	3.08
Other Liabilities	104.15	42.35
Unearned Income on Forward Contracts	5.70	15.29
	<u>2,538.83</u>	<u>1,725.98</u>

'Dues to Small Scale Industrial Undertakings included
in Sundry Creditors

45.77

77.56

'Dues to other than Small Scale Industrial
Undertakings included in Sundry Creditors.

1,036.71

928.60

* Acceptances Includes Rs. 285.76 Lacs, payable to Bank of Baroda, incurred for purchase of items installed for modernisation of film line # 1 project. Company's Lead bank, Bank of India has sanctioned a term loan of Rs. 550.00 lacs subsequent to balance sheet date for payment of bills accepted.

SCHEDULE - 14

	31.03.2006 (Rs. in lacs)	31.03.2006 (Rs. in lacs)
PROVISIONS		
Taxation (Net of Advance Payments)	33.12	50.61
Wealth Tax	1.14	1.40
Proposed Dividends	0.00	277.58
Tax on Proposed Dividends	0.00	38.93
Gratuity	200.13	202.07
Leave Encashment	72.91	70.12
	<u>307.30</u>	<u>640.71</u>

SCHEDULE - 15

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary Expenses		
Opening Balance	1.87	2.50
Less: Written Off during the Year	<u>0.62</u>	<u>0.63</u>
Share Issue Expenses		
Opening Balance	18.45	24.60
Less: Written Off during the Year	<u>6.15</u>	<u>6.15</u>
Deferred Revenue Expenses		
Payments under Voluntary Retirement Scheme		
Opening Balance	33.80	80.23
Add: Incurred during the Year	<u>536.35</u>	<u>5.90</u>
	<u>570.15</u>	<u>86.13</u>
Less: Written Off during the Year	<u>144.84</u>	<u>52.33</u>
	<u>425.31</u>	<u>33.80</u>
	<u>438.86</u>	<u>54.12</u>

SCHEDULE - 16

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
OTHER INCOME		
Interest on:		
Bank Deposits (Tax Deducted at Source Rs. 6.79 lacs, Previous Year Rs. 1.29 lacs)	33.05	6.47
Others	2.53	0.43
Dividend on Long Term Investments - Trade	0.10	0.09
Dividend on Current Investments - Non-Trade	15.14	1.72
Profit on Sale of Current Investments - Non-Trade (Net)	84.83	23.10
Provision for Diminution in the value of Current Investments written back	13.11	0.00
Miscellaneous Receipts	183.69	117.22
	<u>332.45</u>	<u>149.03</u>

SCHEDULE - 17

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
MANUFACTURING EXPENSES		
Raw Materials Consumed	17,018.50	16,341.03
Packing Materials Consumed	623.28	540.85
Power & Fuel	2,060.73	1,642.40
Stores & Spares Consumed	539.66	421.98
Repairs & Maintenance - Plant & Machinery	78.70	70.55
Material Handling Charges	57.39	50.55
	<u>20,378.26</u>	<u>19,067.36</u>

SCHEDULE - 18

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
(INCREASE)/DECREASE IN INVENTORIES		
Inventories as at March 31, 2006		
- Work in Progress	415.42	391.48
- Finished Goods	1,041.03	1,442.22
- By-product and waste	0.71	1.20
	<u>1,457.16</u>	<u>1,834.90</u>
Inventories as at March 31, 2005		
- Work in Progress	391.48	273.61
- Finished Goods	1,442.22	596.32
- By-product and waste	1.20	0.44
	<u>1,834.90</u>	<u>870.37</u>
Excise Duty on the difference between Opening and Closing Stocks	(96.90)	117.38
	<u>280.84</u>	<u>(847.15)</u>

SCHEDULE - 19

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
PERSONNEL EXPENSES		
Salaries, Wages and Bonus *	1,150.40	1,013.94
Contribution to Provident Fund	71.57	63.48
Gratuity	87.89	61.32
Contribution to Other Funds	0.18	43.03
Workmen and Staff Welfare Expenses	<u>75.36</u>	<u>85.51</u>
	<u>1,385.40</u>	<u>1,267.28</u>
* including Miscellaneous Expenditure (VRS Expenses) written off Rs. 144.84 lacs (Previous Year Rs. 52.33 lacs)		

SCHEDULE - 20

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
ADMINISTRATIVE AND OTHER EXPENSES		
Rent	79.24	83.17
Rates, Taxes and License Fees	11.00	11.57
Insurance	94.63	122.94
Repairs & Maintenance -		
- Buildings	14.39	35.08
- Others	<u>48.88</u>	<u>67.75</u>
Travelling & Conveyance	266.39	265.98
Donations (other than Political Parties)	8.21	13.79
Directors' Sitting Fees	1.85	2.10
Auditors' Remuneration	17.33	16.64
Provision for Doubtful Debts and Advances	25.03	18.18
Loss on Fixed Assets Sold/Discarded (Net)	40.24	33.88
Loss on Settlement of Equity Stock Future	10.37	5.89
Bad Debts, Advances and Irrecoverable Balances	3.27	0.73
Written Off (Net)		
Provision for Diminution in the Value of Current Investments	0.00	27.78
Loss on Sale of DEPB	12.23	20.05
Provision for Obsolete Inventories	9.87	14.27
Miscellaneous Expenditure Written Off	6.77	6.79
Miscellaneous Expenses	<u>453.57</u>	<u>476.68</u>
	<u>1,103.27</u>	<u>1,223.27</u>

SCHEDULE - 21

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
SELLING EXPENSES		
Freight	1,245.77	1,212.74
Commission and Brokerage (other than Sole Selling Agents)	410.57	232.19
Discount, Claims & Rebates	59.13	71.23
Others	<u>33.06</u>	<u>31.54</u>
	<u>1,748.53</u>	<u>1,547.70</u>

SCHEDULE - 22

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
FINANCIAL EXPENSES		
Interest		
- on Term Loans	427.23	527.63
- To Banks and Others	276.03	132.86
- Hire Finance Charges	0.04	0.21
- on Minimum Alternate Tax	0.00	30.63
Bank Charges	133.32	184.76
Exchange Difference (Net)	2.92	90.53
	<u>839.54</u>	<u>966.62</u>

SCHEDULE - 23

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
EARNINGS PER SHARE (EPS)		
Net Profit as per Profit & Loss Account	(1,681.86)	889.52
Less: Preference dividends and tax thereon	0.32	0.32
Net Profit for calculation on basic EPS	(1,682.18)	889.20
Weighted average number of equity shares in calculating EPS	55502400	55502400
- Basic EPS Computed on the basis of earnings	(3.03)	1.60
- Diluted EPS Computed on the basis of earnings	(3.03)	1.60

SCHEDULE - 24 : Notes to Accounts

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS TO THE CONSOLIDATED FINANCIAL STATEMENTS OF ESTER INDUSTRIES LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2005-06

1. Principles of Consolidation

- a. The Consolidated Financial Statements relate to Ester Industries Limited and its wholly owned subsidiary companies. The Consolidated Financial Statements have been prepared on the following basis:
- The financial statements of the Parent Company and its subsidiary companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra group balances and intra group transactions and resulting unrealised profits are eliminated in full. Unrealised losses resulting from intra group transactions are also eliminated unless cost cannot be recovered.
 - The financial statements of Ester Europe GmbH have been consolidated in Group financial statements on the basis of unaudited financial statements as at 31st March 2006 (total assets of Ester Europe GmbH as a proportion of Group assets as at 31st March 2006 amount to 0.02 per cent). There are no operations during the year in this subsidiary. Also the Parent Company has applied for the closure of the subsidiary, for which necessary approvals are pending with the regulatory authorities in Germany.
 - Any excess/deficit of cost to the Parent Company of its investment over the Parent Company's proportion of equity in the subsidiaries as at the date of investment is recognized in the consolidated financial statements as Goodwill/Capital Reserve.
- b. List of subsidiary companies which are considered in the consolidation and the Parent Company's holding therein are as under:

Sl. No.	Name of the subsidiary Company	Country of Incorporation	Extent of holding (%) as on March 31, 2006
1.	Ester International (USA) Limited	USA	100
2.	Ester Europe GmbH	Germany	100

2. Statement of Significant Accounting Policies

(1) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention, except where otherwise stated, and on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except as mentioned in Note No. 3 below.

(2) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any, except Land, Building and Plant & Machinery, which had been revalued on 31.10.1992 by a Government registered valuer on the basis of the then replacement value. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. Expenditure for addition, improvement and renewal are capitalised and expenditure for repairs and maintenance are charged to Profit and Loss Account.

(3) Intangibles

Software costs relating to acquisition of initial software license fee and installation costs are capitalized in the year of purchase and amortized on a straight-line basis over its useful life, which is considered to be of a period of three years.

(4) Depreciation

- (a) Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher
- (b) Depreciation on the amount of additions made to Fixed Assets on Revaluation is adjusted against the Revaluation Reserve.
- (c) Depreciation on the amount of addition made to Fixed Assets acquired from outside India due to exchange fluctuation is provided over the remaining useful life of the asset to which the fluctuation relates.
- (d) Depreciation on the amount of addition made to Fixed Assets due to upgradations/improvements is provided over the remaining useful life of the asset to which it relates.

(5) Impairment of assets

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. If any indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised wherever the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows (discounted to their present value, based on an appropriate discounting factor) are used. Impairment losses are recognised in the Profit and Loss Account.

(6) Leases

Where the Company is the lessee

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(7) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of such investments.

(8) Equity Index Futures and Equity Stock Futures

Equity Index Futures and Equity Stock Futures are accounted for on Mark-to-Market-Margin basis, which is determined index-wise / scrip-wise and necessary provision for the anticipated loss, if any, in respect of the open futures contracts is made. However, any unrealized profits on open future contracts are not recognized.

(9) Inventories

Inventories are valued as follows:

Raw materials, stores and spares	Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products, in which they will be incorporated, are expected to be sold at or above cost. Cost of Raw materials is determined on a monthly moving weighted average basis and cost of stores and spares is determined on transaction moving weighted average.
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Work-in-progress and finished goods	Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of
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manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

By Products and waste

Net realizable value

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

(10) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are net of return, volume discount and sales tax but including excise duty.

Dividends

Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date.

(11) Preliminary Expenses and Share Issue Expenses

Preliminary Expenses and Share Issue Expenses incurred for financing the New Film Line project are being written off over a period of ten years.

(12) Deferred Revenue Expenditure

Deferred Revenue Expenses incurred for payments made to employees under Voluntary Retirement Scheme are being amortized over a period of 3 years.

(13) Foreign currency transactions

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction;

Exchange Differences

Exchange differences arising on the settlement of monetary items or on restatement of Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous

financial statements, are recognized as income or as expenses in the year in which they arise except exchange difference on liabilities for acquisition of capital assets from outside India, which are adjusted in the carrying cost of respective fixed assets.

Forward Exchange Contracts

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(14) Retirement Benefits

- (a) Retirement benefits in the form of Provident Fund and Superannuation / Pension Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.
- (b) Gratuity liability under the Payment of Gratuity Act and provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.

(15) Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

(16) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best management estimate required to settle the

obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(17) Segment Reporting Policies

Identification of segments:

The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the geographical location of the customers.

Inter Segment Transfers:

Inter Segment transfers of goods, as marketable products produced by separate segments of the Company for captive consumption, are not accounted for in the books of account of the Company. For the purpose of segment disclosures, however, inter segment transfers have been taken at cost.

Allocation of common costs:

Common allocable costs are allocated to each segment in proportion to the turnover of the segment, except where a more logical allocation is possible.

Unallocated items:

Corporate income and expense are considered as a part of un-allocable income & expense, which are not identifiable to any business segment.

(18) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

3. Change in Accounting Policies

In view of large payments effected during the year on account of voluntary retirement scheme, the Company has decided to amortise such payments over a period of thirty six months from the month of payment instead of hitherto followed practice of amortising such expenditure in 3 (three) equal annual installments, starting from the year of such payment. As a result of above change, Loss before tax for the year is lower by Rs. 65.79 lacs.

4. Capital Commitments

	2006	2005
	(Rs. in lacs)	(Rs. in lacs)
Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for	925.25	897.56

5. Contingent Liabilities not provided for

	2006	2005
	(Rs. in lacs)	(Rs. in lacs)
(a) Bank Guarantees:		
District Judge, Mathura for Suit Filing	3.88	3.88
Dy. Excise & Taxation Commissioner against Sales Tax	0.00	2.00
Commissioner of Sales Tax	2.00	2.00
BSNL, Kolkata for Earnest Money	4.11	0.00
Total	9.99	7.88
(b) Bonds amounting to Rs. 510 lacs executed in favour of Central Excise & Customs Authorities, out of which, amount to be re-credited on receiving the proof of export.	72.30	222.86
(c) Excise Duty and Customs Duty pending hearing of appeals/writ petitions:		
(i) Cenvat credit disallowed on certain items	8.06	8.06
(ii) Removal of PET chips without payment of duty	6.95	6.95
(iii) Goods sold from depot at higher value than one declared at factory gate price	26.96	26.96
(iv) Cenvat credit disallowed on inputs	164.20	164.20
(v) Reversal of Cenvat credit availed on HSD	206.92	206.92
(vi) Cenvat credit availed on raw material utilized on prorata basis.	11.72	11.72
(vii) Availment of credit on importation of Dimethyl Terephalate	57.71	57.71
(viii) Other Miscellaneous Cases	42.08	37.96
Total	524.60	520.48
(d) Sales Tax:		
Stock Transferred to Noida treated as Sales Demand raised during assessment	26.60	26.60
Demand raised during assessment	1.61	0.00
(e) Income Tax:		
Demand raised during assessment	1.84	1.84
(f) Electricity cases:		
Pending in High Court, Delhi	39.20	36.66

	2006	2005
	(Rs. in lacs)	(Rs. in lacs)
(g) Labour Cases:		
Workers suspended, pending in High Court, Delhi	3.56	27.51
Total	597.41	613.09
(h) Other Claims not acknowledged as Debts	44.60	60.02
(i) Custom Duty payable in case of non-fulfillment of Export Obligation (for import of capital goods under EPCG License)	561.60	0.00
(j) Dividend on Preference Shares	0.32	0.00

Based on favourable decisions in similar cases, legal opinion taken by the Company, discussions with the solicitors etc., the Company believes that there is fair chance of decisions in its favour in respect of all the items listed in (c) to (h) above and hence no provision is considered necessary against the same.

6. 'Liability under deferred Payments' represents Acceptances under Letters of Credit and is payable after 35 months from the date of shipment. 'Liability under Deferred Payments' to the extent of Rs. 983.00 Lacs is secured by first exclusive charge by way of hypothecation in favour of Bank of India of all the equipments, both present and future, under the Metallizer project.
7. Advances Recoverable include an amount of Rs. 42.21 lacs incurred for the implementation of Oman Project and the same is considered to be recoverable from the Project upon its commissioning.
8. Items pertaining to earlier years amounting to Rs. 59.64 lacs (credit) (Previous year Rs. 3.55 lacs (debit)) have been adjusted in the Profit and Loss Account.

9. Directors' Remuneration

	2006	2005
	(Rs. in lacs)	(Rs. in lacs)
(a) Salary	45.00	23.73
(b) Perquisites	5.83	14.47
(c) Contribution to Provident fund	4.14	2.85
(d) Contribution to Superannuation fund	0.00	3.56
(e) Gratuity, Leave Encashment and Ex-gratia on retirement	1.50	22.22
Total	56.47	66.83

Whole-time directors are covered under the Company's gratuity scheme along with the other employees of the Company. The gratuity liability is determined for all the employees on an independent actuarial valuation. The specific amount of gratuity for whole time directors cannot be ascertained separately and accordingly the same has not been included in the above note.

Managerial Remuneration paid during the year is subject to approval of members by Special Resolution in Annual General Meeting.

Note: In respect of the Managerial Remuneration of Rs. 15.50 lacs paid during earlier years and not sanctioned by the Department of Company Affairs, an interim stay has been granted by the Hon'ble High Court of Delhi on the writ petition filed by the Company.

10. Auditors' Remuneration

	2006 (Rs.in lacs)	2005 (Rs. in lacs)
(a) Audit fee	8.00	8.00
(b) Tax-audit fee	2.00	1.50
(c) Limited Reviews & Certification etc.	6.00	6.00
(d) Out of Pocket Expenses & Service Tax	1.33	1.14
Total	17.33	16.64

11. The names of Small Scale and Ancillary Undertakings (SSI) units to whom the Company owes any sum for more than 30 days are as follows:

A.P. Polyplast (P) Ltd., Ashu Plastics, Jaina Sons, Nainital Woven Sacks (P) Ltd., N. K. Paper Tubes Industries, Polyblends (I) Pvt. Ltd., Ruchira Packaging Products, Secure Polymers, Shri Balaji Plastics, Shyam Plastics Industry, Techno Packings, Kewal Sons, Industrial Roller Company.

(The list has been compiled by the management to the extent identification of such units could be made and the same has been relied upon by the Auditors).

12. The Company has acquired Vehicles under Hire Purchase finance, the cost of which included in the Gross Block of Vehicles is Rs. Nil (Previous Year Rs. 6.04 lacs), written down value being Rs. Nil (Previous Year Rs. 4.22 lacs). The breakup of Minimum Installment Payments outstanding as of March 31, 2006 is as follows:

Period	(Rs.in lacs)					
	Lease Payments		Principal		Interest	
	2006	2005	2006	2005	2006	2005
Payable within one year	0.00	0.97	0.00	0.91	0.00	0.06
Payable after one year but within five years	0.00	0.00	0.00	0.00	0.00	0.00
Payable after five years	0.00	0.00	0.00	0.00	0.00	0.00

13. Following Non-trade Investments have been Purchased and Sold during the year:

Description	Number/ Units	Purchased (Rs. in lacs)	Sold (Rs. in lacs)
Equity Shares of Rs.10 each of :-			
Arvind Mills Ltd.	5000	6.95	6.97
Bajaj Hindustan Ltd.	22220	36.00	36.16
BOC India Ltd.	28852	29.72	30.04

Description	Number/ Units	Purchased (Rs. in lacs)	Sold (Rs. in lacs)
Bongaigaon Refinery & Petrochemicals Limited	23395	22.43	22.55
Ceat Limited	27249	27.57	27.26
Century Textiles & Industries Limited	32425	78.07	80.00
Centurion Bank Limited	100000	17.18	16.17
CESC Limited	4774	9.07	9.18
Escorts Limited	9000	8.45	8.20
Essar Steel Ltd.	20000	11.40	11.53
Gujarat Alkalies & Chemicals Limited	39391	53.54	54.80
Gujarat Narmada Valley Fertilisers Company Limited	40000	41.28	42.25
Himachal Futuristic Communications Limited	68000	17.76	18.28
Indian Petrochemicals Corporation Limited	10360	20.18	19.71
Indo Gulf Fertilizers Limited	2545	3.28	3.20
Kalyani Steels Limited	16160	23.33	23.70
KEC International Limited	4017	8.78	8.93
Kotak Mahindra Bank Limited	100	0.33	0.33
Mid-Day Multimedia Limited	1231	1.15	1.14
Mount Everest Mineral Water Limited	535	0.16	0.17
Neyveli Lignite Corporation Limited	4000	2.84	2.92
NIIT Limited	1000	1.87	1.89
Patspin India Limited	45700	11.07	11.25
PBA Infrastructure Limited	3000	4.93	4.99
Rain Calcining Limited	5000	1.47	1.50
Reliance Industries Limited	28855	190.07	190.02
Saksoft Limited	17499	21.14	21.31
Saregama India Limited	1000	1.04	1.23
Sarla Polyester Limited	5000	6.15	6.29
Satnam Overseas Limited	2174	1.77	1.78
Soma Textiles and Industries Limited	25437	11.91	12.54
Sona Koyo Steering Systems Limited	12500	8.25	8.55
State Bank of India	2000	14.24	14.17
Tata Chemicals Limited	2000	3.37	3.16
Tata Motors Limited	4500	22.50	21.94
Tata Teleservices (Maharashtra) Limited	175000	50.78	50.15
Tata Iron & Steel Company Limited	26000	101.37	100.87
UTV Software Communications Limited	14000	24.51	24.98
Valecha Engineering Limited	300	0.74	0.78
Vivimed Labs Limited	9500	21.80	21.80
Equity Shares of Re. 5 each of :-			
Four Soft Limited	1000	0.40	0.40
Equity Shares of Re. 2 each of :-			
Bharat Forge Limited	616	8.04	8.09
DCM Shriram Consolidated Limited	500	2.46	2.55

Description	Number/ Units	Purchased (Rs. in lacs)	Sold (Rs. in lacs)
Equity Shares of Re. 1 each of :-			
Ashok Leyland Limited	38765	9.58	9.83
Units of Mutual Funds of Rs.10 each of:-			
BOB Balanced Fund - Growth	88442	16.00	19.19
BOB Growth Fund - Growth	101000	21.00	25.84
Fidelity Equity Fund - Dividend	68121	10.00	11.49
Franklin India Flexicap Fund - Dividend	288693	37.90	43.56
Franklin India Prima Fund - Growth	50782	35.00	43.89
HDFC Capital Builder Fund - Growth	113134	32.85	36.51
HDFC Core & Satellite Fund - Dividend	64707	11.29	12.98
HSBC Equity Fund – Growth	13965	5.00	5.12
Kotak Equity FOF - Growth	41446	5.00	6.75
Pru ICICI Dynamic Fund - Dividend	139649	21.85	26.62
Pru ICICI FMCG Fund - Dividend	76822	20.00	23.90
Reliance Growth Fund – Growth	16834	20.00	30.70
Reliance Vision Fund- Dividend	80511	33.74	40.09
SBI Contra Fund – Dividend	231730	45.00	56.65
SBI Magnum Multiplier Fund – Dividen	88715	20.00	27.96
Sundram Select Midcap – Growth	134440	32.06	39.16
Tata Growth Fund – Dividend	41505	10.00	10.06
GRAND TOTAL		1,315.61	1,404.04

14. During the Current Financial Year, the Company has acquired Equity Stock Futures through a trading member. However, no initial margin has been paid as deposit. In respect of initial margin, current investments of Rs. 23.14 lacs have been lodged with the trading member.

The Company has the following Equity Stock Futures contracts outstanding at the year-end :

S. No.	Name of Equity Stock Futures	No. of contracts	No. of Shares	
			Long	Short
1	Bharat Electrical Limited	1	4950	

15. Derivative Instruments and Unhedged Foreign Currency Exposure

Forward contract outstanding as at Balance Sheet date.

Particulars of Derivatives			Purpose
SELL	USD	4,159,980	Hedge of debtors/expected future sales
SELL	EURO	279,550	Hedge of debtors

Particulars of Unhedged foreign Currency Exposure as at the Balance Sheet date

Particulars	Amount (in Foreign Currency)	Amount (Rs. in lacs)
Import Creditors	Euro 2,817,076	1,540.91
Import Creditors	USD 2,419,538	1,083.34
Import Creditors	JPY 4,039,200	15.46
Export Debtors	Euro 143	0.08

16. a. Related Party Disclosures

Rs. in lacs

Nature of Transactions	Key Management Personnel	Relative of Key Management Personnel	Individuals owning, directly or indirectly, a substantial interest in the voting power of the Company	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
Transaction during the year					
Managerial Remuneration					
-A.K.Singhania	31.36 (22.08)	- (-)	- (-)	- (-)	31.36 (22.08)
-D.K.Dosi	25.11 (22.00)	- (-)	- (-)	- (-)	25.11 (22.00)
- A.K.Newatia	- (22.75)	- (-)	- (-)	- (-)	- (22.75)
Total	56.47 (66.83)	- (-)	- (-)	- (-)	56.47 (66.83)
Rent Paid					
-Super Leasing Ltd	- (-)	- (-)	- (-)	6.00 (6.00)	6.00 (6.00)
Dividend Paid					
-Saraswati Trading Company Limited	- (-)	- (-)	- (-)	119.31 (149.14)	119.31 (149.14)
- Sri Lakshmi Investments Limited	- (-)	- (-)	35.45 (6.17)	- (-)	35.45 (6.17)
- Others	1.87 (2.34)	14.53 (3.86)	11.39 (2.13)	7.14 (8.91)	34.93 (17.24)
Total	1.87 (2.34)	14.53 (3.86)	46.84 (8.30)	126.45 (158.05)	189.69 (172.55)
Interest Free Loan Taken*					
- Spring Falls Limited	- (-)	- (-)	- (-)	627.51 (615.19)	627.51 (615.19)
Guarantees given against Loans Taken (jointly and severally) by the Company					
- Sitaram Singhania	8,654.29	8,654.29	8,654.29	-	8,654.29
- A.K.Singhania	(6,709.08)	(6,709.08)	(6,709.08)	(-)	(6,709.08)
- Saraswati Trading Company Limited					

- Previous year figures are given in brackets.

- No amount has been written off or provided for in respect of transactions with the related parties, except for provision for diminution in the value of Investments as disclosed above.

*Increase in Loan amount is on account of Foreign Exchange Fluctuation.

b. Names of Related Parties

Nature of Relationship	Name of Related Party
Subsidiaries	- Ester International USA Limited (EIUL) - Ester Europe GmbH (EEG)
Individuals owning, directly or indirectly, a substantial interest in the voting power of the Company.	- Uma Devi Singhania* - Saraswati Trading Company Limited** - Sri Lakshmi Investment Limited
Key Management Personnel	- Mr. A.K.Singhania (Chairman & Managing Director) - Mr. D. K. Dosi (Executive Director w.e.f. 6 th May 2004) - Mr. A. K. Newatia (Executive Director upto 6 th May 2004)
Relatives of Key Management Personnel	- Mr. Sitaram Singhania (Father of Mr. A.K.Singhania) - Jai Vardhan Singhania - Ayush Vardhan Singhania
Enterprises owned or significantly influenced by key management personnel or their relatives	- Spring Falls Limited - Super Leasing Limited

* Also relative of Key Management Personnel

** Also the investing party in respect of which the Company is an associate.

17. Details of Loans and Advances to Parties in which Directors are interested and investment by the loanee in the shares of the Company (as required by Clause 32 of the Listing Agreement):

Description	(Rs. in lacs)			
	Outstanding amount as at		Maximum amount outstanding	
	2006	2005	2006	2005
- Super Leasing Ltd.	1.50	7.50	7.50	13.50
Investment by the above mentioned loanee (Super Leasing Ltd.) in the preference shares of the Company	44.11	44.11	44.11	44.11

18. Segment Information

Primary Segment Reporting - Business Segments

The Company has two business segments, viz. Polyester Film and Engineering Plastics.

Polyester Film Segment:

This segment is engaged in the business of manufacturing of the Polyester Films used for applications like flexible packaging, cable insulation, thermal lamination, etc.

Engineering Plastic Segment:

This segment is engaged in the business of manufacturing of Engineering Polymers, that are high performance thermoplastic resins.

Secondary Segment Reporting - Geographical Segments

Geographical Segment: The analysis of geographical segment is based on the geographical location of the customers.

Segment Information

A) Primary Segment Reporting (by Business Segments)

Segment Revenues, Results and Other Information

(Rs. in lacs)

Particulars	Polyester Film	Engineering Plastics	Total
External Sales / Income	22,670.84	2,468.28	25,139.13
	(24,287.14)	(2,177.48)	(26,464.62)
Inter Segment Sales / Income	361.34	0.00	361.34
	(158.69)	(0.00)	(158.69)
Segment Revenue	23,032.18	2,468.28	25,500.47
	(24,445.83)	(2,177.48)	(26,623.31)
Segment Results-	-36.42	314.61	278.19
	(3,527.24)	(597.72)	(4,124.96)
Segment Assets	18,832.15	926.90	19,759.04
	(20,501.60)	(958.41)	(21,460.01)
Segment Liabilities	3,817.73	303.13	4,120.86
	(647.52)	(450.67)	(1,098.19)
Capital Expenditure	2,038.47	0.03	2,038.50
	(1,027.06)	(15.51)	(1,042.57)
Depreciation	1,513.49	11.50	1,524.99
	(1,405.87)	(9.19)	(1,415.06)
Non Cash Expenses	0.00	0.00	0.00
	(8.98)	(2.22)	(11.20)

Reconciliation of Reportable Segment with the Financial Statements

	Revenues	Results/Net Profit	Assets	Liabilities
Total of Reportable Segments	25,500.47	278.19	19,759.04	4,120.86
	(26,623.31)	(4,124.96)	(21,460.01)	(1,098.19)
Add/(Less) : Corporate Unallocated	180.08	-1,938.73	2,805.81	6,879.56
	(69.97)	(-1,785.43)	(2,898.83)	(9,048.93)
Inter-Segment Elimination	-361.34	0.00	0.00	0.00
	(-158.69)	(0.00)	(0.00)	(0.00)
Interest Expenses (Net)	0.00	-839.53	0.00	0.00
	(0.00)	(-966.62)	(0.00)	(0.00)
Taxes	0.00	818.19	0.00	0.00
	(0.00)	(-483.39)	(0.00)	(0.00)
As per Segment	25,319.20	-1,681.88	22,564.86	11,000.42
	(26,534.59)	(889.52)	(24,358.84)	(10,147.12)
As per Financial Statements	25,319.20	-1,681.88	22,564.86	11,000.42
	(26,534.59)	(889.52)	(24,358.84)	(10,147.12)

Previous Year figures are given in brackets.

B) Secondary Segment Reporting (by Geographical Segments)

The following is the distribution of the Company's consolidated sales by geographical market, regardless of where the goods were produced:

	2006 (Rs. In lacs)	2005 (Rs. in lacs)
Sales to Domestic Market	15,774.95	16,181.54
Sales to Overseas Market	9,211.80	10,204.01

The Company has common assets for producing goods for Domestic Market and Overseas Market. Hence, separate figures for assets / additions to fixed assets cannot be furnished.

19. Figures pertaining to the subsidiary companies have been reclassified wherever considered necessary to bring them in line with the Parent Company's financial statements.
20. Previous year figures have been regrouped / reclassified wherever considered necessary, so as to confirm with the current year's classification.

As per our report of even date

For and on behalf of the Board of Directors

For S.R.Batliboi & Associates
Chartered Accountants
per

Raj Agrawal
Partner
Membership No. 82028

Gurgaon
29th June 2006

S.K.Jain
Company Secretary

Pradeep Rustagi
General Manager (F&A)

A.K.Singhania
Chairman & Managing Director

D.K. Dosi
Executive Director

Ashok Newatia
Director

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANY

A) Name of the Subsidiary Company	: Ester International (USA) Ltd.	Ester Europe GmbH
B) Financial Year of the Subsidiary Company ended on	: 31 st March 2006	31 st March 2006
C) Shares of the Subsidiary held by Ester Industries Ltd. on the above date		
a) Number and Face Value	: 25000 Equity Shares of USD 1 each	-
b) Extent of holding	: 100%	100%
D) The net aggregate amount of Profit/(Losses) of the Subsidiary Company so far as it concerns the members of Ester Industries Limited		
a) not dealt with in the accounts of Ester Industries Limited for the year ended 31.03.2006 amounted to		
i) for the subsidiary Financial Year ended on the respective date	: US\$ (1,270.00) equivalent to Rs. 0.56 lacs	DM 0.00 equivalent to Rs. 0.00 lacs
ii) for the Previous Financial Years of the Subsidiary: since it became the Holding Company's Subsidiary	: (US\$ 166,681.00) equivalent to Rs. 80.38 lacs	DM (60,153.39) equivalent to Rs. 13.12 lacs
b) dealt with in the accounts of Ester Industries Limited for the year ended 31.03.2006 amounted to		
i) for the Subsidiary's Financial Year	: NIL	NIL
ii) for the Previous Financial Years of the Subsidiary since it became the Holding Company's Subsidiary	: NIL	NIL
E) Changes in the interest of Ester Industries Ltd. the end of the Subsidiary Financial Year and 31.03.2006	: NIL	NIL
F) Material changes between the end of the Subsidiary's Financial Year and 31.03.2006	: NIL	NIL
1) Fixed Assets		
2) Investments		
3) Monies lent by the Subsidiary		
4) Monies borrowed by the Subsidiary Company other than for meeting Current Liabilities		

For and on behalf of the Board

S.K.Jain
Company Secretary
Pradeep Rustagi
General Manager (F&A)

A.K.Singhania
Chairman & Managing Director
D.K. Dosi
Executive Director

Gurgaon
29th June 2006

Ashok Newatia
Director



**ESTER INTERNATIONAL (USA) LTD.
DIRECTORS' REPORT**

The Directors present their report and the financial statement for the year ended 31st March 2006.

PRINCIPAL ACTIVITY

The Principal activity of the company is to trade in Polyester Film in the North and South American markets, manufactured by Ester Industries Limited.

PERFORMANCE

The Directors of the Company report that the Company has discontinued its operations as custom duties were increased to 24.96% consequent to the imposition of Anti-subsidy and Anti-dumping duties on Indian manufacturers of Polyester Film including the Parent Company, Ester Industries Limited. This has resulted into making the product uncompetitive in North American markets.

The results are set out as under.

The Board approved this report on 27th May 2006.

A.K. Singhania
Chairman

A.K. Newatia
Director

INDEPENDENT ACCOUNTANTS' REPORT

**The Board of Directors
Ester International (USA) Ltd.**

We have audited the accompanying balance sheet of Ester International (USA) Ltd. as at March 31, 2006 and the related statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ester International (USA) Ltd. as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in conformity with principles generally accepted in the United States of America.

New York
June 26, 2006

R. Rehani & Co.
Certified Public Accountants, P.C.



ESTER INTERNATIONAL (USA) LTD.
BALANCE SHEET AS AT MARCH 31, 2006

ASSETS	(US \$)
Current assets:	
Cash	4,863
Due from parent company	<u>814</u>
Total current assets	<u>5,677</u>
TOTAL ASSETS	<u>5,677</u>
LIABILITIES AND STOCKHOLDER'S EQUITY	
Current liabilities:	
Accrued expenses	2,650
Custom Duties payable - note 2	<u>145,978</u>
Total current liabilities	<u>148,628</u>
Stockholder's equity:	
Common stock; no par value, authorized 200 shares; Issued and outstanding 200 shares	200
Additional paid in capital	24,800
Retained Earnings (Deficit)	<u>(167,951)</u>
Total stockholder's equity	<u>(142,951)</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>5,677</u>

STATEMENT OF INCOME AND RETAINED EARNINGS YEAR ENDED MARCH 31, 2006

Income	
Recovery of bad debts	135,203
Expenses:	
Professional fess	2,000
Business taxes	84
Total Expenses	136,473
Net losses	(1,270)
Retained earnings (deficit) - beginning	(166,681)
Retained earning (deficit) - end	(167,951)

ESTER INTERNATIONAL (USA) LTD.

STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2006

Increase (decrease) in cash:	(US \$)
Cash flows from operating activities:	
Net loss	(1,270)
Changes in assets and liabilities:	
Accrued Expenses	<u>(5,851)</u>
Net cash used in operating activities	<u>(7,121)</u>
Cash flows applied to financing activities:	
Due to parent Company	<u>(814)</u>
Net cash provided by financing activities	<u>(814)</u>
Net decrease in cash	<u>(7,935)</u>
Cash - beginning	<u>12,798</u>
Cash - end	<u>4,863</u>
Supplemental disclosures:	
Taxes paid	US\$ 1909

ESTER INTERNATIONAL (USA) LTD.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

Note 1 – Summary of significant accounting policies:

a) Organization and business activity:

Ester International (USA) Ltd. was incorporated under the laws of the State of New Jersey on May 8, 1997. The Company was in the business of importing polyester film and engineering polymer products from its parent company in India. The Company has discontinued its operations in 2003 due to increase in custom duties to 24.96% making the product uncompetitive in the market.

b) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

Note 2 – Custom duties payable:

The company is under an Investigation by Department of Commerce for antidumping and countervailing duty on import of PET film from India. The Department of Commerce has determined a preliminary combined rate of 24.96% on PET film imports by the Company beginning October 23, 2001. The company estimated and provided an additional duty of US \$ 171,821 on such imports between October 23, 2001 and March 31, 2003. Present outstanding against this liabilities is \$145,978.

ESTER EUROPE GmbH

DIRECTORS' REPORT

The Directors present their report and the financial statement for the year ended 31st March 2006.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

Ester Europe GmbH was established in 1998 with the primary objective to trade in Polyester Film manufactured by Ester Industries Limited in the European market. The objective was also to procure orders for Polyester Film and Engineering Plastics for its parent company on commission basis.

PERFORMANCE:

During the year under review, there were no business activities in the Company due to the fact that Company has already applied for closure and is awaiting approval of the appropriate authority.

The results are set out as under.

The Board approved this report on 15th May 2006.

Rajiv Arora
Managing Director

ESTER EUROPE GmbH BALANCE SHEET AS AT MARCH 31, 2006

	31.03.2006 (DM)
ASSETS	
Current assets:	
Cash	10,575.53
Merchandise inventory	0.00
Accounts receivable - trade	0.00
Other current assets	0.00
Total current assets	<u>10,575.53</u>
Property and equipment:	
At cost, less accumulated depreciation	0.00
Other Assets:	
Security deposits	2,000.00
Retained deficit	60,153.39
TOTAL ASSETS	<u>72,728.92</u>
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	0.00
Loans payable	19,246.93
Accrued expenses	0.00
Total current liabilities	<u>19,246.93</u>
Stockholders' equity:	
Common stock	53,481.99
Retained earnings	0.00
Total stockholder's equity	<u>53,481.99</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>72,728.92</u>



ESTER EUROPE GmbH
STATEMENT OF INCOME AND RETAINED EARNINGS YEAR ENDED
MARCH 31, 2006

	(DM)
Sales	0.00
Commission received/(paid)	0.00
	<u>0.00</u>
Cost of sales	0.00
Gross profit	<u>0.00</u>
Operating expenses:	
Selling, general, administrative and other Expenses	0.00
Bank charges	0.00
Operating income/(loss)	<u>0.00</u>
Other income and (expenses):	
Interest income	0.00
Miscellaneous income	0.00
Net income/(loss)	<u>0.00</u>
Retained earnings/(deficit) - beginning	(60,153.39)
Retained earnings/(deficit) - end	(60,153.39)

ESTER EUROPE GmbH
SCHEDULES OF SUPPLEMENTARY INFORMATION YEAR ENDED
MARCH 31, 2006

	(DM)
Cost of sales:	
Inventory - beginning	0.00
Purchases	0.00
Freight	0.00
Other costs	0.00
Inventory - ending	0.00
Total cost of sales	<u>0.00</u>
Selling, general, administrative and other expenses:	
Telephone	0.00
Professional & legal fees	0.00
Tax paid	0.00
Total selling, general, administrative and other expenses	<u>0.00</u>

ESTER EUROPE GmbH
NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

1. Ester Europe GmbH was incorporated under the laws of the Germany and presently is under closure.
2. During the year ended March 31, 2006 the company has no transactions with its overseas parent company.
3. The Company has no contingent liability as on the date of the Balance Sheet, that is March 31, 2006.



Registered Office : Sohan Nagar, P.O. Charubeta, Khatima – 262 308,
District Udham Singh Nagar, Uttaranchal

PROXY FORM

I/we.....of
in the district ofbeing a
Member/Members of ESTER INDUSTRIES LIMITED hereby appoint..... of
..... in the district of.....or failing
him/her.....of
..... in the district of..... as
my/our proxy to attend and vote for me/us on my/our behalf at the 20th Annual General Meeting of
the Company to be held on Friday, the 15th September 2006 at 10.30 a.m. at Sohan Nagar, P.O.
Charubeta, Khatima – 262 308, District Udham Singh Nagar, Uttaranchal and/or any adjournment
thereof.

Signed this at.....on this day of 2006.

Affix
15 paise
revenue
stamp

PROXY NO.	REGD. FOLIO/CLIENT ID NO.	NO. OF SHARES
-----------	---------------------------	---------------

Note: This form duly completed and signed as per specimen signature registered with the Company should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the commencement of the Meeting.



Registered Office: Sohan Nagar, P.O. Charubeta, Khatima – 262 308,
District Udham Singh Nagar, Uttaranchal

**20th ANNUAL GENERAL MEETING
ATTENDANCE SLIP**

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL

I/We hereby record my/our presence at the 20th Annual General Meeting of the Company to be held on Friday, the 15th September 2006 at 10.30 a.m. at Sohan Nagar, P.O. Charubeta, Khatima – 262 308, District Udham Singh Nagar, Uttaranchal.

Name(s) of the Shareholder(s) or Proxy (in Block Letters)	No. of Shares held	Registered Folio/ Client ID No.

SIGNATURE/S OF THE SHAREHOLDER/S OR PROXY
(To be signed at the time of handing over the slip) _____

BOOK POST

If undelivered, please return to :

ESTER
INDUSTRIES LTD.

2nd Floor, Tower-A,
DLF Building No. 8
Sector 25, Phase II
Gurgaon, Haryana-122 002