

ESTER
INDUSTRIES LTD.

**TWENTY SECOND
ANNUAL REPORT
2007-2008**

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LISTING OF SECURITIES

BOMBAY STOCK EXCHANGE LIMITED

PHIROZE JEEJEEBHOY TOWERS

25TH FLOOR, DALAL STREET

MUMBAI 400 001

THE CALCUTTA STOCK EXCHANGE

ASSOCIATION LIMITED

7, LYONS RANGE

KOLKATA – 700 001



BOARD OF DIRECTORS	MR. A.K. SINGHANIA	CHAIRMAN & MANAGING DIRECTOR
	MR. M.R. HOSANGADY	DIRECTOR
	MR. V.B. HARIBHAKTI	DIRECTOR
	MR. A.P. SARWAN	DIRECTOR
	MR. A.K. NEWATIA	DIRECTOR
	MR. PALEM SRIKANTH REDDY	DIRECTOR

COMPANY SECRETARY MRS. SHWETA YADAV

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

BANKERS

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

HEAD OFFICE

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

**REGISTERED OFFICE &
WORKS**

SOHAN NAGAR
P.O. CHARUBETA
KHATIMA – 262 308
DISTRICT UDHAM SINGH NAGAR
UTTARAKHAND

**REGISTRAR & SHARE
TRANSFER AGENTS**

MCS LIMITED
SRI VENKATESH BHAWAN
W- 40 OKHLA INDUSTRIAL AREA PHASE II
NEW DELHI – 110 020

NOTICE

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of Ester Industries Limited will be held on Friday, the 19th September 2008 at 10.30 a.m. at the Registered Office of the Company at Sohan Nagar, P.O. Charubeta, Khatima - 262 308, District Udham Singh Nagar, Uttarakhand to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2008 and the Profit and Loss account for the year ended on that date together with the reports of Directors' and Auditors' thereon.
2. To declare dividend on Equity Shares of Rs. 0.50 per share i.e. 10% on equity share of face value of Rs. 5.00 each.
3. To appoint Mr. Dinesh Kothari as a Director in place of Mr. Palem Srikant Reddy, Director who retires by rotation and though being eligible for re-appointment, has requested to be relieved from his responsibility.
4. To appoint a Director in place of Mr. A.K. Newatia who retires by rotation and being eligible, offers himself for re-appointment;
5. To appoint M/s S.R.Batliboi & Co. , Chartered Accountants, the retiring auditors, to hold office as auditors from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. M.S. Ramachandran in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 together with a deposit of Rs. 500 (Rupees Five Hundred) as required under the Act, be and is hereby appointed as a Director of the Company and the period of his office is liable to determination by retirement of Directors by rotation."

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

"RESOLVED THAT pursuant to Section 269 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the said Act and in continuation of previous approval already granted in the last Annual General Meeting for appointment of Mr. Arvind Kumar Singhania as Managing Director of the Company for a period of 5 years w.e.f. 1st December 2007, approval be and is hereby accorded to pay remuneration in addition to remuneration already sanctioned in the previous Annual General Meeting, by way of commission on profits every year w.e.f. 1st April 2008, as may be determined by the Board from time to time.

RESOLVED FURTHER THAT the total remuneration comprising of salary, perquisites and allowances as approved in the previous Annual General Meeting and commission as approved now shall not exceed 5% of the profits of the Company calculated in accordance with Section 198 and Section 309 of the Companies Act, 1956.

RESOLVED FURTHER THAT the limits stipulated in this Resolution are

the maximum limits and the Board may in its absolute discretion pay a lower remuneration and revise the same from time to time within the maximum limits stipulated by this resolution.

RESOLVED FURTHER THAT in the absence or inadequacy of profits in any financial year, the remuneration payable to a Managing Director by way of salary, perquisites, allowances and commission shall not exceed the maximum limits prescribed under Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT in the event of any re-enactment or recodification of the Companies Act, 1956 or the Amendment thereto, this Resolution shall continue to remain in force and the reference to various provisions of the Companies Act, 1956, shall be deemed to be substituted by the corresponding provisions of the new Act or the amendments thereto or the Rules and notifications issued there under.”

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

“RESOLVED THAT pursuant to Section 309 and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) and subject to all permissions, sanctions and approvals as may be necessary, approval of the Company be and is hereby accorded for the payment of commission to the Director(s) of the Company who is/are neither in the whole time employment nor managing director(s), in accordance with and upto the limits laid down under the provisions of Section 309(4) of the Act, computed in the manner

specified in the Act, for a period of 5 years from the financial year commencing 1st April, 2008, in such manner and upto such extent as the Remuneration Committee of the Board may, from time to time, determine.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board and/or Remuneration Committee constituted by the Board be and are hereby authorised to take all actions and do all such deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard.”

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

“RESOLVED THAT the existing Article No. 4 be and is hereby amended by insertion of new Clause 4(a) and 4(b) after the existing Clause No.4 as under:

4(a) Subject to the provisions of the SEBI (Disclosure and Investors Protection) Guidelines as may be applicable from time to time and with the consent of the Members of the Company at a General Meeting by way of Special Resolution, the Board of Directors of the Company or a Committee thereof duly authorised by the Board of Directors may issue and allot Warrants convertible into the Equity Shares on such rate, terms and conditions to the existing shareholders, general public, or on preferential basis to the promoters, directors, bodies corporate, banks, financial institutions, OCBs, NRIs or such other persons from time to time

on receipt of at least 10% of the face value of the Warrants, as it may think fit. Board of Directors of the Company shall be authorized to make provisions as to the allotment and issue of Warrants and in particular may determine to whom the same shall be offered whether at par or at premium subject to the provisions of the Companies Act, 1956 and all the applicable provisions of the SEBI Guidelines.

4(b) The Company may by special resolution authorise the Board to convert warrants into the equity shares at such rates (including premium), terms and conditions as may be determined by the Board and in accordance with the guidelines issued by the SEBI, Stock Exchange, Central Govt. or other authorities either in single trench or otherwise as per the discretion of the Board.

RESOLVED THAT the existing Article No. 35 be and is hereby amended by insertion of new Clause 35(c) after the existing Clause No.35(b) as under:

35(c) The Board may from time to time subject to the terms on which any warrants convertible into equity shares may have been issued make call upon the warrant holders in respect of the balance amount unpaid on the warrants held by them respectively at the time of providing option for conversion of warrants into the equity shares of the Company and shall be payable at such fixed times by the warrant holder who shall pay the amount of the call made on them at time and places appointed by the Board. In case of failure to exercise the option and make payment thereof, the amount so deposited at the time of allotment of

warrant shall be forfeited by the Board.”

By Order of the Board of Directors

For ESTER INDUSTRIES LTD.

Gurgaon (Shweta Yadav)
28th July 2008 **Company Secretary**

NOTES

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, which sets out details relating to Special Business to be transacted at the meeting is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ON HIS BEHALF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY AT SOHAN NAGAR, P.O. CHARUBETA, KHATIMA-262 308, DISTRICT UDHAM SINGH NAGAR, UTTARAKHAND NOT LESS 48 HOURS BEFORE THIS ANNUAL GENERAL MEETING.**
3. Pursuant to Section 154 of the Companies Act, 1956, the Register of Member and the Share Transfer Books of the Company will remain closed from Tuesday, 26th August 2008 to Friday, 29th August 2008 (both days inclusive).
4. The relevant details of Item Nos. 3, 4 & 6 pursuant to Clause 49 of the Listing Agreement are annexed hereto.
5. The dividend as recommended by the Board of Directors, upon declaration by the members at the 22nd Annual General Meeting, shall be paid to those members whose name appear

on the Register of Members of the Company on 29th August 2008.

In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on the closing hours of business on 25th August 2008 as per the details furnished by the Depositories for this purpose.

6. In view of the circular no. DCC/FIIT/Cir-3/2001 dated October 15, 2001 issued by SEBI, the ECS facility should mandatorily be used by the Companies for the distribution of dividend to its members. Those members holding shares in physical form are requested to send duly filled in ECS form annexed as **Annexure "C"** herewith at the earliest. In case of members holding shares in demat mode, they should furnish details in the prescribed format to their Depositories Participant (DP).
7. The Company is obliged to print such bank details on the dividend warrants as furnished by National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL), "the Depositories" to the Company and the Company can not entertain any request for deletion/change of bank details already printed on the dividend warrant(s) based on the information received from the concerned Depositories, without confirmation from them. In this regard, members are advised to contact their DP and furnish them the particulars of any change desired.
8. Members are requested to notify immediately:

I In case shares are held in physical form: any change in address, if any, to the Company at **DLF Building No. 8, Tower A, 2nd Floor, DLF City, Phase – II, Sector – 25, Gurgaon**

Haryana – 122 002, India 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: any change in address, if any, to their depository participants.

9. The members are requested to bring their copy of Annual report at the Annual General Meeting.
10. Members/proxies should bring the attendance slip duly filled in for attending the Meeting.
11. Members desiring any information on the accounts are required to write to the Company at **DLF Building No. 8, Tower A, 2nd Floor, DLF City, Phase – II, Sector – 25, Gurgaon Haryana – 122 002, India** at least 7 days before the Meeting so as to enable the management to keep the information ready. Replies will be provided only at the Meeting.
12. All the documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on all the working days except Saturday up-to the date of the Annual General meeting.

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

ITEM NO. 6

To broaden the base of the existing Board, it is proposed to appoint Mr. M.S. Ramachandran, Former Chairman - Indian Oil Corporation Limited who possesses rich and diversified experience in managing large business enterprises. With his induction as a Director on the Board of

Ester Industries Limited, the Company will be immensely benefited.

None of the Directors of the Company is interested or concerned in this resolution.

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

ITEM NO. 7

Mr. Arvind Kumar Singhania is a Commerce Graduate and had been managing the affairs of the Company for more than 21 years. He was re-appointed as the Managing Director of the Company w.e.f. 1st December 2007 for a period of 5 years with the approval of Shareholders in the 21st Annual General Meeting of the Company. The Board is of the view that keeping in mind his challenging role and enormous responsibility as a Chairman and Managing Director of the Company he should be additionally remunerated by way of commission on profits every year w.e.f. 1st April 2008 in addition to the salary and perquisites as approved in the previous Annual General Meeting.

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

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

The Board of Directors accordingly recommends the resolution set out at Item No. 7 of the accompanying Notice for the approval of the Members.

ITEM NO. 8

The Non Executive Directors are required to devote more time and attention, more

so with the requirements of the revised Corporate Governance Policies. The Board therefore recognizes the need to suitably remunerate the Director(s) of the Company who are neither in the whole time employment nor managing director(s) with such commission upto a ceiling of 1% of the net profits of the Company every year, computed in the manner specified in the Act, or such other limit as may be approved by the Central Government, for a period of 5 years from the financial year commencing 1st April, 2008.

The quantum of the said commission will be apportioned amongst the non-executive Directors commensurate with their respective performance, which will be adjudged by the Remuneration Committee of the Board.

All the non executive Directors of the Company, may be deemed to be concerned or interested in this resolution to the extent of commission that may be payable to them from time to time.

The Board of Directors accordingly recommends the resolution set out at Item No. 8 of the accompanying Notice for the approval of the Members.

ITEM NO. 9

New Clause No. 4(a), 4(b) and 35(c) proposed to be inserted after the existing Clause No. 4 and 35(b) to reflect and to incorporate the provisions relating to the issuance of warrants convertible into the Equity Shares of the Company and for which it is required to seek approval of members by way of Special Resolution.

A draft copy of the Memorandum and Articles of Association of the Company after making proposed amendments have been kept at the Registered Office for inspection.

None of the Directors of the Company is, in any way concerned or interested in this

resolution except, as a Member of the Company.

The Board of Directors accordingly recommends the resolution set out at Item No. 9 of the accompanying Notice for the approval of the Members.

By Order of the Board of Directors

For ESTER INDUSTRIES LTD.

Gurgaon (Shweta Yadav)
28th July 2008 Company Secretary

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

The particulars of Mr. Dinesh Kothari, Mr. Ashok Newatia and Mr. M.S. Ramachandran are given below:

A. Mr. Dinesh Kothari, aged about 58 years is a Chartered Accountant by profession. He started his career in 1972 with ICICI Ltd. In October 1974, he joined Bukhatir Group of companies in Sharjah, U.A.E., one of the largest diversified Conglomerates. In his capacity as **Executive Director** of the Group, with a turnover of US\$ 200 Million, he was responsible for the Corporate Planning for expansion and diversification, monitoring the joint venture companies, negotiating new joint venture collaborations, planning the financial structure etc. One of the major deals handled was to do a reverse takeover of a publicly quoted company on London Stock Exchange. After 12 years of service with Bukhatir Group, in 1986, he set up **Interstar Financial Services Ltd.**, in New Delhi, India to provide a wide range of consulting and advisory services to non-resident Indians, resident Indians and

large Indian corporate houses on financial matters. As a part of Interstar's expansion programme, in association with **M/s. New Delhi Law Offices**, a leading law firm in New Delhi, in 1999 set up a Consultancy Firm in the name of New Delhi Corporate Consultancy Services Pvt. Ltd. to provide Legal & Consultancy Services under the same umbrella to the Corporate Sector within the country and abroad. He has also contributed greatly in the education sector by setting up three schools in collaboration with Delhi Public School Society (DPSS) in Jodhpur, Sharjah, U.A.E. and Dubai, U.A.E.

Directorships of Mr. Dinesh Kothari are as follows:-

Sl. No. Name of Company

1. Pearl Engineering Polymers Ltd.
2. Holcim (India) Private Limited
3. Ambuja Cement India Ltd.
4. Aro Granite Industries Ltd.
5. International Print-O-Pac Ltd.
6. Penam Laboratories Ltd.
7. New Delhi Corporate Consultancy Services Pvt. Ltd.
8. Interstar Financial Services Ltd.

Mr. Dinesh Kothari is Chairman of Audit Committee of Pearl Engineering Polymers Limited and Member of Audit Committee of Aro Granite Industries Limited.

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

B. Mr. A.K. Newatia aged about 66 years is a professional and indepen-

dent director and is associated with the Company since 1994. Mr. Newatia is a Chemical Engineer. He is not holding any directorships/ memberships of committees of any other Company.

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

- C. Mr. M.S. Ramachandran** aged about 63 years is a Mechanical Engineer by profession and the former Chairman of Indian Oil Corporation Limited. He had been associated with Indian Oil Corporation Limited since 1969 and during his tenure with IOC he had redirected the organization around key business lines with greater commercial focus, capital prudence and market-facing capabilities. As head of the national oil company, he had helped the government

to initiate and implement several crucial policy changes to support deregulation and energy security. He had been honoured with Chemtech-Pharma Bio Hall of Fame Award, 2005 for outstanding contribution to the petroleum and petrochemicals industry.

Directorships of Mr. M.S. Ramachandran are as follows:-

Sl. No. Name of Company

1. Cals Refineries Limited
2. Gulf Oil Corporation Limited
3. Supreme Petrochem Limited

Mr. M.S. Ramachandran is a member of remuneration committee of Gulf Oil Corporation Limited.

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

DIRECTORS' REPORT

To The Members

Your directors are pleased to present the Twenty Second Annual Report together with Audited Statement of Accounts of your Company for the year ended 31st March 2008.

FINANCIAL RESULTS

	(Rs. in lacs)	
	For the year ended 31.03.2008	For the year ended 31.03.2007
Sales and Other Income	35098.87	31049.20
Profit before Financial Expenses, Depreciation and Tax	3944.96	1479.62
Less: Interest & Other Financial Expenses	1297.01	1259.25
Profit / (Loss) before Depreciation, Extra Ordinary Items and Tax	2647.95	220.37
Depreciation	1397.47	1617.58
Profit / (Loss) before Tax	1250.48	(1397.21)
Current Tax – Minimum Alternate Tax	209.65	-
Fringe Benefit Tax	39.29	29.96
Deferred Tax	-	(29.68)
Profit / (Loss) after Tax	1001.54	(1397.49)
Balance brought forward from previous year	(604.13)	
Less: Adjusted against General Reserve as per contra	380.86	(223.27)
Add: Adjustment for Employee Benefit Provision	7.01	-
Balance Carried to Balance Sheet	785.28	(604.13)
Basic Earnings Per Share (Rupees)	1.80	(2.52)

DIVIDEND

Your directors are pleased to recommend subject to the approval of the shareholders, a dividend of 10% i.e. Rs. 0.50 per equity share on the paid-up equity share capital, in respect of financial year 2007-08.

OPERATIONS

Your directors are pleased to inform that there has been turnaround in the performance during the year under review and the Company has earned Net Profit after Tax of Rs. 1001.54 lacs as compared to Net Loss after Tax of Rs. 1397.49 lacs in the year 2006-07. The sales including excise duty and other income during the year under review are Rs. 35098.87 lacs compared to Rs. 31049.20 lacs in the previous year, an increase of 13.04%. This increase is mainly due to higher price realization in Polyester Film, marginal increase in sales of Polyester Film by 4.78% in volume terms and increase in sale of Engineering Plastics both in quantitative & value terms. The production of Polyester Film was higher at 29,020 MT as compared to 27,215 MT during 2006-07 as a result of process improvements. The capacity utilization remained higher than the operating capacity at 107%.

As a result of increase in sales of Compounded as well as OFC grade Engineering Plastics both in terms of volume and value, overall sale of Engineering Plastics has increased in value terms by 25.3%. Sales of Polyester Chips has increased in quantitative and value terms by 53.3% & 43.1% respectively.

The operational performance showed improvement over the last year due to improvement in demand supply situation both in the domestic as well as overseas market. Installation of Co-extrusion

system during 2006 – 07 enabled production of Value Added products. Modernization, production of Niche products and cost reduction initiatives undertaken during the past years resulted in improved performance.

Exports accounted for 34% of the turnover during the year. Interest and Other Financial Expenses remained almost the same despite increase in interest rates due to repayment of term loans.

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

ENGINEERING PLASTICS PROJECT

In October 2007, Company commissioned two new Engineering Plastics extruders of combined capacity of 3,600 MT per annum. This will enable the Company to expand its presence profitably in the Engineering Plastics Compounds and Blends market in India. The full impact of this investment on Engineering Plastics revenue stream and profitability will be derived during 2008 – 09.

COST REDUCTION INITIATIVES

Your Directors are pleased to inform that Company continues to remain focused on Cost reduction. During the year 2008-09, Company has undertaken several initiatives to achieve the objective of cost reduction.

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. Ashok Newatia and Mr. Palem Srikant Reddy, Directors of the Company retire by rotation at the ensuing Annual General Meeting. Mr. Ashok Newatia, being eligible, has offered himself for re-appointment. Mr. Palem Srikant Reddy though eligible for re-appointment has requested to be relieved from his responsibilities.

The Company has received notices in writing under Section 257 of the Companies Act, 1956 alongwith prescribed deposit from the member proposing the candidature of Mr. Dinesh Kothari and Mr. M.S. Ramachandran for the office of Director on rotational basis in the forthcoming Annual General Meeting. Mr. Dinesh Kothari will be appointed in place of Mr. Palem Srikant Reddy.

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 part of the Annual Report along with the Certificate by Practising Company Secretary certifying due compliance by the Company of Clause 49.

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 2008 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 2008 has been prepared on a going concern basis.

CODE OF CONDUCT

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

auditability and legal compliance. The Code is available on the Company's corporate website.

CONSOLIDATED FINANCIAL STATEMENT

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

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

M/s. S.R. Batliboi & Company, Chartered Accountants retire at the forthcoming Annual General Meeting and are eligible for reappointment. M/s S. R. Batliboi & Co. have confirmed that their appointment, if made, shall be within the limits of Section 224(1B) of the Companies Act, 1956.

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 Ltd. for the financial year 2007-2008.

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.

**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 10th year in succession.

PARTICULARS OF THE EMPLOYEES

The particulars of the employees drawing the salary as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are set out in the Annexure 'B' forming part of this report.

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 ensuring successful management of the Company.

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
28th July 2008

(A.K. Singhania)
Chairman and
Managing Director

ANNEXURE - A

STATEMENT CONTAINING PARTICULARS PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT

A. Conservation of Energy:

Conservation of Energy – Measures taken:

- Saved 34,170 units / month by modifying the Chips Conveying System.
- Saved 2,000 units / month by using the Hoist for charging Chips in Solid State Polymerization (SSP) plant in place of Pneumatic Conveying.
- Saved 1,500 units / month by installing inverter in TDO Air Fan.
- Saved 700 units / month by replacing Fluorescent tube-lights with CFL Lamps
- Saved 700 units / month by replacing Copper Chokes in tube-lights with Electronic Chokes
- Saved 600 units / month by replacing / relocating Mercury Vapour Lamps
- Optimized operating parameters in Chips Plant to improve consumption of Fuel per MT of Chips production
- Modified the MEG Condenser of Pre-Poly to improve the MEG ratio.
- Commissioned highly efficient double effect Vapour Absorption Chiller and saved approximately 350 MT of Steam per Annum.
- Power factor increased to 0.99 from 0.97
- In PET Chips plant, Steam Ejectors are being replaced with Glycol Ejectors which will result in reduced heat load

Total energy consumption and energy consumption per unit of production as per Form – A is given hereunder:

Power & Fuel Consumption	2007 – 08	2006 - 07
1. Electricity		
a. Purchased		
Unit (Kwh)	37578800	28481450
Total Amount (Rs)	100906692	71203625
Rate per unit (Rs / Kwh)	2.69	2.50
b. Own Generation		
i) Through Diesel Generator		
a) Through HSD Unit (Kwh)	904520	1508818
Units / Ltr of diesel (HSD)	3.50	3.62
b) Through FO Unit (Kwh)	1739852	7575194
Unit / Ltr of FO	4.27	4.13
Cost/ per unit (Rs/Kwh)	5.66	4.85
ii) Through Steam turbine/ generator	N.A.	N.A.
2. Coal	N.A.	N.A.
3. Furnace Oil Quantity (MT)		
i) Primary Heating (FO/LDO/HSD)	MT 4403	4172
ii) Boiler (FO/LDO/HSD)	MT 69	25
Total	MT 4472	4197
Total Amount (Rs)	93430229	77006556
Average Rate /MT (Rs)	20892	18348
4. Husk quantity (MT)	14359	13528
Total Amount (Rs)	31550942	24620960
Average Rate /MT (Rs)	2197	1820
(Average Rate /MT (Rs) (Steam Through Husk))		

Consumption per unit of production

1. Electricity	Unit	Per Ton	Per Ton
Product	Unit	Per Ton	Per Ton
Polyester Chips	KWH	87	101
Polyester Film (Line –1) KWH		985	1020
Polyester Film (Line –2) KWH		852	804
2. Furnace Oil			
Product	Unit	Per Ton	Per Ton
Polyester Chips	KWH	0.075	0.078
Polyester Film (Line –1) KWH		0.060	0.064
Polyester Film (Line –2) KWH		0.062	0.067

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	13.8	3.4	-
2. Primary Heating (Oil)	3.8	6.2	7.4

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

RESEARCH & DEVELOPMENT (R&D):

1. Specific areas in which R&D carried out by the Company and benefits derived as a result of the R&D activities
 - a) Developed non halogenated FR grades in Nylon-6. Product has been sent to the market for feed back.
 - b) Developed low cost compound for CFL application which has been accepted in the market and commercialized.
 - c) Developed one side high friction film which has been accepted in the market and commercialized.
 - d) Developed high end application film for lidding which has been accepted in the market and commercialized.
 - e) Developed high end application film for holography which has been accepted in the market and commercialized.
2. Future plan of action

In continuation of our development efforts, we will focus on development of new products for applications in both Polyester Film and Engineering Plastic.

B. Technology absorption:

1. Efforts in brief made towards technology absorption, adaptation and innovation.

No new technology was introduced in this period.
2. Benefits derived as a result of the above efforts.

–
3. In case of Imported technology (imported during the last 5 years reckoned from the beginning of the financial year):
 - (a) Technology imported:

–
 - (b) Year of import:
 - (c) Has technology been fully absorbed?
 - (d) If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action

C. Foreign Exchange Earnings and Outgo:

	(Rs. in Lacs)	
	2007 - 08	2006 – 07
1. Earning - FOB value of Exports	11467.89	10989.90
2. Outgo - CIF Value of Imports	2685.41	2837.16

Annexure 'B' to Directors' Report (Statement Pursuant to Section 217 (2A) of The Companies Act, 1956)

S. No.	Name	Designation	Remuneration	Qualification	Experience	Employment Date	Age	Last employment before joining the Company
1	Arvind Kumar Singhania	Chairman & Managing Director	4935000	B. Com	23	1-Dec-85	44 Years	LML Limited
2	Ashok Kumar Agarwal	Vice President - Works	2651320	B. E. (Electrical)	28	1-Jul-86	51 Years	LML Limited
3	Dilip Kumar Dosi	Executive Director	2784000 *	B.E. (Chemical), MBA	30	3-Sep-92	53 years	Swadeshi Polytex Limited
4	Dinesh Mohan	General Manager - IT	2281993	B. E. (Electrical)	14	1-Mar-04	46 Years	Abhishek Industries Limited
5	John Mathew	Business Head - Polyester Film	2792627	B. E. (Chemical), Master of Marketing Management	16	1-Dec-06	39 Years	Basell Polyolefins
6	K K Mangal	General Manager - Sales & Marketing	2444088	B. Com	34	23-Nov-89	57 Years	Orson Electronics Limited
7	Prabodh Kumar Gupta	Head- Marketing (Oriented Films)	749209 *	M. Sc. Diploma in Marketing Management	21	11-Dec-07	47 Years	Jindal Poly Films Limited
8	Pradeep Kumar Rustagi	General Manager - Finance & Accounts	2579731	B. Com (Hons.), FCA	22	25-Aug-89	46 Years	Ess Aar Electrical Controls Private Limited
9	S. Sridhar	General Manager - Business Development	2559833	B. Sc.	24	2-May-92	45 Years	Duncans Agro Industries Limited

* Employed for part of the year

Notes:

1. Remuneration comprise salary, allowances, perquisites and Company's contribution to Provident Fund and Superannuation Fund.
2. All appointments are contractual in nature.
3. There are no Employees in the services of the Company within the category covered by sub clause (iii) of clause (a) of the Section 217 (2A) of the Companies Act, 1956.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Ester is engaged in the manufacture and sale of PET Film and Engineering Plastics. During the current year, PET Film accounted for Rs.286 crores of sales revenue. Sales of PET Film including Metallized PET Film were 28931 MT out of which 42% was exported to many countries around the globe and the balance was sold in domestic market.

Engineering Plastics accounted for Rs. 31 crores of sales revenue recording a total production of 2253 MT and sales of 2224 MT.

After 2 years of sub-optimal performance due to unfavorable market conditions, Ester turned around during 2007-08. Continued focus on improving cost structures and development of niche value-added products that fetch higher realization paid dividend and has helped Ester to return to Profits during 2007-08.

POLYESTER FILM BUSINESS

Current Scenario

There have been modest PET Film capacity additions in India since 2004. As a result of this, and the subsequent growth in Indian PET film demand of approx 15% pa, the demand supply balance was healthy. A robust economy fuelled by the organized retail business which is in an early growth stage, and an increasing use of packaged products promise a sustained growth in packaging & PET film usage. The Packaging segment which is the largest application segment is expected to grow at approx. 20% pa.

There have been no significant capacity additions internationally. Global demand for PET Film continues to grow at approx 7% pa.

On the operational front, Ester has consolidated on the improvements effected last year and stabilized productivity at higher levels in the Film extrusion & metallization process. In polymerization, we have effected changes which have resulted in improved & consistent polymer quality & higher productivity.

Outlook

- The demand for PET Film in India continues to be strong and is growing at approx 15% pa. Key drivers are demand from the packaging segment. Fresh capacities will be needed to cater to this growing demand.
- Many existing & new converters are setting up additional plants & capacities in India. This will fuel the demand for further growth in packaging film which is the largest segment in the Indian market.
- Internationally, while there has been no significantly large capacity addition in any region, demand has been robust at about 7% pa. Chinese domestic demand has been high & value additions attractive, as a result of which exports from China have slowly tapered off. In fact, Chinese exports are expected to decline in the absence of newer capacity.
- Trade barriers in US and EU continue. Brazil has also imposed an anti-subsidy & anti-dumping duty on Indian PET Film producers.

- With the supply demand imbalance improving, the outlook for the Polyester Film industry is good. Ester continues to work at being an efficient and low cost producer of Polyester Film. The Company will continue its efforts for further reduction in costs and introduction of Value Added specialty products to maintain and improve profitability.
- Feedstock supplies are expected to remain comfortable though the prices are showing increasing trend due to increase in Crude Oil prices and the resultant effect on the petrochemical value chain.

Future Plans & Strategy

- Ester has decided to install an additional capacity of 27000 MTpa of PET Film at the existing site at Khatima, India. This will result in the benefits accruing from economies of scale & will further consolidate Ester's position as a low-cost producer.
- Ester continues to focus on both domestic & export markets in its marketing & selling strategies. We plan to pursue this strategy going forward as well.
- Product & Application development continues to be a thrust area. Extensive efforts would continue to develop value added specialty products.
- Ester is an efficient & low cost producer of Polyester Film. We intend to strengthen on the low cost production platform through focusing on efficient use of energy & other resources.

ENGINEERING PLASTICS BUSINESS

Current Scenario & Outlook

The Engineering Plastics compounds and blends market, is still an emerging market where product and application maturity is in development phase. In the India growth rates for various polymer chemistries are as below

Polymer Chemistry	2008 Estimated Annual Growth Rates
PBT Compounds	7.3% pa
Nylon compounds	15% pa
Overall Engineering Plastics compounds	11% pa

Major growth drivers are the explosive growth in the Electrical segment (growth rate of approx. 30% pa) and Automotive segment (growth rate of approx. 12.5% pa).

Almost all sectors of electrical industry indicate growth. Growth in products like Miniature Circuit Boards (11.36% pa), Compact Fluorescent Lamps (16.42% pa) & Energy Meters shows the demand stemming from infrastructure development in housing & commercial buildings. The Electrical industry however does not claim high standards of quality & cheap imports from China of both raw materials & assembled products results in some pressure on prices.

In the Automotive segment, passenger car, UV+MPV production have already crossed the 1.6 million mark. Growth rates are expected to be at least 13%pa on a conservative level. Per vehicle consumption of Engineering Plastics compounds in India is still

extremely low (approx 4 kg/build) in comparison to global standards (10 kg/build). This is estimated to go up due to organic growth, as well as due to inter-substitution of materials from metals and other lower-performance materials to Engineering Plastics compounds and blends.

On the operational front, the Engineering Plastics business has successfully completed its expansion & infrastructure improvement project in October 2007. This included a total revamping of our manufacturing & product development infrastructure. As a result of this, Ester has expanded its manufacturing capacity to 3600 MTpa.

Raw Material prices have been steady in the past year. Due to the increase in crude prices & resultant increases in building blocks & energy costs, we expect polymer prices to increase next year. With some new capacities expected to come up, the focus on the development of new products, applications & customers will be important to ensure competitive success.

Future Plans & Strategy

The Engineering Plastics compounds market is on a high growth path. Ester has invested in the upgradation of its manufacturing & development infrastructure. Identification of opportunities, product qualification, commercialization & high quality focus will be extremely important in this quest for expanding market presence. Following actions will be initiated to achieve a greater market presence & capacity utilization:

- Strengthen the marketing & sales focus.
- Streamline the product & application development process.
- High internal focus on quality & efficiency improvement.
- Quality Management Systems certifications to facilitate access into the automotive markets.

Financial Performance

Following table presents the summary of the financial performance of the Company during 2007-08 and compares it with 2006-07.

	2007-08 (Rs in Lacs)	2006-07 (Rs in Lacs)
Net Sales	31918.21	28227.88
Other Income	233.48	185.14
Total Income	32151.69	28413.02
Material costs adjusted for change in stocks	19925.62	19377.06
Manufacturing and other expenses	8281.11	7556.34
Financial Expenses	1297.01	1259.25
Depreciation	1397.47	1617.58
Total expenditure	30901.21	29810.23

Profit before Depreciation, Interest and Tax	3944.96	1479.62
Profit / (Loss) before Tax	1250.48	(1397.21)
Current Tax (including FBT)	248.94	29.96
Deferred Tax credit	—	(29.68)
Profit / (Loss) after Tax	1001.54	(1397.49)

Net Sales increased by 13.1% to Rs. 31918.21 lacs in 2007-08. This increase was due to higher price realization in Polyester Film and marginal increase in sales of Polyester Film by 4.8% in volume terms. Sales of Engineering Plastics increased both in volume & value terms by 26.9% & 28.6% respectively. Interest and Other Financial Expenses remained almost the same despite increase in interest rates due to repayment of term loans.

During the year, the Company installed 2 new Engineering Plastics extruders through debts and internal accruals. Due to profits earned and repayment of Term Loans made during the year, financial leverage indicated by Debt Tangible Net Worth ratio improved from 1.42 as on 31st March 2007 to 1.35 as on 31st March 2008.

Segment-wise Performance

In line with the requirements of the Accounting Standard on Segment Reporting (AS-17), the company's reportable operating segments comprise:

- Polyester Chips & Films
- Engineering Plastics

Business Segment	Revenues (Rs in Lacs)	PBIT (Rs in Lacs)
Polyester Chips & Film	29126.17	4193.10
Engineering Plastics	2886.69	525.44

Internal Control Systems

Company has a structured Internal Control System in place, which assures the Board of Directors and the management that there is an effective system for:

- Planning and achievement of goals
- Risks Evaluation
- Reliable financial & operating reporting and legal & regulatory compliance
- Adequate control against fraud and negligence
- Review of performance

The integrated financial accounting system, supported by in-built controls, ensures reliable and timely financial & operational reporting. Controls and legal compliances are periodically reviewed by audit systems. The financial accounting and audit systems ensure prevention and detection of frauds and negligence.

Risk Management

Risk Management Framework adopted by the Company is focused on identifying potential events that may adversely affect the Company. Through an exercise involving senior management team, risks were divided into 4 categories namely strategic risks, operational risks, financial risks and legal & compliance.

Exercises were also undertaken to evaluate probability of their occurrence and assess likely consequence / impact on the company. Mitigation plans developed for managing the critical risks are under implementation.

Human Resources

In the increasingly competitive scenario of Indian & global manufacturing, the contribution of our human capital is vital. We recognize that it is of the utmost importance to select, recruit, develop & retain top quality talent within the organization. It has therefore been decided to set up a Human Resources function within the company with the aim of implementing & strengthening best practices in the HR domain within Ester.

Cautionary Statement

Statements in this section relating to future status, events, circumstances, plans and objectives are forward – looking statements based on estimates and anticipated effects of future events. Such statements are subject to risks and uncertainties and accordingly are not predictive of future results. Actual results may differ materially from those anticipated in the forward – looking statements. The Company can not be held responsible in any manner for such statements. Ester undertakes no obligation to publicly update these forward looking statements to reflect subsequent events or circumstances.

CERTIFICATE ON CORPORATE GOVERNANCE

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 31st March, 2008, 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 Company.

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 RSM & CO
Company Secretaries**

**Ravi Sharma
FCS No. 4468**

**Dated : 28th July 2008
Place : New Delhi**

REPORT ON 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

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organization. Your Company believes in adopting the best practices in the area of corporate governance to ensure the attainment of highest levels of transparency, accountability and equity in all the facets of its operations and in all its interactions with its stakeholders, including shareholders, employees, the government and the lenders.

During the year under review, Board continued to hold the highest standards of Corporate Governance by ensuring that the Company pursues policies and procedures to satisfy its legal and ethical responsibilities.

2. Board of Directors

As on 31st March 2008, the Board comprised of six directors of which one is Chairman and Managing Director and other five are Non-executive Independent Directors. Hence, the Company complies with the listing agreement norms for Independent Directors.

Composition and category of Directors is as follows:

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

Attendance of each Director at Board Meetings and 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	5	Yes	1	1	None
A.K. Newatia	5	Yes	None	1	None
A.P. Sarwan	1	No	None	1	None
D.K. Dosi *	3	No	None	1 [@]	None
H.S. Majumder**	None	No	None	None	None
M.R. Hosangady	5	No	2	1	None
Palem Srikant Reddy	1	No	1	None	None
V.B. Haribhakti	5	Yes	7	9	4

* Resigned and ceased to be Director w.e.f. 8th October 2007

** Resigned and ceased to be Director w.e.f. 10th April 2007

Excludes Directorships in Pvt. Ltd., Foreign and Section 25 Cos.

Excludes Remuneration Committee.

® Ceased to be a member of Share Transfer cum Shareholder's Grievance Committee on resignation from the Board of Directors of Ester.

Number of Board Meetings held and the dates on which held

5 Board Meetings were held during the year under review. The dates on which the meetings were held are as follows: 26th April 2007, 4th June 2007, 31st July 2007, 31st October 2007 and 29th January 2007.

Compliance of Code of Conduct

We have laid down a code of conduct for all Board Members and senior management of the Company. The code of conduct is available on the website of the Company www.esterindustries.com. All Board members and senior management personnel of the Company have affirmed their adherence to the code. The Company's Chairman and Managing Director (CMD) declaration to this effect forms a part of this report.

3. Audit Committee

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.

The Audit Committee of the Company as on 31st March 2008 comprised of the following three Independent, Non-executive Directors viz Mr. V.B. Haribhakti, Chairman (attended 5 meetings); Mr. A.P. Sarwan (attended 1 meeting) and Mr. M.R. Hosangady (attended 5 meetings).

Mr. V.B. Haribhakti is a qualified Senior Chartered Accountant having rich experience in Accounting and Finance. Other members of the Committee have basic accounting and finance knowledge with wide exposure in their relevant areas. The composition of the Committee is in conformity with Clause 49 and Section 292A of the Companies Act, 1956.

During the year under review, the Committee has met 5 times on 26th April 2007, 4th June 2007, 31st July 2007, 31st October 2007 and 29th January 2007.

The Chairman cum Managing Director, General Manager - Finance & Accounts, Deputy General Manager - Finance & Accounts and Business Head are invited to the meetings. Representatives of Statutory Auditors and Internal Auditors are also being invited to the meetings and most of the meetings are attended by Statutory Auditors.

Company Secretary of the Company acts as the Secretary to the Committee.

Mr. V.B. Haribhakti, Chairman of the Audit Committee was present at the last Annual General Meeting held on 17th September 2007.

4. Remuneration Committee

The broad terms of reference of the Committee are to appraise the performance of Managing/ Whole Time Directors, determine and recommend to the Board, compensation payable to Managing/ Whole Time Directors.

The Board of the Company has re-constituted a Remuneration Committee, comprising of 3 Non Executive, Independent Directors viz Mr. V.B. Haribhakti as Chairman and Mr. M.R. Hosangady & Mr. A.P.Sarwan as members.

One meeting was held during the financial year 2007-08 i.e. on 26th April 2007 and Mr. V.B. Haribhakti and Mr. M.R. Hosangady attended the meeting.

The Non-Executive Directors are paid sitting fees for attending each meeting of the Board of Directors and Committees thereof. The details of sitting fees paid during the year to the Non-Executive Directors are given below. The Non-Executive Directors do not draw any other remuneration from the Company.

Director	Sitting Fees(Rs.)
Mr. A.K. Newatia	25,000/-
Mr. A.P. Sarwan	10,000/-
Mr. M.R. Hosangady	55,000/-
Mr. Palem Srikanth Reddy	5,000/-
Mr. V.B. Haribhakti	55,000/-

The Company pays remuneration to its Managing Director and Executive Director by way of salary, perquisites and allowances. Salary is paid within the overall limits approved by the members of the Company.

Details of remuneration paid to Managing Director and Executive Director for the financial year 2007-08 are hereinunder:-

Name of Director	Designation	Salary (Rs. In Lacs)	Allowances & Perquisites (Rs. In Lacs)*
Mr. Arvind Kumar Singhania	Chairman cum Managing Director	24.00	18.87
Mr. Dilip Kumar Dosi	Whole Time Director designated as "Executive Director"	5.71	9.36

***Note: Does not include contribution to Provident Fund, Superannuation Fund & Gratuity Fund and Encashment of leave.**

5. Shareholders'/Investors' Grievance Committee

The Company has a Shareholders'/ Investors' Grievance Committee to look into the redressal of investors' complaints and request such as delay in transfer of shares, non-receipt of annual report, change of address, etc.

The Committee was re-constituted during the year under review and as on 31st March 2008 comprised of :

Mr. A.K. Newatia	Chairman	Non-Executive Independent Director
Mr. A.K. Singhania	Member	Executive Director

Mr. Sanjay Kumar Jain, Company Secretary acts as the Compliance Officer till he ceased to hold the office of Company Secretary in the organization.

The Company has received 41 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 2008.

6. General Body Meetings

Location and time for last 3 Annual General Meetings were:

Year	AGM	Location	Date	Time
2004-2005	AGM	Sohan Nagar, PO Charubeta, Khatima – 262308, District Udham Singh Nagar, Uttarakhand	09.09.2005	09.30 a.m.
2005-2006	AGM	Same as above	15.09.2006	10.30 a.m.
2006-2007	AGM	Same as above	17.09.2007	10.30 a.m.

Two Special resolutions were passed in the previous year AGM held on 17th September 2007 pertaining to appointment of Whole-time Director and Managing Director. None of the resolutions was required to be put through postal ballot during the year under review.

7. Disclosures

Related Party Transactions

During the financial year 2007-08 there were no 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.

Statutory Compliance, Penalties and Strictures

The Company has complied with the requirements of the Stock Exchanges/ SEBI/ and Statutory Authorities on all matters related to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any statutory authority.

8. Means of communication

- The quarterly and yearly financial results are generally published in the following newspapers:
Economic Times, Times of India, Financial Times, Nav Bharat Times, Statesman, Pioneer, New Delhi and Viswamanav, Bareilly, Uttar Pradesh.
- The financial results are displayed on **www.esterindustries.com**
- The Company also regularly posts information relating to its financial results and shareholding pattern on Electronic Data Interpretation, Filing and Retrieval System (EDIFAR) at **www.sebi.gov.in**
- Management Discussion and Analysis forms part of the Annual Report.

9. General Shareholder Information:

9.1 Annual General Meeting (Financial Year 2007-08)

- Date and Time Friday, September 19, 2008 at 10.30 a.m.
- Venue Sohan Nagar, P.O. Charubeta, Khatima – 262308,
District Udham Singh Nagar, Uttarakhand

9.2 Financial Calendar (Tentative and subject to change):

Financial Results for the Quarter ending 30 th June 2008	July 2008
Financial Results for the Quarter ending 30 th September 2008	October 2008
Financial Results for the Quarter ending 31 st December 2008	January 2009
Financial Results for the Quarter ending 31 st March 2009	April/June 2009
Annual General Meeting	September 2009

- 9.3 Books closure date** Tuesday, 26th August 2008 to Friday, 29th August 2008 (both days inclusive) for the purpose of taking the record of shareholders to whom dividend is to be paid if approved at the ensuing Annual General Meeting.

9.4 Dividend payment The Board of Directors has recommended 10 percent dividend for the financial year 2007-08. The dividend, if approved by shareholders at the ensuing AGM shall be paid to those shareholders whose names appear on the Register of Members as on Friday, August 29, 2008. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares as on the closing hours of business on Monday, August 25, 2008 as per the details furnished by the Depositories for this purpose.

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

*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 2008-09 have been paid to BSE where the shares of the Company are listed.

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

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

9.7 Stock Market Data:

Months	Bombay Stock Exchange (BSE) (In Rs.)		Volume (No. of Shares)	Sensex	
	Month's High Price	Month's low Price		High	Low
April 2007	6.80	5.62	235458	14228.88	12455.37
May 2007	6.30	5.55	274102	14544.46	13765.46
June 2007	9.88	5.91	1898979	14650.51	14003.03
July 2007	11.39	8.00	1451905	15794.92	14664.26
August 2007	12.78	8.04	2013362	15318.60	13989.11
September 2007	12.15	9.55	1143477	17291.10	15422.05
October 2007	10.48	8.40	746574	19977.67	17328.62
November 2007	14.88	9.33	2303638	19976.23	18526.32
December 2007	17.64	12.85	2703145	20375.87	19079.64
January 2008	19.40	11.00	1762571	20873.33	16729.94
February 2008	15.39	10.90	695872	18663.16	16608.01
March 2008	11.18	6.55	611063	16677.88	14809.49

9.8 Registrar and Share Transfer: Agents MCS Limited,
Sri Venkatesh Bhawan
W 40 Okhla Industrial Area Phase II,
New Delhi – 110 020
Phone No. – 011-41406149/50/51
Fax No. – 011-41709881
E-Mail : mcsdel@vsnl.com

9.9 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.

9.10 Distribution of shareholding as on 31st March 2008:

Distribution	No. of Shareholders	% to total holders	No. of shares	% to total shares
1-500	20090	83.27	3796722	6.84
501-1000	2138	8.86	1882717	3.39
1001-2000	909	3.77	1495150	2.69
2001-3000	336	1.39	900809	1.62
3001-4000	132	0.55	486534	0.88
4001-5000	182	0.75	888216	1.60
5001-10000	203	0.84	1514702	2.73
10001-50000	106	0.44	2106713	3.80
50001-100000	9	0.04	687220	1.24
And Above	22	0.09	41743617	75.21
TOTAL	24127	100.00	55502400	100.00

Shareholding pattern as on 31st March 2008:

Categories	No. of Shares	%
Non Resident Indians/OCB	32060876	57.76
Financial Institutions/Banks	785600	1.42
Mutual Funds/UTI	32700	0.06
Insurance Companies	300	0.00
Bodies Corporate	4025593	7.25
Resident Individuals	18597331	33.51
Total	55502400	100.00

9.11 Dematerialisation of Shares: As on 31st March 2008, 95.45% of the Company's shares are in the dematerialized form.

9.12 Outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments and their likely impact on equity	As on date there are no outstanding warrants or any convertible instruments. The Company has not issued GDR/ ADR.
9.13 Plant location	Sohan Nagar, P.O. Charubeta, Khatima – 262 308, District Udham Singh Nagar, Uttarakhand
9.14 (i) Investor Correspondence	For shares held in physical form (For transfer/dematerialisation of shares and any other query related to the shares of the Company)
	MCS Limited Sri Venketesh Bhawan W 40 Okhla Industrial Area Phase II, New Delhi – 110 020 Phone No. – 011-41406149/50/51 Fax No. – 011-41709881 E-Mail: - admin@mcsdel.com
	For shares held in Demat form To the Depository Participant
(ii) Any query on Annual Report	Secretarial Department DLF BUILDING NO. 8, TOWER A, 2 ND FLOOR, DLF CITY, PHASE – II, SECTOR – 25, GURGAON HARYANA – 122 002, INDIA Phone: 0124-4572100 Fax : 0124-4572199 E-Mail: sharesdept@esterindustries.com Web site: www.esterindustries.com

DECLARATION

It is hereby declared that all the Board Members and Senior Management of the Company have affirmed adherence to and compliance with the 'Code of Conduct' laid down by the Company.

For **ESTER INDUSTRIES LIMITED**

ARVIND KUMAR SINGHANIA
CHAIRMAN AND MANAGING DIRECTOR

Place : Gurgaon
Dated : 28th July 2008

CERTIFICATE IN COMPLIANCE WITH CLAUSE 49(V) OF THE LISTING AGREEMENT.

This is to certify that:

- (a) We have reviewed Financial Statements and the Cash Flow Statement for the year ended on 31st March 2008 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the Financial Year 2007-08 which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, that there are no deficiencies in the design or operation of such internal controls to the best of our knowledge.
- (d) We have indicated to the auditors and the Audit committee
 - (i) that there is no significant changes in the internal control over financial reporting during the year;
 - (ii) that changes in accounting policies during the year have been disclosed in the notes to the financial statements; and
 - (iii) that there are no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

(A. K. Singhania)
Chairman & Managing Director

(Pradeep Rustagi)
General Manager (F & A)

Dated : 22nd May 2008
Place : Gurgaon

AUDITORS' REPORT

To
The Members of Ester Industries Limited

1. We have audited the attached Balance Sheet of Ester Industries Limited ('the Company') as at March 31, 2008 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, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 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, 2008;
 - b) in the case of the profit and loss account, of the profit 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 & Co.
Chartered Accountants
per Manoj Gupta
Partner

Gurgaon

May 22, 2008

Membership No.: 83906

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 program 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 has 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 loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) (herein referred to as the Order), are not applicable.
- (b) As informed, the Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (e), (f) and (g) of the Order, are not applicable.
- (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, we are of the opinion that there are no transactions that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956, therefore paragraph 4 (v) (b) of the Order is not applicable.

- (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, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statutory dues have generally

been regularly deposited with the appropriate authorities *though there has been a slight delay in 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 and Demand of Duty on removal of excess PET Chips given in custody without payment of duty	35.50	July 87 to June 93 and Jan 95	Commissioner Central Excise (Noida)
Central Excise Act, 1944	MODVAT credit not available on inputs and Capital Goods.	173.86	March 90 to Feb 92 and Oct 94 to Feb 95	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 92	Customs, Excise, Service Tax Appellate Tribunal (Delhi)
The Customs Act, 1962	Custom Duty forgone on value based advance licence.	57.72	June 93 to April 95	Commissioner/ Additional Commissioner Customs(DEEC) Mumbai
Central Excise Act, 1944	Clearance of Polyester Film at higher rate. Demand on PET Chips waste cleared at nil rate of duty. MEG received under chapter X after rescinding of Notification No. 34/87 CE. Inadmissibility of MODVAT credit against PBT Chips and Polyester films.	15.01	July 93 to May 94 and Feb to Aug 2000	Deputy Commissioner Central Excise, Rampur

Central Excise Act, 1944	Demand raised on account of Excess/short fall in stocks alleged by preventive staff.	7.72	November 1992	Commissioner Meerut II
The Customs Act, 1962	Disallowance of remission on MEG lost in Transit and Wrong utilization of MODVAT credit	32.99	June 87 to Oct 88, March 91 to May 91 and 1993	Assistant Commissioner, Rampur
Income Tax Act, 1961	Income Tax imposed on assessment.	1.84	1988-89	High Court, Delhi
Income Tax Act, 1961	Disallowance of 80HHC benefit in MAT computation	63.68	AY: 2003-04 to 2004-05	Commissioner Appeals

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the Management, The Company has no outstanding dues in respect of a financial institution. The Company has not issued any debentures. *The Company has defaulted in repayment of dues to banks; period and amount of default are as follows. (Since repaid)*
- (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.

Amount of Default (Rs. In Lacs)	Period (No. of days)
88.12	26
38.12	37
22.50	30
27.50	31
38.12	42
50.00	5
12.50	16
55.57	25
55.57	30
55.57	30
45.48	45
45.48	31
45.48	31
45.31	33
19.06	32
26.25	30
45.31	16
27.50	4

- (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 manage-

- ment, 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 & Co.
Chartered Accountants

per Manoj Gupta
Partner
Membership No.: 83906

Gurgaon
May 22, 2008

BALANCE SHEET

AS AT MARCH 31, 2008

		31.03.2008	31.03.2007
	Schedules	(Rs. in lacs)	(Rs. in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	3,054.88	3,054.88
Reserves & Surplus	2	8,252.87	7,807.86
		<u>11,307.75</u>	<u>10,862.74</u>
Loan Funds			
Secured Loans	3	8,068.90	8,663.50
Unsecured Loans	4	559.48	608.89
		<u>8,628.38</u>	<u>9,272.39</u>
Liabilities under Deferred Payments (Refer Note No. 5 of Schedule 23)		1,196.17	1,095.32
TOTAL		<u>21,132.30</u>	<u>21,230.45</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	38,933.94	38,398.50
Less: Accumulated Depreciation/ Amortisation		<u>24,918.54</u>	<u>23,712.27</u>
Net Block		14,015.41	14,686.23
Capital Work-in-Progress (including Capital Advances)		190.54	104.73
		<u>14,205.95</u>	<u>14,790.96</u>
Investments	6	11.31	8.20
Current Assets, Loans and Advances			
Inventories	7	3,227.34	2,374.05
Sundry Debtors	8	4,459.37	4,498.87
Cash and Bank Balances	9	1,309.78	954.20
Other Current Assets	10	399.16	169.83
Loans and Advances	11	1,289.34	791.95
	(A)	<u>10,684.99</u>	(A) <u>8,788.90</u>
Less: Current Liabilities & Provisions			
Current Liabilities	12	2,977.06	2,471.01
Provisions	13	851.02	347.67
	(B)	<u>3,828.08</u>	(B) <u>2,818.68</u>
Net Current Assets	(A-B)	<u>6,856.91</u>	(A-B) <u>5,970.22</u>
Miscellaneous Expenditure	14	58.13	237.80
(to the extent not written off or adjusted)			
Debit balance of Profit and Loss Account	-	-	604.13
Less: Adjusted against General Reserve as per contra	-	-	380.86
TOTAL		<u>21,132.30</u>	<u>21,230.45</u>
Notes to Accounts	23		

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
of Ester Industries Limited

For S.R.Batliloi & Co.
Chartered Accountants

Shweta Yadav
Company Secretary

A.K.Singhania
Chairman & Managing Director

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : May 22, 2008

Pradeep Rustagi
General Manager (F&A)

Ashok Newatia
Director

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED MARCH 31, 2008

	Schedules	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
INCOME			
Turnover (Gross)		34,865.39	30,864.06
Less : Excise Duty on Turnover (Refer Note No. 10 of Schedule 23)		<u>2,947.18</u>	<u>2,636.18</u>
Turnover (Net)		31,918.21	28,227.88
Other Income	15	<u>233.48</u>	<u>185.14</u>
		<u>32,151.69</u>	<u>28,413.02</u>
EXPENDITURE			
Purchase for Resale		16.28	31.75
Manufacturing Expenses	16	24,163.38	22,289.14
(Increase)/Decrease in Inventories	17	<u>(334.13)</u>	<u>630.69</u>
Personnel Expenses	18	1,474.77	1,239.75
Administrative and Other Expenses	19	1,340.95	1,353.41
Selling Expenses	20	1,545.48	1,388.66
Depreciation/Amortisation		1,412.07	1,649.13
Less : Transferred from Revaluation Reserve		<u>14.60</u>	<u>31.55</u>
Financial Expenses	21	1,297.01	1,259.25
Profit/(Loss) before Tax		<u>1250.48</u>	<u>(1397.21)</u>
Provision for Tax:			
Current Tax - Minimum Alternate Tax (Refer Note No. 20 of Schedule 23)		209.65	-
Deferred Tax credit		<u>-</u>	<u>(29.68)</u>
Fringe Benefit Tax		39.29	29.96
Profit/(Loss) after Tax		<u>1001.54</u>	<u>(1397.49)</u>
Balance brought forward from previous year		(604.13)	
Less: Adjusted against General Reserve as per contra		<u>380.86</u>	<u>793.36</u>
Adjustment for Employee Benefit Provision (Refer Note No. 2 c of Schedule 23)			
- Gratuity (Net of Tax Rs. NIL (Previous year Rs. NIL))		10.66	-
- Leave Encashment (Net of Tax Rs. NIL (Previous year Rs. NIL))		<u>(3.65)</u>	<u>-</u>
Profit available for Appropriation		785.28	(604.13)
Appropriations:			
Dividend on Preference Shares		0.84	-
Proposed Final Dividend on Equity Shares		277.51	-
Tax on Dividend		<u>47.31</u>	<u>-</u>
Surplus carried to Balance Sheet		<u>459.62</u>	<u>(604.13)</u>
Earnings per share	22		
Basic and Diluted [Nominal value of shares Rs. 5/- (Previous Year : Rs. 5/-)]		1.80	(2.52)
Notes to Accounts	23		
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
of Ester Industries Limited

For S.R.Batlilboi & Co.
Chartered Accountants

Shweta Yadav
Company Secretary

A.K.Singhania
Chairman & Managing Director

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : May 22, 2008

Pradeep Rustagi
General Manager (F&A)

Ashok Newatia
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
CASH FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax	1,250.48	(1,397.21)
Adjusted for:		
Depreciation/Amortisation	1,397.47	1,617.58
Loss on Fixed Assets Sold/Discarded	54.80	38.47
Interest Expenses	1,113.88	1,051.80
Interest Income	(91.58)	(65.43)
Dividend Income	-	(3.60)
Exchange Difference	(72.47)	(54.61)
Miscellaneous Expenditure Written off	187.29	220.09
Provision for Doubtful Debts and Advances	(5.04)	4.89
Loss on Settlement of Equity Stock Futures	-	7.05
Profit on Sale of Current Investments	-	(1.91)
Provision for Obsolete Inventories	21.73	11.01
Loss on sale of current investment	-	3.36
Provision for Diminution in Value of Investments	(3.11)	9.40
Excess liability written back	(11.59)	-
Operating Profit/(Loss) before Working Capital Changes	3,841.86	1,440.89
Adjustment for:		
(Increase) in Trade/Other Receivables	(588.90)	(1,300.72)
(Increase)/Decrease in Inventories	(875.01)	491.92
Increase/(Decrease) in Trade/Other Payables	567.92	(19.81)
Miscellaneous Expenditure (Paid)	(7.62)	(19.03)
Cash Generated from Operations	2,938.25	593.25
Direct Taxes Paid	(130.14)	(33.66)
Net Cash from Operating Activities (a)	2,808.11	559.59
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(933.51)	(1,757.69)
Sale of Fixed Assets	37.44	162.63
Loss on Settlement of Equity Stock Futures	-	(7.05)
Fixed Deposits with Banks	(265.87)	(174.41)
Sale/(Purchase) of Investments (Net)	(0.00)	24.43
Interest Received	49.91	53.53
Dividend Received	-	3.60
Net Cash (used in) Investing Activities (b)	(1,112.03)	(1,694.96)
CASH FLOW FROM FINANCING ACTIVITIES		
Movement in Short Term Borrowings	536.80	2,026.05
Receipts of Long Term Borrowings	250.00	1,400.00
Repayment of Long Term Borrowings	(1,280.57)	(1,158.99)
Interest Paid	(1,112.59)	(1,051.88)
Dividend Paid	-	-
Net Cash from/(used in) Financing Activities (c)	(1,606.36)	1,215.18
Net Increase in Cash & Cash Equivalents (a+b+c)	89.71	79.81
Opening Balance of Cash & Cash Equivalents	119.79	39.98
Closing Balance of Cash & Cash Equivalents	209.50	119.79
Cash & Cash Equivalents as at year end includes:	Closing Balance	Closing Balance
Cash on Hand	6.06	6.79
Balances with Scheduled Banks :		
- On current Accounts	187.77	97.25
- On Term Deposits	1,100.28	834.41
- On Unpaid Dividend Accounts	15.67	15.75
	1,309.78	954.21
Less: Deposit Pledged with banks	83.12	57.00
Less: Deposit having maturity period more than 3 months	1,017.16	777.41
	<u>209.50</u>	<u>119.79</u>

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
of Ester Industries Limited

For S.R.Batlboi & Co.
Chartered Accountants

Shweta Yadav
Company Secretary

A.K.Singhania
Chairman & Managing Director

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : May 22, 2008

Pradeep Rustagi
General Manager (F&A)

Ashok Newatia
Director

SCHEDULES TO THE ACCOUNTS

SCHEDULE - 1

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
SHARE CAPITAL		
Authorised		
15,00,00,000 (Previous Year 15,00,00,000) Equity Shares of Rs. 5/- each	7,500.00	7,500.00
6,00,000 (Previous Year 6,00,000) Cumulative Convertible Preference Shares of Rs. 50/- each	300.00	300.00
80,00,000 (Previous Year 80,00,000) Redeemable Cumulative Preference Shares of Rs. 50/- each	4,000.00	4,000.00
	<u>11,800.00</u>	<u>11,800.00</u>
Issued, Subscribed and Paid-up		
5,55,02,400 (Previous Year 5,55,02,400) Equity shares of Rs. 5/- each fully paid-up (Includes 38,82,000 equity shares issued on conversion of Cumulative Convertible Preference Shares during the year 2003-04)	2,775.12	2,775.12
5,59,521 (Previous Year 5,59,521) 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

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
RESERVES AND SURPLUS		
a) Capital Reserve*	5,701.99	5,702.00
b) Capital Redemption Reserve	55.61	55.61
c) Securities Premium Account	1396.94	1396.94
d) Revaluation Reserve		
Balance as per last Account	653.31	684.86
(Created on 31st October, 1992 by Revaluation of Fixed Assets)		
Less: Transferred to Profit & Loss Account	14.60	31.55
(Being Depreciation on Revalued asset for the year)	638.71	653.31
e) General Reserve		
Balance as per last Account	-	380.86
Less: Profit & Loss Account debit balance as per contra	-	380.86
f) Profit & Loss Account	459.62	-
	<u>8252.87</u>	<u>7807.86</u>

* Includes Rs.5701.05 lacs (Previous Year - Rs.5701.05 lacs) on account of write back of principal amount of loan due to One Time Settlement with lenders during the year 2002-03.

SCHEDULE - 3

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
SECURED LOANS		
Rupee Term Loans		
From Banks	2,278.06	3,456.95
Working Capital Loans from Banks		
Cash Credit Facilities	3,749.79	3,014.05
Bills Discounting	1,926.73	2,125.66
Vehicle Loans		
From Banks	63.29	38.00
From Bodies corporate	51.03	28.84
	<u>8,068.90</u>	<u>8,663.50</u>

Notes:

1. Rupee term loan

- i) From Bank of India of Rs. 225.00 lacs (Previous year - Rs. Nil) - Secured by first exclusive charge by way of hypothecation of all the Company's movable and immovable assets related to Engineering Plastics Project.
 - ii) From Bank of India of Rs. 357.50 lacs (Previous year - Rs.495 lacs) - Secured by first exclusive charge by way of hypothecation of all the Company's movable and immovable assets related to PET Film Line-1 modification project.
 - iii) From Canara Bank Rs. 194.99 lacs (Previous year - Rs.269.99 lacs) - Secured by first exclusive charge by way of hypothecation of all the Company's movable and immovable assets related to UPS Project.
 - iv) From State Bank of Bikaner & Jaipur Rs. 330.00 lacs (Previous year - Rs.440 lacs) - Secured by first exclusive charge by way of hypothecation of all the Company's movable and immovable assets related to Co-Extrusion Project.
 - v) Balance Term Loan of Rs. 1170.57 lacs (Previous year - Rs.2251.96 lacs) - Secured by first mortgage created by way of deposit of title deeds in respect of Company's immovable properties, both present and future and first charge by way of hypothecation of all the Company's balance movable assets (save and except book debts, vehicles acquired under vehicle loans) 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.
All above 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. 1149.51 lacs (Previous Year Rs.1412.61 lacs).

SCHEDULE - 4

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
UNSECURED LOANS		
Foreign Currency Loan (Interest Free)		
From Overseas Corporate Body	559.48	608.89
(Payable with in one year Rs. 559.48 lacs (Previous Year - Rs. 608.89 lacs)) Refer Note No. 6 of Schedule 23		
	<u>559.48</u>	<u>608.89</u>

SCHEDULE - 5

FIXED ASSETS (Rs. in lacs)

Description	GROSS BLOCK			ACCUMULATED DEPRECIATION/AMORTISATION			NET BLOCK		
	01.04.2007	Additions	Deductions/ Adjustments	31.03.2008	31.03.2007	Current Year	Deductions/ Adjustments	31.03.2008	31.03.2007
Tangible Assets:									
Land (Freehold) (i) & (iii)	60.03	-	-	60.03	-	-	-	60.03	60.03
Buildings (iii)	2,571.17	90.94	-	2,662.11	1,121.44	74.01	-	1,195.45	1,449.73
Plant & Machinery (ii) & (iii)	34,681.03	570.02	217.61	35,033.44	22,094.23	1,227.14	158.97	23,162.40	12,586.79
Furniture & Fixtures	144.01	15.71	2.30	157.42	48.63	8.12	0.90	55.85	101.57
Lease Hold Improvements	154.14	-	-	154.14	13.72	19.28	-	33.00	140.42
Office Equipments	280.21	43.43	1.59	322.05	175.19	31.13	1.58	204.75	117.30
Vehicles	356.36	127.61	90.77	393.20	122.62	37.27	44.35	115.54	233.74
Intangible Assets:									
Softwares	151.55	-	-	151.55	136.44	15.11	-	151.55	15.11
	38,398.50	847.71	312.27	38,933.94(iii)	23,712.27	1,412.07	205.80	24,918.54	14,686.22
Previous year	36,705.12	2,039.44	346.06	38,398.50	22,357.66	1,649.13	294.52	23,712.27	14,347.46
Capital Work in Progress (including Capital Advances Rs. 42.51 lacs, Previous Year Rs. 25.69 lacs.)								190.54	104.73

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) (a) Current year's additions to Plant & Machinery include Rs. Nil lacs (Previous Year Rs. 83.11 lacs) on account of Foreign Exchange Fluctuation and Rs. Nil lacs (Previous Year Rs. 13.89 Lacs) on account of interest.
- (b) Current year's deletions from Plant & Machinery include Rs. 217.61 lacs [Previous Year Rs. Nil lacs] on account of discarding of the Machinery of Engineering Plastics Division.
- (iii) (a) Gross Block of Fixed Assets includes Rs. 7,933.38 lacs (Previous Year Rs. 7,933.38 lacs) being the amount added on revaluation of Fixed Assets on 31.10.1992. Revaluation was carried out by an external valuer as per "Existing Use Value" method using prevailing market prices of the assets and where such prices were not available. RBI indices were used. Details of additions due to revaluation are as follows:
 Land - Rs. 39.93 lacs (Previous Year Rs. 39.93 lacs)
 Building - Rs. 526.23 lacs (Previous Year Rs. 526.23 lacs)
 Plant and Machinery - Rs. 7,367.22 lacs (Previous Year Rs. 7,367.22 lacs)



SCHEDULE - 6

INVESTMENTS			31.03.2008	31.03.2007
Long Term Investments (At cost)			(Rs. in lacs)	(Rs. in lacs)
A. Trade (Quoted) Equity Shares Fully Paid	Number of Shares	Face Value (Rs.)		
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	100	5	0.00	0.00
Reliance Energy Ventures Limited	100	10	0.00	0.00
Reliance Capital Ventures Limited	100	10	0.00	0.00
Reliance Natural Resources Limited	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	Number of Shares	Face Value (Rs.)		
Industrial Development Bank of India	68,700	10	25.03	25.03
			(a)	
			<u>25.88</u>	<u>25.88</u>
C. In Wholly Owned Subsidiary Companies :				
Unquoted, fully paid-up	Number of Shares	Face Value (USD)		
Equity Shares of Ester International (USA) Ltd. (a company under the same management under section 370(1B) of the Companies Act, 1956.)	25,000	1	9.69	9.69
Share Capital in Ester Europe GmbH, Germany (a company under the same management under section 370(1B) of the Companies Act, 1956.)			12.36	12.36
			(b)	
			<u>22.05</u>	<u>22.05</u>

Current Investments (At lower of cost or market value):	Number of Shares	Face Value (Rs.)		
A. Equity Shares Fully Paid (Non Trade) (Quoted)				
Ispat Industries Ltd. (Previous year - 30000 Shares)	30,000	10	7.17	7.17
Bajaj Hindustan Ltd. (Previous year - 1000 Shares)	1,000	10	5.40	5.40
Current Investments (At cost) (Un-Quoted) :				
B. Preference Shares Fully Paid (Non Trade)				
Ispat Industries Ltd. (Previous year - 20000 Shares)	20,000	10	4.78	4.78
			(c)	<u>17.35</u>
				<u>17.35</u>
Total (a) + (b) + (c)			65.28	65.28
Less : Provision for Diminution in the Value of :				
- Long Term Investments**			47.68	47.68
- Current Investments			6.29	9.40
		Net Investments	<u>11.31</u>	<u>8.20</u>
Aggregate amount of quoted investments (Net of Provision for Diminution)			9.30	6.20
Aggregate amount of market value of quoted investments			14.89	3.87
Aggregate amount of unquoted investments (Net of Provision for Diminution)			2.00	2.00

* There was no sale and purchase of investment in the current year.

** Includes Rs.22.05 lacs (previous year Rs.22.05 lacs) for investment in subsidiary companies

SCHEDULE - 7

INVENTORIES (at lower of cost and net realisable value)	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
Raw Materials (including material in transit Rs. 160.30 lacs, previous year Rs.93.67 lacs)	1,259.59	911.36
Stores & Spares (including material in transit Rs. 7.58 lacs, previous year Rs. 25.93 lacs)	807.15	636.22
Work-in-progress	429.99	388.72
Finished goods (including material in transit Rs. NIL lacs, previous year Rs. 37.19 lacs)	730.11	437.03
By-product and waste	0.50	0.72
	<u>3,227.34</u>	<u>2,374.05</u>

SCHEDULE - 8

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	40.23	24.25
Unsecured, considered doubtful	365.62	387.05
Other debts		
Secured, considered good	1,244.93	1,268.62
Unsecured, considered good	3,174.21	3,206.00
Total Sundry Debtors	4,824.99	4,885.92
Less: Provision for Doubtful Debts	365.62	387.05
	<u>4,459.37</u>	<u>4,498.87</u>

SCHEDULE - 9

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
CASH AND BANK BALANCES		
Cash on Hand	6.06	6.66
Cheques in transit	0.00	0.13
Balances with Scheduled Banks :		
- On current accounts	187.77	97.25
- On deposits accounts (including receipts for Rs. 83.12 lacs pledged with banks, previous year Rs. 57.00 lacs)	1,100.28	834.41
- On Unpaid Dividend Account	15.67	15.75
	<u>1309.78</u>	<u>954.20</u>

SCHEDULE - 10

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
OTHER CURRENT ASSETS		
Fixed Assets held for sale *	20.22	6.00
Interest receivable on deposits	70.34	28.68
Export Benefits Receivable	308.60	135.15
	<u>399.16</u>	<u>169.83</u>

* at net book value or estimated net realisable value, whichever is lower

SCHEDULE - 11

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
LOANS AND ADVANCES		
Unsecured, considered good		
Advances Recoverable in cash or in kind or for value to be received*	448.25	377.96
Income Tax Deducted at Source & Refunds Recoverable	41.91	22.19
Balances with Excise, Custom Etc.	312.71	164.66
Loans to Employees	23.71	18.79
Deposits-others	199.84	129.00
VAT Credit (Input) Receivables	228.23	79.35
Receivable on account of Forward Contract	34.69	0.00
Unsecured, considered doubtful		
Advances Recoverable in cash or in kind or for value to be received	76.38	75.15
	<u>1,365.72</u>	<u>867.10</u>
Less: Provision for Doubtful Advances	76.38	75.15
	<u>1,289.34</u>	<u>791.95</u>

* Includes Rs.59.64 lacs(Previous year Rs.59.64 lacs) receivable from Ester International USA Limited a Subsidiary company and a company under the same management under section 370(1B) of the Companies Act, 1956.
[Maximum amount due during the year Rs.59.64 lacs (Previous year Rs.59.64)]

SCHEDULE - 12

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
CURRENT LIABILITIES		
Acceptances	1,614.48	1,276.04
Sundry Creditors *	1,102.80	1,035.21
Advances from Customers	108.78	15.82
Investor Education and Protection Fund shall be credited by following amounts (as and when due)		
- Unpaid Dividend	15.67	15.75
Deposits from Dealers/Customers & Others	5.46	4.98
Unexpired Discount on Forward Contract	1.30	-
Other Liabilities **	128.57	123.21
	<u>2,977.06</u>	<u>2,471.01</u>
* Total outstanding dues of Micro, Medium and Small Enterprises included in Sundry Creditors (Refer Note No. 15 of Schedule No. 23)	-	-
Total outstanding dues of creditors other than Micro, Medium and Small Enterprises	1102.80	1035.21
** Includes Rs.60.00 lacs(Previous year Rs.60.00 lacs) payable to Ester International USA Limited a Subsidiary company and a company under the same management under section 370(1B) of the Companies Act, 1956. [Maximum amount due during the year Rs.60.00 lacs (Previous year Rs.60.00 lacs)]		

SCHEDULE - 13

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
PROVISIONS		
Provision for Taxation (net of advance tax payments)	148.06	29.41
Provision for Fringe Benefit Tax (net of advance tax payments Rs. 29.50 Lacs (Previous year Rs. NIL))	5.76	0.00
Provision for Gratuity (Refer Note No. 11 of Schedule 23)	268.72	235.64
Provision for Leave Encashment	101.52	81.47
Provision for Wealth Tax	1.30	1.15
Proposed Dividends	278.35	0.00
Tax on Proposed Dividends	47.31	0.00
	<u>851.02</u>	<u>347.67</u>

SCHEDULE - 14

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Payments under Voluntary Retirement Scheme		
Opening Balance	237.80	425.31
Add: Incurred During the Year	7.62	19.03
	<u>245.42</u>	<u>444.34</u>
Less: Written Off During the Year	187.29	237.80
	<u>58.13</u>	<u>237.80</u>

SCHEDULE - 15

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
OTHER INCOME		
Interest on:		
Bank Deposits (Tax Deducted at Source Rs. 18.89 lacs, previous year Rs. 12.17 lacs)	91.58	63.72
Others	0.00	1.71
Dividend:		
Long Term Investments - Trade	0.00	0.03
Current Investments - Non Trade	0.00	3.56
Profit on Sale of Current Investments - Non Trade (net)	0.00	1.91
Profit on Foreign exchange fluctuations (net off of Loss of Rs. 387.43 lacs (Previous Year Rs.NIL)	49.41	-
Reversal of Provision for Doubtful Debts	7.71	0.00
Excess Liability written back	11.59	0.00
Miscellaneous Income	73.19	114.21
	<u>233.48</u>	<u>185.14</u>

SCHEDULE - 16

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
MANUFACTURING EXPENSES		
Raw Materials & Chemicals Consumed. (Net of export incentive of Rs.771.51 Lacs (Previous year Rs 597.16 lacs))	20,259.75	18,746.37
Packing Materials Consumed	698.01	680.78
Power & Fuel	2,434.28	2,196.20
Consumption of Stores & Spares	593.75	572.87
Repairs & Maintenance - Plant & Machinery	82.52	77.60
Material Handling Charges	71.01	60.48
Excise Duty on the difference between Closing and Opening Stocks (Refer Note No. 10 of Schedule 23)	24.06	(45.16)
	<u>24,163.38</u>	<u>22,289.14</u>

SCHEDULE - 17

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
(INCREASE)/DECREASE IN INVENTORIES		
Inventories as at March 31, 2008		
- Work in Progress	429.99	388.72
- Finished Goods	730.11	437.03
- By-product and waste	0.50	0.72
	1,160.60	826.47
Inventories as at March 31, 2007		
- Work in Progress	388.72	415.42
- Finished Goods	437.03	1,041.03
- By-product and waste	0.72	0.71
	826.47	1,457.16
	<u>(334.13)</u>	<u>630.69</u>

SCHEDULE - 18

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
PERSONNEL EXPENSES		
Salaries, Wages and Bonus	1,182.36	999.29
Contribution to Provident Fund	79.48	72.10
Gratuity Expense (Refer Note No. 11 of Schedule 23)	85.72	62.62
Contribution to Other Post-employment Funds	63.24	52.50
Workmen and Staff Welfare Expenses	63.97	53.24
	<u>1,474.77</u>	<u>1,239.75</u>

SCHEDULE - 19

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
ADMINISTRATIVE AND OTHER EXPENSES		
Rent	94.46	87.72
Rates, Taxes and License Fees	8.90	6.04
Insurance	86.94	95.22
Repairs & Maintenance -		
- Buildings	11.28	11.26
- Others	<u>68.72</u>	<u>66.87</u>
Travelling & Conveyance	343.03	287.11
Communication Costs	81.94	68.86
Legal & Professional Charges	108.96	79.10
Donations (other than Political Parties)	4.46	4.37
Directors' Sitting Fees	1.50	1.95
Auditors' Remuneration (Refer Note No. 9 of Schedule 23)	18.12	16.59
Loss on Fixed Assets Sold/Discarded (net off of gain of Rs. NIL lacs (Previous Year: Rs. 2.34 lacs)	54.80	38.47
Loss on Settlement of Equity Stock Future	0.00	7.05
Bad Debts, Advances and Irrecoverable Balances	2.67	4.89
Written Off (net)		
Provision for Diminution in the Value of		
Current Investments	0.00	9.40
Loss on sale of current investment	0.00	3.36
Loss on Sale of DEPB	32.15	8.87
Loss on Foreign exchange fluctuations (net off of gain of Rs. NIL lacs (Previous Year Rs.210.17 lacs)	0.00	64.62
Premium on Forward Contract Amortised	0.82	0.00
Provision for Obsolete Inventories	21.73	11.01
Miscellaneous Expenditure Written Off	187.29	220.09
Miscellaneous Expenses	<u>213.18</u>	<u>260.56</u>
	<u>1,340.95</u>	<u>1,353.41</u>

SCHEDULE - 20

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
SELLING EXPENSES		
Freight	1,164.16	1,109.78
Commission and Brokerage (other than Sole Selling Agents)	176.29	184.38
Discount, Claims & Rebates	114.04	55.75
Others	90.99	38.75
	<u>1,545.48</u>	<u>1,388.66</u>

SCHEDULE - 21

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
FINANCIAL EXPENSES		
Interest		
- on Term Loans	427.79	474.47
- on Banks	685.99	577.26
- on Others	0.10	0.07
Bank Charges	183.13	207.45
	<u>1,297.01</u>	<u>1,259.25</u>

SCHEDULE - 22

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
EARNING PER SHARE (EPS)		
Net Profit/(Loss) as per Profit & Loss Account	1001.54	(1397.49)
Less: Preference dividends and tax thereon	0.33	0.32
Net Profit/(Loss) for calculation of EPS	<u>1001.21</u>	<u>(1397.81)</u>
Weighted average number of equity shares in calculating EPS	55,502,400	55,502,400
- Basic EPS Computed on the basis of earnings	1.80	(2.52)
- Diluted EPS Computed on the basis of earnings	1.80	(2.52)

SCHEDULE 23: Notes to Accounts

1. Nature of Operations

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

2. Statement of Significant Accounting Policies

a) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Notified accounting standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except where otherwise stated. The accounting policies, except for the changes in accounting policy discussed below, are consistent with those used in the previous year.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Changes in Accounting Policies

Adoption of Accounting Standard AS15 (Revised) Employee Benefits

The Company was providing for gratuity and leave encashment based on actuarial valuation. In Current year, the Company has adopted the Accounting Standard 15 (Revised) which is mandatory from accounting periods commencing on or after December 7, 2006. Accordingly the Company has provided for gratuity and long term compensated absences based on actuarial valuation done as per projected unit credit method. Further in accordance with the transitional provision in the revised accounting standard, Rs.10.66 lacs (net of tax Rs. Nil) have been credited to the opening balance of Profit and Loss Account. Similarly, a sum of Rs.3.65 lacs (net of tax of Rs.Nil) has been debited to the opening balance of Profit and Loss Account in respect of provisions against leave encashment. These changes are not having material impact on the profit for the current year.

Accounting for Foreign exchange fluctuations on fixed assets

Pursuant to Companies (Accounting Standard) Rules 2006, with effect from April 1, 2007, the Company has changed the accounting policy related to recognition of foreign exchange fluctuation on fixed assets, related to transactions entered after April 01, 2004. The foreign exchange variation is now being charged / credited to the profit and loss account, which till previous year was adjusted to the carrying value of respective assets. Pursuant to

this change, foreign exchange fluctuation loss for the year amounting to Rs 50.78 lacs (Net of Tax of Rs.6.49 lacs) has been debited to profit and loss account under the head “Foreign Exchange fluctuations”.

d) 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. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

e) Depreciation

- i. Depreciation on fixed assets (other than lease hold improvements) is provided on Straight Line Method as per Schedule XIV of the Companies Act, 1956 on pro-rata basis with reference to the days of addition/sale. The management of the company is of the view that this depreciation rate fairly represents the useful life of the assets except for the following assets where a higher rate is used:

	Rates (SLM)	Schedule XIV Rates (SLM)
Batteries under UPS Project (Plant and Machinery)	19.60%	5.28%

- ii. Fixed Assets costing below Rs.5000 are fully depreciated in the year of acquisition.
- iii. Depreciation on the amount of additions made to Fixed Assets on Revaluation is adjusted against the Revaluation Reserve.
- iv. 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.
- v. Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis.
- vi. Lease hold improvements (LHI) are amortised over a primary period of lease or useful life, whichever is lower

f) Intangibles

Software costs relating to acquisition of initial software license fee and installation costs are capitalized in the year of purchase.

Softwares are amortized on a straight-line basis over its useful life, which is considered to be of a period of three years.

(g) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impair-

ment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(h) 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.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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 & Loss Account on a straight-line basis over the lease term.

(i) 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.

(j) Inventories

Inventories are valued as follows:

Raw materials, Components and stores & 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 Components and stores & 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 estimated costs necessary to make the sale.

(k) 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. It includes excise duty but excludes sales return, volume discount and value added tax/sales tax. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability that arose during the year.

Export Benefit

Export Benefits constituting import duty benefits under Duty Exemption Pass Book (DEPB) and advance license scheme are accounted for on accrual basis and have been credited to Raw material and Chemical consumption Account.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividends

Dividend is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of schedule VI of the Companies Act, 1956.

(l) Deferred Revenue Expenditure

The Company recognises payments made under voluntary retirement schemes as Deferred Revenue Expenses and write off the same in monthly instalments over a period of 36 months or by March 31, 2010, whichever is earlier.

(m) 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;

and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting 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 recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India before accounting period commencing after December 7, 2006 are capitalized as a part of fixed asset.

Forward Exchange Contracts (Derivative Instruments) not intended for trading or speculation purposes

The Company uses derivative financial instruments including forward exchange contracts to hedge its risk associated with foreign currency fluctuations. 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.

(n) Retirement and other Employee Benefits

- i. Retirement benefits in the form of Superannuation Fund (being funded to LIC) are funded defined contribution schemes and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable.
- ii. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- iii. Retirement benefits in the form of Provident Fund (where contributed to the Regional PF Commissioner) is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the fund are due. There are no other obligations other than the contribution payable to the respective authorities.

Provident Fund (Where administered by a Trust) is a defined benefit scheme whereby the Company deposits an amount determined as a fixed percentage of basic pay to the fund every month. The benefit vests upon commencement of employment. The interest credited to the accounts of the employees is adjusted on an annual basis to conform to the interest rate declared by the government for the Employees Provident Fund. The Guidance Note on implementing AS-15, Employee Benefits (revised 2005) is-

sued by the Accounting Standard Board (ASB) states that provident funds set up by employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan. Pending the issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the provident fund liability. There is no deficit in the fund.

- iv. Short term compensated absences are provided for on based on estimates. Long term compensated absences are provided for based on actuarial valuation carried by an actuary as at the end of the year.
- v. Actuarial gains/losses are immediately taken to Profit and Loss account and are not deferred.

(o) 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 unabsorbed depreciation and carry forward of tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognizes unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit

and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period

(p) 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. Provision for expenditure relating to voluntary retirement is made when the employee accepts the offer of early retirement

(q) Segment Reporting Policies

Identification of segments:

Primary Segment

Business Segment

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 identified segments are Manufacturing & Sale of Polyester film and Engineering plastics.

Secondary Segment

Geographical Segment

The analysis of geographical segments is based on the geographical location of the customers.

The geographical segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.

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.

(r) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(s) Earnings Per Share

Basic earnings per share are 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 period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

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 period are adjusted for the effects of all dilutive potential equity shares.

3. Capital Commitments	2007-08	2006-07
	(Rs. In lacs)	(Rs. in lacs)
Estimated amount of contracts remaining to be executed on capital account and not provided for	256.11	218.88
4. Contingent Liabilities not provided for	2008	2007
	(Rs. In lacs)	(Rs. in lacs)
(a) 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.	388.59	166.94
(b) 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	57.20	57.20
Total (b)	539.72	539.72
(c) Show Case notices related to denial of Service Tax credit & Excise rebate on export	24.75	26.65
(d) Sales Tax:		
Stock Transferred to Noida treated as Sales	-	26.60
Demand raised during assessment	-	0.78
(e) Income Tax:		
Demand raised during assessment	1.84	1.84
Demand of MAT (including interest) A.Y.04-05	46.63	46.63
Demand of MAT (including interest) A.Y.05-06	17.05	-
(f) Labour Cases:		
Workers suspended, pending in High Court, Delhi	1.67	5.16
Total (a to f)	1020.25	814.32
(g) Other Claims not acknowledged as Debts	54.73	54.03
(h) Dividend on Preference Shares	0.00	0.65

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 (b) to (g) above and hence no provision is considered necessary against the same.

5. Deferred Payment Liabilities

Liability under deferred Payment represents Acceptances under Letters of Credit and are payable in June-July 2008 i.e. after 35 months from the date of shipment. 'Liability under Deferred Payments' Rs.1196.18 lacs (Previous Year Rs. 1095.32 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 and is further secured by irrevocable guarantees of a Director of the Company & his relative and a Promoter company. Amount payable with in one year Rs.1196.18 lacs (Previous year – Rs.Nil)

6. Company has taken an unsecured interest free loan in 1999-2000 from an overseas corporate body (Spring Falls Limited - Related Party) in the form of External Commercial Borrowing (ECB). Loan was due for repayment in one install-

ment on March 31, 2005 but it was rescheduled with the consent of lender and was repayable by March 31, 2006. Company was not able to repay the loan on that date and the same was not renewed in the previous year as per the guidelines of Reserve Bank of India. Loan is now repayable on demand. The movement in the loan balance is on account of foreign exchange fluctuations recognised in the current year.

7. In the opinion of the Board of Directors of the Company, Loans and Advances have a realisable value at least at the amounts at which they are stated.

8. Directors' Remuneration	2007-08	2006-07
	(Rs. in lacs)	(Rs. in lacs)
(a) Salary	29.71	33.00
(b) Allowances	24.90	30.60
(c) Perquisites	3.33	1.86
(d) Contribution to Provident fund	3.57	4.05
(e) Contribution to Superannuation fund	4.46	4.95
(f) Leave Encashment	3.00	0.75
(g) Gratuity	8.22	—
Total	<u>77.19</u>	<u>75.21</u>

The Company does not have sufficient profits as per section 349 and 350 of the Companies Act. Abovementioned managerial remuneration is within the maximum limits prescribed by Schedule – XIII of the Act. Other provisions of Act governing managerial remuneration is complied with and necessary approvals were obtained from shareholders in their general meeting.

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. Current year gratuity represents gratuity paid to a whole time director on his separation.

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.

9. Auditors' Remuneration	2007-08	2006-07
	(Rs. In lacs)	(Rs. in lacs)
(a) Audit fee	8.00	8.00
(b) Tax-audit fee	2.00	2.00
(c) Limited Reviews	7.50	6.00
(d) Out of Pocket Expenses & Service Tax	0.62	0.59
Total	<u>18.12</u>	<u>16.59</u>

10. In accordance with ASI 14 on 'Disclosure of Revenue from Sales Transactions' issued by Institute of Chartered Accountants of India, excise duty on turnover amounting to Rs. 2947.18 lacs (Previous Year : Rs. 2636.18 lacs) has been reduced from turnover in profit & loss account and differential excise duty on opening and closing stock of finished goods amounting to Rs.24.06 lacs [Previous Year : Rs.45.16 lacs] has been incorporated in Manufacturing Expenses in Schedule -16.

11. Gratuity and other post-employment benefit plans:

The Company has a defined benefit gratuity plan. Gratuity is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement/termination/resignation. The benefit vests on the employees after completion of 5 years of service. The Gratuity liability has not been externally funded. Company makes provision of such gratuity liability in the books of accounts on the basis of actuarial valuation as per the Projected unit credit method. The Company has also provided long term compensated absences which are unfunded. The following tables summarise the components of net benefit expense recognized in the profit and loss account and the unfunded status and amounts recognized in the balance sheet for the Gratuity.

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

	Rs in Lacs
	(Gratuity)
	March 31, 2008
Current service cost	16.52
Interest cost on benefit obligation	18.00
Expected return on plan assets	-
Net actuarial loss recognised in the year	51.20
Past service cost	-
Net benefit expense	85.72
Actual return on plan assets	-

Balance sheet

Details of provision for Gratuity

	Rs. in Lacs
	March 31, 2008
Defined benefit obligation	268.72
Fair value of plan assets	-
	268.72
Less: Unrecognised past service cost	-
Plan liability	268.72

Changes in the present value of the defined benefit obligation are as follows:

	Rs in Lacs
	March 31, 2008
Defined benefit obligation as at April 1, 2007	224.98
Interest cost	18.00
Current service cost	16.52
Benefits paid	(41.98)
Actuarial losses on obligation	51.20
Defined benefit obligation as at March 31, 2008	268.72

Since the entire amount of plan obligation is unfunded therefore changes in the fair value of plan assets are not given. Further the entire amount of plan obligation is unfunded therefore categories of plan assets as a percentage of the fair value of total plan assets and Company's expected contribution to the plan assets in the next year is not given.

The principal assumptions used in determining gratuity benefit obligations for the Company's plans are shown below:

	March 31, 2008
	%
Discount rate	8.0
Increase in Compensation cost	5.5
Employee turnover – Age Group	
Up to 30 years	3%
30 – 44 years	2%
Above 44 years	1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. Pursuant to a limited revision to AS 15 (revised) made by Companies (Accounting Standards) Amendment Rules, 2008 which allows an entity to make disclosures required by paragraph 120(n) of AS 15 (revised) prospectively from the transition date. In view of the above the Company has not disclosed the information required to be disclosed under para 120 (n) of AS 15 (revised). The current year being the first year of adoption of Accounting Standards – 15 (Revised 2005) by the Company, the previous year's comparative information has not been furnished.

Contribution to Defined Contribution Plans: Rs. in Lacs
2007-08

Superannuation fund	62.79
Provident Fund	52.76

12. The Company follows Accounting Standard (AS-22) "Accounting for taxes on Income", issued by the Institute of Chartered Accountants of India. The Company has significant timing differences between accounting and tax records on account of accumulated losses, unabsorbed depreciation and various other items

which suggest accounting for deferred tax asset. Since there is no convincing evidence which demonstrates virtual certainty of realization of such “deferred tax asset”, the Company has prudently decided not to recognize the net deferred tax assets of Rs.72.05 lacs.

13. The Company has taken various residential, office and warehouse premises under operating lease agreements. These are generally not non-cancellable and are renewable by mutual consent on mutually agreed terms. There are no restrictions imposed by Lease Agreement. There are no subleases.

(Rs.in lacs)

Particular	Lease Payments	
	2007-08	2006-07
Total lease payment for the year (Recongised in Profit and Loss Account)	94.46	87.72
Minimum Lease Payments		
Not later than one year	89.17	89.07
Later than one year but not later than five years	311.49	241.51
Later than five years	143.22	213.02

14. Derivative Instruments and Unhedged Foreign Currency Exposure

Forward contract outstanding as at Balance Sheet date.

Particulars of Derivatives		C.Y.	P.Y.	Purpose
Sell	USD	43,19,098	3,907,628	Hedge of debtors/expected future sales
Purchase	EURO	740,000	Nil	Hedge of Payment under Deferred liability
Purchase	USD	250,000	Nil	Hedge of Payment under Deferred liability

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

Particulars	Curr-ency	Amount In Foreign Currency		Amount(Rs in lacs)	
		C.Y.	P.Y.	C.Y.	P.Y.
Import Creditors (Acceptances)	Euro	981,562 @ 63.14	1,656,527 @ 58.44	619.76	968.07
Import Creditors (Acceptances)	USD	716,673 @ 40.01	637,532 @ 43.59	286.74	277.90
Import Creditors (Deferred Payment Liabilities)	USD	1,073,460 @ 40.01	NIL	429.49	NIL
Import Creditors (Acceptances)	JPY	6,732,000 @ 0.401	6,732,000 @ 0.37	27.00	24.91
Unsecured Loan	USD	1,399,754 @ 39.97	1,399,754 @ 43.50	559.48	608.89
Export Debtors	USD	2,383,326 @ 39.93	1,582,695 @ 43.07	951.66	681.67
	Euro	46,966 @ 63.05	NIL	29.61	NIL
Advances	Euro	150 @63.05	30,000 @ 58.59	0.09	17.58
	USD	188 @ 40.01	NIL	0.08	NIL

15. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006

		Rs. in Lacs	
No	Details of dues to Micro, Small and Medium Enterprises as per MSMED Act,2006	2008	2007
i	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of year		
	Principal Amount Unpaid	-	-
	Interest Due	-	-
ii	The amount of interest paid by the buyer in terms of section 16, of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the year		
	Payment made beyond the Appointed Date	5.71	-
	Interest Paid beyond the Appointed Date	-	-
iii	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006.	-	-
iv	The amount of interest accrued and remaining unpaid at the end of the year; and	-	-
v	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprise Development Act, 2006	-	-

16 Segment Reporting

The Company operates in two segments : Manufacturing and sale of Polyester Film and Engineering Plastics. The Company has chosen business segments as its primary segments considering the dominant source of nature of risks and returns, internal organisation and management structure.

A Segment Disclosure

(Rs. In lacs)

Particulars	Polyester Film		Engineering Plastics		Inter Segment Elimination		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
REVENUE								
External Turnover	29,031.64	25,988.57	2,886.58	2,239.31			31,918.21	28,227.88
Inter Segment Sales/Income	-	-	-	-	-	-	-	-
Other income	94.53	74.75	0.11	1.05			94.64	75.80
RESULT	4,193.10	1,602.01	525.44	275.13			4,718.54	1,877.14
Unallocated Corporate Expenses							2,309.89	2,124.44
Operating Profit							2,408.65	(247.30)
Interest & Finance charges							1,297.01	1,259.25
Extra-ordinary Loss due to discarding of Machinery of Chips/Film Division							-	-
Unallocated Other Income							138.84	109.34
Income Taxes							248.94	0.28
Net Profit							1,001.53	(1,397.49)
OTHER INFORMATION								
Segment assets	17,742.58	17,355.34	1,590.67	963.31			19,333.25	18,318.65
Unallocated corporate assets							5,568.99	5,269.40
Total assets							24,902.24	23,588.05
Segment liabilities	3,556.02	3,097.85	219.13	123.33			3,775.14	3,221.18
Unallocated corporate liabilities							9,877.48	9,965.21
Total liabilities							13,652.62	13,186.39
Capital expenditure	184.66	1,192.73	451.85	2.67			636.51	1,195.40
Unallocated Capital expenditure							285.11	562.29
Total Capital expenditure							921.62	1,757.69
Depreciation/Amortisation	1,099.25	1,467.85	21.26	13.20			1,120.51	1,481.05
Unallocated Depreciation/Amortisation							276.97	136.52
Total Depreciation/Amortisation							1,397.48	1,617.57
Amortisation	51.60	56.01	8.79	9.82			60.38	65.83
Unallocable Amortisation							126.91	154.26
Total Amortisation							187.29	220.09
Non-cash expenses other than depreciation and amortisation	19.76	10.14	1.97	0.87			21.73	11.01
Unallocated Non-cash expenses other than depreciation and amortisation							4.89	4.89
Total Non-cash expenses other than depreciation and amortisation							26.62	15.90

B INFORMATION ABOUT SECONDARY SEGMENTS

a) Revenue as per Geographical Markets

	(Rs. In lacs)	
	2007-08	2006-07
India *	21,011.07	18,017.24
Outside India	10,907.14	10,210.64
Total	31,918.21	28,227.88

* Includes Deemed export with in India

b) Carrying amount of Segment Assets (Debtors) by geographical location of assets

	(Rs. In lacs)	
	2007-08	2006-07
India	1,725.86	2,132.29
Outside India	2,733.51	2,366.58
Total	4,459.37	4,498.87

Rest of the current assets are common and not segregable geographical segment wise.

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

17. 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
Transactions during the year						
Managerial Remuneration						
-A.K.Singhania	-	49.35	-	-	-	49.35
	(-)	(48.48)	(-)	(-)	(-)	(48.48)
-D.K.Dosi	-	27.84	-	-	-	27.84
	(-)	(26.73)	(-)	(-)	(-)	(26.73)
Total	-	77.19	-	-	-	77.19
	(-)	(75.21)	(-)	(-)	(-)	(75.21)
Rent Paid						
-Super Leasing Ltd	-	-	-	-	18.00	18.00
	(-)	(-)	(-)	(-)	(12.00)	(12.00)

Balances Outstanding as at year end						
Balance payable						
- Ester International USA Limited	60.00 (60.00)	- (-)	- (-)	- (-)	- (-)	60.00 (60.00)
Balance Recoverable						
- Ester International USA Limited	59.64 (59.64)	- (-)	- (-)	- (-)	- (-)	59.64 (59.64)
Interest Free Loan Taken*						
- Spring Falls Limited	- (-)	- (-)	- (-)	- (-)	559.48 (608.89)	559.48 (608.89)
Guarantees given against Loans Taken (jointly and severally) by the Company						
- Sitaram Singhania	-	10,765.22	10,765.22	-	10,765.22	10,765.22
- A.K.Singhania	(-)	(10,968.02)	(10,968.02)	(-)	(10,968.02)	(10,968.02)
- 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,

*Decrease 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*
Key Management Personnel	- Mr. A.K.Singhania (Chairman & Managing Director) - Mr. D. K. Dosi (Executive Director till 8 th October 2007)
Relatives of Key Management Personnel	- Mr. Sitaram Singhania (Father of Mr. A.K.Singhania) - Jai Vardhan Singhania (Son of Mr.A.K.Singhania) - Ayush Vardhan Singhania (Son of Mr.A.K.Singhania)
Enterprises owned or significantly influenced by key management personnel or their relatives	- Spring Falls Limited - Super Leasing Limited - Saraswati Trading Company Limited** - Sri Lakshmi Investment Limited

* Also relative of Key Management Personnel

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

18. 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	
	2007-08	2006-07	2007-08	2006-07
– Super Leasing Ltd.	-	-	-	6.50
Investment by the above mentioned loanee (Super Leasing Ltd.) in the preference shares of the Company	44.11	44.11	44.11	44.11

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 Installed Capacity (as per best technical estimates of management) and Actual Production

Class of Goods	Unit	Licensed Capacity*		Installed Capacity		Actual Production	
		2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Polyester Chips	MT	NA	NA	36000	36000	34848	30485
Polyester Film	MT	NA	NA	27000**	27000**	29020	27215
Engineering Plastic	MT	NA	NA	2475\$	1500	2253	1725

* Delicensed Products

** Operating Capacity

\$ Old Engineering Plastics extruder of 1500 MT per annum capacity discarded in October 2007 and New Engineering Plastics Extruders of 3600 MT per annum capacity installed in October 2007

19.2 Consumption of raw materials

Particulars	2007-08		2006-07	
	Qty. (MT)	Value (Rs. in lacs)	Qty. (MT)	Value (Rs. In lacs)
PTA	29,910	11677.48	26,215	11805.15
MEG	12,374	6,415.27	10,690	4,824.05
DMT	40	20.68	23	9.53
Super Bright Chips	-	-	46	36.63
PBT Chips	1450	1171.35	945	861.46
Chemicals & Consumables etc		1,449.10		1,298.00
		20,733.88		18,834.82
Add : Freight		297.38		508.70
		21031.26		19343.52
Less : Export Incentives		771.51		597.16
TOTAL		20,259.75		18,746.36

19.3 Imported and indigenous raw materials and spare parts consumed

Particulars	2007-08		2006-07	
	Percentage	Value (Rs. in lacs)	Percentage	Value (Rs. in lacs)
i) Raw materials				
Imported	14.77	3,007.56	7.96	1,493.05
Indigenous	85.23	17,252.19	92.04	17,253.31
Total	100.00	20,259.75	100.00	18,746.36
ii) Stores & Spare Parts				
Imported	52.95	314.42	42.86	245.56
Indigenous	47.05	279.33	57.14	327.31
Total	100.00	593.75	100.00	572.87

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)
Others*	—	—	—	16.28	—	13.30	—	—
	(—)	(—)	(47.300)	(31.75)	(47.300)	(28.07)	(—)	(—)

(Previous year figures are given in brackets)

* It is not practicable to furnish quantitative information in view of the large number of items which differ in size and nature, each being less than 10% in value of the total

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)	Qty. (MT)	Value* (Rs. in lacs)	Qty.# (MT)	Value# (Rs. in lacs)	
Polyester/ PBT	108	68.19	34848	5071(i)	3081.05	521	322.64	
Chips	(289)	(197.59)	(30485)	(3308)	(2153.09)	(108)	(68.19)	
Polyester Film	218	193.52	29020	28931(ii)	28621.04	173	154.92	
	(780)	(636.91)	(27215)	(27612)	(26165.56)	(218)	(193.52)	
Engg. Plastics	152	175.13	2253	2224	3138.06	181	176.22	
	(180)	(205.33)	(1725)	(1753)	(2504.56)	(152)	(175.13)	
Methanol	4	0.19	8	12	0.62	-	-	
(By-product)	(3)	(0.15)	(10)	(9)	(0.44)	(4)	(0.19)	

(i) Excludes captive consumption of 29,359 MT (previous year 27,358 MT) and 5 MT lost during in-transit (previous year Nil MT) but inclusive of export sales 1659 MT (previous year 1771 MT).

(ii) Excludes captive consumption of 134 MT (previous year 158 MT) and Nil MT lost during in-transit (previous year 7 MT) but inclusive of export sales of 12,033 MT (previous year 11,899 MT).

* Do not include Rs.11.32 lacs (previous year Rs.12.34 lacs) on account of sale of waste.

\$ Excludes stock of Pallets of 12,570 MT having value of Rs.7.12 lacs as on 31st March 2007 which is generally meant for captive consumption.

Excludes stock of Pallets of 134,436 MT having value of Rs.76.27 lacs as on 31st March 2008 which is generally meant for captive consumption.

Previous year figures are given in brackets.

19.6 Value of imports calculated on CIF basis

	2007-08 (Rs. in lacs)	2006-07 (Rs. in lacs)
Raw Materials	1980.36	1460.83
Stores & Spare Parts	411.28	250.19
Capital Goods	293.77	1126.14
TOTAL	2685.41	2837.16

19.7 Expenditure in Foreign Currency:
(On cash basis)

	2007-08	2006-07
	(Rs. In lacs)	(Rs. In lacs)
Interest and Bank Charges	29.87	40.83
Legal & Professional	22.78	2.88
Expense on Foreign Technicians	—	9.14
Expense on Foreign Technicians Capitalised	11.93	2.86
Brokerage & Commission	120.56	144.88
Traveling Expenses	43.50	33.57
Quality Compensation	31.03	8.64
Miscellaneous Expenses	5.31	2.24
TOTAL	264.98	245.04

19.8 Earnings in Foreign Currency: (On accrual Basis)	2007-08 (Rs. In lacs)	2006-07 (Rs. in lacs)
FOB value of Export of Goods	<u>11467.89</u>	<u>10989.90</u>
TOTAL	11467.89	10989.90

(FOB Value of Exports does not include Deemed Exports of Rs.114.87 lacs (previous year Rs.57.41 lacs).

20. Pursuant to amendment by Finance Act - 2008 in Income Tax Act, Deferred Tax charge was no longer an allowable deduction in computation of Minimum Alternate Tax (MAT) under Section - 115JB of the Income Tax Act and this amendment is effective retrospectively from April 1, 2000. Company has paid MAT in Assessment Years - 2004-05 and 2005 - 06 and has taken deduction of deferred tax charge in these years. In view of the above amendment, MAT for the above 2 assessment years was recomputed. Total impact was Rs.67.97 lac which is charged in the current year tax expense.

21. 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 S.R.Batliboi & Co.
Chartered Accountants

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : May 22, 2008

For and on behalf of the Board of Directors
of Ester Industries Limited

Shweta Yadav
Company Secretary

A.K.Singhania
Chairman & Managing Director

Pradeep Rustagi
General Manager (F&A)

Ashok Newatia
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

a. Registration Details :	
1. Registration No. (CIN No.)	L24111UR1985PLC015063
2. State Code	20
3. Balance Sheet Date	31.03.2008
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	24,960.38
2. Total Assets	24,960.38
3. Sources of Funds :	
-Paid-up Capital	3,054.88
-Reserves & Surplus	8,252.87
-Secured Loans	8,068.90
-Unsecured Loans	559.48
-Liabilities under Deferred payment	1,196.17
Total	<u>21,132.30</u>
4. Application of Funds :	
-Net Fixed Assets (including Capital work in progress)	14,205.95
-Investments	11.31
-Net Current Assets	6,856.91
-Miscellaneous Expenditure	58.13
Total	<u>21,132.30</u>
d. Performance of Company (Rs.in lacs)	
1. Turnover/Other Income	35,098.88
2. Total Expenditure	33,848.39
3. Profit Before Tax	1,250.48
4. Profit After Tax	1,001.54
5. Basic Earnings Per Share (Rs.)	1.80
6. Diluted Earnings Per Share (Rs.)	1.80
7. Dividend Rate (in %)	10.00%
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

For and on behalf of the Board of Directors
of Ester Industries Limited

Shweta Yadav
Company Secretary

A.K.Singhania
Chairman & Managing Director

Place : Gurgaon
Dated : May 22, 2008

Pradeep Rustagi
General Manager (F&A)

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

To

The Board of Directors of Ester Industries Limited

1. We have audited the attached Consolidated Balance Sheet of Ester Industries Limited and its subsidiaries (the Ester Group) as at 31st March 2008, 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 Ester Industries Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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 report that the consolidated financial statements have been prepared by the Ester Industries Limited's Management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements issued by the Institute of Chartered Accountants of India.
4. 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 state of affairs of the Ester Group as at 31st March 2008;
 - (b) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Ester Group for the year ended on that date.

**For S. R. Batliboi & Co.
Chartered Accountants**

Gurgaon
May 22, 2008

per Manoj Gupta
Membership No.: 83906

ESTER INDUSTRIES LIMITED AND ITS SUBSIDIARIES CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2008

SOURCES OF FUNDS	Schedules	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
Shareholders' Funds			
Share Capital	1	3,054.88	3,054.88
Reserves & Surplus	2	8,191.12	7,816.08
		<u>11,246.00</u>	<u>10,870.96</u>
Loan Funds			
Secured Loans	3	8,068.90	8,663.50
Unsecured Loans	4	565.68	614.57
		<u>8,634.58</u>	<u>9,278.07</u>
Liabilities under Deferred Payments (Refer Note No. 5 of Schedule 23)		1,196.18	1,095.32
TOTAL		<u>21,076.76</u>	<u>21,244.35</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	38,933.94	38,398.50
Less: Accumulated Depreciation/Amortisation		24,918.54	23,712.27
Net Block		<u>14,015.40</u>	<u>14,686.23</u>
Capital Work-in-Progress (including Capital Advances)		190.54	104.73
		<u>14,205.94</u>	<u>14,790.96</u>
Investments	6	11.31	8.20
Current Assets, Loans and Advances			
Inventories	7	3,227.34	2,374.01
Sundry Debtors	8	4,459.37	4,498.87
Cash and Bank Balances	9	1,315.12	959.42
Other Current Assets	10	399.16	169.83
Loans and Advances	11	1,230.34	732.90
		<u>(A) 10,631.33</u>	<u>(A) 8,735.03</u>
Less: Current Liabilities & Provisions			
Current Liabilities	12	2,978.93	2,476.73
Provisions	13	851.02	347.67
		<u>(B) 3,829.95</u>	<u>(B) 2,824.40</u>
Net Current Assets		<u>(A-B) 6,801.38</u>	<u>(A-B) 5,910.63</u>
Miscellaneous Expenditure (to the extent not written off or adjusted)	14	58.13	237.78
Debit balance of Profit and Loss Account	-	-	677.64
Less: Adjusted against General Reserve as per contra		<u>-</u>	<u>296.78</u>
TOTAL		<u>21,076.76</u>	<u>21,244.35</u>

Notes to Accounts 23

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
of Ester Industries Limited

For S.R.Batliloi & Co.
Chartered Accountants

Shweta Yadav
Company Secretary

A.K.Singhania
Chairman & Managing Director

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : May 22, 2008

Pradeep Rustagi
General Manager (F&A)

Ashok Newatia
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED MARCH 31, 2008

	Schedules	31.03.2008 (Rs. in lacs)		31.03.2007 (Rs. in lacs)
INCOME				
Turnover (Gross)		34,865.39		30,864.06
Less : Excise Duty on Turnover				
Note No. 10 of Schedule 23)		<u>2,947.18</u>		<u>2,636.18</u>
Turnover (Net)		31,918.21		28,227.88
Other Income	15	233.48		185.14
		<u>32,151.69</u>		<u>28,413.02</u>
EXPENDITURE				
Purchase for Resale		16.28		31.75
Manufacturing Expenses	16	24,163.38		22,289.14
(Increase)/Decrease in Inventories	17	(334.13)		630.69
Personnel Expenses	18	1,474.79		1,239.75
Administrative and Other Expenses	19	1,341.92		1,354.54
Selling Expenses	20	1,545.48		1,388.66
Depreciation/Amortisation		1,412.07	1,649.13	
Less : Transferred from Revaluation Reserve		<u>14.60</u>	<u>31.55</u>	1,617.58
Financial Expenses	21	1,297.01		1,259.25
Profit/(Loss) before Tax		1249.49		(1398.34)
Provision for Tax:				
Current Tax (including Minimum Alternate Tax)		209.92	0.29	
(Refer Note No. 20 of Schedule 23)				
Deferred Tax credit		-	(29.68)	(29.39)
Fringe Benefit Tax		39.29		29.96
Profit/(Loss) after Tax		1000.28		(1398.91)
Balance brought forward from previous year		(677.64)		
Less: Adjusted against General Reserve as per contra		<u>380.86</u>	(296.78)	721.27
Adjustment for Employee Benefit Provision				
(Refer Note No. 2 C of Schedule 23)				
- Gratuity (Net of Tax Rs. NIL (Previous year Rs. NIL))		10.66		0.00
- Leave Encashment (Net of Tax Rs. NIL (Previous year Rs. NIL))		(3.65)		0.00
Profit available for Appropriation		710.51		(677.64)
Appropriations:				
Dividend on Preference Shares		0.84		-
Proposed Final Dividend on Equity Shares		277.51		-
Tax on Dividend		47.31		-
Balance carried to Balance Sheet		<u>384.85</u>		<u>(677.64)</u>
Earnings per share	22			
Basic and Diluted [Nominal value of shares Rs. 5/-		1.80		(2.52)
(Previous Year : Rs. 5/-)]				
Notes to Accounts 23				

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
of Ester Industries Limited

For S.R.Batlilboi & Co.
Chartered Accountants

Shweta Yadav
Company Secretary

A.K.Singhania
Chairman & Managing Director

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : May 22, 2008

Pradeep Rustagi
General Manager (F&A)

Ashok Newatia
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2008

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
CASH FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax	1,249.49	(1,398.34)
Adjusted for:		
Depreciation/Amortisation	1,397.47	1,617.58
Loss on Fixed Assets Sold/Discarded	54.80	38.47
Interest Expenses	1,113.89	1,051.80
Interest Income	(91.58)	(65.43)
Dividend Income	-	(3.60)
Exchange Difference	(72.47)	(54.61)
Miscellaneous Expenditure Written off	187.27	220.09
Provision for Doubtful Debts and Advances	(5.04)	4.89
Loss on Settlement of Equity Stock Futures	-	7.05
Profit on Sale of Current Investments	-	(1.91)
Provision for Obsolete Inventories	21.73	11.01
Loss on sale of current investment	-	3.36
Provision for Diminution in Value of Investments	(3.11)	9.40
Excess liability written back	(11.59)	-
Operating Profit/(Loss) before Working Capital Changes	3,840.86	1,439.76
Adjustment for:		
(Increase) in Trade/Other Receivables	(588.96)	(1,258.56)
(Increase)/Decrease in Inventories	(875.06)	491.93
Increase/(Decrease) in Trade/Other Payables	559.61	(20.39)
Miscellaneous Expenditure (Paid)	(7.62)	(19.01)
Cash Generated from Operations	2,928.83	633.73
Direct Taxes Paid	(124.65)	(33.95)
Net Cash from Operating Activities (a)	2,804.18	599.78
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(933.52)	(1,799.92)
Sale of Fixed Assets	37.45	162.63
Loss on Settlement of Equity Stock Futures	-	(7.05)
Fixed Deposits with Banks	(265.87)	(174.41)
Sale/(Purchase) of Investments (Net)	(0.00)	24.43
Interest Received	49.91	53.53
Dividend Received	-	3.60
Net Cash (used in) Investing Activities (b)	(1,112.03)	(1,737.19)
CASH FLOW FROM FINANCING ACTIVITIES		
Movement in Short Term Borrowings	536.80	2,026.04
Receipts of Long Term Borrowings	250.00	1,400.00
Repayment of Long Term Borrowings	(1,280.03)	(1,158.65)
Interest Paid	(1,113.89)	(1,051.88)
Dividend Paid	-	-
Net Cash from/(used in) Financing Activities (c)	(1,607.12)	1,215.51
Net Increase in Cash & Cash Equivalents (a+b+c)	85.03	78.10
Opening Balance of Cash & Cash Equivalents	125.01	45.08
Add: Foreign Currency Translation Difference	4.80	1.83
Closing Balance of Cash & Cash Equivalents	214.84	125.01
Cash & Cash Equivalents as at year end includes:	Closing Balance	Closing Balance
Cash on Hand	6.06	6.79
Balances with Scheduled Banks :		
- On current Accounts	187.77	97.25
- On Term Deposits	1,100.28	834.41
- On Unpaid Dividend Accounts	15.67	15.75
	1,309.78	954.21
Balances with Non-Scheduled Banks :		
- On current Accounts	5.34	5.22
Less: Deposit Pledged with banks	83.12	57.00
Less: Deposit having maturity period more than 3 months	1,017.16	777.41
	214.84	125.01

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
of Ester Industries Limited

For S.R.Batlboi & Co.
Chartered Accountants

Shweta Yadav
Company Secretary

A.K.Singhania
Chairman & Managing Director

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : May 22, 2008

Pradeep Rustagi
General Manager (F&A)
(75)

Ashok Newatia
Director

SCHEDULES TO THE ACCOUNTS

SCHEDULE - 1

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
SHARE CAPITAL		
Authorised		
15,00,00,000 (Previous Year 15,00,00,000) Equity Shares of Rs. 5/- each	7,500.00	7,500.00
6,00,000 (Previous Year 6,00,000) Cumulative Convertible Preference Shares of Rs. 50/- each	300.00	300.00
80,00,000 (Previous Year 80,00,000) Redeemable Cumulative Preference Shares of Rs. 50/- each	<u>4,000.00</u>	<u>4,000.00</u>
	<u>11,800.00</u>	<u>11,800.00</u>
Issued, Subscribed and Paid-up		
5,55,02,400 (Previous Year 5,55,02,400) Equity shares of Rs. 5/- each fully paid-up (Includes 38,82,000 equity shares issued on conversion of Cumulative Convertible Preference Shares during the year 2003-04)	2,775.12	2,775.12
5,59,521 (Previous Year 5,59,521) 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

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
RESERVES AND SURPLUS		
a) Capital Reserve*	5,701.99	5,702.00
b) Capital Redemption Reserve	55.61	55.61
c) Securities Premium Account	1396.94	1396.94
d) Revaluation Reserve		
Balance as per last Account	653.31	684.86
(Created on 31st October, 1992 by Revaluation of Fixed Assets)		
Less: Transferred to Profit & Loss Account (Being Depreciation on Revalued asset for the year)	<u>14.60</u>	<u>31.55</u>
	638.71	653.31
e) Foreign Exchange Translation Difference		
Balance as per last Account	8.22	6.39
Add: Addition during the year	4.80	1.83
Less: Reduction during the year	-	-
	13.02	8.22
f) General Reserve		
Balance as per last Account	0.00	380.86
Less: Profit & Loss Account debit balance as per contra	<u>0.00</u>	<u>380.86</u>
	-	-
g) Profit & Loss Account	<u>384.85</u>	<u>-</u>
	<u>8191.12</u>	<u>7816.08</u>

* Includes Rs.5701.05 lacs (Previous Year - Rs.5701.05 lacs) on account of write back of principal amount of loan due to One Time Settlement with lenders during the year 2002-03.

SCHEDULE - 3

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
SECURED LOANS		
Rupee Term Loans		
From Banks	2,278.06	3,456.95
Working Capital Loans from Banks		
Cash Credit Facilities	3,749.79	3,014.05
Bills Discounting	1,926.73	2,125.66
Vehicle Loans		
From Banks	63.29	38.00
From Bodies corporate	51.03	28.84
	<u>8,068.90</u>	<u>8,663.50</u>

Notes:

1. Rupee term loan
 - i) From Bank of India of Rs. 225.00 lacs (Previous year - Rs. Nil) - Secured by first exclusive charge by way of hypothecation of all the Company's movable and immovable assets related to Engineering Plastics Project.
 - ii) From Bank of India of Rs. 357.50 lacs (Previous year - Rs.495 lacs) - Secured by first exclusive charge by way of hypothecation of all the Company's movable and immovable assets related to PET Film Line-1 modification project.
 - iii) From Canara Bank Rs. 194.99 lacs (Previous year - Rs.269.99 lacs) - Secured by first exclusive charge by way of hypothecation of all the Company's movable and immovable assets related to UPS Project.
 - iv) From State Bank of Bikaner & Jaipur Rs. 330.00 lacs (Previous year - Rs.440 lacs) - Secured by first exclusive charge by way of hypothecation of all the Company's movable and immovable assets related to Co-Extrusion Project.
 - v) Balance Term Loan of Rs. 1170.57 lacs (Previous year - Rs.2251.96 lacs) - Secured by first mortgage created by way of deposit of title deeds in respect of Company's immovable properties, both present and future and first charge by way of hypothecation of all the Company's balance movable assets (save and except book debts, vehicles acquired under vehicle loans) 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.
All above 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. 1149.51 lacs (Previous Year Rs.1412.61 lacs).

SCHEDULE - 4

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
UNSECURED LOANS		
Foreign Currency Loan (Interest Free)		
From Overseas Corporate Body	559.48	608.89
(Payable within in one year Rs. 559.48 lacs (Previous Year - Rs. 608.89 lacs)		
Refer Note No. 6 of Schedule 23		
Other Loan (Other than from Banks)	6.20	5.68
	<u>565.68</u>	<u>614.57</u>

SCHEDULE - 5

FIXED ASSETS

(Rs. in lacs)

Description	GROSS BLOCK			ACCUMULATED DEPRECIATION/AMORTISATION			NET BLOCK		
	01.04.2007	Additions	Deductions/ Adjustments	31.03.2008	31.03.2007	Current Year	Deductions/ Adjustments	31.03.2008	31.03.2007
Tangible Assets:									
Land (Freehold) (i) & (iii)	60.03	-	-	60.03	-	-	-	60.03	60.03
Buildings (iii)	2,571.17	90.94	-	2,662.11	1,121.44	74.01	-	1,466.66	1,449.73
Plant & Machinery (ii) & (iii)	34,681.03	570.02	217.61	35,033.44	22,094.23	1,227.14	158.97	23,162.40	12,586.79
Furniture & Fixtures	144.01	15.71	2.30	157.42	48.63	8.12	0.90	55.85	101.57
Lease Hold Improvements	154.14	-	-	154.14	13.72	19.28	-	33.00	140.42
Office Equipments	280.21	43.43	1.59	322.05	175.19	31.14	1.58	204.75	117.30
Vehicles	356.36	127.61	90.77	393.20	122.62	37.27	44.35	115.54	277.66
Intangible Assets:									
Softwares	151.55	-	-	151.55	136.44	15.11	-	151.55	15.11
	38,398.50	847.71	312.27	38,933.94(iii)	23,712.27	1,412.07	205.80	24,918.54	14,686.22
Previous year	36,705.12	2,039.44	346.06	38,398.50	22,357.66	1,649.13	294.52	23,712.27	14,347.46

Capital Work in Progress (including Capital Advances Rs. 42.51 lacs, Previous Year Rs. 25.69 lacs.)

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) (a) Current year's additions to Plant & Machinery include Rs. NIL lacs (Previous Year Rs. 83.11 lacs) on account of Foreign Exchange Fluctuation and Rs. NIL lacs (previous year Rs. 13.89 Lacs) on account of interest.
(b) Current year's deletions from Plant & Machinery include Rs. 217.61 lacs [Previous year Rs. Nil lacs] on account of discarding of the Machinery of Engineering Plastics Division.
- (iii) (a) Gross Block of Fixed Assets includes Rs. 7933.38 lacs (Previous Year Rs.7933.38 lacs) being the amount added on revaluation of Fixed Assets on 31-10-1992. Revaluation was carried out by an external valuer as per "Existing Use Value" Method using prevailing market prices of the assets and where such prices were not available, RBI indices were used. Details of additions due to revaluation are as follows.
Land - Rs. 39.93 Lacs (Previous Year Rs.39.93 Lacs)
Building - Rs. 526.23 Lacs (Previous Year Rs.526.23 Lacs)
Plant and Machinery - Rs. 7367.22 Lacs (Previous Year Rs. 7367.22 Lacs)

ESTER
INDUSTRIES LTD.

SCHEDULE - 6

INVESTMENTS		31.03.2008	31.03.2007
Long Term Investments (At cost)		(Rs. in lacs)	(Rs. in lacs)
A. Trade (Quoted) Equity Shares Fully Paid	Number of Shares	Face Value (Rs.)	
Recron Synthetics Ltd.	50	10	0.02
Pearl Polymers Ltd.	100	10	0.04
Polyplex Corporation Ltd.	100	10	0.05
Orkay Silk Mills Ltd.	100	10	0.04
J.K.Synthetics Ltd.	100	10	0.03
J.K.Cement Ltd	10	10	0.00
Reliance Industries Ltd.	100	10	0.14
Reliance Communication Ventures Limited	100	5	0.00
Reliance Energy Ventures Limited	100	10	0.00
Reliance Capital Ventures Limited	100	10	0.00
Reliance Natural Resources Limited	100	5	0.00
Haryana Petrochemicals Ltd.	100	10	0.04
Central India Polyesters Ltd.	50	10	0.06
Sanghi Polyester Ltd.	100	10	0.08
Garware Nylons Ltd.	100	10	0.01
Venlon Enterprises Ltd.	360	5	0.10
Nirlon Ltd.	196	10	0.02
Modipon Ltd.	100	10	0.11
Garware Polyester Ltd.	100	10	0.01
SRF Ltd.	100	10	0.02
Flex Industries Ltd.	100	10	0.05
Jindal Poly Films Ltd.	100	10	0.03
B. Other than trade (Quoted) Equity Shares Partly Paid	Number of Shares	Face Value (Rs.)	
Industrial Development Bank of India	68,700	10	25.03
			(a) 25.88
Current Investments (At lower of cost or market value):	Number of Shares	Face Value (Rs.)	
A. Equity Shares Fully Paid (Non Trade) (Quoted)			
Ispat Industries Ltd. (Previous year - 30000 Shares)	30,000	10	7.17
Bajaj Hindustan Ltd. (Previous year - 1000 Shares)	1,000	10	5.40
Current Investments (At cost) (Un-Quoted) :			
B. Preference Shares Fully Paid (Non Trade)			
Ispat Industries Ltd. (Previous year - 20000 Shares)	20,000	10	4.78
			(b) 17.35
Total (a) + (b) + (c)			43.23
Less : Provision for Diminution in the Value of :			
- Long Term Investments**			25.63
- Current Investments			6.29
		Net Investments	11.31
Aggregate amount of quoted investments (Net of Provision for Diminution)			9.30
Aggregate amount of market value of quoted investments			14.89
Aggregate amount of unquoted investments (Net of Provision for Diminution)			2.00

* There was no sale and purchase of investment in the current year.

SCHEDULE - 7

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
INVENTORIES (at lower of cost and net realisable value)		
Raw Materials (including material in transit Rs. 160.30 lacs, previous year Rs.93.67 lacs)	1,259.59	911.32
Stores & Spares (including material in transit Rs. 7.58 lacs, previous year Rs. 25.93 lacs)	807.15	636.22
Work-in-progress	429.99	388.72
Finished goods (including material in transit Rs. NIL lacs, previous year Rs. 37.19 lacs)	730.11	437.03
By-product and waste	0.50	0.72
	<u>3,227.34</u>	<u>2,374.01</u>

SCHEDULE - 8

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	40.23	24.25
Unsecured, considered doubtful	365.62	387.05
Other debts		
Secured, considered good	1,244.93	1,268.62
Unsecured, considered good	3,174.21	3,206.00
Total Sundry Debtors	4,824.99	4,885.92
Less: Provision for Doubtful Debts	365.62	387.05
	<u>4,459.37</u>	<u>4,498.87</u>

SCHEDULE - 9

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
CASH AND BANK BALANCES		
Cash on Hand	6.06	6.66
Cheques in transit	0.00	0.13
Balances with Scheduled Banks :		
- On current accounts	187.77	97.25
- On deposits accounts (including receipts for Rs. 83.12 lacs pledged with banks, previous year Rs. 57.00 lacs)	1,100.28	834.41
- On Unpaid Dividend Account	15.67	15.75
Balance with Non-Scheduled Banks:		
- On Current Accounts	5.34	5.22
	<u>1315.12</u>	<u>959.42</u>

SCHEDULE - 10

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
OTHER CURRENT ASSETS		
Fixed Assets held for sale *	20.22	6.00
Interest receivable on deposits	70.34	28.68
Export Benefits Receivable	308.60	135.15
	<u>399.16</u>	<u>169.83</u>

* at net book value or estimated net realisable value, whichever is lower

SCHEDULE - 11

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
LOANS AND ADVANCES		
Unsecured, considered good		
Advances Recoverable in cash or in kind or for value to be received	388.61	318.32
Income Tax Deducted at Source & Refunds Recoverable	41.91	22.19
Balances with Excise, Custom Etc.	312.71	164.66
Loans to Employees	23.71	18.79
Deposits-others	200.48	129.59
VAT Credit (Input) Receivables	228.23	79.35
Foreign Currency Receivable	34.69	0.00
Unsecured, considered doubtful		
Advances Recoverable in cash or in kind or for value to be received	76.38	75.15
	<u>1,306.72</u>	<u>808.05</u>
Less: Provision for Doubtful Advances	76.38	75.15
	<u>1,230.34</u>	<u>732.90</u>

SCHEDULE - 12

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
CURRENT LIABILITIES		
Acceptances	1,614.48	1,276.04
Sundry Creditors *	1,164.67	1,100.91
Advances from Customers	108.78	15.82
Investor Education and Protection Fund shall be credited by following amounts (as and when due)		
- Unpaid Dividend	15.67	15.75
Deposits from Dealers/Customers & Others	5.46	4.98
Unexpired Discount on Forward Contract	1.30	-
Other Liabilities	68.57	63.23
	<u>2,978.93</u>	<u>2,476.73</u>

* Total outstanding dues of Micro, Medium and Small Enterprises

included in Sundry Creditors	NIL	NIL
(Refer Note No. 15 of Schedule 23)		

Total outstanding dues of creditors other than Micro, Medium and Small Enterprises	1164.67	1100.91
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SCHEDULE - 13

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
PROVISIONS		
Provision for Taxation (net of advance tax payments)	148.06	29.41
Provision for Fringe Benefit Tax (net of advance tax payments Rs. 29.50 Lacs (Previous year Rs. NIL))	5.76	0.00
Provision for Gratuity (Refer Note No. 11 of Schedule 23)	268.72	235.64
Provision for Leave Encashment	101.52	81.47
Provision for Wealth Tax	1.30	1.15
Proposed Dividends	278.35	0.00
Tax on Proposed Dividends	47.31	0.00
	<u>851.02</u>	<u>347.67</u>

SCHEDULE - 14

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Payments under Voluntary Retirement Scheme		
Opening Balance	237.78	425.31
Add: Incurred During the Year	7.62	19.01
	<u>245.40</u>	<u>444.32</u>
Less: Written Off During the Year	187.27	206.54
	<u>58.13</u>	<u>237.78</u>

SCHEDULE - 15

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
OTHER INCOME		
Interest on:		
Bank Deposits (Tax Deducted at Source Rs. 18.89 lacs, previous year Rs. 12.17 lacs)	91.58	63.72
Others	0.00	1.71
Dividend:		
Long Term Investments - Trade	0.00	0.03
Current Investments - Non Trade	0.00	3.56
Profit on Sale of Current Investments - Non Trade (net)	0.00	1.91
Profit on Foreign exchange fluctuations (net off of Loss of Rs. 387.43 lacs (Previous Year Rs.NIL))	49.41	-
Reversal of Provision for Doubtful Debts	7.71	0.00
Excess Liability written back	11.59	0.00
Miscellaneous Income	73.19	114.21
	<u>233.48</u>	<u>185.14</u>

SCHEDULE - 16

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
MANUFACTURING EXPENSES		
Raw Materials & Chemicals Consumed (Net of export incentive of Rs.771.51 Lacs (Previous year Rs 597.16 lacs))	20,259.75	18,746.37
Packing Materials Consumed	698.01	680.78
Power & Fuel	2,434.28	2,196.20
Consumption of Stores & Spares	593.75	572.87
Repairs & Maintenance - Plant & Machinery	82.52	77.60
Material Handling Charges	71.01	60.48
Excise Duty on the difference between Closing and Opening Stocks (Refer Note No. 10 of Schedule 23)	24.06	(45.16)
	<u>24,163.38</u>	<u>22,289.14</u>

SCHEDULE - 17

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
(INCREASE)/DECREASE IN INVENTORIES		
Inventories as at March 31, 2008		
- Work in Progress	429.99	388.72
- Finished Goods	730.11	437.03
- By-product and waste	<u>0.50</u>	<u>0.72</u>
	1,160.60	826.47
Inventories as at March 31, 2007		
- Work in Progress	388.72	415.42
- Finished Goods	437.03	1,041.03
- By-product and waste	<u>0.72</u>	<u>0.71</u>
	826.47	1,457.16
	<u>(334.13)</u>	<u>630.69</u>

SCHEDULE - 18

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
PERSONNEL EXPENSES		
Salaries, Wages and Bonus	1,182.38	999.29
Contribution to Provident Fund	79.48	72.10
Gratuity Expense (Refer Note No. 11 of Schedule 23)	85.72	62.62
Contribution to Other Post-employment Funds	63.24	52.50
Workmen and Staff Welfare Expenses	63.97	53.24
	<u>1,474.79</u>	<u>1,239.75</u>

SCHEDULE - 19

	31.03.2008		31.03.2007
	(Rs. in lacs)		(Rs. in lacs)
ADMINISTRATIVE AND OTHER EXPENSES			
Rent	94.46		87.72
Rates, Taxes and License Fees	8.90		6.04
Insurance	86.94		95.22
Repairs & Maintenance -			
- Buildings	11.28	11.26	
- Others	<u>68.72</u>	<u>66.87</u>	78.13
Travelling & Conveyance	343.03		287.11
Communication Costs	81.94		68.86
Legal & Professional Charges	108.96		79.10
Donations (other than Political Parties)	4.46		4.37
Directors' Sitting Fees	1.50		1.95
Auditors' Remuneration (Refer Note No. 9 of Schedule 23)	19.11		17.72
Provision for Doubtful Debts and Advances	0.00		0.00
Loss on Fixed Assets Sold/Discarded (net off of gain of Rs. NIL lacs (Previous Year: Rs. 2.34 lacs)	54.80		38.47
Loss on Settlement of Equity Stock Future	0.00		7.05
Bad Debts, Advances and Irrecoverable Balances Written Off (net)	2.67		4.89
Provision for Diminution in the Value of Current Investments	0.00		9.40
Loss on sale of current investment	0.00		3.36
Loss on Sale of DEPB	32.15		8.87
Loss on Foreign exchange fluctuations (net off of gain of Rs. NIL lacs (Previous Year Rs.210.17 lacs)	0.00		64.62
Premium on Forward Contract Amortised	0.82		0.00
Provision for Obsolete Inventories	21.73		11.01
Miscellaneous Expenditure Written Off	187.27		220.09
Miscellaneous Expenses	213.18		260.56
	<u>1,341.92</u>		<u>1,354.54</u>

SCHEDULE - 20

	31.03.2008		31.03.2007
	(Rs. in lacs)		(Rs. in lacs)
SELLING EXPENSES			
Freight	1,164.16		1,109.78
Commission and Brokerage (other than Sole Selling Agents)	176.29		184.38
Discount, Claims & Rebates	114.04		55.75
Others	90.99		38.75
	<u>1,545.48</u>		<u>1,388.66</u>

SCHEDULE - 21

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
FINANCIAL EXPENSES		
Interest		
- on Term Loans	427.79	474.47
- on Banks	685.99	577.26
- on Others	0.10	0.07
Bank Charges	183.13	207.45
	<u>1,297.01</u>	<u>1,259.25</u>

SCHEDULE - 22

	31.03.2008 (Rs. in lacs)	31.03.2007 (Rs. in lacs)
EARNING PER SHARE (EPS)		
Net Profit/(Loss) as per Profit & Loss Account	1000.28	(1398.91)
Less: Preference dividends and tax thereon	0.33	0.33
Net Profit/(Loss) for calculation of EPS	<u>999.95</u>	<u>(1399.24)</u>
Weighted average number of equity shares in calculating EPS	55,502,400	55,502,400
- Basic EPS Computed on the basis of earnings	1.80	(2.52)
- Diluted EPS Computed on the basis of earnings	1.80	(2.52)

SCHEDULE 23: 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 2007-08

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 as per Accounting Standard – 21, Consolidated Financial Statements, as notified by Companies Accounting Standards Rules, 2006. Unrealised losses resulting from intra group transactions are also eliminated unless cost cannot be recovered.
- The financial statements of the Subsidiary Companies used in the consolidation are drawn for the same period as that of the Parent Company i.e. year ended March 31, 2008.
- The financial statements of Ester Europe GmbH have been consolidated in Group financial statements on the basis of un-audited financial statements as at 31st March, 2008 (total assets of Ester Europe GmbH as a proportion of Group assets as at 31st March, 2008 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, 2008
1.	Ester International (USA) Limited	USA	100
2.	Ester Europe GmbH	Germany	100

As far as possible, the Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company’s separate financial statements.

2. Statement of Significant Accounting Policies

a) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Notified accounting standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except where otherwise stated. The accounting policies, except for the changes in accounting policy discussed below, are consistent with those used in the previous year.

The Consolidated Financial Statements (CFS) relates to Ester Industries Limited (hereinafter referred as the "Company") and its wholly owned subsidiaries (hereinafter referred as the "Group").

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Changes in Accounting Policies

Adoption of Accounting Standard AS15 (Revised) Employee Benefits

The Parent Company was providing for gratuity and leave encashment based on actuarial valuation. In Current year, the Parent Company has adopted the Accounting Standard 15 (Revised) which is mandatory from accounting periods commencing on or after December 7, 2006. Accordingly the parent company has provided for gratuity and long term compensated absences based on actuarial valuation done as per projected unit credit method. Further in accordance with the transitional provision in the revised accounting standard, Rs.10.66 lacs (net of tax Rs. Nil) have been credited to the opening balance of Profit and Loss Account. Similarly, a sum of Rs.3.65 lacs (net of tax of Rs.Nil) has been debited to the opening balance of Profit and Loss Account in respect of provisions against leave encashment. These changes are not having material impact on the profit for the current year.

Accounting for Foreign exchange fluctuations on fixed assets

Pursuant to Companies (Accounting Standard) Rules 2006, with effect from April 1, 2007, the Parent Company has changed the accounting policy related to recognition of foreign exchange fluctuation on fixed assets, related to transactions entered after April 01, 2004. The foreign exchange variation is now being charged / credited to the profit and loss account, which till previous year was adjusted to the carrying value of respective assets. Pursuant to this change, foreign exchange fluctuation loss for the year amounting to Rs 50.78 lacs (Net of Tax of Rs.6.49 lacs) has been debited to profit and loss account under the head "Foreign Exchange fluctuations".

d) 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. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

e) Depreciation

- i. Depreciation on fixed assets (other than lease hold improvements) is provided on Straight Line Method as per Schedule XIV of the Companies Act, 1956 on pro-rata basis with reference to the days of addition/sale. The management of the group is of the view that this depreciation rate fairly represents the useful life of the assets except for the following assets where a higher rate is used:

	Rates (SLM)	Schedule XIV Rates (SLM)
Batteries under UPS Project (Plant and Machinery)	19.60%	5.28%

- ii. Fixed Assets costing below Rs.5000 are fully depreciated in the year of acquisition.
- iii. Depreciation on the amount of additions made to Fixed Assets on Revaluation is adjusted against the Revaluation Reserve.
- iv. 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.
- v. Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis.
- vi. Lease hold improvements (LHI) are amortised over a primary period of lease or useful life, whichever is lower

f) Intangibles

Software costs relating to acquisition of initial software license fee and installation costs are capitalized in the year of purchase.

Softwares are amortized on a straight-line basis over its useful life, which is considered to be of a period of three years.

(g) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(h) Leases

Where the Parent Company is the lessee

Finance leases, which effectively transfer to the Parent 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.

If there is no reasonable certainty that the Parent Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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 & Loss Account on a straight-line basis over the lease term.

(i) 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.

(j) Inventories

Inventories are valued as follows:

Raw materials, Components and stores & 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 Components and stores & 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 estimated costs necessary to make the sale.

(k) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group 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. It includes excise duty but excludes sales return, volume discount and value added tax/sales tax. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability that arose during the year.

Export Benefit

Export Benefits constituting import duty benefits under Duty Exemption Pass Book (DEPB) and advance license scheme are accounted for on accrual basis and have been credited to Raw material and Chemical consumption Account.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividends

Dividend is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of schedule VI of the Companies Act, 1956.

(l) Deferred Revenue Expenditure

The Parent Company recognises payments made under voluntary retirement schemes as Deferred Revenue Expenses and write off the same in monthly instalments over a period of 36 months or by March 31, 2010, whichever is earlier.

(m) 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; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India before accounting period commencing after December 7, 2006 are capitalized as a part of fixed asset.

Forward Exchange Contracts (Derivative Instruments) not intended for trading or speculation purposes

The Parent Company uses derivative financial instruments including forward exchange contracts to hedge its risk associated with foreign currency fluctuations. 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.

Translation of Integral foreign operation

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the company itself.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

(n) Retirement and other Employee Benefits

- i. Retirement benefits in the form of Superannuation Fund (being funded to LIC) are funded defined contribution schemes and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable.
- ii. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- iii. Retirement benefits in the form of Provident Fund (where contributed to the Regional PF Commissioner) is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when

the contributions to the fund are due. There are no other obligations other than the contribution payable to the respective authorities.

Provident Fund (Where administered by a Trust) is a defined benefit scheme whereby the Parent Company deposits an amount determined as a fixed percentage of basic pay to the fund every month. The benefit vests upon commencement of employment. The interest credited to the accounts of the employees is adjusted on an annual basis to conform to the interest rate declared by the government for the Employees Provident Fund. The Guidance Note on implementing AS-15, Employee Benefits (revised 2005) issued by the Accounting Standard Board (ASB) states that provident funds set up by employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan. Pending the issuance of the Guidance Note from the Actuarial Society of India, the Parent Company's actuary has expressed his inability to reliably measure the provident fund liability. There is no deficit in the fund.

- iv. Short term compensated absences are provided for on based on estimates. Long term compensated absences are provided for based on actuarial valuation carried by an actuary as at the end of the year.
- v. Actuarial gains/losses are immediately taken to Profit and Loss account and are not deferred.

(o) 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 and Deferred tax liabilities across various countries of operation are not set off against each other as the Company does not have a legal right to do so. 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 group has unabsorbed depreciation and carry forward of tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognizes unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become virtually certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The group writes-down the carrying amount of a deferred tax

asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the parent company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Parent Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Parent Company will pay normal Income Tax during the specified period

(p) 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. Provision for expenditure relating to voluntary retirement is made when the employee accepts the offer of early retirement

(q) Segment Reporting Policies

Identification of segments:

Primary Segment

Business Segment

The Group'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 identified segments are Manufacturing & Sale of Polyester film and Engineering plastics.

Secondary Segment

Geographical Segment

The analysis of geographical segments is based on the geographical location of the customers.

The geographical segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.

Inter Segment Transfers:

Inter Segment transfers of goods, as marketable products produced by separate segments of the Group for captive consumption, are not accounted for in the books of account of the Group. 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.

(r) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(s) Earnings Per Share

Basic earnings per share are 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 period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

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 period are adjusted for the effects of all dilutive potential equity shares.

3. Capital Commitments	2007-08	2006-07
	(Rs. In lacs)	(Rs. in lacs)
Estimated amount of contracts remaining to be executed on capital account and not provided for	256.11	218.88

4. Contingent Liabilities not provided for	2008 (Rs. In lacs)	2007 (Rs. in lacs)
(a) 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.	388.59	166.94
(b) 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	57.20	57.20
Total (b)	539.72	539.72
(c) Show Case notices related to denial of Service Tax credit & Excise rebate on export	24.75	26.65
(d) Sales Tax:		
Stock Transferred to Noida treated as Sales	-	26.60
Demand raised during assessment	-	0.78
(e) Income Tax:		
Demand raised during assessment	1.84	1.84
Demand of MAT (including interest) A.Y.04-05	46.63	46.63
Demand of MAT (including interest) A.Y.05-06	17.05	-
(f) Labour Cases:		
Workers suspended, pending in High Court, Delhi	1.67	5.16
Total (a to f)	1020.25	814.32

(g) Other Claims not acknowledged as Debts	54.73	54.03
(h) Dividend on Preference Shares	0.00	0.65

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

5. Deferred Payment Liabilities

Liability under deferred Payment represents Acceptances under Letters of Credit and are payable in June-July 2008 i.e. after 35 months from the date of shipment. 'Liability under Deferred Payments' Rs.1196.18 lacs (Previous Year Rs. 1095.32 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 and is further secured by irrevocable guarantees of a Director of the Parent Company & his relative and a Promoter company of the Group. Amount payable with in one year Rs.1196.18 lacs (Previous year – Rs.Nil).

6. Parent Company has taken an unsecured interest free loan in 1999-2000 from an overseas corporate body (Spring Falls Limited - Related Party) in the form of External Commercial Borrowing (ECB). Loan was due for repayment in one installment on March 31, 2005 but it was rescheduled with the consent of lender and was repayable by March 31, 2006. Parent Company was not able to repay the loan on that date and the same was not renewed in the previous year as per the guidelines of Reserve Bank of India. Loan is now repayable on demand. The movement in the loan balance is on account of foreign exchange fluctuations recognised in the current year.
7. In the opinion of the Board of Directors of the Group, Loans and Advances have a realisable value at least at the amounts at which they are stated.

8. Directors' Remuneration	2007-08 (Rs. in lacs)	2006-07 (Rs. in lacs)
(a) Salary	29.71	33.00
(b) Allowances	24.90	30.60
(c) Perquisites	3.33	1.86
(d) Contribution to Provident fund	3.57	4.05
(e) Contribution to Superannuation fund	4.46	4.95
(f) Leave Encashment	3.00	0.75
(g) Gratuity	8.22	—
Total	77.19	75.21

The Parent Company does not have sufficient profits as per section 349 and 350 of the Companies Act. Abovementioned managerial remuneration is with in the maximum limits prescribed by Schedule – XIII of the Act. Other provisions of Act governing managerial remuneration is complied with and necessary approvals were obtained from shareholders in their general meeting.

Whole-time directors are covered under the Group's gratuity scheme along with the other employees of the Group. 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. Current year gratuity represents gratuity paid to a whole time director on his separation.

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 Parent Company.

9. Auditors' Remuneration	2007-08	2006-07
	(Rs. In lacs)	(Rs. in lacs)
(a) Audit fee	9.00	8.00
(b) Tax-audit fee	2.00	2.00
(c) Limited Reviews	7.50	6.00
(d) Out of Pocket Expenses & Service Tax	0.62	0.59
Total	19.12	16.59

10. In accordance with ASI 14 on 'Disclosure of Revenue from Sales Transactions' issued by Institute of Chartered Accountants of India, excise duty on turnover amounting to Rs. 2947.18 lacs (Previous Year : Rs. 2636.18 lacs) has been reduced from turnover in profit & loss account and differential excise duty on opening and closing stock of finished goods amounting to Rs.24.06 lacs [Previous Year : Rs.45.16 lacs] has been incorporated in Manufacturing Expenses in Schedule -16.

11. Gratuity and other post-employment benefit plans:

The Parent Company has a defined benefit gratuity plan. Gratuity is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement/termination/resignation. The benefit vests on the employees after completion of 5 years of service. The Gratuity liability has not been externally funded. The Parent Company makes provision of such gratuity liability in the books of accounts on the basis of actuarial valuation as per the Projected unit credit method. The Parent Company has also provided long term compensated absences which are unfunded. The following tables summarise the components of net benefit expense recognized in the profit and loss account and the unfunded status and amounts recognized in the balance sheet for the Gratuity.

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

	Rs in Lacs
	(Gratuity)
	March 31, 2008
Current service cost	16.52
Interest cost on benefit obligation	18.00
Expected return on plan assets	-
Net actuarial loss recognised in the year	51.20
Past service cost	-
Net benefit expense	<u>85.72</u>
Actual return on plan assets	-

Balance sheet

Details of provision for Gratuity

	Rs. in Lacs
	March 31, 2008
Defined benefit obligation	268.72
Fair value of plan assets	-
	<u>268.72</u>
Less: Unrecognised past service cost	-
Plan liability	<u>268.72</u>

Changes in the present value of the defined benefit obligation are as follows:

	Rs in Lacs
	March 31, 2008
Defined benefit obligation as at April 1, 2007	224.98
Interest cost	18.00
Current service cost	16.52
Benefits paid	(41.98)
Actuarial losses on obligation	51.20
Defined benefit obligation as at March 31, 2008	<u>268.72</u>

Since the entire amount of plan obligation is unfunded therefore changes in the fair value of plan assets are not given. Further the entire amount of plan obligation is unfunded therefore categories of plan assets as a percentage of the fair value of total plan assets and Company's expected contribution to the plan assets in the next year is not given.

The principal assumptions used in determining gratuity benefit obligations for the Parent Company's plans are shown below:

	March 31, 2008
	%
Discount rate	8.0
Increase in Compensation cost	5.5
Employee turnover – Age Group	
Up to 30 years	3%
30 – 44 years	2%
Above 44 years	1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Pursuant to a limited revision to AS 15 (revised) made by Companies (Accounting Standards) Amendment Rules, 2008 which allows an entity to make disclosures required by paragraph 120(n) of AS 15 (revised) prospectively from the transition date. In view of the above the Company has not disclosed the information required to be disclosed under para 120 (n) of AS 15 (revised).

The current year being the first year of adoption of Accounting Standards – 15 (Revised 2005) by the Parent Company, the previous year's comparative information has not been furnished.

Contribution to Defined Contribution Plans:	Rs. lacs 2007-08
Superannuation fund	62.79
Provident Fund	52.76

12. The Group follows Accounting Standard (AS-22) "Accounting for taxes on Income", issued by the Institute of Chartered Accountants of India. The Group has significant timing differences between accounting and tax records on account of accumulated losses, unabsorbed depreciation and various other items which suggest accounting for deferred tax asset. Since there is no convincing evidence which demonstrates virtual certainty of realization of such "deferred tax asset", the Group has prudently decided not to recognize the net deferred tax assets of Rs.72.05 lacs.
13. The Parent Company has taken various residential, office and warehouse premises under operating lease agreements. These are generally not non-cancellable and are renewable by mutual consent on mutually agreed terms. There are no restrictions imposed by Lease Agreement. There are no subleases.

Particular	Lease Payments	
	2007-08	2006-07
Total lease payment for the year (Recongised in Profit and Loss Account)	94.46	87.72
Minimum Lease Payments		
Not later than one year	89.17	89.07
Later than one year but not later than five years	311.49	241.51
Later than five years	143.22	213.02

14. Derivative Instruments and Unhedged Foreign Currency Exposure

Forward contract outstanding as at Balance Sheet date.

Particulars of Derivatives	C.Y.	P.Y.	Purpose
Sell USD	43,19,098	3,907,628	Hedge of debtors/expected future sales
Purchase EURO	740,000	Nil	Hedge of Payment under Deferred liability
Purchase USD	250,000	Nil	Hedge of Payment under Deferred liability

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

Particulars	Curr- ency	Amount In Foreign Currency		Amount(Rs in lacs)	
		C.Y.	P.Y.	C.Y.	P.Y.
Import Creditors (Acceptances)	Euro	981,562 @ 63.14	1,656,527 @ 58.44	619.76	968.07
Import Creditors (Acceptances)	USD	716,673 @ 40.01	637,532 @ 43.59	286.74	277.90
Import Creditors (Deferred Payment Liabilities)	USD	1,073,460 @ 40.01	NIL	429.49	NIL
Import Creditors (Acceptances)	JPY	6,732,000 @ 0.401	6,732,000 @ 0.37	27.00	24.91
Unsecured Loan	USD	1,399,754 @ 39.97	1,399,754 @ 43.50	559.48	608.89
Export Debtors	USD	2,383,326 @ 39.93	1,582,695 @ 43.07	951.66	681.67
	Euro	46,966 @ 63.05	NIL	29.61	NIL
Advances	Euro	150 @ 63.05	30,000 @ 58.59	0.09	17.58
	USD	188 @ 40.01	NIL	0.08	NIL

15. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006

		Rs. in Lacs	
No	Details of dues to Micro, Small and Medium Enterprises as per MSMED Act,2006	2008	2007
i	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of year		
	Principal Amount Unpaid	-	-
	Interest Due	-	-
ii	The amount of interest paid by the buyer in terms of section 16, of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the year		
	Payment made beyond the Appointed Date	5.71	-
	Interest Paid beyond the Appointed Date	-	-
iii	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006.	-	-
iv	The amount of interest accrued and remaining unpaid at the end of the year; and	-	-
v	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprise Development Act, 2006	-	-

16 Segment Reporting

The Group operates in two segments : Manufacturing and sale of Polyester Film and Engineering Plastics. The Group has chosen business segments as its primary segments considering the dominant source of nature of risks and returns, internal organisation and management structure.

A Segment Disclosure

(Rs. In lacs)

Particulars	Polyester Film		Engineering Plastics		Inter Segment Elimination		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
REVENUE								
External Turnover	29,031.64	25,988.57	2,886.57	2,239.31			31,918.21	28,227.88
Inter Segment Sales/Income	-	-	-	-	-	-	-	-
Other income	94.53	74.75	0.11	1.05			94.64	75.80
	29,126.17	26,063.32	2,886.68	2,240.36			32,012.85	28,303.68
Expense	24,934.06	24,461.79	2,361.25	1,965.25	-	-	27,295.31	26,427.04
RESULT	4,192.11	1,601.53	525.43	275.11			4,717.54	1,876.64
Unallocated Corporate Expenses							2,309.88	2,125.06
Operating Profit							2,407.66	(248.42)
Interest & Finance charges							1,297.01	1,259.25
Extra-ordinary Loss due to discarding of Machinery of Chips/Film Division							-	-
Unallocated Other Income							138.84	109.34
Income Taxes							249.21	0.58
Net Profit							1,000.28	(1,398.91)
OTHER INFORMATION								
Segment assets	17,683.57	17,296.27	1,590.68	963.31			19,274.25	18,259.58
Unallocated corporate assets							5,574.33	5,274.61
Total assets							24,848.58	23,534.19
Segment liabilities	3,556.84	3,103.58	219.13	123.33			3,775.97	3,226.91
Unallocated corporate liabilities							9,884.73	9,970.89
Total liabilities							13,660.70	13,197.80
Capital expenditure	184.66	1,192.73	451.85	2.67			636.51	1,195.40
Unallocated Capital expenditure							285.11	562.29
Total Capital expenditure							921.62	1,757.69
Depreciation/Amortisation	1,099.25	1,467.85	21.26	13.20			1,120.51	1,481.05
Unallocated Depreciation/Amortisation							276.96	136.53
Total Depreciation/Amortisation							1,397.47	1,617.58
Amortisation	51.59	56.01	8.78	9.82			60.38	65.83
Unallocable Amortisation							126.89	154.26
Total Amortisation							187.27	220.09
Non-cash expenses other than depreciation and amortisation	19.76	10.14	1.97	0.87			21.73	11.01
Unallocated Non-cash expenses other than depreciation and amortisation							4.89	4.89
Total Non-cash expenses other than depreciation and amortisation							26.62	15.90

B INFORMATION ABOUT SECONDARY SEGMENTS

a) Revenue as per Geographical Markets

	(Rs. In lacs)	
	2007-08	2006-07
India *	21,011.07	18,017.24
Outside India	10,907.14	10,210.64
Total	31,918.21	28,227.88

* Includes Deemed export with in India

b) Carrying amount of Segment Assets (Debtors) by geographical location of assets

	(Rs. In lacs)	
	2007-08	2006-07
India	1,725.86	2,132.29
Outside India	2,733.51	2,366.58
Total	4,459.37	4,498.87

Rest of the current assets are common and not segregable geographical segment wise.

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

17. 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 Group	Enterprises owned or significantly influenced by key management personnel or their relatives	Total
Managerial Remuneration					
-A.K.Singhania	49.35 (48.48)	- (-)	- (-)	- (-)	49.35 (48.48)
-D.K.Dosi	27.84 (26.73)	- (-)	- (-)	- (-)	27.84 (26.73)
Total	77.19 (75.21)	- (-)	- (-)	- (-)	77.19 (75.21)
Rent Paid					
-Super Leasing Ltd	- (-)	- (-)	- (-)	18.00 (12.00)	18.00 (12.00)

Balances Outstanding as at year end					
Interest Free Loan Taken*					
- Spring Falls Limited	-	-	-	559.48	559.48
	(-)	(-)	(-)	(608.89)	(608.89)
Guarantees given against Loans Taken (jointly and severally) by the parent Company					
- Sitaram Singhania	10,765.22	10,765.22	-	10,765.22	10,765.22
- A.K.Singhania	(10,968.02)	(10,968.02)	(-)	(10,968.02)	(10,968.02)
- 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.					
*Decrease in Loan amount is on account of Foreign Exchange Fluctuation.					

b. Names of Related Parties

Nature of Relationship	Name of Related Party
Individuals owning, directly or indirectly, a substantial interest in the voting power of the Group.	- Uma Devi Singhania*
Key Management Personnel	- Mr. A.K.Singhania (Chairman & Managing Director) - Mr. D. K. Dosi (Executive Director till 8 th October 2007)
Relatives of Key Management Personnel	- Mr. Sitaram Singhania (Father of Mr. A.K.Singhania) - Jai Vardhan Singhania (Son of Mr.A.K.Singhania) - Ayush Vardhan Singhania (Son of Mr.A.K.Singhania)
Enterprises owned or significantly influenced by key management personnel or their relatives	- Spring Falls Limited - Super Leasing Limited - Saraswati Trading Company Limited** - Sri Lakshmi Investment Limited

* Also relative of Key Management Personnel

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

18. There were no business activities in subsidiary - Ester Europe GmbH during the current year and company has already applied for its closure and approval of the appropriate authority in Germany is awaited.

19. 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	
	2007-08	2006-07	2007-08	2006-07
– Super Leasing Ltd.	-	-	-	6.50
Investment by the above mentioned loanee (Super Leasing Ltd.) in the preference shares of the Company	44.11	44.11	44.11	44.11

20. Pursuant to amendment by Finance Act - 2008 in Income Tax Act, Deferred Tax charge was no longer an allowable deduction in computation of Minimum Alternate Tax (MAT) under Section – 115JB of the Income Tax Act and this amendment is effective retrospectively from April 1, 2000. The Parent Company has paid MAT in Assessment Years - 2004-05 and 2005 – 06 and has taken deduction of deferred tax charge in these years. In view of the above amendment, MAT for the above 2 assessment years was recomputed. Total impact was Rs.67.97 lac which is charged in the current year tax expense.

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

As per our report of even date

For S.R.Batlboi & Co.
Chartered Accountants

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : May 22, 2008

For and on behalf of the Board of Directors
of Ester Industries Limited

Shweta Yadav
Company Secretary

A.K.Singhania
Chairman & Managing Director

Pradeep Rustagi
General Manager (F&A)

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 2008	31 st March 2008
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 31.03.2008 amounted to		
i) for the subsidiary Financial Year ended on the respective date	: US\$ (3,059.00) equivalent to Rs. 1.27 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\$ 171,101.00) equivalent to Rs. 74.43 lacs	DM (60,153.39) equivalent to Rs. 14.12 lacs
b) dealt with in the accounts of Ester Industries Limited for the year ended 31.03.2008 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 31.03.2008	: NIL	NIL
F) Material changes between the end of the Subsidiary's Financial Year and 31.03.2008	: Not Applicable	Not Applicable
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 of Directors
of Ester Industries Limited

Shweta Yadav
Company Secretary

A.K.Singhania
Chairman & Managing Director

Place : Gurgaon
Dated : May 22, 2008

Pradeep Rustagi
General Manager (F&A)

Ashok Newatia
Director



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

The Directors present their report and the financial statement for the year ended on 31st March 2008.

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 enclosed herewith.

The Board approved this report on 19th May 2008.

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, 2008 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, 2008 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, New York
May 13, 2008

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



ESTER INTERNATIONAL (USA) LTD.
BALANCE SHEET AS AT MARCH 31, 2008
(DISCONTINUED OPERATIONS)

ASSETS	(US \$)
Current assets:	
Cash	4,863
Due from parent company	<u>905</u>
Total current assets	<u>5,768</u>
TOTAL ASSETS	<u>5,768</u>
LIABILITIES AND STOCKHOLDER'S EQUITY	
Current liabilities:	
Accrued expenses	8,950
Custom Duties payable - note 2	<u>145,978</u>
Total current liabilities	<u>154,928</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>(174,160)</u>
Total stockholder's equity	<u>(149,160)</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>5,768</u>

See accompanying notes and Accountants Report

ESTER INTERNATIONAL (USA) LTD.

STATEMENT OF INCOME AND RETAINED EARNINGS YEAR ENDED MARCH 31, 2008
(DISCONTINUED OPERATIONS)

Income	
Sales	\$ _____
Expenses:	
Professional fess	2,500
Business taxes	650
Difference in exchange	<u>(91)</u>
Total Expenses	<u>3,059</u>
Net loss	(3,059)
Retained earnings (deficit) - beginning	(171,101)
Retained earning (deficit) - end	\$ <u>(174,160)</u>

STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2008
(DISCONTINUED OPERATIONS)

Increase (decrease) in cash:	
Cash flows from operating activities:	
Net loss	\$ (3,059)
Changes in assets and liabilities:	
Accrued Expenses	<u>3,150</u>
Net cash provided by operating activities	91
Cash flows applied to financing activities:	
Due from parent Company	<u>(91)</u>
Net cash applied to financing activities	<u>(91)</u>
Net decrease in cash	-
Cash - beginning	<u>4,863</u>
Cash - end	\$ <u>4,863</u>
Supplemental disclosures:	
Taxes paid	\$ 0

ESTER INTERNATIONAL (USA) LTD.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2008

(DISCONTINUED OPERATIONS)

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 anti-dumping and countervailing duty on import of PET films 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 \$ 171,821 on such imports between October 23, 2001 and March 31, 2003. Present outstanding against this liability is \$145,978.

ESTER EUROPE GmbH

DIRECTORS' REPORT

The Directors present their report and the financial statement for the year ended on 31st March 2008.

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 was 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 enclosed herewith.

The Board approved this report on 28th May 2008.

Rajiv Arora
Managing Director



ESTER EUROPE GmbH
BALANCE SHEET AS AT MARCH 31, 2008

	As At 31st March, 2008 (DM)	As At 31st March, 2007 (DM)
ASSETS		
Current assets:		
Cash	10,575.53	10,575.53
Merchandise inventory	0.00	0.00
Accounts receivable - trade	0.00	0.00
Other current assets	0.00	0.00
Total current assets	<u>10,575.53</u>	<u>10,575.53</u>
Property and equipment:		
At cost, less accumulated depreciation	0.00	0.00
Other Assets:		
Security deposits	2,000.00	2000.00
Retained deficit	60,153.39	60,153.39
TOTAL ASSETS	<u>72,728.92</u>	<u>72,728.92</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	0.00	0.00
Loans payable	19,246.93	19,246.93
Accrued expenses	0.00	0.00
Total current liabilities	<u>19,246.93</u>	<u>19,246.93</u>
Stockholders' equity:		
Common stock	53,481.99	53,481.99
Retained earnings	0.00	0.00
Total stockholder's equity	<u>53,481.99</u>	<u>53,481.99</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>72,728.92</u>	<u>72,728.92</u>

ESTER EUROPE GmbH
STATEMENT OF INCOME AND RETAINED EARNINGS YEAR ENDED
MARCH 31, 2008

	For the year ended 31st March,2008 (DM)	For the year ended 31st March,2007 (DM)
Sales	0.00	0.00
Commission received/(paid)	0.00	0.00
	<u>0.00</u>	<u>0.00</u>
Cost of sales	0.00	0.00
Gross profit	<u>0.00</u>	<u>0.00</u>
Operating expenses:		
Selling, general, administrative and other Expenses	0.00	0.00
Bank charges	0.00	0.00
Operating income/(loss)	<u>0.00</u>	<u>0.00</u>
Other income and (expenses):		
Interest income	0.00	0.00
Miscellaneous income	0.00	0.00
Net income/(loss)	<u>0.00</u>	<u>0.00</u>
Retained earnings /(deficit) - beginning	<u>(60,153.39)</u>	<u>(60,153.39)</u>
Retained earnings /(deficit) - end	<u>(60,153.39)</u>	<u>(60,153.39)</u>

ESTER EUROPE GmbH
SCHEDULES OF SUPPLEMENTARY INFORMATION YEAR ENDED
MARCH 31, 2008

	For the year ended 31 st March,2008 (DM)	For the year ended 31 st March,2007 (DM)
Cost of sales:		
Inventory - beginning	0.00	0.00
Purchases	0.00	0.00
Freight	0.00	0.00
Other costs	0.00	0.00
	<u>0.00</u>	<u>0.00</u>
Inventory - ending	0.00	0.00
Total cost of sales	<u>0.00</u>	<u>0.00</u>
Selling, general, administrative and other expenses:		
Telephone	0.00	0.00
Professional & legal fees	0.00	0.00
Tax paid	0.00	0.00
	<u>0.00</u>	<u>0.00</u>
Total selling, general, administrative and other expenses	<u>0.00</u>	<u>0.00</u>

ESTER EUROPE GmbH
NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

1. Ester Europe GmbH was incorporated under the laws of the Germany and presently is under closure.
2. During the year ended March 31, 2008 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, 2008.



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

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 22nd Annual General Meeting of
the Company to be held on Friday, the 19th September 2008 at 10.30 a.m. at Sohan Nagar, P.O.
Charubeta, Khatima – 262 308, District Udham Singh Nagar, Uttarakhand and/or any adjournment
thereof.

Signed this at.....on this day of 2008.

*Regd. Folio/Client I.D. No. _____ No.of Share _____

Re 1/-
Revenue
Stamp

Signed by the said _____

- Note:**
1. The proxy need not be a member of the Company.
 2. 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.
 3. *Strike out whichever is not applicable.



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

**22nd ANNUAL GENERAL MEETING
ATTENDANCE SLIP**

DULY FILLED IN ATTENDANCE SLIP SHALL BE HANDD OVER AT THE ENTRANCE OF THE MEETING HALL

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

I/We hereby record my/our presence at the 22nd Annual General Meeting of the Company to be held on Friday, the 19th September 2008 at 10.30 a.m. at Sohan Nagar, P.O. Charubeta, Khatima – 262 308, District Udham Singh Nagar, Uttarakhand.

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

* Strike out whichever is not applicable.

BOOK POST

If undelivered, please return to :

ESTER
INDUSTRIES LTD.

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