



A GLIMPSE OF WHAT'S IN STORE
FOR SHAREHOLDERS



ESSEL PACKAGING LIMITED

DIRECTORS

Subhash Chandra, Chairman

Ashok Kumar Goel

J. M. Fernandes

S. S. Sanyal

Vasant Kumar Badgamia

Davendra Ahuja

K. A. Harnahalli, IDBI Nominee Director
(Nomination withdrawn w.e.f. 20th April, 2000)

Cyrus Bagwadia, Managing Director

COMPANY SECRETARY

Raju Ananthanarayanan

AUDITORS

M. G. Bhandari & Co.

BANKERS

State Bank of India

Standard Chartered Bank

ANZ Grindlays Bank

Banque Nationale de Paris

Corporation Bank

REGISTERED OFFICE

P. O. Vasind, Tal. Shahapur,
Dist. Thane,

Maharashtra 421 604.

INDIA

CORPORATE OFFICE

135 Continental Building,

Dr. A. B. Road, Worli,

Mumbai 400 018.

INDIA

WORKS

• Vasind • Murbad

• Wada • Goa • Silvassa

OVERSEAS OPERATIONS

• Guangzhou, China

• Cairo, Egypt

• Dresden, Germany

• Nepal • Singapore

WEBSITE

www.essel.com

www.esselpackaging.com



HOW DOES A COMPANY ADAPT
SHAREHOLDER VALUE PRINCIPLES
AS PRIMARY FOCUS
IN THEIR BUSINESSES?

chairman's statement

Dear Investor,

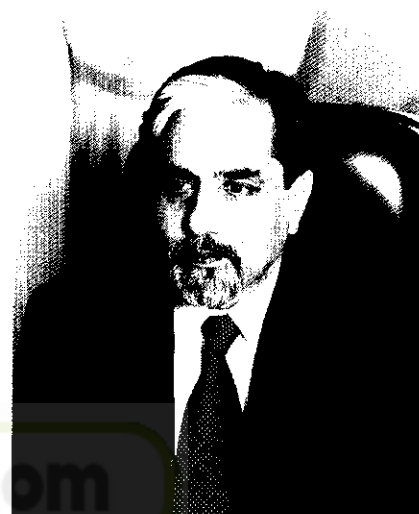
It gives me great pleasure to share my thoughts with you. Our Company has completed its final year in the old millennium; a year which ended with outstanding results. An appropriate farewell to the 20th century.

We decided to reward our loyal shareholders. We declared an extraordinary dividend of 150% and thereby, we returned nearly Rs. 228 million to our shareholders.

A second milestone has been the startup of our commercial operations in Germany and expanding our operations in Egypt by nearly four times. In China, we ended our second year of operations with profits as we continue to establish ourselves as the most respected laminated tube manufacturer. In India, we continue to maintain our market position despite stiff competition. For future, the Company would need to bring more new products, more innovations than ever before. The Indian consumer is rapidly getting educated and more demanding. The Company has taken several steps to bring more creative products at a faster pace into the marketplace.

The Indian economy, emerged from the recession and has started to show good growth. I do expect that this trend would continue in the following year as well. This year, India also experienced another parliamentary election, a third in three years. My business associates share my hope that our country will have a stable Government and complete its term of five years.

It is the dawn of the new era. The 21st century for present mankind has begun. The last century would be remembered for having made the most significant impact on civilisation. The new century is the knowledge century driven by easy access to information on any and every subject anywhere in the world, irrespective of whether you are in a city or in a village. **Previously the divide between have and**



havenots was money. In the new century, the divide will shift from money to knowledge.

Today, a man has unbelievable opportunities to access information, gain knowledge and apply the new learnings to his benefit. This was simply unthinkable even five years ago.

Man has achieved a lot from the Industrial Age in terms of improving the quality and comforts of life. All technologies and technological developments created new machines and new materials. In the Information Century, man will be more concerned with efficiency and economics of manufacturing processes and services. He would strive to achieve maximum benefits with least cost and time spent. Man will begin to have better appreciation of the environment and learn to live with it in tandem.

One thing is very clear – that ownership of any item that benefits only a few is prone to bitterness and disputes, while those that did good for many people had less battles for ownership. There are definite lessons of the consequences of mistakes of the past and the new wealth creators cannot isolate themselves from the masses and hope to enjoy the wealth. This brings me to the theme of this year's Annual Report – **Shareholder Value and Wealth Creation.**

Your Company has been working very hard on creating Shareholder Wealth. In one of the independent reports, Essel Packaging ranked amongst India's top 100 wealth creators for the period 1994 to 1999; 1994 as the starting point was considered in view of the start of economic reforms in India. This survey found that 96% of the companies in the wealth creators' list have followed a focussed and consistent business policy. Secondly, these companies are technologically driven and are involved in either consumer products or with services. Essel Packaging certainly has a place in the sun and with an excellent future.

Coming back to the business on hand, I believe we can sustain our long-term success of creating wealth by spotting opportunities for growth, continuously reinventing organisational capability and applying principles of excellence in Corporate Governance.

ESSEL PACKAGING LIMITED

Chairman's Statement

17th Annual Report 1999-2000

Your Company has demonstrated very clearly its determination to change with the changing times. With the economic reforms, the doors of our markets were thrown open to global competition. Essel Packaging went global and has established its presence in three different regions that have high potential markets. These are Greater China, Middle East, Africa and Europe. Gradually, it would become more acceptable that such companies which are wealth creators would get the best resources in a market-based economy.

It is time to move on. What worked well in the past will likely not work in the future. We need and we have a different formula – one that sets the targets for sustainable business performance, continuously increasing shareholder value in our maturing business.

My report would not be complete without my personal thanks to all our employees, the customers, suppliers, banks, financial institutions and a very special thanks to the Investors.

Subhash Chandra

10th May, 2000

directors' report

To the Members – Essel Packaging Limited,

Your Directors take pleasure in presenting their Seventeenth Annual Report and audited accounts of the Company for the year ended 31st March, 2000.

RESULTS OF OPERATIONS : Your Directors are happy to report an excellent performance for the year under review. Sales amounted to Rs. 2484 million, thus registering an increase of 34% over the previous year's turnover of Rs.1858 million. The increase in turnover is due to the addition of a number of new products and customers. Profit Before Tax at Rs. 507 million grew by 57% over the previous year and Profit After Tax at Rs. 366 million grew by 41% over the previous year.

DIVIDEND : A special dividend of 150% amounting to Rs. 228 Million was paid to the shareholders of the Company in October 1999. The special dividend was made to fulfill the twin objectives of the Company of reducing the total capital employed as well as

increasing
returns and
thereby,

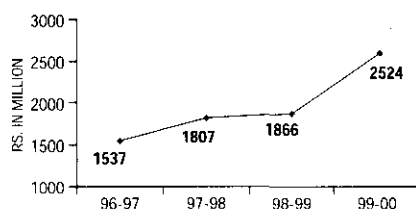
enhancing shareholder value. The Company also declared an Interim Dividend of 54% in end March, 2000.

EXPORTS : Exports have more than doubled at Rs. 218 million for this year as compared to Rs. 80 million in the previous year. This growth has been led by exports to five new countries this year as compared to last year.

FINANCIAL RESULTS

	<i>(Rs. in million)</i>	
	Year ended 31-3-2000	Year ended 31-3-1999
Gross Income	2523.58	1865.52
Profit Before Depreciation		
Interest and Tax	810.39	629.20
Depreciation	278.24	268.01
Profit Before Tax	507.26	323.12
Provision for Tax	140.82	62.50
Profit After Tax	366.44	260.62
Adding thereto:		
Balance as per last balance sheet b/f	286.77	246.32
Excess/ short tax for earlier year and prior years adjustments	(0.27)	(14.31)
Transfer from Debenture Redemption Reserve	50.00	—
	<u>702.94</u>	<u>492.63</u>
The Appropriations		
Dividend (inclusive of tax)		
Special Dividend	253.22	—
Interim Dividend	91.16	33.46
Final Dividend	—	57.40
Transfer to General Reserve	100.00	90.00
Debenture Redemption Reserve	—	25.00
Balance carried forward	258.56	286.77
	<u>702.94</u>	<u>492.63</u>

SALES AND OTHER INCOME



OVERSEAS VENTURES

We now have three fully operational foreign ventures. Each of them are located strategically. China has a huge domestic potential. Egypt is excellently located to service North Africa and Middle-East markets. Dresden, Germany, belongs to the European Union and East-European markets.

These ventures are young and are yet to reach their critical mass. However, the overseas operations of your Company have reached a level of 8% of net sales and net profits of the domestic operations in India. We are certain that the overseas operations will contribute significantly to the net sales and net profits of the Essel Enterprise Value in the coming years. The performance of the overseas ventures is given below:

China : Your Company's Wholly Owned Subsidiary in China, ESSEL PACKAGING (GUANGZHOU) LIMITED, has completed another year of excellent performance. The sales revenue has increased by three times and the venture has started generating cash profits.

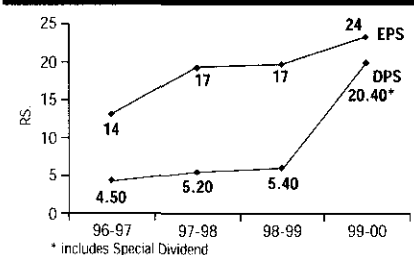
Egypt : Your Company's subsidiary in Egypt has registered profits in the current year. The Company has bagged major orders from multinational customers. The installed capacity of the Company is proposed to be enhanced in the current year.

Your Company's joint venture in Germany, ESSEL DEUTSCHLAND GmbH, commenced operations on 1st January, 2000. This Company will supply laminated tubes to customers in Germany and other European countries.

Nepal : Your Company has invested Rs. 48 million in ESSEL PACKAGING (NEPAL) PRIVATE LIMITED which is a 100% subsidiary of your Company. The plant in Nepal has gone on stream in May 2000.

The statement pursuant to Section 212 of the Companies Act, 1956, as well as the Profit & Loss Account for the year ended 31st December, 1999 and the Balance Sheet as on that date in respect of the subsidiary companies in Egypt and China is annexed to this Report.

BUYBACK OF SHARES : Your Company had identified buyback of shares as one of the vehicles to reduce capital employed and improve the rate of return and Shareholder Value. The Company had obtained the approval of the shareholders to buyback the equity shares within the price range of Rs.250/- to Rs.300/-. However, during

EARNINGS AND DIVIDEND PER SHARE

ESSEL PACKAGING LIMITED

Directors' Report

17th Annual Report 1999-2000

the last year the share prices of your Company were ranging above Rs.300/-. Your Directors felt that buyback of shares at such prices would not serve the purpose for which it was intended.

Your Directors would like to reiterate that buyback of shares is just one small step in its continuous pursuit of enhancing Shareholder Value.

EXCISE DEMAND : Your Company had received a show cause notice from the Central Excise Department towards alleged under valuation of price of webs transferred to other units during the period May 1996 to September 1997. The Excise Department had raised a demand of Rs.147 million towards excise duty and penalty. Your Company had filed an appeal with the Tribunal.

I am pleased to inform you that the case has been decided in your Company's favour. The Tribunal has rejected the claim of the Excise Department and the demand and penalty have been dropped.

MANAGEMENT & PERSONNEL : Your Company is working in a dynamic and competitive environment. It is the dedication, teamwork and efficiency of the employees of your Company that has been responsible for your Company's success. The Company, in turn, continues to provide an environment that fully leverages the skills and strengths of every employee and helps them to develop to their fullest potential.

The information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report.

FUTURE PROSPECTS : The year 1999-2000 saw higher utilisation of capacity. The Company expects to grow with the market in the coming year also. The initiatives and breakthroughs achieved in the pharma market will be further consolidated. Newer market segments will be opened up by offering tailor-made products. The overseas operations in which the Company has significant investments are expected to start showing healthy returns.

RESEARCH & DEVELOPMENT : Your Company continues its efforts in ensuring innovations in its products and manufacturing processes. Your Company has identified innovations as a key capability to sustain global leadership. Your Company's R&D has been redefined into a broader "**Creativity and Innovation Group**". Creativity is an ability which we shall nurture and develop throughout the organisation.