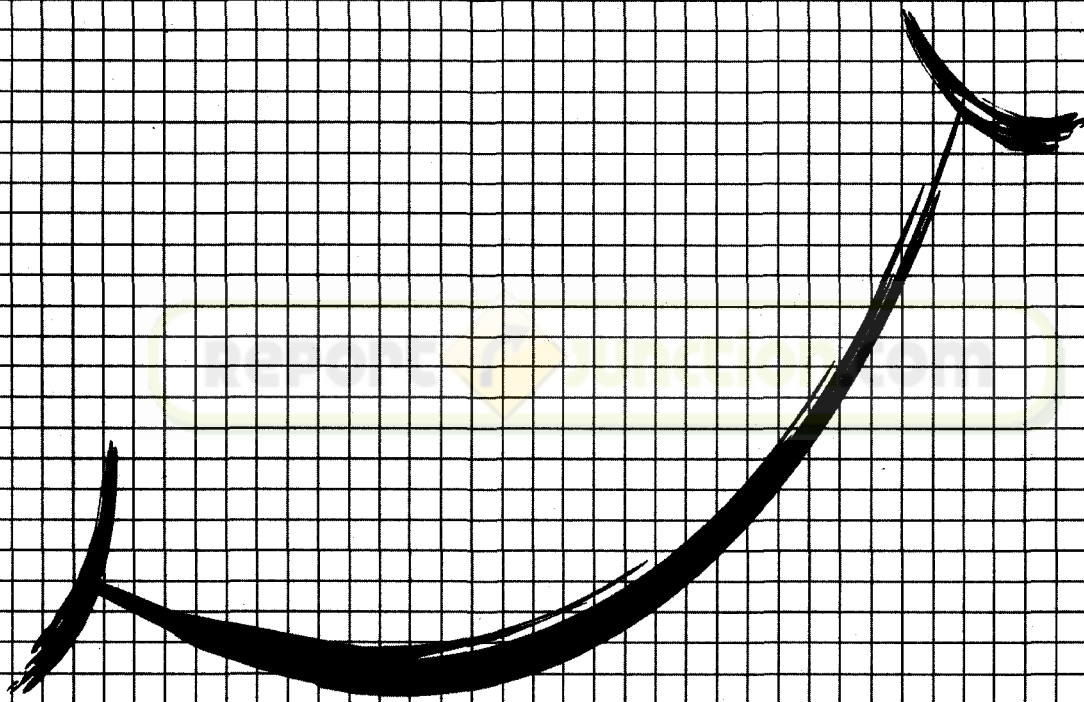


Annual Report 2004



Sharing Vision. Sharing Smiles.



ESSEL PROPACK LIMITED

“It takes 22 muscles to frown and 7 muscles to smile.”

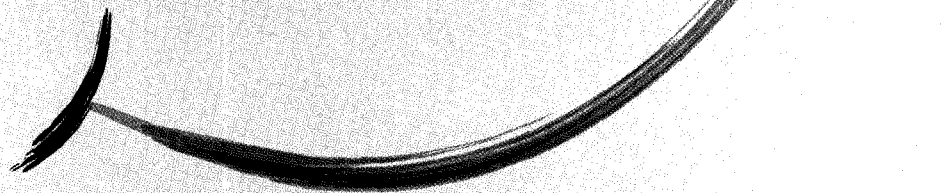
At Essel Propack, we share a smile with millions of stakeholders
with just 2 magic words :

‘Shared Vision’

Universally smile stands for a feeling of happiness. A sense of satisfaction of getting what you want. An expression you share with someone you care. Smile is something that can not be forced. It comes naturally with situations that make you happy. At Essel Propack, we have understood this and have been continuously engaged in the process of delivering results that make you happy. Our philosophy of ‘Shared Vision’ ensures that you keep smiling in ways more than one.

By nurturing teamwork, transparency and cross-fertilisation of expertise, we have redefined progress in a way that spells customer satisfaction to all the stakeholders.

Keep smiling!



Board of Directors

Subhash Chandra

Chairman

D. Ahuja

Director

J. M. Fernandes

Director

V. K. Badgamia

Director

Andreas Schwyn

Director

Beat Buehlmann

Director

Tapan Mitra

Director

K. V. Krishnamurthy

(Appointed as Additional Director w.e.f. January 28, 2005)

Ashok Kumar Goel

Vice Chairman and Managing Director

Company Secretary

Ajay Nagle

Auditors

MGB & Co

Bankers

State Bank of India

Standard Chartered Bank

BNP Paribas

Corporation Bank

HDFC Bank Limited

Credit Lyonnais

Advocates & Solicitors

ANS Law Associates

Registered Office

P. O. Vasind, Taluka Shahapur, District Thane, Maharashtra – 421 604, India.

Corporate Office

135, Continental Building, Dr. Annie Besant Road, Worli, Mumbai – 400 018, India. Tel.: +91 - 22 - 2493 3280, 5662 7362. Fax: +91 - 22 - 2496 3137

Factories – India

Goa, Murbad, Silvassa, Vasind & Wada

Overseas Operations

China, Columbia, Egypt, Germany, Indonesia, Mexico, Nepal, Philippines, Russia, UK, USA & Venezuela

Website

www.esselpropack.com



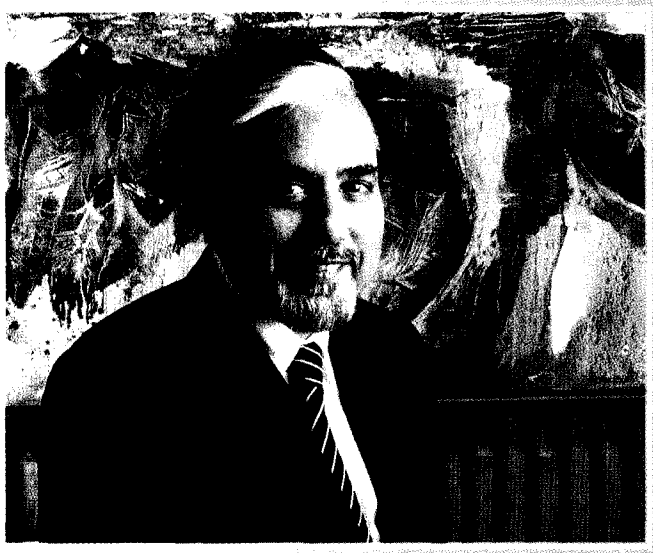
ESSEL PROPACK LIMITED

THE 'TOP OF THE WORLD' SMILE



SHARING
EXPERTISE
GLOBALLY

Sharing Vision. Sharing Smiles.



Subhash Chandra, Chairman,
shares his vision that transformed
Essel Propack into a Global
Institution.

Excellence such as Creativity & Innovation (C&I) and Technology Group. Now the question is, who made this happen?

The entire credit for Essel Propack's success belongs to its people. This is a capital intensive and technology driven industry. Technology definitely provides the cutting edge in a highly competitive environment such as that of your Company. But, the Company realised quite early that its Human Capital is the key differentiator which will realize its global ambitions. Your Company foresaw that the future belongs to those organizations who valued their Human Asset and nurtured it. This prophecy has turned true. The present era belongs to the Human Capital of an organization. In fact, Essel Propack was always ahead of the times. Now another question crops up. What is it that binds Essel Propack together?

Managing a global enterprise has many complexities. There are over 20 nationalities employed with Essel Propack. Due to multi-locational presence, the Company is exposed to diverse ethnicities and cultures. In spite of such diversities within the organization, how did the organization surge ahead together? What is it at Essel Propack that acted as a binding force, weaving a strong united team? Two magic words : **"Shared Vision"**. Everyone at Essel Propack is aligned to the vision of the organization. Every employee knows the path that the organization has embarked upon. Each individual knows the role assigned to oneself. In turn, every employee at Essel Propack shares the organisation's vision with the customers, vendors and people at large. Likewise all the stakeholders share their vision with the Company and together they work towards the goals. **'Shared Vision'** not only binds Essel Propack together, but also creates a strong bond with all its stakeholders. This belief has transformed Essel Propack into a globally successful Institution. Now the question is, what are the changes in the global business scenario affecting the organization?

Looking over my shoulder, your Company has come a long way during the two decades of its existence. Having begun with a single unit at Vasind, India, today the Company's operations span 13 countries across the globe with 19 plants. During this time, Essel Propack has transformed from a Company into a Global Institution. Your Company has not only become the **'leader'** in its business, but also have become a **'benchmark'** in its industry. Today Essel Propack is cited as an example of **'successful Indian MNC'**. How did this happen? What is the secret of this achievement? What caused this transformation?

All these have resulted due to the unique ways your Company conducts its business. At every opportunity, the Company expanded into new territories, thus establishing its presence across the globe. The Company integrated itself vertically to become a **'one-stop-solution provider'**. Your Company has moved ahead of competition with constant innovations led by its Centres of



ESSEL PROPACK LIMITED

'Globalisation' has led to the world becoming small village. The 'openness' has resulted in the gradual vanishing of all trade barriers, shrinking the globe. This has made every market highly competitive due to the entry of global players who compete with local players. Companies have become more aggressive, creative and innovative in the race for survival and existence. The situation is no different in packaging industry globally. The increasing globalisation has led to an increase in the number of **brands** in every market. Competition has intensified amongst the brands, with all of them vying to capture customers' mindspace. Every brand today is aggressively striving to increase its visibility on the shelves. The attraction and appeal of packaging plays a critical role in receiving attention and brand recall. The increasing competition in the developed countries as well as developing countries and emerging economies has resulted in a spurt in demand for packaging products. This situation has come to stay and will intensify in the time to come. Essel Propack is strategically poised to capitalize the opportunities to the optimum. Again a question arises. How will Essel Propack grow?

During the last two decades, a strong foundation has been built. The organization has established itself in all key markets. Dynamic, talented and dedicated workforce has been created. Infrastructure for Creativity & Innovation and Technology Excellence is in place. Essel Propack will be building upon these strengths to produce more products, better the processes & systems and introduce new technologies to stay ahead in race. Objective of Essel Propack will be to lead the industry, rather than follow.

Finally, a spot of soul-searching and introspection. Am I happy at the direction and manner in which Essel Propack has progressed? Let me say that this organisation is always looking to strengthen its systems and management further. A lot of improvement has already been done, but more is needed. Having become such a large multinational, your Company needs strong systems in place; work on this is on the anvil. That apart, I am generally happy with the way things have gone. There are, however, numerous challenges that lie ahead of the Company. In the foreseeable future, I look forward to reporting to shareholders that your Company is producing every second tube in the world, and that the shared vision with its global network of plants, customers, vendors and employees has kept it deeply entrenched at the pinnacle of the world of speciality packaging.

In conclusion, I would like to express my heartfelt gratitude to the customers, banks and financial institutions that have invariably lent support to our various business forays; and to the governments of all the countries in which Essel Propack operates, for their co-operation. Thanks are also due to all the shareholders for their unwavering faith in the Company over the years. It is this trust that has made all the toil worthwhile.

Regards,

Subhash Chandra
Chairman

Mumbai, March 16, 2005

GLOBAL LEADERSHIP TEAM



① **Jeremy Paul**
Managing Director - Arista Tubes, UK

② **Manuel Diez**
Regional Director (Americas)

③ **Adrian William Spencer**
Regional Director (East Asia Pacific)

④ **M. R. Ramasamy**
Director - Manufacturing & Technology (Global)

⑤ **Diego Estrada**
Regional Director (Europe)

⑥ **Ben Nejad**
Vice President (Caps and Closures)

⑦ **Anand Deshpande**
Director - Human Capital (Global)

⑧ **M. K. Banerjee**
Director - Creativity & Innovation (Global)

⑨ **R. Ramakrishnan**
Vice President - Finance (Global)

⑩ **Ashok Kumar Goel**
Vice Chairman and Managing Director

⑪ **Nilay Guha**
Director - Strategic Planning

⑫ **R. Chandrasekhar**
Chief Operating Officer (Global)



ESSEL PROPACK LIMITED

THE 'CONFIDENT' SMILE



SHARING KNOWLEDGE THROUGH REAL PERFORMANCE

Essel Propack – looking beyond the horizon



Ashok Kumar Goel, Vice Chairman & Managing Director, elaborates on how the Company envisions to retain the global leadership by sharing its vision with all stakeholders.

onsistent performance has today made your Company a world leader in laminated tubes. Consistent growth has become a way of life for your Company. Trailing beyond profits and dividends, Essel Propack has created and sustained relationships with all the major stakeholders. These relationships have become the bedrock on which the edifice of consistent growth of your Company has been built. These relationships are nurtured by what is termed as '**Shared Vision**'.

Shared vision with the employees

At Essel Propack, the philosophy of Shared Vision is imbued across the organization. All the employees know what is expected of them and possess the ability to handle tasks with responsibility.

Apart from following internationally accepted techniques like Harmonised Manufacturing Practices (HMP) and Good Manufacturing Practices (GMP) at the manufacturing end, the employees globally are constantly updated through a periodic newsletter called **EPOST**. Also, they are communicated about the happenings around the globe on a regular basis.

A twelve-member team of top managers located in different parts of the world, termed as **Global Leadership Team (GLT)**, meet once every quarter to share their ideas and experiences in the fields of finance, manufacturing, marketing, human capital, creativity & innovation and technology. The knowledge, thus, shared and gained is multiplied and transported to other territories.

Shared vision with the customers

All along your Company built excellent relationships with the customers painstakingly. This has resulted in mutual trust and confidence, which in turn led to sharing of ideas on a two-way interactive platform. Based on Essel Propack's track record,

customers have posed many challenges such as enhancing barrier properties of a product or developing a new shape to a tube or bettering a delivery mechanism or improving the look & feel of a product. Many a time, the close interaction with customers has led to the development of new technology. In some instances, the customers asked for it, while on many occasions your Company proactively developed these concepts. There had been instances when the Company went all the way on its own while on a few occasions the concept was jointly developed with the customer giving the customer exclusivity or the first right of refusal. Essel Propack's customers often share with the Company details of forthcoming market opportunities tapped by them which in turn help your Company in coming up with right solutions. Whenever Essel Propack has a particular innovation, or are considering new markets, clients are informed in advance and their opinions are invited. Thereby initiating cross-fertilization in the most effective manner. Whichever way one looks at it, it's a win-win situation for your Company as well as the clients.

Shared vision with the vendors

Being the '**leader**' in the industry, Essel Propack is termed as the '**benchmark**' and have always led the change. Over the time your Company has established close relationships with the raw materials and the technology vendors. Due to transparent relationships with them, the Company shares the unique privilege of using each other's research facilities and laboratories, resulting in mutual benefits. Essel Propack constantly updates its vendors on the latest market trends and simultaneously they share their unique ideas and innovations with the Company. This is a dynamic model that works both ways; brilliant ideas have emerged in the past from both sides of the fence. Shared vision has resulted in a seamless flow of knowledge from your Company's vendor to the customer and vice versa with Essel Propack being the hub of knowledge exchange.

Shared vision with the shareholders

For the benefit of the stakeholders, your Company has set up stringent disclosure norms. Due to transparent relationships with the shareholders, they are aware of your Company's path and have reposed their full confidence in the Company.

Shared vision with the society

Your Company is conscious of its responsibilities towards the society and have always been a "**good corporate citizen**". All our plants are environment friendly. The waste and scrap generated are recycled into other products. Essel Propack supports the efforts of a leading institution for packaging education. The Company also has excellent relationships with population around its plants and has rendered support to local causes over the years.



What are the challenges faced by your Company today?

• Sustaining growth amidst competition

Essel Propack is undoubtedly the largest producer of laminated tubes in the world. But there is strong competition at the international level. And the inevitable question arises: How to stay ahead with a faster growth rate?

One way of staying ahead is to combat 'me-too' products with continuous improvement. The other way is to develop new products and new product applications, both for existing customers as well as for a wider customer base. Your Company has recently developed a new, path-breaking packaging technology for making small tubes which is targeted at pharmaceutical industry and consumer product industries where new price points evolve continuously. This unique proprietary technology is termed as '**minitube**'. With the prevalent technology, making small tubes is not commercially feasible. The new technology has made your Company overcome this drawback and has enabled it to produce laminated tubes in small diameters. This is a brand-new sector. As pioneers in the field, Essel Propack should be bagging a large portion of this unexplored opportunity. At the same time, your Company has developed '**invisible seam**' technology. The '**minitube**' and '**invisible seam**' technologies will greatly expand the laminated tubes market for the Company.

• Tapping new areas of opportunity

Your Company has identified plastic tubes as a new growth area. Post acquisition of Arista Tubes, UK, in August 2004, Essel Propack has been able to push ahead strongly in the field of plastic tubes. The Company has ambitious global plans to grow and establish itself in this arena. The efforts are to emulate the laminated tubes success story in the plastic tubes business. With this new market sector, the Company's growth rate can only get better.

• Adopting the best work practices

As a true multinational, Essel Propack employs over 20 nationalities in the 13 countries in which it operates. In each country, the management is largely localised so that changes can be brought in which work well locally. On a continuous basis, your Company is involved in efficiency improvements, systems improvements and internal 'benchmarking' to better the output. The best practices in each plant is mapped, documented and replicated at the other plants so as to have the best uniform practices.

• Managing change in a market driven environment

"Globalisation" has shrunk the world into a small village. All the trade barriers are fast diminishing. Many of Essel Propack's clients are consolidating their manufacturing to a fewer

locations. Due to your Company's global presence, it is well positioned to tap the potential of any market. The Company has always believed in being near to the customers, even if it meant that it has to move with the customers. The inherent strengths and capabilities of your Company provides it with the ability to move into any new territory at high speed, which is a proven track record. Over the time, your Company has had thorough exposure to cultural diversities and sensitivities of different geographies. This has equipped it with the skill set required to establish and manage the business in any new territory.

• The single source advantage

One of the biggest advantages of Essel Propack is that it is a vertically integrated organisation which has made it a '**one-stop-solution provider**'. The Company has control over the entire value chain, thereby eliminating costs that are non-value added. Essel Propack is one of the two global companies that have the total integrated process. Right from conversion of granules to blown film, to laminates, to slitting, to printing, to tubing, to caps & closures, your Company provides the best quality coupled with the benefits of cost control. Over the years the Company has specialized in all types of laminated tubes and plastic tubes. And now with the inclusion of '**minitube**', the spectrum of offerings is complete.

• Leading the change, not following it

Essel Propack strongly believes that a breakthrough is nothing less than a generation leap. The Creativity & Innovation (C&I) and the Technology teams are constantly churning out new products to meet growing customer expectations. Over 50% of the products your Company sells today were developed within the last 18 months. This reveals the speed of change in the industry; and the fact that Essel Propack leads the change, rather than following it.

In the past years your Company has been achieving a double-digit growth figure. And to continue the tradition, the Company has definitive business plans in place. It has the right team; it is sufficiently motivated and empowered, and realises there is no place for complacency. Your Company is confident of being able to sustain the growth; and expect to continue to reward the investors and stakeholders as it has been doing over the years.

Regards,

Ashok Kumar Goel
Vice Chairman &
Managing Director

Mumbai, March 16, 2005