



ESSEL PROPACK LIMITED



Poised to deliver

Annual Report 2009-2010



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Poised to Deliver

The last few years have presented challenges and opportunities.

Challenges that shook the world and took profits away from global businesses like ours. Opportunities that allowed us to dominate our space, increase efficiency, to challenge and change, to consolidate and grow.

At Essel Propack, we moulded the challenges into opportunities.

In 2009-2010, we turned around swiftly and surely. We reported a Net Profit of Rs. 599 million for the fifteen months period ending 31st March, 2010 against a loss of Rs. 883 million in the year 2008.

- ❖ *We divested our medical devices business in 2009 to focus on growing our core tubing business globally.*
- ❖ *We are building strong customer relationships based on our reliable and superior delivery model.*
- ❖ *We are aggressively driving growth in Asia to significantly add volumes and build scale.*
- ❖ *We are adding depth and width to our America business.*
- ❖ *We have cut our Europe losses substantially.*
- ❖ *We are expanding our packaging solutions to pharmaceuticals and cosmetics, with innovative and new products.*

❖ *We are working to improve our cost competitiveness and shrink the debt on our Balance Sheet.*

We are now prepared to embark upon a steady growth trajectory, our focus on the quality of growth that enhances margins and return on capital.

We are a new Essel Propack.

With renewed vigour. With renewed focus. With fresh energy. With fresh aggression.

And a new world to cater to. A world where Asia will grow. And USA and Europe will stabilise.

A world where players who are cost conscious and close to the customer will enhance their market share and better their margins.

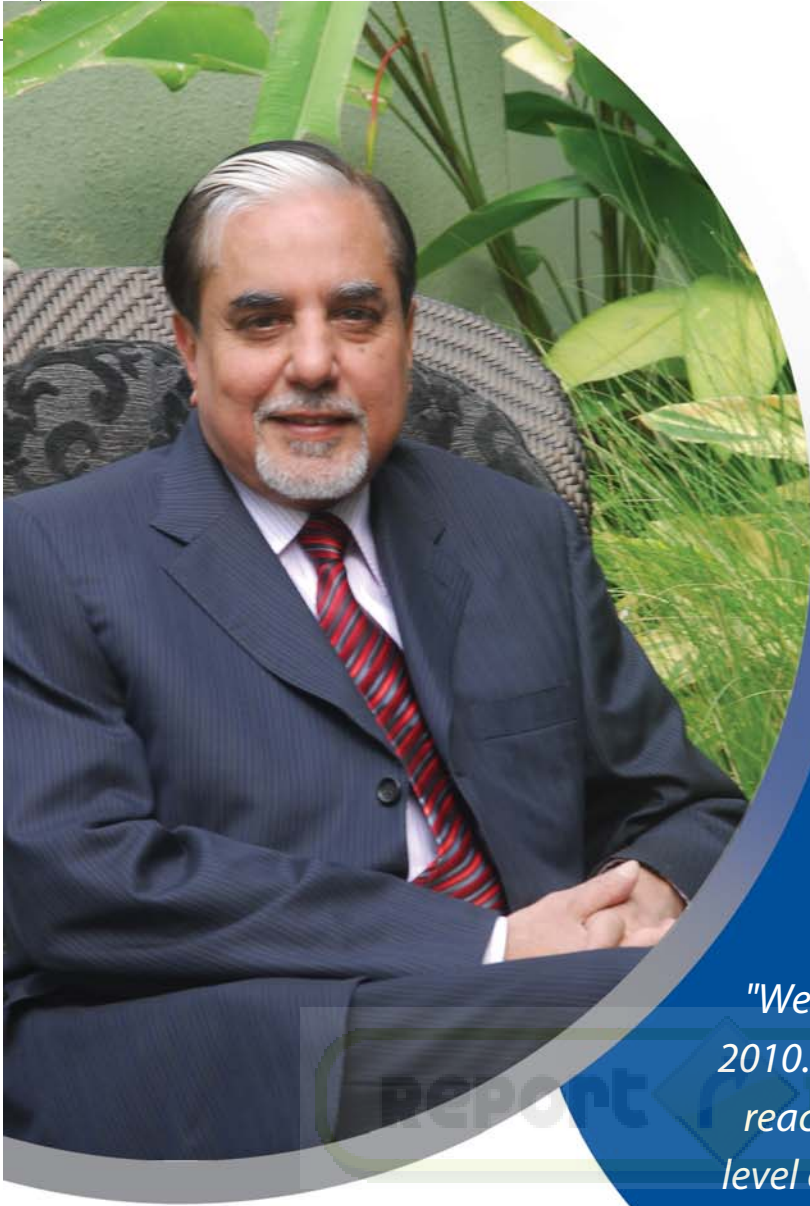
We look at the future with a lot of promise and confidence.

We feel that the next few years belong to companies like us that have a solid reputation with the customers, sound business model, high quality talent, state-of-the-art technology and the right infrastructure.

Essel Propack is now poised.

Poised to grow.

Poised to deliver sustainable value to all our stakeholders.



Message from the Chairman

"We turned around in 2009-2010. Our immediate goal is to reach our peak profitability level of 2006 and then to grow from thereon."

Dear Stakeholders,

The year 2009-2010 was a year of cautious optimism. After the financial crisis of 2008 that hit USA and Europe and threatened to plunge the world into a deep recession, 2009-2010 was a welcome change. Some order was restored, thanks to the quick response of almost every Government infusing liquidity and supporting the financial system from a chaotic collapse.



All the same, concerns still abound as even now, the developed world is struggling to bounce back. I personally feel the western world will take another few years to get back to decent growth. The good news is that the focus is now on Asia and on countries like India and China led by strong domestic consumption and industrial growth. Together, these two nations will drive global growth along with other emerging economies.

Backed by a solid foundation and sound business strategies, your Company showed its strength, character and resilience in these challenging times. Over the years, we have established ourselves as the largest producer of laminated tubes globally. We work closely with all our customers which include top global multinational companies. After reporting a loss in 2008, we were determined to turnaround and thanks to the single-minded dedication of our entire team, from the shop-floor workers to the top management, this became possible.

We have consolidated our operations in USA and Europe in consonance with the market reality. We have created a strong foundation for growth in the Asian markets like India and China, which are growing, to make sure that we will be a dominant supplier. We have also laid a lot of emphasis on maintaining strong

relationships with our customers. This will help us to be more competitive and increase our global market share.

We are committed to profitable growth. We are aggressively expanding our packaging solutions to the value added pharmaceutical and cosmetics applications where technology and product innovation are key differentiators.

We turned around in 2009-2010. Our immediate goal is to reach our peak profitability level of 2006 and then to grow from thereon. We are proud of our perseverant past converting the market of aluminium tubes in India into laminated tubes and spreading our wings to straddle the globe as one of India's earliest MNCs. This legacy will continue to fuel our dream of dominating the global packaging scene in the years to come.

Before I conclude, I would like to express my gratitude to all the Board members for their guidance. I would like to thank everyone in our team for their commitment and dedication. I would also like to thank all our shareholders, our customers, all employees and bankers for believing in us and in our vision.

Yours sincerely,

Subhash Chandra

Chairman



Message from Vice Chairman & Managing Director

"We have emerged leaner and stronger. We are committed to push the horizons to grow and grow profitably. We are committed to better the return on the capital employed."

Dear All,

The year reflected a lot of what we intend to do over the next few years. In many ways, it was a preparatory year for the next leg of growth. The downtrend of 2008 and its impact on our business and profitability made us look within, before looking beyond. And 2009-2010 was a reflection of that insight.



We set out a definitive agenda to turnaround and grow our volumes and revenue - consolidate our relationship with key customers in major markets, exit the medical devices business, rationalise our overall cost and improve finances. On each of the above fronts, our leadership team chalked out a time bound plan to achieve stretching targets.

The Europe losses which was one of the key causes of the 2008 setback, was slashed by downsizing the operations in UK and Poland. We pushed for further growth in the emerging markets of India and China, which are driven by strong domestic consumption. To strengthen our position in these markets, we took several initiatives including driving growth in the pharmaceutical and cosmetic categories. As a result, our sales to these categories has grown significantly and are set to grow further.

We cut our capital spend without sacrificing growth opportunities and worked on the roll-out of SAP globally to improve our operational efficiency. We analysed each element of the working capital and took steps to optimise the same. In the process we were able to release excess money locked in working capital. We enhanced our machine efficiencies. This helped us to meet growth opportunities without incurring new capital expenditure. We successfully implemented a global cost reduction program to save about USD 6 million. Borrowings were reduced by Rs. 1.9 billion to improve our debt equity to 1.1.

These strategic initiatives have already started to pay off from June quarter 2009 when we turned around.

The global packaging opportunity continues to be exciting. In the developed markets our innovation group is working towards offering eco-friendly tubes which are recyclable and use post consumer regrind materials. We see an opportunity to extend laminated tubes to newer product categories like hair colorant which are fast growing. Printing and high end decoration are other features where we can compete with adhesive labels. We have perfected technology to substitute bottles upto 500 ml capacity with tubes. In the emerging markets, we see a huge opportunity in the pharmaceutical and cosmetic product categories for which our extruded plastic tubes and plastic barrier laminated tubes are well placed. The opportunity to convert sachets into tubes is another big potential area in these markets.

We have divested the medical devices business in order to focus on our core packaging business. We are looking to increase our market share through new product development, value proposition and long term partnership with global customers.

We look at 2010-11 and beyond with a lot of optimism. The lessons have been learnt. We have emerged leaner and stronger. We are committed to push the horizons to grow and grow profitably. We are committed to better the return on the capital employed.

I would like to take this opportunity to express my gratitude to all our stakeholders, who have reposed their trust in us and extended their continuous support.

Best wishes and warm regards,

Ashok Kumar Goel

Vice Chairman and Managing Director

Board of Directors



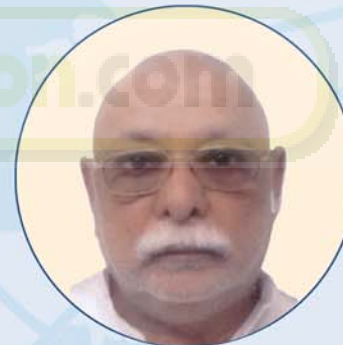
Mr. Subhash Chandra
Chairman



Mr. Tapan Mitra



Mr. K. V. Krishnamurthy



Mr. Davendra Ahuja



Mr. Boman Moradian



Mr. Mukund M. Chitale



Mr. Ashok Kumar Goel
Vice Chairman and Managing Director



Corporate Leadership Team



Sitting Left to Right

M. R. Ramasamy

President - EAP & AMESA

R. Chandrasekhar

President - Americas & Europe

A. V. Ganapathy

Chief Financial Officer - Global

Ashok Kumar Goel

Vice Chairman and Managing Director

Evelyn Tweedlie

Vice President - Tubes & Laminates Business (Europe)

Aashay S. Khandwala

Vice President Legal & Company Secretary

Standing Left to Right

M. K. Banerjee

Director - Creativity & Innovation (Global)

Ted Sojourner

Vice President - Tubes & Laminates Business (Americas)

Zoeb Adenwala

Chief Information Officer (Global)

Dileep Joshi

Director - Human Capital (Global)

Vinay Mokashi

Financial Controller (Global)

Parag Chaturvedi

Head- Manufacturing Process Initiatives (Global)

Shyam Kumar

Head - Purchase & Logistics (Global)

Edward Luo Zhiyong

Vice President - Tubes & Laminates Business (EAP)

Cherian K. Thomas

Whole Time Director & Chief Executive Officer - PIPL