

Essel Propack Limited

Annual Report 2015-16



***Delighting
Customers
Unveiling
Horizons***

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Sunrise is a delightful spectacle for mankind, unveiling the horizon in hue after hue of vibrant and energetic colours. The cover of this annual report is inspired by this magic in the heavens that the world witnesses day after day ever since the formation of earth.

Delighting Customers Unveiling Horizons

Customer-centricity is a mindset and a culture that continually evolves through deep insights into and pragmatic understanding of the changing customer needs that in turn are shaped by changes in consumer behaviour, technology and innovations. It involves strategic thinking and commitment at the highest level in an organisation, and manifests as innovative products, efficacious solutions and elevated customer experience.

Customer-centricity has been the hallmark of Essel Propack over the three decades of its existence. By putting our customers at the centre of our business, we have been innovating products and solutions that guarantee long-term value to our customers. Our success in the recent years with the best in class laminated tubes which we are pioneering for the Cosmetics/ Beauty care, Food and Pharma brands, gives us confidence that we have a lot more to offer in this continuing Journey of...



Delighting Customers Unveiling Horizons



...with innovative
Packaging solutions,
Unmatched quality,
Unparalleled service and
Long-term Partnering.

Chairman's Message



Clearly such strong performance is never an accident. It is born out of strategic thinking, clarity of vision and a powerful mission. And I see several forces unleashed as a result – Innovation, Customer Engagement, Quality, Service to mention just a few.

Our revenue outside of India continues to grow double digit on underlying basis.



Dear Shareholders,

It is that time of the year again for me to fulfill the pleasant duty of appraising you of your Company's performance during FY 15-16 and how I see it going forward.

The Expanded Playfield available to us in the form of growth opportunity in the non-oral care categories, combined with the Renewed Energy

with which we have embarked to derive 50% of our revenue from non-oral care, has started yielding results. We are growing in the non-oral care categories. Our revenue outside of India continues to grow double digit on underlying basis. Our performance would have been even better but for the sluggish Indian FMCG sector which constrained the revenue growth



Net Profit has grown by 29.5% to
a record ₹ **1.8 billion**

in India. However, there is a silver lining – spate of measures from the Government together with expected good monsoon should catapult growth in India in the near future. Our Net profit helped by improved margin, has grown by 29.5% to a record ₹ 1.8 billion this year. Clearly such strong performance is never an accident. It is born out of strategic thinking, clarity of vision and a powerful mission. And I see several forces unleashed as a result – Innovation, Customer Engagement, Quality, Service to mention just a few.

Innovation is enormously important – both in product and processes. It is the only insurance against irrelevance; the only guarantee of long-term Customer loyalty and the only strategy for out-performing a sluggish economy. Your Company understands this perfectly. Our R&D department in India has been given recognition by the Government of India, on strength of the pioneering work done in the area of Laminated Plastic Tubes. The R&D teams have been strengthened globally and are working on laminate and decoration formats that reduce carbon footprints, are eco-friendly and easily recyclable.

We are engaging with Customers across a wide range of brands – both global and local. Steve Jobs said “Get closer than ever to your Customers. So close that you tell them what they need well before they realize it themselves.” Our Minus 5 initiative in India does

exactly this – going back 5 steps with the Customer, understanding details of their products and giving them complete packaging solutions. In other geographies too, road shows, branding and business development initiatives are yielding some great results. More and more Customers have started looking at packaging as ‘value’ and not as ‘cost’. This is but just the beginning. Packaging is gaining more and more importance. The innovations that we bring to the look, feel and decoration of the laminates is making our packaging a powerful marketing tool. In emerging markets with their long and complex distribution chains, non-availability of climate conditioning in the distribution outlets, the role of packaging becomes all the more important.

As we are engaging more and more with Customers, we are finding other areas in which we can delight them – Quality and Service for example. “Quality is remembered long after the price is forgotten. As Tony Alessandra said “Being on par in terms of price and quality only gets you into the game. Service wins the game.”

Our commitment to Delighting Customers through our product quality and service will require utmost care and focus. We have to be efficient on the shop floor, flexible in meeting ever changing customer requirements and optimise our resources. A satisfied Customer is the most valuable asset for a business.

And we are confident of unveiling new Horizons in driving Customer delight.

I would like to take this opportunity to thank our valued Customers, our bankers and all stakeholders for their consistent support, the Board of Directors for their conscientious guidance, the Company's Leadership Team and the Esselites across the globe for their enthusiasm and efforts, all of which have contributed to your Company's growth.

With best wishes,

Subhash Chandra
Chairman

Vice-Chairman & Managing Director's Message

We believe quality is never an accident, it is always the result of intelligent work, relentless focus on simplification – of design, manufacturing, technology, layout, processes and procedures.



Dear Shareholders,

As you are aware, the Company has embarked on a Mission to grow the non oral care share of revenue to 50% and to grow net profit at a CAGR of 20% over next 5 years. With a view to achieving this, we have internally launched Mission 20:20:20 – targeting 20% CAGR in Net Profit, 20% Return on Equity (ROE) and 20% Return on Capital Employed (ROCE) within the next couple of years. It gives me pleasure to report that your Company is on track with this Mission 20:20:20. In the year under review, Net Profit grew at 29.5%; ROE and ROCE have improved to 20.7% and 18.5% respectively.

The Company's performance is driven by strong growth in our overseas markets led by Europe. Our thrust into non oral care categories is seeing notable customer wins in China, USA, Europe and Egypt. Our innovative packaging solutions with our new laminate structures combined with high decoration, are gaining traction with several reputed cosmetic brands.

In China, our i-Shine, i-Cloud and Bon Appetit projects, backed by the state-of-the-art capability on ground including the greenfield unit in South East China, have established our credentials as a Packaging specialist in the non- oral care categories; we are no longer considered just an oral care company.

We have re-organised our plastic tube operations by consolidating the manufacturing in Poland and India

ROE and ROCE have improved to
20.7% and **18.5%**



Your Company is
on track with this
Mission **20:20:20**



by shifting out the manufacturing assets from USA which will now focus on providing new laminate based tube solutions for Beauty & Cosmetics category. The business pipeline build-up in Europe gives us fair comfort of realising the benefits of this re-organisation.

We continue to deepen and broaden our presence in the Pharma category in India. Although the India market was disappointing in terms of growth on account of sluggish FMCG sector, we have used the opportunity to expand our customer base and the range of offerings. Some big, growing brands have reposed faith in us and awarded large contracts for supply of both laminated and plastic tubes. With our larger operations growing in strength and contributing to the bottom line, we are in the process of scaling up some of our smaller operations such as Colombia and Mexico in order to seize the market opportunity in Latin America and the Andean Region.

The robust progress with our strategy in recent years, gives us confidence that we will unveil, in the future, several exciting initiatives, aimed to delight Customers and create value for our Stakeholders. These initiatives centre around Product, Quality and Service with prime focus on Innovation in every thing we do.

For New Product Development, we work with Customers, helping them transition from their existing packaging formats to laminated tubes. As Damon Richards said “the Customer does not care how much

you know until they know how much you care.” Our efforts in New Product Development have been to be a “one stop shop” for all the packaging needs of the Customer – be it the laminate structure, the Dispensing and Anti-counterfeit features or Decoration. We are committed to create and provide Packaging which will present to the consumer “the first moment of truth”.

As Peter Drucker rightly said “Quality in a product or service is not what you put into it; it is what the Customer gets out of it.” The entire organisation is primed to raise the bar here, leveraging technology and processes; we believe quality is never an accident, it is always the result of intelligent work, relentless focus on simplification – of design, manufacturing, technology, layout, processes and procedures. With the increase in the number of Customers that we serve in the non-oral care category, smaller run sizes and multiple variants, it is imperative that we “Do it first time right”. Quality & Process and Technology functions today are represented at the Corporate Leadership Level, with responsibility to ensure that Customers are assured of on-time, quality products; the ultimate aim - to be the most preferred supplier of innovative packaging solutions.

Handling multiple Customers with multiple requirements and priorities, requires an agile and efficient supply chain. With the use of Information Technology and effective employee engagement

practices, your Company is working towards creating a paradigm shift in this area. We have successfully partnered many of our Customers for their global product launches and in tiding over their supply chain emergencies. All our regions have received Customer Service Awards.

It is a matter of satisfaction that the entire organisation is behind this strategy. Ultimately, it is the people who make the difference. We continue investing to develop our human resources, equip them with facts and figures, and empower them with information to lead and deliver promises to customers and stake holders. The continuously improving Employee engagement scores, with some of the subsidiaries already at country / industry best engagement scores, is a source of pride for us.

Without doubt, we are well poised to Delight Customers and Unveil Horizons.

With best wishes,

Ashok Goel

Vice Chairman & Managing Director

Delighting Customers



At Essel Propack, we take pride in being a customer-centric business, and see ourselves as a packaging solution provider to FMCG and Pharma customers, and not just a product supplier. Our role does not stop with sales. Our products are designed for elevated experience by billions of FMCG end consumers across the globe, in terms of aesthetics, feel, ease of use, protection of the contents in time and space.

Packaging indeed is the first moment of truth for consumers. It is verily an ambassador for the FMCG brands, connecting with the consumer right from the super-market shelf and through each day the product is used.

We therefore work closely with our customers throughout the entire product life-cycle. From proto-type to production to final usage and disposal, we seek to understand and analyse every aspect of the product and packaging, thereby driving packaging innovations to redefine customer experience and expand customer base.



Redefining Customer Experience

Businesses that are truly customer-centric have one thing in common – they redefine their industries and sectors. Organisations that have customers deeply ensconced in their strategic thinking have always endured and overcome challenges, out-growing their peers consistently over time.

Customer-centric businesses have redefined not only customer experiences but also customer expectations. Such businesses are shining examples of the possibilities and potential of a customer-centric mindset and approach, and today lead

the pack as the top value creators. The path we at Essel Propack tread is not very different.

The iPhone was not the first smartphone. Far from it, when the iPhone was launched in 2007, there were many mobile phones with touch screens and offering access to the Internet, email, music, games or apps. But Apple offered all of these in a fantastically different way than had ever been done before.

Apple changed what people did with their phones, transforming a communication tool into an integral part of their life and life style.

The iPhone forever redefined the customer expectations and experience of what a smart device could be.

What Essel is doing for the Cosmetics and Pharma categories is no less disruptive. Our new laminated tube solutions for these categories very much re-define customer experience because what we are offering today is very different from the traditional plastic and aluminium tubes, with features and benefits that are straight out of a wish list.



Expanding the Customer base

Customer-focussed organisations have not only redefined customer experience, but have gone on to create a new set of customers out of their innovations and to open new growth opportunities.

At Essel, we are excited that our new laminated tube solutions are evoking interest even of customers who today patronise other packaging formats such as bottles and tipples. They are beginning to see our new laminated tube solutions as more efficacious and relevant for their brands.



FMCG growth globally and the shifting trend towards tubes as preferred packaging format holds immense potential for growth; further, driven by technology and innovation, new FMCG products and categories are emerging and re-shaping consumer behaviour and lifestyles, attracting new customers and creating newer opportunities for Essel to re-double its efforts in its mission of

Delighting Customers by Unveiling horizons...

Unveiling Horizons



We are steadily expanding the range of our packaging solutions to new product categories where we seek to re-define the way product is preserved and presented.

At Essel Propack, DELIGHTING CUSTOMERS goes beyond the Product to First-time-right quality, Just-in-time service and Speed-to-market.

We continually UNVEIL HORIZONS for them...

Breakthrough Products & Solutions

Going beyond the conventional, we now offer in all our markets across the globe:

- superior alternative to the Plastic tubes for packing Cosmetics, with our high barrier, super look & feel, enhanced décor Laminated tubes
- laminated tubes with safe and easy-dispensing for pharmaceutical products
- specialised large diameter laminated tubes with rich look, feel and stability, for replacing bottles, tottles, plastic and aluminium tubes in cosmetics/ food brands
- laminated tubes with special features such as thermal timers, product authentication, child protection, aroma sensory etc.



Sustainability and Environment

As a Company, we are committed to pro-actively preserving environment by focusing on sustainable tube design, with our

- Source reduced laminate structures such as Titanium
- Plastic barrier laminated tubes as alternative to aluminium barrier laminated tubes for easy recyclability
- Mono-material high barrier Green Maple leaf tubes, recyclable as code 2 (HDPE)
- Structures incorporating Post Consumer Regrind polymers to the extent of 40%, such as Etain
- Bio-degradable laminate structures

