



Disciplined. Determined.

Essel Propack Limited | Annual Report 2019-20



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Disciplined.
Determined...
To stretch
boundaries.



10

Disciplined.
Determined...
To innovate
beyond cost.



12

Disciplined.
Determined...
Beyond successful
to sustainable.



14

Disciplined.
Determined...
To transform
digitally.



16

Disciplined.
Determined...
To seize the
moment.

*Seize each
moment*

...because tough
times never last,
but tough teams do.



Unpacking *New futures*

SUDHANSHU VATS
MD & CEO
ESSEL PROPAC LIMITED



Dear shareholders,
I feel privileged to
address you as the
new MD & CEO of
your company; one
that is taking giant
strides towards a
bigger future.

AFTER THREE DECADES
OF SOLID GROWTH
IN BOTH BUSINESS
AND STATURE, WE
STRENGTHENED
OUR MANAGEMENT
TEAM WITH FIT
FOR PURPOSE
PROFESSIONALS LED
BY BLACKSTONE,
WHO HAVE BEEN
CHARGED TO LEAD
YOUR COMPANY INTO
THE NEXT LEG OF ITS
JOURNEY.

OUR TEAM NOW
BLENDS UNMATCHED
EXPERIENCE WITH
THE RAW ENERGY OF
IDEAS, AND WITH AN
ENVIABLE PRODUCT
LINE FOR TODAY AND
TOMORROW, WE WILL
CREATE AN EXCITING
JOURNEY FOR EACH
SHAREHOLDER.

Even in these early days of transition, your company has demonstrated remarkable resilience to perform strongly in the middle of a global pandemic. This fills me with both a joy for the present and an optimism for the future.

Looking forward, our minds are abuzz with so many opportunities. While some of these will strengthen our core, others will help us build new muscles for the times ahead.

Strengthening the Core

Oral Care has always been our core, and will remain a key engine of growth, profits and reputation. There is still a lot of room to grow market share, particularly in the Americas, Europe and some other key markets; and we will pursue these aggressively to extend our global dominance. We will demonstrate thought leadership, urging our biggest clients to let us lead the development of new packaging solutions on their behalf.

Personal Care and Pharmaceuticals are two categories that excite us tremendously, both because of the immense value we can capture, as well as the attractive margins they promise. We are confidently penetrating these markets with sharp innovations and disruptive business models, not to mention new relationships. We're also actively

learning new ways to succeed in these categories, and building new capabilities along the way.

Staying fit to grow is crucial. Since taking charge, we queried our costs at every level with renewed vigour. And were positively surprised by the savings identified, especially as we were already the most efficient in our industry. These efforts will continue; to help us raise margins, but also to help us ward off threats from local insurgents across markets.

Business excellence with agility is an ongoing obsession. Accelerated automation will significantly reduce lead times, a key pain point in our industry. We will keep inventing newer ways to deliver high quality, zero defect products, on time and in full, creating new benchmarks for the industry to follow.

Nurturing relationships is yet another big priority. We need to leapfrog - beyond making great products to delivering delightful customer experiences. Ours is a business with long relationships, and we are developing new service signatures that will not just make us distinct, but will also provide very sticky experiences for our customers.

Building new muscles

Sustainability is simultaneously the biggest challenge and opportunity facing our industry. We are determined to pioneer sustainable packaging working actively with our customers, creating new possibilities with

them. The future of our business is green, and we will be at the forefront of change in our industry.

The future is digital. And we are committed to a digital transformation of our business. E-commerce will increasingly be a key driver of growth. As the world adapts to 'low-touch' realities, we will create new ways to engage our clients and larger ecosystems. Also, as consumers interact more and more virtually with brands, we will find newer opportunities to manage digital assets on behalf of our customers.

Flexible manufacturing is a new imperative. We foresee a rapid disaggregation of demand, driven by several forces - new insurgent brands, multiple channels and more fickle consumers to name a few. We will invest confidently in new capabilities, partnering the winners in this brand new brand world.

Expanding the core will also drive growth. While our laser-sharp focus is on laminated tubes, we will also approach adjacent product opportunities

Disciplined. Determined.
We look into future with optimism. We will bring in the power of disciplined creativity to find newer and newer ways to grow.



strategically, especially where we can extend our core competencies and deepen our relationships with customers. Inorganic growth can supplement organic efforts here.

Social responsibility is an area of focus - doing good, even as we do well. We have impacted thousands of lives through our community programs even during the pandemic. Going forward, we will amplify our CSR efforts, using each of our manufacturing units as engines of good, powering their communities through sustainable acts of CSR.

Which leads me back to the theme of this Annual Report. **"Disciplined. Determined"**. We look into future with optimism. We will bring in the power of disciplined creativity to find newer and newer ways to grow. And then seize these opportunities with determination, one day at a time, one relationship at a time.

We appreciate your support as we unpack new futures.

Essel at a Glance

Total Sales (₹ mn)

27,601

Employees (人)

~3,269

Sales by user segment

55.2%
Oral care category

44.8%
Personal care category

Across 17 Nationalities

57.3%
Asians

8.1%
Africans

15.5%
Americans

19.1%
Europeans

Sales by region

AMESA
33%

EAP
22%



AMERICAS
21%

EUROPE
24%

About Essel



No.1 global specialty packaging company

One out of every 3 toothpaste packs sold globally.



Operates through its state-of-the-art facilities in the US, Mexico, Colombia, Poland, Germany, Egypt, Russia, China, the Philippines and India

~8bn
Largest laminated tubes manufacturer (tubes)

20
Factories. Global footprint

150+
Patents filed. Strong innovation platform

20.3%
Best-in-class EBITDA margin

17.8%
Best in class ROCE

Essel's Strategic direction

Market leading revenue growth
Capital efficient, Consistent earnings growth

Strengthen Category Portfolio


Grow
Aggressively in
personal care


Strengthen
Leadership in
oral care


Enhance
leadership in
eco-friendly solutions

Strengthen Geographical Portfolio

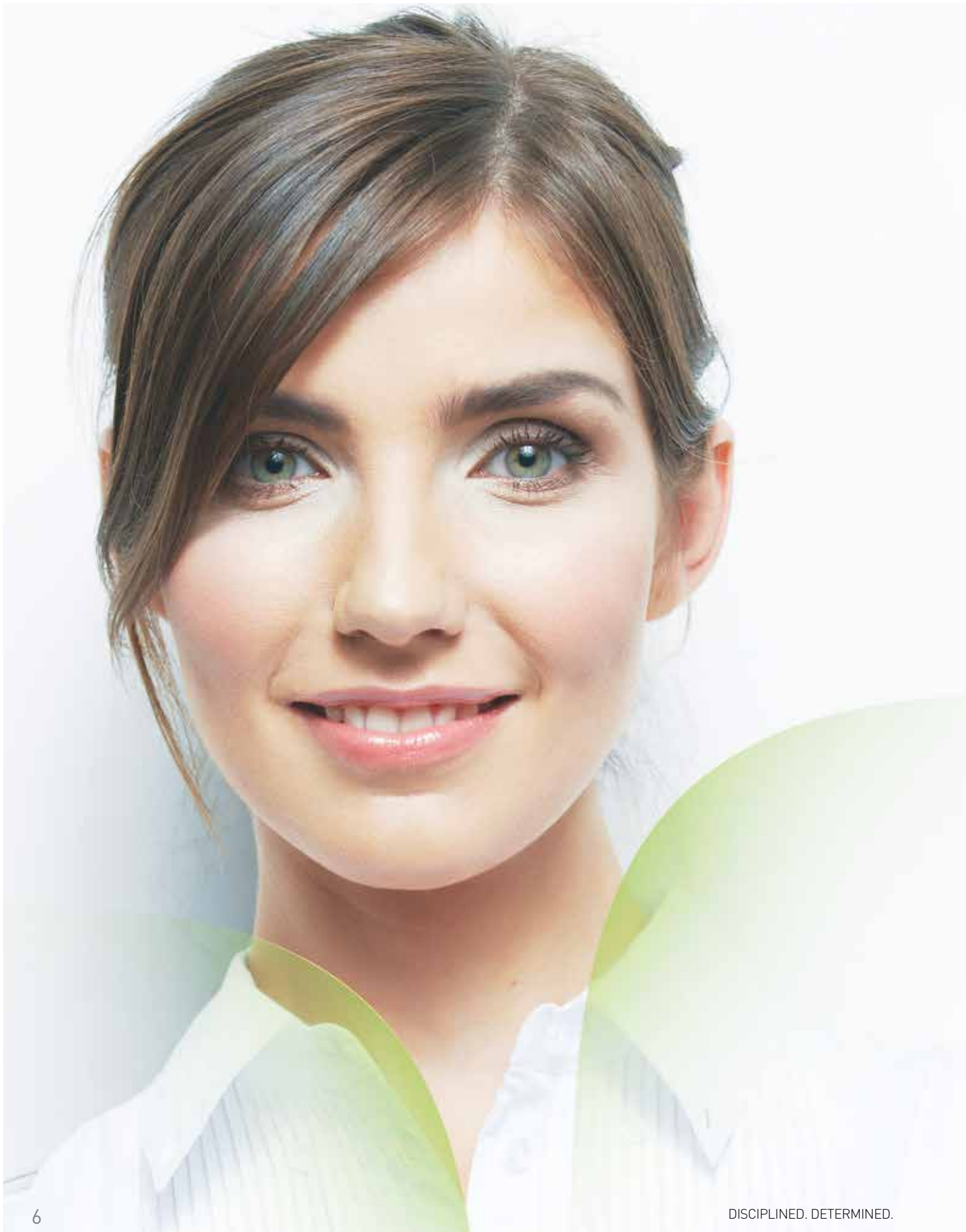

Grow
Aggressively in
Americas


Drive
Profitability in
Europe


Build Leadership
across categories
in India


Drive Penetration in
China and East Asia
Pacific

	FY19	FY20	Growth	₹ mn]
 Growth	Revenue	27,069	27,601	2.0%
	EBITDA	5,015	5,600	11.7%
	Earnings per Share [₹]	6.57	6.12	(6.8)%
 Capital efficiency	ROCE (%)	17.0	17.8	80 bps
	Net Debt	4,998	2,760	
	Capex	3,040	1,286	



Disciplined. *Determined.*

Discipline and creativity are rarely talked about together. That's because while discipline seeks to follow rules, creativity strives to break rules.

But as business get more & competitive, we can win only when disciplined creativity opens up new engines of growth that help us step up to our envisioned future.

At Essel, disciplined creativity is a daily practice. Where we challenge ourselves to not just do things better, but also do things differently. This has guided us in the best of times, but even more so in these crazy times; where despite severe disruptions, your company has thrived by finding new ideas to explore, new opportunities to exploit.

But disciplined creativity is only one part of the story. We need to follow this through with the determination to make things happen. A leader's resolve to extend our leadership everyday. At Essel, we pride ourselves on our bias for action, our ability to be change agents on behalf of our customers every day.

That, in essence is our secret sauce. The discipline to imagine boldly, blended with the determination to drive superior performance.

The recent takeover by Blackstone is the wind beneath our wings and will help us fly away to even greater heights in the years to come.



Disciplined. Determined...

To stretch boundaries.

Against an average industry's growth of 2%, Essel had historically grown at more than 10% annually. This outperformance could have satisfied us, but no. We challenged ourselves to see new possibilities.

Oral Care is our citadel, where we enjoy deep relationships with every major player. But there are still markets like North America and Europe where we can grow share significantly. Premiumisation is another priority, where we can drive both volumes and value through the power of creativity and relevant innovation.

Personal Care is exciting – this large, fast growing and profitable opportunity is over thrice the value of the Oral Care market! With our expertise in laminated tubes, we can deliver brilliant aesthetics, superior barrier properties and great

value for money; creating exceptional value for our consumers and shareholders. We also believe we can lead the industry on substitutability, a value which is much valued by personal care consumers.

Pharma is another big bet we're making. This is an industry with stringent standards for safety, barrier properties and vendor accreditation. Our technical prowess, our ability to nurture long-term partnerships and our passion to innovate beyond the ordinary will help us build Pharmaceuticals as the third large pillar of our business.

Innovation will be key. We continue to co-create ideas with our top customers; connecting at a pre-concept level, identifying consumer pain points and proactively designing customer-leading solutions. Simultaneously, partnerships with the best OEMs guarantee that our products get processed seamlessly at the client's end. Indeed, our innovation rate, reflected in the share of revenues from products that are less than three years old, is

already stunningly high at 80%. We will push this further, with particular emphasis on speed-to-market.

Process innovation is the next big thrust. Essel has always invested ahead of the industry in the very best machines which gives us unmatched capabilities in printing and decoration. These will sharpen our edge as we aggressively foray into beauty & cosmetics, creating pack ideas that exemplify the premium that our clients' brands seek.

Customer experience is the future. We have thrived on customer relationships and believe that compelling experiences offer us the next frontier in innovation. This will include several initiatives; including running global innovation programs for key clients, designing more downstream solutions, leveraging technology to enable speedy global rollouts, offering new ideas of on convenience, and taking the lead on personalisation for our clients.

Sub-categories	FY11	FY15	FY20
Face care	✓	✓	✓
Hair care	✗	✗	✓
OTC medication	✗	✓	✓
Prescription medication	✗	✗	✓
Food	✗	✓	✓
Home	✗	✗	✓
Sanitizer	✗	✗	✓
Eye care	✗	✗	✓
Hand cream	✗	✗	✓

ACCELERATING
CONVERSION EFFORTS

ACTIVELY PURSUING

Personal care contribution to Tube Revenue

