



ESS DEE ALUMINIUM LIMITED

Annual Report 2010 - 2011

INTEGRATE
INNOVATE & IMPACT



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The Seventh Annual General Meeting will be
held on Wednesday,
28th September 2011 at 1:00 p.m.
at Hotel Sea Rock Inn,
Devka Beach, Daman – 396 210
Visit us at www.essdee.in
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INTEGRATE

Ess Dee Aluminium Limited (Ess Dee) has undertaken several path breaking initiatives over the years in its journey to consistently exceed expectations. The India Foils acquisition and subsequent merger has helped Ess Dee to maintain its momentum in delivering sustainable growth.

Integration of the merged entity thereby facilitating higher capacity utilization has been the key focus area. The merged entity has resulted in incremental available foil rolling capacity of 19,000 MTPA from its units in Kamarhati and Hoera in West Bengal. This will be a key growth driver against the backdrop of rising demand. The sheet manufacturing facility available at Hoera with a capacity of 11,000 MTPA is significant in terms of backward integration and further de-risking of the business model.

Thus besides the obvious synergies, this integration also denotes a significant step towards backward integration resulting in a more efficient organization.

INNOVATE

Brands are jostling for space in a crowded market place whether it be formulations or fast moving consumer goods. The initiatives of the pharmaceutical companies to tap the demographic potential of this country through generic products further complicate the emerging scenario.

In such a competitive environment, Pharmaceutical and FMCG companies opt for Ess Dee as a vendor of choice based on Ess Dee's capabilities and track record to innovate and differentiate.

Ess Dee has stayed focussed on superior manufacturing capabilities, state of the art technology, optimum packaging initiatives, research and development activities in collaboration with the business partners to derive mutually beneficial as well as effective and efficient end to end packaging solutions.

Working hand in hand with our strategic partners to address their concerns right from branding to anti counterfeiting measures will continue to form the cornerstone of the innovative and research based approach adopted by Ess Dee in the years to come. This will not only help Ess Dee deliver sustainable growth but will also facilitate its efforts to attain and maintain leadership status.

IMPACT

All activities at Ess Dee, have been designed and directed towards the achievement of the company's stated objectives which include - being a customer-focused organization, achieving business and process excellence, delivering the highest level of corporate governance and compliance, being an organization of choice offering equal opportunities to all its employees and delivering superior value to all its stakeholders.

We believe that our initiatives to integrate and innovate have combined to provide a positive impact on both, industry and society. Ess Dee, strengthened by the integration and innovation initiatives shall continuously expand horizons in a manner that the expectations of all stakeholders are consistently exceeded.

Key Milestones

1993

Leased printing unit in Maharashtra

1998

First self owned printing unit in Vasai, Maharashtra

2000

Printing units at Daman

2001

Printing units at Goa

2003

Foray into PVC film manufacturing in Goa

2004

Backward integration into aluminium foils manufacturing at Daman

2005

Printing unit in Baddi, Himachal Pradesh

2006

PVdc coater in Goa +Flexible Packaging unit in Daman + Second mill in Daman
Entered the Capital Markets with an IPO

2007

Second printing unit in Baddi, Himachal Pradesh

2008

Printing Unit at Sikkim
Scheme for Acquisition of India Foils Limited, Kolkata

2009

Revival of India Foils Kamarhati unit

2010

Administrative Merger of India Foils

2011

Commencement of Hoera Unit



NOTE FROM THE CMD's DESK

“You cannot cross the sea merely by standing and staring at the water”
Rabindranath Tagore

Dear Fellow Stakeholders

It is with a strong sense of satisfaction that I pen this note on the financial year gone by, wherein we planned and started working towards what we set out to.

We completed the administrative integration of India Foils during FY 2010-11, the benefits of which started accruing. With this, Ess Dee now has pan India presence with two manufacturing hubs located at Daman and Kolkata and spokes located at Daman, Vasai, Goa, Sikkim, Baddi, Kamarhati and Hoera.

In line with our Hubs and Spokes model strategy, all the facilities are located close to the customer base ensuring tailor made offerings, lower inventory carrying cost and prompt supplies. The Rolling Capacity has been enhanced to 37,000 MTPA enabling us to meet the rising demand from end user industries.

It pleases me to inform you that our initiatives have bolstered our business model and made it even more robust than before.

We are optimizing the production at Kamarhati plant (West Bengal) and recommenced operations at the Hoera plant (West Bengal) which had been shut down since 2003. With this, we have taken a giant step towards backward integration as Hoera also has its caster plant with an installed capacity of 11,000 MTPA wherein it converts aluminium INGOTS to aluminium foil sheets, this being the primary raw material for the company.

We hope to raise erstwhile IFL's performance level too to that of Ess Dee's.

Integration to tap the opportunities in the User Industry

In terms of the macroeconomic headwinds, the outlook remained positive despite the continued overhang of global uncertainty.

For our end user industry too, the outlook remains positive. India's pharmaceutical market size has nearly doubled since 2005. It is expected to reach USD 20 billion by 2015, reflecting a compounded annual growth rate of 11.7 per cent between 2005–2015 and establishes India's presence in the world's top ten pharmaceutical markets. India is already the third-largest market in the world in terms of volume and Fourteenth in terms of value.

According to an analysis carried out by the Associated Chambers of Commerce and Industry of India, the Fast Moving Consumer Goods market is expected to witness more than 50% growth in its rural and semi-urban segments by 2012. Overall, it is projected to grow at a CAGR of 10% to carry forward its market size to over Rs 1,06,300 crore from the present level of Rs. 87,900 crore.

Notably, packaging is an integral aspect of the entire supply chain management of these companies. Packaging not only protects and preserves the product but is also a strong marketing and communication tool in today's competitive scenario. It is interesting to note here that while the packaging cost to our end users ranges typically from 2-7% of the total cost pie chart, it is responsible protection and preservation of 100% of its value. Hence, as the end user industries grow, the packaging industry is bound to grow.

Innovation, the Cornerstone of Our Organic Growth

Against the backdrop of such favourable headwinds in our user industries, our company is perfectly positioned to tap this opportunity. Adapting to and innovating around changing needs is our core strength.

Over the years, we have developed long term relationships with leading pharmaceutical companies by way of registration as an approved vendor in the Pharma Dossiers of the customers. This has primarily been on account of our focus on innovation. Our manufacturing facilities are certified with some of the most stringent regulatory and quality standards in the Industry, which we feel will work as entry barriers, secure our numbers and drive future growth.

Within the FMCG space, we have made reasonable headway with the top food and other product companies, especially the prophylactics segment.

Number Speak

In term of consolidated group numbers, the income from operations grew by 15.7% to Rs.68,068 lacs. This was primarily driven by the widespread acceptance of Cold Form Blister and Child-Resistant-blister packaging. Other aluminium foil based flexible packaging laminates besides PVC and PVdC coated PVC based thermoforming solutions continue to do well. Alu Alu, a cold forming laminate for pharmaceutical blister pack applications has also gained high acceptance from consumers.

Our Profit before Depreciation, Interest and Tax (PBDIT) stood at Rs. 17,056 lacs, up by 8.2%. A clearer picture emerges at the Net Level where Profit after Tax stood at Rs. 11,801 lacs, reflecting a jump of 165%. This abnormal rise was due to the Loss after Tax for FY 2008-09 on account of the merger of India Foils which was absorbed in FY 2009-10.

Future Impact

During the year, we strengthened our revenue mix, commercialized breakthrough new packaging products, undertook backward integration initiatives and enhanced capacities. The impact of these initiatives will not only provide us greater sustainability but also heighten the scalability prospects of our business.

Having positioned ourselves to achieve maximum impact with our innovation and integration activities, we plan to increase our rolling capacity from 37,000 MTPA in order to meet the rapidly growing requirements of our consumer industry.

The Road Ahead

Going forward, we plan to capitalize on the opportunities presented by the growth in our end user industries. We are well positioned to reap the benefits of integration in terms of enhanced capacities, backward integration and an overall de-risked and stronger business model.

Through our focus on Research and Development we will continue to remain at the forefront of innovative packaging solutions.

Our Assurance

The Foundation has been laid for a quantum leap in performance levels in the coming years. I have no hesitation in crediting much of our success to our dedicated employees who have worked tirelessly to build a sustainable and scalable business model.

I also take this opportunity to thank all our stakeholders for their continued support and assure you that we will leave no stone unturned to exceed expectations.

Sudip Dutta
Chairman and Managing Director

Integration



In FY 2010-11, Ess Dee successfully combined the talent and technology of two entities to create more opportunities to take forward its leadership position, unmatched manufacturing expertise and expanded customer relationships. The merger of India Foils increased the total manufacturing capacity to 37,000 MTPA and complements Ess Dee's existing manufacturing portfolio with new capabilities and access to new markets.

Fortifying the Hub and Spokes Model and Manufacturing Capabilities

With the merger of India Foils, Ess Dee has further fortified its Hub and Spokes model. The combination of IFL at Kamarhati and Hoera (Kolkata), and Flex Art Foil Private Limited at Sikkim gives us the geographical advantage in that part of the country besides widening the scope of our footprints in the export market in South East Asia.

Ess Dee's facilities along with those of IFL are extremely complementary in nature. This will help the company to de-risk its business model, reinforce its dependability on two hubs that are geographically apart and both will be a backup for each other.

Today, the Company has pan India presence with manufacturing hubs at Daman and Kolkata and spokes situated at Daman, Vasai, Goa, Sikkim, Baddi, Kamarhati and Hoera which are printing bases. Once processed, the products are transported to its printing facilities.

As pharma products cannot remain unpacked for long, there is high level of urgency in supplying packaging material. With India Foils, the advantage of having Ess Dee as its supplier has only multiplied for the customer. The company's close proximity to customers ensures quick delivery with lower inventory and transportation costs and customized materials for its customers.

Our plants have close proximity to ports which are being used for exports.

The Hubs And Spokes Model Post India Foils Acquisition

Hubs in Daman and Kolkata Foil manufacturing and conversion	WESTERN INDIA & EASTERN INDIA Proximity to Mumbai and Kolkata port
SPOKE Foil printing in Daman	WESTERN INDIA
SPOKE Foil printing in Goa	SOUTHERN INDIA
SPOKE Foil printing in Baddi	NORTH INDIA
SPOKE Foil printing in Vasai	FOCUS ON MAHARASHTRA
SPOKE Foil printing in Sikkim	SIKKIM AND LATER NORTH EAST

Hub and Spokes Model

