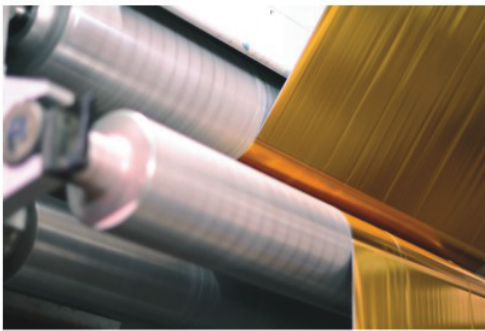


ESS DEE ALUMINIUM LIMITED

Annual Report 2012-2013



CONTINUOUS GROWTH – CAPITALISING OPPORTUNITIES

INDEX

▶ Chairman's Statement	1
▶ From the MD's Desk	3
▶ Commitment to Technology	5
▶ Commitment to Quality	6
▶ Business Review	7
▶ The Opportunities	8
▶ Notice	11
▶ Directors' Report	19
▶ Corporate Governance Report	30
▶ Auditors' Report - Standalone	44
▶ Financials - Standalone	50
▶ Auditors' Report - Consolidated	73
▶ Financials - Consolidated	74



Chairman's Statement

Dear Stakeholders

Having consolidated and positioned ourselves on the growth path, we placed a lot of emphasis in the last financial year on sharpening of our commercial capabilities. We segmented our customer base, aligned our resources towards the most productive areas and honed our sales approach. We are pleased that this has yielded positive returns in terms of the strategic and financial progress we have made, especially in the midst of global economic uncertainty.

We also continue to grapple with some macro-economic issues across our markets and geographies, including that in India. The slowing down of economic reforms is expected to pull down India's growth to 5.8% in the calendar year 2013 from 6% as projected earlier by an Asian Development Bank (ADB) Report.

The Report also indicated that growth remains constrained by supply-side bottlenecks, as reflected in the continued slowdown in fixed capital formation, weakness in the industrial sector and sluggish progress in pushing through badly needed structural reforms. The growth rate, as per the report is expected to accelerate in 2014 as softening inflation provides some scope for monetary easing that could boost investment and consumption.

Performance amidst Adversity

The key industries from where we derive demand namely FMCG and Pharmaceuticals remain relatively insulated from this downturn and with the macro economic outlook improving, albeit at a slow pace, our end user industry outlook remains positive.

Our top line (consolidated) for the year 2012-2013 stood at Rs. 71,892.20 lacs as compared to Rs. 65,913.33 lacs for the corresponding year. As we moved ahead optimistically, seeking

opportunities, in the short term, the most important task was to remain focussed on cost control and productivity across all of our existing operations. The EBITDA improved to Rs. 18,487.26 lacs in the current year as against Rs. 17,102.59 lacs for the year 2011-2012. The current year's Net Profit increased to Rs. 7,343.25 lacs in comparison with the Net Profit of Rs. 6,804.17 lacs for the year ended 31st March, 2012.

Despite the very difficult market conditions, we are heartened by the progress made on important initiatives that will ultimately strengthen the Company's position and enhance value for all its stakeholders.

Opportunities beckon

We are enthusiastic about the growing opportunities posed in export markets of regions like South East Asia and efforts are already underway to capitalise on the same for further growth and expansion. Our Bengaluru plant is expected to cater to such expanding markets in addition to that of Southern India.

Indian Pharma companies are now exporting their products all over the globe, thus presenting more challenges for the packaging industry as it has to cater to the different weather conditions, different modes of transport and transit times, without adversely affecting the medicine packed. This presents yet another opportunity for Ess Dee.

Strategies to Maximize Growth

Developing and designing innovative as well as new solutions for our customers, establishing our footprints in the emerging markets and expanding our participation in the market place with new technologies and capabilities as per our customers need, forms the basis of our strategy now. These initiatives underpin the success we had in 2012-13 and continues to be the inspiration for our further growth and progress in 2013-14.

Such initiatives along with conscious efforts taken by us to reduce costs provide us with an excellent, competitively advantageous road map for sustaining our financial performance and for capturing the ever increasing opportunities.

The key to our strategic success has been and shall always be our keen understanding of the markets and a fellow feeling with the customers.

Vote of Thanks

We have designed a strategy in concert with our maximizing value discipline, to succeed despite difficult external conditions. We have the ability to adjust quickly to changing conditions, to adopt newer techniques and deliver continuous and sustainable improvement. Needless to say, our employees play a huge role in making this possible by effectively bridging the gap between planning and successful execution. I take this opportunity to thank each one of them for their exceptional efforts.

I wish to put on records my deep appreciation to the excellent guidance and support of the Board of Directors.

I deeply appreciate and look forward, dear shareholders, to your continuing support, as we remain focused on achieving what we have set out to do.

Sudip Dutta
Chairman



From the MD's Desk

Ess Dee's Managing Director, Bijoy Kumar Pansari, who is currently spearheading Ess Dee's transition onto an even higher growth dimension, is a man of few words. He strongly believes that actions speak louder than words.

Here under are the key excerpts from a recent tete a' tete with him that provide an insight into the year gone by and the road map he has drawn up for the company.

1. How was the year 2012-13 for the Company?

Over the years, Ess Dee Aluminium has built a pan India presence through its Hub and Spoke Model. Our core competencies are providing total packaging solutions to the Pharma sector and shortening lead times by locating near Large Customer bases. Besides the Pharma segment, we have successfully captured the FMCG packaging segment too. The year 2012-13 was another year of strengthening this position in the domestic markets. We also made significant headway in terms of our Housefoil sales as well as strengthening our presence in the Food & FMCG Segments. In addition to doing well in the domestic markets, another important component of our efforts during the year was expanding our footprint in the export markets.

We will be continuously partnering with our customers to develop innovative solutions for their new products and markets across industry verticals.

2. Can you elaborate on the initiatives taken in the Export Markets?

An initiative we are pursuing vigorously is to increase our exports, especially in the South East Asian markets. Trials at various plants of the customers have commenced in different countries in the region and supplies have started at some places. Needless to say, Ess Dee is on track to register its presence in the global arena.

As is known, we are already exporting products to more than 35 countries and have successfully established ourselves as the largest manufacturers of primary packaging in India. In addition, we have also established our Singapore-based wholly owned subsidiary with the sole aim of increasing the Company's share in the export markets. We are now scouting for international sales promotion agencies globally, who have the local knowledge and can network advantageously to create better awareness about our capabilities.

While the opportunity is massive, I must state here that it will fructify into revenues only over time and not immediately.

3. How is Ess Dee faring in the Housefoil segment?

Housefoil marked Ess Dee's foray into the retail Household segment. We

commenced by marketing the product in Maharashtra and today we are well underway to achieving a Pan Indian presence. We expanded our distribution network to cover over 100 towns through a network of 144 Distributors / Dealers and Modern trade outlets. The prime focus was to expand distribution and try and reach as many towns as possible. We are offering a premium product branded as *Housefoil* which has animation characters like Doraemon, etc. printed on it to attract the young segment. In addition we have the Plain Foils also to cater to the day to day requirements.

4. Along with Household segment, the Company had indicated that it would be entering the hotels, restaurants and catering segment. What has been the progress made there in so far?

In 2012- 13, we have appointed 10 distributors whose core business is to supply to Hotels, Restaurants and Caterers (HORECA). We intend expanding this network and target appointing another 10 - 15 distributors across India to strengthen our foothold in these markets.

We have also launched Cling film for wrapping food items, etc. and are aggressively marketing it through the same sales channel. This will not only provide additional volumes but also help in meeting the customers' needs. In addition to several other initiatives, we have also introduced a new brand *Housewrap* to cater to the HORECA segment as well as the household packaging industry. The division's sales have surged during the year and we also intend garnering a 10% market share by March-2014.

Apart from the above, the division is also targeting agencies to cater canteens and needs of big corporate houses as they consume large amount of cling film, foil & containers. Inroad into this segment will result in bigger volume and stronger branding opportunities for the Company, going forward.

5. What is the status of the Hoera Facility which was the key plant of India Foils?

Our backward integration initiative of restarting the Caster plant and Hardener plant at Hoera has started yielding results. This has reduced our dependence on GARMCO in terms of raw materials supply.

So all in all, I can say that during the year we have achieved what we had envisioned at the time of acquiring India Foils.

6. Ess Dee has always been at the forefront of technological innovations. What progress has been made on that front?

Few of the products that we have developed in co-ordination with our business partners for their development projects include CR laminates in both peel-push and peel-able versions, laminates developed to match the speed of the newly installed high speed machines as well as anti-counterfeit products.

We are continuously in the process of phasing out old technology while simultaneously introducing eco-friendly and digital technology to enhance productivity. We are implementing Automated Mass production systems to reach the highest levels of product quality at the optimum cost.

7. What are Ess Dee's plans for FY 2013-14?

In 2013-14, Ess Dee is looking at a total paradigm shift towards the business with more focus for exports in both Pharma & FMGC segments.

We have not only augmented the existing expertise both in man and machine but we are also looking at strategic investment in new technologies which will produce high end products.

We conduct several training programs to enhance domain expertise in the areas of manufacturing, quality assurance, Statistical Process Control (SPC) and take the organisation competence to newer heights.

All in all, we have adopted 360 degree approach and geared ourselves to capitalise on the opportunities that lie ahead.



Commitment to Technology at Ess Dee

A Bachelor in Electrical Engineering and a Post Graduate in Operations Management, Mr. Ashis Bhattacharya, Whole Time Director at Ess Dee has close to three decades of experience in the manufacturing industry. He brings to the table his extensive experience with eminent organisations across India and South Asia and is responsible for the overall Manufacturing Function.

Ashis shares his views on relevance of Technology at Ess Dee and how it forms an integral part of the Company's growth strategy.

“Ess Dee Aluminium is committed to provide the best quality products to its customers based on their requirements. Needless to say, technology plays a crucial role in facilitating the same.

Further the ink used as a printing medium is made to order and only those Food Contact Grade Substrates permitted under FDA are used.

Innovation continues to be our forte as we launched several new products in line with the industry demand and to proactively meet our customers' need. The Company continuously invests in latest Testing equipments, technology and automation to upgrade the manufacturing processes and standards.”

Commitment to Quality

Vinaya Desai, Whole Time Director at Ess Dee holds a Post Graduate degree in Pharmacy. She ensures Quality assurance at Ess Dee. Her vast experience in the field of quality assurance, clinical research and regulatory affairs goes a long way in facilitating product acceptance for Ess Dee in the International Arena. She is a stickler for high quality and ensures adherence to the highest global quality standards.

Vinaya Desai shares the Strategic Aspects of Quality standards at Ess Dee :

“The Company follows a three step inspection process to ensure that the material it provides is of the desired quality standards. Quality inspection is done at all stages i.e. primary, intermediary and final stages of rolling, conversion and printing respectively.

The Company constantly strives to improve and enhance the overall quality of the packaging. It has systems and processes in place for anti-counterfeit control and also to ensure adherence to regulatory norms.

Ess Dee is registered with US FDA under DMF Type III and Canadian Health authorities under DMF Type II for varied products. Our manufacturing facilities are certified with some of the most stringent regulatory and quality standards in the Industry. This focus on quality which is an important aspect of Ess Dee's culture will go a long way in enabling the Company to forge ahead in the global markets.”



Business Review

Ess Dee Aluminium's dynamic business model enables it to cater to a host of industries. The business model inherits strength from the fact that packaging accounts for only 2-7% of the total products' cost but is responsible for 100% of the products' security and surety of performance. Its seamless business operation is accentuated by its backward integration initiative. By delivering value to its customers at a cost effective rate, Ess Dee aims to capitalise on the humungous opportunities present in the packaging space.



- 12 locations across India – 3 Hubs (Manufacturing Units) and 9 Spokes (Final Tailor Made- Locations)
- Hubs – Daman, Goa, Kolkata
- Spokes – Baddi, Bengaluru, Sikkim, Vasai, Goa, Daman (2 units) & Kolkata (2 units)

The Opportunities

Ess Dee has a service oriented model where it purchases metal in bulk, processes and customises as per the packaging requirement of the client and delivers it across 36 countries across the globe to Pharmaceuticals, Food and FMCG businesses.

While Ess Dee remains a dominant player in the domestic market, it is working extensively to tap the opportunities in the South East Asian markets, thereby increasing its focus in the export arena as well.

Pharmaceutical Industry:

The Indian pharmaceutical Companies have strong product pipelines and the sector is also expected to benefit from faster commercialization of product filings due to the Generic Drug User Fee Act (GDUFA) implemented from October 2012, which shortens the approval time frames of products resulting in the faster launch of products. Further, Indian companies are aggressively pushing their products in Regulated markets. Needless to say, the anticipated growth in the pharma sector will augment further improvement in the prospects of the packaging industry.

Ess Dee is one of the market leaders in catering to the ever-growing needs of the pharmaceutical market in India and going forward, it will be an integral part of the business model. With the Company's "Spokes" strategically situated at all major pharma hubs in India, Ess Dee boasts of on-time deliveries, low inventories and is not restricted by Minimum Order Quantities.

Ess Dee, being at the forefront of technology also offers specialised products like High Barrier material, Anti counterfeit, Cold Form Blister, Child Resistant Foil with features like peel-able, peel - push and push through Multilayer plain and printed laminates. Besides its existing solutions and those under development, Ess Dee persistently explores new technologies and capabilities which can be offered to its clients.



FMCG & Food Industry

With increasing purchasing power, the rise in standard of living and retail outlets, the FMCG Sector in India is poised for substantial growth. Packaging for this industry has an added dimension as it plays a very crucial role in product differentiation and brand building, apart from securing the product.

The Food Industry along with Hotels, Restaurants and Catering (HORECA) businesses provides a huge opportunity for Ess Dee and our foils are finding widespread application not only in the HORECA space but even in urban households as consumers look for safer options to experiment with food and keep it fresh for long.

It has also launched quality products in the plain foil segment specifically for the HORECA markets.