



ESS DEE ALUMINIUM LIMITED
ANNUAL REPORT 2014-2015

FOCUSSING  **ON**
GROWTH & INNOVATION



Index

Index

Chairman's Statement	01
From the MD's Desk	04
Business Review	06
HR Initiatives	10
Notice	13
Directors' Report	21
Management Discussion & Analysis Report	29
Corporate Governance Report	33
Auditors' Report - Standalone	69
Financial - Standalone	75
Auditors' Report - Consolidated	103
Financial - Consolidated	109

Chairman's Statement



Dear Fellow Shareholders

“When everything seems to be going against you, remember that the airplane takes off against the wind, not with it.”

- Henry Ford

India's economy recorded a growth of 7.3 per cent for the fiscal year that ended in March 2015, provisionally, as per the Central Statistical Organization. Lower Oil Prices resulted in lower fiscal burden from subsidies thereby aiding stability in terms of the macro economy.

The Indian economy is expected to recover but at a modest rate and will be dependent on investment activity picking up. This will happen as and when there is resolution of stalled projects resulting in improved business and consumer confidence. The inflation numbers too have been somewhat encouraging.

During the year 2014-15, eight core infrastructure industries grew by 3.5 per cent while during the quarter ended June 2015, output of the eight core industries grew by 2.4 per cent as compared to the same period a year ago. Overall growth in the Index of Industrial Production (IIP) was 4.1 per cent during April 2015 as compared to 3.7 per cent April 2014. During the year 2014-15, IIP growth was 2.8 per cent as compared to (-) 0.1 per cent in the previous year.

GDP growth is forecasted to accelerate to 8.1 per cent in 2015 and 8.2 per cent in 2016, benefiting from the acceleration of infrastructure projects, strong consumer spending due to lower inflation and monetary easing and gradual improvements in market sentiments according to an UN ESCAP report titled, 'Economic and Social Survey of Asia and the Pacific 2015.

This is expected to be spurred by strong consumer spending amid low inflation, infrastructure projects and government's reform measures. Investment is also expected to rebound, although unevenly, given the still low capacity-utilization rate of about 70 per cent. The report further goes to highlight volatile capital flows following monetary policy normalization in the US remain as a downside risk.

According to a recently published research report by Visiongain, the world aluminium foil packaging market is expected to continue to record stable growth between 2015 and 2025. China will account for approximately 45% of the global demand and developing countries are expected to account for a bigger market share over the next ten years as their economies develop further. Rising incomes will encourage consumer spending and the demand for aluminium foil packaging will increase as a consequence. TechNavio's analysts had forecasted that the Global Aluminium Foil Packaging market could grow at a CAGR of 4.24 per cent between 2014 and 2019.

The Numbers

Our fully integrated business model, capabilities in providing customised packaging for the pharmaceutical industry, use of advance technology and management of resources, scale of operations, and geographically expanding operations and facilities provide us with certain competitive advantages. Our wide portfolio of products also gives us an advantage over other manufacturers as it is advantageous for consumers to buy from producers who provide end-to-end packaging solutions.

We were thus able to report a topline growth of 15 per cent at ₹ 77,279.57 lacs during FY 2014-15.

As indicated in our last Annual Report, we have invested heavily in the Company's Gross Block primarily for capacity augmentation. The Company has incurred a capex of more than ₹ 400 crores in the previous two years and resultantly there has been an increase in depreciation as well as interest cost.

This has impacted the Net Profits which stood at ₹ 3,038.19 lacs, suggesting de-growth. However, this is typical of a manufacturing company where the benefits of such investments will become visible over the next few years.

Our manufacturing facilities located at Daman in the western part of India are in close proximity to the Mumbai port and at Kolkata and Hoera in the eastern part of India, are in close proximity of the Kolkata port. These operate as the hubs where our primary aluminium foil rolling and conversion activities are carried out.

From these hubs our printer stock is supplied to the printing units located across India at Goa, Daman and Vasai (focusing on the customer base in western India including in the States of Maharashtra and Gujarat), Bangalore (focusing on the customer base in southern India), Baddi (focusing on the customer base in the States of Himachal Pradesh, Jammu and Kashmir and Uttaranchal) and Sikkim (focusing on the customer base in eastern and north-eastern India). We continue to follow the strategy of being in close proximity to our clients thereby facilitating strong customer relationships, higher sales and minimisation of delivery costs.

Am happy to share that despite tough macroeconomic conditions, we continue to maintain our leadership position in the domestic markets. We will now provide a special focus on our set of customers under the Navratna and the gold categories. We will also continue to leverage upon our well established network of marketing agents and distributors.

In the International market we have adopted a cautious and gradual approach with the implementation of our Technology Upgradation and Transformational Project which is expected to be completed by early 2016. This will lay a strong foundation for our International success and we will be thoroughly prepared to drive exports to regulated markets with emphasis on Blister and Cold Form Blister packaging.

The collaboration with Chemnitz University of Technology, Germany, has enabled us to enhance our manufacturing competencies by aiding in customized technology and process re-engineering. It has added significantly in terms of our existing product line with special focus on the Anti-Counterfeit feature, on New Product Development and in the area of joint intellectual property rights development.

All this will enable us to establish a strong footprint in the regulated markets, especially the regulated markets like Europe and US. Appointing a commercial partner is also a strategy which we will be pursuing aggressively once we are ready in terms of products and technology.

Vote of Thanks

The primary driver of our company's progress has been the support and commitment of our dedicated staff members and numerous stakeholders.

I take this opportunity to thank each one of you and conclude with a promise that we shall leave no stone unturned in steering our company to a higher growth phase.

Sudip Dutta
Chairman



From the Managing Director's Desk



Ashis Bhattacharya, the Company's Managing Director, shares his vision as the Company completes another year of consolidation and marks measured steps towards positioning itself optimally while transitioning towards next growth curve.

Hereunder are some key excerpts from a discussion where he provides his perspective on Ess Dee's progress in FY 2014-15 and provides an insight into what lies ahead for the company.

Numbers and Beyond

Our topline reflects a 15 per cent rise this year on account of our focussed sales and marketing efforts. We continue to be the backyard supplier of packaging materials for our customers through our hub and spokes model, by enhancing their cost competitiveness.

With a capital investment of more than ₹ 400 crores over the last two years, we are undertaking several technological upgradations. Resultantly there has been an increase in depreciation as well as interest cost during the year and this has impacted the bottomline which stood at ₹ 3,038.19 lacs reflecting a de-growth when compared with the previous year.

Product Mix Initiatives

We have continued to focus on Pharmaceuticals and FMCG as our key target markets. Pharmaceutical packaging plays an indispensable role in preventing biological contamination and enabling pharmaceutical formulations to retain their properties through the entire logistical and purchase cycle. With an ageing global and Indian population and increasing affordability, the demand for packaging continues to hold tremendous potential globally as well as in India.

Packaging materials used in the food and beverage segment come in close contact with edible materials. This makes it imperative for food and beverage packaging materials to adhere to the highest health and safety standards. As consumers find themselves in the middle of increasingly busy lifestyles, the need for ready to pick up and consume on-the-go food and beverages is growing, and the packaging industry needs to adapt to this change. The Asia Pacific sector is expected to witness highest growth in the global food and beverage packaging market and we are well placed to tap this demand.

Aluminium foil packaging material is a part of the flexible packaging material and is basically produced using aluminium sheets. Aluminium foil can be used to wrap around any product for packaging purposes. With huge barrier properties, it continues to be a packaging material of choice for several products.

We are in sync with the emerging trends in the industry and are constantly improvising existing products along with pioneering the use of new technology for our customers.

Retaining Domestic Market Leadership

The Indian economy is growing steadily and so is the packaging industry. As growth rides on increased industrial production and international trade, demand for packaging products has become more advanced and sophisticated.

Within India, the increasing penetration of organized retail and especially foreign players who are large consumers of flexible packaging solutions and the increasing preference for branded products has intensified the demand for flexible packaging solutions.

We continued to retain our leadership by focusing on customising and improvising our existing product lines. New products were also developed enhance the per kilogram yield of products for our customer in terms of their sales and the same are under trials and stability tests with few of the customers.

Global Foray

This global packaging market is unique in the sense that it is impacted by overall economic health, technological advancements to suit changing consumer trends. One of the key trends in the global packaging market is a shift toward smaller package sizes because families are shrinking and lifestyles are changing. Another factor which weighs heavily is the regulatory aspect. This has compelled a number of companies to bring significant changes in their operations ranging from raw materials, procurement, and processes associated with the entire packaging value chain to adhere to certain safety guidelines and practices.

At Ess Dee too, we are extremely cautious and well aware of this and am happy to share that the first phase of Technology Upgradation and Transformational Project which we implemented in 2015, is expected to be completed by early 2016. This will enable the company to drive exports to regulated markets with emphasis on Blister and Cold Form Blister packaging.

Maintaining Quality

Along with technological upgradations, maintaining quality forms and integral part of our business process. Again this has to be implemented in line with changing trends. The stronger the barrier characteristics of packaging materials, the better is their performance. A longer shelf life is important too, as companies look to expand into newer markets to boost revenues without compromising heavily on supply-chain efficiencies. Thus product quality will have to be sustainable in addition to protecting the product.

Quality will also have to focus on developing lightweight packaging materials so as to help save fuel during transportation in addition to making packaging more convenient while retaining the quality and integrity of products being packaged.

We are implementing various Six Sigma Projects carrying on both product and quality front in line with the emerging industry trends. Equipment at various stages of process has been upgraded in consultation with Chemnitz University, Germany, with whom we collaborated last year.

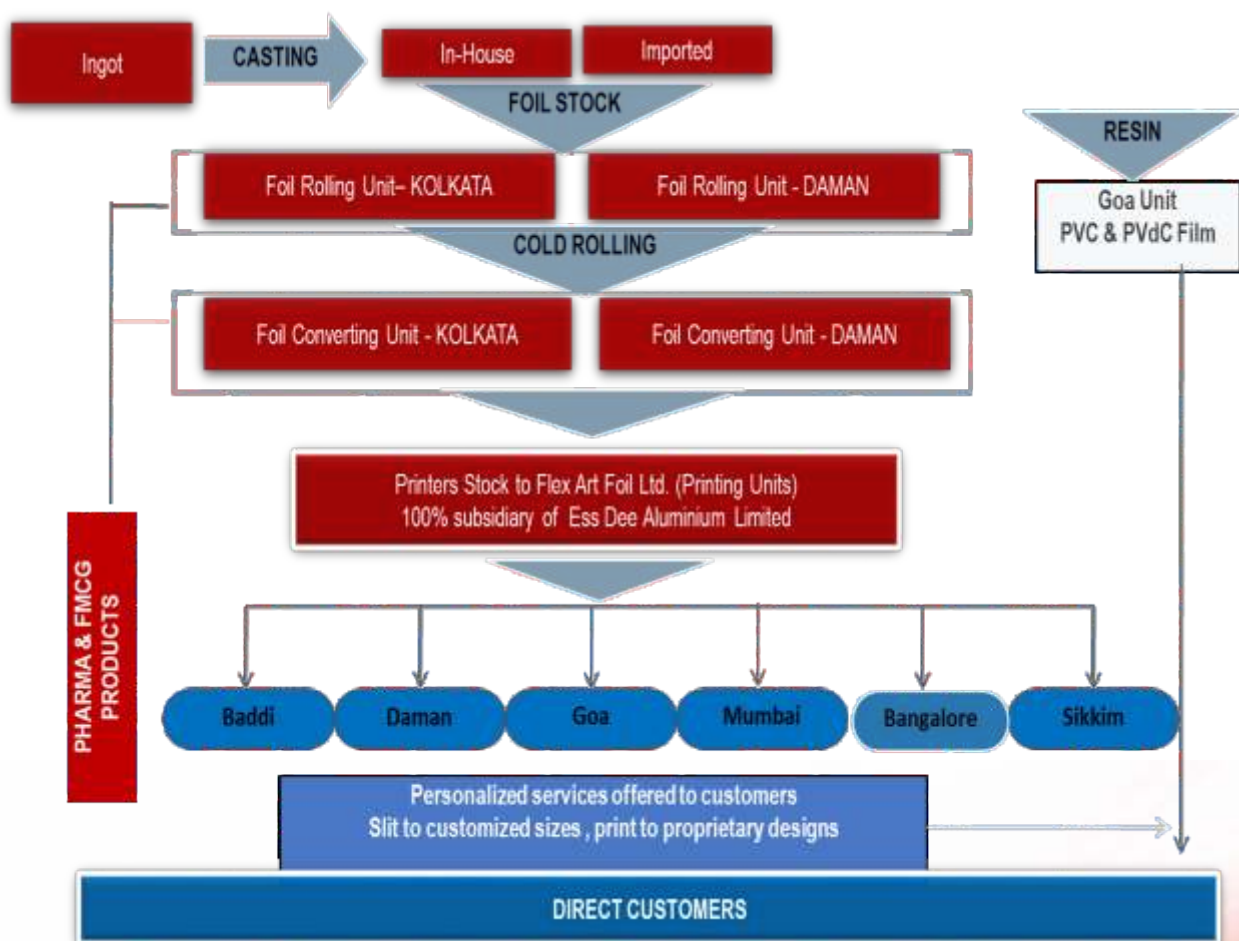
Outlook for the year 2015-16

With all these measures, we will continue to consolidate our market position in India. Internationally, our focus is on expansion and pursuing growth through selective acquisition opportunities whenever they arise. We will continue to de-risk as well as expand our business by enlarging our product portfolio to meet more and more needs of our customers and also focus on innovation. All this will require a continuous development of our skilled work force.

With all these efforts underway, we look forward to another year of consolidation and progress.

Business Review

END to END Capabilities



Ess Dee offers primary packaging materials and packaging solutions principally for customers in the Pharmaceuticals, FMCG and Food industries.

The Key product portfolio encompasses - aluminium strip foils, aluminium blister pack foil, PVC film, PVdC coated PVC film, metallised PVC film, cold forming blister laminates; child resistant blister pack laminates; laminates for oral rehydration salts, effervescent tablets and powders, cough lozenges etc.

R&D collaboration with Chemnitz University, Germany

An Update

The Collaboration with Chemnitz University of Technology, Germany which took place a year ago, will see Ess Dee benefitting in terms of print and packaging and printed electronic areas in Packaging and Aluminium foils.

The Company will be leveraging the research and knowledge bank of Chemnitz to improve manufacturing competencies especially for its global foray.

The key areas which have benefitted through this can be summarized as follows:

Technology-

- Enhancing Manufacturing Competencies
- Customizing technology to suit specific client requirements
- Process re-engineering for optimization and enhancing efficiencies

Product-

- Anti Counterfeit – Three Dimensional Effect, Printing of Holograms, Concept of Security Printing in Currency Notes, Vignette, Multi-colour tonal designs, Water Marks, UV effects
- Peel-Push Blisters – Separating the individual blister cavity at the perforations, peeling off the top layers (PET or PET/Paper at the designated place) and pushing the pharmaceutical product through the foil
- Peel Open and Tear Open Version - Separating the individual blister cavity at the perforations
- All our product innovations are carefully engineered, bond strengths are used to provide the necessary peel-push, peel open or tear open features desired for the final product

Market-

- European market intelligence
- Explore for a European commercial partner

