



Stepping into the Next Millennium



Directors	Subhash Chandra	Chairman
	Ashok Kumar Goel	
	J.M. Fernandes	
	S.S. Sanyal	
	Vasant Kumar Badgamia	
	Davendra Ahuja	
	K.A. Harnahalli	Nominee Director
	Cyrus Bagwadia	Managing Director

Company Secretary Raju Ananthanarayanan

Auditors M.G. Bhandari & Co,
Chartered Accountants

Bankers State Bank of India
Standard Chartered Bank
ANZ Grindlays Bank
Banque Nationale De Paris
Corporation Bank

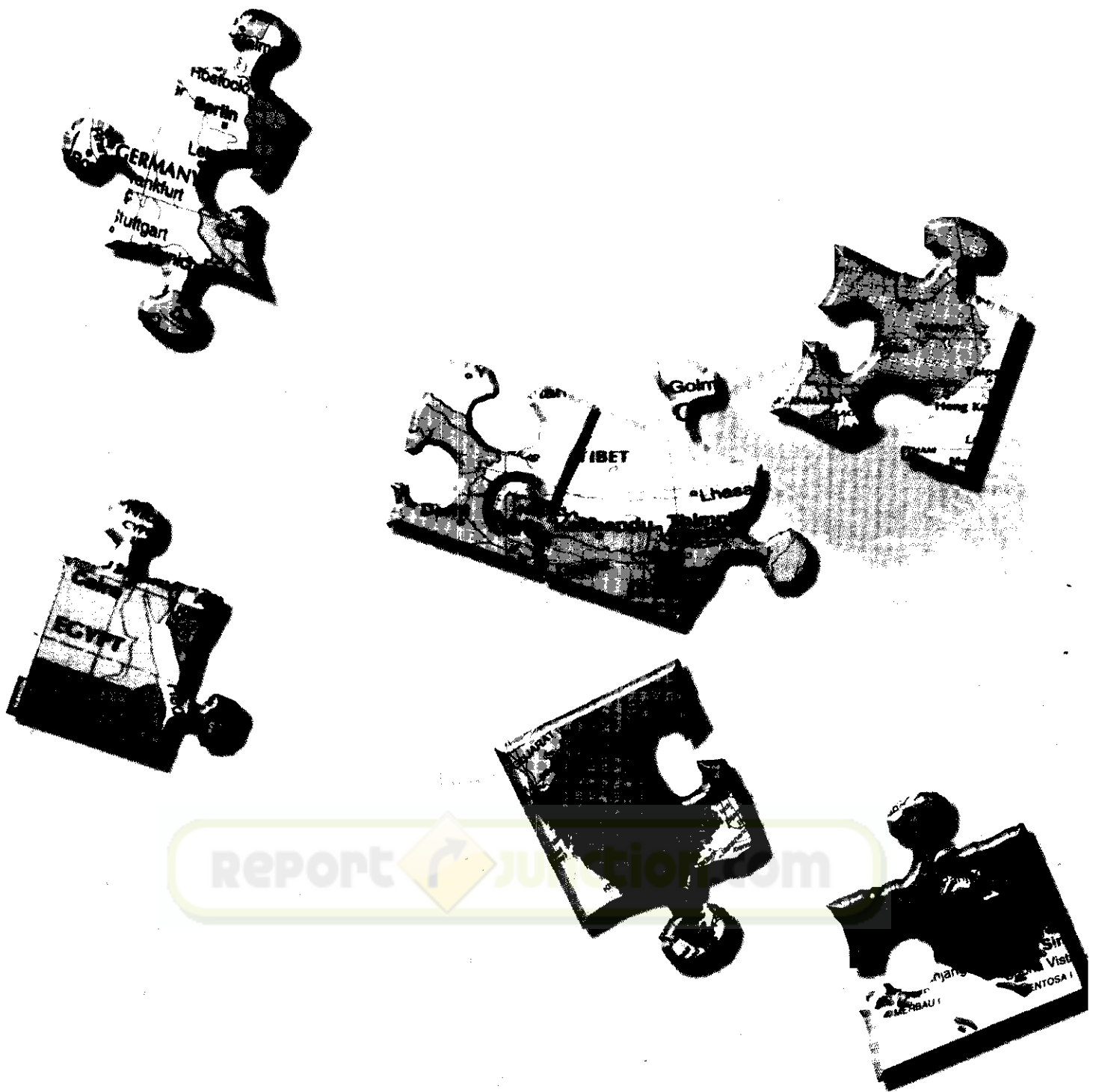
Registered Office P.O. Vasind, Taluka Shahapur
Dist. Thane, Maharashtra - 421 604

Corporate Office 135, Continental Building
Dr. A.B. Road, Worli
Mumbai - 400 018

Works Vasind • Murbad • Wada
Goa • Silvassa

Overseas Operations Guangzhou (China)
Cairo (Egypt) • Singapore

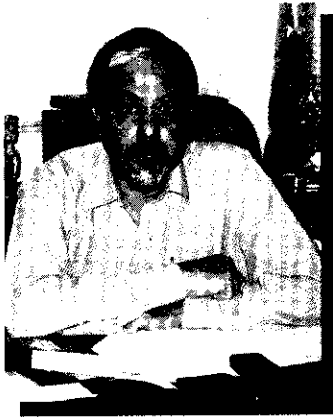
Website : www.essel.com or www.esselpackaging.com



Making our own map



Chairman's Statement



Dear Investor,

It gives me great pleasure to share my thoughts with you. Your Company has completed one more year in its young history, a year which ended with satisfactory results. The year in which most industrial segments went through a general slow-down. Your Company likewise faced difficulties, particularly since it had expanded its capacities only a year and a half back. However, with prudent management, cost reduction and good ideas, your Company maintained its market position, added new customers and introduced a number of innovative products. Your Company's Wholly Owned Subsidiary in China and the Joint Venture in Egypt have started generating profits. It is most heartening that despite having no start-up contracts, our China team did well in settling down in the new environment and becoming a supplier so rapidly. We are now busy building a new plant in Germany.

*The theme for this year's Annual Report is : "**BUILDING A GLOBAL BUSINESS**".*

A truly global business is one which is characterised not only as an organisation which has manufacturing facilities and offices all over the world but, one that is identified with everything that symbolises quality, excellence and progress.

Your Company is in the process of building such a business guided by a vision – a mission statement to be the world's largest non-metal tube manufacturer, having a strong global presence with worldwide operations based on the core values of safety, integrity and continuous self-improvement, where the buzzwords are quality, innovativeness and service. An organisation where customer needs are researched, competition divined and growth strategically charted. The attempt will be to develop local expertise with global blending and operate in the local culture to gain respect as a citizen organisation of that country. Only then can we truly qualify as a global business. Above all, it will be done under the covenants of good corporate governance to achieve what may perhaps be termed as a 'Global Multidomestic Company' rather than a global or Indian multinational.

The world itself is becoming a smaller place. Countries are becoming more inter-dependent. No country can continue to remain isolated from other economies and still wish to progress. Integration of the world economy is increasing in its speed. But, in all of what we have read before, there is a word of caution. When technology is advancing and aspirations of the people are growing, why then did the economies of so many countries actually shrink last year? Two-thirds of the world was in recession in 1997 and 1998. Is economic power shifting into a fewer hands and is it that the economic benefits are not getting disbursed widely?

What is happening today is that the real power is being exercised by large Global Corporations. Out of the 100 largest economies in the world, 51 are Corporations - only 49 are countries. This statement may be shocking but, true. There is an increasing freedom in the Global Environment in which Transnational Corporations can move capital, technology, goods and services freely, unfettered by the regulations of the State. This creates massive shift in power - out of the hands of the Government and into the hands of such Corporations. The very role of the government is changing, from being a controller to being a facilitator, from being involved in business to furthering the health and education of its people. Good governance has never been more important.

Coming back to business at hand, I believe that we can sustain our long-term success only through steady growth, innovative products, excellent business processes and above all, empowered and capable employees with the determination to change with the changing times. We will continue to be successful. I am sure you share my confidence and optimism.

My report would not be complete without my personal thanks to all our employees, customers, suppliers and a very special thanks to the banks, financial institutions and investors.

Subhash Chandra

27th April, 1999

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*Making the Right move
towards progress worldwide*



Directors' Report

The Members,
Essel Packaging Limited.

Your Directors have pleasure in presenting their report for the Sixteenth financial year of the Company ended on 31st March, 1999.

FINANCIAL RESULTS

	(Rs. in Million)	
	Year ended 31-3-99	Year ended 31-3-98
Gross Income	1865.52	1806.81
Profit before		
Depreciation & Interest	629.21	549.88
Depreciation	268.01	200.91
Profit before Tax	323.12	327.49
Provision for Tax	62.50	67.50
Profit after Tax	260.62	259.99

APPROPRIATIONS :

	Year ended 31-3-99	Year ended 31-3-98
Debenture		
Redemption Reserve	25.00	25.00
Interim Dividend Paid (Inclusive of Tax)	33.46	33.46
Proposed Dividend - Final (Inclusive of Tax)	57.40	53.53
General Reserve	90.00	90.00
Surplus carried forward to Balance Sheet	40.45	48.85

DIVIDEND

Your Directors are pleased to recommend to the Annual General Meeting a total dividend for the year ended 31st March, 1999, at 54% amounting to Rs. 82.12 million.

The Board of Directors had already declared an interim dividend of 20% for the six month period ended 30th September, 1998, amounting to Rs. 30.41 Million.

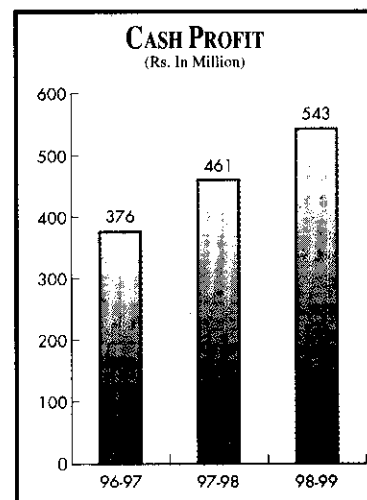
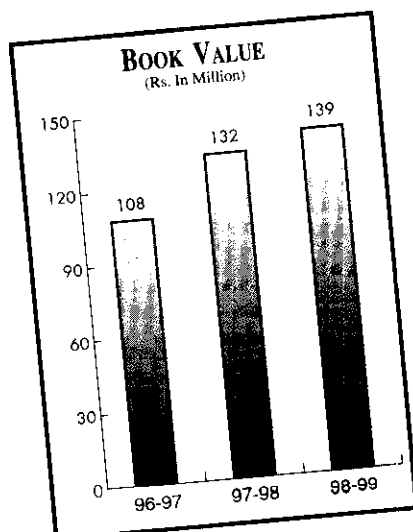
The dividend payout would be net of tax and the tax would be borne by the Company. The dividend payout for the year 1998-99 will work out to 59.74% gross of tax as compared to 57.20% for the previous year.

YEAR IN RETROSPECT

The economic downturn took toll of the Indian industry and markets. Despite depressed market conditions, your Company has performed well and has managed to maintain its dominant market position. Your Company's efforts over the last few years in diversifying its product range and enlarging its customer base has paid off in insulating its performance in 1998-99.

OVERSEAS VENTURES

The performance of your Company's overseas ventures has been most encouraging. The China operations were accorded an Accomplishment Certificate by the Chinese Government for the operation start-up in a record period of 4 months from receiving the business licence. The Chinese venture has now completed its first full year of



Employees are our Finest Assets





operations and it has achieved positive results. It has already made profit in this first year of operations. Your Company's Directors expect a strong growth from the wholly owned Chinese venture in the years to come. Its manufacturing capacity was doubled to position the Company appropriately in this exciting market.

The Egyptian subsidiary which was your Company's first venture abroad, has reached close to full capacity. The Egyptian operations are profitable and the turnover during the year 1998 has shown a growth of 105% over the previous year.

The statement pursuant to Section 212 of the Companies Act, 1956, as well as the Profit & Loss Account for the year ended 31st December, 1998 and the Balance Sheet as on that date in respect of the Subsidiary Companies is annexed to this Report.

BUYBACK OF SHARES

Your Company strives to provide its shareholders a handsome return on investment that is competitive and which enhances shareholder value. With this objective, your Company would be reducing its capital base through buyback of shares. The buyback would be completed within a period of 12 months from the date of the shareholders' resolution. Your Directors thank you for granting the authority to buyback upto 15,00,887 equity shares of the Company.

Your Directors would like to reiterate that buyback is just one small step in its continuous pursuit towards its stated objective of enhancing shareholder value.

EMPLOYEE STOCK OPTION SCHEME

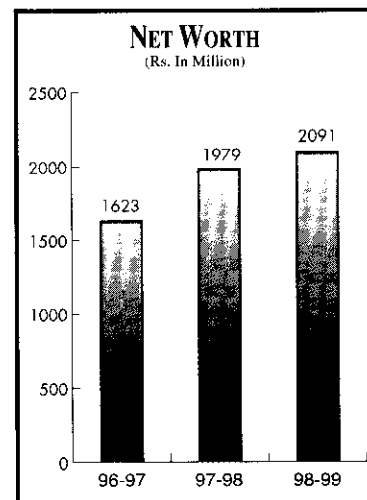
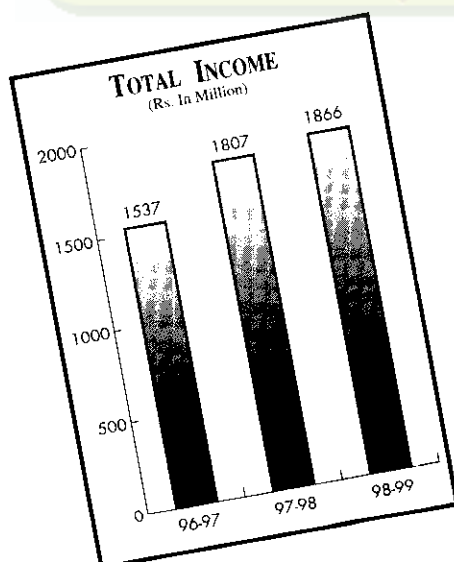
Your Company believes that "employees are its finest assets". Your Company is interested in promoting the growth and welfare of its employees by providing incentives to encourage and reward better performance. An Employee Stock Option Scheme has been introduced to encourage ownership of the Company's equity shares by the employees on an ongoing basis. Your Company has also constituted an Employee Welfare Trust called "Essel Packaging Employee Welfare Trust" for implementing this Scheme.

YEAR 2000 COMPLIANCE (Y2K)

Your Company has been actively engaged in addressing Year 2000 (Y2K) issues. Your Company had initiated the compliance by listing all the areas for possible Y2K impact in May, 1998. The strategy for compliance was to conduct an audit internally and also involve an external party. A detailed software audit of all the existing software developed in-house and out-sourced has been completed. All equipments at plants were tested for Y2K Compliance and written confirmations have been obtained wherever necessary.

Your Company has obtained written confirmations from all third parties with whom there is a material relationship. All such parties have assured the Company that they are taking necessary steps for Y2K Compliance.

The Y2K project is the Company's highest priority. Your Company has achieved Y2K Compliance in all areas







which are critical to its business in February, 1999. This includes the Information Technology Systems of the Company. The Y2K Compliance test for non-critical business areas is expected to be completed by September, 1999.

FUTURE PROSPECTS

Significant manufacturing capacities were increased in 1997-98 and which were in line with our positioning strategy as well as a strong market demand. However, in 1998-99, the market conditions deteriorated thereby slackening demand. Your Directors have positive belief in the future and expect a strong growth. Your Company is already well positioned to service such a growth.

In pursuance of its strategy to grow globally, your Company has signed a Joint Venture in Dresden, Germany. This Company will acquire existing tubing operations and has concluded a five year supply contract for tubes with a German customer.

DIRECTORS

Mr. Ashok Kumar Goel stepped down as the Managing Director of the Company. However, he shall continue as a Whole-time Director. Mr. Cyrus Bagwadia has been appointed as the Managing Director. This was ratified by the Shareholders in the Extra-ordinary General Meeting held on 5th March, 1999.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Davendra Ahuja and Mr. J.M. Fernandes, Directors, retire by rotation and being eligible, offer themselves for re-appointment. Members are requested to re-appoint them.

AUDITORS

M/s. M.G. Bhandari & Co., Chartered Accountants, retire and are hereby eligible for re-appointment as Auditors. Members are requested to re-appoint them.

PERSONNEL

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms a part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed hereto.

CONCLUSION

Your Directors wish to place on record their gratitude for the support extended by the Financial Institutions, Bankers, Central & State Governments and Suppliers.

Your Directors sincerely appreciate the total commitment and hard work put in by the entire **Essel Team**.

We are grateful to our Shareholders for the confidence they have reposed in us.

By Order of the Board
For **ESSEL PACKAGING LIMITED**

Place : Mumbai.
Date : 27th April, 1999.

SUBHASH CHANDRA
Chairman