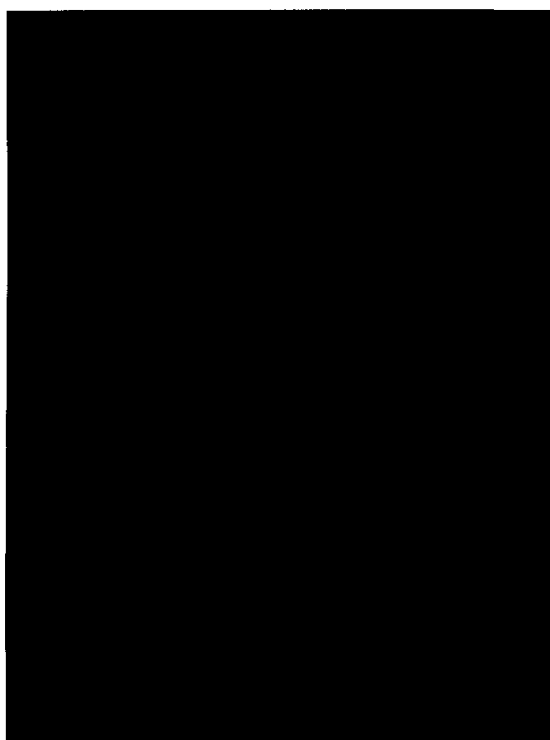




A NEW BEGINNING



ESSEL PACKAGING LIMITED



DIRECTORS

Subhash Chandra, Chairman

Ashok Kumar Goel

J. M. Fernandes

S. S. Sanyal

Vasant Kumar Badgamia

Davendra Ahuja

Bernhard A Schwyn
(Appointed w.e.f. 29th March, 2001)

Cyrus Bagwadia, Managing Director

COMPANY SECRETARY


Raju Ananthanarayanan

AUDITORS

MGB & Co



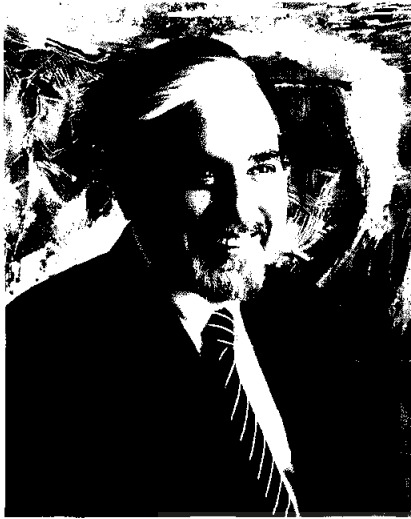
BANKERS : State Bank of India • Standard Chartered Bank • Standard Chartered Grindlays Bank • BNP Paribas • Corporation Bank. **REGISTERED OFFICE** : P. O. Vasind, Taluka Shahapur, Dist. Thane, Maharashtra 421 604, India. **CORPORATE OFFICE** : 135, Continental Building, Dr. A. B. Road, Worli, Mumbai 400 018, India. Tel. +91 22 493 3280 **WORKS** : Vasind • Murbad • Wada • Goa • Silvassa. **OVERSEAS OPERATIONS** : China • Egypt • Germany • Nepal • Philippines • Indonesia • Venezuela • Colombia • Mexico • Mauritius • Singapore. **WEBSITE** : www.essel.com

According to most people,
a merger is the combination of
two or more companies into a
single entity. According to us,
a merger is the beginning of
an



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CHAIRMAN'S STATEMENT



Dear Investor,

We have now closed last year's Balance Sheet which was the last Balance Sheet of the previous millennium and even to my surprise, my last statement in the Seventeenth Annual Report has come close to reality, when I am addressing you in the first year of the new millennium. This year has been a good beginning for the new millennium for your Company. The management of the Company has carried the theme in last year's Annual Report of Creating Value and Wealth for the Shareholder.

Keeping this in mind, the Company could not introduce newer product lines, and have been able to introduce only one more product line i.e. caps & closures because we are always cautious in maintaining and improving top and bottom line of the Company.

You may recall that five years ago, we had set a **vision** for your company to be the largest and most profitable laminated tube company in the world. With a single product portfolio, it was not only important, but also crucial to become the largest in the global arena. Therefore, when Propack, another global laminated tube producer approached us to merge their business into ours, we were happy and prepared to consider such a proposition. I am glad to state that the management of Essel Packaging has not just taken over the business of Propack successfully, but at the same time has been able to integrate the management skills of Propack into the merged entity.

With this takeover, your Company is present in 10 countries and 15 manufacturing locations.

And what a history it is, my friends! Your company started eighteen years ago with a single location,

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producing 53 million tubes every year with a total investment of Rs. 80 million. Today, it is in excess of 2 billion tubes every year with a target growth of 5 billion tubes in the next 3 to 4 years! Your Company has indeed grown into a truly global enterprise!

Our global customers are rapidly moving into global sourcing for their product needs and they desire to partner with global suppliers. They also welcome this merger. The new enterprise will offer more avenues to our people for their individual personal development and career growth.

My peers in the corporate world often ask me "How do we compete in a global market base when the market condition in our country is so very difficult; power, capital & infrastructure is very expensive and man hour productivity is lower?" I do want to tell them with pride, "yes you can" by giving example of Essel Packaging, but I have to resist giving the Essel example. Instead, I say ***"Please do not look only at India as your market. Perceive the World as your market. Share knowledge amongst your people, absorb, innovate and improve upon the newer and newer technology. Be quality and cost conscious with constant customer focus. Then you will have no worry of foreign competition coming to your land"***. That is what your Company Essel Packaging has learnt & done and will continue to practice even more vigorously with multinational and multi location management team.

I am grateful to all our employees, customers, suppliers, banks, financial institutions for their help and support. I also thank our investors for keeping their faith in us. We shall endeavour to honour the confidence reposed in us by you all.

The key to a successful
merger is people. Therefore
great emphasis is placed
on maximising talent while

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DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present their Report on the business and operations of your Company for the year ended 31st March, 2001.

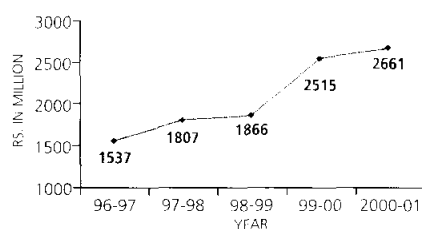
RESULTS OF OPERATIONS : The Sales Revenue for the financial year under review was Rs. 2,576 million as compared to Rs. 2,484 million last year. The Profit After Tax increased to Rs. 433 million from Rs.366 million, an increase of 18%.

DIVIDEND : Your Directors recommend a dividend of Rs. 5.40 per share for the financial year ended 31st March, 2001 on the expanded capital base which translates to a dividend of 86% on the pre-bonus share capital. This dividend is payable on a higher capital base which increased during the year due to the issue of bonus shares in the proportion of three new equity shares for every five equity shares held. The dividend

will be paid to the shareholders after it is approved at the forthcoming Annual General Meeting of the Company.

INCREASE IN SHARE CAPITAL : During the year, the Company allotted 9,125,099 equity shares

SALES AND OTHER INCOME



as Bonus Shares to the shareholders in the proportion of three new equity shares for every five equity shares held by the shareholders on the record date, i.e., 6th January, 2001. Due to the issue of Bonus Shares, the paid-up equity share capital has increased to Rs. 243.34 million.

FINANCIAL RESULTS

	(Rs. in million)	
	Year ended 31-3-2001	Year ended 31-3-2000
Total Revenues	2660.59	2515.16
Total Expenditures	1781.40	1713.19
Operating Profit (PBIDT)	879.19	801.97
Interest (Net)	8.33	16.47
Depreciation	276.45	278.24
Profit before Tax	594.41	507.26
Provision for Tax	161.00	140.82
Profit after Tax	433.41	366.44
Appropriations		
Dividend recommended inclusive of tax	144.80	344.38
Transfer to General Reserve	100.00	100.00

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The Company has also allotted 6,863,322 equity shares to Arfen Hsu Limited consequent to the acquisition of the Propack Group. However, since the equity shares were allotted on 5th April, 2001, this increase in equity share capital is not reflected in the financial statements for the year under review.

YEAR IN RETROSPECT : As far as the year in retrospect is concerned, the growth in personal care products has been fairly flat and the industry has started to consolidate their product portfolio by reducing the number of branded products. Also the expected increase in the consumption in the rural segment did not take place. In this scenario, our Company maintained its market share position and its overall business performance. This was possible through aggressive and disciplined exercises in reducing cost and making the Supply Chain even more effective. We had foreseen slower growth from the oral care segment. We went into the pharmaceutical segment and have achieved several successes. We are very glad to mention here that we have on our order rolls huge multinational pharmaceutical companies using our products. The industry has accepted laminated tubes as a superior product in enhancing the product image and hygiene. The trend worldwide is the same as companies recognize the value in use advantages of laminated tubes over conventional packaging products such as aluminium tubes, steel containers or plastic bottles.

INTERNATIONAL BUSINESS : As regards our international business, we have good news from all over the world to share with you.

Egypt : During the year ended 31st December, 2000, the sales increased to L.E. 6.19 million (Rs.76.69 million) from L.E. 2.64 million (Rs. 34 million) of the previous year representing an increase of 135%. The cash profits jumped by 52% and the Company has reported a net profit of L.E. 0.51 million (Rs. 6.37 million). With this, the Company has wiped out its accumulated losses.

Your Company's subsidiary in Egypt has completed the expansion in time and this plant is already successful in servicing demand of several buyers in the Middle East and African region. We are uniquely located in Egypt which gives us a strategic advantage in terms of intra-country trade and logistics. With our strategic location in Cairo, we have been able to penetrate the markets in the adjoining countries like South Africa, Sudan, Morocco and Lebanon. The Company is the first in the world to introduce tubes using **barrier liner technology**.