



ESSEL PROPACK LIMITED

Annual Report 2007

25
years

*we've come a long way,
we have a long way to go...*

*we've come a long way,
we have a long way to go...*

Twenty five years ago, we embarked on a journey. The road ahead was fraught with challenges, promises and endless possibilities. The rewards lay not at the end, but along every step of the journey.

Every new day in this journey presents an opportunity to leave an impression in the sands of time. Our journey so far has happily been punctuated with milestones that have elevated us to global leadership in our areas of competence.

25 state-of-the-art facilities in thirteen countries; 2700 employees representing 20 different nationalities; a customer list that reads right out of Fortune 500; selling 4.5 billion tubes and growing every year, cumulating to a 32% global market share in laminate tubes and a #1 ranking; a turnover in excess of US\$ 300 million... like they say, when you have the numbers, who needs the words!

Our success has been a function of the 3 Cs of growth – Customer, Commitment and Capabilities. Over 25 years, we've built-up a solid customer base. The commitment has always been there – and always will. The moment has now come when our capabilities, carefully honed and enhanced over the years, will propel our growth to newer orbits.

Every day we remind ourselves that the journey has just begun. Because every new day is another opportunity to reinvent ourselves, revitalize our customers' faith and reinforce our equity on the global stage.

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Chairman's Message



"It is this relentless attitude that has ensured that, as we cross this glorious milestone of 25 years, we have become a player of global repute in our sphere of business."

Dear Shareholders,

25 years of charting our own destiny.

It's the drops that make the ocean. While that is as trite a cliché as one can ever get, it still embodies the first principles of growth. If Essel Propack has today reached its pre-eminent position as the world leader in laminate tubes, it is because success has been built on a series of everyday actions – both big and small. Actions that have been contributed not just by the top management, but even those seemingly inconsequential tasks carried out by the lowest rung of workers on the plant floor.

It is 25 years since we first began to pursue our dreams. Dreams that were ambitious yet tempered with reality. Back then in the early eighties, the world – and India – was a different place. Few could have envisaged the rate of change the next two and a half decades would unfold.

We are where we are today because we adapted ourselves to the changing dynamics and boldly rode the crest of this change. Yet, things did not happen overnight. They had to be built brick by brick, through collective efforts. The past, however, shouldn't be consigned to the archives. Instead, it should be appreciated as a good

teacher. The past becomes our roadmap for the future. We must look back critically and impassionately to chart our future course.

It isn't as contradictory as it sounds. The mistakes of the past must be appreciated for what they are – warning signposts that keep us from repeating such errors. Likewise, we must also dwell on the positives of the past – use them as case studies if necessary – in our quest for future success.

Success is a continuous, 24 x 7 x 365 task. You have to work hard at it, every moment of the day, every day of the year. You cannot take your foot off the pedal to admire the scenery. It is this relentless attitude that has ensured that, as we cross this glorious milestone of 25 years, we have become a player of global repute in our sphere of business.

Global repute indeed. A quarter of a century ago, when we ventured into the packaging business, we were certain our commitment and enthusiasm would take us places. But even the most optimistic amongst us would not have predicted global leadership status well before our silver jubilee. But we made it happen and in our 25th year, dominating the laminate tubes landscape worldwide, with a phenomenal 32% market share.

I must add, that this success has come on the back of a two-pronged effort. One at the hands and legs level; the other at the mind level. Hands and legs is nothing but consistently working hard at success on the ground, everyday, by every employee at every level. That is the bedrock upon which any corporate success rests. And for 25 years, we at Essel Propack have been blessed by an abundance of that. My deepest gratitude to all our employees.

But the other side of the coin is just as vital – effort at the mind level. It is the thinking and strategy that results out of board-level meetings. Strategies that include geographical, capacity and product expansion, as well as mergers and acquisitions, amongst other things.

We have turned every setback into an opportunity.

In late 80's we innovated tube laminate in a 5 layer structure since we could not get good quality paper in India for making laminate. When we did not get quality blown film, we integrated backward, learnt the technology and improved margins. In mid 90's, when we did not find a suitable joint venture partner in China, we took the risk of going on our own. We started "a plant with in plant" for two large customers in China. We purchased moth balled assets in South Africa and Romania and re-located them to Nepal and Egypt.

The list is endless.

I reiterate my point; our first 25 years have been phenomenal because of an all-round, consistent and innovative effort by everyone at Essel Propack. The hands and legs have to be complemented by the mind. One without the other is futile. As we continue to push towards another 25 years of glory, both aspects must work again in tandem.

What does that mean for the future? Resting on our laurels is the last thing we can afford. It is precisely because we saw each day as a new challenge that we could grow and progress and reach where we are.

Where do we go from here? Anywhere we want to. It's really about making your own destiny. Rest on your laurels and you stay where you are. Use them as a springboard to further conquests and you'll reach greater heights.

Finally, further conquests shouldn't just be spurred on by personal ambitions. We carry the weight of the expectations of everyone whose destinies are also linked with us in whatever way – customers, employees, suppliers and very importantly shareholders. People who have not just invested money but faith as well in our success. We owe it to them, and to ourselves, to keep the momentum going.

Thanking you!

Subhash Chandra

Chairman

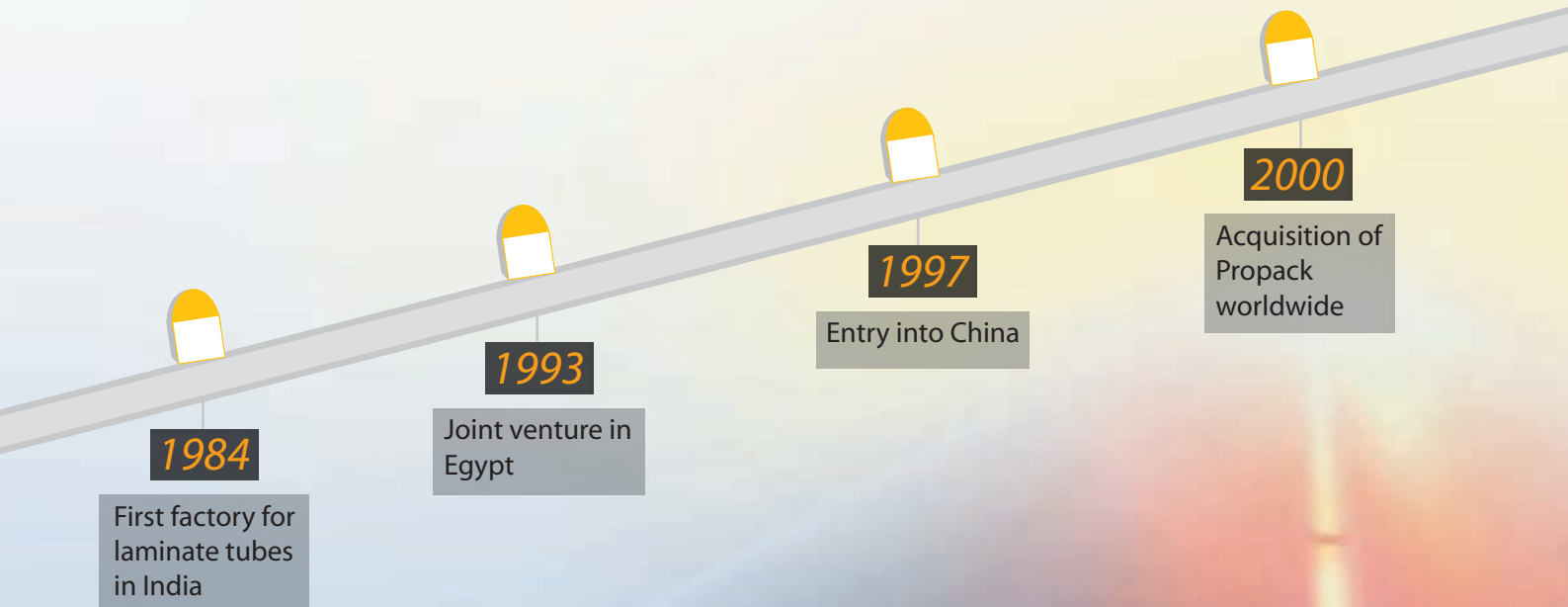


Our Road To Success

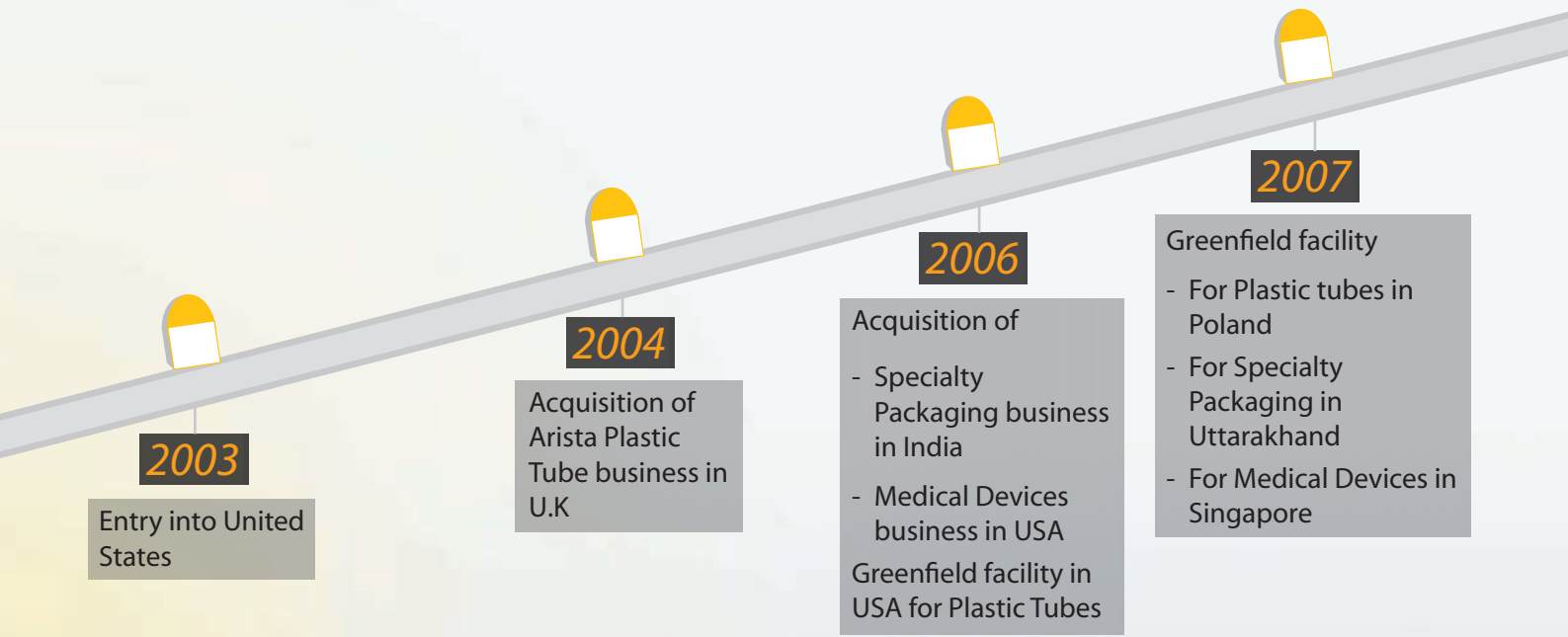
Success isn't a single step. It is about repeating those steps over and over...
a journey that never ends.

Indeed, success does not happen overnight. Almost always, it is a result of **continuous achievements** over a period of time. In **25 years**, we've slowly but surely emerged as a **global leader in laminate tubes**. The race is far from run.

Every milestone is a reminder of greater things that lie ahead.



Brand names / Trade marks appearing in the picture do not belong to Essel Propack Limited





Reaching Beyond National Frontiers To Straddle The Globe

It's a **global economy** today. To dominate parochial geography is no longer an achievement. True corporate greatness is reserved only for those who have left their footprint on the global stage.

At Essel Propack, global leadership is a concerted result of exploring new horizons. Having established a solid base in India, we **ventured overseas in 1993**, scripting our own bit of history in historic Egypt.

USA

MEXICO

COLOMBIA



Today, we are a *true Indian multinational*, with presence in China, Columbia, Egypt, Germany, Indonesia, Mexico, Philippines, Poland, Russia, Singapore, UK and USA as well. In 25 years, we've covered a lot of ground. But, the conquest has only just begun.



- ▲ Head Quarters in India
- Countries we operate

Indicative Map, not to scale



Powered By...

Everything we've achieved today is a function of that **potent formula** of driving change. We introduced laminate tubes in India and converted a whole market based on superior offering. **Constantly upgrading**, we've kept pace with the phenomenal rate of change the world has seen over the past 25 years.

But the best of technology still needs people to keep it ticking. We've invested liberally in this half of the growth story as well. Because both halves – **people and technology** – are inseparably dependant on each other. And because together, they make possible that vital ingredient of growth... **Innovation!**

Miles to go and promises to keep... people and technology are making the journey infinitely easier.

Passionate People



A training session in an Indian Unit



Quality inspection at Polish Unit



Operators in the USA Unit

Continuous Innovations



Tube with decorated shoulders



Tube with "Snap off" head



Oval tube



Dual chamber tube



Hologram tube

Vanguard Technology



MSL line



Gallus printing Press



High speed capper for Plastic tube line

Corporate Information

BOARD OF DIRECTORS

Subhash Chandra

Chairman

D. Ahuja

Tapan Mitra

K. V. Krishnamurthy

Boman Moradian

Ashok Kumar Goel

Vice Chairman and Managing Director

Auditors

MGB & Co.

Ajay Nagle

Vice President Legal & Company Secretary

Bankers

State Bank of India

Standard Chartered Bank

Corporation Bank

BNP Paribas

DBS Bank Ltd.

Advocates & Solicitors

ANS Law Associates

Registered Office

P. O. Vasind, Taluka Shahapur, District Thane, Maharashtra - 421 604, India.

Corporate Office

10th Floor, Times Tower, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013, India.

Tel.: +91-22-2481 9000, 2481 9200. Fax: +91-22-2496 3137

Factories - India

Goa, Murbad, Nalagarh, Puducherry, Silvassa, Vasind, Wada & Uttarakhand

Factories - Overseas

China, Columbia, Egypt, Germany, Indonesia, Mexico, Philippines, Poland, Russia, Singapore, UK & USA

Website

www.esselpropack.com

Board of Directors



Mr. Subhash Chandra
Chairman



Mr. D. Ahuja



Mr. Tapan Mitra



Mr. K.V. Krishnamurthy



Mr. Boman Moradian



Mr. Ashok Kumar Goel
Vice Chairman &
Managing Director

Vice Chairman & Managing Director's Message



"The year has been hectic and we have matched the challenges with our speed and never say die attitude."

Year 2007 was a year of change for your Company. The efforts unleashed in the previous year concluded with a major organisational recast in the beginning of the year.

We have created two separate business teams and empowered them to unleash profitable growth. The Corporate structure was considerably strengthened with addition of new talent. All existing systems and way of doing things were questioned and new revamped systems were put in place. We finalised a roll out plan

for a new global ERP initiative, which has since been launched end of first quarter 2008.

The challenge is how do we empower our people? How do we unleash the entrepreneurial spirit of our Managers?

Empowered employees have been the secret of your Company's success for the last 25 years. It has been my sincere belief that, in a competitive market the key

differentiator are our employees. It is they who make us win in the market-place.

As we look at the coming decade, I have complete and total faith that our people will take the Company into a new orbit of success.

Year 2007 was indeed an eventful year, in many respects, where your Company made significant investments for future growth by initiating an expansion programme of increasing the capacities; at the same time taking conscious decisions to close down high cost manufacturing locations.

The Year 2007 was also eventful from the business restructuring angle. We closed Venezuela plant at the start of the year. These capacities were shifted to Colombia and Mexico. By the end of the year, we closed Plastic tube manufacturing facility of Arista UK and consolidated the capacities in our new plastic tube plant in Poland.

We set up a new facility for Speciality Packaging Material in Uttarakhand in India. This plant was built in a record time of 9 months from the breaking of ground.

The beginning of the year saw the new Medical Device plant in Singapore go on stream. The year has been hectic and we have matched the challenges with our speed and never say die attitude.

This year we complete 25 years and let me reassure you that we are not going to rest on our laurels or past achievement but shall invest for a faster growth, better execution, greater customer satisfaction and enhanced shareholder value at the same time limiting the risk quotient. The years ahead will have greater challenges with equally greater rewards.

With your support and the zeal of your Company's employees we will get there, may be sooner than we think.

Thanking you!

Ashok Kumar Goel

Vice Chairman & Managing Director

Leadership Team



Sitting Left to Right

M R Ramasamy

Director, Technology & New Projects (Global)

R Chandrasekhar

President

Ashok Kumar Goel

Vice Chairman & Managing Director

Sanjay Bhasin

CEO – Tube & Laminates Business

Evelyn Tweedlie

Vice President – Tube & Laminates Business (Europe)

Standing Left to Right

Ernest Louis

Director, Human Capital (Global)

M K Banerjee

Director, Creativity & Innovation (Global)

A V Ganapathy

Chief Financial Officer (Global)

Edward Luo Zhiyong

Vice President – Tube & Laminates Business
(East Asia Pacific)

Ted Sojourner

Vice President – Tube & Laminates Business (Americas)

Ajay Nagle

Vice President - Legal & Company Secretary

Vinay Mokashi

Financial Controller (Global)



Driving Growth Beyond Laminate Tubes

Having attained leadership status in laminate tubes, newer conquests beckoned. Recent **acquisitions** have provided us with new growth engines...

Plastic Tubes... Specialty Packaging... Medical Devices.

The expansion hasn't just been relentless, but **strategic** as well. What began, 25 years ago, a single factory for laminate tubes is today a **diversified** global business. The sky remains the limit.



New Plastic tube facility in USA



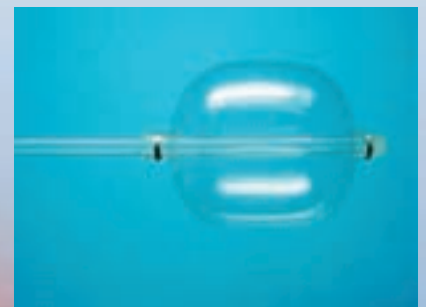
New Plastic tube facility in Poland



New Specialty Packaging plant in Uttarakhand, India



New medical devices facility in Singapore



Balloon & Catheters

Director's Report

To,
The Members,
ESSEL PROPACK LIMITED

Your Directors have pleasure in presenting their Report on the business and operations of the Company for the year ended December 31, 2007.

Result of Operations

Consolidated Global Results

(Rs. in million)

	Year Ended 31.12.2007	Year Ended 31.12.2006
Total Revenue (excluding Excise Duty)	12,181	10,286
Operating Profit (EBIDT)	2,113	2,401
Profit Before Tax	928	1,300
Profit After Tax & Minority Adjustment	608	985

The year in review

In the face of an extremely challenging business environment, your Company sustained the growth momentum with total revenue for the year increasing to Rs. 12,181 million, an increase of 18.4% over the previous year. Operating Cost was impacted by increased cost of ramping up of new facilities in USA and Poland, from which significant revenue stream is yet to start and as well as lag in passing through escalating raw material costs. Consequently, Profit after Tax for the year is lower on consolidated global operations at Rs. 608 million compared to Rs. 985 million of previous year.

Financial highlights of Indian operations

(Rs. in million)

Particulars	Year ended 31.12.2007	Year ended 31.12.2006
Total Revenue (excluding Excise Duty)	3,312	2,940
Total Expenditure	2,351	2,071
Operating profit (EBIDT)	961	869
Interest (Net)	200	57
Depreciation	201	206
Profit Before Tax & Exceptional items	560	606
Exceptional Items	(5)	(12)
Provision for Tax		
- Current/Earlier year	185	180
- Deferred Tax	(7)	(2)
Fringe Benefit Tax	4	6
Profit After Tax	373	410
Appropriations:		
Dividend recommended (inclusive of tax)	220	357
Transfer to General Reserve	37	41

Your Company's revenues in India increased to Rs.3,312 million in the year 2007, registering a growth of 12.7% over the previous year. The Operating Profit increased by 10.6% to Rs.961 million in the year 2007. Firming up of global interest rates coupled with higher borrowings to finance new capacities and acquisitions both at home and abroad contributed to increase in interest costs. Consequently, profit after tax for the year at Rs.373 million was 9% lower than previous year.

Your Company continues to pro-actively identify the changing need of its customers, develop tube solutions and encourage conversion from conventional packaging solutions into tubes. The above strategy has seen more product categories being launched in tube solutions format, for sectors such as pharmaceutical, cosmetic and food. During the year, the Company successfully developed and launched Oval tubes for the first time in Indian market.

Your Company will continue to focus on efficiency improvement programmes and capacity utilization to improve the quality of earnings.

Subsidiary Operations

During the year your Company commissioned a state of the art plant in Poland to cater to the requirement of its customers

in Europe for Plastic Tubes. This was part of your Company's strategy to source its requirement of Plastic Tubes from a cost efficient manufacturing base. Following the transition of manufacturing to the new Poland plant, the Company has permanently closed down its facility at Stevenage, UK. Your Company also stepped up new customer development activity in USA.

A new plant was set up in Uttarakhand, India, in order to support the growth plan in Specialty Packaging business, which was acquired in 2006.

In the business of Medical Devices, the Company's state of art facility to handle high volume manufacturing was started in Singapore. In March '08, the Company expanded its foot print in USA with the acquisition of Catheter and Disposables Technology, Inc. in Minneapolis, USA.

Your Company presents Consolidated Financial Statements (CFS) encompassing all its Subsidiaries based on uniform accounting policies. In this regard, for purpose of alignment with the method followed in CFS, depreciation in respect of one of the subsidiaries has been recomputed resulting in a lower depreciation charge of Rs. 144, 593,810 (including Rs. 16,018,498 for this year) on consolidation.

As per Section 212 of the Companies Act, 1956, the Company is required to attach the Directors' Report, Balance Sheet and Profit & Loss Account of its subsidiaries. Your Company had applied to the Government of India for and obtained exemption from such attachment, since the audited consolidated financial statements are presented in the Annual Report. Accordingly, the Annual Report does not contain the financial statements of these subsidiaries. The Company will make available the Audited Annual Accounts and related information of the subsidiary companies, where applicable, upon request by any Member of the Company. These documents will also be available for inspection by any Member during business hours at the Company's Registered and Corporate Office.

Ras Propack Lamipack Ltd (RPL) and Ras Extrusion Limited (REL)

During the year, your Company has consented to participate in the rehabilitation and revival of RPL and REL, both declared as "Sick industrial companies" under the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The Company has agreed in principle to act as a Co-promoter in connection with the application for approval of the scheme for revival and rehabilitation being submitted by RPL and REL before the office of the Board of Industrial and Financial Reconstruction (BIFR), New Delhi.

Dividend

Your Company paid an Interim Dividend @ 100 per cent (Rs. 2/- per share of Rs.2/- each) for the year 2006. Your Directors have now recommended a Dividend @ 60% (Rs.1.20 per share) for the year ended December 31, 2007.

Buy Back of shares

During the year 2005 the Board had in-principle approved a Buy-back of Shares by the methodology of "Open Market Purchases through the Stock Exchanges". Since then the Board has not proceeded with the Buy-back programme and the validity of this approval has since lapsed. If there is any future proposal for Buy-back, wherever necessary, a fresh mandate will be sought from the Members under the applicable guidelines.

Public Deposits

Your Company has not accepted any fixed deposits during the year 2007 and there are no outstanding fixed deposits from the public as on December 31, 2007.

Human Resource / Human Capital

In line with its growth strategy, your Company during the year 2007, has re-organised its business under two separate Divisions viz. Tubes & Laminates, headed by a CEO; and Speciality Packaging and Medical Devices headed by a President. This was all the more important in the context of Company's global foray and the acquisition of new businesses in 2006. The tubes and laminates business is further organized into four geographical regions headed by Regional Vice Presidents responsible for the sales and profit performance. The two business heads are supported by Human capital, Finance, Legal, Technology and IT functions at the Corporate.

The information on employees' remuneration as per Section 217 (2A) of the Companies Act, 1956 ('the Act') read with the Companies (Particulars of Employees) Rules, 1975, as amended till date, forms part of this Report. However, as per provisions of Section 219 (1) (b) (iv) of the Act, the Report and Accounts are being sent to all the Members excluding the statement containing the particulars of Employees to be provided under Section 217(2A) of the Act. Any Member interested in obtaining such particulars may inspect the same at the Company's Registered and Corporate Office between 11.00 am to 1.00 pm on all working days till the date of the 25th Annual General Meeting. Further, those seeking a copy of the said statement may write to the Company Secretary at the Corporate Office.

Directors

The following Directors seek re-appointment -

- Mr. Subhash Chandra, Director and Chairman of the Company retires by rotation and being eligible, offers himself for re-appointment.
- Mr. D. Ahuja, Director retires by rotation and being eligible, offers himself for re-appointment.

The brief resume of Mr. Subhash Chandra and Mr. D. Ahuja, Directors as required by Clause 49 of the Listing Agreement with the Stock Exchanges, is annexed to the Notice convening the 25th Annual General Meeting of the Company.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors confirm that:

1. In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and no material departures have been made from the same;
2. Appropriate Accounting Policies have been selected and applied consistently and have made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at December 31, 2007 and of the profit for the period January 1, 2007, to December 31, 2007;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
4. The Annual Accounts have been prepared on a "going concern" basis.

Auditors

M/s MGB & Co., Statutory Auditors of the Company, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Corporate Governance

Your Company has complied with the Corporate Governance requirements as per the revised Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance along with a Certificate of Compliance from the Auditors forms part of this Report.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report on the operations of the Company is provided in a separate section and form part of this Report.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The information as prescribed under 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, is given in a separate annexure, which forms part of this Report.

Appreciation

Your Directors wish to place on record their appreciation for co-operation and support received from the banks and financial institutions, customers, suppliers, members and employees to the continued growth and prosperity of your Company and look forward to their continued support.

For and on behalf of the Board of Directors

ESSEL PROPAC LIMITED

Subhash Chandra

Chairman

Mumbai, March 31, 2008

Annexure to Directors' Report

Additional information given as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988:

I. Conservation of Energy

During this year, your Company piloted aggressive energy saving measures in three of its units, such as :

1. Fitting of Uninterrupted Power Supply generators in the Blown Film Machine has reduced the start up and purging loss caused by power tripping and short interval power failures.
2. Use of CFL lamps in place of conventional lamps.
3. Modification of roofs of Warehouse and Bonded Store Room in order to allow more day light during daytime.
4. Power factor has been maintained close to one, which has yielded in power factor efficiencies and rebates.
5. Direct coupled new generation drive for extruders has resulted in reduction of per ton energy consumption as compared to the last year.

The Company is continuously looking to ways and means to improve energy efficiency and conserve power. The Uttarakhand unit has taken steps to generate steam from Biomass and avoided usage of FO/coal which are GHG emitting fossil fuels. This project activity will avoid the GHG emissions and the estimated amount of emission reduction is about 4000 CERs/annum.

II. Technology absorption, adaptation & Innovation and Research and Development (R&D)

A. Technology absorption, adaptation & Innovation:

1. Efforts made towards technology absorption, adaptation and innovation:
Essel Propack (EP) Technology and Creativity & Innovation (C&I) team has worked extensively on the Tube decorations process, Injection moulded Oval Tube heading process and Multilayer co-extrusion process.
2. Benefits derived as a result of the above efforts:
 - I. EP has inducted new printing technology, laminated web printing,

combining Flexo, Screen and Foil blocking feature at one pass process. The press is in operation in USA plant

- II. EP has also inducted five colour screen printing press for multi-layer Plastic Tubes. The Press is in commercial use in Wada unit and also in Poland.
- III. EP has inducted online Injection moulded Tube heading for Oval tube variants which have been successfully commercialized in Indian and overseas market.
- IV. Multilayer co-extrusion process enabled EP to design tube web with reduced thickness (source reduction) without any compromise on the tube integrity and filled product stability.

B. Research and Development (R&D):

1. During the year 2007, team at EP have done extensive R & D work on the new generation high performance polymers, sustainable and environment friendly polymers, or Post Consumer Re grind (PCR), and nanotechnology based active ingredients which can enhance the physical properties like improved clarity, barrier properties etc. of polymers.
2. Benefits derived as a result of the above R&D:
 - I. EP has developed capability for manufacturing of Plastic tubes with significant PCR content, without impacting the look and feel of tubes for cosmetics and toiletries application. These tubes can be recycled time and again for the tube application. The capability is in the process of commercialization.
 - II. High Lustre Plastic Based Laminates (PBL) tubes: High barrier multilayer laminated tube with metallic high lustre finish. Superior multicolour combination printing can be done on these tubes. Tubes can go very well in high end Cosmetics, Toiletries, special purpose

Dentifrice. Development work has been completed and is in the process of commercialization.

- III. EP has developed seamless Plastic tubes with high optical clarity feature. These tubes are getting popular for Hair Gel, Face Wash Gel and similar application. Development work has been completed and is in the process of commercialization.
 - IV. Nanotechnology based research has led EP to develop tube with "Anti-microbial" feature. Nano-technology based surface coating improves the barrier properties of Laminates.
3. Future Plan of Action: EP C&I has been working on the following areas for future application on Laminates and tubes:
- I. PCR with Code-2 Tube pkg.
 - II. Bio-degradable laminate and tubes
 - III. Re-generative multilayer Laminate
 - IV. Dispensation system

commercial scaling up are currently not separately identified from other manufacturing costs.

IV. The export sales of the company are around 9% of India's Gross Sales.

Fresh Business Development activity is undertaken in Sri Lanka, Nepal, Bangladesh, Iran, South Africa and African sub continent. In 2007 we have also added new geographies to our portfolio and regular business is established.

While the challenge is to grow inspite of weakening US Dollar and stiff competition from East Asia Pacific in regular products, we see export opportunities in specialty products such as PBL Laminate based products and Plastic Tubes in Asia, the Middle East and South African markets during 2008.

V. Foreign Exchange Earnings and Outgo

	(Rupees in million)
a) Foreign exchange earned (excluding deemed export)	623.53
b) Foreign exchange used	996.58

III. Expenditure on R&D

	(Rupees in million)
a) Capital	Nil
b) Recurring	11.89
c) Total expenditure	11.89
Total Expenditure as a % of Total Turnover	0.36%

The aforesaid expenditure relates only to the design, development and prototype stage. Costs incurred for

For and on behalf of the Board of Directors

ESSEL PROPACK LIMITED

Subhash Chandra

Chairman

Mumbai, March 31, 2008

Management Discussion & Analysis

FINANCIAL AND OPERATIONAL PERFORMANCE

Overview

Your Company faced an extremely challenging environment during the year 2007 on account of the relentless increase in the raw material prices and heightened supply chain demands posed by customers in the developed markets. Whilst strategically addressing these key challenges, your Company's immediate priority was to sustain the healthy growth momentum of the last few years. Consequently, the consolidated sales revenue grew by 18%

Raw material cost was under pressure with polymer prices increasing by about 20% over the previous year (a large part of this materialized in the middle of the year) spurred by 12% rise in the price of crude oil and supply constraints in Ethylene, a key feedstock, due to strong global demand. The continuous replenishment system implemented by our customers in respect of big retailers in the developed markets further impacted the cost of servicing on account of more change overs and higher inventories held to sustain service levels. One-off production trial/stabilization costs incurred at the new Greenfield plants in the US and Poland also added to material costs. Much of these costs could only be passed on to the customers with a lag. Consequently the gross margin of the business was lower by 4.5 pp. Several pro-active efficiency measures were initiated by your Company such as, negotiating better raw material prices through centralized buying, developing cost-effective laminate structures using its R & D capability etc. in order to counter the raw material cost increases.

Operating costs continued to be a focus area and your Company continued to benchmark productivity across its global operations in order to reduce expenses. However, higher power cost, certain one-off costs attributable to transitioning plastic tubes manufacture in Europe from UK to Poland and interim measures taken to improve customer response capability in the US, impacted operating costs. EBITDA for the year was hence lower at Rs. 2113 Million as compared to Rs. 2401 Million in the year 2006.

Firming up of global interest rates during the year by 100-150 bps coupled with increased borrowings to fund the Greenfield units and the recent acquisition of Medical devices and Specialty packaging businesses, contributed to the increase in interest cost. Consequently, the profit before tax for the year (before exceptional item) is lower than last year by 28.6% and the Profit after tax and minority interest is lower at Rs. 608 million as compared to Rs. 985 million in the last year.

Summary of global results:

(Rs. Million)

	2007	2006
Total Revenue	12181	10286
EBITDA	2113	2400
Profit Before tax	856	1300
Profit after tax and minority interest	608	985

Tube Business

The business in all the four regions grew strongly. Highlights of the performance by region are as under:

Americas:

New customer development efforts continued in the US market leading to further expansion of business with the induction of some of the best known brands for the laminate tubes. State-of-the-art tubing and high end decoration printing facility have been set up which have opened new vistas of cosmetics and pharma markets for your Company.

In regard to the plastic tubes, the various product trials and plant certification work with potential key customers took longer than anticipated but have been now successfully concluded. Operator training is complete, and the new Plastic tube plant is poised to reach up to its installed capacity during 2008.

The Mexican operations turned around during the year helped by high capacity utilization.

The relocation to Colombia of the Venezuelan capacity was completed and the Colombian operations have performed well. The Venezuelan subsidiary is now under liquidation.

Europe:

The laminate tube business in Europe grew in excess of 20%. Both Germany and the UK operations registered sharp increase in sales. The UK operations are now on turn around path, helped by higher capacity utilization and improved efficiencies.

The Arista plastic tube business grew by 18%. The new world-class Polish unit went on stream during the last quarter and the transition of manufacturing operations from UK to Poland got completed by end of January 2008. The transition was accomplished maintaining good industrial relations and morale. The new Polish unit will provide greater flexibility for growth.

AMESA (Africa, Middle East & South Asia)

The laminate tubes business in Egypt and India continued to grow in double digits and perform well.

The plastic tube business in India grew strongly by 40% supported by product innovations such as oval tubes and silk screen printing.

The Company has also invested in the caps and closures business in India and will begin to tap export potential during 2008.

EAP: (East Asia Pacific)

The laminate tube business in China grew despite the lapse of one long-term contract. This was achieved through expanding customer base & delivering high levels of customer service.

Forays are being made into the foods packaging segment and into the markets of North East Asia.

Speciality Packaging

The newly acquired Specialty packaging business of Packaging India Pvt. Ltd. grew strongly by 20%. The facility in Puducherry has been further upgraded to improve the product capability and offerings. New capacity has been established in Uttarakhand to service the North based customers and to seize growth opportunity in the rapidly growing foods segment in India. The Company is also investing in a captive plant at Cuddalore for the manufacture of cylinders used in printing, and this is expected to improve customer service and attract new customers.

Medical Devices Business

Acquired in 2006, this business performed to expectation in both Sales and Profits. The business continues to pursue the twin strategy of diversification of customer base and expansion of catheter into peripheral (non cardiac) applications. The new manufacturing facility in Singapore went on stream helping improve the cost structure and providing platform for further growth in the coming years. As part of growth strategy, a Minneapolis based Company viz. Catheter and Disposables Technology Inc. has been acquired in March 2008.

FINANCE

The Company's borrowings increased sharply to meet the substantial capital expenditure and acquisition projects. The debt equity ratio has therefore increased to 0.86:1. Given the stability of operational cash flows, this is considered quite reasonable and conducive to improvement of shareholder value. The Company has secured necessary approvals to make an issue of Foreign Currency Convertible Bonds at opportune time to augment funds for its growth plans.

HUMAN RESOURCES

Your Company continues to invest in upgrading its HR systems in line with the global best practices across areas of talent management, performance management and career planning. With a view to increasing the management bandwidth to drive growth of the business with its global presence and multiple business verticals, your Company has constituted the Tube & Laminates business and the New business development as two strategic SBUs supported by common Finance, Legal, Human Capital, Technology and IT functions. Accordingly, the flagship tubing business now reports into a CEO who besides leading the regional

operations headed by Regional Vice Presidents, also holds charge for Creativity & Innovation, Supply Chain, Quality, Sales & Marketing and Manufacturing. The new organization is supported by structured reviews and performance management. The Regional Vice Presidents are responsible for all aspects of the business within their regions. The two new businesses of Specialty packaging and Medical Devices are headed by respective CEO's who in turn report to the President of the Company.

INFORMATION TECHNOLOGY

Your Company undertook a detailed review of the IT platform that would serve to integrate and efficiently manage its spread-out global operations with a view to significantly improving customer service, optimizing costs, making for faster and better decisions and improving overall control over operations. Based on professional advice, the Company has now embarked on implementing SAP across all its operations in the tubing business. A core team has been constituted to ensure that the implementation is done in the best possible manner to help create synergies, with IBM as the implementing partner.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place internal control systems and a structured internal audit process reporting to the Audit committee in order to safeguard the assets of the Company and ensure reliability and accuracy of the accounting and other operational data.

The Company has a monthly reporting system as part of its operational management, where by businesses and subsidiary operations are reviewed against budget and corrective actions initiated by the top management.

The Company has in place a capital expenditure control system to ensure that the viability of new investments are validated and accountability established for implementing the projects on time and within approved budget. This is overseen by the Investment Committee of the Board.

The Audit committee, the statutory auditors and the top management are regularly appraised of internal audit findings. The audit committee of the Company consisting of non executive independent directors periodically reviews and comments on the quarterly, half yearly and annual financial statements of the Company. A detailed note on the functioning of the Audit Committee and other Committees of the Board forms part of the section on Corporate Governance.

RISK MANAGEMENT

The Board of Directors and the Audit Committee of the Board regularly review the risk return response scenario. The Leadership Team led by the VC & MD is responsible for implementing risk mitigation measures together with the line managers and their teams.

Key risks to which your Company is exposed include:

- a) Raw material price escalation & the lag effect in passing these on to customers:

The firming up of crude oil prices and constraints in ethylene capacity could continue for some more time causing upward pressure on raw material prices.

- Your Company is continuously fine-tuning its buying strategy as well as pricing terms to customers in order to secure better purchase prices and minimise lag in passing on raw material price increases to customers.
- b) Attracting & retaining Talent in the context of business growth plans:
- The high demand for talent globally impacts people turnaround.
- Your Company is addressing this to the best possible extent by a mix of active career planning, competitive remuneration policy and empowerment culture.
- c) Currency volatility:
- The global scale of operations exposes the Company to multiple currencies. Fluctuations in exchange rates could effect Company's performance & future.
- Appropriate coverage clauses have been woven into the contract with customers to offset the impact of currency fluctuations. The Company also systematically hedges its exposures through forward contracts.
- d) Higher debt-equity ratio:
- In a period of rising interest rates, higher debt could impact the profit.
- Ramping up of new capacities in Poland and USA will improve internal cash generation. The Company also uses interest rate hedges to fix interest cost.

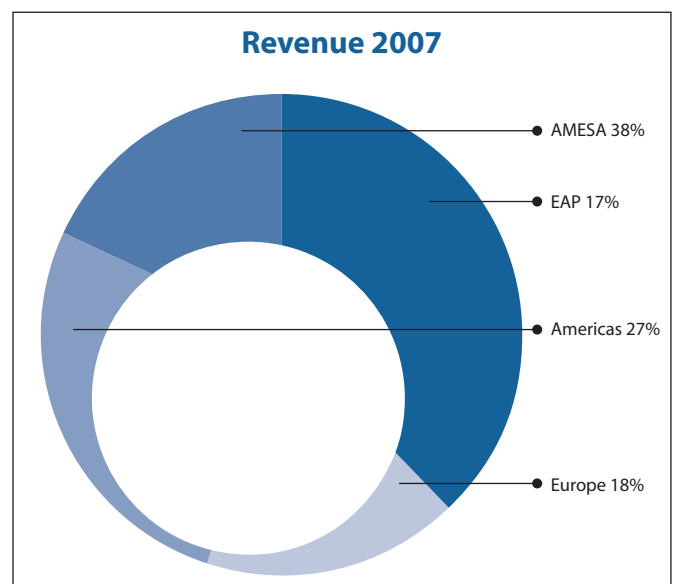
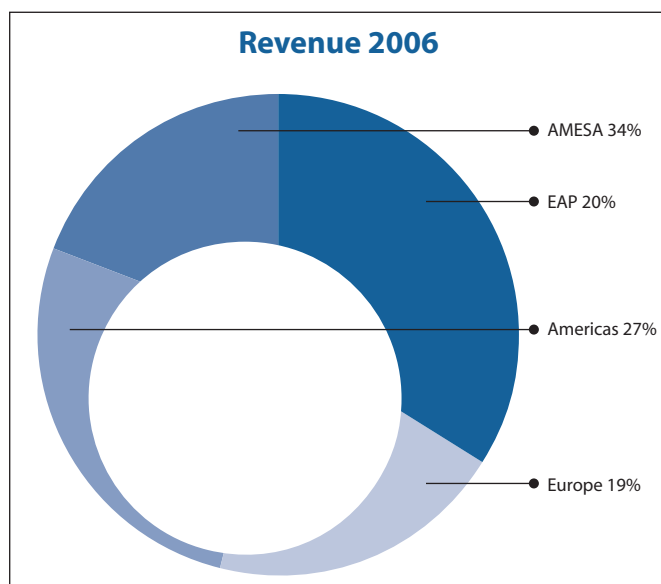
OUTLOOK

The Company's products enter the day to day needs of the people the world over. Therefore we believe, based on our

experience so far, that demand for our products should not be impacted in any significant manner by volatility in global financial market. On the contrary, the emerging markets will continue to provide growth opportunity with increasing penetration of FMCG. The continued increase in raw material costs fuelled by commodity price increase and the delay in the new feedstock capacities originally expected by mid 2008, are challenges your Company is seized with. The Company is already focusing on the productivity of capital and operational efficiencies in order to reverse the impact of slow ramping up of its US and Poland facilities. In 2007 the Company had invested in new big diameter laminate tube technology and high decoration capability which added to costs. The early ramping up of its new facility in Poland and US will be another area of focus. Viable new market opportunities will be seized, specially in the emerging market, as a means to drive growth. The Company is working to develop new and innovative products in line with the emerging requirements of both developed and emerging markets. The new businesses in the medical devices and specialty packaging will seek to grow in line with the opportunities seen in their respective markets of US and India. The Company believes that its focus, global scale, strong technology, Innovation base, global customer network and the improved management bandwidth will be major strengths in weathering the challenges it has encountered for some time and delivering long-term value to shareholders.

CAUTIONARY STATEMENT

Statements in this report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might materially differ from those either expressed or implied.



Corporate Governance Report

I. BOARD'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company believes in adopting the Best Global Practices in the area of Corporate Governance and follows the principles of full transparency and accountability, thereby protecting the interests of all its stakeholders.

The Board considers itself a Trustee of all Shareholders and acknowledges its responsibilities to the Shareholders for creating and safeguarding their wealth. During the year under review, the Board continued its pursuit of achieving these objectives through the adoption and monitoring of corporate strategies, prudent business plans, monitoring of major risks of the Company's business and ensuring that the Company pursues policies and procedures to satisfy its legal and ethical responsibilities.

II. BOARD OF DIRECTORS:

1. Composition:

The Board of Directors comprises of:-

- Non-Executive Chairman;
- Vice Chairman & Managing Director (CEO);
- Four Non-Executive Directors.

The Board of Directors provide strategic direction and thrust to the operations of the Company. The Board has a Non-Executive Chairman and five other Directors. Out of these, four members are Independent Directors. Hence, the Company complies with the listing agreement norms for Independent Directors.

The Non-Executive Directors are professionals with specialization in their respective fields who bring in a wide range of skills and expertise.

The composition and attendance of Directors at the Board Meetings and the Annual General Meeting (AGM) held during the year is as under:

Name of the Director	Category of Director	Board Meetings Attended	AGM Attended	No. of Committee Memberships held		No. of outside Directorships held \$
				Chairman	Member	
Subhash Chandra (Chairman)	PD, NED, NID	3	No	Nil	Nil	8
Ashok Kumar Goel (Vice-Chairman & Managing Director)	PD, ED, NID	6	Yes	Nil	2	3
D. Ahuja	NPD, NED, ID	5	No	1	3	3
Tapan Mitra	NPD, NED, ID	5	Yes	5	1	6
K.V. Krishnamurthy	NPD, NED, ID	6	Yes	1	7	9
Boman Moradian	NPD, NED, ID	6	No	2	2	2

PD: Promoter Director

ED: Executive Director

ID: Independent Director

NPD: Non-Promoter Director

NED: Non-Executive Director

NID: Non-Independent Director

@ Only Audit Committee and Investor Grievance Committee are considered.

\$ Excludes directorships in Private Companies and Foreign Companies.

2. Board Procedures:

The Company Secretary prepares the Agenda in consultation with the Chairman of the Board of Directors, the Chairman of various Committees and the Vice-Chairman & Managing Director. The Agenda for the meetings of the Board and its Committees, together with the appropriate supporting documents, are circulated well in advance of the meetings. The meetings are generally held in Mumbai.

The Board also approves by Circular Resolution important items of business which are permitted by the Companies Act, 1956 and which cannot be deferred till the next Board Meeting. At regular intervals the Management circulates Board Notes to the Directors on important material developments affecting the Company.

3. Meetings of the Board of Directors:

During the year under review, the Board of Directors met 6 times on January 30, 2007, March 14, 2007, April 19, 2007, July 19, 2007, October 17, 2007 and December 13, 2007.

At least one Board Meeting was held during every quarter and the time gap between two meetings was not more than four months.

III. COMMITTEES OF THE BOARD

1. Audit Committee:

a) Composition:

The Committee comprises of four Non-Executive Independent Directors, namely,

- Mr. Tapan Mitra (Chairman)
- Mr. D. Ahuja
- Mr. K. V. Krishnamurthy
- Mr. Boman Moradian

The Statutory Auditor attends all the meetings of the Committee. The Internal Auditors, President, CEO (Tubes and Laminates Business), Director – Technology & New Projects (Global), Director – Sales, Marketing & Strategy (Global), Chief Financial Officer (Global) and Financial Controller (Global) attend the meetings of the Committee at the invitation of the Chairman. The Company Secretary acts as the Secretary to the Committee.

Mr. Tapan Mitra, Mr. D. Ahuja and Mr. K. V. Krishnamurthy have expert knowledge of Finance and Accounting. Mr. Boman Moradian is an eminent Management Consultant.

The Chairman of the Audit Committee, Mr. Tapan Mitra, was present at the Annual General Meeting of the Company held on May 4, 2007.

b) Terms of Reference:

The role, powers and functions of the Audit Committee are as per Section 292A of the Companies Act, 1956 and guidelines stated in the revised Clause 49 of the Listing Agreement.

The Committee will, *inter alia*:

- Ensure the preservation of good financial practices throughout the Company.
- Monitor that internal controls are in force to ensure the integrity of the financial performance reported to the Members.
- Provide by way of regular meetings, a line of communication between the Board and the Statutory & Internal Auditors.
- Consider and recommend the appointment, terms of reference and remuneration of the Statutory Auditors, the Internal Auditors and the outsourced Internal Auditors (who will have direct access to the Committee's Chairman).
- Discuss the audit plans with both the Statutory and Internal Auditors before the commencement of audit and ensure co-ordination between them.
- Review the interim and full year financial statements with the Management and Statutory Auditors before recommending them to the Board.
- Review Management Discussion and Analysis of financial condition and result of operations.
- Review of statement of Related Party transactions.
- Discuss with the Statutory Auditors their concerns, if any, arising from their audits (in Management's absence, where necessary).

- Review the Auditors' Management Letters and the Management's responses.
- Review reports of the Internal Auditors and Management's responses thereto.
- Consider the findings of internal investigations and Management's responses thereto.
- Review the Company's financial control systems including those of treasury. In particular, it will periodically review :
 1. Procedures for identifying business risks (including financial risks) and controlling their financial impact on the Company;
 2. Company's policies for preventing or detecting fraud;
 3. Company's policies for ensuring compliance with the relevant regulatory and legal requirements and their operational effectiveness.
- Reviewing with the Management the performance of the Statutory and Internal Auditors, adequacy of the Internal Control Systems.
- Discussing with the Internal Auditors any significant findings and follow up thereon.
- Reviewing the adequacy of the Internal Audit function.
- Discuss with Statutory Auditors before the commencement of the Audit, the nature and scope of the Audit as well as post audit discussion to ascertain any areas of concern.

c) Meetings & Attendance:

During the year under review, the Committee met 5 times on January 30, 2007, March 14, 2007, April 19, 2007, July 19, 2007 and October 17, 2007.

The attendance record of the Members of the Audit Committee is as under:

Members	Meetings attended
Mr. Tapan Mitra	4
Mr. D. Ahuja	4
Mr. K.V. Krishnamurthy	5
Mr. Boman Moradian	5

2. Investors' Grievance Committee

a) Composition:

The Committee comprises of:

- Mr. K.V. Krishnamurthy (Chairman)
- Mr. Ashok Kumar Goel
- Mr. Boman Moradian.

Compliance Officer: Mr. Ajay Nagle (Vice President – Legal & Company Secretary)

b) Terms of Reference:

The Committee deals in matters relating to:

- i) Transfer and Transmissions of shares.
- ii) Issue of duplicate Share Certificates.
- iii) Review of Dematerialised shares.
- iv) Redressal of Shareholders' grievances.
- v) Other matters related to shares.

c) Meetings & Attendance:

The Investor Grievance Committee met 6 times on January 2, 2007, February 15, 2007, April 25, 2007, July 10, 2007, September 19, 2007 and December 4, 2007.

The attendance record of the Members of the Investors' Grievance Committee is as under:

Members	Meetings attended
Mr. K.V. Krishnamurthy	6
Mr. Ashok Kumar Goel	5
Mr. Boman Moradian	3

d) Number and nature of Complaints for the year 2007 is as under:

Nature of Complaints	No. of Complaints	No. of Complaints redressed
Non-receipt of Dividend	3	3
Non-receipt of Annual Report	-	-
Non-receipt of Share Certificates	-	-
Dematerialisation	1	1
Miscellaneous	1	1

3. Remuneration Committee

a) Composition:

The Committee comprises of three Non-Executive Independent Directors, namely,

- Mr.D. Ahuja (Chairman)
- Mr.Tapan Mitra
- Mr.K.V.Krishnamurthy

b) Terms of Reference:

The Committee decides the remuneration of Mr. Ashok Kumar Goel, Vice Chairman and Managing Director of the Company. The Committee met on April 19, 2007 to review and approve Annual Performance Bonus to Mr. Ashok Kumar Goel considering his performance for the year 2006.

c) Meetings & Attendance:

The attendance record of the Members of the Remuneration Committee is as under:

Members	Meetings attended
Mr.D. Ahuja	1
Mr.Tapan Mitra	1
Mr.K.V.Krishnamurthy	1

IV. REMUNERATION TO DIRECTORS

a) Remuneration paid to Non-Executive Independent Directors of the Company:

The Non-Executive Independent Directors are paid sitting fees for attending each Meeting of

the Board of Directors and Committees thereof. During the year 2007, Commission for the year 2006 was paid to Non-Executive Independent Directors consequent upon the approval accorded by the Members. Commission to the Non-Executive Independent Directors of the Company is determined after taking into account their valuable guidance for the various business initiatives and decisions at the Board level and also the profitability of the Company. The details of sitting fees and Commission paid during the year 2007 are given below:

Director	Commission (Rs.)	Sitting Fees (Rs.)
Mr.D. Ahuja	1,000,000	120,000
Mr.Tapan Mitra	1,000,000	100,000
Mr.K.V.Krishnamurthy	1,000,000	200,000
Mr.Boman Moradian	1,000,000	160,000
Mr.J.M.Fernandes *	100,000	N.A.
Mr.V.K.Badgamia *	100,000	N.A.

* Mr. Fernandes and Mr. Badgamia resigned w.e.f. March 14, 2006 and hence Commission was paid to them for the period from January 1, 2006 to March 14, 2006.

There has been no materially relevant pecuniary transaction or relationship between the Company and its Non-Executive Independent Directors during the year.

b) The Remuneration paid/payable to the Executive Director of the Company for the year ended December 31, 2007, is as under:-

Director	Position	Gross Remuneration Paid/ Payable (Rs.)*	Stock Options Granted	Service Contract	Notice Period
Mr.Ashok Kumar Goel	Vice Chairman and Managing Director	Rs. 42,926,215/-**	NIL	5 years w.e.f. 21/10/2003	3 months

* Perquisites are valued as per Income Tax Rules

** Includes Rs. 14,964,000 being the Annual Performance Bonus/incentive payable for the year 2007 for which the approval of the Central Government, Ministry of Corporate Affairs is awaited and hence not yet paid.

- c) The Non-Executive Independent Directors of the Company do not hold any shares of the Company. Mr. Subhash Chandra, Promoter and Non-Executive Director hold 89,305 Equity Shares of the Company.

V. DISCLOSURES

1. Materially significant Related Party Transactions

The transactions between the Company and the Management, Directors or their relatives are disclosed in the Note No.15 of the Annual Accounts in compliance with the Accounting Standard relating to "Related Party Disclosures". There is no materially significant Related Party Transaction that may have potential conflict with the interest of the Company at large.

2. Statutory Compliance, Penalties and Strictures

There were no cases of non-compliance with Stock Exchange or SEBI regulations, nor any cases of penalties or strictures imposed by any Stock Exchange or SEBI or any other statutory authorities for any violation related to the Capital Market during the last three years.

During the year 2007, the Department of Corporate Affairs (DCA) has conducted an inspection of the Books of Accounts and other records of the Company under Section 209A of the Companies Act, 1956. The said inspection has been completed and the Company has responded to the Preliminary Findings Report asserting that there has been no non compliance of any sections of the Companies Act, 1956.

3. Whistle Blower policy

The Company has established and implemented a Whistle Blower policy. None of the Company's personnel has been denied access to the Audit Committee under the said policy.

4. Code of Conduct

The Company has adopted a Code of Conduct for the Board of Directors, Senior Management personnel and the Employees of the Company who have affirmed their adherence to the Code, which has been posted on the Company's website (www.esselpropack.com). The Company's Vice Chairman and Managing Director's declaration to this effect forms a part of this Report.

5. Listing Agreement Compliance

The Company complies with all the requirements of the Listing Agreement including the mandatory requirements of Clause 49 of the Agreement.

6. Risk Management

The Audit Committee and the Board of Directors regularly review the Risk Management Strategy of the Company to ensure an effectiveness of the Risk Management policy and procedures. As required under clause 49 of Listing Agreement, the Company has set up a procedure to appraise the Board of Directors of the Company on the key risk assessment areas and suggestive risk mitigation mechanism. During the year, the Company through an outsourced legal firm compiled a checklist of all important legislations impacting the subsidiaries operation across the world and the modus operandi for their compliances. Since then, the Company has developed a mechanism whereby they are assured of necessary actions on these compliances.

7. Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

As per the requirement of Clause 49 of the Listing Agreement, a certificate duly signed by CEO and CFO of the Company was placed at the Board Meeting of the Company held on March 31, 2008. A copy of the certificate is annexed to this Report.

8. Corporate Social Responsibility Policy

During the year 2006, the Board of Directors have approved a Corporate Social Responsibility Policy of the Company. Under this Policy, the Company continues to make contribution towards various social causes thus fulfilling the Company's responsibility towards the betterment of the Society. This Policy has been uploaded on the Company's website for information of the Members.

VI. MEANS OF COMMUNICATION

The quarterly results and annual results are published in newspapers viz. Free Press Journal & DNA (in English) and Navshakti (in Marathi) and simultaneously posted on the Company's website (www.esselpropack.com). The Company displays on its website official press releases and presentations made to investors/analysts.

Since March 1999, the Company has the practice of mailing quarterly results to the Company's Members. The Members are also kept informed about important developments in the Company.

VII. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report forms part of the Annual Report.

VIII. SHAREHOLDERS' INFORMATION

1. Annual General Meeting

(Date, Time & Venue)

Monday, May 12, 2008, at 11.30 a.m.
at P.O. Vasind, Tal. Shahapur,
Dist. Thane - 421604, Maharashtra.

2. Financial year

January to December

3. Book Closure Dates

From Tuesday, May 6, 2008 to Monday,
May 12, 2008 (both days inclusive)

4. Financial Calendar

Dividend (Interim Dividend
for the year 2006) paid on : February 17, 2007

Last AGM held on : May 4, 2007

First Quarter Results declared on : April 19, 2007

Half Yearly Results declared on : July 19, 2007

Third Quarter Results declared on: October 17, 2007

Fourth Quarter & Annual
unaudited Results declared on : January 30, 2008

Approval of Annual Audited
Accounts : March 31, 2008

5. Registered Office

P.O. Vasind, Tal. Shahapur, Dist. Thane – 421 604,
Maharashtra

Listing of Shares on Stock Exchanges

- Bombay Stock Exchange Ltd.,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai 400 001.
Code: 500135

- National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor, Plot No. C/1,
'G'Block, Bandra-Kurla Complex,
Bandra (East), Mumbai- 400 051.
Code: ESSELPACK

Prescribed listing fees have been paid to the Stock Exchanges.

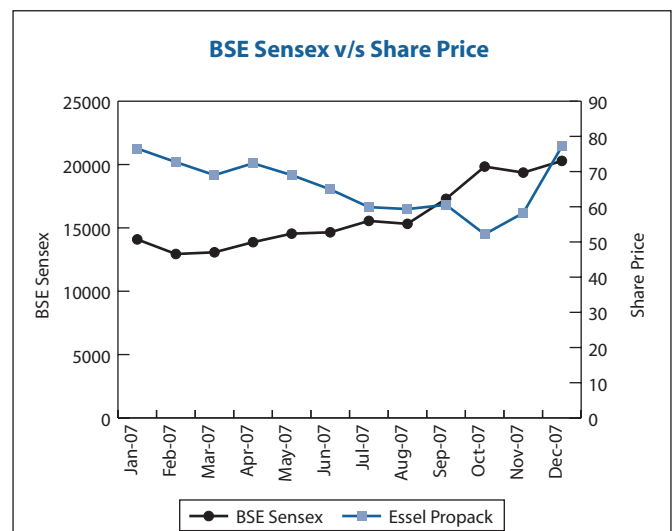
ISIN No. INE255A01020

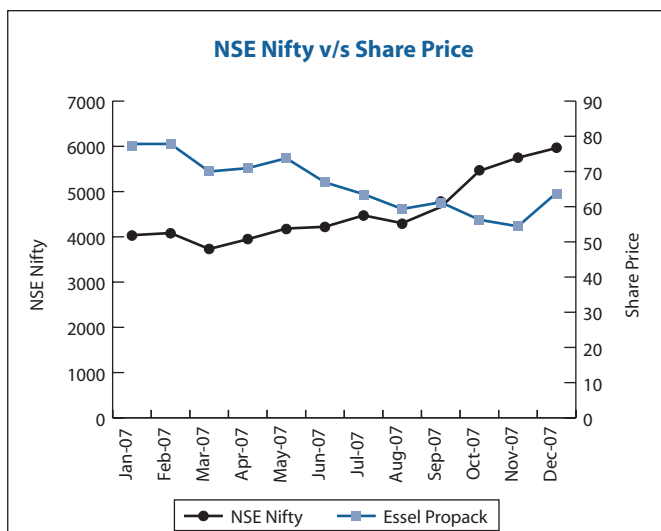
6. Market Price Data: (High/Low during each month for the year 2007)

Month	BSE		NSE	
	High	Low	High	Low
January	83.40	74.25	83.40	74.65
February	88.80	67.00	89.00	68.25
March	74.70	67.10	74.50	67.10
April	74.00	67.50	73.85	60.00
May	83.25	68.00	82.70	68.75
June	71.70	64.20	71.45	64.10
July	67.00	59.50	67.50	59.50
August	65.00	54.55	65.00	53.75
September	69.10	57.95	69.35	57.75
October	61.25	51.80	61.80	51.00
November	67.20	46.10	67.30	46.15
December	77.15	55.60	77.10	55.50

Face value Rs. 2/- per share

7. Stock Performance of Essel Propack in comparison to BSE Sensex & NSE Nifty.





8. Registrar & Transfer Agent:

Investor Relation Centre:

M/s. Sharepro Services (India) P. Ltd

Unit: ESSEL PROPACK LIMITED

912, Raheja Centre,
Free Press Journal Road,
Nariman Point,
Mumbai – 400 021.

Tel.: (022) 66134700

Fax: (022) 2282 5484

E-mail: rita@shareproservices.com

Head Office:

M/s. Sharepro Services (India) P. Ltd

Unit: ESSEL PROPACK LIMITED

3rd Floor, Satam Estate,
Above Bank of Baroda,
Cardinal Gracious Road, Chakala,
Andheri (East), Mumbai – 400 099.

Tel.: (022) 2821 5168, 6772 0300

Fax: (022) 2837 5646

E-mail: sharepro@shareproservices.com

9. Compliance Officer's Details:

Mr. Ajay Nagle

Vice President – Legal & Company Secretary

Seated at

Corporate Office: Essel Propack Limited,
10th Floor, Times Tower,
Kamala City, Senapati Bapat Marg,
Lower Parel, Mumbai – 400 013

Tel. : 022 2481 9000 / 9088

Fax : 022 2496 3137

E-mail id : ajay.nagle@ep.esselgroup.com

10. Investor Relations:

Mr. Surje Singh

Manager - Investor Relations

Seated at

Corporate Office: Essel Propack Limited,
10th Floor, Times Tower,
Kamala City, Senapati Bapat Marg,
Lower Parel, Mumbai – 400 013

Tel. : 022 2481 9000 / 9065

Fax : 022 2496 3137

E-mail : surje@ep.esselgroup.com

In order to facilitate investor servicing, the Company has designated an e-mail id-investor.grievance@ep.esselgroup.com mainly for registering complaints by investors.

11. Share Transfer System:

Physical shares sent for transfer are duly transferred within 15 days of receipt of the documents, if the documents are complete in all respects. Shares under objection are returned within 7 days. The Investors' Grievance Committee meets regularly to review the transfer proposals approved by the Compliance Officer or Manager – Investor Relations, who have been delegated with requisite authority. All requests for dematerialisation of shares are processed and confirmed to the depositories, NSDL and CDSL, within 15 days. Share Transfers in physical form can be lodged with Sharepro Services (India) Pvt. Limited, Registrar & Transfer Agents at the above mentioned address.

The Members holding shares in electronic mode should address all their correspondence to their respective Depository Participants (DP) regarding change of address, change of Bank Account Mandate and Nomination.

12. General Body Meetings:

The last three Annual General Meetings of the Company were held at the Registered Office of the Company at Vasind at 11.30 a.m. on May 5, 2005, May 6, 2006 and May 4, 2007.

1. Out of previous three AGMs, Special Resolutions were passed at the 23rd AGM held on May 6, 2006 for:

- a) Commission to Non-Executive Independent Directors.

- b) Amendment to the Articles of Association.
 - c) Alteration of the Capital clause of Articles of Association consequent to Subdivision of Shares.
2. An Extra-ordinary General Meeting was also held on March 14, 2008 wherein a Special Resolution was passed to offer, issue and allot Securities for an amount not exceeding \$50,000,000 including a Green Shoe Option.

13. Postal Ballot

The Members of the Company through Postal Ballot on March 10, 2006, passed a Special Resolution approving the alteration of the 'Object Clause' of the Memorandum of Association of the Company and Commencement of New Business.

Mr. B. V. Dholakia, Partner, Shah Dholakia & Associates was appointed as the Scrutinizer for the

Postal Ballot process. The Scrutinizer submitted his report to the Chairman, the result of which was declared on March 10, 2006.

The result of the Postal Ballot was as under:

Particulars	No. of Ballot Forms	No. of Shares	% of Total No. of Votes received
In favour	539	18,631,466	99.922
Against	6	1,000	00.005
Invalid	47	13,472	00.073
Total Postal Ballots received	592	18,645,938	100.000

The Resolution to alter the 'Object Clause' of the Memorandum of Association of the Company and for Commencement of New Business was approved by the Members with overwhelming majority.

14. Distribution of Shares as on December 31, 2007:

Distribution	No. of shareholders	% to total holders	No. of shares	% to total shares
Less than 500	17,767	68.65	3,483,365	2.22
500 – 1000	3,688	14.25	3,001,152	1.92
1001 - 2000	2,192	8.47	3,292,474	2.10
2001 - 3000	792	3.06	2,012,453	1.29
3001 - 4000	370	1.43	1,333,441	0.85
4001 - 5000	300	1.16	1,431,845	0.91
5001 - 10000	404	1.56	2,959,654	1.89
Above 10001	367	1.42	139,086,746	88.82
Total	25,880	100.00	156,601,130	100.00

15. Categories of Shareholders as on December 31, 2007:

Category	No. of shares held	% of share holding
1. Promoter's holding (A)	92,269,255	58.92
2. Non-Promoters Holding		
- Mutual Funds, FI & Banks	17,400,205	12.00
- FII's	7,405,370	4.78
- Body Corporates	13,316,509	7.85
- Resident Indians	24,140,473	15.13
- NRIs	2,069,318	1.32
(B)	64,331,875	41.08
Total (A+B)	156,601,130	100.00

16. Dematerialisation of Shares and Liquidity:

The Company has arrangements with National Securities Depository Ltd. (NSDL) as well as the Central Depository Services (India) Ltd. (CDSL) for demat facility. As on December 31, 2007, 98.31% of the total Equity Capital is held in the demat form with NSDL and CDSL. The Company's Equity Shares are in the compulsory demat mode with effect from May 31, 1999.

17. Physical & Demat Shares:

	as on	%
	31.12.2007	
No. of Shares held by NSDL	135,877,375	86.77
No. of Shares held by CDSL	18,079,767	11.54
Physical	2,643,988	1.69
Total	156,601,130	100.00

18. Outstanding GDRs/ADRs/Warrants or any Convertible Instruments and their likely impact on equity

As on date there are no outstanding warrants or any convertible instruments. The Company has not issued GDR/ADR. However, at the Extra-ordinary General Meeting held on March 14, 2008, Members have accorded their approval pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 to the Board, subject to applicable laws and regulations, to offer, issue and allot in one or more tranches, in the course of domestic/international offerings Securities of the value not exceeding USD 50,000,000 (US Dollars Fifty Million only) including a Green Shoe option.

19. Buy-back of Shares

The Board in 2005 had in-principle approved a Buy-back of shares of the Company by the methodology of "Open Market Purchases through

Stock Exchanges". Since then the Board has not proceeded with the Buy-back programme and the validity of this approval has since lapsed. If there is any future proposal for Buy-back, wherever necessary, a fresh mandate will be sought from the Members under the applicable guidelines.

20. Subdivision of Shares

As approved by the Members at the 23rd Annual General Meeting of the Company, the nominal face value of the Company's Equity Shares has been subdivided from Rs.10/- per share to Rs.2/- per share, with effect from June 15, 2006.

21. Plant Locations.

India (8), USA (4), China (2), Egypt(2), Philippines, Indonesia, Germany, U.K, Russia, Colombia, Singapore, Mexico and Poland.

IX. NON-MANDATORY REQUIREMENTS

The Company has adopted the following non-mandatory requirements on Corporate Governance recommended under Clause 49 of the Listing Agreement:

1. Remuneration Committee of the Company is operational. Presently, the Committee comprises of three Non-Executive Independent Directors of the Company.
2. Quarterly results are being sent to all the Members.
3. Established and implemented a Whistle Blower Policy for the employees.

For and on behalf of the Board of Directors

ESSEL PROPACK LIMITED

Subhash Chandra

Chairman

Mumbai, March 31, 2008

DECLARATION

It is hereby declared that all the Board Members, Senior Management and Employees of the Company have affirmed adherence to and compliance with the 'Code of Conduct' laid down by the Company as on January 1, 2008.

For ESSEL PROPACK LIMITED

Ashok Kumar Goel

Vice Chairman & Managing Director

Mumbai, March 31, 2008

CEO / CFO Certificate

We, the undersigned, in our respective capacities as Vice Chairman & Managing Director (CEO) and Chief Financial Officer (Global) of the Company, to the best of our knowledge and belief, hereby certify that:

- a. We have reviewed financial statements and the cash flow statement for the year ended December 31, 2007 and that to the best of our knowledge and belief :
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended December 31, 2007 which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting for the year ended December 31, 2007 and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee (for the financial year 2007):
 - i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the company's internal control system over financial reporting.

(Ashok Kumar Goel)
Vice Chairman & Managing Director
Essel Propack Limited

(A V Ganapathy)
Chief Financial Officer (Global)
Essel Propack Limited

Mumbai, March 31, 2008

Certificate of compliance with the Corporate Governance requirements under Clause 49 of the Listing Agreement

Auditors' Certificate on Corporate Governance

To
The Members of
Essel Propack Limited

We have examined the compliance of conditions of Corporate Governance by Essel Propack Limited, for the year ended 31st December, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

We state that no investor grievances are pending for a period exceeding 30 days against the Company as per the records maintained by the Company.

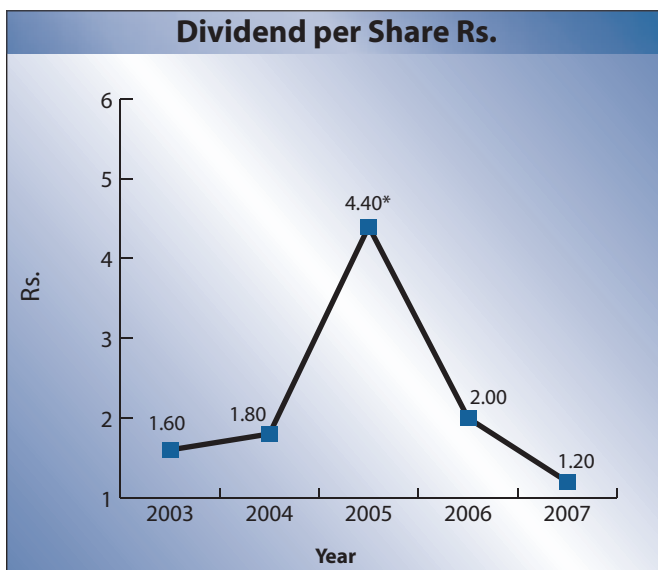
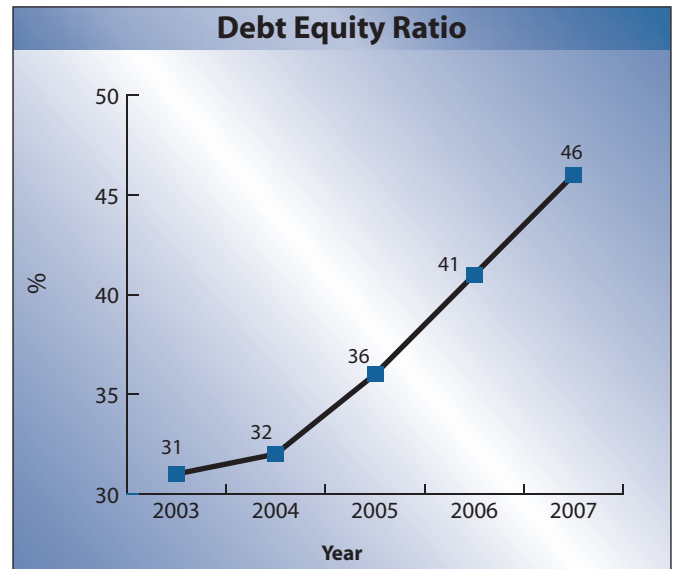
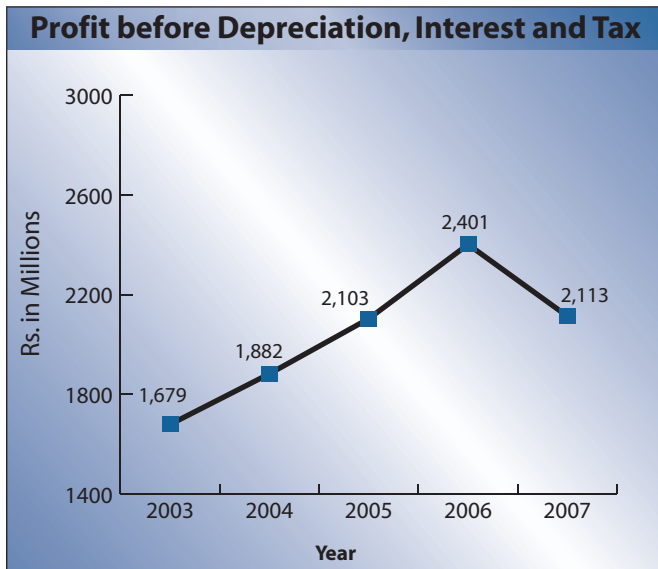
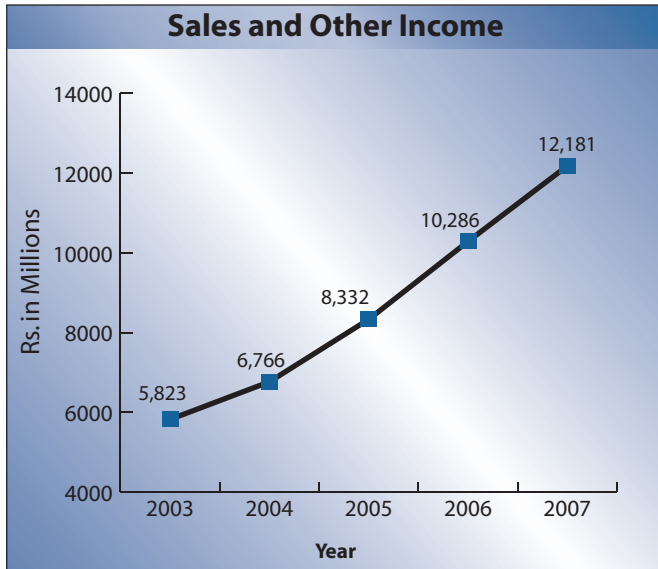
We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Mohan Bhandari
Partner
Membership No. 12912

For and on behalf of
MGB & Co
Chartered Accountants

Mumbai, March 31, 2008

Consolidated Financials



* In addition to the Dividend of Rs. 2/- per share, the Company declared special one time dividend of Rs. 2.40/- per share for the year ended December 31, 2005.

Five Years' Summary of Selected Financial Data (Consolidated)

	Rs. Million				
	2003	2004	2005	2006	2007
Sales and Other Income	5,822.57	6,765.87	8,332.32	10,286.06	12,181.15
Profit before Depreciation, Interest and Tax	1,679.13	1,882.37	2,103.14	2,400.63	2,113.18
Depreciation/Amortisation	628.37	640.57	766.20	865.38	667.35
Profit before Tax (before exceptional and extra-ordinary items)	1,019.25	1,202.18	1,216.94	1,300.16	927.80
Profit after Tax	705.59	808.66	901.52	985.49	608.13
Dividends (including Dividend Tax)	289.01	319.91	*787.27	357.18	219.86
Cash Profit	1,348.97	1,471.16	1,667.72	1,850.86	1,275.49
Earning per share - Rs (Basic after exceptional and extraordinary items)**	4.52	5.17	5.76	6.29	3.88
Dividend per share of - Rs.**	1.60	1.80	4.40	2.00	1.20
Capital Employed	9,462.98	10,437.03	11,291.58	13,119.14	15,424.61
Assets Less Current Liabilities					
Goodwill	2,746.96	2,947.49	3,042.63	4,060.63	4,060.63
Fixed Assets (net)	4,651.42	5,077.27	5,892.43	6,148.68	7,680.73
Investment	415.00	413.57	419.59	423.79	447.78
Current Assets, Loans and Advances	2,900.72	3,496.92	4,039.12	4,923.25	5,754.40
	10,714.10	11,935.25	13,393.77	15,556.35	17,943.54
Current Liabilities and Provisions	(1,251.12)	(1,498.22)	(2,102.19)	(2,437.21)	(2,518.93)
Net Assets	9,462.98	10,437.03	11,291.58	13,119.14	15,424.61
FINANCED BY					
Share Capital	312.11	313.12	313.13	313.13	313.13
Reserves	6,095.80	6,630.86	6,722.21	7,344.70	7,884.68
Shareholders' Funds	6,407.91	6,943.98	7,035.34	7,657.83	8,197.81
Miscellaneous Expenditure	(48.17)	(105.31)	(64.59)	(56.78)	(24.38)
Net Worth	6,359.74	6,838.67	6,970.75	7,601.05	8,173.43
Minority Interest	44.32	53.36	55.66	97.71	118.30
Deferred Tax Balances	187.60	246.33	234.70	197.40	56.13
	6,591.66	7,138.36	7,261.11	7,896.16	8,347.86
Loan Funds	2,871.32	3,298.67	4,030.47	5,222.98	7,076.75
Capital Employed	9,462.98	10,437.03	11,291.58	13,119.14	15,424.61
Financial Returns and Statistics					
Profit after Tax as a percent of Sales and Other Income	12%	12%	11%	10%	5%
Profit before Depreciation, Interest and Tax as a percent of Sales and Other Income	29%	28%	25%	23%	17%
Return on Capital Employed (PBIT/Avg Capital Employed) (With Goodwill)	13%	14%	14%	14%	11%
Return on Capital Employed (PBIT/Avg Capital Employed) (Without Goodwill)	18%	19%	19%	19%	15%
Return on Net worth (PAT/Avg Net Worth) (With Goodwill)	12%	12%	13%	14%	8%
Return on Net worth (PAT/Avg Net Worth) (Without Goodwill)	21%	22%	23%	26%	16%
Loan Funds as a percentage of Shareholders' Funds	45%	48%	57%	68%	86%
Gearing ratio (Loan Funds as a percentage to Loan Funds plus Shareholders Funds)	31%	32%	36%	41%	46%
Financial Expenses Cover (Times)	6	8	6	5	2
(Profit before Financial Expenses (Gross) and Taxation/Financial Expenses (Gross))					
Cash Profit to Sales and Other Income	23%	22%	20%	18%	10%

* In addition to the Dividend of Rs. 2/- per share, the Company declared special one time dividend of Rs. 2.40/- per share for the year ended December 31, 2005.

** Pursuant to the approval by the shareholders, each equity share of the Company of face value Rs. 10 each fully paid up has been split into 5 equity shares of Rs. 2 each fully paid up with effect from 15th June, 2006. Prior year figures have been recasted to confirm to current year's classification.

Five Years' Summary of Selected Financial Data (Consolidated)

USD Million

	2003	2004	2005	2006	2007
Sales and Other Income	124.79	149.23	188.88	226.97	294.54
Profit before Depreciation, Interest and Tax	35.99	41.52	47.67	52.97	51.10
Depreciation/Amortisation	13.47	14.13	17.37	19.10	16.14
Profit before Tax (before exceptional and extra-ordinary items)	21.84	26.51	27.59	28.69	22.43
Profit after Tax	15.12	17.84	20.44	21.75	14.70
Dividends (including Dividend Tax)	6.19	7.06	17.85	7.88	5.32
Cash Profit	28.91	32.45	38.30	41.32	31.37
Assets Less Current Liabilities					
Goodwill	60.24	67.40	67.32	92.04	102.97
Fixed Assets (net)	102.00	116.10	130.38	139.36	194.77
Investment	9.10	9.46	9.28	9.61	11.35
Current Assets, Loans and Advances	63.62	79.97	89.37	111.58	145.93
	234.96	272.93	296.35	352.59	455.02
Current Liabilities and Provisions	(27.44)	(34.26)	(46.51)	(55.24)	(63.88)
Net Assets	207.52	238.67	249.84	297.35	391.14
FINANCED BY					
Share Capital	6.84	7.16	6.93	7.10	7.94
Reserves	133.68	151.63	148.74	166.47	199.94
Shareholders' Funds	140.52	158.79	155.67	173.57	207.88
Miscellaneous Expenditure	(1.05)	(2.40)	(1.43)	(1.28)	(0.61)
Net Worth	139.47	156.39	154.24	172.29	207.27
Minority Interest	0.97	1.22	1.23	2.21	3.00
Deferred Tax Balances	4.11	5.63	5.19	4.47	1.42
	144.55	163.24	160.66	178.97	211.69
Loan Funds	62.97	75.43	89.18	118.38	179.45
Capital Employed	207.52	238.67	249.84	297.35	391.14
Financial Returns and Statistics					
Profit after Tax as a percent of Sales and Other Income	12%	12%	11%	10%	5%
Profit before Depreciation, Interest and Tax as a percent of Sales and Other Income	29%	28%	25%	23%	17%
Return on Capital Employed (PBIT/Avg Capital Employed) (With Goodwill)	13%	13%	14%	13%	10%
Return on Capital Employed (PBIT/Avg Capital Employed) (Without Goodwill)	18%	18%	19%	19%	14%
Return on Net worth (PAT/Avg Net Worth) (With Goodwill)	11%	12%	13%	13%	7%
Return on Net worth (PAT/Avg Net Worth) (Without Goodwill)	20%	21%	24%	26%	15%
Loan Funds as a percentage of Shareholders' Funds	45%	48%	57%	68%	86%
Gearing ratio (Loan Funds as a percentage to Loan Funds plus Shareholders Funds)	31%	32%	36%	41%	46%
Financial Expenses Cover (Times)	6	8	6	5	2
(Profit before Financial Expenses (Gross) and Taxation/Financial expenses (Gross))					
Cash Profit to Sales and Other Income	23%	22%	20%	18%	11%

Note : Audited INR numbers have been translated into US Dollar using the average exchange rate for P & L items and the year end exchange rate for Balance Sheet items.

Five Years' Summary of Selected Financial Data (India)

	Rupees million				
	31.12.03	31.12.04	31.12.05	31.12.06	31.12.07
Sales and Other Income	2,300.79	2,296.25	2,616.78	2,939.64	3,311.91
FOB value of Exports	212.35	249.94	310.29	284.51	266.35
Profit before depreciation, interest and tax	910.48	848.62	871.60	869.32	960.69
Financial Expenses (Gross)	141.27	99.51	120.94	205.42	388.55
Depreciation/Amortisation	273.85	224.64	209.69	205.94	200.83
Profit before tax and exceptional items	656.68	650.47	682.86	605.92	559.94
Profit after tax	398.39	408.84	459.67	410.46	372.93
Dividends (including Dividend Tax)	281.76	318.72	785.68	357.13	219.86
Cash profit	673.25	633.48	669.37	616.40	573.75
Book value per share*	36.22	36.83	34.75	35.10	33.93
Earnings per share* - (Basic after exceptional items)	2.55	2.61	2.94	2.62	2.38
Dividend per share* - Rs.	1.60	1.80	4.40	2.00	1.60
Closing share price on BSE at year end - (Rs. per share)	280.40	265.15	355.40	*78.9	77.15
Market capitalisation (As at year end)	8,754.00	8,305.00	11,131.00	12,355.83	12,081.78
ASSETS LESS CURRENT LIABILITIES					
Fixed assets (Net)	1,039.69	1,133.23	1,510.26	1,631.86	1,679.12
Investments	4,746.90	4,605.97	4,881.94	5,509.04	5,744.32
Current Assets, Loans and Advances	1,798.68	1,947.08	1,784.83	1,775.54	2,938.49
	7,585.27	7,686.29	8,177.03	8,916.44	10,361.93
Current Liabilities and Provisions	(516.71)	(722.23)	(1,128.46)	(791.90)	(672.88)
Net Current Assets	7,068.56	6,964.05	7,048.57	8,124.53	9,689.05
FINANCED BY					
Share capital	312.10	313.12	313.12	313.13	313.20
Reserves	5,343.45	5,455.70	5,129.81	5,183.22	5,313.56
Shareholders' Fund	5,655.55	5,768.82	5,442.93	5,496.35	5,626.76
Miscellaneous Expenditure	(1.25)	(0.25)	-	-	-
Net Worth	5,654.30	5,768.57	5,442.93	5,496.35	5,626.76
Deferred Tax Balances	193.82	164.69	150.92	148.80	129.81
Loan Funds	1,220.44	1,030.79	1,454.71	2,479.38	3,932.55
Capital Employed	7,068.56	6,964.05	7,048.56	8,124.53	9,689.12
FINANCIAL RETURNS AND STATISTICS					
Profit after tax as a percent of sales and other income	17%	18%	18%	14%	11%
Profit before depreciation, interest and tax as a percent of sales and other income	40%	37%	33%	30%	29%
Return on Capital Employed (PBIT)	11%	11%	11%	9%	8%
Return on common Stockholders' Equity % (PAT)	7%	7%	8%	7%	7%
Loan Funds as a percent of total year end	22%	18%	27%	45%	70%
Shareholders' Fund					
Gross Gearing %	18	15	21	31	41
(Loan Fund as a percentage of Loan plus Shareholders' Fund)					
Financial Expenses Cover (Times)	6	8	7	4	2
(Profit before Financial Expenses (Gross) and Taxation divided by Financial Expenses (Gross))					
Number of Equity Shares Outstanding (In Million)	31.22	31.32	31.32	*156.60	156.60
Cash profit to sales and other income	29%	28%	26%	21%	17%

*Pursuant to the approval by the shareholders, each equity share of the Company of face value Rs.10 each fully paid up has been split into 5 equity shares of Rs. 2 each fully paid up with effect from 15th June, 2006 and the figures have been restated wherever applicable for comparison purpose.

Auditors' Report

To the Members of **EsseL Propack Limited**

1. We have audited the attached Balance Sheet of **EsseL Propack Limited** ("the Company") as at December 31, 2007, and also the Profit and Loss account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ("the Act"), and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to Paragraph (3) above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - (iii) The Balance Sheet, the Profit and Loss account and the Cash Flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, the Profit and Loss account and the Cash Flow statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Act;
 - (v) On the basis of written representations received from the Directors and taken on record by the Board, we report that none of the directors is disqualified as at 31st December 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the significant accounting policies and notes to accounts as per Schedule 22, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2007;
 - (b) In the case of the Profit and Loss account, of the Profit for the year ended on that date; and
 - (c) In the case of the Cash Flow statement, of the cash flows, for the year ended on that date.

For **MGB & Co.**
Chartered Accountants

Mohan Bhandari
Partner
Membership No. 12912

Mumbai, 31st March, 2008

Annexure referred to in paragraph 3 of Auditors' Report to the Members of EsseL Propack Limited on the accounts for the year ended 31st December 2007.

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) The Company has carried out physical verification of its fixed assets under a phased programme wherein all the fixed assets are verified over a period which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets and no material discrepancies were noticed on such verification.
- (c) During the year, there was no disposal of substantial part of fixed assets.
- (ii) (a) The inventory has been physically verified by the management at reasonable intervals other than stock lying with third parties which has been substantially confirmed by them
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company has maintained proper records of inventory and no material discrepancies were noticed on physical verification as compared to the book records.
- (iii) (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, no major weaknesses were noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations given to us, there are no contracts or arrangements the particulars of which are required to be entered into the register in pursuance of Section 301 of the Act.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year to which the directives of the Reserve Bank of India and provisions of Section 58A/58AA and other provisions of the Act and rules framed thereunder apply.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We are informed that the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Act in respect of the Company's products.
- (ix) According to the records of the Company examined by us and information and explanations given to us :
 - (a) The Company has been generally regular in depositing its Statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and others as applicable. There are no undisputed amounts payable in respect of the aforesaid dues which have remained outstanding as at 31st December 2007 for a period of more than six months from the date they became payable.

(b) Dues of Sales Tax, Wealth Tax, Service Tax and Excise Duty which have not been deposited on account of disputes are as follows:

Name of the Statute	Nature of the Dues	Amount in Rs.	Period to which the amount relate	Forum where dispute is pending
Wealth Tax Act, 1957	Wealth Tax	129,688	A.Y.1998-1999	Income Tax Appellate Tribunal
Central Excise Act, 1944	Excise (Including interest and penalty)	7,169,189	1994-98	Supreme Court
		16,532,591	1998 to 2001 & 2002 to 2005	CESTAT
		733,144	2001 to 2005	Commissioner of Central Excise (Appeals)
		83,737,863	1997-1998 & 2001 to 2003	Commissioner of Central Excise
	3,525,108	1995-1996, 1997-1998 & 2002-2003	Deputy/ Joint/ Assistant Commissioner of Central Excise	
	Service Tax	3,064,976	1997-98 to 2002	High Court
		595,600	2002-2003 & 2005-2006	Deputy / Assistant Commissioner of Service Tax
Bombay Sales Tax Act, 1959	Sales Tax	3,631,557	2000-2001	Joint Commissioner of Sales Tax (Appeals) Thane.
		2,085,198	2001-2002	Joint Commissioner of Sales Tax (Appeals) Thane.
Central Sales Tax Act, 1956	Central Sales Tax	3,211,530	2001-2002	Joint Commissioner of Sales Tax (Appeals) Thane.
		15,703,466	2002-2003	Commissioner of VAT-Dadra and Nagar Haveli – Silvassa.

There are no dues in respect of other taxes, duties and cess which have not been deposited on account of any disputes.

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the year and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us and records of the Company examined by us, the Company has been regular in repayment of dues towards Loans taken from Banks and Debenture-holders. The Company has not taken any loans from financial Institutions.
- (xii) According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) According to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / Society.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion, the terms and conditions of guarantees given by the company for loans taken by subsidiaries are prima-facie not prejudicial to the interests of the Company.

- (xvi) According to the information and explanations given to us and records of the Company examined by us, the term loans taken by the Company has been applied for the purpose for which these were obtained.
- (xvii) On the basis of review of utilization of funds which is based on an overall examination of the Balance Sheet of the Company and related information as made available to us, the funds raised on short-term basis have not been used for long-term purposes.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- (xix) The Company has not issued any secured debentures during the year.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) On the basis of our examination and according to the information and explanations given to us and to the best of our knowledge and belief, no fraud on or by the Company has been noticed or reported during the year.

For **MGB & Co.**
Chartered Accountants

Mohan Bhandari
Partner
Membership No. 12912

Mumbai, 31st March, 2008

Balance Sheet as at 31st December

		(Amount in Rupees)	
	Schedule	2007	2006
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	313,130,360	313,129,110
Reserves and Surplus	2	5,313,559,186	5,183,222,602
		<u>5,626,689,546</u>	<u>5,496,351,712</u>
Loan Funds			
Secured Loans	3	1,850,370,790	1,684,147,167
Unsecured Loans	4	2,082,178,066	795,234,053
		<u>3,932,548,856</u>	<u>2,479,381,220</u>
Deferred Tax Liabilities (Net) (Refer Note 6)		129,809,825	148,801,284
Total		<u>9,689,048,227</u>	<u>8,124,534,216</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	4,343,954,312	4,096,536,619
Less: Depreciation / Amortisation		2,820,491,835	2,629,184,491
Net Block		1,523,462,477	1,467,352,128
Capital Work-in-Progress		155,660,854	164,509,220
		<u>1,679,123,331</u>	<u>1,631,861,348</u>
Investments	6	5,744,316,008	5,509,038,831
Current Assets, Loans and Advances			
Inventories	7	451,134,667	430,434,286
Sundry Debtors	8	593,330,100	420,586,323
Cash and Bank Balances	9	55,835,700	34,605,158
Other Current Assets	10	256,899,086	33,913,518
Loans and Advances	11	1,581,287,945	855,998,580
		<u>2,938,487,498</u>	<u>1,775,537,865</u>
Less: Current Liabilities and Provisions			
Current Liabilities	12	404,276,584	425,321,407
Provisions	13	268,602,026	366,582,421
		<u>672,878,610</u>	<u>791,903,828</u>
Net Current Assets		<u>2,265,608,888</u>	<u>983,634,037</u>
Total		<u>9,689,048,227</u>	<u>8,124,534,216</u>
Significant Accounting Policies and Notes to Accounts	22		

As per our attached report of even date
For **MGB & Co.**
Chartered Accountants

For and on behalf of the Board
Subhash Chandra Chairman

Mohan Bhandari
Partner
Membership No.12912

D. Ahuja
Tapan Mitra
K.V. Krishnamurthy
Boman Moradian } Directors
Ashok Kumar Goel Vice-Chairman & Managing Director
A.V. Ganapathy Chief Financial Officer (Global)
Ajay Nagle Vice President - Legal and Company Secretary

Mumbai, March 31, 2008

Mumbai, March 31, 2008

Profit and Loss Account for the year ended 31st December

	Schedule	(Amount in Rupees)	
		2007	2006
INCOME			
Sales and Services (Gross)	14	3,388,180,384	3,121,691,725
Less: Excise Duty		273,478,670	296,256,500
Sales and Services (Net)		3,114,701,714	2,825,435,225
Other Income	15	197,212,332	114,206,323
Total		3,311,914,046	2,939,641,548
EXPENDITURE			
Cost of Materials	16	1,327,969,494	1,190,198,392
Manufacturing and Other Expenses	17	424,431,245	383,019,443
Personnel Cost	18	369,802,591	264,134,975
Administrative and Other Expenses	19	172,736,434	184,223,131
Selling and Distribution Expenses	20	56,287,705	48,743,970
Total		2,351,227,469	2,070,319,911
Profit Before Depreciation Interest and Tax (PBDIT)		960,686,577	869,321,637
Financial Expenses (Net)	21	199,915,136	57,469,286
Depreciation / Amortisation		200,827,481	205,935,283
Profit before Tax and Exceptional Item		559,943,960	605,917,068
Exceptional Item (Refer Note (5(a)))		(4,581,573)	(12,415,049)
Profit Before Tax (PBT)		555,362,387	593,502,019
Provision for Taxation			
Current Tax - Current year		188,880,652	206,064,599
- Earlier periods		(3,935,039)	(26,807,140)
Deferred Tax		(7,268,700)	(2,115,927)
Fringe Benefit Tax		4,760,461	5,898,772
Profit After Tax (PAT)		372,925,013	410,461,715
Balance Brought Forward		206,188,114	193,955,276
Amount Available for Appropriation		579,113,127	604,416,991
APPROPRIATIONS			
Dividend - Interim (inclusive of tax)		—	357,128,877
Dividend - Proposed (inclusive of tax)		219,858,590	—
General Reserve		37,300,000	41,100,000
Balance carried to Balance Sheet		321,954,537	206,188,114
Total		579,113,127	604,416,991
Earnings Per Share (Equity Shares, par value Rs.2 each)			
Basic and Diluted Earnings Per Share before Exceptional item		2.41	2.70
Basic and Diluted Earnings Per Share after Exceptional item		2.38	2.62
Weighted average number of Shares used in computing Basic and Diluted Earnings Per Share		156,601,130	156,601,130
Significant Accounting Policies and Notes to Accounts	22		

As per our attached report of even date
For **MGB & Co.**
Chartered Accountants

For and on behalf of the Board
Subhash Chandra Chairman

Mohan Bhandari
Partner
Membership No.12912

D. Ahuja
Tapan Mitra
K.V. Krishnamurthy
Boman Moradian } Directors
Ashok Kumar Goel Vice-Chairman & Managing Director
A.V. Ganapathy Chief Financial Officer (Global)
Ajay Nagle Vice President - Legal and Company Secretary

Mumbai, March 31, 2008

Mumbai, March 31, 2008

Schedules forming part of Balance Sheet as at 31st December

	(Amount in Rupees)	
	2007	2006
SCHEDULE 1		
Share Capital		
Authorised		
200,000,000 Equity Shares of Rs.2 each	400,000,000	400,000,000
Issued, Subscribed and Paid up		
156,601,130 Equity Shares of Rs.2 each fully paid-up.	313,202,260	313,202,260
Out of the above		
(i) 65,166,915 Equity Shares of Rs.2 each fully paid up are issued as Bonus Shares by Capitalisation of General Reserves and Securities Premium.		
(ii) 34,316,610 Equity Shares of Rs.2 each fully paid up were allotted for consideration other than cash.		
Less: Calls in Arrears (Other than Directors)	71,900	73,150
TOTAL	313,130,360	313,129,110
SCHEDULE 2		
Reserves and Surplus		
Securities Premium		
As per last Balance Sheet	3,842,939,798	3,842,854,538
Add: Received during the year	36,250	85,260
	3,842,976,048	3,842,939,798
Capital Reserve		
As per last Balance Sheet	200,610,538	200,610,538
General Reserve		
As per last Balance Sheet	933,484,152	892,384,152
Add: Appropriated during the year	37,300,000	41,100,000
Less: Charge on account of transitional provisions under Accounting Standard 15 (net of tax) (Refer Note 10 (a))	(22,766,089)	—
	948,018,063	933,484,152
Profit and Loss Account	321,954,537	206,188,114
Total	5,313,559,186	5,183,222,602

Schedules forming part of Balance Sheet as at 31st December

	(Amount in Rupees)	
	2007	2006
SCHEDULE 3		
Secured Loans		
Term Loan from Banks		
Rupee Term Loan	1,083,188,939	1,300,000,000
Foreign Currency Loan	470,813,679	—
Working Capital Demand Loans/Cash Credit from Banks	295,137,628	382,257,453
Other Secured Loan	1,230,544	1,889,714
Total	1,850,370,790	1,684,147,167
Notes:		
1. Term Loan from Banks		
(i) Rupee Loan		
Secured by way of first charge ranking pari passu on the entire fixed assets of the Company, both present and future excluding land at Goa.		
(ii) Foreign Currency Loan		
Secured by way of first charge ranking pari passu on the entire fixed assets of the Company. Charge is yet to be registered.		
(iii) Repayable within one year Rs 433,188,939 (Rs 216,600,000)		
2. Working Capital Demand Loan/Cash Credit from Banks		
Secured by way of hypothecation of all inventories both on hand and in transit, book debts and other receivables of the Company. Also secured by way of second charge ranking pari passu on immovable properties of the Company at Wada and Vasind.		
3. Other Secured Loan		
Secured by way of hypothecation of Vehicle.		
SCHEDULE 4		
Unsecured Loans		
Short-Term Loan from Banks	1,300,000,000	135,000,000
Other Loans		
From Banks	350,000,000	250,000,000
Deferred Sales Tax (Repayable on different dates starting from Year 2009)	432,025,652	408,822,830
Lease Finance	152,414	605,141
Interest accrued and due	—	806,082
Total	2,082,178,066	795,234,053

Schedules forming part of Balance Sheet as at 31st December

SCHEDULE 5

Fixed Assets (at cost)

(Amount in Rupees)

Description of Assets	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at 01.01.2007	Additions	Deduction	As at 31.12.2007	Upto 31.12.2006	For the Year	Deduction	Up to 31.12.2007	As at 31.12.2007	As at 31.12.2006
a) Intangibles										
Software	15,339,238	7,790,406	-	23,129,644	7,385,550	4,156,141	-	11,541,691	11,587,953	7,953,688
b) Tangibles										
Freehold Land	36,465,514	-	-	36,465,514	-	-	-	-	36,465,514	36,465,514
Leasehold Land	2,076,595	-	-	2,076,595	335,832	38,187	-	374,019	1,702,576	1,740,763
Leasehold Improvements	12,836,390	4,382,448	-	17,218,838	266,585	1,989,858	-	2,256,443	14,962,395	12,569,805
Buildings	231,026,282	2,489,899	7,785	233,508,396	51,792,873	7,246,794	1,604	59,038,063	174,470,333	179,233,409
Plant and Machinery	3,652,629,501	229,359,888	9,211,931	3,872,777,458	2,517,514,959	174,088,856	8,548,662	2,683,055,153	1,189,722,305	1,135,114,542
Equipments	98,120,395	12,847,435	565,955	110,401,875	35,385,653	9,862,989	332,954	44,915,688	65,486,187	62,734,742
Furniture and Fixtures	36,225,600	1,243,425	910,137	36,558,888	11,423,592	2,460,437	636,917	13,247,112	23,311,776	24,802,008
Vehicles	11,817,104	-	-	11,817,104	5,079,447	984,219	-	6,063,666	5,753,438	6,737,657
Grand Total	4,096,536,619	258,113,501	10,695,808	4,343,954,312	2,629,184,491	200,827,481	9,520,137	2,820,491,835	1,523,462,477	1,467,352,128
Previous Year	3,862,863,618	306,915,304	73,242,303	4,096,536,619	2,450,308,101	205,935,283	27,058,893	2,629,184,491	1,467,352,128	

Notes: 1. Buildings include Roads, Residential flats, Tubewells and Watertanks and shares in Co-operative Society.
2. Vehicles include assets taken on finance lease Rs. 4,569,485 (Rs. 4,569,485) and accumulated depreciation Rs. 2,064,708 (Rs. 1,630,607).

(Amount in Rupees)

SCHEDULE 6

Investments

Long-Term (At Cost)

Equity Shares in Wholly Owned Subsidiary Companies - Unquoted

6,40,000 of NPR 100 each of Essel Packaging Nepal Private Limited, Nepal

Provision for Diminution in value (Refer Note (5(a)))

830,000 of US \$ 10 each of Lamitube Technologies Limited, Mauritius.

10,000,000 of US \$ 1 each of Essel Propack America, LLC

1,600 of US \$ 1000 each of Lamitube Technologies (Cyprus) Limited, Cyprus *

416,150 of Rs.100 each of Packaging India Private Limited *

Equity Shares in others - Unquoted

3,141,971 of Rs.10 each of BeriCap India Private Limited (Refer Note 5(b)) *

Redeemable Preference Shares in Wholly Owned Subsidiary Companies

1,250 of US \$ 1000 each of Lamitube Technologies Limited, Mauritius with fixed rate of dividend of US \$ 1 per share.

6,000 of US \$ 1000 each of Essel Propack America, LLC, with

fixed rate of dividend of US \$ 1 per share

10,400 (4,750) of US \$ 1000 each of Lamitube Technologies (Cyprus) Limited,

Cyprus with fixed rate of dividend of US \$ 1 per share

1,025,000 5% of Rs. 100 each of Packaging India Private Limited

Total

	2007	2006
	40,000,000	40,000,000
	(16,996,622)	(12,415,049)
	23,003,378	27,584,951
	3,625,783,282	3,625,783,282
	479,140,000	479,140,000
	71,991,500	71,991,500
	636,240,638	636,240,638
	31,419,710	31,419,710
	55,550,000	55,550,000
	265,201,250	265,201,250
	453,486,250	213,627,500
	102,500,000	102,500,000
Total	5,744,316,008	5,509,038,831

* The Company has given undertaking to Banks for non-disposal of its shareholding for credit facilities granted.

Schedules forming part of Balance Sheet as at 31st December

	(Amount in Rupees)	
	2007	2006
SCHEDULE 7		
Inventories		
(As taken, valued and certified by the Managing Director)		
Raw Materials	155,881,641	162,880,913
Finished Goods	9,915,886	7,780,043
Packing Materials	7,744,601	4,913,551
Goods-in-Process	148,907,684	125,864,230
Stores and Spares	128,176,401	104,884,516
Goods-in-Transit	508,454	24,111,033
Total	451,134,667	430,434,286
 SCHEDULE 8		
Sundry Debtors		
(Unsecured and Considered Good, unless otherwise stated)		
Over six months *		
Considered Good	57,090,551	43,098,051
Considered Doubtful	33,798,551	27,359,388
	90,889,102	70,457,439
Others **	536,239,549	377,488,272
	627,128,651	447,945,711
Less: Provision for Doubtful Debts	33,798,551	27,359,388
Total	593,330,100	420,586,323
Includes * Rs.34,145,876 (Rs.34,983,740) and ** Rs.192,663,737 (Rs.128,174,297) due from Subsidiary/Joint Venture Companies		
 SCHEDULE 9		
Cash and Bank Balances		
Cash on Hand	222,520	3,672,737
With Scheduled Banks		
(a) In Current Account		
i) Indian Rupee accounts*	49,524,905	30,839,135
ii) Foreign Currency accounts	11,913	13,286
(b) In Fixed Deposit		
Indian Rupee accounts**	80,000	80,000
(c) Remittance in Transit	5,996,362	-
Total	55,835,700	34,605,158

* Includes Rs.17,683,482 (Rs.16,091,605) being balance in unclaimed dividend accounts.

** Deposited with/Lien in favour of various government authorities.

Schedules forming part of Balance Sheet as at 31st December

	(Amount in Rupees)	
	2007	2006
SCHEDULE 10		
Other Current Assets		
Income Receivable on Investments	118,481,490	11,458,023
Interest Receivable on Loans and Advances	113,837,512	1,250,511
Export Benefit Receivable	16,835,523	13,108,957
Other Receivables	7,744,561	8,096,027
Total	256,899,086	33,913,518
SCHEDULE 11		
Loans and Advances		
(Unsecured, considered good unless otherwise stated)		
Loans	397,413,176	479,039,756
Loans and Advances to Subsidiary Companies	819,476,091	52,055,611
Advances (Recoverable in cash or in kind or for value to be received)		
Advance Indirect Taxes	168,503,913	133,946,071
Advance Direct Taxes (Net of provisions)	40,245,710	69,550,609
Other Advances	67,504,294	34,958,902
Deposits	88,144,761	86,447,631
Total	1,581,287,945	855,998,580
SCHEDULE 12		
Current Liabilities*		
Acceptances		
for Goods	93,576,055	104,462,470
for Capital Goods	-	76,296,330
Sundry Creditors		
for Goods	106,100,942	87,111,977
for Capital Goods	22,183,040	14,169,746
for Micro, Small and Medium Enterprises (Refer Note 8)	939,030	175,933
for Others	139,889,807	114,960,941
Trade Deposits and Advance	4,772,572	5,911,104
Interest Accrued but not due	19,131,656	6,141,301
Investor Education and Protection Fund		
Unpaid Dividend	17,683,482	16,091,605
Total	404,276,584	425,321,407
* Includes Rs. 5,576,179 (Rs.2,340,930) due to Subsidiaries		
SCHEDULE 13		
Provisions		
For Retirement Benefits	48,743,436	9,453,544
For Proposed Dividend (inclusive of tax)	219,858,590	357,128,877
Total	268,602,026	366,582,421
Total (12 + 13)	672,878,610	791,903,828

Schedules forming part of Profit and Loss Account for the year ended 31st December

	(Amount in Rupees)	
	2007	2006
SCHEDULE 14		
Sales and Services		
Sales	3,192,908,924	2,989,203,441
Royalty/Service Charges (Tax Deducted at Source Rs.6,610,711 (Rs.25,769,806))	182,390,446	120,790,755
Export Incentives	12,881,014	11,697,529
Total	3,388,180,384	3,121,691,725
SCHEDULE 15		
Other Income		
Dividend from Subsidiaries (Gross) (Tax Deducted at Source Rs.5,286,419 (Rs.5,110,138))	154,712,858	45,559,873
Profit on sale of Fixed Assets (Net)	3,197,813	-
Exchange Differences	34,968,601	18,490,772
Miscellaneous Income	4,333,060	4,615,881
Difference on assignment of Deferred Sales Tax	-	45,539,797
Total	197,212,332	114,206,323
SCHEDULE 16		
Cost of Materials		
Raw Materials Consumed		
Opening Stock	162,880,913	140,538,959
Add: Purchases	1,346,149,519	1,254,505,824
	1,509,030,432	1,395,044,783
Less: Closing Stock	155,881,641	162,880,913
Total (A)	1,353,148,791	1,232,163,870
Increase in Stocks		
Closing Stock		
Finished Goods	9,915,886	7,780,043
Goods-in-Process	148,907,684	125,864,230
	158,823,570	133,644,273
Less:		
Opening Stock		
Finished Goods	7,780,043	6,051,842
Goods-in-Process	125,864,230	85,626,953
	133,644,273	91,678,795
Total (B)	25,179,297	41,965,478
Total (A-B)	1,327,969,494	1,190,198,392
SCHEDULE 17		
Manufacturing and Other Expenses		
Stores and Spares	88,879,339	81,738,686
Packing Materials	116,264,384	106,392,942
Power and Fuel	132,986,764	117,951,095
Job Work Charges	57,739,166	49,665,491
Repairs and Maintenance		
Building	8,401,015	7,263,941
Plant and Machinery	9,669,066	8,183,677
Other Manufacturing Expenses	5,131,511	6,963,611
Factory Rent	5,360,000	4,860,000
Total	424,431,245	383,019,443

Schedules forming part of Profit and Loss Account for the year ended 31st December

	(Amount in Rupees)	
	2007	2006
SCHEDULE 18		
Personnel Cost		
Managerial Remuneration	44,959,915	30,786,559
Salaries, Wages and Allowances	259,082,805	185,564,466
Contribution to Provident and other Funds	18,103,966	12,973,236
Welfare Expenses	40,221,278	29,684,214
Gratuity	7,434,627	5,126,500
Total	369,802,591	264,134,975
SCHEDULE 19		
Administrative and Other Expenses		
Rent	22,211,294	5,732,055
Rates and Taxes	10,948,091	4,289,292
Repairs to Others	9,845,018	8,529,995
Insurance	6,861,226	10,490,933
Directors' Sitting Fees	580,000	640,000
Travelling and Conveyance Expenses (Includes Rs.711,302 (Rs.2,330,647) for Directors)	12,127,696	18,884,212
Advertisement Expenses	493,047	389,835
Professional and Consultancy Charges	14,217,058	31,662,919
Communication Expenses	11,206,943	12,339,349
Donation	5,609,751	8,258,103
Miscellaneous Expenses	77,067,440	76,346,361
Research and Development Expenses	1,568,870	2,217,711
Loss on sale/discard of fixed assets (Net)	—	4,442,366
Total	172,736,434	184,223,131
SCHEDULE 20		
Selling and Distribution Expenses		
Freight and Forwarding Expenses	46,427,930	39,825,071
Discount and Rebate	30,314	1,741,859
Bad Debts Written off	3,182,132	1,838,096
Provision for Doubtful Debts	6,439,162	4,608,384
Commission	208,167	730,560
Total	56,287,705	48,743,970
SCHEDULE 21		
Financial Expenses (Net)		
Interest Paid		
On Fixed Loans	119,196,705	67,638,882
On Debentures	77,472,467	62,426,697
On Others	191,879,827	75,355,113
	388,548,999	205,420,692
Interest Received		
From Banks (TDS Rs.1,509 (Rs. 124,065))	(10,736)	(730,402)
From Others (TDS Rs.14,824,800 (Rs. 41,109,257))	(212,298,961)	(155,854,266)
	(212,309,697)	(156,584,668)
Interest Paid (Net)	176,239,302	48,836,024
Other Financial Charges	23,675,834	8,633,262
Total	199,915,136	57,469,286

Significant Accounting Policies and Notes to Accounts

SCHEDULE 22: Significant Accounting Policies and Notes to Accounts

A. Significant Accounting Policies

The significant accounting policies adopted in presentation of these accounts are;

1. Basis of Accounting

These financial statements have been prepared under the historical cost convention and accrual basis in accordance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as of the date of financial statements and the reported amount of revenue and expenses of the year. Actual results could differ from these estimates. The difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

3. Fixed Assets

a) Fixed assets are stated at original cost of acquisition/installation (net of cenvat/modvat credit availed) net off accumulated depreciation, amortisation and impairment losses except land which is carried at cost including lease premium. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

b) Capital work-in-progress is stated at the amount expended upto the date of Balance Sheet including advances for capital expenditure.

c) The capitalised cost of software includes license fees, cost of implementation and system integration services. These costs are capitalised as intangible assets in the year in which related software is implemented.

4. Borrowing Costs

Borrowing costs attributable to the acquisition or construction of assets are capitalised as a part of cost of such assets upto the date when such assets are ready for intended use. Other borrowing costs are charged to revenue when incurred.

5. Impairment of Assets

At each Balance Sheet date, the Company reviews the carrying amount of fixed assets to determine whether there is any indication that those assets suffered impairment loss. If any such indication exist, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss. The recoverable amount is higher of the net selling price and value in use, determined by discounting the estimated future cash flows expected from the continuing use of the asset to their present value.

6. Depreciation/Amortisation

a) Depreciation on tangible fixed assets (including on fixed assets acquired under finance lease) is provided on Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956.

b) Software (Intangible Asset) is amortised on a straight-line basis over a period of three years from the date of its implementation based on the management estimate of useful life.

c) Premium on Leasehold Land is amortised over the period of lease and Leasehold improvements are amortised over the normal/extendable period of lease.

7. Investments

Long-term Investments intended to be held for more than a year, from the date of acquisition, are classified as long-term investments and are carried at cost. However, provision for diminution in value of investments is made to recognise a decline other than temporary, in the value of investments.

Significant Accounting Policies and Notes to Accounts

8. Foreign Currency Transactions

- a) Foreign currency transactions are recorded at exchange rates prevailing on the date of such transactions.
- b) Foreign currency monetary assets and liabilities are reported using the closing rate. Gain and losses arising on account of difference in foreign exchange rates on settlement/ translation of Monetary Assets and Liabilities on the closing date are recognised in the Profit and Loss account.
- c) Non-monetary items denominated in foreign currency are reported using exchange rate prevailing on the date of transaction.
- d) In respect of forward exchange contracts assigned to the foreign currency assets/liabilities, the difference due to change in exchange rate between the inception of forward contract and date of Balance Sheet and the proportionate premium/discount for the period up to the date of Balance Sheet is recognised in the Profit and Loss account. Any profit or loss on settlement/cancellation of forward contract is recognised as an income or expenses for the year in which they arise.

9. Revenue Recognition

- a) Sale of goods is recognised when the risk and rewards of ownership are passed on to the customers, which is generally on dispatch of goods. Gross Sales include excise duty but exclude value added tax/sales tax and is net of volume discount. Export sales are accounted for on the basis of date of bill of lading.
- b) Export incentive/benefits are accounted as income on accrual basis. Custom duty benefit (Advance license) is recognised on entitlement and is set off from material costs.
- c) Income from Royalty and Service charges is accounted as per the agreed terms.
- d) Dividend income is recognised when the right to receive the dividend is unconditional.

10. Inventories

- a) Inventories are valued at lower of cost or estimated net realisable value.
- b) Excise duty is added in the Closing Inventory of Finished goods.
- c) The basis of determining cost for various categories of inventories is as follows:
 - i) Raw Materials, Packing Materials and Stores and Spares First in First out (FIFO)
 - ii) Finished Goods and Goods-In-Process Cost of Direct Material, Labour and Other Manufacturing Overheads.

11. Employee Benefits

- a) Short-term employee benefits are recognised as an expense at the undiscounted amount in the Profit and Loss account of the year in which the related service is rendered.
- b) Post employment and other long-term benefits are recognised as an expense in the Profit and Loss account for the year in which the employee has rendered services. The expense is recognised at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long-term benefits are charged to the Profit and Loss account.
- c) Payments to defined contribution retirement benefit schemes are charged as expenses as they fall due.

12. Taxes on Income

- a) Current tax is determined as the amount of tax payable in respect of taxable income for the year.
- b) Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and measured using relevant enacted tax rates.

Significant Accounting Policies and Notes to Accounts

13. Leases

a) Finance Lease

Assets acquired under finance lease are capitalised and the corresponding lease liability is recorded at an amount equal to the fair value of the leased asset at the inception of the lease. Initial costs incurred in connection with the specific leasing activities directly attributable to activities performed by the Company are included as part of the amount recognised as an asset under the lease.

b) Operating Lease

Lease of assets under which all the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on accrual basis in accordance with the respective lease agreements.

14. Earnings per Share

Basic earnings per share is computed and disclosed using the weighted average number of common shares outstanding during the year. Dilutive earnings per share is computed and disclosed using the weighted average number of common and dilutive common equivalent shares outstanding during the year, except when the results would be anti-dilutive. Dilutive earnings per share include the dilutive effect of potential equity shares under Stock options.

15. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes to accounts. Contingent Assets are neither recognised nor disclosed in the financial statements.

B. NOTES TO ACCOUNTS

1. Comparatives

- a) Previous year figures are regrouped, rearranged or recast wherever necessary to confirm to this year's classification.
- b) Figures in brackets pertains to previous year.

2. a) Capital Commitments

(Amount in Rupees)

Particulars	2007	2006
Estimated amount of contracts remaining to be executed on capital account, not provided for (net of advances)	117,450,316	84,965,365

b) Contingent Liabilities not provided for:

(Amount in Rupees)

Sr. No.	Particulars	2007	2006
a)	Unexpired Letters of Credit	59,156,816	14,113,934
b)	Guarantees and counter guarantees given by the Company [includes Rs. 3,970,664,481 (Rs. 3,182,787,130) for loans taken by Subsidiaries]. Loans outstanding against these guarantees are Rs. 3,210,680,750 (Rs. 2,738,137,577)	4,045,264,481	3,186,087,130
c)	Disputed Indirect Taxes *	150,898,994	351,273,279
d)	Disputed Direct Taxes	56,207,886	51,684,176
e)	Claims not acknowledged as debts	3,556,550	3,556,550
f)	Deferred Sales Tax Liability assigned	215,052,178	234,543,837
g)	Duty benefit availed under EPCG scheme, pending export obligations	2,233,999	30,562,244

* Includes Rs. 2,022,335 (Rs. 209,261,262) for alleged undervaluation of inter unit transfer of Web, for captive consumption. The appeals are pending before the appellate authorities. However, even if the Company's contention is not accepted, it does not have significant impact on profits of the Company, as excise duty paid by one unit is admissible as Cenvat at other unit.

Significant Accounting Policies and Notes to Accounts

3. Managerial Remuneration

- a) The Company has paid Commission of Rs. 4,200,000 to Non-Executive independent Directors for the year ended December 31, 2006.
- b) The Computation of Net Profit in accordance with the provisions of Section 198/309/349 of the Companies Act, 1956 is as under:

(Amount in Rupees)

Particulars	2007	2006
Net Profit before tax as per Profit and Loss Account	555,362,387	593,502,019
Add: Directors sitting fees	580,000	640,000
Managerial remuneration	42,926,215	29,285,406
Commission paid to independent directors	4,200,000	3,500,000
Loss on sale of fixed assets	—	4,442,366
Provision for doubtful debts	6,439,162	4,608,384
Provision for diminution in value of investment	4,581,573	12,415,049
Less: Profit on sale of fixed assets (Net)	3,197,813	—
Net Profit as per Section 198/349 of the Companies Act, 1956	610,891,524	648,393,224
Maximum permissible remuneration to Managing Director as per section 198/309	30,544,576	32,419,661
Remuneration paid/provided (Refer note (c) below)	42,926,215	29,285,406
Excess remuneration as per Section 198 (Refer note (c) below)	12,381,639	—
Commission to Non-Executive Directors under section 198/309	6,108,915	6,483,932

- c) Remuneration paid or provided for the year as under to the Managing Director included in Personnel Cost, is in excess of the limits prescribed under section 198 as computed above. The Company's application to the Central Government for payment of excess remuneration is pending for approval.

(Amount in Rupees)

Sr. No.	Particulars	2007	2006
1.	Salaries and Allowances **	40,369,596	27,286,559
2.	Perquisites	390,319	84,460
3.	Contribution to Provident and other funds	2,166,300	1,914,387
	Total	42,926,215	29,285,406

** Excludes leave encashment and gratuity which is based on actuarial valuation provided on an overall Company basis.

4. Leases

- a) In respect of assets taken on operating lease during the year:

The Company leases office premises, residential facilities, plant and machinery (including equipments) and vehicles under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. The initial tenure of the lease generally is for eleven to forty eight months.

(Amount in Rupees)

Particulars	2007	2006
Lease rental charges for the year (Net)	29,146,712	11,609,719
Future lease rental obligation payable (under non-cancelable leases)		
Not later than one year	35,963,935	22,250,100
Later than one year but not later than five years	81,862,808	58,313,100
Total	117,826,743	80,563,200

Significant Accounting Policies and Notes to Accounts

- b) In respect of assets taken on finance lease (Assets capitalised)

Reconciliation of minimum lease payment and present value:

(Amount in Rupees)

Particulars	2007	2006
Minimum lease payment as at		
Not later than one year	153,566	477,192
Later than one year but not later than five years	-	153,566
Total	153,566	630,758
Less: Amount representing interest	1,152	25,617
Present value of Minimum Lease Payments	152,414	605,141
Less: Amount due not later than one year	152,414	452,727
Amount due later than one year but not later than five years	-	152,414

5. Investments in

- a) Essel Packaging Nepal Private Limited

The Company's wholly owned subsidiary, Essel Packaging Nepal Private Limited, has discontinued its operation and disposed off all fixed assets, realised all current assets and paid all liabilities. The Company has so far received Rs. 40,000,000 on reduction of capital, Rs. 16,996,622 has already been provided towards diminution in value of Investment which is shown as exceptional item (current year Rs. 4,581,573; previous year Rs. 12,415,049) in Profit and Loss Account and the balance is considered receivable on completion of the liquidation process.

- b) Bericap India Private Limited

In accordance with the amended shareholder's agreement with its Joint Venture partner Bericap Holding GmbH, regarding its investments in Bericap India Private Limited, the percentage of Company's Shareholding in Bericap India Private Limited has reduced from 22.99% to 16.50% due to further infusion of funds/capital by other partner and the Company will exit from this arrangement either in December 2008 or in December 2009.

- c) The Management is of the opinion that the realisable value of Investments at (a) and (b) above will not be less than its carrying value.

6. Taxation

The components of the deferred tax balances are as under:

(Amount in Rupees)

Particulars	2007	2006
Deferred Tax Assets		
Expenses allowable on payment basis	38,320,157	20,239,215
Provision for doubtful debts	11,488,127	9,209,170
Total	49,808,284	29,448,385
Deferred Tax Liabilities		
Depreciation	166,695,427	158,178,922
Accrued Interest Income on deferred sales tax loan liability assigned/paid	12,922,682	20,070,747
Total	179,618,109	178,249,669
Deferred Tax Liabilities (Net)	129,809,825	148,801,284

Significant Accounting Policies and Notes to Accounts

7. The amount of exchange difference (net):

- a) The foreign exchange gain (net) including on forward contracts and cross currency swap of Rs. 32,405,596 (Rs. 17,126,051) resulting from settlement and realignment of foreign exchange transaction has been adjusted in respective heads of the Profit and Loss account.
- b) Derivative contracts (forward contracts for hedging purposes) entered into by the Company and outstanding as on December 31,
- i) For Payments to be received against exports and other receivables

Derivative Contracts	2007		2006	
	Amount in Foreign Currency	Equivalent Indian Rupees	Amount in Foreign Currency	Equivalent Indian Rupees
USD/INR	10,966,939	433,482,398	4,000,000	175,840,000

- ii) For payments to be made against imports and other payables

Derivative Contracts	2007		2006	
	Amount in Foreign Currency	Equivalent Indian Rupees	Amount in Foreign Currency	Equivalent Indian Rupees
USD/INR	3,000,000	122,178,750	2,000,000	89,140,000
EUR/USD	1,000,000	58,381,498	-	-

- iii) Foreign currency exposures that are not hedged by derivative transactions

(Amount in Rupees)

Particulars	2007	2006
Foreign Currency Payables	476,689,651	83,211,028
Receivables	633,504,604	142,384,674

8. Micro, Small and Medium Enterprises

Disclosure required under the Micro, Small and Medium Enterprises Development Act, 2006 "the Act" are given as follows:

(Amount in Rupees)

Particulars	2007
(a) Principal amount due to suppliers under the Act	939,030
(b) Interest accrued and due to suppliers under the Act, on the above amount	3,423
(c) Payment made to suppliers (Other than interest) beyond the appointed day, during the year	1,808,459
(d) Interest paid to suppliers under the Act, (Other than Section 16)	-
(e) Interest paid to suppliers under the Act, (Section 16)	-
(f) Interest due and payable to suppliers under the Act, for payments already made	3,397
(g) Interest accrued and remaining unpaid at the end of the year to suppliers under the Act	6,820

Note: The information has been given in respect of such vendors to the extent they could be identified as "Micro and Small" enterprises on the basis of information available with the Company.

Significant Accounting Policies and Notes to Accounts

9. Miscellaneous Expenses include Auditors' Remuneration as under:

(Amount in Rupees)

Particulars	2007	2006
Audit Fees	1,600,000	1,600,000
Tax audit Fees	220,000	220,000
Fees for Tax matters	1,161,250	1,047,500
Fees for Certification and others	945,900	1,221,000

10. (a) In accordance with the transitional provisions of Accounting Standard (AS) 15 (revised 2005) on "Employee Benefits", an amount of Rs.22,766,089 (net of tax Rs.11,722,759) has been adjusted against the opening balance of General Reserve.
- (b) The employees' gratuity fund scheme managed by LIC of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected unit credit method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognised in the same manner as gratuity.
- I. Expenses recognised during the year (Under the head "Personnel Cost")

(Amount in Rupees)

Particulars	Gratuity (Funded)	Leave Encashment (Unfunded)
Current Service cost	4,822,043	2,861,635
Interest Cost	4,093,735	774,367
Expected return on plan assets	(1,426,038)	—
Actuarial (gain)/loss	(55,113)	2,550,683
Net Cost	7,434,627	6,186,685

- II. Net Asset/Liability recognised in the Balance Sheet as at December 31, 2007

(Amount in Rupees)

Particulars	Gratuity (Funded)	Leave Encashment (Unfunded)
Fair value of plan assets as at December 31, 2007	15,027,895	—
Present value of obligation as at December 31, 2007	50,986,690	11,342,108
Amount recognised in Balance Sheet	35,958,795	11,342,108

- III. Reconciliation of opening and closing balances of Defined Benefit obligation

(Amount in Rupees)

Particulars	Gratuity (Funded)	Leave Encashment (Unfunded)
Defined Benefit obligation as at January 1, 2007	47,676,986	10,183,053
Current service cost	4,822,043	1,067,336
Interest cost	4,093,735	797,203
Actuarial (gain)/loss on obligation	(2,951,387)	1,865,214
Benefit paid	(2,654,687)	(2,570,698)
Defined Benefit obligation as at December 31, 2007	50,986,690	11,342,108

Significant Accounting Policies and Notes to Accounts

IV. Reconciliation of opening and closing balance of fair value of plan assets

(Amount in Rupees)

Particulars	Gratuity (Funded)
Fair value of plan assets at beginning of the year	13,188,138
Expected return on plan assets	1,426,038
Actuarial gain/(loss)	(2,896,274)
Employer contribution	5,964,680
Benefit paid	(2,654,687)
Fair value of plan assets at year end	15,027,895
Actual return on plan assets	(1,470,236)

V. Investment details

(Amount in Rupees)

Particulars	Gratuity (Funded)
Insurer Managed Funds	15,027,895

VI. Actuarial assumptions

(Amount in Rupees)

Particulars	Gratuity (Funded)	Leave Encashment (Unfunded)
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8%	8%
Expected rate of return on plan assets (per annum)	8%	8%
Rate of escalation in salary (per annum)	5.5%	5.5%

11. The Company has consented to participate in the rehabilitation and revival scheme of RAS Propack Limited (RPL) and RAS Extrusion Limited (REL), both declared as "Sick industrial companies" under the Sick Industrial Companies (special provisions) Act, 1985 (SICA). The Company has also agreed in principle to act as a Co-promoter in connection with the application for approval of the scheme for revival and rehabilitation submitted by RPL and REL. The decision on the application is awaited before the office of the Board of Industrial and Financial Reconstruction (BIFR), New Delhi.

12. Capital Work-in-Progress includes Capital advances of Rs. 51,555,682 (Rs. 40,866,050)

13. Related Party Disclosure

(i) List of Parties where control exists

a) Subsidiary Companies

Name of the Subsidiary	Extent of Holding
Essel Packaging (Nepal) Private Limited, Nepal ^	100%
Essel Propack America, LLC, USA	100%
Lamitube Technologies Limited, Mauritius	100%
Lamitube Technologies (Cyprus) Limited, Cyprus	100%
Packaging India Private Limited, India	100%
The Egyptian Indian Company for Modern Packaging S.A.E., Egypt	75%
Essel Propack MISR for Advanced Packaging S.A.E., Egypt	75%
Essel Packaging (Guangzhou) Limited, China	100%
Guangzhou Propack Co. Limited, China*	100%

Significant Accounting Policies and Notes to Accounts

Name of the Subsidiary	Extent of Holding
Essel Propack Philippines, Inc, Philippines	100%
MTL de Panama S.A., Panama	100%
Packtech Limited, Mauritius	100%
Arista Tubes Limited, UK	100%
Essel Propack UK Limited, UK (formerly known as Telcon Packaging Limited, UK)	100%
Essel Propack de Venezuela, C.A., Venezuela ^	100%
Essel de Mexico, S.A. de C.V., Mexico	100%
Tube pack de Colombia S.A., Colombia	100%
Essel Propack LLC, Russia	100%
Avalon Medical Services Pte. Limited, Singapore	85%
Essel Propack Polska Sp. Z.O.O., Poland	100%
Tacpro Inc., USA	85%
Tactx Medical Inc., USA	85%
Produx Inc., USA	85%
Arista Tubes Inc., USA	100%

^ These subsidiaries have discontinued their operations and are in the process of liquidation.

* Merged with Essel Packaging (Guangzhou) Limited, China w.e.f. April 1, 2007.

(b) Joint Venture /Associate Companies

Name of the Company	Extent of Holding
P.T. Lamipak Primula, Indonesia	30.00%
Essel Deutschland GmbH & Co., KG Germany	24.90%
Essel Deutschland Management GmbH, Germany	24.90%
Bericap India Private Limited, India*	22.99%

* Ceased to be an Associate Company w.e.f. August 16, 2007

ii) Other Related parties with whom transactions have taken place during the year and balances outstanding at the year-end.

a) Other Related Parties

Ayeppee Lamitubes Limited, Briggs Trading Company Private Limited, Churu Trading Company Private Limited, Continental Drug Company Private Limited, Pan India Network Infravest Private Limited, Essel Corporate Resources Private Limited, Ganjam Trading Company Private Limited, Essel Infra Projects Limited (formerly Pan India Paryatan Limited), Premier Finance & Trading Company Limited.

b) Directors of the Company

Non-Executive Directors	Mr. Subhash Chandra
	Mr. Boman Moradian
	Mr. Dev Ahuja
	Mr. K.V. Krishnamurthy
	Mr. Tapan Mitra
Executive Director	Mr. Ashok Kumar Goel (Vice-Chairman & Managing Director)

Significant Accounting Policies and Notes to Accounts

Transactions with Related Parties:

Particulars (A) Transactions	2007		2006	
	Total Amount (Rupees)	Amount for Major Parties	Total Amount (Rupees)	Amount for Major Parties
Sale to and Recoveries from				
Subsidiaries	207,427,628		234,779,221	
The Egyptian Indian Company for Modern Packaging S.A.E., Egypt		52,643,307		52,698,434
Lamitube Technologies Limited, Mauritius.		21,246,387		8,340,626
Essel Propack America, LLC, USA		74,031,072		107,948,631
Essel Propack MISR for Advanced Packaging S.A.E., Egypt		8,578,712		27,377,641
Essel Propack LLC, Russia		24,986,150		3,906,149
Joint Venture/Associate	11,283,260		14,815,838	
Essel Deutschland GmbH & Co., KG Germany		10,298,222		6,832,979
Bericap India Private Limited, India		985,038		7,982,858
Other Related Party	—		70,730	
Essel Infra Projects Limited		—		70,730
Royalty / Service charges Income				
Subsidiaries	182,295,902		120,790,755	
The Egyptian Indian Company for Modern Packaging S.A.E., Egypt		9,219,818		7,785,633
Essel Packaging (Guangzhou) Limited, China		43,010,461		29,332,442
TacPro Inc., USA		28,461,512		60,981,312
Essel Propack UK Limited ,UK		9,853,750		10,990,000
Essel Propack America LLC, USA		31,817,370		—
Essel Propack Polska, Poland		28,891,195		—
Essel Propack LLC, Russia		10,671,611		—
Sale of Fixed Assets				
Subsidiaries	5,714,759		—	
Packaging India Private Limited, India		5,714,759		
Other Related Party	3,250,015		3,250,015	
Essel Infra Projects Limited		3,250,015		3,250,015
Dividend Income				
Subsidiaries	154,712,858		45,559,873	
Lamitube Technologies Limited, Mauritius		119,105,000		254,067
Essel Propack America, LLC, USA		35,242,790		45,305,806
Purchase of Goods and Services				
Subsidiaries	9,255,039		8,656,381	
Essel Packaging (Guangzhou) Limited, China		5,868,672		4,476,120
Arista Tubes Limited, UK.		2,235,183		4,011,150
Packaging India Private Limited, India		1,028,166		—
Other Related Parties	44,272,646		34,995,356	
Essel Corporate Resources Private Limited		22,327,031		26,000,000
Ganjam Trading Company Private Limited		17,136,000		4,760,000
Purchase of Fixed Assets				
Subsidiaries	2,464,723		—	
MTL De Panama S.A., Panama		2,427,343		—
Associate	2,334,539		—	—
Bericap India Private Limited, India		2,334,539		
Loans/ Deposits / Advances given				
Subsidiaries	1,436,836,474		1,138,664,004	

Significant Accounting Policies and Notes to Accounts

Particulars (A) Transactions	2007		2006	
	Total Amount (Rupees)	Amount for Major Parties	Total Amount (Rupees)	Amount for Major Parties
Lamitube Technologies Limited, Mauritius		938,956,000		756,965,312
Essel Propack America, LLC, USA		141,605,000		277,501,250
Packaging India Private Limited, India		336,567,974		104,197,442
Other Related Parties	3,414,330,239		3,416,407,229	
Ganjam Trading Company Private Limited		19,493,793		518,533,158
Churu Trading Company Private Limited		1,103,890,284		964,320,453
Premier Finance & Trading Company Limited		651,531,848		1,113,386,827
Ayeppee Lamitubes Limited		593,388,370		665,453,427
Briggs Trading Company Private Limited		1,046,025,944		154,713,364
Repayment of Loans/ Deposits/ Advances given				
Subsidiaries	744,040,250		1,186,492,562	
Lamitube Technologies Limited, Mauritius		470,826,500		806,491,312
Essel Propack America, LLC, USA		33,213,750		277,501,250
Packaging India Private Limited, India		240,000,000		102,500,000
Associate	149,067,066		—	
Bericap India Private Limited, India		149,067,066		—
Other Related Parties	3,480,343,113		3,494,160,381	
Ganjam Trading Company Private Limited		16,954,743		653,074,760
Churu Trading Company Private Limited		1,125,000,000		955,874,408
Ayeppee Lamitubes Limited		593,388,370		665,453,427
Premier Finance & Trading Company		645,000,000		1,119,757,786
Briggs Trading Company Private Limited		1,100,000,000		100,000,000
Interest Income on Loans/Deposits given				
Subsidiaries	37,221,576		16,055,402	
Lamitube Technologies Limited, Mauritius		19,236,985		12,035,517
Essel Propack America, LLC, USA		8,217,655		1,516,828
Packaging India Private Limited, India		9,566,900		2,503,057
Associate	463,269		2,906,878	
Bericap India Private Limited, India		463,269		2,906,878
Other Related Parties	166,761,754		132,785,243	
Ganjam Trading Company Private Limited		671,584		12,972,309
Churu Trading Company Private Limited		51,302,135		45,306,390
Premier Finance & Trading Company Limited		39,124,519		37,851,842
Ayeppee Lamitubes Limited		31,484,785		30,577,647
Briggs Trading Company Private Limited		44,178,731		6,077,055
Investment Acquired during the year				
Subsidiaries	239,858,750		976,218,138	
Packaging India Private Limited, India		—		738,740,638
Lamitube Technologies (Cyprus) Limited, Cyprus		239,858,750		80,187,500
Investment Sale/ Transfer/ Redeemed during the year				
Subsidiaries	—		336,704,961	
Essel Packaging (Nepal) Private Limited, Nepal		—		40,000,000
Lamitube Technologies Limited, Mauritius		—		274,818,711
(B) Balance Outstanding as on 31.12.2007				
Debtors/Royalty Receivable				
Subsidiaries	220,190,942		153,028,491	
Essel Propack America, LLC, USA		39,286,546		-
Guangzhou Propack Co. Limited, China		—		39,403,211

Significant Accounting Policies and Notes to Accounts

Particulars (A) Transactions	2007		2006	
	Total Amount (Rupees)	Amount for Major Parties	Total Amount (Rupees)	Amount for Major Parties
TacPro Inc., USA		27,590,496		60,981,312
Essel Propack UK Limited, UK		25,827,523		—
Essel Propack LLC, Russia		35,578,580		1,905,179
Essel Packaging (Guangzhou) Limited, China		20,979,169		12,580,475
Essel Propack Polska Sp. Z.O.O., Poland		28,891,195		—
Joint Venture	6,618,671		10,129,585	
Essel Deutschland GmbH & Co., KG Germany		6,618,671		10,129,585
Other Related Party	2,573,299		3,320,745	
Essel Infra Projects Limited		2,573,299		3,320,745
Loans / Deposits /Advances				
Subsidiaries	937,957,576		63,859,293	
Essel Propack America, LLC, USA		126,557,170		14,203,434
Lamitube Technologies (Cyprus) Limited, Cyprus		33,540,032		9,640,780
Lamitube Technologies Limited, Mauritius		645,701,907		23,304,036
Packaging India Private Limited, India		110,220,398		4,736,076
Joint Venture/Associate	852,405		54,413,257	
Bericap India Private Limited, India		—		52,900,635
Essel Deutschland GmbH & Co., KG Germany		852,405		1,512,622
Other Related Parties	256,273,636		211,022,858	
Ganjam Trading Company Private Limited		23,510,797		20,302,294
Churu Trading Company Private Limited		75,438,199		56,708,240
Premier Finance & Trading Company Limited		60,709,656		23,474,960
Ayepee Lamitubes Limited		50,000,000		50,000,000
Briggs Trading Company Private Limited		40,790,984		54,713,364
Creditors				
Subsidiaries	5,576,179		2,340,930	
Essel Packaging (Guangzhou) Limited, China		1,322,942		858,641
Arista Tubes Limited, UK		1,387,173		1,304,220
MTL De Panama S.A., Panama		2,427,343		—
Other Related Party	—		4,723,778	
Ganjam Trading Company Private Limited		—		4,341,098
Investments				
Subsidiaries	5,712,896,298		5,477,619,121	
Lamitube Technologies Limited, Mauritius		3,681,333,282		3,681,333,282
Essel Propack America, LLC, USA		744,341,250		744,341,250
Packaging India Private Limited, India		738,740,638		738,740,638
Associate	—		31,419,710	
Bericap India Private Limited, India		—		31,419,710
Guarantees given				
Subsidiaries	3,970,664,481		3,111,387,130	
Essel Packaging (Guangzhou) Limited, China		285,758,750		323,132,500
Lamitube Technologies Limited, Mauritius		1,921,481,250		1,805,085,000
Packaging India Private Limited, India		549,087,746		—
Arista Tubes Inc., USA		335,027,500		378,845,000
Essel Propack America, LLC, USA		342,910,500		387,759,000
Essel Propack Polska SP. Z.O.O., Poland		394,150,000		—
Associate	—		71,400,000	
Bericap India Private Limited, India		—		71,400,000

“Major Parties” denotes entries who account 10% or more of the aggregate for that category of transaction. For details of Remuneration to Directors refer note 3.

Significant Accounting Policies and Notes to Accounts

c) Disclosure as required by the amendment to Clause 32 of the listing agreement vide SEBI circular no. 2 /2003 of January 10, 2003:

i) Loans & advances to Subsidiary/ Joint Venture/ Associate Companies:

(Amount in Rupees)

Particulars	Balance as on		Maximum amount outstanding during the year	
	2007	2006	2007	2006
a) Loans to Subsidiaries/ Joint Venture/ Associate Companies				
Bericap India Private Limited, India	—	44,721,200	44,721,200	44,721,200
Essel Propack America, LLC, USA	108,391,250	—	118,061,250	—
Lamitube Technologies Limited, Mauritius	476,921,500	8,792,000	480,318,000	284,041,562
Packaging India Private Limited, India	98,265,416	1,697,442	268,265,416	104,200,000
Lamitube Technologies (Cyprus) Limited, Cyprus	19,707,500	—	19,775,000	—
b) Advances & Reimbursement to Subsidiaries/ Joint Venture/ Associate Companies				
The Egyptian Indian Company for Modern Packaging S.A.E, Egypt	7,059	394,954	752,728	454,159
Essel Propack America, LLC, USA	17,929,430	2,288,280	18,861,427	3,277,496
Essel Packaging (Guangzhou) Limited, China	2,228,584	1,471,114	2,454,477	1,492,114
Essel Packaging (Nepal) Private Limited, Nepal	—	4,140	94,793	996,235
Lamitube Technologies Limited, Mauritius	50,535,408	14,512,036	53,094,414	14,954,726
Tubo pack de Colombia S.A, Colombia	2,048,490	1,749,596	2,290,548	1,792,167
Bericap India Private Limited, India	—	8,179,435	11,497,742	14,982,531
Essel Deutschland GmbH & Co,KG Germany	852,405	1,512,622	2,149,669	1,569,401
Lamitube Technologies (Cyprus) Limited, Cyprus	13,832,532	9,640,780	15,589,066	9,936,137
Essel Propack Philippines, Inc., Philippines	—	416,727	477,089	572,556
Essel De Mexico, S.A. de C.V., Mexico	1,971,088	1,171,924	2,149,015	1,194,465
Arista Tubes Inc., USA	1,089,718	74,611	1,242,878	79,414
Arista Tubes Limited , UK	4,008,431	2,793,101	4,247,394	2,793,101
Essel Propack UK Limited, UK	3,069,280	1,748,010	3,221,835	1,748,010
Essel Propack de Venezuela, C.A., Venezuela	1,629,994	1,437,010	1,846,959	1,467,770
Essel Propack MISR for Advanced Packaging S.A.E., Egypt	972,626	825,253	1,136,726	859,454
Packaging India Private Limited, India	1,1954,982	3,038,634	11,589,914	3,076,003
Tacpro Inc., USA	94,748	—	523,851	—
Essel Propack Polska Sp., Z.O.O., Poland	4,818,055	—	4,840,671	—

Notes:

- Advances/ Reimbursements to Subsidiary/ Joint Venture/ Associate Companies are interest free and there is no repayment schedule.
- Loans, repayable on demand, are not considered in the above disclosure requirements. However, interest is charged on terms not prejudicial to the interests of the Company.
 - Investments by Loanee in the Shares of the Company as at December 31

Loanee	No. of fully paid-up equity shares as on	
	2007	2006
Churu Trading Company Private Limited	8,190,390	8,190,390
Ganjam Trading Company Private Limited	10,176,800	10,176,800
Premier Finance & Trading Company Limited	10,848,675	10,848,675
Briggs Trading Company Private Limited	6,208,520	6,208,520
Essel Infra Projects Limited	25,200	25,200

Significant Accounting Policies and Notes to Accounts

14) Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956

A. Capacity, Production, Turnover & Stocks

Particulars	Unit	Licensed Capacity \$	Opening Stock			Production	Turnover		Closing Stock	
			Installed Capacity # #	Quantity	Amount (Rs.)	Quantity	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Laminated & Co-ex Tubes	Million Nos.	NA NA	2,114 (1,752)	3.51 (5.28)	3,647,287 (4,454,056)	# 1,769.88 (1,679.75)	1747.59 (1,665.56)	2,924,594,607 (2,419,446,313)	5.05* (3.51)	4,385,681 (3,647,287)
Laminates	M.T.	NA NA	4,000 (4,000)	35.27 (14.46)	4,132,756 (1,597,786)	**7,202.07 (7,171.41)	1,494.90 (1,510.95)	235,971,881 (245,632,811)	49.73 (35.27)	5,586,844 (4,132,756)
Plastic Film	M.T.	NA NA	6,690 (6,690)	- -	- -	*** 5,376.78 (5,018.17)	3.82 (0.24)	1,216,819 (3,680,164)	- -	- -
Others****								226,397,077 (156,675,937)		

* Excludes 20.76 Mio (15.96 Mio.) tubes scrapped.

** Consumed 5692.71 MT (5639.65 MT) for captive.

*** Includes 361.68 MT (422.94 MT) produced through third parties and captive consumption is 5372.96 MT.(5017.83 MT).

**** Including Royalty, Export Incentives, Service Charges, Sale of Scrap, Sale of caps, etc.

\$ Licensed Capacity per annum not indicated due to abolition of industrial licenses as per Notification No. 477(E) Dated July 25, 1991 issued under the Industries (Development and Regulation) Act, 1951.

Includes 12.22 Mio(Nil) Produced through third party.

Installed capacity on annualized basis, as certified by the management.

B. Particulars of Raw Materials Consumed

Particulars	Unit	2007		2006	
		Quantity (Nos.)	Amount (Rs.)	Quantity (Nos.)	Amount (Rs.)
Polymer Resins	M.T.	10,904	783,889,311	10,825	725,618,259
Aluminium Foils	M.T.	901	179,095,372	856	176,150,535
Others		-	390,164,108	-	330,395,076
Total			1,353,148,791		1,232,163,870

C. Value of Imported and Indigenous Raw Materials, Spare parts and Stores and Packing Materials consumed and percentage of each to the total consumption:

	Particulars	2007		2006	
		Percentage	Amount (Rs.)	Percentage	Amount (Rs.)
1.	Raw Materials				
	a) Imported	53	718,561,726	58	708,584,065
	b) Indigenous	47	634,587,065	42	523,579,805
2.	Stores & Spares				
	a) Imported	48	42,439,344	79	64,230,188
	b) Indigenous	52	46,439,995	21	17,508,498
3.	Packing Materials				
	a) Imported	-	-	-	342,894
	b) Indigenous	100	116,264,384	100	106,050,048

Significant Accounting Policies and Notes to Accounts

D. Dividend Remittances in Foreign Currency

Particulars	No. of Shareholders	No. of Equity Shares held	Amount Rupees
Current Year			
December 2006 Final (including Interim)	43	34,299,005	68,598,010
Previous Year			
December 2005 Final	43	6,859,801	82,317,612
December 2005 Interim	43	6,859,801	68,598,010

E. Other Information

(Amount Rupees)

Particulars	2007	2006
C.I.F. Value of Imports		
Raw Materials	642,082,038	644,194,057
Stores and Spares	57,475,600	54,640,348
Capital Goods	107,511,797	311,791,681
Expenditure in Foreign Currency (On accrual basis)		
Financial Charges	671,444	1,104,346
Traveling Expenses	861,422	6,745,344
Other	577,017	730,560
F.O.B. Value of Exports		
Product Exports	266,354,649	284,508,630
Income in Foreign Exchange		
Royalty / Service Charges	181,970,916	120,790,755
Interest	27,654,676	13,552,344
Dividend	154,347,790	45,559,873

15. Earnings per Share

Particulars	2007	2006
Profit after tax before Exceptional Item (Rs.)	377,506,586	422,876,764
Profit after tax after Exceptional Item (Rs.)	372,925,013	410,461,715
Weighted average number of Basic and Diluted Equity Shares (Nos.)	156,601,130	156,601,130
Nominal value of equity shares (Rs.)	2	2
Basic and Diluted EPS before Exceptional item (Rs.)	2.41	2.70
Basic and Diluted EPS after Exceptional item (Rs.)	2.38	2.62

16. Segment Reporting

The Company has only one major identifiable business segment of tubes which in context of Accounting Standard -17 is the only reportable segment. Further, the Financial Statements of the Company contain both the consolidated financial statements as well as the separate financial statements of the parent Company. Accordingly, the Company has also presented the segmental information on the basis of the consolidated financial statements as permitted by Accounting Standard-17.

As per our attached report of even date
For **MGB & Co.**
Chartered Accountants

For and on behalf of the Board
Subhash Chandra Chairman

Mohan Bhandari
Partner
Membership No.12912

D. Ahuja
Tapan Mitra
K.V. Krishnamurthy
Boman Moradian } Directors
Ashok Kumar Goel Vice-Chairman & Managing Director
A.V. Ganapathy Chief Financial Officer (Global)
Ajay Nagle Vice President - Legal and Company Secretary

Mumbai, March 31, 2008

Mumbai, March 31, 2008

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

				2	8	9	4	7
--	--	--	--	---	---	---	---	---

State Code

1	1
---	---

Balance Sheet Date

3	1	1	2	0	7
---	---	---	---	---	---

II. Capital Raised During the year (Amount in Rs. Thousands)

Public Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Right Issue

						N	I	L
--	--	--	--	--	--	---	---	---

Private Placement

						N	I	L
--	--	--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

	9	6	8	9	0	4	8
--	---	---	---	---	---	---	---

Sources of Funds:

Paid-up Capital

		3	1	3	1	3	0
--	--	---	---	---	---	---	---

Reserves & Surplus

	5	3	1	3	5	5	9
--	---	---	---	---	---	---	---

Deferred Tax Balances

		1	2	9	8	1	0
--	--	---	---	---	---	---	---

Secured Loans

	1	8	5	0	3	7	1
--	---	---	---	---	---	---	---

Unsecured Loans

	2	0	8	2	1	7	8
--	---	---	---	---	---	---	---

Total Assets

	9	6	8	9	0	4	8
--	---	---	---	---	---	---	---

Application of Funds:

Net Fixed Assets

	1	6	7	9	1	2	3
--	---	---	---	---	---	---	---

Investments

	5	7	4	4	3	1	6
--	---	---	---	---	---	---	---

Net Current Assets

	2	2	6	5	6	0	9
--	---	---	---	---	---	---	---

Misc. Expenditure

						N	I	L
--	--	--	--	--	--	---	---	---

Accumulated Losses

						N	I	L
--	--	--	--	--	--	---	---	---

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover*

	3	3	1	1	9	1	4
--	---	---	---	---	---	---	---

Profit Before Tax (+/-)

		5	5	5	3	6	2
--	--	---	---	---	---	---	---

Earnings per shares (Basic - before exceptional item) in Rs.

					2	.	4	1
--	--	--	--	--	---	---	---	---

Earnings per shares (Diluted - after exceptional item) in Rs.

					2	.	3	8
--	--	--	--	--	---	---	---	---

Total Expenditure**

	2	7	5	6	5	5	2
--	---	---	---	---	---	---	---

Profit After Tax (+/-)

		3	7	2	9	2	5
--	--	---	---	---	---	---	---

Dividend rate (%)

						6	0
--	--	--	--	--	--	---	---

* Includes other income

** Includes exceptional item

V. Generic Names of the Principal Product of the Company (as per Monetary Terms)

Item Code No. (ITC Code)

7	6	1	2	1	3	0	0
---	---	---	---	---	---	---	---

Product Description

P	L	A	S	T	I	C		A	N	D
L	A	M	I	N	A	T	E			
C	O	L	L	A	P	S	I	B	L	E
T	U	B	E	S						

For and on behalf of the Board

Subhash Chandra Chairman

D. Ahuja
Tapan Mitra
K.V. Krishnamurthy
Boman Moradian } Directors

Ashok Kumar Goel Vice-Chairman & Managing Director

A.V. Ganapathy Chief Financial Officer (Global)

Ajay Nagle Vice President - Legal and Company Secretary

Mumbai, March 31, 2008

Cash Flow Statement for the year ended December 31

(Amount in Rupees)

	2007	2006
A. Cash Flow from Operating Activities		
Net Profit before tax and exceptional items	559,943,960	605,917,068
Adjustments for:		
Depreciation/Amortisation	200,827,481	205,935,283
Interest Expense	388,548,999	205,420,692
Interest Income	(212,309,697)	(156,584,668)
(Profit)/Loss on Sale of Fixed Assets (Net)	(3,197,813)	4,442,366
Dividend Income	(154,712,858)	(45,559,873)
Provision for Doubtful Debts	6,439,162	4,608,384
Exchange adjustments (Net)	(25,032,772)	6,070,359
Operating Profit before Working Capital Changes	760,506,462	830,249,611
Adjustments for:		
Increase in Trade Receivables	(256,507,799)	(173,634,072)
Increase in Inventories	(20,700,381)	(66,208,363)
Decrease in Trade Payable	(37,860,488)	(1,306,023)
Cash Generated from Operations	445,437,793	589,101,153
Direct Taxes Paid (Net of refunds)	(160,401,176)	(210,644,908)
Net Cash from Operating activities (A)	285,036,618	378,456,245
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets/Capital work-in-progress	(241,637,755)	(294,583,703)
Sale of Fixed Assets	4,373,485	41,741,048
Investments in Subsidiaries	(239,858,750)	(976,218,138)
Sale of Investments	—	40,000,000
Redemption of Preference Shares in Subsidiaries	—	296,704,961
Decrease in Short-term Loans to other parties (Net)	46,429	150,808,034
Short term loans given to related parties	(3,414,330,243)	(3,401,307,229)
Repayment of Short-term loan given to related parties	3,480,343,113	3,415,287,208
Repayment of Long-term loan given to related parties	14,907,066	—
(Increase)/ Decrease in Loans and Advances to Subsidiary/ JV Companies	(786,964,702)	19,604,148
Interest Received	99,722,696	236,461,464
Dividend Received	47,689,391	41,159,743
Net Cash to Investing Activities (B)	(1,035,709,271)	(430,342,464)

Cash Flow Statement for the year ended December 31

	(Amount in Rupees)	
	2007	2006
C. Cash Flow from Financing Activities		
Calls in Arrears received (Including Securities Premium)	37,500	88,200
Increase in other Borrowings (Net)	(64,576,173)	57,001,025
Proceeds from Long term loans	865,354,988	1,000,000,000
Repayment of Long term loans	(466,811,061)	(166,666,668)
Proceeds from Short-term Borrowings	10,912,500,000	1,705,000,000
Repayment of Short-term Borrowings	(9,747,500,000)	(1,570,000,000)
Proceeds from Debentures	8,200,000,000	4,040,000,000
Repayment of Debentures	(8,200,000,000)	(4,040,000,000)
Principle Payment under fianace lease	(452,727)	(667,945)
Interest Paid	(376,364,726)	(199,279,391)
Dividend Paid (including tax)	(355,537,000)	(783,470,578)
Profit on Forward Contract Income realised	5,252,394	11,615,063
Net Cash from Financing Activities (C)	771,903,195	53,619,706
Net Changes in Cash & Cash Equivalent (A+B+C)	21,230,542	1,733,487
Cash & Cash Equivalents - Opening Balance	34,605,158	32,871,671
Cash & Cash Equivalents - Closing Balance	55,835,700	34,605,158

Notes:

1. Previous year's figures are regrouped/reconsidered wherever necessary.
2. The balance in the Cash and Cash Equivalents includes Rs. 176,83,482 (Rs.16,091,605) set aside for payment of dividends and accordingly is not otherwise available to the Company.
3. Cash and Cash Equivalents include Rs.1374 (Rs. 272) on account of realignment of foreign currency account.
4. Cash and Cash Equivalents includes the following :

	2007	2006
Cash on hand	222,520	3,672,737
Bank Balance with Scheduled Banks :		
In Current accounts		
i) Indian Rupee accounts	49,524,905	30,839,135
ii) Foreign Currency accounts	11,913	13,286
iii) Fixed deposits accounts	80,000	80,000
iv) Remittance in Transit	5,996,363	-
	55,835,700	34,605,158

As per our attached report of even date
For **MGB & Co.**
Chartered Accountants

Mohan Bhandari
Partner
Membership No.12912

Mumbai, March 31, 2008

For and on behalf of the Board

Ashok Kumar Goel
Vice-Chairman & Managing Director

Mumbai, March 31, 2008

Auditors' Report on Consolidated Financial Statements

To the Board of Directors of **EsSEL Propack Limited**

1. We have audited the attached Consolidated Balance Sheet of **EsSEL Propack Limited** ("the Company"), its subsidiaries, associates and joint venture Companies ("the group") as at December 31, 2007, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. (a) (i) The financial statements of subsidiaries, with total assets of Rs. 10,917,684,831 (Rs.9,108,236,130) as at December 31, 2007 and total revenues of Rs. 9,079,610,598 (Rs. 7,313,593,982) for the year ended on that date have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of those subsidiaries, is based solely on the report of the other auditors except Note 2(c) regarding removal of effect of inflation/ revaluation accounting and Note 7 (f) regarding recomputation of depreciation for realigning with the method followed by the parent resulted in depreciation charge reduced by Rs. 144,593,810 (including Rs. 16,018,498 for the year).
- (ii) The financial statement of a subsidiary with total assets and revenues of Rs. 93,744,702 and Rs. 11,250,749 respectively have been consolidated based on the management estimates.
- (b) The financial statements of an associate have been audited by other auditor whose report has been furnished to us. The profit of such associate considered for consolidation is Rs. 13,018,198 (Rs. 5,621,966) for the year. Our opinion in so far as it relates to the amount included in respect of that associate, is based solely on the report of that auditor.
- (c) The financial statements of the joint ventures have been audited by other auditors whose report has been furnished to us. The total assets and revenues considered for consolidation is Rs. 167,888,772 (Rs.99,941,324) and Rs. 257,946,255 (Rs. 231,302,862) respectively. Our opinion, is so far as it relates to the amount included in respect of those joint ventures, is based solely on the report of that auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements," AS-23 "Accounting for Investments in Associates in Consolidated Financial Statements" and AS-27 "Financial Reporting of Interests in Joint Venture", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company, its subsidiaries, associates and joint ventures.
5. Based on our audit and on consideration of the reports of other auditors on separate financial statements of subsidiaries, associates and joint ventures, in our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements, give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (i) In the case of the Consolidated Balance Sheet of the consolidated state of affairs of the group as at December 31, 2007.
 - (ii) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of the group for the year ended on that date; and
 - (iii) In the case of the Consolidated Cash Flow Statement of the consolidated cash flows of the group for the year ended on that date.

For **MGB & Co.**
Chartered Accountants

Mohan Bhandari
Partner
M. No. 12912

Mumbai, March 31, 2008

Consolidated Balance Sheet as at December 31,

	Schedule	(Amount in Rupees)	
		2007	2006
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	313,130,360	313,129,110
Reserves and Surplus	2	7,884,678,004	7,373,246,937
		<u>8,197,808,364</u>	<u>7,686,376,047</u>
Loan Funds			
Secured Loans	3	4,061,464,393	3,667,467,711
Unsecured Loans	4	3,015,285,243	1,555,510,491
		7,076,749,636	5,222,978,202
		118,301,748	97,705,646
Minority Interest		56,129,062	197,399,516
Deferred Tax Liabilities (net)	5		
Total		15,448,988,810	13,204,459,411
APPLICATION OF FUNDS			
Fixed Assets			
Goodwill on Consolidation		4,060,626,375	4,060,626,375
Fixed Assets (other than Goodwill on Consolidation)	6		
Gross Block		13,500,523,202	12,058,106,059
Less: Depreciation/Amortisation		6,613,757,564	6,202,258,020
Net Block		6,886,765,638	5,855,848,039
Capital Work-in-progress		793,961,521	292,827,587
		7,680,727,159	6,148,675,626
		11,741,353,534	10,209,302,001
Investments	7	447,781,786	423,793,870
Current Assets, Loans and Advances			
Inventories	8	1,890,399,462	1,616,199,521
Sundry Debtors	9	1,549,801,561	1,533,596,802
Cash and Bank Balances	10	551,417,277	447,290,092
Other Current Assets	11	148,174,877	26,598,220
Loans and Advances	12	1,614,614,548	1,299,573,598
		5,754,407,725	4,923,258,233
Less: Current Liabilities and Provisions	13	2,518,929,703	2,408,666,989
Net Current Assets		<u>3,235,478,022</u>	<u>2,514,591,244</u>
Miscellaneous Expenditure	14	24,375,468	56,772,296
(To the extent not written off or adjusted)			
Total		15,448,988,810	13,204,459,411
Significant Accounting Policies and Notes to Consolidated Accounts	23		

As per our attached report of even date
For **MGB & Co.**
Chartered Accountants

Mohan Bhandari
Partner
Membership No.12912

Mumbai, March 31, 2008

For and on behalf of the Board
Subhash Chandra Chairman

D. Ahuja
Tapan Mitra
K.V. Krishnamurthy
Boman Moradian } Directors
Ashok Kumar Goel Vice-Chairman & Managing Director
A.V. Ganapathy Chief Financial Officer (Global)
Ajay Nagle Vice President - Legal and Company Secretary

Mumbai, March 31, 2008

Consolidated Profit and Loss Account for the year ended December 31,

	Schedule	2007	(Amount in Rupees) 2006
INCOME			
Sales and Services (Gross)	15	12,393,593,878	10,552,582,004
Less: Excise Duty		455,952,096	460,283,530
Sales and Services (Net)		11,937,641,782	10,092,298,474
Other Income	16	243,507,153	193,757,230
Total		12,181,148,935	10,286,055,704
EXPENDITURE			
Cost of Materials	17	5,324,315,487	4,050,975,898
Manufacturing and Other Expenses	18	1,458,203,815	1,085,289,995
Personnel Cost	19	2,269,835,050	1,956,243,751
Administrative and Other Expenses	20	688,569,560	600,187,559
Selling and Distribution Expenses	21	327,048,222	192,729,865
Total		10,067,972,134	7,885,427,068
Profit Before Depreciation Interest and Tax (PBDIT)		2,113,176,801	2,400,628,636
Financial Expenses (Net)	22	531,044,296	234,908,149
Depreciation/Amortisation		667,354,777	865,377,679
		914,777,728	1,300,342,808
		13,018,198	(178,840)
Share of Profit/(Loss) from Associate Company			
Profit Before Tax and Exceptional Items (PBTE)		927,795,926	1,300,163,968
Less: Exceptional Items (Refer Note 24)		71,324,989	-
Profit Before Tax (PBT)		856,470,937	1,300,163,968
Provision for Taxation			
Current Tax - Current year		313,737,606	338,375,399
- Earlier periods		15,193,490	(25,929,849)
Deferred Tax		(129,547,695)	(38,133,549)
Fringe Benefit Tax		5,460,463	6,453,772
Profit after Tax (PAT) before Minority Interest		651,627,073	1,019,398,195
Minority Interest		43,492,086	33,911,368
Net Profit for the year		608,134,987	985,486,827
Balance Brought Forward		2,153,931,224	1,590,006,781
Difference in Accounting for Investments (Refer Note 22)		18,391,808	22,716,372
Amount Available for appropriation		2,780,458,019	2,598,209,980
APPROPRIATIONS			
Dividend - Interim (Inclusive of tax)		—	357,180,078
Dividend - Final Proposed		187,921,356	—
Dividend Tax		31,937,234	
Legal Reserve		45,333,724	44,681,582
General Reserve		37,300,000	42,417,096
Balance carried to Balance Sheet		2,477,965,705	2,153,931,224
Total		2,780,458,019	2,598,209,980
Earnings Per Share (Equity Shares, par value Rs. 2/- each)			
Basic and Diluted Earnings Per Share before exceptional items		4.27	6.29
Basic and Diluted Earnings Per Share after exceptional items		3.88	6.29
Weighted average number of Shares used in computing Basic and Diluted Earnings per share		156,601,130	156,601,130
Significant Accounting Policies and Notes to Consolidated Accounts	23		

As per our attached report of even date
For **MGB & Co.**
Chartered Accountants

For and on behalf of the Board
Subhash Chandra Chairman

Mohan Bhandari
Partner
Membership No.12912

D. Ahuja	}	Directors
Tapan Mitra		
K.V. Krishnamurthy		
Boman Moradian		
Ashok Kumar Goel		Vice-Chairman & Managing Director
A.V. Ganapathy		Chief Financial Officer (Global)
Ajay Nagle		Vice President - Legal and Company Secretary

Mumbai, March 31, 2008

Mumbai, March 31, 2008

Schedules to the Consolidated Balance Sheet as at December 31,

	(Amount in Rupees)	
	2007	2006
SCHEDULE 1		
Share Capital		
Authorised		
200,000,000 Equity Shares of Rs.2 each	400,000,000	400,000,000
Issued, Subscribed and Paid up		
156,601,130 Equity Shares of Rs.2 each fully paid-up.	313,202,260	313,202,260
Out of the above		
(i) 65,166,915 Equity Shares of Rs.2 each fully paid up are issued as Bonus Shares by Capitalisation of General Reserves and Securities Premium.		
(ii) 34,316,610 Equity Shares of Rs.2 each fully paid up were allotted for consideration other than cash.		
Less: Calls in Arrears (Other than Directors)	71,900	73,150
Total	313,130,360	313,129,110
SCHEDULE 2		
Reserves and Surplus		
Securities Premium Account		
As per last Balance Sheet	3,842,939,798	3,842,854,538
Add: Received during the year	36,250	85,260
	3,842,976,048	3,842,939,798
Capital Reserve		
As per last Balance Sheet	195,110,538	195,110,538
Capital Subsidy		
As per last Balance Sheet	52,013,532	54,170,864
Add: Received during the year	4,904,257	22,693,378
	56,917,789	76,864,242
Less : Transfer to Profit and Loss Account	11,408,402	24,850,710
	45,509,387	52,013,532
Legal Reserves		
As per last Balance Sheet	187,772,534	143,090,952
Add: Appropriated during the year	45,333,724	44,681,582
	233,106,258	187,772,534
General Reserve		
As per last Balance Sheet	934,801,247	892,384,151
Add: Appropriated during the year	37,300,000	42,417,096
	972,101,247	934,801,247
Less: Charge on account of transitional provisions under Accounting Standard 15 (net of tax) (Refer Note 11(d))	22,766,089	-
	949,335,158	934,801,247
Foreign Currency Translation Reserve		
	140,674,910	6,678,064
Profit and Loss Account		
	2,477,965,705	2,153,931,224
Total*	7,884,678,004	7,373,246,937

* Includes Share in Joint Ventures Rs. 60,180,131 (Rs. 37,544,929)

Schedules to the Consolidated Balance Sheet as at December 31,

	(Amount in Rupees)	
	2007	2006
SCHEDULE 3		
Secured Loans		
Term Loan from Banks	3,312,133,302	3,122,531,074
Working Capital Demand Loans/Cash Credit from Banks	699,884,054	510,780,320
Other Secured Loans	1,230,544	1,889,714
	4,013,247,900	3,635,201,108
Share in Joint Venture	48,216,493	32,266,603
Total	4,061,464,393	3,667,467,711
SCHEDULE 4		
Unsecured Loans		
Short Term Loan From:		
Banks	1,630,103,998	203,216,726
Others	-	3,479,965
Other Loans From:		
Banks	941,525,000	911,800,000
Lease Finance	9,121,658	23,193,984
Deferred Sales Tax Loan	434,534,587	413,013,734
Interest Accrued and Due	-	806,082
Total	3,015,285,243	1,555,510,491
SCHEDULE 5		
Deferred Tax Liabilities (net) (Refer Note 18 (c))		
Deferred Tax Liabilities	429,121,570	412,250,840
Less: Deferred Tax Assets	372,992,508	214,851,324
Total	56,129,062	197,399,516

Schedules to the Consolidated Balance Sheet as at December 31,

SCHEDULE 6

Fixed Assets (Other than Goodwill on Consolidation)

(Amount in Rupees)

DESCRIPTION OF ASSETS	GROSS BLOCK			DEPRECIATION / AMORTISATION					NET BLOCK	
	AS AT 01-01-2007	ADDITIONS	DEDUCTIONS	AS AT 31-12-2007	UP TO 31-12-2006	FOR THE YEAR*	DEDUCTIONS	UPTO 31.12.2007	AS AT 31.12.2007	AS AT 31.12.2006
a) Intangibles										
Patents / Trademarks	-	21,322	-	21,322	-	2,345	-	2,345	18,977	-
Software	33,249,140	8,247,296	-	41,496,436	12,912,285	8,995,804	-	21,908,089	19,588,347	20,336,855
b) Tangibles										
Owned Assets										
Leasehold Land	59,493,156	94,810	-	59,587,966	9,016,333	1,050,694	-	10,067,027	49,520,939	50,476,823
Leasehold Improvements	12,836,390	4,382,448	-	17,218,838	266,585	1,989,858	-	2,256,443	14,962,395	12,569,805
Freehold Land	78,035,055	35,000	-	78,070,055	-	-	-	-	78,070,055	78,035,055
Building	633,869,235	574,007,615	7,785	1,207,869,065	129,536,101	24,803,792	1,603	154,338,290	1,053,530,775	504,333,134
Plant & Machinery	10,508,681,995	1,290,903,405	459,534,153	11,340,051,247	5,752,113,375	638,002,859	274,764,903	6,115,351,331	5,224,699,916	4,756,568,620
Equipment	204,233,325	41,777,544	12,797,316	233,213,553	95,466,305	24,983,523	10,824,283	109,625,545	123,588,008	108,767,020
Furniture & Fixtures	176,012,255	35,804,425	14,847,437	196,969,243	56,801,210	18,395,442	13,662,151	61,534,501	135,434,742	119,211,045
Vehicles	22,768,105	926,007	394,350	23,299,762	13,051,813	1,268,445	292,996	14,027,262	9,272,500	9,716,292
Owned Assets (A)	11,729,178,656	1,956,199,872	487,581,041	13,197,797,487	6,069,164,007	719,492,762	299,545,936	6,489,110,833	6,708,686,654	5,660,014,649
Leased Assets										
Plant & Machinery	176,068,544	-	71,584,886	104,483,658	60,681,530	12,821,109	35,723,918	37,778,721	66,704,937	115,387,014
Vehicles	4,569,484	3,028,000	-	7,597,484	1,630,605	434,105	-	2,064,710	5,532,774	2,938,879
Leased Assets (B)	180,638,028	3,028,000	71,584,886	112,081,142	62,312,135	13,255,214	35,723,918	39,843,431	72,237,711	118,325,893
Total (A+B)	11,909,816,684	1,959,227,872	559,165,927	13,309,878,629	6,131,476,142	732,747,976	335,269,854	6,528,954,264	6,780,924,365	5,778,340,542
Share in Joint Venture	148,289,375	42,355,198	-	190,644,573	70,781,878	14,021,422	-	84,803,300	105,841,273	77,507,497
Grand Total 2007	12,058,106,059	2,001,583,070	559,165,927	13,500,523,202	6,202,258,020	746,769,398	335,269,854	6,613,757,564	6,886,765,638	5,855,848,039
Grand Total 2006	11,456,570,838	893,029,380	291,494,159	12,058,106,059	5,473,032,970	865,377,679	136,152,629	6,202,258,020	5,855,848,039	
Capital Work-in-Progress									793,635,491	292,635,762
Share in Joint Venture									326,030	191,825
Total									793,961,521	292,827,587

Notes:

- i) Buildings and Roads includes Residential flats, Tubewells and Watertanks and Shares in Co-operative Housing Society.
- ii) Depreciation for the year is net of Rs. 79,414,621 (Rs. Nil) towards recovery on account of New Product development under an agreement.
- iii) *Net of recomputation of depreciation for realigning with the method followed by the parent (Refer Note 7(f)).

Schedules to the Consolidated Balance Sheet as at December 31,

	2007	2006
(Amount in Rupees)		
SCHEDULE 7		
Investments		
Long Term Trade - Unquoted		
(a) Shares in Associate Company		
2100 Equity Shares of USD 350/- each of		
PT Lamipak Primula Indonesia (Extent of Holding 30%)	50,812,215	50,812,215
Unamortised Goodwill	320,009,310	320,009,310
Share of accumulated Profit	44,615,325	48,045,880
Share of Profit for the year	13,018,198	5,621,966
Less: Dividend Received	7,422,090	9,052,521
	421,032,958	415,436,850
(b) # 3141971 Equity Shares of Rs. 10/- each of		
Bericap India Private Limited (Extent of Holding 16.50% (22.99%)) (Refer Note 22)	31,419,710	31,419,710
Share of accumulated Losses	(23,837,308)	(18,036,502)
Share of Loss for the year	-	(5,800,806)
Add: Transfer to Profit and Loss Account	18,391,808	-
	25,974,210	7,582,402
Long Term Trade - Quoted		
(a) 100 Equity Shares (Face Value Rs.10/- each) in		
Akar Laminators Limited	1,125	1,125
(b) 200 Equity Shares (Face Value Rs.10/- each) in		
Cosmo Films Limited	1,760	1,760
(c) 100 Equity Shares (Face Value Rs.10/- each) in		
Flex Industries Limited	1,515	1,515
(d) 100 Equity Shares (Face Value Rs.10/- each) in		
Orient Press Limited	1,360	1,360
(e) 5 Equity Shares (Face Value Rs.10/- each) in		
Sharp Industries Limited	7,130	7,130
(f) 50 Equity Shares (Face Value Rs.10/- each) in		
Paper Products Limited	6,105	6,105
Long Term NonTrade - Quoted		
(a) 400 Equity Shares (Face Value Rs.10/- each) in		
Associated Business Credit Limited	4,000	4,000
(b) 70 Equity Shares (Face Value Rs.100/- each) in		
State Bank of Travancore	42,000	42,000
	64,995	64,995
Less: Provision for Diminution in value of investments	12,255	12,255
	52,740	52,740
Note:		
Quoted Investments		
Cost	64,995	
Market Value	280,192	
Non Trade - Unquoted		
(a) 700 shares (Preferred Stock) of Long Distance of PHP 10/- each.	6,574	6,574
(b) Others (Obligatory Investment in Government Securities).	715,304	715,304
Total	447,781,786	423,793,870

The Company has given an undertaking to a bank for non-disposal of its shareholding for credit facilities granted to Bericap India Private Limited, ceased to be an associate company during the year.

Schedules to the Consolidated Balance Sheet as at December 31,

	(Amount in Rupees)	
	2007	2006
SCHEDULE 8		
Inventories		
Raw Materials	877,201,772	827,199,223
Finished Goods	208,885,120	171,928,457
Goods-in-Process	343,739,312	283,303,033
Stores, Spares and Packing Materials	320,147,753	244,233,607
Goods-in-Transit	113,503,084	67,444,961
	1,863,477,041	1,594,109,281
Share in Joint Venture	26,922,421	22,090,240
Total	1,890,399,462	1,616,199,521
SCHEDULE 9		
Sundry Debtors		
(Unsecured and Considered Good, unless otherwise stated)		
Over six months		
Considered Good	125,058,106	235,004,876
Considered Doubtful	71,537,912	53,862,306
	196,596,018	288,867,182
Others	1,395,549,338	1,272,584,091
	1,592,145,356	1,561,451,273
Less: Provision for Doubtful Debts	71,537,912	53,862,306
	1,520,607,444	1,507,588,967
Share in Joint Venture	29,194,117	26,007,835
Total	1,549,801,561	1,533,596,802
SCHEDULE 10		
Cash and Bank Balances		
Cash on Hand	1,314,646	4,895,784
With Banks :		
(a) In Current Account*	446,577,676	398,201,089
(b) In Fixed Deposit	95,851,092	41,403,734
(c) Remittance in Transit	6,315,560	-
	550,058,974	444,500,607
Share in Joint Ventures	1,358,303	2,789,485
Total	551,417,277	447,290,092
* Includes Rs.17,683,482 (Rs.16,091,605) being balance of unclaimed dividend accounts.		
SCHEDULE 11		
Other Current Assets		
Interest Receivable on Loans and Advances	113,837,512	1,250,511
Export Benefit Receivable	20,949,092	16,352,889
Other Receivables	13,388,273	8,994,820
Total	148,174,877	26,598,220

Schedules to the Consolidated Balance Sheet as at December 31,

	(Amount in Rupees)	
	2007	2006
SCHEDULE 12		
Loans and Advances		
(Unsecured, Considered Good unless otherwise stated)		
Loans	397,382,595	478,785,589
Advances (Recoverable in cash or in kind or for value to be received)		
Other Advances	1,066,701,319	616,762,847
Tax Advance (net of provisions)	50,305,367	107,650,021
Deposit	98,499,918	94,935,697
	1,612,889,199	1,298,134,154
Share in Joint Ventures	1,725,349	1,439,444
Total	1,614,614,548	1,299,573,598
SCHEDULE 13		
Current Liabilities and Provisions		
A. Current Liabilities		
Acceptances	222,719,780	233,636,542
Sundry Creditors		
for Goods	925,039,037	1,005,754,285
for Capital Goods	301,101,658	14,156,281
for Others	686,704,610	678,232,152
Interest Accrued but not due	42,169,960	28,623,379
Trade Advances and Deposits Received	11,596,978	21,759,634
Investor Education and Protection Fund		
Unpaid Dividend	17,683,482	16,091,605
	2,207,015,505	1,998,253,878
Share in Joint Ventures	33,463,847	33,209,253
	2,240,479,352	2,031,463,131
B. Provisions		
For Retirement Benefits	54,266,313	20,023,780
For Proposed Dividend	187,921,356	313,202,260
For Dividend Tax	31,937,234	43,977,818
	274,124,903	377,203,858
Share in Joint Ventures	4,325,448	-
	278,450,351	377,203,858
Total	2,518,929,703	2,408,666,989
SCHEDULE 14		
Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
Deferred Revenue Expenditure	23,899,914	56,058,341
Share in Joint Venture	475,554	713,955
Total	24,375,468	56,772,296

Schedules to the Consolidated Profit and Loss Account for the year ended December 31,

	(Amount in Rupees)	
	2007	2006
SCHEDULE 15		
Sales and Services		
Sales	12,114,773,217	10,305,587,594
Export Incentives	19,659,521	15,691,548
	<u>12,134,432,738</u>	<u>10,321,279,142</u>
Share in Joint Ventures	259,161,140	231,302,862
Total	12,393,593,878	10,552,582,004
SCHEDULE 16		
Other Income		
Profit on sale/discard of Fixed Assets (net)	84,780,288	35,719,630
Grant Revenue	11,891,231	22,386,031
Exchange Differences	94,652,768	45,771,509
Miscellaneous Income	51,388,848	41,654,530
Difference on assignment of Deferred Sales Tax	-	45,539,797
	<u>242,713,135</u>	<u>191,071,497</u>
Share in Joint Ventures	794,018	2,685,733
Total	243,507,153	193,757,230
SCHEDULE 17		
Cost of Materials		
Raw Materials Consumed		
Opening Stock	827,199,223	684,292,416
Add: Purchases	5,343,937,205	4,211,655,624
	<u>6,171,136,428</u>	<u>4,895,948,040</u>
Less: Closing Stock	877,201,772	827,199,223
	<u>5,293,934,656</u>	<u>4,068,748,817</u>
Share in Joint Venture	128,998,665	137,319,799
Total (A)	5,422,933,321	4,206,068,616
Increase/(Decrease) in stocks		
Closing Stock		
Finished Goods	208,885,120	171,928,457
Goods-in-Process	343,739,312	283,303,033
	<u>552,624,432</u>	<u>455,231,490</u>
Less: Opening Stock		
Finished Goods	171,928,457	83,054,388
Goods-in-Process	283,303,033	218,917,728
	<u>455,231,490</u>	<u>301,972,116</u>
	97,392,942	153,259,374
Share in Joint Venture	1,224,892	1,833,344
Total (B)	98,617,834	155,092,718
Total (A) - (B)	5,324,315,487	4,050,975,898

Schedules to the Consolidated Profit and Loss Account for the year ended December 31,

	(Amount in Rupees)	
	2007	2006
SCHEDULE 18		
Manufacturing and Other Expenses		
Stores, Spares and Packing Materials	587,285,048	440,449,255
Power and Fuel	318,734,851	229,857,171
Job Work Charges	157,827,479	56,822,284
Repairs and Maintenance		
Building	15,676,395	11,034,558
Plant and Machinery	86,260,340	114,509,813
Other Manufacturing Expenses	141,238,967	101,409,013
Factory Rent	138,088,762	119,953,409
	1,445,111,842	1,074,035,503
Share in Joint Venture	13,091,973	11,254,492
Total	1,458,203,815	1,085,289,995
SCHEDULE 19		
Personnel Cost		
Managerial Remuneration	44,959,915	30,786,559
Salaries, Wages and Allowances	2,000,414,690	1,683,512,470
Welfare Expenses	174,492,513	197,732,904
Gratuity	7,434,627	5,491,170
	2,227,301,745	1,917,523,103
Share in Joint Ventures	42,533,305	38,720,648
Total	2,269,835,050	1,956,243,751
SCHEDULE 20		
Administrative and Other Expenses		
Rent	34,160,847	27,461,376
Repairs to Others	38,945,146	16,864,951
Rates and Taxes	60,561,938	52,200,078
Insurance	78,027,982	80,950,640
Directors' Sitting Fees	864,925	762,502
Travelling and Conveyance Expenses	120,236,926	114,830,620
Advertisement Expenses	3,289,380	4,069,307
Professional and Consultancy Charges	93,192,264	81,880,282
Communication Expenses	47,144,260	40,529,941
Donation	5,699,701	8,391,814
Miscellaneous Expenses	150,370,448	129,716,749
Research and Development Expenses	2,365,347	3,250,543
Deferred Revenue Expenses Written off	32,158,427	32,971,703
	667,017,591	593,880,506
Share in Joint Ventures	21,551,969	6,307,053
Total	688,569,560	600,187,559

Schedules to the Consolidated Profit and Loss Account for the year ended December 31,

	(Amount in Rupees)	
	2007	2006
SCHEDULE 21		
Selling and Distribution Expenses		
Freight and Forwarding Expenses	272,694,328	151,559,417
Discount and Rebate	34,284	2,612,943
Bad and Doubtful Debts/Write off	29,168,282	25,665,814
Commission	11,421,522	1,351,106
	313,318,416	181,189,280
Share in Joint Ventures	13,729,806	11,540,585
Total	327,048,222	192,729,865
SCHEDULE 22		
Financial Expenses (Net)		
Interest Paid		
On Fixed Loans	241,837,470	191,563,546
On Debentures	77,472,467	62,426,697
On Others	352,962,546	100,086,408
Share in Joint Ventures	1,892,037	2,448,546
	674,164,520	356,525,197
Interest Received		
From Banks	(5,868,107)	(4,637,021)
From Others	(178,997,906)	(144,125,564)
Share in Joint Ventures	(23,436)	(106,571)
	(184,889,449)	(148,869,156)
Interest Paid (Net)	489,275,071	207,656,041
Bank Charges	41,305,256	27,076,764
Share in Joint Ventures	463,969	175,344
	41,769,225	27,252,108
Total	531,044,296	234,908,149

Significant Accounting Policies and Notes to the Consolidated Accounts

SCHEDULE 23 : Significant Accounting Policies and Notes to the Consolidated Accounts

1. Background

EsseL Propack Limited (hereinafter referred to as 'the parent company', 'the Company' or 'EPL') together with its subsidiaries, associates and joint ventures (collectively referred to as 'Group') are the producer of laminate collapsible and plastic tubes used primarily for packaging of toothpaste, cosmetics, pharmaceuticals, household and industrial products. The Group is also in the business of manufacturing of closures primarily for internal consumption.

The Group has diversified into the medical devices business specializing in all areas of catheter based devices and components; such as high quality custom extrusions, all types of balloons and catheters initiating from the concept phase into design and through to production.

The Group is also in the business of speciality packaging catering to food and personal care industry.

2. Basis of Consolidation

- a) The Consolidated Financial Statements (CFS) of parent and its subsidiaries are prepared under the Historical Cost Convention on going concern basis except companies under liquidation in accordance with the Generally Accepted Accounting Principles in India and Accounting Standard-21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India (ICAI), to the extent possible in the same format as that adopted by the parent company for its separate financial statements by regrouping, recasting or rearranging figures wherever considered necessary.
- b) The CFS is prepared using uniform accounting policies for transactions and other events in similar circumstances.
- c) The consolidation of the financial statements of the parent company and its subsidiaries is done on a line-by-line basis by adding together like items of assets, liabilities, income and expenses except depreciation adjustment as referred to in Note 7(f) below. To restate the financial statements to historical cost convention in case of certain subsidiaries, the effect of inflation / revaluation accounting is reversed. All significant inter-group transactions, unrealized inter-company profits and balances have been eliminated in the process of consolidation. Minority interest in subsidiaries represents the minority shareholders proportionate share of the net assets and net income.

Significant Accounting Policies and Notes to the Consolidated Accounts

- d) The CFS includes the accounts of the parent company and the subsidiaries (as listed in the table below). Subsidiaries are consolidated from the date on which effective control is acquired and are excluded from the date of transfer / disposal.

Name of the Subsidiary	Extent of holding	Country of Incorporation
Direct Subsidiaries		
Essel Packaging (Nepal) Private Limited ^	100%	Nepal
Essel Propack America, LLC	100%	USA
Lamitube Technologies Limited	100%	Mauritius
Lamitube Technologies (Cyprus) Limited	100%	Cyprus
Packaging India Private Limited	100%	India
Indirect Subsidiaries		
The Egyptian Indian Company for Modern Packaging S.A.E.	75%	Egypt
Essel Propack MISR for Advanced Packaging S.A.E.	75%	Egypt
Essel Packaging (Guangzhou) Limited	100%	China
Guangzhou Propack Co. Limited *	100%	China
Essel Propack Philippines, Inc	100%	Philippines
MTL de Panama S.A	100%	Panama
Packtech Limited	100%	Mauritius
Arista Tubes Limited	100%	United Kingdom
Essel Propack UK Limited	100%	United Kingdom
Essel Propack de Venezuela, C.A.^	100%	Venezuela
Essel de Mexico, S.A. de C.V.	100%	Mexico
Tubopack de Colombia S.A	100%	Colombia
Essel Propack LLC	100%	Russia
Avalon Medical Services Pte. Limited	85%	Singapore
Essel Propack Polska Sp. Z.O.O.	100%	Poland
Tacpro Inc.	85%	USA
Tactx Medical Inc. (100% owned by Tacpro Inc.)	85%	USA
Produxx Inc. (100% owned by Tacpro Inc.)	85%	USA
Arista Tubes Inc.	100%	USA

*Merged with Essel Packaging (Guangzhou) Limited, China w.e.f. April 1, 2007.

^These subsidiaries have discontinued their operations and are in the process of liquidation.

e) Associates

The Group has adopted and accounted for Investment in following Associate Companies using the "Equity Method" as per AS-23 issued by ICAI in this CFS.

Name of the Company	Extent of Holding	Country of Incorporation
P.T. Lamipak Primula, Indonesia	30.00%	Indonesia
Bericap India Private Limited *	22.99%	India

* Ceased to be an Associate Company w.e.f. August 16, 2007 (Refer Note 22).

f) Joint Ventures

- (i) The Group has adopted and accounted for interest in following Joint Ventures in this CFS, using the "Proportionate Consolidation Method" as per AS-27 issued by ICAI.

Name of the Enterprise	Extent of Holding	Country of Incorporation
Essel Deutschland Management GmbH	24.90%	Germany
Essel Deutschland GmbH & Co. KG, Dresden	24.90%	Germany

Significant Accounting Policies and Notes to the Consolidated Accounts

- (ii) The parent company's share of capital commitments in the Joint Ventures as at December 31, 2007 is Rs. Nil
- (iii) The parent company's share of contingent liabilities in the Joint Ventures as at December 31, 2007 is Rs. Nil.
- (iv) No contingent liabilities and capital commitments have been incurred as at December 31, 2007 in relation to the parent company's interest in the Joint Venture along with other venturer Rs. Nil.

3. Use of Estimates

The preparation of CFS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as of the date of financial statements and the reported amount of revenue and expenses of the year. Actual results could differ from these estimates. The difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

4. Comparatives

- a) Previous year figures have been regrouped, rearranged or recasted wherever necessary to confirm to this year's classification. Figures in brackets pertain to previous year.
- b) The CFS for the previous year includes the financial statements of subsidiaries/ associates acquired/ incorporated during the previous year, hence not comparable.

5. Secured Loans

a) Term Loan from Banks

- i) In case of parent company, is secured by way of first charge ranking *pari passu* on entire fixed assets of the Company, both present and future. Certain charges are yet to be registered.
- ii) In case of subsidiaries / joint venture, are secured by way of mortgage of all fixed assets including building, plant and machinery, equipments and floating charge on inventories, debtors and other current assets and pledge of shares of other subsidiaries and in certain subsidiaries, EPL has provided corporate guarantee.

b) Working Capital Loans from Bank

- i) In case of parent company, working capital facility is secured by way of hypothecation of all inventories both on hand and in transit, book debts and other receivables, and is also secured by way of second charge on all immovable properties and other fixed assets of the Company at certain locations.
- ii) In case of subsidiaries/Joint venture are secured by way of first charge on all fixed assets and entire current assets.

c) Other Secured Loan

Other Secured Loan is secured by way of hypothecation of vehicle.

6. Fixed Assets

a) Goodwill on Consolidation

Goodwill represents the difference between the Group's share in the net worth of subsidiary or an associate, and the cost of acquisition at the time of making the investment in the subsidiary or the associate. Capital reserve represents negative goodwill arising on consolidation.

b) Intangible Assets

- (i) Patent right in Joint Venture is capitalized at the amount paid for acquisition of such right.
- (ii) The capitalised cost of software includes license fees, cost of implementation and system integration services. These costs are capitalised as intangible assets in the year in which related software is implemented.

Significant Accounting Policies and Notes to the Consolidated Accounts

c) **Tangible Fixed Assets**

- (i) Fixed assets are stated at original cost of acquisition/installation (net of cenvat/modvat credit availed) net off accumulated depreciation, amortisation and impairment losses except land which is carried at cost including lease premium. The cost of fixed assets includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.
- (ii) Capital work-in-progress is stated at the amount expended upto the date of Balance Sheet including advances for capital expenditure.

7. **Depreciation/Amortization**

- a) Depreciation is provided on tangible fixed assets including leased assets, at the rates adopted in the accounts of respective subsidiaries as permissible under applicable local law on straight line basis from the time they are available for use, so as to write off their costs over estimated useful lives of the assets.
- b) Software (Intangible Assets) is amortised on a straight-line basis over a period of three years from the date of its implementation based on the management's estimate of useful life over which economic benefits will be derived from the use.
- c) Premium on Leasehold Land is amortised over the period of lease and Leasehold improvements are amortised over the normal/extendable period of lease.
- d) Cost of Patent rights is amortised over a period of five years.
- e) No part of goodwill (arising on Consolidation) is amortised.
- f) In order to realign with the Straight Line Method of depreciation followed by the parent, the Company has recomputed the depreciation in the Consolidated Financial Statement for an Indian subsidiary. The net surplus of Rs. 144,593,810 on such recomputation is netted off in depreciation for the year in the Profit and Loss Account. But for this realignment, the charge to the Profit and Loss Account before tax, for the current year, would have been higher by Rs. 144,593,810 (Including the effect of current year Rs. 16,018,498).

8. **Impairment of Assets**

At each Balance Sheet date, the Company reviews the carrying amount of fixed assets to determine whether there is any indication that those assets suffered impairment loss. If any such indication exist, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss. The recoverable amount is higher of the net selling price and value in use, determined by discounting the estimated future cash flows expected from the continuing use of the asset to their present value.

9. **Borrowing Costs**

- a) Borrowing costs attributable to the acquisition or construction of assets are capitalised as a part of cost of such assets upto the date when such assets are ready for intended use. Other borrowing costs are charged to revenue when incurred.
- b) Fixed Assets include borrowing cost capitalised during the year Rs. 10,993,240 (Rs. Nil).

10. **Investments**

Long-term Investments (other than investments in associate) intended to be held for more than a year, from the date of acquisition, are classified as long- term investments and are carried at cost. However, provision for diminution in value of investments is made to recognise a decline other than temporary, in the value of investments.

11. **Employee Benefits**

In case of parent company,

- a) Short-term employee benefits are recognised as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the related service is rendered.

Significant Accounting Policies and Notes to the Consolidated Accounts

- b) Post employment and other long term benefits are recognised as an expense in the Profit and Loss Account for the year in which the employee has rendered services. The expense is recognised at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long-term benefits are charged to the Profit and Loss Account.
- c) Payments to defined contribution retirement benefit schemes are charged as expenses as they fall due.
- d) In accordance with the transitional provisions of Accounting Standard (AS) 15 (revised) on “Employee Benefits”, an amount of Rs. 22,766,089 (net of tax Rs. 11,722,759) has been adjusted against the opening balance of General Reserve.

In case of subsidiaries/joint ventures,

- a) Payments to defined contribution retirement plans are charged as expense as they fall due.
- b) Payments made to state managed retirement benefit schemes are dealt with as payments to defined contribution plans, where the Company’s obligation under the scheme are equivalent to those arising in defined contribution benefit plan.
- c) Defined retirement benefit plans, the cost of providing benefits is determined on actuarial valuations being carried out at each Balance Sheet date. Accrued liabilities for leave encashment benefit, wherever applicable, are based on the accumulated leave to the credit of the employees in accordance with the rule of the respective companies except in case of a subsidiary accounted on cash basis.

12. Revenue Recognition

- a) Sales Revenue is recognised when the risk and rewards of ownership are passed on to the customers, which is generally on dispatch. Gross Sales include Excise Duty but exclude Value Added Tax/Sales Tax.
- b) Export incentives/benefits are accounted on accrual basis. Custom Duty benefits (advance license) are recognised on entitlement and are set-off from material costs.

13. Grant Revenue

Grant Revenue received from the state has been recognized as revenue in the separate financial statements, on compliance of the stipulated conditions. The balance grant has been considered as Capital Subsidy under the head “Reserves and Surplus.”

14. Inventories

Inventories are valued at lower of cost or net realisable value. Cost of Raw Materials, Packing Materials and stores and spares inventory is determined on the First-In-First-Out (FIFO) basis. The cost of finished goods and work in process generally includes cost of Direct Material, Labour cost and other Manufacturing Overheads.

15. Miscellaneous Expenditure

- a) Share issue expenses are deferred and amortised over a period of ten years. In case of foreign subsidiaries, such expenses are charged to Profit and Loss Account when incurred.
- b) Expenses other than (a) above deferred in subsidiaries/ joint venture are amortized over the period over which the benefit accrues.

16. Research and Development Expenditure

Revenue expenditure on Research and Development is charged to Profit and Loss Account when incurred.

17. Foreign Currency

a) Accounting of Transactions

- (i) The functional currency of each entity in the Group is its respective local currency. Monetary assets and liabilities in foreign currencies are converted into functional currency at the rates of exchange prevailing at the Balance Sheet date. Transactions in foreign currencies are converted into functional currency at the rates of exchange prevailing at the date of the transaction.
- (ii) Foreign currency transactions are recorded at exchange rates prevailing on the date of such transactions.
- (iii) Foreign currency monetary assets and liabilities are reported using the closing rate. Gain and losses arising on account of difference in foreign exchange rates on settlement/ translation of Monetary Assets and Liabilities on the closing date are recognised in the Profit and Loss account.
- (iv) Non-monetary items denominated in foreign currency are reported using exchange rate prevailing on the date of transaction.
- (v) In respect of forward exchange contracts assigned to the foreign currency assets/liabilities, the difference due to change in exchange rate between the inception of forward contract and date of Balance Sheet and the proportionate premium/discount for the period up to the date of Balance Sheet is recognised in the Profit and Loss account. Any profit or loss on settlement/cancellation of forward contract is recognised as an income or expenses for the year in which they arise.

b) Translation and Exchange Rates

Financial statements of overseas non-integral operations are translated as under:

- (i) Assets and Liabilities at the rate prevailing at the end of the year. Depreciation is accounted at the same rate at which assets are converted.
- (ii) Revenue and expenses at yearly average rates prevailing during the year (except for inventories and current/deferred tax are converted at opening/closing rates as the case may be). Off Balance Sheet items are translated into Indian Rupees at year-end rates.
- (iii) Exchange differences arising on translation of non integral foreign operations are accumulated in the Foreign currency translation reserve until the disposal of such operations.

18. Taxation

- a) Current income tax is calculated on the results of individual companies in accordance with local accounting practices and tax regulations.
- b) Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- (c) The Components of the deferred tax balances as at December 31, 2007 are as under:

Significant Accounting Policies and Notes to the Consolidated Accounts

(Amount in Rupees)

Particulars	2007	2006
Deferred Tax Assets		
Provision for doubtful debts	12,857,030	10,996,386
Allowable on Payment basis	39,154,306	20,239,215
Start-up and organisational costs	197,175	1,663,324
Effect of Tax Loss carry forwards	304,407,293	172,375,317
Others	16,376,704	9,577,082
Total	372,992,508	214,851,324
Deferred Tax Liabilities		
Depreciation and other Capital Expenditure	372,776,679	390,719,705
Accrued interest income on deferred sales tax loan liability assigned/paid	12,922,682	20,070,747
Others	43,422,209	1,460,388
Total	429,121,570	412,250,840
Deferred Tax Liabilities (Net)	56,129,062	197,399,516

19. Leasing Liabilities

a) Finance Leases

Long-term leases, which in economic terms constitute investments financed on a long-term basis (finance lease) are recognised as assets and recorded under tangible fixed assets at their cash purchase value. The initial tenure is four to five years. The minimum lease payments required under this finance lease that have initially or remaining non-cancelable lease terms in excess of one year as at December 31, 2007 and its present value are as follows:

Reconciliation of minimum lease payment and present value:

(Amount in Rupees)

Particulars	2007	2006
Minimum lease payment as at		
Not later than one year	3,174,153	24,142,896
Later than one year but not later than five years	8,159,577	153,566
Total	11,333,730	24,296,462
Less: Amount representing interest	2,212,078	1,102,478
Present value of Minimum Lease Payment	9,121,652	23,193,984
Less: Amount due not later than one year	2,355,724	23,041,570
Amount due later than one year but not later than five years	6,765,928	152,414

b) Operating Leases

Lease of assets where all the risk and rewards of ownership are effectively retained by the Lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on accrual basis in accordance with the respective lease agreements.

Leasing liabilities primarily relate to lease of Property, Plant and Machinery. The initial tenure of the lease is generally for eleven to forty-eight months. The minimum rental payments under operating leases that have initially or remaining non-cancellable lease term in excess of one year as at December 31, 2007 are as follows:

Significant Accounting Policies and Notes to the Consolidated Accounts

(Amount in Rupees)

Particulars	2007	2006
Lease rental charges for the year (Net) (Including Rs. 766,756 (Rs. 378,919) in Joint Venture)	281,471,272	85,799,624
Future lease rental obligation payable (under non-cancelable leases)		
Not later than one year (Including Rs. 822,831 (Rs. 657,858) of the Joint Venture)	258,328,079	224,105,120
Later than one year but not later than five years (Including Rs.1,672,736 (Rs. 1,908,624) of the Joint Venture)	757,589,085	803,157,636
Later than five years	-	10,442,939
Total	1,015,917,164	1,037,705,695

20. a) Contingent Liabilities

(Amount in Rupees)

Sr. No.	Particulars	2007	2006
(i)	Unexpired Letters of Credit	59,156,816	14,113,934
(ii)	Guarantees and counter guarantees given by the Company [includes Rs. 3,970,664,481 (Rs. 3,182,787,130) for loans taken by Subsidiaries]. Loans outstanding against these guarantees are Rs. 3,210,680,750 (Rs. 2,738,137,577)	4,045,264,481	3,186,087,130
(iii)	Disputed Indirect Taxes*	161,533,991	359,065,642
(iv)	Disputed Direct Taxes	80,927,650	51,996,105
(v)	Claims not acknowledged as debts	156,594,808	12,735,571
(vi)	Deferred Sales Tax Liability assigned	215,052,178	234,543,837
(vii)	Duty benefit availed under EPCG scheme, pending export obligations	50,949,942	30,562,244
(viii)	Bills discounted from banks	1,318,088	4,688,807

* Includes Rs. 2,022,335 (Rs. 209,261,262) for alleged undervaluation of inter unit transfer of Web, for captive consumption. The appeals are pending before the appellate authorities. However, it does not have significant impact on profits of the Company, even if the Company's contention is not accepted, as excise duty paid by one unit is admissible as Cenvat at other unit.

b) Capital Commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs.193,826,823 (Rs.356,043,344) (Including Rs. Nil of the Joint Venture).

21. Earnings per share

Basic earnings per share is computed and disclosed using the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed and disclosed using the weighted average number of common and dilutive common equivalent shares outstanding during the year except when the results would be anti-dilutive. Diluted earnings per share include the dilutive effect of potential equity shares under stock options.

Particulars	2007	2006
Net Profit for the year before Exceptional items (Rs.)	668,761,230	985,486,827
Net Profit for the year after Exceptional items (Rs.)	608,134,987	985,486,827
Weighted average no. of Basic and Diluted Equity Shares (Nos.)	156,601,130	156,601,130
Nominal value of equity shares (Rs.)	2	2
Basic and Diluted Earnings per share before Exceptional items (Rs.)	4.27	6.29
Basic and Diluted Earnings per share after Exceptional items (Rs.)	3.88	6.29

Significant Accounting Policies and Notes to the Consolidated Accounts

22. Shareholder's Agreement with Bericap Holding GmbH

In accordance with the amended Shareholder's agreement with its Joint Venture partner Bericap Holding GmbH, regarding its Investment (considered as an associate in the previous year) in Bericap India Private Limited, the percentage of Company's shareholding in Bericap India Private Limited has reduced from 22.99% to 16.50% due to further infusion of funds/capital by the other partner, and the Company will exit from this arrangement either in December, 2008 or in December, 2009. Consequent to the above, the associate is now accounted as per AS – 13 "Accounting for Investments". Accordingly, Rs. 18,391,808 is transferred to the balance in Profit and Loss Account after considering permanent diminution in the value of the investments of Rs. 5,445,500.

23. The Company has consented to participate in the rehabilitation and revival of RAS Propack Limited (RPL) and RAS Extrusion Limited (REL), both declared as "Sick industrial companies" under the Sick Industrial Companies (special provisions) Act, 1985 (SICA). The Company has also agreed in principle to act as a Co-promoter in connection with the application for approval of the scheme for revival and rehabilitation submitted by RPL and REL. The application is pending before the office of the Board of Industrial and Financial Reconstruction (BIFR), New Delhi.

24. Exceptional items include:

(Amount in Rupees)

Particular	2007	2006
Redundancy payment and stock write off in a subsidiary	71,324,989	-

25. Related Party Disclosure

- a) List of Parties where control exists:

The list of Subsidiary Companies is disclosed in Note 2 (d) above.

- b) Other Related parties with whom transactions have taken place during the year and balances outstanding at the year-end.

(i) **Joint Ventures / Associates**

Essel Deutschland GmbH & Co. KG (Dresden), Essel Deutschland Management GmbH, Bericap India Private Limited and P.T. Lamipak Primula.

(ii) **Other Related Parties**

Ayeppee Lamitubes Limited, Briggs Trading Company Private Limited, Churu Trading Company Private Limited, Continental Drug Company Private Limited, Pan India Network Infravest Private Limited, Essel Corporate Resources Private Limited, Ganjam Trading Company Private Limited, Essel Infra Projects Limited (formerly Pan India Paryatan Limited), Premier Finance & Trading Company Limited.

- c) **Directors of the Company**

Non-Executive Directors

Mr. Subhash Chandra

Mr. Boman Moradian

Mr. Dev Ahuja

Mr. K.V. Krishnamurthy

Mr. Tapan Mitra

Executive Director

Mr. Ashok Kumar Goel

(Vice-Chairman & Managing Director)

Significant Accounting Policies and Notes to the Consolidated Accounts

d) Transactions with Related Parties

(Amount in Rupees)

Particulars	2007		2006	
	Total Amount	Amount for Major Parties	Total Amount	Amount for Major Parties
(A) Transactions				
Sales to and Recoveries from				
Joint Venture / Associates	8,719,003		13,114,425	
Essel Deutschland GmbH & Co., KG Germany		7,733,965		5,131,567
Bericap India Private Limited, India		985,038		7,982,858
Other Related Party			70,730	
Essel Infra Projects Limited				70,730
Sale of Fixed Assets				
Other Related Party	3,250,015		3,250,015	
Essel Infra Projects Limited		3,250,015		3,250,015
Dividend Received				
Associate	7,422,093		9,052,521	
P.T. Lamipak Primula, Indonesia		7,422,093		9,052,521
Purchase of Goods and Services				
Other Related Parties	44,272,646		34,995,356	
Essel Corporate Resources Private Limited		22,327,031		26,000,000
Ganjam Trading Company Private Limited		17,136,000		4,760,000
Purchase of Fixed Assets				
Associate	2,334,539		—	
Bericap India Private Limited, India		2,334,539		—
Loans/ Deposits/ Advances given				
Other Related Parties	3,414,330,239		3,416,407,229	
Ganjam Trading Company Private Limited		19,493,793		518,533,158
Churu Trading Company Private Limited		1,103,890,284		964,320,453
Premier Finance and Trading Company Limited		651,531,848		1,113,386,827
Ayeppee Lamitubes Limited		593,388,370		665,453,427
Briggs Trading Company Private Limited		1,046,025,944		154,713,364
Repayment of Loans/ Deposits/ Advance Given				
Associate	149,067,066		-	
Bericap India Private Limited, India		149,067,066		-
Other Related Parties	3,480,343,113		3,494,160,381	
Ganjam Trading Company Private Limited		16,954,743		653,074,760
Churu Trading Company Private Limited		1,125,000,000		955,874,408
Premier Finance and Trading Company Limited		645,000,000		1,119,757,786
Ayeppee Lamitubes Limited		593,388,370		665,453,427
Briggs Trading Company Private Limited		1,100,000,000		100,000,000

Significant Accounting Policies and Notes to the Consolidated Accounts

(Amount in Rupees)

Particulars	2007		2006	
	Total Amount	Amount for Major Parties	Total Amount	Amount for Major Parties
Interest Income on Loans/Deposits given				
Associate	463,269		2,906,878	
Bericap India Private Limited, India		463,269		2,906,878
Other Related Parties	166,761,754		132,785,243	
Ganjam Trading Company Private Limited		671,584		12,972,309
Churu Trading Company Private Limited		51,302,135		45,306,390
Premier Finance and Trading Company Limited		39,124,519		37,851,842
Ayeppee Lamitubes Limited		31,484,785		30,577,647
Briggs Trading Company Private Limited		44,178,731		6,077,055
(B) Balances Outstanding as on December 31, 2007.				
Debtors/Royalty Receivable				
Joint Venture	4,970,622		7,607,318	
Essel Deutschland GmbH & Co., KG Germany		4,970,622		7,607,318
Other Related Party	2,573,299		3,320,745	
Essel Infra Projects Limited		2,573,299		3,320,745
Loans/ Deposit/ Advances				
Joint Venture/Associate	640,156		54,036,614	
Bericap India Private Limited, India		—		52,900,635
Essel Deutschland GmbH & Co., KG Germany		640,156		1,135,979
Other Related Parties	256,273,636		211,022,858	
Ganjam Trading Company Private Limited		23,510,797		20,302,294
Churu Trading Company Private Limited		75,438,199		56,708,240
Premier Finance and Trading Company Limited		60,709,656		23,474,960
Ayeppee Lamitubes Limited		50,000,000		50,000,000
Briggs Trading Company Private Limited		40,790,984		54,713,364
Creditors				
Other Related Party	—		4,723,778	
Ganjam Trading Company Private Limited		—		4,341,098
Investment				
Associate	—		31,419,710	
Bericap India Private Limited, India		—		31,419,710
Guarantees Given				
Associate	—		71,400,000	
Bericap India Private Limited, India		—		71,400,000
Remuneration to Directors	42,926,215		29,285,406	
Managing Director #		42,926,215		29,285,406

Excludes leave encashment and gratuity which is based on actuarial valuation provided on an overall Company basis.

Significant Accounting Policies and Notes to the Consolidated Accounts

26. Segment Information

The Company considers geographical segment as the primary segment in the context of AS-17. The geographical segments have been identified and reported taking into account, the differing risk and returns, the organization structure and the internal financial reporting systems.

Geographical Segmentation:

- Africa, Middle East and South Asia (AMESA) include operations in India, Nepal and Egypt.
- East Asia Pacific (EAP) includes operations in China, Philippines and Singapore.
- Americas includes operations in United States of America and Latin America.
- Europe includes operations in Germany, United Kingdom, Poland and Russia.

Geographical Segments: 2007

(Amount in Rupees)

Particulars	AMESA	EAP	Americas	Europe	Unallocated	Eliminations	Consolidated Total
REVENUE							
External Sales and Services	4,546,902,245	1,979,758,607	3,249,161,036	2,161,819,894	-	-	11,937,641,782
Inter-segment Sales and Services	262,299,456	796,663,431	85,222,832	1,214,885	5,489,694	(1,150,890,298)	-
Total Revenue	4,809,201,701	2,776,422,038	3,334,383,868	2,163,034,779	5,489,694	(1,150,890,298)	11,937,641,782
Segment Result (Operating Profit before Interest, Exceptional items and Tax)	921,552,344	623,026,367	(18,692,135)	(109,238,240)	622,937,159	(635,532,694)	1,404,052,801
Interest Expenses							674,164,520
Interest Income							184,889,449
Profit before tax and exceptional items							914,777,728
Exceptional items							71,324,989
Share of profit in Associate company							13,018,198
Profit before tax							856,470,937
Current Taxes							
- Current Year							313,737,606
- Previous Years							15,193,490
Fringe Benefit Tax							5,460,463
Deferred Tax							(129,547,695)
Profit after tax							651,627,073
Minority Interest							43,492,086
Net Profit							608,134,987

Significant Accounting Policies and Notes to the Consolidated Accounts

Geographical Segments: 2006

(Amount in Rupees)

Particulars	AMESA	EAP	Americas	Europe	Unallocated	Eliminations	Consolidated Total
REVENUE							
External Sales and Services	3,404,273,768	2,053,025,620	2,726,124,947	1,908,874,139	-	-	10,092,298,474
Inter-segment Sales and Services	211,767,342	557,226,142	149,007,979	-	13,398,005	(931,399,468)	-
Total Revenue	3,616,041,110	2,610,251,762	2,875,132,926	1,908,874,139	13,398,005	(931,399,468)	10,092,298,474
Segment Result (Operating Profit before Interest, Exceptional items and Tax)	740,700,283	612,009,457	293,197,828	(135,966,978)	543,848,383	(545,790,124)	1,507,998,849
Interest Expenses							356,525,197
Interest Income							148,869,156
Profit before tax and exceptional items							1,300,342,808
Exceptional items							-
Share of profit in Associate company							(178,840)
Profit before tax							1,300,163,968
Current Taxes							
- Current Year							338,375,399
- Previous Years							(25,929,849)
Fringe Benefit Tax							6,453,772
Deferred Tax							(38,133,549)
Profit after tax							1,019,398,195
Minority Interest							33,911,368
Net Profit							985,486,827

Other Segment Information 2007

(Amount in Rupees)

Description	AMESA	EAP	Americas	Europe	Unallocated	Eliminations	Consolidated Total
1. Segment Assets	4,898,150,225	2,636,978,466	3,445,497,044	2,537,682,353	13,594,456,873	(9,144,846,449)	17,967,918,512
2. Segment Liabilities	1,395,264,583	361,698,661	998,047,089	882,543,553	9,474,135,795	(3,341,579,532)	9,770,110,149
3. Capital Expenditure	739,352,551	38,444,503	649,894,536	1,077,610,249	-	(2,584,835)	2,502,717,004
4. Depreciation (net)	172,571,127	233,898,534	150,286,570	116,372,366	-	(5,773,820)	667,354,777
5. Non Cash expenditure Other than Depreciation	6,450,148	11,363,473	7,949,649	11,806,685	12,718,510	-	50,288,465

Other Segment Information 2006

(Amount in Rupees)

Description	AMESA	EAP	Americas	Europe	Unallocated	Eliminations	Consolidated Total
1. Segment Assets	3,869,278,084	2,623,875,555	2,722,895,182	1,493,216,705	11,061,508,085	(6,157,647,216)	15,613,126,395
2. Segment Liabilities	1,449,250,312	390,051,988	843,857,371	653,164,386	5,876,677,096	(1,257,705,160)	7,955,295,993
3. Capital Expenditure	445,579,642	140,731,126	179,926,751	224,603,595	-	(13,938,004)	976,903,112
4. Depreciation	271,119,189	250,036,544	231,040,445	119,216,180	-	(6,034,678)	865,377,680
5. Non Cash expenditure Other than Depreciation	6,029,878	11,405,382	18,836,559	7,620,438	12,864,957	-	56,757,214

Significant Accounting Policies and Notes to the Consolidated Accounts

Business Segment:

In the Context of Accounting Standard - 17 issued by the Institute of Chartered Accountants of India, the Company considers the business of Multilayer Collapsible and Plastic Tubes / Laminates as major business segment and other business includes Medical Device, Specialty Packaging and Closures as Residuary Business Segment.

(a) The revenues are based on business segment

(Amount In Rupees)

Particulars	2007	2006
Multilayer Collapsible Tubes / Laminates	9,481,460,919	8,821,877,202
Others	2,456,180,863	1,270,421,272
Total	11,937,641,782	10,092,298,474

(b) Other Segment Information

(Amount in Rupees)

	Net Assets		Intangibles		Capital Expenditures	
	2007	2006	2007	2006	2007	2006
Multilayer Collapsible Tubes/Laminates	3,552,834,211	3,048,265,285	3,384,810,461	3,383,827,833	1,987,902,796	883,569,545
Others	243,870,790	297,486,458	1,016,292,901	1,018,000,321	514,814,207	93,333,567
Total	3,796,705,001	3,345,751,743	4,401,103,362	4,401,828,154	2,502,717,003	976,903,112

Notes:

(a) Sale by Market

The following information shows the distribution of the Company's Consolidated Sales by geographical market, regardless of where the goods were produced:

(Amount in Rupees)

Particulars	2007	2006
AMESA	4,546,902,245	3,404,273,768
EAP	1,979,758,607	2,053,025,620
Americas	3,249,161,036	2,726,124,947
Europe	2,161,819,894	1,908,874,139

(b) Segment Revenue and Expenses

All the segment revenue and expenses, which are directly attributable to the segments, are identified and reported. Certain expenses, which are not allocable to any specific segment, are separately disclosed at the enterprise level.

(c) Inter-segment transfers

Segment revenue, Segment expenses and Segment results include transfers between geographical segments. Such transfers are eliminated in consolidation.

As per our attached report of even date
For **MGB & Co.**
Chartered Accountants

Mohan Bhandari
Partner
Membership No.12912

Mumbai, March 31, 2008

For and on behalf of the Board
Subhash Chandra Chairman

D. Ahuja
Tapan Mitra
K.V. Krishnamurthy
Boman Moradian } Directors
Ashok Kumar Goel Vice-Chairman & Managing Director
A.V. Ganapathy Chief Financial Officer (Global)
Ajay Nagle Vice President - Legal and Company Secretary

Mumbai, March 31, 2008

Consolidated Cash Flow Statement for the year ended December 31

(Amount in Rupees)		
	2007	2,006
A. Cash Flow from Operating Activities		
Profit before tax and exceptional items	927,795,926	1,300,163,968
Adjustments for		
Depreciation/Amortisation	667,354,777	865,377,679
Interest Expense	674,164,520	356,525,197
Interest Income	(184,889,449)	(148,869,156)
Profit on Sale of Fixed Assets (net)	(84,780,288)	(35,719,630)
Deferred Revenue expenses written off	32,396,828	33,166,016
Provision for doubtful debts	17,891,636	23,591,199
Share of (Profit) /Loss from Associate Company	(13,018,198)	178,840
Redundancy payment and stock write off (Exceptional items)	(71,324,989)	-
Exchange adjustments (net)	(54,946,356)	(37,708,775)
Capital Incentive transferred from Reserve	(11,408,402)	(24,850,710)
Operating Profit before Working Capital Changes	1,899,236,005	2,331,854,628
Adjustments for		
Increase in Trade Receivables	(418,900,487)	(353,222,693)
Increase in Inventories	(274,199,941)	(356,256,110)
Increase/(Decrease) in Trade Payables	(83,816,132)	350,845,389
Cash Generated from Operations	1,122,319,445	1,973,221,214
Direct Taxes Paid (Net)	(277,046,905)	(391,189,508)
Net Cash from Operating Activities	845,272,540	1,582,031,706
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets / Capital Work in Progress	(2,215,385,714)	(978,264,619)
Sale of Fixed Assets	308,676,361	191,061,160
Investments for acquisition of Subsidiaries	-	(1,122,872,137)
Decrease in Short term Loans to other parties	483,058	152,814,239
Short term loans given to related parties	(3,414,330,243)	(3,401,307,229)
Repayment of Short term loans given to related parties	3,480,343,113	3,415,287,208
Repayment of Long Term Loan to related party	14,907,066	-
Interest Received	72,302,448	228,118,846
Dividend Received	7,422,090	9,052,521
Capital Incentive received during the year	4,904,257	22,693,378
Net Cash to Investing Activities	(1,740,677,564)	(1,483,416,633)

Consolidated Cash Flow Statement for the year ended December 31

(Amount in Rupees)

	2007	2,006
C. Cash Flow from Financing Activities		
Calls in Arrears received (including Securities Premium)	37,500	88,200
Proceeds from issue of Shares (Minority Interest)	-	12,645,588
Increase /(Decrease) in other Borrowings (net)	209,131,100	(4,090,709)
Proceeds from Long term Borrowings	1,488,842,830	2,347,223,394
Repayment of Long term Borrowings	(1,075,244,153)	(1,144,643,437)
Proceeds from Short term Borrowings	11,536,768,982	144,225,000
Repayment of Short term Borrowings	(10,113,450,056)	(350,218,279)
Proceeds from Debentures	8,200,000,000	4,040,000,000
Repayment of Debentures	(8,200,000,000)	(4,040,000,000)
Principal Payment under Finance Lease	(14,072,326)	(22,653,011)
Interest Paid	(661,424,021)	(336,851,076)
Dividend Paid (including tax)	(355,588,201)	(783,470,578)
Dividend Paid (Minority Interest)	(20,721,840)	(18,656,843)
Profit on Forward Contract realised	5,252,394	11,615,070
Deferred Revenue expenses Paid	-	(25,351,881)
Net Cash from Financing Activities	999,532,209	(170,138,562)
Net Changes in Cash & Cash Equivalents(A+B+C)	104,127,185	(71,523,489)
Cash and Cash Equivalents-Opening Balance	447,290,092	427,176,461
Less: Adjustments to Cash and Cash Equivalents for Bericap India Private Limited	-	(291,910)
Add : Cash and Cash Equivalents taken over on acquisition	-	91,929,030
Cash and Cash Equivalents-Closing Balance	551,417,277	447,290,092

Notes:

- 1 Previous year figures are regrouped /reconsidered wherever necessary.
- 2 The balance in the Cash and Cash Equivalents include Rs 17,683,482 (Rs 16,091,605) set aside for payment of dividends and accordingly is not otherwise available to the company.
- 3 Cash and Cash Equivalent include Rs. 1,374 (Rs. 272) on account of realignment of foreign currency account.

(Amount in Rupees)

	2007	2006
4 Cash and Cash Equivalents include the following		
Cash on Hand	1,314,646	4,895,784
With Banks:		
(a) In Current Account	446,577,676	398,201,089
(b) In Fixed Deposit	95,851,092	41,403,734
(c) Remittance in transit	6,315,560	-
	550,058,974	444,500,607
Share in Joint Venture	1,358,303	2,789,485
	551,417,277	447,290,092

As per our attached report of even date
For **MGB & Co.**

Chartered Accountants

Mohan Bhandari

Partner

Membership No.12912

Mumbai, March 31, 2008

For and on behalf of the Board

Ashok Kumar Goel

Vice-Chairman & Managing Director

Mumbai, March 31, 2008



*Strength does not come from physical capacity.
It comes from an indomitable will.*

- Mahatma Gandhi

