

ANNUAL REPORT 2008



ESSEL PROPACK LIMITED

They say adversity strikes when you least expect it. The fiscal that has just gone by has proved it ruthlessly. It has shaken the weak and dented the confidence of the strongest.

After 26 years of modest to spectacular growth, we have faced the challenging times.

But adversity is the biggest test of character. Dwell on misfortune and things will get worse. Assess the situation and take quick and immediate corrective measures, and you'll catch the wind as soon as it blows your way again.

In business, nothing works like focusing on customers and their needs. It's a strategy that's driven our fortunes in good times; it will help us turnaround quickly in these difficult times as well. Our focus is on building stronger capabilities and enhancing production values to meet the highest demands of customer satisfaction.

It means scaling up internal efficiency, reducing costs, maximizing utilization of capital and engaging our customers, employees and stakeholders in constant and meaningful communication.

Even the darkest night must be followed by the dawn.

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Corporate Information

BOARD OF DIRECTORS

Subhash Chandra

Chairman

D. Ahuja

Tapan Mitra

K. V. Krishnamurthy

Boman Moradian

Mukund M. Chitale

(appointed w.e.f. March 24, 2009)

Ashok Kumar Goel

Vice Chairman and Managing Director

A. S. Khandwala

Vice President - Legal & Company Secretary

Auditors

MGB & Co.

Bankers

State Bank of India

Standard Chartered Bank

IDBI Bank

BNP Paribas

DBS Bank Limited

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. Fax: +91-22-2496 3137

Factories - India

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

Factories - Overseas

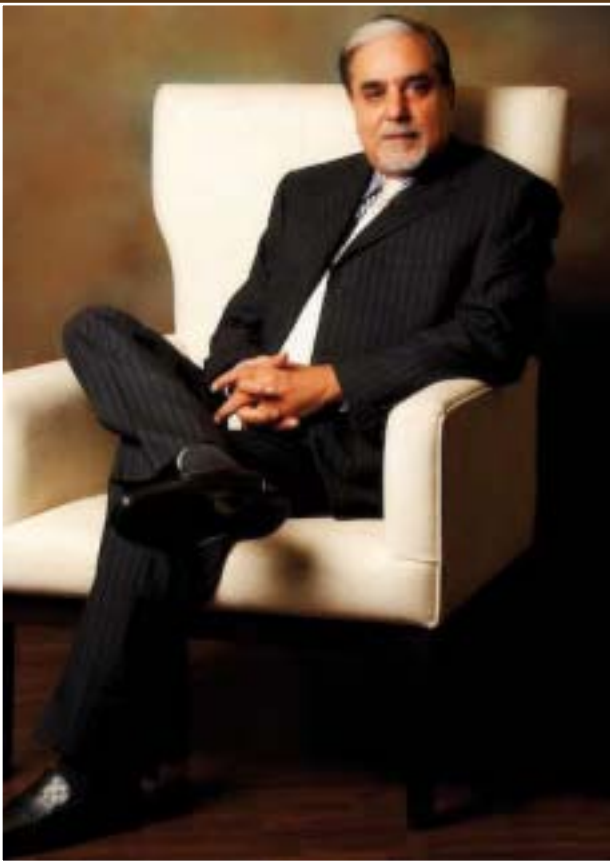
China, Columbia, Egypt, Germany, Indonesia, Mexico, Philippines, Poland, Russia, Singapore,

UK & USA

Website

www.esselpropack.com

Chairman's Message



“We understand the need to remain committed to our core strengths and focus on growing and fortifying our business.”

It gives me great pleasure to communicate again to all stakeholders of Essel Propack.

Last few years, we have had a great growth, both in turnover and geographically, worldwide, securing and strengthening our number One position worldwide in flexible tube business.

We achieved all these, based on our core competencies of superior technology, knowledge of product and markets, intimacy with our Global Client base, and above all, the dedicated set of employees at all levels, from the shop-floor workers to various levels of managers. My sincere thanks to all of them.

It is this set of people who are putting in their best now to help Essel Propack overcome the present difficult situation it is facing.

The present business environment is entirely different from anything else that we have faced, in even the worst of times in the past. We have global financial crisis, culminating in global markets tumbling since May 2008 bringing down business confidence all over the world. Continued banking and liquidity crisis impacted all businesses. Coupled with that is the weakness in Rupee and European currencies vis-à-vis US Dollar. At present, the business scenario is further complicated due to lower consumer consumption, lower growth rate, no expansion / closure of businesses, slowing down of all businesses, including ours.

I can assure all of you that the Essel Propack team is putting in their very best efforts in making the company profitable by following the action plan:

1. Cost control all around, hence bringing efficiency in each area of operation.
2. Exiting from non-core businesses.
3. Consolidating & bringing efficiencies in capital invested / borrowed.

No efforts are being spared, to get the company back to winning ways. Meanwhile, your company continues to hold its number One leadership position worldwide, sharpening its technological leadership and preparing to make the most of the market when the economy turns tide, as it has always done in the past.

Essel Propack has sailed through some testing times earlier. The financial results reflect the pain and the need to reshape the direction of our company. We understand the need to remain committed to our core strengths and focus on growing and fortifying our business.

With support from all stakeholders, we shall overcome.

We look forward to your continued support and thank all our shareholders, our customers, all employees and Bankers and Financial Institutions, for standing by us and for the continuing faith on Essel Propack family.

Wishing you all the best

Subhash Chandra
Chairman

Board of Directors



Mr. Subhash Chandra
Chairman

Mr. D. Ahuja

Mr. Tapan Mitra



Mr. K. V. Krishnamurthy

Mr. Boman Moradian

Mr. Mukund M. Chitale

Mr. Ashok Kumar Goel
*Vice Chairman & Managing
Director*

Technology at its best



Laminate Tube Making Facility



Plastic Tube Making Facility



Speciality Packaging Facility



Medical Devices Facility

Vice Chairman & Managing Director's Message



“We continue to focus on customers and their needs which we believe to be our only ingredient to success.”

Our company has witnessed quiet a few redefining moments this year. Essel Propack's journey so far has been charted with a combination of grit, hard work and sharp minds – of a unified talent force that spreads across the globe. Having experienced commanding growth with scant setbacks; we have recorded 26 years of uninterrupted growth. However for the first time we saw a denting curb in the year 2008. We observe the inward struggle and external chaos as catalysts to this situation.

Significant turnarounds in time are thrust on us with surprise and circumstances present themselves without warning – leaving us with task of refining and shaping them to move ahead; into a new world which they demand. Such events deeply engrave a phase; far from a logical tail end or an episode that is a result of human intervention – at present we are experiencing this phase which will redefine our future identity.

We are determined and continue taking swift actions equipped with an expert leadership to guide and simplify the kinks observed in our business. The focus for the company rests on the bringing back what it lost in previous year. Our steps to resurrect will be tuned to four businesses that Essel Propack comprises – Laminate Tubes, Plastic Tubes, Medical Devices and Speciality Packaging Materials.

Business for Laminate Tubes has maintained its momentum, continues to grow and has displayed sound progress. The performance of Medical Devices based in USA and Singapore has displayed results beyond expectations and presented a positive curve. The Speciality Packaging Materials Business continues to be in the investment phase with marked investments for building capabilities, flexibilities and new products.

However, expansion of facilities for Plastic Tubes located in Virginia, USA and Miedzyrzecz, Poland have taken longer for stabilising than expected. The graph dipped for Plastic Tubes business with both the facilities in USA and Poland unable to ramp up the production in a cost efficient manner.

Relatively the facilities in USA have faster resuscitation. In spite of a tumultuous year, the Plastic Units here managed a positive shift towards achieving break even by early 2009. However, the operations in Poland continue to face issues resulting from the transition of the facility from the UK plant to its existing location in Poland. The learning curve for Poland has been longest as a result of unexpected snags caused due to delay in stabilising people and resources and the outcome of economic turmoil.

While all efforts, till September 2008 were implemented towards reducing damage and reclaim the hold on Plastic Tubes facilities in both USA and Poland, all the work done was neutralised by the global slowdown, bringing a crashing impact on the growth prospects for the last quarter. The shift in world economy since October 2008 has left foot prints of disaster across industries, markets and geographies of the world. What ensued thereafter with the collapse of financial and banking system, liquidity and confidence crisis and of course the impact on curbed cash flow.

No individual, organization or any government expected the fall out that left little hope and faith business communities today. Yet, amidst the mayhem, the only manner to bring a sense or order is by pooling efforts to create openness, promote transparency and take strong confidence building steps. For both people and systems, there will be surge of new thoughts and ideas which will provide new opportunities for us to regain the lost ground.

We continue to focus on customers and their needs which we believe to be our only ingredient to success. The marketing resources have been drawn closer to the sales. Rather than spending on new capital assets or major spends for building future capabilities, we now concentrate on developing and spending on grass root efforts toward building strong capabilities and enhance production. Aim towards production that is closest to customer satisfaction and higher On Time In Full (OTIF). We continue efforts towards building confidence amongst all work groups – customers, investors, and employees.

Efforts will be focused on building metrics to measure product upgrades in and service to customers and scaling up internal efficiency, reduction of costs and making effective utilization of capital. Opening and maintaining constant communication with the customers, investors, employees and management team towards sharing ideas more closely and building confidence. Alongwith communication, we shall continue with efforts towards conservation and devise means to utilise resources in an efficient manner to weather the current business and economic environment.

I think our success so far has been a result of the diligent effort with which we focused towards value-added, innovative, laser-focused entrepreneurial initiatives. We will continue same effort with a hope to rise up, gain market share and lead to success way beyond sustenance!

Warm Regards

Ashok Kumar Goel

Vice Chairman & Managing Director

Leadership Team



Sitting Left to Right

Parag Chaturvedi

Head Manufacturing Initiatives (Global)

R. Chandrasekhar

President – Americas & Europe

Edward Luo Zhiyong

Vice President – Tubes & Laminates Business (EAP)

Ashok Kumar Goel

Vice Chairman & Managing Director

Evelyn Tweedlie

Vice President – Tubes & Laminates Business (Europe)

Puneet Gandhi

Vice President – Tubes & Laminates Business (AMESA)

A.V. Ganapathy

Chief Financial Officer (Global)

Standing Left to Right

M.R. Ramasamy

President – AMESA & EAP

Cherian K. Thomas

Whole-time Director & Chief Executive Officer – PIPL

Zoeb Adenwala

Chief Information Officer (Global)

P.V. Ravi Shankar

Head – Quality & Processes (Global)

Ernest Louis

Director – Human Capital (Global)

M.K. Banerjee

Director – Creativity & Innovation (Global)

Ted Sojourner

Vice President – Tubes & Laminates Business (Americas)

Shyam Kumar

Head Purchase & Logistics (Global)

Vinay Mokashi

Financial Controller (Global)

Directors' Report

To
The Members,
Essel Propack Limited

Your Directors set out below their Report on your Company's business and operations for the year ended December 31, 2008.

Results of Operations

India Standalone results:

Your Company sustains its strong market presence in India, having pioneered laminate tubes in the country 25 years ago. During the year, the Company also increased its offering of plastic tubes by expanding capacity in its manufacturing facilities. In addition, your Company continues to earn regular streams of dividends and royalties from its significant investments in overseas subsidiaries. The Company's standalone results continue to be positive with a net profit of Rs. 272 mn. It is 27% lower compared to the previous year due to the following factors:

- sharp increase in polymer prices impacting the raw material cost and the lag in passing it onwards to customers.
- exchange losses due to sudden and sharp devaluation of rupee.
- higher interest charges arising mainly from increase in short-term interest rates.

The summary of India Standalone results is as follows:

	(Rs. Million)	
	Year ended 31.12.2008	Year ended 31.12.2007
Total Revenue (excluding excise duty)	3,548	3,278
Total Expenditure	(2,618)	(2,351)
Operating Profit (EBITDA) before exchange gains/(losses)	930	927
Exchange gains/(losses)	(90)	34
Interest (Net)	(261)	(200)
Depreciation	(206)	(201)
Profit before Tax & Exceptional items	373	560
Exceptional items	12	(5)
Provision for Tax:		
- current/ earlier year	(113)	(185)
- deferred Tax	5	7
Fringe benefit Tax	(5)	(4)
Profit after Tax	272	373
Appropriations:		
Dividend recommended (inclusive of Tax)	55	220
Transfer to General reserve	14	373

Consolidated Global results:

During the year, your Company had to confront four major challenges, viz.

- Continued sharp escalation in the raw material prices which impacted the gross margins on account of the lag in passing the cost increases to the customers.
- Ramping up issues in plastic tube plants in Europe and the US due to capacity imbalance and other teething issues, which caused significant volume losses as well unrecovered capacity costs and other one-off stabilization costs.
- Demand creation specially for plastic tubes in the US and Europe not materialising to the level envisaged.
- General global economic meltdown which –
 - a) limited the working capital from the crisis hit global financial institutions leading to mismatch in fund flows and increased cost of borrowing.
 - b) caused sharp deterioration in the exchange value of Rupee and the European currencies in which the Company has large exposure, leading to significant exchange losses upon marking to market of the Balance Sheet items at year end as per Accounting Standard 11.

The impact was largely felt in the European business which reported a significant operating loss. The other regions of East Asia Pacific (EAP), Africa, Middle East & South Asia (AMESA) and Americas grew their top line and delivered operating profits. Consequently, the Company posted profit at EBITDA level of Rs. 1,839 mn (before exchange losses) and Rs. 1,322 mn (after providing for exchange losses), lower by 9% and 37% respectively from the EBITDA last year.

The net interest charge during the year was higher by 27 %, on account of

- the full year impact of the Poland and the Uttarakhand units which commenced operations toward the end of 2007, and
- higher interest rates caused by the global financial meltdown.

The tax charge for the year is higher than the previous year mainly on account of non-availability of tax credit in respect of the significant losses posted by the Poland unit which is set up in a Tax-Free Zone.

Charges on account of minority interest relates to the profitable subsidiaries.

Consequently, the Company has posted a Net Loss of Rs. 883 mn as compared to a Net Profit of Rs. 608 mn for the previous year.

The key financials are set out below:

	(Rs. Million)	
	Year ended 31.12.2008	Year ended 31.12.2007
Total Revenue (excluding Excise duty)	12,949	12,086
Operating Profit (EBITDA) – before exchange gains/(losses)	1,839	2,018
Exchange Gains/(Losses)	(517)	95
Operating Profit (EBITDA) – after exchange gains/(losses)	1,322	2,113
Interest (Net)	(619)	(489)
Profit before Tax	(485)	844
Tax	(346)	(205)
Minority interest	(60)	(43)
Profit after Tax & Minority interest	(883)	608

During the year, your Directors have proactively initiated a number of corrective measures to restore the profitability and growth of your Company in these difficult circumstances. These include

- resolution of the teething problems at the Poland unit, which has been the major contributor to the year's losses.
- conservation of cash through manpower rationalisation, freeze on new capital expenditure and more efficient inventory management.
- seeking to raise term loans and reduce dependence on short-term loans.
- de-leveraging the balance sheet through realization of the Group advances and sale of non-core business.

In this context, the Promoter Company's have committed their substantial immovable assets as collateral security for term loans sought to be raised by the Company.

Your Directors believe that the rationale for the Company's growth strategy in Europe is robust and that the current situation is a temporary setback.

The recent stabilization of polymer prices is seen as a welcome development. Moreover, the linkage of the Company's products to consumer's daily necessities makes it less susceptible to the current economic downturn.

Subsidiary operations:

With operations in 13 countries, your Company continues to be a global major in its flagship Plastic & Plastic packaging materials business. The new unit for laminates in Uttarakhand has ramped up its capacity during the year. The single major setback faced by the Company during the year has been the losses by its plastic tube unit in US and its units in Poland, UK and Russia which has negatively affected the Company's consolidated results. The under-performance is on account of:

- lack of orders in the US Plastic Tubes and the Russia business.
- shifting of its manufacturing operations by a large UK customer.
- loss of business on account of teething problems at the Poland unit.

A number of steps were initiated during the year to correct the situation. The Poland plant is stable, concerted efforts are being made to develop new customers in various geographies by leveraging your Company's global customer network.

The subsidiaries in Venezuela and Nepal have ceased operations and are in the process of winding up.

During the year, your Company through Tacpro Inc., its step down subsidiary in the US, acquired Catheter and Disposables Technology Inc. and Medical Engineering and Design Inc., two US based medical devices companies.

As per Section 212 of the Companies Act, 1956, the Company is required to attach the Directors' Report, Balance Sheet and Profit and Loss account of its subsidiaries. Your Company has applied to the Government of India for and obtained exemption from such attachment (vide letter no. 47/589/2008-CL-111 dated February 16, 2009), 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 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 between 11.00 a.m. to 1.00 p.m. at the Company's Registered office till the date of 26th Annual General Meeting.

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

These companies which have facilities near Pune to manufacture 156 mn laminate tubes and 15 mn sq m of laminate were declared sick in the years 2001 and 2008 respectively. Your Company had agreed in principle to act as Co-Promoter in connection with an application for approval of the scheme for revival and rehabilitation submitted by RPL and REL before the office of the Board of Industrial and Financial Reconstruction (BIFR) in New Delhi. Following the completion of the hearing and due process, BIFR has approved the scheme whereby your Company is required to make investment/loan of Rs. 93.59 mn in these companies and restructure their capital.

Dividend

Taking into account the profits reported by the India standalone operations and keeping in mind the interests of small shareholders, your Directors recommend a dividend of 15% for the year 2008. This will help your Company to maintain its dividend paying record.

Buy-Back of shares

Your Company has not announced in the last three years any Share buy-back programmes. If there is any future proposal for buy-back, fresh mandate will be sought from the members as necessary under the applicable guidelines.

Public Deposits

Your Company has not accepted any fixed deposits during the year 2008, and there are no outstanding fixed deposits from the public as on December 31, 2008.

Human Capital

Your Company has 684 employees as of December 31, 2008. 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 office between 11.00 a.m. to 1.00 p.m. on all working days till the date of the 26th 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. Tapan Mitra, Director retire by rotation and being eligible, offers himself for re-appointment.

Mr. Boman Moradian, Director of the Company retire by rotation and being eligible, offers himself for re-appointment.

Mr. Ashok Kumar Goel was re-appointed as Vice Chairman and Managing Director for a period of five years effective from October 21, 2008.

Mr. Mukund M. Chitale was appointed Additional Director pursuant to Section 260 of the Companies Act, 1956, by the Board at its meeting held on March 24, 2009.

Brief resumes of Mr. Tapan Mitra, Mr. Boman Moradian, Mr. Mukund M. Chitale and Mr. Ashok Kumar Goel as required by Clause 49 of the Listing Agreement with the Stock Exchanges is annexed to the Notice convening the 26th 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 judgement 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, 2008 and of the profit for the period January 1, 2008, to December 31, 2008;
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.

Response to the Auditors' Report:

Vis-à-vis the two points made in the Auditors' report, your Directors wish to state as follows:

- With regard to delays in repayment to banks of certain principal sums as reported at point (xi) of the Annexure to the Auditors' report on the Standalone accounts, these happened despite best efforts on the part of the Company due to certain fund-flow mismatches caused by the tight liquidity conditions in the financial markets during the later part of the year which had impacted tie up of long term fund arrangements. Your Company has, however,

either paid or extended these mentioned loans to the satisfaction of the concerned banks. As regards interest payment, there were no delays by the Company since interest was paid in consultation with banks all along and the cases highlighted in the Auditors' Report relate to adjustments to the interest amount determined by banks at a later date.

- As regards the excess remuneration paid/provided during the year to the Managing Director as reported in point 4 of the Auditor's Report,
 - Taking into account the multiple geographies, size and complexity of the company's business, the remuneration of the Managing Director was approved by the shareholders five years ago. Owing to the poor results of the current year, the fixed component of his remuneration exceeds the limits specified in terms of Section 198 and 309 of the Companies Act, 1956. Approval of shareholders and of the Government has therefore been sought.
 - Until the necessary approvals are received, the said excess remuneration shall be held in trust by the Managing Director of the Company as envisaged by the Companies Act, 1956.
 - It may be noted that at the express wish of the Managing Director, the Remuneration committee has not granted him any Annual Performance Bonus for the year 2008 nor any increment for the year 2009.

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

The Management Discussion and Analysis on the operations of the Company is provided in a separate section and forms 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 the co-operation and support received from banks and financial institutions, customers, suppliers, members and employees towards the growth and prosperity of your Company and look forward to their continued support.

For and on behalf of the Board of Directors

ESSEL PROPACK LIMITED

Subhash Chandra

Chairman

Mumbai, March 31, 2009

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

Continuing the initiative for Energy conservation, your Company implemented a number of energy saving measures identified through the Energy audit findings carried out in the major manufacturing units.

A) Energy Conservation measures taken:

- a) Over hauling of utility chilling towers to improve efficiencies.
- b) Replacing high energy consumption motors with adequate energy consumption motors.
- c) Installation of energy saving attachment (Air intake valve) to avoid air wastage from the compressor due to bleeding of air.
- d) Non Return Valve to 150 Cubit Feet per month air compressor to reduce back pressure loss.
- e) Delta to Star connections carried out to reduce energy consumption across varied Motors on various machines (Cooling tower, lathe, Bore well, Laminator, Blown film & Exhaust fans).

B) Additional Investments & Proposals for reduction of Consumption of energy:

- a) In key units, energy conservation cells have been set up. The significant improvement actions initiated by these cells would be rolled out to the other units.
- b) Installed 1 large chilled water circulation pump instead of 4 small high energy consuming pumps at Reynold make chiller unit.
- c) Replaced V belt by Energy Saving Flat belts for Air Handling Unit (AHU) motors.
- d) Variable Frequency Drive for under loaded AHU's to optimize blower power consumption.

C) Impact of the above measures:

- a) Power Factor has been maintained close to one which has yielded power factor efficiencies and secured tariff rebates at all the locations.
- b) Energy cost per ton reduced for blown film & Lamination.

D) The industry in which the Company is engaged is not an industry specified in the schedule to Form A of the Companies (Disclosure of Particulars in the report of Board of Directors) Rule, 1988, hence the Company is exempted from disclosing energy consumption.

II. Technology Absorption, Adaptation & Innovation and Research and Development (R & D)

A. Research and Development (R & D):

1. Efforts made towards technology absorption, adaptation and innovation

Year 2008 was dedicated to sustainability projects. Creativity & Innovation (C&I) team of the Company has done extensive work on the sustainability front and came up with two structures for PCR (Post Consumer Re grind) based plastic tubes and three structures for PCR based Laminated tubes.

2. Benefits derived as a result of the above efforts:

- I. Large Diameter Code-2 (HDPE) tubes with 40% PCR are now "Stage Gate Approved" and part of Company's standard product list. Product code is "Etain". The PCR layer will not come in contact with filled product. These tubes thus can be used for all kind of Cosmetic and Toiletries.
- II. Large Diameter Code-7 (mixed polymer) PCR tubes have also been "Stage Gate" approved. The tubes have comparatively softer feel and can be seal at very high End seal speeds. PCR layer will not come in contact with filled product. These can be used for all kind of Cosmetic products.
- III. Laminate Aluminium foil barrier Tubes in 250 and 275 mic with 20 % PCR have been developed. Product code is EP2512R and EP2712R. Both tubes are ready for commercialization.
- IV. Laminated all Plastic barrier Tubes in 300 mic (EP3015R) have been developed in line with Europe and USA requirements. These tubes come with various attractive new generation colours and superior graphics.
- V. "Egnite" brand of High Luster Plastic barrier Laminate tubes have been formally launched in six different attractive metallic colours. Tubes are having metallic look but with a "soft plastic feel" apart from superb Oxygen and Water vapour resistance properties.
- VI. The Company has developed Seamless Plastic tubes with compound of High density and linear polymer that has superb chemical barrier at the same time seals at high speeds. These tubes find application in Face Wash, Bleach and Pharmaceutical segments.
- VII. The Company has developed 180 micron super barrier Pharma tubes with excellent collapsibility.

3. Future Plan of Action: C & I team has been working on the following areas for future application on laminates and tubes:

- I. Bio-degradable laminate and tubes.

- II. Fully Recyclable multilayer laminated tubes.
- III. Dispensation system.
- IV. Alternate raw materials that are environmentally friendly.

B. Technology Absorption, Adaptation & Innovation:

1. Efforts made towards technology absorption, adaptation and innovation:

Technology and Creativity & Innovation (C & I) team have worked extensively on the Multilayer Co-extruded Plastic tube high speed body maker, continued to work on the Tube Decorations process, Compression moulded Oval Tube heading process and Defect detection system.

2. Benefits derived as a result of the above efforts:

- I. The Company has designed and developed High speed 5 layers Co-extruded tube body maker for tube dia up to 50 mm. Body maker has automatic tube body thickness control.
- II. The Company has commercialised laminated web printing with combination printing with Screen, Flexo and Foil blocking feature at one pass process. The press is in operation in Company's plant at USA.
- III. The Company has inducted High speed Compression moulded Tube heading for Oval tube variants. Shoulder and neck of such compression moulded tubes has superior finish. This new generation compression oval tubes header has matching speed with high speed tube body maker and runs 50 mm dia with rated speed and perfection.
- IV. The Company has inducted high speed defect detection and sorting system in Plastic tubes lines. System works on CCD camera and robotics enabling detection of print defects and presence of foreign

materials, if any. Defective tubes are ejected out of the conveyor and only good tubes pass on to the auto packer.

III. Expenditure on R & D

(Rupees million)

a) Capital	Nil
b) Recurring	11.73
c) Total expenditure	11.73
Total Expenditure as a % of Total Turnover	0.35%

IV. Export Gross Sales of the Company are at Rs. 358 mn which is around 11.44 % of India Gross Sales.

Exports have been given a fresh impetus with concerted efforts to enter new markets and product segments. We have added new customers in existing markets and also expanded into newer markets in the GCC, Israel, Turkey, Asia Pacific & African nations. Sales from existing customers have grown, as we continue to add more to our portfolio.

Competitive forces have increased manifold from Chinese and Middle Eastern manufacturers putting excessive pressure on prices and margins. Currency devaluations have hampered imports.

Export of plastic tubes to African and Middle East markets is a focus area for growth this year.

V. Foreign Exchange Earnings and Outgo

(Rupees million)

a) Foreign exchange earned (excluding deemed export)	768.11
b) Foreign exchange used	993.92

For and on behalf of the Board of Directors

ESSEL PROPACK LIMITED

Subhash Chandra
Chairman

Mumbai, March 31, 2009

Management Discussion & Analysis

FINANCIAL AND OPERATIONAL PERFORMANCE

Overview:

During the year, your Company had to confront four major challenges:

- Continued sharp escalation in the raw material prices which impacted the gross margins on account of the lag impact in passing the cost increases to the customers.
- Ramping up issues in the Poland plastic tube plant, which caused significant loss of sales as well as un-recovered capacity costs and one-off stabilization costs.
- Demand creation specially for plastic tubes in the USA lower than the level envisaged.
- General global economic meltdown which –
 - a) limited the working capital from the crisis hit global financial institutions leading to mis-match in fund flows and increased cost of borrowing.
 - b) caused sharp deterioration in the exchange value of the Rupee and European currencies to which the Company has significant exposure, resulting in significant exchange losses upon marking to market of Balance Sheet items at year end as per Accounting Standard 11.

Your Company has pro-actively initiated the following corrective measures in order to remedy the situation:

- 1) The raw material price escalation has been addressed through
 - Process upgradation to improve material yields.
 - Global procurement for key materials to derive the benefit of scale.
- 2) A Technical team from the Corporate Office was assigned to resolve the plant related problems in Poland as well as to train the local team.
- 3) Aggressive demand creation efforts led by Regional Presidents:
 - For plastic tubes in Europe and Americas.
 - For export opportunities in Africa, N.E Asia and Australia.
 - In pharma and food sectors, outside of the traditional oral care/ cosmetics sectors.
 - In bringing out new innovations e.g. Post consumer recycled plastic tubes branded as ETAIN, high luster laminate tubes branded as EGNITE, etc.
- d) Conservation of cash through:
 - Manpower rationalization.
 - Significant reduction in the Capital expenditure plan for the year 2009.
 - Centralised management of Spares inventory.
 - Optimisation of machine utilisation.

Your Directors also note with satisfaction that during the year,

- the laminate tube plant in the USA turned around by the second half, following a sharp improvement in the material and manpower efficiencies and high level of customer servicing.
- the new capacity for closures established in India was ramped up and the plant geared up to serve as captive supplier to Essel subsidiaries globally.
- the new laminate plant in Uttarakhand was fully ramped up by the last quarter of the year.
- the Philippines plant following the downsizing and rationalization implemented end 2007, turned profitable.

Key financials of the global operations are set out below:

	(Rs. Million)	
	2008	2007
Total Revenue	12,911	11,937
EBITDA (before exchange losses)	1,839	2,018
EBITDA (after exchange losses)	1,322	2,113
Profit Before Tax	(485)	843
Profit After Tax & minority interest	(883)	608

Segment Performance Review:

Your Company's key business is in Plastic & Plastic packaging materials. The business is managed by four geographical segments viz.

Americas (with operations in the USA, Mexico and Columbia).

Europe (with operations in the UK, Germany, Poland and Russia).

Africa, Middle East & South Asia – AMESA (with operations in Egypt & India).

East Asia Pacific – EAP (with operations in China, Indonesia, Singapore & Philippines).

The segment financial highlights set out below shows positive revenue growth in all regions except Europe. The Profit before Interest and Tax has been robust in AMESA and EAP, and shows a turnaround in Americas. Europe is the only region adversely affecting the overall performance during the year, mainly due to the plastic tube unit in Poland which was in its first full year of operations.

Segment Financial highlights:

	(Rs. Million)	
	2008	2007
Revenue:		
Americas	4,198	3,249
Europe	1,557	2,162
AMESA	5,004	4,547
EAP	2,146	1,980
PBIT (before exchange gain/(loss))		
Americas	132	2
Europe	(925)	(174)
AMESA	841	871
EAP	740	627

The last quarter of the year 2008 witnessed sharp devaluation in several currencies, causing exchange loss of Rs. 517 mn, mainly in India, Europe and Mexico on the various loans and liabilities.

Developments in each of the Regions are set out below:

Americas:

During the year, the US laminate tube plant turned around backed by a series of cost control measures implemented since last quarter of 2007 and improved material productivity achieved through process rationalization and training. The logistics and supply chain processes were strengthened under a new unit management team, leading to significantly improved customer service levels over the previous year.

The US plastic tube plant completed, albeit with a delay, the process of plant certification and product approval by customers. Commercial order started flowing by the last quarter of 2008, but not to the planned level, leading to significant capacity underutilization and operating losses. The unit management has developed plans for phased ramping up of the capacity during 2009.

The Mexican unit continued to grow in volumes and cash generation. However, the sharp devaluation in the Peso during the last quarter adversely impacted its results on account of significant mark to market losses.

The Colombia unit revenues during the year were adversely impacted by disruption in its exports to Venezuela due to border trade restrictions. The unit is now acquiring new customers within the country and in the interim, plans to downsize operations with a view to remaining profitable.

Europe:

The sale of laminate tube in the UK was well below plan due to the unforeseen shifting of its manufacturing operations by a large customer. The manpower was rationalized during the September quarter to reduce the operating costs and achieve cash positive status. The unit is working with prospective customers for improving capacity utilisation.

The German laminate tube unit continues to be profitable.

The Russian unit grew in sales compared to last year, though below the plan. The results were however severely impacted by sharp devaluation of the Rouble towards the end of the year.

The new plastic tube unit in Poland was beset with several stabilization issues, leading to lost sales and unrecovered capacity costs. The sharp devaluation of the Polish Zloty towards the end of the year caused large mark to market losses. The unit posted a significant loss of Rs. 828 mn which has been a key contributor to the net loss in your Company's consolidated results. The unit has since been stabilized. Manpower has been rationalized, changes have been effected in the local leadership and new customers are being developed. The unit has drawn up plans to break even during the next year.

AMESA (Africa, Middle East & South Asia):

The units in Egypt continue to perform well.

The India laminate tube units' sales grew 6% which was however below potential due to capacity bottlenecks and raw material quality issues faced in the early part of the year. The sharp depreciation of the Indian rupee and sustained increase

in the polymer prices impacted the gross margins during the year. The sale of plastic tubes grew strongly following addition to capacity at the Wada plant.

The new laminate plant in Uttarakhand for flexible packaging was ramped up during the second half of the year. The profits of the laminate units in Puducherry and Uttarakhand were also impacted by sharp increase in polymer prices and the lag effect in passing it through to customers.

The new captive cylinder plant set up in Cuddalore is working to capacity.

The new captive capacity for closures in Murbad was ramped up. Opportunity to export caps to group companies have been identified and are under implementation.

EAP (East Asia Pacific):

The China unit delivered healthy results backed by strong cost management. Revenues from pharma segment could not commence as planned due to delays in approvals from the authorities. The unit was adjudged the best supplier for second year in a row by a key multinational customer. The unit is actively exploring opportunity for exports to Korea and Australia.

The Philippines unit, helped by the turnaround strategy implemented towards end of 2007, posted robust results.

The associate company in Indonesia continues to do well.

FINANCE:

Capital expenditure during the year was contained at around Rs. 907 mn. However, the losses in Europe have impacted the company's debt-equity ratio. Your Company is implementing plans to de-leverage and de-risk its debt by

- Selling off its non-core business.
- Realizing group advances.
- Improving Free Cashflow by freezing capital expenditure and reducing inventory.
- Arranging secured term loans from local banks, and
- Paying off short term debt.

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 securing alignment of employees to the business needs, during the year, the Company cascaded across regions its Vision, Mission and Values. Your Company also carried out a number of group activities aimed at team-building. A new Performance Management System was implemented for the top team.

INFORMATION TECHNOLOGY:

During the year, your Company has embarked implementing SAP as the single ERP platform for its world-wide operations. An implementation plan together with key milestones was formulated in discussion with the consultants. A cross-functional team of company's managers has been assigned to work full time in implementing the project alongwith the consultant's team. During the year, the modelling and testing has been successfully completed and training imparted to end users.

Your Company will roll-out the software in a phased manner during 2009. At the date of this report, roll-out has been done for China, Philippines, India and the US.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has in place internal control systems and a structured internal audit process charged with the task of safeguarding the assets of the Company and ensuring reliability and accuracy of the accounting and other operational data. The internal audit department reports to the Audit Committee.

The Company has a monthly reporting system as part of operational control, whereby the subsidiary operations are reviewed against budgets and corrective actions initiated by the top management.

The Company has in place a capital expenditure control system to ensure that the new investment proposals 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 apprised of internal audit findings. The audit committee of the company consisting of non-executive independent directors periodically reviews 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.

During the year, the Company introduced and updated, with approval from the Audit committee, several internal policy guidelines for uniform application across its units such as Receivables control, Inventory management, Input price increase pass through, Customer quality protocols etc. The Company has also identified improvement areas of material usage, efficiency and business risk management process.

RISK MANAGEMENT:

The Board of Directors and the Audit committee of the Board regularly review the risk matrix in terms of impact and probability of occurrence. The Leadership team led by Vice-Chairman & Managing Director is responsible for risk mitigation measures.

Key risks to which your Company is exposed include:

- a) Raw material price escalation and the lag effect in passing these on to customers:
 - The constraints in ethylene capacity could continue for some more time causing upward pressure on raw material prices.
 - Your Company is proactively managing its pricing terms to customers in order to minimize the lag in passing through the raw material price increases.
- b) Attracting and retaining talent in the context of the business exigencies:
 - High demand for talent globally impacts people turnover.

- Your Company is addressing this to the best possible extent by a mix of active career planning, competitive remuneration, culture of empowerment, an objective performance management system and variable performance pay.
- c) Currency volatility:
 - The global nature of operations exposes the Company to multiple currencies. Fluctuations in exchange rate could effect company's performance.
 - Appropriate pass-through clauses have been built into certain customer contracts to offset impact of currency fluctuations. In other cases, the Company has a policy to review prices. The Company also has the policy of systematically hedging its exposures as feasible in the different countries where the company operates.
 - d) High debt equity ratio:
 - In a down turn, higher debt could increase financial risk.
 - As mentioned elsewhere in this report, your Company is implementing a plan to de-leverage and reduce dependency on short term borrowings. Measures to conserve cash are actively pursued.
 - e) Economic downturn:
 - This could impact the company's markets, suppliers, customers and finances leading to business slow down, disruptions etc.

Your Company's products are linked to daily necessities of consumers and should not be highly impacted by the downturn. The Company will focus on containing costs as a means to stay competitive. Proactive supplier and customer management will be implemented to constantly assess risk of business continuity, bad debts etc.

OUTLOOK:

The company's products satisfy the daily needs of the consumers the world over. Therefore we believe that the demand for our products should not be impacted in any significant manner by the present economic downturn. On the contrary, the emerging markets will continue to provide growth opportunity with increasing penetration of FMCG.

The stabilisation of polymer prices is expected to stabilize the gross margin.

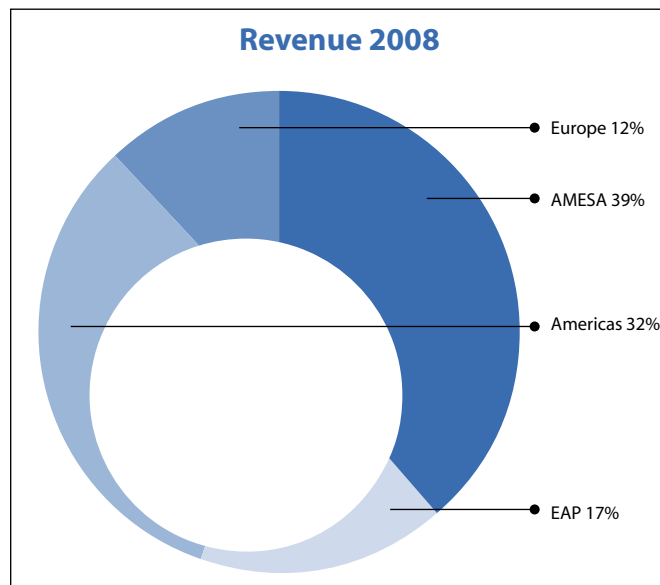
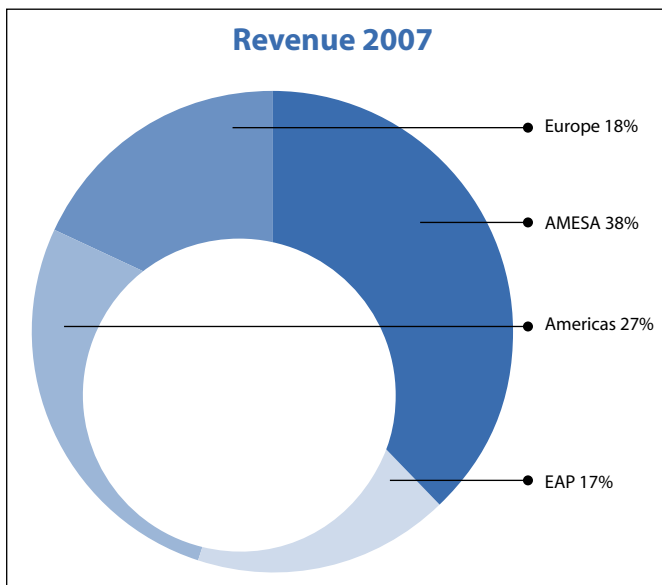
Various initiatives to develop new customers, specially for the plastic tube businesses in the US and Poland and to commercialise product innovations, as described earlier, should enable the Company to ramp up its new capacities and drive costs down.

The de-risking of the capital structure, when completed, will provide the Company with a stronger base to seize opportunities.

The Company believes that its focus, scale, strong technology and Innovation base, global customer network, market leadership and the new customer-centred organization structure will be key enablers in its emerging stronger through this difficult period and delivering long term value to its 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 may 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);
- Non-Executive (Independent) Directors.

The Board of Directors provide strategic direction and thrust to the operations of the Company. The Board has a Non-Executive Promoter 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 Board of Directors in its meeting held on March 24, 2009 has appointed Mr. Mukund M. Chitale as an Additional (Independent) Director and holds office upto ensuing 26th Annual General Meeting of the Company and is eligible for appointment.

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 and also their directorship in other companies and membership of committees as on December 31, 2008 is as under:

Name of the Director	Category of Director	Total Board Meetings held	Board Meetings Attended	AGM Attended	No. of Committee Memberships held @		No. of outside Directorships held \$
					Chairman	Member	
Subhash Chandra (Chairman)	PD, NED, NID	7	5	Yes	Nil	1	6
Ashok Kumar Goel (Vice-Chairman & Managing Director)	PD, ED, NID	7	7	Yes	Nil	2	6
D. Ahuja	NPD, NED, ID	7	7	No	1	3	3
Tapan Mitra	NPD, NED, ID	7	7	Yes	5	1	5
K.V. Krishnamurthy	NPD, NED, ID	7	6	Yes	3	6	12
Boman Moradian	NPD, NED, ID	7	6	Yes	1	3	1

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 is considered.

\$ Excludes directorships in Private Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

2. Board Procedures:

The Agenda is prepared 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.

3. Meetings of the Board of Directors:

During the year under review, the Board of Directors met 7 times on January 30, 2008, March 31, 2008, April 22, 2008, July 24, 2008, August 16, 2008, October 22, 2008 and November 13, 2008.

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 Auditor, President - Americas & Europe, President-AMESA & EAP, 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 12, 2008.

b) Terms of Reference:

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

- 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 quarterly and annual 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.
- Carrying out any other function as is mentioned in terms of reference of the Audit Committee.

c) Meetings and Attendance:

During the year under review, the Committee met 5 times on January 30, 2008, March 31, 2008, April 22, 2008, July 24, 2008 and October 22, 2008.

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

Members	Meetings attended
Mr. Tapan Mitra	5
Mr. D. Ahuja	5
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

Mr. Ajay Nagle (Vice-President – Legal & Company Secretary) resigned and was compliance officer upto July 4, 2008. Mr. A. S. Khandwala has been appointed as Vice President-Legal & Company Secretary and as compliance officer with effect from March 23, 2009.

b) Terms of Reference:

The Committee deals in matters relating to:

- i) Transfer and Transmission 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 and Attendance:

The Investor Grievance Committee met 6 times on January 17, 2008, March 14, 2008, April 7, 2008, July 3, 2008, September 9, 2008 and December 22, 2008.

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	4
Mr. Boman Moradian	6

d) Number and nature of Complaints for the year 2008 is as under:

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

3. Remuneration Committee

a) Composition:

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

Director	Position	Gross Remuneration Paid/Provided (Rs.)	Stock Options Granted	Service Contract	Notice Period
Mr. Ashok Kumar Goel	Vice Chairman and Managing Director	2,61,04,000 #	NIL	Appointed for 5 years w.e.f. 21/10/2003. Re-appointed for 5 years w.e.f. 21/10/2008	3 months

- 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.

c) Meetings & Attendance:

During the year under review, the Committee met on January 30, 2008 and October 14, 2008. The attendance record of the Members of the Remuneration Committee is as under:-

Members	Meetings attended
Mr. D. Ahuja	2
Mr. Tapan Mitra	1
Mr. K.V. Krishnamurthy	2

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 2008, Commission for the year 2007 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 2008 are given below:

Director	Commission (Rs.)	Sitting Fees (Rs.)
Mr. D. Ahuja	1,100,000	150,000
Mr. Tapan Mitra	1,100,000	130,000
Mr. K.V. Krishnamurthy	1,100,000	210,000
Mr. Boman Moradian	1,100,000	190,000
Total	4,400,000	680,000

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

b) The Remuneration paid to the Executive Director of the Company for the year ended December 31, 2008, is as under:-

Break up of Remuneration is as under:

Sr. No.	Particulars	2008 (Rs.)
1.	Salaries, Allowances and Perquisites**	23,800,000
2.	Contribution to Provident and other funds	2,304,000
Total		26,104,000

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

- c) The Non-Executive Independent Directors of the Company do not hold any shares of the Company. However, 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 August 2008, the Office of Registrar of Companies ("RoC") issued various Show cause notices alleging violation of certain provisions of the Companies Act, 1956. The Company has denied all the alleged violations. However, in order to avoid further litigation, the applications for compounding of offences of all violations alleged by the said Show cause notices have been filed with ROC.

Similar applications for compounding of offences have also been filed by the Company for certain alleged violation of the provisions of the Companies Act, 1956 in respect of which legal proceedings had been initiated and is pending as on date.

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 which has been posted on the Company's website (www.esselpropack.com). The Directors' and designated employees have affirmed their adherence to the code and the 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. Mr. Ajay Nagle (Vice President – Legal & Company Secretary) and Compliance Officer (under listing agreement) had resigned with effect from July 4, 2008. Mr. A. S. Khandwala has been appointed as Vice President-Legal&CompanySecretaryandCompliance Officer with effect from March 23, 2009.

6. Risk Management

As required under Clause 49 of the Listing Agreement, the Company has set up procedures to appraise the Board of Directors of the Company on the key risk assessment areas and suggest risk mitigation mechanism. The Company through an outsourced legal firm has compiled a checklist of all important legislations impacting the subsidiaries operation across the world and for their compliances. The Company has also set up a system wherein each subsidiary and unit of the Company submits the certificate confirming compliance of the applicable laws.

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, 2009. A copy of the certificate is annexed to this Report.

8. Corporate Social Responsibility Policy

The Company has a Corporate Social Responsibility Policy under which it makes 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

(Day, Date, Time & Venue)

Tuesday, May 12, 2009, at 11.00 a.m.

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

2. Financial year

January to December

3. Book Closure Dates

From Wednesday, May 6, 2009 to Tuesday, May 12, 2009 (both days inclusive)

4. Financial Calendar

(Tentative)

Dividend (Dividend for the year ended 2008) : Within 7 days from date of 26th AGM

Board meeting to approve -

First Quarter (2009) Results : April 2009

Half Yearly (2009) Results : July 2009

Third Quarter (2009) Results : October 2009

Fourth Quarter (2009) Results : January 2010

Approval of Annual Audited Accounts (2009) : March 2010

5. Registered Office

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

Listing of Shares on Stock Exchanges

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

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

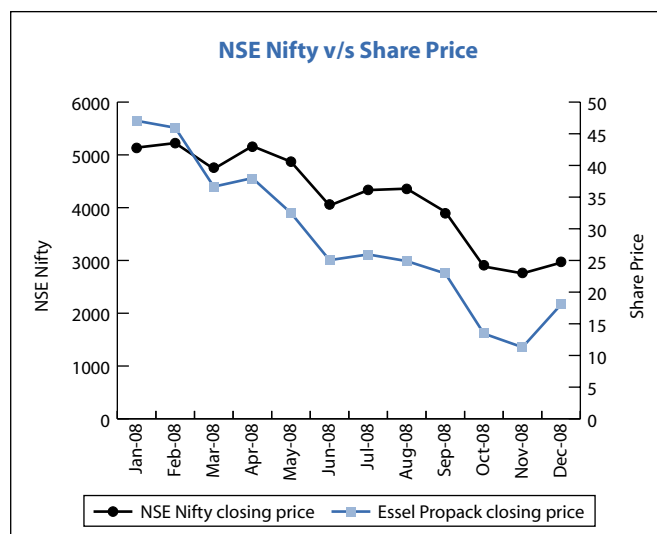
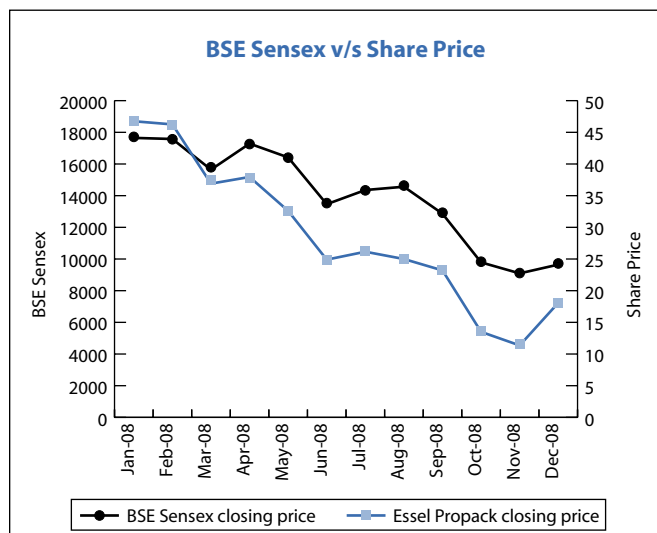
Prescribed listing fees have been paid to the Stock Exchanges.

ISIN No. INE255A01020

6. Market Price Data: (High / Low during each month for the year 2008)

Month	BSE		NSE	
	High	Low	High	Low
January	80.70	39.05	81.40	39.75
February	53.90	42.15	53.70	44.05
March	46.00	29.00	46.00	29.00
April	44.60	35.00	44.90	31.70
May	38.25	31.75	37.50	36.10
June	34.00	24.70	33.00	24.30
July	29.00	23.25	28.80	23.15
August	28.10	24.70	28.70	24.60
September	29.00	21.25	29.00	20.65
October	24.65	13.15	24.55	13.00
November	15.50	11.30	15.00	11.05
December	18.94	10.65	18.90	10.65

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



8. Registrar & Transfer Agent:

Investor Relation Centre :

Sharepro Services (India) Private Limited

Unit: ESSEL PROPACK LIMITED

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

Tel.: (022) 6613 4700

Fax: (022) 2282 5484

E-mail: sharepro@shareproservices.com

Head Office :

Sharepro Services (India) Private Limited

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. A. S. Khandwala
 Vice President – Legal & Company Secretary
 (appointed with effect from March 23, 2009)
 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 : aashay.khandwala@ep.esselgroup.com

10. Investor Relations:

Mr. Surje Singh
 Manager - Investor Relations
 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.singh@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 Investor's 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) Private Limited, Registrar

14. Distribution of Shares as on December 31, 2008:

Distribution	No. of shareholders	% to total holders	No. of shares	% to total shares
Less than 500	21,951	69.42	4,394,781	2.81
501 - 1000	4,461	14.11	3,659,118	2.34
1001 - 2000	2,627	8.31	3,971,524	2.54
2001 - 3000	936	2.96	2,383,749	1.52
3001 - 4000	421	1.33	1,522,229	0.96
4001 - 5000	342	1.08	1,636,854	1.05
5001 - 10000	489	1.55	3,577,480	2.28
Above 10001	393	1.24	135,455,395	86.50
Total	31,620	100.00	156,601,130	100.00

& Transfer Agents at the above mentioned address.

The Members holding shares in electronic mode should address all their correspondence to their respective Depository Participant (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 11.30 a.m. on May 6, 2006, May 4, 2007 and May 12, 2008.

- Special Resolutions passed in the previous Annual General Meetings held during last 3 years:
 - 23rd AGM held on May 6, 2006:
 - Commission to Non-Executive Independent Directors.
 - Amendment to the Articles of Association.
 - Alteration of the Capital clause of Articles of Association consequent to subdivision of Shares.
 - 25th AGM held on May 12, 2008:
 - Ratify, confirm and approve the Annual Performance Bonus/incentive of Rs. 14,964,000/- payable to Mr. Ashok Kumar Goel, Vice Chairman & Managing Director, for the year ended December 31, 2007.
- An Extra-ordinary General Meeting was held on March 14, 2008.
 - Special Resolution under Section 81(1A) of the Companies Act, 1956 was passed to offer, issue and allot Securities for an amount not exceeding \$50,000,000 including a Green Shoe Option.

13. Postal Ballot

No special resolution was passed by way of Postal Ballot during the year 2008.

15. Categories of Shareholders as on December 31, 2008:

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	14,077,093	8.99
- FIs	4,960,395	3.17
- Body Corporates	13,740,146	8.77
- Resident Indians	29,199,561	18.65
- NRIs	2,354,680	1.50
(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 Limited (NSDL) as well as the Central Depository Services (India) Limited (CDSL) for demat facility. As on December 31, 2008, 98.41% 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:

Category	as on 31.12.2008	%
No. of Shares held by NSDL	133,849,818	85.47
No. of Shares held by CDSL	20,257,149	12.94
Physical	2,494,163	1.59
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. 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 (U.S. Dollars Fifty Million only) including a

Green Shoe option. However, considering the market scenario, the Company did not proceed with the issue of any such Securities.

19. Subdivision of Shares

As approved by the Members at the 23rd Annual General Meeting of the Company held on May 6, 2006, 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.

20. Plant Locations (including subsidiaries/associates)

India (8), Egypt (2), China (2), Philippines (1), Indonesia (1), Singapore (1), UK (1), Germany (1), Poland (1), Russia (1), USA (5), Mexico (1) and Colombia (1).

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, 2009

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' adopted by the Company, for the year ended December 31, 2008.

For ESSEL PROPACK LIMITED

**Ashok Kumar Goel
Vice Chairman & Managing Director**

March 31, 2009

CEO / CFO Certificate

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

- a) We have reviewed financial statements and the cash flow statement for the year ended December 31, 2008 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, 2008 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, 2008 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 2008)
 - 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, 2009

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, 2008, 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 generally no investor grievances are pending for a period exceeding 30 days against the Company as per the records maintained by the Company.

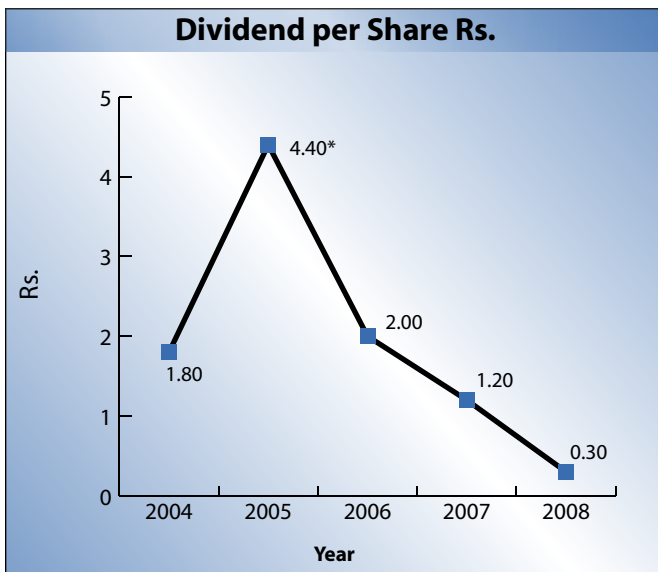
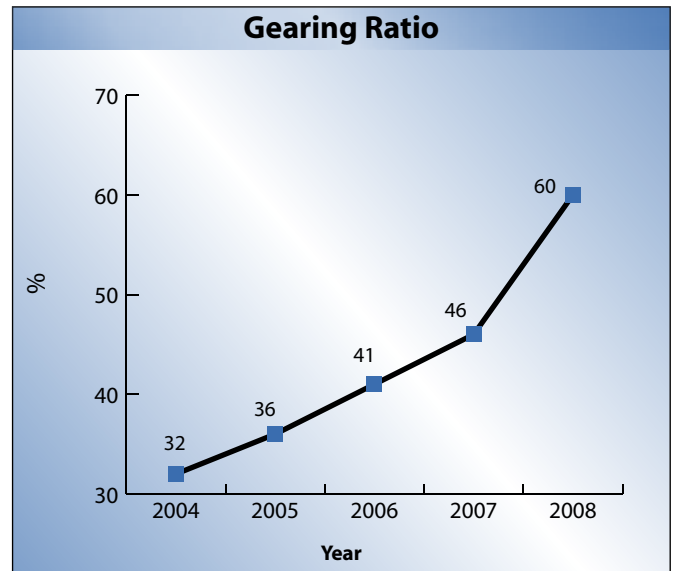
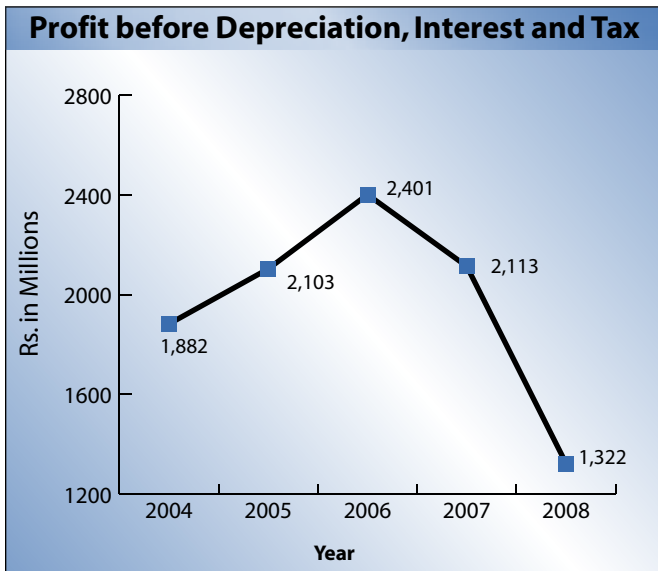
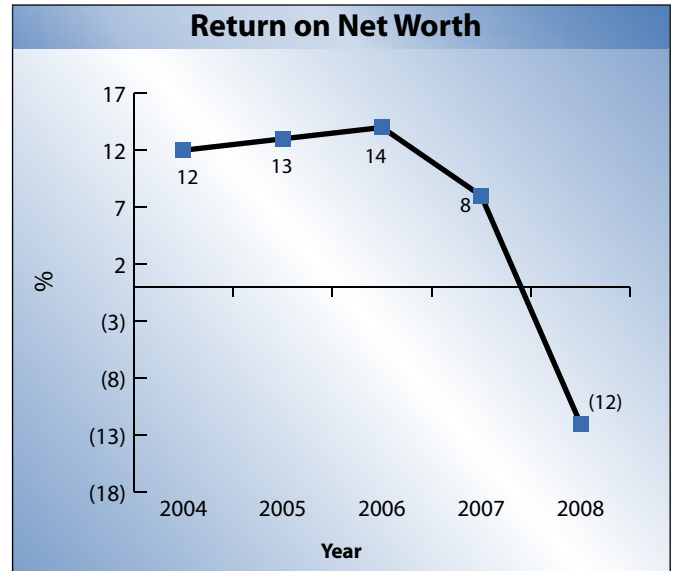
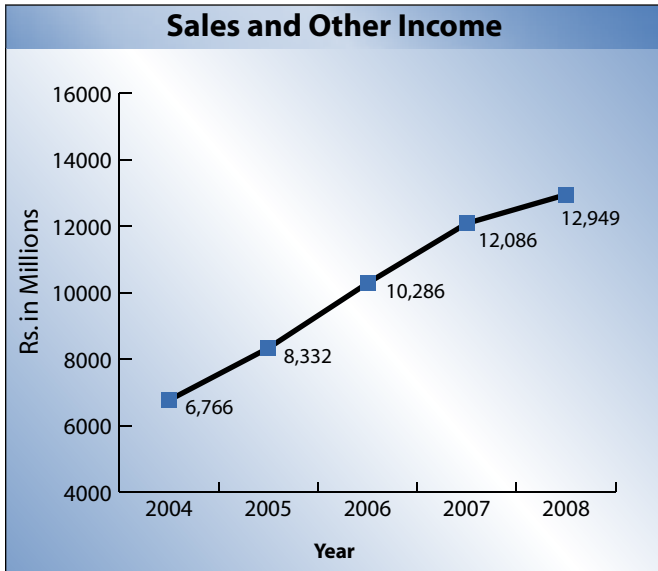
We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Mohan Bhandari
Partner
Membership No. 12912

For and on behalf of
MGB & Co.
Chartered Accountants

Mumbai, March 31, 2009

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				
	2004	2005	2006	2007	2008
Sales and other income	6,765.87	8,332.32	10,286.06	12,086.50	12,949.29
Profit before depreciation, interest and tax	1,882.37	2,103.14	2,400.63	2,113.18	1,321.71
Depreciation	640.57	766.20	865.38	667.35	1,119.90
Profit before tax (before extra-ordinary & Exceptional items)	1,202.18	1,216.94	1,300.16	927.80	(489.04)
Profit after tax	808.66	901.52	985.49	608.13	(883.11)
Dividends (including Dividend Tax)	319.91	*787.27	357.18	219.86	63.87
Cash Profit	1,471.16	1,667.72	1,850.86	1,275.49	236.80
Earning per share - Rs. (Basic after extraordinary items)**	5.17	5.76	6.29	3.88	(5.64)
Dividend per share - Rs**	1.80	4.40	2.00	1.20	0.30
Capital Employed	10,437.03	11,291.57	13,119.14	15,388.65	17,480.71
Assets Less Current Liabilities					
Goodwill	2,947.49	3,042.63	4,060.63	4,060.63	4,390.03
Fixed assets (net)	5,077.27	5,892.43	6,148.68	7,676.88	7,253.08
Investment	413.57	419.59	423.79	447.78	452.60
Current assets, Loans and Advances	3,496.92	4,039.12	4,923.26	5,754.41	7,589.61
	11,935.25	13,393.77	15,556.35	17,939.69	19,685.32
Current liabilities and Provisions	(1,498.22)	(2,102.19)	(2,437.21)	(2,551.04)	(2,204.62)
Net Assets	10,437.03	11,291.57	13,119.14	15,388.65	17,480.71
FINANCED BY					
Share capital	313.12	313.13	313.13	313.13	313.13
Reserves	6,630.86	6,722.21	7,344.70	7,848.71	6,678.65
Shareholders' funds	6,943.98	7,035.34	7,657.83	8,161.85	6,991.79
Miscellaneous Expenditure	(105.31)	(64.60)	(56.77)	(24.38)	(51.98)
Net Worth	6,838.67	6,970.75	7,601.06	8,137.47	6,939.81
Minority Interest	53.36	55.66	97.71	118.30	165.58
Deferred Tax Balances	246.33	234.70	197.40	56.13	61.20
	7,138.36	7,261.11	7,896.16	8,311.90	7,166.59
Loan Funds	3,298.67	4,030.47	5,222.98	7,076.75	10,314.12
Capital employed	10,437.03	11,291.57	13,119.14	15,388.65	17,480.71
Financial Returns and Statistics					
Profit after tax as a percent of Sales and other income	12%	11%	10%	5%	(7%)
Profit before depreciation, interest and tax as a percent of Sales and other income	28%	25%	23%	17%	10%
Return on Capital Employed (PBIT/Avg Capital Employed) (With Goodwill)	14%	14%	14%	11%	2%
Return on Capital Employed (PBIT/Avg Capital Employed) (Without Goodwill)	19%	19%	19%	15%	3%
Return on Net worth (PAT/Avg Networth) (With Goodwill)	12%	13%	14%	8%	(12%)
Return on Net worth (PAT/Avg Networth) (Without Goodwill)	22%	23%	26%	16%	(27%)
Loan funds as a percentage of Shareholders' funds	48%	57%	68%	87%	148%
Gearing ratio {Loan funds as a percentage to Loan funds plus Shareholders funds}	32%	36%	41%	46%	60%
Financial Expenses Cover (Times)	8	6	5	2	0
(Profit before Financial Expenses (Gross) and Taxation/Financial expenses (gross))					
Cash profit to sales and other income	22%	20%	18%	11%	2%

* 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 June 15, 2006. Prior years figures have been restated wherever applicable for comparison purpose.

Five Years' Summary of Selected Financial Data (Consolidated)

	USD Million				
	2004	2005	2006	2007	2008
Sales and other income	149.23	188.88	226.97	292.25	298.23
Profit before depreciation, interest and tax	41.52	47.67	52.97	51.10	30.44
Depreciation	14.13	17.37	19.10	16.14	25.79
Profit before tax (before extra-ordinary & Exceptional items)	26.51	27.59	28.69	22.43	(11.26)
Profit after tax	17.84	20.44	21.75	14.70	(20.34)
Dividends (including Dividend Tax)	7.06	17.85	7.88	5.32	1.47
Cash Profit	32.30	38.30	41.32	31.37	5.96
Assets Less Current Liabilities					
Goodwill	67.40	67.32	92.04	102.97	90.61
Fixed assets (net)	116.10	130.38	139.36	194.67	149.70
Investment	9.46	9.28	9.61	11.35	9.34
Current assets, Loans and Advances	79.97	89.37	111.59	145.92	156.65
	272.93	296.36	352.59	454.92	406.30
Current liabilities and Provisions	(34.26)	(46.51)	(55.24)	(64.69)	(45.50)
Net Assets	238.67	249.84	297.35	390.23	360.80
FINANCED BY					
Share capital	7.16	6.93	7.10	7.94	6.46
Reserves	151.63	148.74	166.47	199.03	137.85
Shareholders' funds	158.79	155.67	173.57	206.97	144.31
Miscellaneous Expenditure	(2.41)	(1.43)	(1.29)	(0.62)	(1.07)
Net Worth	156.38	154.24	172.28	206.35	143.24
Minority Interest	1.22	1.23	2.21	3.00	3.42
Deferred Tax Balances	5.63	5.19	4.47	1.42	1.26
	163.24	160.66	178.97	210.77	147.92
Loan Funds	75.43	89.18	118.38	179.45	212.88
Capital employed	238.67	249.84	297.35	390.23	360.80
Financial Returns and Statistics					
Profit after tax as a percent of Sales and other income	12%	11%	10%	5%	(7%)
Profit before depreciation, interest and tax as a percent of Sales and other income	28%	25%	23%	17%	10%
Return on Capital Employed (PBIT/Avg Capital Employed) (With Goodwill)	13%	14%	13%	10%	2%
Return on Capital Employed (PBIT/Avg Capital Employed) (Without Goodwill)	18%	19%	19%	14%	3%
Return on Net worth (PAT/Avg Networth) (With Goodwill)	12%	13%	13%	7%	(13%)
Return on Net worth (PAT/Avg Networth) (Without Goodwill)	21%	24%	26%	15%	(30%)
Loan funds as a percentage of Shareholders' funds	48%	57%	68%	87%	148%
Gearing ratio {Loan funds as a percentage to Loan funds plus Shareholders funds}	32%	36%	41%	46%	60%
Financial Expenses Cover (Times)	8	6	5	2	0
(Profit before Financial Expenses (Gross) and Taxation/Financial expenses (gross))					
Cash profit to sales and other income	22%	20%	18%	11%	2%

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				
	31.12.04	31.12.05	31.12.06	31.12.07	31.12.08
Sales and other Income	2,296.25	2,616.78	2,939.64	3,311.91	3,548.13
FOB value of Exports	249.94	310.29	284.51	266.35	357.18
Profit before depreciation, interest and tax	848.62	871.60	869.32	960.69	840.25
Financial Expenses (Gross)	99.51	120.94	205.42	388.55	260.90
Depreciation/Amortisation	224.64	209.69	205.94	200.83	206.56
Profit before tax and exceptional items	650.47	682.86	605.92	559.94	372.79
Profit after tax	408.84	459.67	410.46	372.93	271.78
Dividends (including Dividend Tax)	318.72	785.68	357.13	219.86	54.96
Cash profit	633.48	669.37	616.40	573.75	478
Book value per share*	36.83	34.75	35.10	35.93	37.31
Earnings per share* - (Basic after exceptional items)	2.61	2.94	2.62	2.38	1.74
Dividend per share* - Rs.	1.80	4.40	2.00	1.20	0.30
Closing share price on BSE at year end - (Rs. per share)	265.15	355.40	*78.9	77.15	18.08
Market capitalisation (As at year end)	8,305.00	11,131.00	12,355.83	12,081.78	2,831
ASSETS LESS CURRENT LIABILITIES					
Fixed assets (Net)	1,133.23	1,510.26	1,631.86	1,679.12	1,813.21
Investments	4,605.97	4,881.94	5,509.04	5,744.32	5,744.32
Current Assets, Loans and Advances	1,947.08	1,784.83	1,775.54	2,938.49	4,629.51
	7,686.29	8,177.03	8,916.44	10,361.93	12,187.04
Current Liabilities and Provisions	(722.23)	(1,128.46)	(791.90)	(672.88)	(696.92)
Net Current Assets	6,964.05	7,048.57	8,124.53	9,689.05	11,490.12
FINANCED BY					
Share capital	313.12	313.12	313.13	313.20	313.13
Reserves	5,455.70	5,129.81	5,183.22	5,313.56	5,530.39
Shareholders' Fund	5,768.82	5,442.93	5,496.35	5,626.76	5,843.52
Miscellaneous Expenditure	(0.25)	-	-	-	-
Net worth	5,768.57	5,442.93	5,496.35	5,626.76	11,687.03
Deferred Tax Balances	164.69	150.92	148.80	129.81	124.32
Loan Funds	1,030.79	1,454.71	2,479.38	3,932.55	5,522.28
Capital Employed	6,964.05	7,048.56	8,124.53	9,689.12	17,333.63
FINANCIAL RETURNS AND STATISTICS					
Profit after tax as a percent of sales and other income	18%	18%	14%	11%	8%
Profit before depreciation, interest and tax as a percent of sales and other income	37%	33%	30%	29%	24%
Return on Capital Employed (PBIT)	11%	11%	9%	8%	4%
Return on common stockholders' equity % (PAT)	7%	8%	7%	7%	5%
Loan Funds as a percent of total year end	18%	27%	45%	70%	95%
Shareholders' Fund					
Gross Gearing %	15	21	31	41	49
(Loan Fund as a percentage of Loan plus Shareholders' Fund)					
Financial Expenses Cover (Times)	8	7	4	2	2
(Profit before Financial Expenses (Gross) and Taxation divided by Financial Expenses (Gross))					
Number of Equity Shares Outstanding (In Million)	31.32	31.32	*156.60	156.60	156.60
Cash profit to sales and other income	28%	26%	21%	17%	13%

*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 & the figures have been restated wherever applicable for comparison purpose.

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, 2008, 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. Without qualifying our report, we draw our reference to Note 3(b) of schedule 22B, wherein the managerial remuneration paid for the year is in excess of the limits prescribed in the Companies Act, 1956 and is subject to approval of Shareholders and Central Government.
5. 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 December 31, 2008 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 December 31, 2008;
 - (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.

Mohan Bhandari

Partner

Membership No. 12912

For **MGB & Co.**

Chartered Accountants

Mumbai, March 31, 2009

Annexure referred to in paragraph 3 of Auditors' Report to the Members of Essel Propack Limited on the accounts for the year ended December 31, 2008.

- (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, substantial part of the fixed assets has not been disposed off by the Company.
- (ii) (a) The inventories have been physically verified by the management during the year except stock lying with third parties in respect of whom confirmations have been obtained. In our opinion, the frequency of verification is reasonable.
- (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) On the basis of our examination of records and in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventories as compared to the book records were not material and have been properly dealt with in the books of accounts.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently, the requirements of Clause (iii.b), (iii.c) and (iii.d) of paragraph 4 of the Order are not applicable to the Company.
- (b) According to the information and explanations given to us, the Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently, the requirements of Clause (iii.f) and (iii.g) of paragraph 4 of the Order are not applicable to the Company.
- (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 purchase of inventory, fixed assets and for 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) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public during the year with in the meaning of Section 58A and 58AA of the Act and the rules framed thereunder.
- (vii) In our opinion, the Company has an internal audit system commensurate with the 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) (a) According to the records of the Company, the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues to the extent applicable have been deposited regularly with the appropriate authorities except delay in few cases. There are no undisputed amounts payable in respect of the aforesaid dues outstanding as at December 31, 2008 for a period of more than six months from the date they became payable.

- (b) There are no disputed dues of Income Tax, Customs Duty/Cess. The dues of Sales Tax, Wealth Tax, Service Tax and Excise Duty as disclosed below have not been deposited due to disputes:

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)	122,597,968	1994 to 2000	Supreme Court
		15,732,591	1998 to 2001 & 2002 to 2005	CESTAT
		733,144	2001 to 2005	Commissioner of Central Excise (Appeals)
		93,140,021	1997-1998, 2001 to 2003 & 2004 to 2006	Commissioner of Central Excise
	2,508,900	1995-1996 & 1997-1998	Deputy / Joint / Assistant Commissioner of Central Excise	
	Service Tax	3,208,306	1997-98 to 2002	High Court
	865,940	2002-2003 & 2005 to 2007	Deputy / Assistant Commissioner of Service Tax	
Bombay Sales Tax Act, 1959	Sales Tax	5,716,755	2000 to 2002	Joint Commissioner of Sales Tax (Appeals) Thane.
Central Sales Tax Act, 1956	Central Sales Tax	15,703,466	2002-03	Commissioner of VAT-Dadra and Nagar Haveli – Silvassa.
		5,727,451	2001 to 2003	Joint Commissioner of Sales Tax (Appeals) Thane.
		4,039,081	2003-2004	Assistant Commissioner of VAT -DNH –Silvassa.

- (x) The Company does not have accumulated losses as at December 31, 2008 and has not incurred cash losses during the financial year ended on that date or in the immediately preceding financial year.
- (xi) Except for the delays tabulated below, according to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to banks during the year.

Particulars	Due date	Date of payments/ Rollover	Amount (Rupees)
Principal	25-Oct-08	19-Nov-08	250,000,000
	31-Oct-08	*	500,000,000
	08-Nov-08	08-Dec-08	55,811,407
	04-Dec-08	18-Dec-08	180,000,000
	19-Dec-08	23-Dec-08	10,000,000
	31-Dec-08	01-Jan-09	250,000,000
Interest	20-Nov-08	29-Nov-08	2,739,726
	20-Dec-08	31-Dec-08	2,519,178
	31-Dec-08	01-Jan-09	150,721

* Paid/Rolled over on various dates from 25.11.08 to 13.02.09 and additional interest thereon of Rs. 1,364,495 is paid on 27.02.09.

- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) The Company is not dealing or trading in securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of guarantees given for loans taken by subsidiaries and others, from banks and financial institutions are prima facie not prejudicial to the interest of the Company.

- (xvi) In our opinion and according to the information and explanations given to us, the Company has not taken any term loan during the year.
- (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, we report that short term funds to the extent of Rs. 571.31 million have 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) Based on our audit procedures performed and according to the information and explanations given by the management, no fraud on or by the Company has been noticed or reported during the course of our audit.

Mohan Bhandari
Partner
Membership No. 12912

For **MGB & Co.**
Chartered Accountants

Mumbai, March 31, 2009

Balance Sheet as at December 31,

	Schedule	(Amount in Rupees)	
		2008	2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	313,130,610	313,130,360
Reserves and Surplus	2	5,530,386,547	5,313,559,186
		<u>5,843,517,157</u>	<u>5,626,689,546</u>
Loan Funds			
Secured Loans	3	1,659,999,666	1,850,370,790
Unsecured Loans	4	3,862,280,603	2,082,178,066
		<u>5,522,280,269</u>	<u>3,932,548,856</u>
Deferred Tax Liabilities (Net) (Refer Note 6)		124,318,729	129,809,825
Total		<u>11,490,116,155</u>	<u>9,689,048,227</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	4,642,548,982	4,343,954,312
Less: Depreciation / Amortisation		3,018,177,717	2,820,491,835
Net Block		<u>1,624,371,265</u>	<u>1,523,462,477</u>
Capital Work-in-progress		188,834,611	155,660,854
		<u>1,813,205,876</u>	<u>1,679,123,331</u>
Investments	6	5,744,316,008	5,744,316,008
Current Assets, Loans and Advances			
Inventories	7	534,018,273	451,134,667
Sundry Debtors	8	846,289,096	593,330,100
Cash and Bank Balances	9	72,697,249	55,835,700
Other Current Assets	10	311,427,693	292,032,929
Loans and Advances	11	2,865,081,117	1,546,154,102
		<u>4,629,513,428</u>	<u>2,938,487,498</u>
Less: Current Liabilities and Provisions			
Current Liabilities	12	578,813,368	404,276,584
Provisions	13	118,105,789	268,602,026
		<u>696,919,157</u>	<u>672,878,610</u>
Net Current Assets		<u>3,932,594,271</u>	<u>2,265,608,888</u>
Total		<u>11,490,116,155</u>	<u>9,689,048,227</u>
Significant Accounting Policies and Notes to Accounts	22		

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

Mohan Bhandari
Partner
Membership No.12912

Mumbai, March 31, 2009

For and on behalf of the Board
Subhash Chandra Chairman

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

Mumbai, March 31, 2009

Profit and Loss Account for the year ended December 31,

	Schedule	2008	2007
INCOME			
Sales and Services (Gross)	14	3,559,968,064	3,389,620,842
Less: Excise Duty		200,873,202	273,478,670
Sales and Services (Net)		3,359,094,862	3,116,142,172
Other Income	15	189,032,619	162,243,730
Total		3,548,127,481	3,278,385,902
EXPENDITURE			
Cost of Materials	16	1,486,808,330	1,328,381,996
Manufacturing and Other Expenses	17	517,697,279	424,755,377
Personnel Cost	18	359,768,719	365,602,591
Administrative and Other Expenses	19	178,342,333	176,936,434
(Gain) / Loss on Foreign Exchange Fluctuation (Net)		89,514,728	(34,264,777)
Selling and Distribution Expenses	20	75,743,119	56,287,705
Total		2,707,874,508	2,317,699,325
Profit Before Depreciation Interest and Tax (PBDIT)		840,252,973	960,686,577
Financial Expenses (Net)	21	260,904,433	199,915,136
Depreciation/Amortisation		206,557,025	200,827,481
Profit before Tax and Exceptional Items		372,791,515	559,943,960
Exceptional Items (Refer Note 7)		(11,848,506)	4,581,573
Profit Before Tax (PBT)		384,640,021	555,362,387
Provision for Taxation			
Current Tax - Current year		114,898,289	188,880,652
- Earlier periods		(2,015,006)	(3,935,039)
Deferred Tax		(5,491,095)	(7,268,700)
Fringe Benefit Tax		5,463,074	4,760,461
Profit After Tax (PAT)		271,784,759	372,925,013
Balance Brought Forward		321,954,537	206,188,114
Amount Available for Appropriation		593,739,296	579,113,127
APPROPRIATIONS			
Dividend - Proposed (inclusive of tax)		54,964,648	219,858,590
General Reserve		13,589,240	37,300,000
Balance carried to Balance Sheet		525,185,408	321,954,537
Total		593,739,296	579,113,127
Earnings Per Share (Equity Shares, par value Rs.2 each)			
Basic and Diluted Earnings Per Share before Exceptional items		1.66	2.41
Basic and Diluted Earnings Per Share after Exceptional items		1.74	2.38
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

Mohan Bhandari
Partner
Membership No.12912

Mumbai, March 31, 2009

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)
A.S. Khandwala Vice President - Legal and Company Secretary

Mumbai, March 31, 2009

Schedules forming part of Balance Sheet as at December 31,

	(Amount in Rupees)	
	2008	2007
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)	71,650	71,900
Total	313,130,610	313,130,360
SCHEDULE 2		
Reserves and Surplus		
Securities Premium		
As per last Balance Sheet	3,842,976,048	3,842,939,798
Add: Received during the year	7,250	36,250
	3,842,983,298	3,842,976,048
Capital Reserve		
As per Last Balance Sheet	200,610,538	200,610,538
General Reserve		
As per Last Balance Sheet	948,018,063	933,484,152
Add: Appropriated during the year	13,589,240	37,300,000
Less: Adjustment of transitional provisions of AS 15 (net of tax)	-	(22,766,089)
	961,607,303	948,018,063
Profit and Loss Account	525,185,408	321,954,537
Total	5,530,386,547	5,313,559,186
SCHEDULE 3		
Secured Loans		
Term Loan from Banks		
Rupee Loan	650,000,000	1,083,188,939
Foreign Currency Loan (Refer Note 8(a))	482,053,159	470,813,679
Working Capital Facilities/Loans from Banks		
Rupee Loan	413,679,958	295,137,628
Foreign Currency Loan	113,753,407	-
Other Secured Loan	513,142	1,230,544
Total	1,659,999,666	1,850,370,790
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. Loan of Rs.433,188,939 repaid during the year, for which charge is yet to be satisfied.		
(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 out of (i) above within one year Rs. 97,500,000 (Rs. 433,188,939).		
2. Working Capital facilities/Loans 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 on all immovable properties of the Company at Wada and Vasind.		
3. Other Secured Loan		
Secured by way of hypothecation of Vehicle.		

Schedules forming part of Balance Sheet as at December 31,

(Amount in Rupees)
2008 2007

SCHEDULE 4

Unsecured Loans

Short Term Loan

From Banks

- Rupee Loan*

- Foreign Currency Loan

Interest Accrued and Due

Inter-Corporate Deposits

Other Loans

From Banks

Deferred Sales Tax (Repayable on different dates starting from Year 2009)

Lease Finance

Total

* Includes Rs.400,000,000 secured and guaranteed by a group Company.

	2008	2007
From Banks - Rupee Loan*	3,274,162,371	1,300,000,000
From Banks - Foreign Currency Loan	119,649,106	-
Interest Accrued and Due	1,515,216	-
Inter-Corporate Deposits	20,000,000	-
Other Loans		
From Banks	-	350,000,000
Deferred Sales Tax (Repayable on different dates starting from Year 2009)	446,953,910	432,025,652
Lease Finance	-	152,414
Total	3,862,280,603	2,082,178,066

SCHEDULE 5

Fixed Assets (at cost)

(Amount in Rupees)

Description of Asset	Gross Block				Depreciation/Amortisation				Net Block	
	As at 01.01.2008	Additions	Deductions	As at 31.12.2008	Upto 01.01.2008	For the Year	Deductions	Upto 31.12.2008	As at 31.12.2008	As at 31.12.2007
a) Intangibles										
Software	23,129,644	3,302,582	-	26,432,226	11,541,691	5,990,306	-	17,531,997	8,900,229	11,587,953
b) Tangibles										
Freehold Land	36,465,514	1,293,091	26,152,654	11,605,951	-	-	-	-	11,605,951	36,465,514
Leasehold Land	2,076,595	-	-	2,076,595	374,019	38,187	-	412,206	1,664,389	1,702,576
Leasehold Improvements	17,218,838	-	-	17,218,838	2,256,443	2,636,828	-	4,893,271	12,325,567	14,962,395
Buildings	233,508,396	11,501,537	-	245,009,933	59,038,063	7,444,276	-	66,482,339	178,527,594	174,470,333
Plant and Machinery	3,872,777,458	309,312,910	5,346,691	4,176,743,677	2,683,055,153	177,490,025	4,884,244	2,855,660,934	1,321,082,744	1,189,722,305
Equipments	110,401,875	6,532,538	126,304	116,808,109	44,915,688	10,021,261	72,696	54,864,253	61,943,856	65,486,187
Furniture and Fixtures	36,558,888	4,575,854	273,394	40,861,348	13,247,112	2,204,695	152,744	15,299,063	25,562,285	23,311,776
Vehicles	11,817,104	-	6,024,799	5,792,305	6,063,666	731,447	3,761,459	3,033,654	2,758,651	5,753,438
Grand Total	4,343,954,312	336,518,512	37,923,842	4,642,548,982	2,820,491,835	206,557,025	8,871,143	3,018,177,717	1,624,371,265	1,523,462,477
Previous Year	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	

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. 4,27,928 (4,569,485) and accumulated depreciation Rs. 1,94,356 (Rs.2,064,708).

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 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

* The Company has given non-disposal undertaking against credit facilities granted by banks.

	2008	2007
6,40,000 of NPR 100 each of Essel Packaging Nepal Private Limited, Nepal	40,000,000	40,000,000
Provision for Diminution in value (Refer Note 5(a))	(16,996,622)	(16,996,622)
830,000 of US \$ 10 each of Lamitube Technologies Limited, Mauritius	23,003,378	23,003,378
10,000,000 of US \$ 1 each of Essel Propack America, LLC	3,625,783,282	3,625,783,282
1,600 of US \$ 1000 each of Lamitube Technologies (Cyprus) Limited, Cyprus.*	479,140,000	479,140,000
416,150 of Rs.100 each of Packaging India Private Limited*	71,991,500	71,991,500
Equity Shares in Others - Unquoted	636,240,638	636,240,638
3,141,971 of Rs.10 each of BeriCap India Private Limited (Refer Note 5(b))	31,419,710	31,419,710
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	55,550,000	55,550,000
6,000 of US \$ 1000 each of Essel Propack America, LLC, with fixed rate of dividend of US \$ 1 per share	265,201,250	265,201,250
10,400 of US \$ 1000 each of Lamitube Technologies (Cyprus) Limited, Cyprus with fixed rate of dividend of US \$ 1 per share	453,486,250	453,486,250
1,025,000 5% of Rs. 100 each of Packaging India Private Limited	102,500,000	102,500,000
Total	5,744,316,008	5,744,316,008

Schedules forming part of Balance Sheet as at December 31,

	(Amount in Rupees)	
	2008	2007
SCHEDULE 7		
Inventories		
(As taken, valued and certified by the Managing Director)		
Raw Materials	184,368,962	155,881,641
Finished Goods	11,174,954	10,424,340
Packing Materials	7,039,696	7,744,601
Goods-in-Process	201,436,145	148,907,684
Stores and Spares	129,998,516	128,176,401
Total	534,018,273	451,134,667
SCHEDULE 8		
Sundry Debtors		
(Unsecured and Considered Good, unless otherwise stated)		
Over six months *		
Considered Good	261,223,079	57,090,551
Considered Doubtful	44,650,704	33,798,551
	305,873,783	90,889,102
Others **	585,066,017	536,239,549
	890,939,800	627,128,651
Less: Provision for doubtful debts	44,650,704	33,798,551
Total	846,289,096	593,330,100
Includes * Rs. 194,852,965 (Rs.32,210,619) and ** Rs.213,471,144 (Rs.187,950,323) due from Subsidiary Companies		
SCHEDULE 9		
Cash and Bank Balances		
Cash on Hand	307,044	222,520
With Scheduled Banks		
(a) In Current Account		
i) Indian Rupee accounts*	26,787,709	49,524,905
ii) Foreign Currency accounts	14,723	11,913
(b) In Fixed Deposit/Margin Money		
Indian Rupee accounts**	41,706,600	80,000
(c) Remittance in Transit	3,881,173	5,996,362
Total	72,697,249	55,835,700
*Includes Rs. 8,310,496 (Rs.17,683,482) being Balance in Unclaimed Dividend Accounts		
** Includes		
(i) Rs.206,600 (Rs. 80,000) Deposited with/Lien in favour of various Government Authorities.		
(ii) Rs.41,500,000 (Rs.Nil) given as Margin Money to a bank on behalf of a Subsidiary.		

Schedules forming part of Balance Sheet as at December 31,

	(Amount in Rupees)	
	2008	2007
SCHEDULE 10		
Other Current Assets		
Income Receivable on Investments	–	118,481,490
Interest Receivable on Loans to		
Subsidiaries	166,695,573	35,133,843
Others	124,251,910	113,837,512
Export Benefits Receivable	19,327,301	16,835,523
Other Receivables	1,152,909	7,744,561
	311,427,693	292,032,929
SCHEDULE 11		
Loans and Advances		
(Unsecured, considered good unless otherwise stated)		
Loans	922,725,154	396,560,771
Loans and Advances to Subsidiaries	1,552,657,641	784,342,248
Advances (Recoverable in cash or in kind or for value to be received)		
Advances Indirect Taxes	220,008,054	168,503,913
Advances Direct Taxes (Net of provisions)	15,849,211	40,245,710
Other Advances	63,662,041	68,356,699
Deposits	90,179,015	88,144,761
Total	2,865,081,117	1,546,154,102
SCHEDULE 12		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Acceptances	163,654,982	93,576,055
Sundry Creditors*		
for Goods	77,170,034	106,100,942
for Capital Goods	58,215,241	22,183,040
for Micro, Small and Medium Enterprises	358,404	939,030
for Others (Refer Note 13(b))	225,578,221	139,889,807
Trade Deposits and Advance	6,925,992	4,772,572
Interest Accrued but not due	38,599,998	19,131,656
Investor Education and Protection Fund		
Unpaid Dividend	8,310,496	17,683,482
Total	578,813,368	404,276,584
* Includes Rs. 26,626,037 (Rs.5,576,179) due to Subsidiaries		
SCHEDULE 13		
Provisions		
For Retirement Benefits	63,141,141	48,743,436
For Proposed Dividend (inclusive of tax)	54,964,648	219,858,590
Total	118,105,789	268,602,026
Total (12 + 13)	696,919,157	672,878,610

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

	(Amount in Rupees)	
	2008	2007
SCHEDULE 14		
Sales and Services		
Sales	3,323,267,182	3,194,349,382
Royalty/Service Charges (Tax at Source Rs.7,269,582 (Rs.6,610,711))	217,064,053	182,390,446
Export Incentives	19,636,829	12,881,014
Total	3,559,968,064	3,389,620,842
SCHEDULE 15		
Other Income		
Dividend from Subsidiaries (Gross) (Tax at Source Rs.36,270 (Rs. 5,250,945))	186,790,000	154,712,858
Profit on sale of Fixed Assets (Net)	211,015	3,197,813
Miscellaneous Income	2,031,604	4,333,060
Total	189,032,619	162,243,730
SCHEDULE 16		
Cost of Materials		
Raw Materials Consumed		
Opening Stock	155,881,641	162,880,913
Add: Purchases	1,569,083,180	1,346,562,021
	1,724,964,821	1,509,442,934
Less: Closing Stock	184,368,962	155,881,641
Total (A)	1,540,595,859	1,353,561,293
Increase in Stocks		
Closing Stock		
Finished Goods	11,174,954	9,915,886
Goods-in-Process	201,436,145	148,907,684
	212,611,099	158,823,570
Less:		
Opening Stock		
Finished Goods	9,915,886	7,780,043
Goods-in-Process	148,907,684	125,864,230
	158,823,570	133,644,273
Total (B)	53,787,529	25,179,297
Total (A-B)	1,486,808,330	1,328,381,996
SCHEDULE 17		
Manufacturing and Other Expenses		
Stores and Spares	130,007,142	89,203,471
Packing Materials	131,509,067	116,264,384
Power and Fuel	135,250,455	132,986,764
Job Work Charges	87,793,998	57,739,166
Repairs and Maintenance		
Building	5,800,598	8,401,015
Plant and Machinery	10,724,584	9,669,066
Other Manufacturing Expenses	11,151,435	5,131,511
Factory Rent	5,460,000	5,360,000
Total	517,697,279	424,755,377

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

	(Amount in Rupees)	
	2008	2007
SCHEDULE 18		
Personnel Cost		
Managerial Remuneration	23,800,000	40,759,915
Salaries, Wages and Allowances	268,984,098	259,082,805
Contribution to Provident and other Funds	21,155,672	18,103,966
Welfare Expenses	38,067,603	40,221,278
Gratuity	7,761,346	7,434,626
Total	359,768,719	365,602,591
SCHEDULE 19		
Administrative and Other Expenses		
Rent	23,207,626	22,211,294
Rates and Taxes	6,950,936	10,948,091
Repairs to Others	14,980,983	9,845,018
Insurance	5,425,712	6,861,226
Directors' Sitting Fees	680,000	580,000
Travelling and Conveyance Expenses (Includes Rs.827,241 (Rs.711,302) for Directors)	9,911,855	12,127,696
Advertisement Expenses	439,390	493,047
Professional and Consultancy Charges	20,291,342	18,417,058
Communication Expenses	9,277,008	11,206,943
Donation	1,112,352	5,609,751
Miscellaneous Expenses	84,936,134	77,067,440
Research and Development Expenses	1,128,996	1,568,870
Total	178,342,333	176,936,434
SCHEDULE 20		
Selling and Distribution Expenses		
Freight and Forwarding expenses	64,397,606	46,427,930
Discount and Rebate	10,129	30,314
Bad Debts written off	328,675	3,182,132
Provision for Doubtful Debts	10,852,153	6,439,162
Commission	154,556	208,167
Total	75,743,119	56,287,705
SCHEDULE 21		
Financial Expenses (Net)		
Interest Paid		
On Fixed Loans	119,814,610	119,196,705
On Debentures	-	77,472,467
On Others	473,337,228	191,879,827
	593,151,838	388,549,000
Interest Received		
From Banks (Tax Deducted at Source Rs. 46,096 (Rs.1,509))	(425,000)	(10,736)
From Others (Tax Deducted at Source Rs. 47,401,404 (Rs.14,824,800))	(349,996,144)	(212,298,961)
	(350,421,144)	(212,309,697)
Interest Paid (Net)	242,730,694	176,239,302
Other Financial Charges	18,173,739	23,675,834
Total	260,904,433	199,915,136

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 recognized 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, amortization 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 capitalized cost of software includes license fees, cost of implementation and system integration services. These costs are capitalized 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 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.

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

Significant Accounting Policies and Notes to Accounts

premium/discount for the period upto 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 on accrual basis. Customs duty benefit (Advance license) is recognized 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 recognized 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.

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.

Significant Accounting Policies and Notes to Accounts

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

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

2. a) Capital Commitments

(Amount in Rupees)

Particulars	2008	2007
Estimated amount of contracts remaining to be executed on capital account, not provided for (net of advances)	105,945,748	117,450,316

b) Contingent Liabilities not provided for

(Amount in Rupees)

Sr. No.	Particulars	2008	2007
a)	Unexpired Letters of Credit	17,532,064	59,156,816
b)	Guarantees and counter guarantees given by the Company [includes Rs. 6,230,497,924 (Rs. 3,970,664,481) for loans taken by Subsidiaries]. Loans outstanding against these guarantees are Rs. 4,984,693,952 (Rs. 3,210,680,750)	6,331,124,474	4,045,264,481
c)	Disputed Indirect Taxes*	166,253,616	148,876,659
d)	Disputed Direct Taxes	49,784,919	56,207,886
e)	Claims not acknowledged as debts	3,556,550	3,556,550
f)	Deferred Sales Tax Liability assigned	180,319,450	215,052,178
g)	Duty benefit availed under EPCG scheme, pending export obligations	65,793,947	47,856,513

* Does not include Rs. 198,191,799 (Rs. 2,022,335) for alleged undervaluation in inter unit transfer of Web, for captive consumption as it does not have significant impact on profits of the Company, since excise duty paid by one unit is admissible as Cenvat credit at other unit. Further the appeal filed by Excise Department against the decision in Company's favour by High Court is pending before Supreme Court.

3. Managerial Remuneration

- 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	2008	2007
Net Profit before tax as per Profit and Loss Account	384,640,021	555,362,387
Add: Directors sitting fees	680,000	580,000
Managerial remuneration	26,104,000	42,926,215
Commission paid to Independent Directors	4,400,000	4,200,000
Provision for doubtful debts	10,852,153	6,439,162
Provision for diminution in value of investment	-	4,581,573
Less: Profit on sale of fixed assets (Net)	12,059,521	3,197,813
Net Profit as per Section 198/349 of the Companies Act, 1956	414,616,653	610,891,524
Maximum permissible remuneration to Managing Director as per Section 198/309	20,730,833	30,544,576
Remuneration paid/provided (Refer Note (b) below)	26,104,000	42,926,215
Excess remuneration as per Section 198 (Refer Note (b) below)	5,373,167	12,381,639
Commission to Non-Executive Directors under Section 198/309	4,146,167	6,108,915

- Remuneration paid for the year as stated under to the Managing Director is included in personnel cost and is in excess of the limits prescribed under Section 198 as computed above. The Company has made necessary application to the Central Government and the approval is pending. This is also subject to the approval of shareholders.

Significant Accounting Policies and Notes to Accounts

(Amount in Rupees)

Sr. No.	Particulars	2008	2007
1.	Salaries, Allowances and Perquisites **	23,800,000	40,759,915
2.	Contribution to Provident and other funds	2,304,000	2,166,300
	Total	26,104,000	42,926,215

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

- c) During the year, the Company has received necessary approval from the Central Government for excess remuneration for the year 2007.
- d) During the year, the Company has paid Commission of Rs. 4,400,000 to Non-Executive Independent Directors based on the profits for the year ended December 31, 2007.

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 Sixty months.

(Amount in Rupees)

Particulars	2008	2007
Lease rental charges for the year (Net)	44,973,636	29,146,712
Future lease rental obligation payable (under non-cancellable leases)		
Not later than one year	45,668,709	35,963,935
Later than one year but not later than five years	65,746,333	81,862,808
Total	111,415,042	117,826,743

- b) In respect of assets taken on finance lease (Assets capitalised)
Reconciliation of minimum lease payment and present value:

(Amount in Rupees)

Particulars	2008	2007
Minimum lease payment as at		
Not later than one year	-	153,566
Later than one year but not later than five years	-	-
Total	-	153,566
Less: Amount representing interest	-	1,152
Present value of Minimum Lease Payments	-	152,414
Less: Amount due not later than one year	-	152,414
Amount due later than one year but not later than five years	-	-

5. Investments in

- a) Essel Packaging (Nepal) Private Limited

The Company's wholly owned subsidiary (WOS), Essel Packaging (Nepal) Private Limited, has discontinued its operation and disposed off all fixed assets, realized all current assets and paid all liabilities. The Company has so far received Rs. 40,000,000 on reduction of capital and Rs 16,996,622 has already been provided towards diminution in value of Investment. The Company has made application to Government of Nepal for further reduction of capital by 50% (NPR 32 million equivalent of the INR 20 million) for repayment to shareholder after necessary approval from statutory authorities and others.

- b) Bericap India Private Limited

In accordance with the terms of agreement with Bericap Holding GmbH and Bericap India Private Limited, the Company has (in December, 2008) exercised the Put option for transfer of 3,141,971 equity shares held by the Company in Bericap India Private Limited to Bericap Holding GmbH. The transfer of shares will be effected after completion of statutory and other formalities.

- 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.

Significant Accounting Policies and Notes to Accounts

6. Taxation

The components of the deferred tax balances are as under:

Particulars	(Amount in Rupees)	
	2008	2007
Deferred Tax Assets		
Expenses allowable on payment basis	40,659,862	38,320,157
Provision for doubtful debts	15,176,774	11,488,127
Total	55,836,636	49,808,284
Deferred Tax Liabilities		
Depreciation	174,664,705	166,695,427
Accrued Interest Income on deferred sales tax loan liability assigned/paid	5,490,660	12,922,682
Total	180,155,366	179,618,109
Deferred Tax Liabilities (Net)	124,318,729	129,809,825

7. Exceptional items

Particulars	(Amount in Rupees)	
	2008	2007
Profit on Sale of Land at Goa	11,848,506	-
Provision for Diminution in Value of Investments in Essel Packaging (Nepal) Private Limited	-	4,581,573

8. a) The Company has entered into cross currency swap transaction in respect of borrowing of JPY 1,408.32 million (JPY 1,408.32 million) at fixed amount which will be settled on future date. The fluctuations and resultant effect in intervening period in respect of these transactions are in party's account.
- b) The foreign exchange loss (net) including on forward contracts and cross currency swap of Rs.89,514,728 (Gain – Rs.34,264,777) and Rs.6,655,831 (Rs.Nil) resulting from settlement and realignment of foreign exchange transaction has been adjusted to Profit and Loss account and Fixed Assets/CWIP respectively
- c) 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	2008		2007	
	Amount in Foreign Currency	Equivalent Indian Rupees	Amount in Foreign Currency	Equivalent Indian Rupees
USD/INR	40,780,000	1,895,925,800	10,966,939	433,482,398

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

Derivative Contracts	2008		2007	
	Amount in Foreign Currency	Equivalent Indian Rupees	Amount in Foreign Currency	Equivalent Indian Rupees
USD/INR	5,000,000	241,133,750	3,000,000	122,178,750
EUR/USD	-	-	1,000,000	58,381,498
JPY/INR	1,408,320,000	485,446,351	-	-

- d) Foreign currency transactions outstanding as on December 31, that are not hedged by derivative transactions

Particulars	(Amount in Rupees)	
	2008	2007
Foreign currency Payables	176,212,783	476,689,651
Receivables	45,208,833	633,504,604

Significant Accounting Policies and Notes to Accounts

9. 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	2008	2007
(a) Principal amount due to suppliers under the Act.	358,404	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	1,163,756	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	12,178	3,397
(g) Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	12,178	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.

10. Miscellaneous Expenses include Auditors' Remuneration as under:

(Amount in Rupees)

Particulars	2008	2007
Audit Fees	1,840,000	1,600,000
Tax audit fees	253,000	220,000
Fees for Tax matters	1,626,650	1,161,250
Fees for Certification and others	2,223,500	8,95,850
Out of Pocket Expenses	188,400	50,050

11. As per Accounting Standard 15 "Employee Benefits", the disclosures of Employee benefits as defined in the Accounting Standard are given below:

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) 2008	Leave Encashment (Unfunded) 2008	Gratuity (Funded) 2007	Leave Encashment (Unfunded) 2007
Current Service cost	7,166,854	4,070,863	4,822,043	2,861,635
Interest Cost	4,481,786	1,084,697	4,093,735	774,367
Expected return on plan assets	(1,031,735)	-	(1,426,038)	-
Actuarial (gain)/loss	(2,855,559)	6,631,839	(55,113)	2,550,683
Net Cost	7,761,346	11,787,399	7,434,627	6,186,685

II. Net Asset / Liability recognised in the Balance Sheet as at 31st December, 2008

(Amount in Rupees)

Particulars	Gratuity (Funded) 2008	Leave Encashment (Unfunded) 2008	Gratuity (Funded) 2007	Leave Encashment (Unfunded) 2007
Fair value of plan assets as at December 31, 2008	17,253,954	-	15,027,895	-
Present value of obligation as at December 31, 2008	60,974,095	19,421,000	50,986,690	11,342,108
Amount recognized in Balance sheet	43,720,141	19,421,000	35,958,795	11,342,108

Significant Accounting Policies and Notes to Accounts

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

(Amount in Rupees)

Particulars	Gratuity (Funded) 2008	Leave Encashment (Unfunded) 2008	Gratuity (Funded) 2007	Leave Encashment (Unfunded) 2007
Defined Benefit obligation as at January 1, 2008	50,986,690	11,342,108	47,676,986	10,183,053
Current service cost	7,166,854	4,070,863	4,822,043	1,067,336
Interest cost	4,481,786	1,084,697	4,093,735	797,203
Actuarial (gain)/loss on obligation	2,601,192	6,631,839	(2,951,387)	1,865,214
Benefit paid	(4,262,427)	(3,708,507)	(2,654,687)	(2,570,698)
Defined Benefit obligation as at December 31, 2008	60,974,095	19,421,000	50,986,690	11,342,108

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

(Amount in Rupees)

Particulars	Gratuity (Funded) 2008	Gratuity (Funded) 2007
Fair value of plan assets at beginning of the year	15,027,895	13,188,138
Expected return on plan assets	1,031,735	1,426,038
Actuarial gain/(loss)	5,456,751	(2,896,274)
Employer contribution	-	5,964,680
Benefit paid	(4,262,427)	(2,654,687)
Fair value of plan assets at year end	17,253,954	15,027,895
Actual return on plan assets	6,488,486	(1,470,236)

V. Investment details

(Amount in Rupees)

Particulars	Gratuity (Funded) 2008	Gratuity (Funded) 2007
Insurer Managed Funds	17,253,954	15,027,895

VI. Actuarial assumptions

(Amount in Rupees)

Particulars	Gratuity (Funded) 2008	Leave Encashment (Unfunded) 2008	Gratuity (Funded) 2007	Leave Encashment (Unfunded) 2007
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	7%	7%	8%	8%
Expected rate of return on plan assets (per annum)	8%	-	8%	-
Rate of escalation in salary (per annum)	5.5%	5.5%	5.5%	5.5%

12. During the year 2007, the Company had consented to act as co-promoter 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) before the Board of Industrial & Financial Reconstruction (BIFR), New Delhi. BIFR Orders dated February 6, 2009 and February 17, 2009 have been received which envisage investment of Rs.93.59 million as Capital and Loans by the Company.

13. a) Capital Work-in-Progress includes Capital advances of Rs. 43,735,974 (Rs.51,555,682).
b) Sundry Creditors for Others include cheques overdrawn to the tune of Rs. 41,044,439 (Rs.10,242,348) which are since presented and paid.

14. Financial Statements of Subsidiary Companies

The Ministry of Corporate Affairs, Government of India vide its order no. 47/589/2008/CL-III dated February 16, 2009 issued under Section 212 (8) of the Companies Act, 1956 ("The Act") has exempted the Company from attaching the Balance

Significant Accounting Policies and Notes to Accounts

Sheets and Profit and Loss Accounts of its subsidiaries under Section 212 (1) of the Act. As per the orders, key details of each subsidiary are attached along with statements under Section 212 (1) of the Act.

15. 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%
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	100%
Essel Propack de Venezuela, C.A., Venezuela ^	100%
Essel de Mexico, S.A. de C.V., Mexico	100%
Tubo 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%
Catheter and Disposables Technology INC.*	85%
Medical Engineering and Design INC.*	62.90%

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

* Acquired during the year.

(b) Joint Venture/Associate Companies

Name of the Company	Nature	Extent of Holding
P.T. Lamipak Primula, Indonesia	Associate	30.00%
Essel Deutschland GmbH & Co., KG Germany	Joint Venture	24.90%
Essel Deutschland Management GmbH, Germany	Joint Venture	24.90%

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

a) Other Related Parties

Ayepee 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 Infraprojects Limited, Premier Finance & Trading Company Limited, Prajatma Trading Company Private Limited.

b) Directors of the Company

Non-Executive Directors

Mr. Subhash Chandra

Mr. D. Ahuja

Mr. Tapan Mitra

Mr. K.V. Krishnamurthy

Mr. Boman Moradian

Executive Director

Mr. Ashok Kumar Goel

(Vice-Chairman and Managing Director)

Significant Accounting Policies and Notes to Accounts

Transactions with Related Parties:

Particulars (A) Transactions	2008		2007	
	Total Amount (Rupees)	Amount for Major Parties	Total Amount (Rupees)	Amount for Major Parties
Sales to and Recoveries from				
Subsidiaries	251,961,350		207,427,628	
The Egyptian Indian Company for Modern Packaging S.A.E., Egypt		100,356,626		52,643,307
Lamitube Technologies Limited, Mauritius.		25,589,077		21,246,387
Essel Propack America, LLC, USA		27,145,441		74,031,072
Essel Propack MISR for Advanced Packaging S.A.E., Egypt		26,456,313		8,578,712
Essel Propack LLC, Russia		31,547,710		24,986,150
Joint Venture / Associate	8,128,866		11,283,260	
Essel Deutschland GmbH & Co., KG Germany		8,128,866		10,298,222
Bericap India Private Limited*		-		985,038
Royalty / Service charges Income				
Subsidiaries	217,039,950		182,295,902	
The Egyptian Indian Company for Modern Packaging S.A.E., Egypt		10,188,113		9,219,818
Essel Packaging (Guangzhou) Limited, China		47,155,359		43,010,461
TacPro Inc., USA		68,194,000		28,461,512
Essel Propack UK Limited ,UK		-		9,853,750
Essel Propack America LLC, USA		18,352,981		31,817,370
Essel Propack Polska, Poland		62,556,611		28,891,195
Essel Propack LLC, Russia		3,383,054		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	
Essel Infraprojects Limited		-		3,250,015
Dividend Income				
Subsidiaries	186,790,000		154,712,858	
Lamitube Technologies Limited, Mauritius		186,790,000		119,105,000
Essel Propack America, LLC, USA		-		35,242,790
Purchase of Goods and Services				
Subsidiaries	6,324,477		9,255,039	
Essel Packaging (Guangzhou) Limited, China		4,852,569		5,868,672
Arista Tubes Limited, UK.		-		2,235,183
Packaging India Private Limited, India		687,817		1,028,166
Other Related Parties	42,554,750		44,272,646	
Essel Corporate Resources Private Limited		21,000,000		22,327,031
Ganjam Trading Company Private Limited		17,136,000		17,136,000
Purchase of Fixed Assets				
Subsidiaries	15,180,173		2,464,723	
MTL De Panama S.A., Panama		-		2,427,343
Essel Propack America, LLC, USA		8,621,478		37,380
Packaging India Private Limited, India		6,558,695		-
Associate	-		2,334,539	
Bericap India Private Limited*		-		2,334,539
Loans/ Deposits/ Advances given				
Subsidiaries	1,236,057,407		1,436,836,474	
Lamitube Technologies Limited, Mauritius		243,437,500		938,956,000

Significant Accounting Policies and Notes to Accounts

Particulars (A) Transactions	2008		2007	
	Total Amount (Rupees)	Amount for Major Parties	Total Amount (Rupees)	Amount for Major Parties
Essel Propack America, LLC, USA		610,868,000		141,605,000
Packaging India Private Limited, India		98,027,407		336,567,974
Lamitube Technologies (Cyprus) Limited, Cyprus		283,724,500		19,707,500
Other Related Parties	3,575,509,001		3,414,330,239	
Churu Trading Company Private Limited		1,031,515,368		1,103,890,284
Premier Finance & Trading Company Limited		776,477,789		651,531,848
Ayeppee Lamitubes Limited		649,719,180		593,388,370
Briggs Trading Company Private Limited		740,717,590		1,046,025,944
Prajatma Trading Company Private Limited		341,000,000		-
Repayment of Loans/ Deposits/ Advances given				
Subsidiaries	677,731,026		744,040,250	
Lamitube Technologies Limited, Mauritius		200,467,500		470,826,500
Essel Propack America, LLC, USA		407,105,125		33,213,750
Packaging India Private Limited, India		70,000,000		240,000,000
Associate	-		149,067,066	
Bericap India Private Limited*		-		149,067,066
Other Related Parties	3,071,972,162		3,480,343,113	
Churu Trading Company Private Limited		1,013,000,000		1,125,000,000
Premier Finance & Trading Company Limited		645,000,000		645,000,000
Ayeppee Lamitubes Limited		649,719,180		593,388,370
Briggs Trading Company Private Limited		741,000,000		1,100,000,000
Interest Income on Loans/Deposits given				
Subsidiaries	144,212,342		37,221,576	
Lamitube Technologies Limited, Mauritius		59,056,838		19,236,985
Essel Propack America, LLC, USA		51,573,260		8,217,655
Lamitube Technologies (Cyprus) Limited, Cyprus		19,351,398		200,036
Packaging India Private Limited, India		14,230,846		9,566,900
Associate	-		463,269	
Bericap India Private Limited*		-		463,269
Other Related Parties	202,341,834		166,761,754	
Churu Trading Company Private Limited		57,355,808		51,302,135
Premier Finance & Trading Company Limited		52,110,340		39,124,519
Ayeppee Lamitubes Limited		42,300,552		31,484,785
Briggs Trading Company Private Limited		28,384,607		44,178,731
Prajatma Trading Company Private Limited		19,320,219		-
Investment acquired during the year				
Subsidiaries	-		239,858,750	
Lamitube Technologies (Cyprus) Limited, Cyprus		-		239,858,750
(B) Balance Outstanding as on 31.12.2008				
Debtors/Royalty Receivable				
Subsidiaries	408,324,109		220,190,942	
Essel Propack America, LLC, USA		55,221,072		39,286,546
Tacpro Inc., USA		68,194,000		27,590,496
Essel Propack UK Limited, UK		34,469,433		25,827,523
Essel Propack LLC, Russia		70,585,415		35,578,580
Essel Propack Polska Sp. Z.O.O., Poland		113,570,165		28,891,195
Joint Venture	-		6,618,671	
Essel Deutschland GmbH & Co., KG Germany		-		6,618,671
Other Related Party	223,284		2,573,299	

Significant Accounting Policies and Notes to Accounts

Particulars (A) Transactions	2008		2007	
	Total Amount (Rupees)	Amount for Major Parties	Total Amount (Rupees)	Amount for Major Parties
Essel Infraprojects Limited		223,284		2,573,299
Loans/ Deposits/ Advances				
Subsidiaries	1,552,657,641		902,823,733	
Essel Propack America, LLC, USA		395,942,493		118,231,397
Lamitube Technologies (Cyprus) Limited, Cyprus		348,276,500		33,340,198
Lamitube Technologies Limited, Mauritius		646,452,134		626,492,711
Packaging India Private Limited, India		131,496,713		102,821,358
Joint Venture/Associate	1,555,215		852,405	
Essel Deutschland GmbH & Co., KG Germany		1,460,322		852,405
Other Related Parties	649,296,828		145,009,988	
Ganjam Trading Company Private Limited		35,667,441		22,841,347
Churu Trading Company Private Limited		54,113,892		35,598,524
Premier Finance & Trading Company Limited		161,484,597		30,006,808
Ayeppee Lamitubes Limited		50,000,000		50,000,000
Prajatma Trading Company Private Limited.		341,000,000		-
Interest Receivable				
Subsidiaries	166,695,573		35,133,843	
Essel Propack America, LLC, USA		63,135,048		8,325,773
Lamitube Technologies (Cyprus) Limited, Cyprus		20,164,226		199,834
Lamitube Technologies Limited, Mauritius		65,037,421		19,209,196
Packaging India Private Limited, India		18,358,878		7,399,040
Other Related Parties	123,376,496		111,263,648	
Churu Trading Company Private Limited		43,516,445		39,839,675
Premier Finance & Trading Company Limited		42,112,660		30,702,848
Briggs Trading Company Private Limited		15,788,765		40,051,675
Prajatma Trading Company Private Limited		19,320,219		-
Creditors				
Subsidiaries	26,626,037		5,576,179	
Essel Packaging (Guangzhou) Limited, China		4,545,084		1,322,942
Packaging India Private Limited, India		7,265,108		44,801
MTL De Panama S.A., Panama		3,000,910		2,427,343
Essel Propack America, LLC, USA		11,393,173		321,939
Arista Tubes Limited, UK		-		1,387,173
Investments				
Subsidiaries	5,712,896,298		5,712,896,298	
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
Guarantees given				
Subsidiaries	6,230,497,924		3,970,664,481	
Essel Packaging (Guangzhou) Limited, China		-		285,758,750
Lamitube Technologies Limited, Mauritius		2,618,162,500		1,921,481,250
Packaging India Private Limited, India		651,035,000		549,087,746
Arista Tubes Inc., USA		974,200,000		335,027,500
Essel Propack America, LLC, USA		667,327,000		342,910,500
Essel Propack Polska Sp., Z.O.O., Poland		900,429,034		394,150,000

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

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 Clause 32 of the listing agreement:

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

(Amount in Rupees)

Particulars	Balance as on		Maximum amount outstanding during the year	
	2008	2007	2008	2007
a) Loans to Subsidiaries				
Essel Propack America, LLC, USA	382,373,500	108,391,250	728,929,250	118,061,250
Lamitube Technologies Limited, Mauritius	628,359,000	476,921,500	628,359,000	480,318,000
Packaging India Private Limited, India	126,292,823	98,265,416	176,292,823	268,265,416
Lamitube Technologies (Cyprus) Limited, Cyprus	348,276,500	19,707,500	348,276,500	19,775,000
b) Advances & Reimbursement to Subsidiaries/ Joint Venture/ Associate Companies				
The Egyptian Indian Company for Modern Packaging S.A.E, Egypt	420,294	7,059	420,294	752,728
Essel Propack America, LLC, USA	76,704,040	17,929,430	76,704,040	18,861,427
Essel Packaging (Guangzhou) Limited, China	652,877	2,228,584	2,859,496	2,454,477
Essel Packaging (Nepal) Private Limited, Nepal	52,902	-	52,902	94,793
Lamitube Technologies Limited, Mauritius	83,130,555	50,535,408	88,921,301	53,094,414
Tube pack de Columbia S.A, Columbia	217,377	2,048,490	2,540,599	2,290,548
Lamitube Technologies (Cyprus) Limited, Cyprus	20,164,226	13,832,532	20,164,226	15,589,066
Essel Propack Philippines, Inc, Philippines	-	-	66,811	477,089
Essel De Mexico, S.A. de C.V., Mexico	2,707,814	1,971,088	2,707,814	2,149,015
Essel Propack LLC, Russia	719,747		719,747	-
Arista Tubes Inc., USA	2,099,373	1,089,718	2,099,373	1,242,878
Arista Tubes Limited , UK	4,068,377	4,008,431	4,400,614	4,247,394
Essel Propack UK Limited, UK	3,443,146	3,069,280	3,958,405	3,221,835
Essel Propack de Venezuela, C.A., Venezuela	2,014,386	1,629,994	2,014,386	1,846,959
Avalon Medical Services Pte. Limited	432,514	-	444,634	-
Essel Propack MISR for Advanced Packaging S.A.E., Egypt	65,035	972,626	1,112,262	1,136,726
Packaging India Private Limited, India	23,562,768	11,954,982	23,713,740	11,589,914
Tacpro Inc., USA	-	94,748	1,994,961	523,851
Essel Propack Polska Sp., Z.O.O., Poland	13,595,960	4,818,055	13,640,280	4,840,671
Essel Deutschland GmbH & Co., KG Germany	1,460,322	852,405	1,515,319	2,149,669
P.T. Lamipak Primula, Indonesia	94,892	-	97,054	-

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.

ii) Investments by Loanee in the Shares of the Company as at December 31

Loanee	No. of fully paid-up equity shares as on	
	2008	2007
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
Prajatma Trading Company Private Limited	5,953,380	5,953,380

Significant Accounting Policies and Notes to Accounts

16. Joint Ventures

In compliance with Accounting Standard 27 on "Financial Reporting of Interest in Joint Ventures," the Company's share of each of the assets, liabilities, income and expenses in respect of jointly controlled entities are as follows:

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

(i) Financial Interest (on the basis of audited financial information)

Particulars	Essel Deutschland GmbH & Co. KG, Dresden		Essel Deutschland Management GmbH	
	2008	2007	2008	2007
Company's share of Interest				
Assets	188,688,671	169,300,693	757,013	719,398
Liabilities	138,366,557	87,815,184	127,402	105,636
Income	296,803,881	259,919,918	1,928,542	35,239
Expenses	283,850,624	241,097,385	2,030,134	77,282

(ii) The parent company's share of capital commitments in the Joint Ventures as at December 31, 2008 is Rs. Nil (Rs Nil).

(iii) The parent company's share of contingent liabilities in the Joint Ventures as at December 31, 2008 is Rs. Nil (Rs Nil).

(iv) No contingent liabilities and capital commitments have been incurred as at December 31, 2008 in relation to the parent company's interest in the Joint Ventures along with other venturer.

17. Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956

A. Capacity, Production, Turnover & Stocks

Particulars	Unit	Licensed Capacity \$	Installed Capacity # #	Opening Stock		Production	Turnover		Closing Stock	
				Quantity	Amount (Rs.)	Quantity	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Laminated & Co-ex Tubes	Million	NA	2,253	5.05	4,385,681	# 1,737.85	1,720.69	3,018,315,222	10.94*	8,918,785
	Nos.	NA	(2,114)	(3.51)	(3,647,287)	(1,769.88)	(1,747.59)	(2,924,594,607)	(5.05)	(4,385,681)
Laminates	M.T.	NA	4,000	49.73	5,586,844	**7,663.11	1,772.28	273,845,595	14.17	2,256,169
		NA	(4,000)	(35.27)	(4,132,756)	(7,202.07)	(1,494.90)	(235,971,881)	(49.73)	(5,586,844)
Plastic Film	M.T.	NA	6,690	-	-	*** 5762.03	14.62	2,921,588	-	-
		NA	(6,690)	-	-	(5,376.78)	(3.82)	(1,216,819)	-	-
Others****								265,195,454		
								(226,397,077)		

* Excludes 11.27 Mio (20.76 Mio.) tubes scrapped.

** Consumed 5926.39 MT (5692.71MT) for captive.

*** Includes 292.49 MT (361.68 MT) produced through third parties and captive consumption is 5747.41 MT (5372.96 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 70.69 Mio (12.22 Mio) produced through third party.

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

B. Particulars of Raw Materials Consumed

Particulars	Unit	2008		2007	
		Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Polymer Resins	M.T.	11,837	947,500,835	10,904	783,889,311
Aluminium Foils	M.T.	878	185,452,162	901	179,095,372
Others			407,642,862	-	390,576,610
Total			1,540,595,859		1,353,561,293

Significant Accounting Policies and Notes to Accounts

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	2008		2007	
		Percentage	Amount (Rs.)	Percentage	Amount (Rs.)
1.	Raw Materials				
	a) Imported	52	798,305,013	53	718,974,228
	b) Indigenous	48	742,290,846	47	634,587,065
2.	Stores & Spares				
	a) Imported	54	70,844,327	48	42,439,344
	b) Indigenous	46	59,162,815	52	46,439,995
3.	Packing Material				
	Indigenous	100	131,509,068	100	116,264,384

D. Dividend Remittances in Foreign Currency

Particulars	No. of Shareholders	No. of Equity Shares held	Amount (Rs.)
Current Year			
December 2007 Final	41	34,292,520	41,151,024
Previous Year			
December 2006 Final (including Interim)	43	34,299,005	68,598,010

E. Other Information

(Amount in Rupees)

Particulars	2008	2007
C.I.F. Value of Imports		
Raw Materials	976,308,312	642,082,038
Stores and Spares	80,353,993	57,475,600
Capital Goods	253,635,494	107,511,797
Expenditure in Foreign Currency (On accrual basis)		
Financial Charges	42,337,372	14,256,975
Travelling Expenses	1,724,998	861,422
Others	2,797,531	884,266
FOB Value of Exports		
Product exports	357,176,479	266,354,649
Income in Foreign Exchange		
Royalty/Service Charges	217,039,953	182,390,446
Interest	129,981,496	27,654,676
Dividend	186,790,000	154,347,790

18. Earnings Per Share

Particulars	2008	2007
Profit after tax before Exceptional Items (Rs.)	259,936,253	377,506,586
Profit after tax after Exceptional Items (Rs.)	271,784,759	372,925,013
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 Items (Rs.)	1.66	2.41
Basic and Diluted EPS after Exceptional Items (Rs.)	1.74	2.38

19. Segment Reporting

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 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

Mohan Bhandari
Partner
Membership No.12912

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)
A.S. Khandwala Vice President - Legal and Company Secretary

Mumbai, March 31, 2009

Mumbai, March 31, 2009

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	8
---	---	---	---	---	---

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

1	1	4	9	0	1	1	6
---	---	---	---	---	---	---	---

Sources of Funds:

Paid-up Capital

		3	1	3	1	3	1
--	--	---	---	---	---	---	---

Reserves & Surplus

		5	5	3	0	2	6	9
--	--	---	---	---	---	---	---	---

Deferred Tax Balances

		1	2	4	3	1	9
--	--	---	---	---	---	---	---

Secured Loans

		1	6	6	0	0	0	0
--	--	---	---	---	---	---	---	---

Unsecured Loans

		3	8	6	2	2	8	0
--	--	---	---	---	---	---	---	---

Total Assets

1	1	4	9	0	1	1	6
---	---	---	---	---	---	---	---

Application of Funds:

Net Fixed Assets

		1	8	1	3	2	0	6
--	--	---	---	---	---	---	---	---

Investments

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

Net Current Assets

		3	9	3	2	5	9	4
--	--	---	---	---	---	---	---	---

Misc. Expenditure

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

Accumulated Losses

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

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

Turnover*

		3	5	4	8	1	2	7
--	--	---	---	---	---	---	---	---

Profit Before Tax (+/-)

		3	8	4	6	4	0
--	--	---	---	---	---	---	---

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

					1	.	6	6
--	--	--	--	--	---	---	---	---

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

					1	.	7	4
--	--	--	--	--	---	---	---	---

* Includes other income

** Includes exceptional item

Total Expenditure**

		3	1	6	3	4	8	7
--	--	---	---	---	---	---	---	---

Profit After Tax (+/-)

		2	7	1	7	8	5
--	--	---	---	---	---	---	---

Dividend rate (%)

							1	5
--	--	--	--	--	--	--	---	---

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	D		
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)

A.S. Khandwala Vice President - Legal and Company Secretary
Mumbai, March 31, 2009

Cash Flow Statement for the year ended December 31,

(Amount in Rupees)

	2008	2007
A. Cash Flow from Operating Activities		
Net Profit before tax and exceptional items	372,791,515	559,943,960
Adjustments for:		
Depreciation/Amortisation	206,557,025	200,827,481
Interest Expense	593,151,839	388,548,999
Interest Income	(350,421,144)	(212,309,697)
Profit on Sale of Fixed Assets (Net)	(211,015)	(3,197,813)
Dividend Income	(186,790,000)	(154,712,858)
Provision for Doubtful Debts	10,852,153	6,439,162
Exchange adjustments (Net)	164,481,821	(25,032,772)
Operating Profit before Working Capital changes	810,412,194	760,506,462
Adjustments for:		
Increase in Trade Receivables	(262,346,022)	(256,507,799)
Increase in Inventories	(82,883,607)	(20,700,381)
Increase/(Decrease) in Trade Payables	42,220,178	(37,860,488)
Cash Generated from Operations	507,402,743	445,437,793
Direct Taxes Paid (Net of refunds)	(93,949,858)	(160,401,176)
Net Cash from Operating activities (A)	413,452,885	285,036,617
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets/Capital work-in-Progress	(335,717,870)	(241,637,755)
Sale of Fixed Assets	41,112,220	4,373,485
Investments in Subsidiaries	-	(239,858,750)
(Increase)/Decrease in Short-term Loans to other parties (Net)	(52,441,677)	46,429
Short-term loans given to related parties	(3,575,557,187)	(3,414,330,243)
Repayment of Short-term Loans given to related parties	3,072,020,347	3,480,343,113
Repayment of Long-term Loan given to related parties	29,814,134	14,907,066
(Increase)/Decrease in Loans and Advances to Subsidiary/ Associate/ Joint Venture Companies	(540,443,507)	(786,964,702)
Interest Received	208,445,016	99,722,696
Dividend Received	305,271,490	47,689,391
Net Cash to Investing Activities (B)	(847,497,035)	(1,035,709,271)

Cash Flow Statement for the year ended December 31,

(Amount in Rupees)

	2008	2007
C. Cash Flow from Financing Activities		
Calls in Arrears received (Including Securities Premium)	7,500	37,500
Increase/(Decrease) in other Borrowings (Net)	343,435,992	(64,576,173)
Proceeds from Long-term loans	-	865,354,988
Repayment of Long-term loans	(433,188,939)	(466,811,061)
Proceeds from Short-term Borrowings	9,779,162,371	8,150,000,000
Repayment of Short-term Borrowings	(8,135,000,000)	(6,985,000,000)
Proceeds from Debentures	-	8,200,000,000
Repayment of Debentures	-	(8,200,000,000)
Principal Payment under finance Lease	(152,414)	(452,727)
Interest Paid	(572,168,280)	(376,364,726)
Dividend Paid (including tax)	(229,231,577)	(355,537,000)
Profit/(Loss) on Forward Contract cancellation	(301,958,955)	5,252,394
Net Cash from Financing Activities (C)	450,905,698	771,903,195
Net Changes in Cash and Cash Equivalents (A+B+C)	16,861,548	21,230,542
Cash and Cash Equivalents - Opening Balance	55,835,700	34,605,158
Cash and Cash Equivalents - Closing Balance	72,697,249	55,835,700

Notes:

1. Previous year figures are regrouped/reconsidered wherever necessary.
2. The balance in the Cash and Cash Equivalents includes Rs. 8,310,496 (Rs. 17,683,482) set aside for payment of dividends and accordingly is not otherwise available to the company.
3. Cash and Cash Equivalents include Rs. 2,810 (Rs. 1,374) on account of realignment of foreign currency account.
4. Cash and Cash Equivalents include the following :

	2008	2007
Cash on hand	307,044	222,520
Bank Balance with Scheduled Banks		
In Current accounts		
i) Indian Rupee accounts	26,787,709	49,524,905
ii) Foreign Currency accounts	14,723	11,913
iii) Fixed Deposits/Margin Money accounts	41,706,600	80,000
iv) Remittance in Transit	3,881,173	5,996,363
	72,697,249	55,835,700

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

Mohan Bhandari
Partner
Membership No.12912

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)
A.S. Khandwala Vice President - Legal and Company Secretary

Mumbai, March 31, 2009

Mumbai, March 31, 2009

A large, faint, stylized leaf pattern in the background, consisting of several overlapping leaf shapes with smooth, curved edges, rendered in a light gray color.

Consolidated Financials

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, associate and joint venture Companies ("the group") as at December 31, 2008, 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) The financial statements of subsidiaries, with total assets of Rs. 12,123,404,441 as at December 31, 2008 and total revenues of Rs. 9,470,062,091 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.
- (b) The financial statements of an associate have been audited by another auditor whose report has been furnished to us. The profit of such associate considered for consolidation is Rs. 7,804,417 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 Joint Ventures have been audited by other auditors whose reports have been furnished to us. The total assets and revenues considered for consolidation is Rs. 187,466,671 and Rs. 290,460,970 respectively. Our opinion, in so far as it relates to the amount included in respect of those joint ventures, is based solely on the report of other 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", notified pursuant to the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the Company, its subsidiaries, associate and joint ventures.
5. Without qualifying our report, we draw our reference to Note 21(a) of schedule 23, wherein the managerial remuneration paid/payable for the year is in excess of the limits prescribed in the Companies Act, 1956 and is subject to approval of Shareholders and Central Government.
6. Based on our audit and on consideration of the reports of other auditors on separate financial statements of subsidiaries, associate and joint ventures, and to the best of our information and according to the explanations given to us, we are of the opinion that 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, 2008.
 - (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.

Mohan Bhandari

Partner

Membership No. 12912

For **MGB & Co.**

Chartered Accountants

Mumbai, March 31, 2009

Consolidated Balance Sheet as at December 31,

	Schedule	2008	(Amount in Rupees) 2007
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	313,130,610	313,130,360
Reserves and Surplus	2	6,678,654,888	7,848,714,845
		<u>6,991,785,498</u>	<u>8,161,845,205</u>
Loan Funds			
Secured Loans	3	4,996,853,047	4,061,464,393
Unsecured Loans	4	5,317,265,282	3,015,285,243
		<u>10,314,118,329</u>	<u>7,076,749,636</u>
Minority Interest		165,578,838	118,301,748
Deferred Tax Liabilities (net)	5	61,201,233	56,129,062
Total		<u>17,532,683,898</u>	<u>15,413,025,651</u>
APPLICATION OF FUNDS			
Fixed Assets			
Goodwill on Consolidation		4,390,031,815	4,060,626,375
Fixed Assets (other than Goodwill on Consolidation)			
Gross Block	6	14,534,820,462	13,494,363,678
Less: Depreciation / Amortisation		7,704,296,838	6,611,447,370
Net Block		<u>6,830,523,624</u>	<u>6,882,916,308</u>
Capital Work-in-progress		422,560,715	793,961,519
		<u>7,253,084,339</u>	<u>7,676,877,827</u>
Investments	7	452,599,865	447,781,786
Current Assets, Loans and Advances			
Inventories	8	2,079,405,495	1,890,399,462
Sundry Debtors	9	2,019,949,467	1,549,801,561
Cash and Bank Balances	10	817,379,811	551,417,277
Other Current Assets	11	154,237,081	148,174,877
Loans and Advances	12	2,518,636,574	1,614,614,548
		<u>7,589,608,428</u>	<u>5,754,407,725</u>
Less: Current Liabilities and Provisions	13	2,204,617,412	2,551,043,530
Net Current Assets		<u>5,384,991,016</u>	<u>3,203,364,195</u>
Miscellaneous Expenditure	14	51,976,863	24,375,468
(To the extent not written off or adjusted)			
Total		<u>17,532,683,898</u>	<u>15,413,025,651</u>
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, 2009

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)
A.S. Khandwala Vice President - Legal and Company Secretary

Mumbai, March 31, 2009

Consolidated Profit and Loss for the year ended December 31,

	Schedule	2008	2007
INCOME			
Sales and Services (Gross)	15	13,227,624,282	12,393,593,878
Less: Excise Duty		316,667,970	455,952,096
Sales and Services (Net)		12,910,956,312	11,937,641,782
Other Income	16	38,329,710	148,854,385
Total		12,949,286,022	12,086,496,167
EXPENDITURE			
Cost of Materials	17	5,809,808,146	5,324,315,487
Manufacturing and Other Expenses	18	1,606,026,280	1,458,203,815
Personnel Cost	19	2,534,512,923	2,269,835,050
Administrative and Other Expenses	20	703,981,047	688,569,560
(Gain)/Loss on Foreign Exchange Fluctuations (Net)		517,408,311	(94,652,768)
Selling and Distribution Expenses	21	455,834,892	327,048,222
Total		11,627,571,599	9,973,319,366
Profit Before Depreciation, Interest and Tax (PBDIT)		1,321,714,423	2,113,176,801
Financial Expenses (Net)	22	698,650,840	531,044,296
Depreciation/Amortisation		1,119,903,432	667,354,777
Profit Before Tax and Exceptional Items		(496,839,849)	914,777,728
Exceptional Items (Refer Note 25)		(11,848,506)	71,324,989
Profit Before Tax (PBT)		(484,991,343)	843,452,739
Provision for Taxation			
Current Tax - Current year		328,340,348	313,737,606
- Earlier periods		5,912,724	15,193,490
Deferred Tax		5,072,172	(129,547,695)
Fringe Benefit Tax		6,263,074	5,460,463
Profit After Tax (PAT) before Minority Interest and Share of Profit from Associate		(830,579,661)	638,608,875
Share of Profit from Associate Company		7,804,418	13,018,198
Minority Interest		60,332,879	43,492,086
Net Profit after tax, Minority Interest and Share of Profit from Associate		(883,108,122)	608,134,987
Balance Brought Forward		2,445,851,878	2,121,817,397
Difference in Accounting for Investments		-	18,391,808
Amount Available for Appropriation		1,562,743,756	2,748,344,192
APPROPRIATIONS			
Dividend - Final Proposed		46,980,339	187,921,356
Dividend Tax		16,894,626	31,937,234
Legal Reserve		63,105,706	45,333,724
General Reserve		13,589,240	37,300,000
Balance carried to Balance Sheet		1,422,173,845	2,445,851,878
Total		1,562,743,756	2,748,344,192
Earnings Per Share (Equity Shares, par value Rs. 2/- each)			
Basic and Diluted Earnings Per Share before Exceptional items		(5.71)	4.27
Basic and Diluted Earnings Per Share after Exceptional items		(5.64)	3.88
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

Mohan Bhandari
Partner
Membership No.12912

Mumbai, March 31, 2009

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)
A.S. Khandwala Vice President - Legal and Company Secretary

Mumbai, March 31, 2009

Schedules to the Consolidated Balance Sheet as at December 31,

	(Amount in Rupees)	
	2008	2007
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)	71,650	71,900
Total	313,130,610	313,130,360
SCHEDULE 2		
Reserves and Surplus		
Securities Premium		
As per last Balance Sheet	3,842,976,048	3,842,939,798
Add: Received during the year	7,250	36,250
	3,842,983,298	3,842,976,048
Capital Reserve		
As per last Balance Sheet	195,123,208	195,123,208
Capital Subsidy		
As per last Balance Sheet	45,509,387	52,013,532
Add: Received during the year	14,842,022	4,904,257
	60,351,409	56,917,789
Less: Transfer to Profit and Loss Account	10,826,129	11,408,402
	49,525,280	45,509,387
Legal Reserves		
As per last Balance Sheet	233,106,258	187,772,534
Add: Appropriated during the year	63,105,706	45,333,724
	296,211,964	233,106,258
General Reserve		
As per last Balance Sheet	949,335,158	934,801,247
Add: Appropriated during the year	13,589,240	37,300,000
	962,924,398	972,101,247
Less: Adjustment of transitional provisions of AS 15 (net of tax)	-	22,766,089
	962,924,398	949,335,158
Foreign Currency Translation Reserve		
	(90,287,105)	136,812,908
Profit and Loss Account		
	1,422,173,845	2,445,851,878
Total*	6,678,654,888	7,848,714,845

* Includes Share in Joint Ventures Rs. 20,821,934 (Rs. 60,180,131)

Schedules to the Consolidated Balance Sheet as at December 31,

	(Amount in Rupees)	
	2008	2007
SCHEDULE 3		
Secured Loans		
Term Loan from Banks	3,828,720,040	3,312,133,302
Working Capital Facilities/Loans from Banks	1,094,506,509	699,884,054
Other Secured Loan	513,142	1,230,544
	<u>4,923,739,691</u>	<u>4,013,247,900</u>
Share in Joint Ventures	73,113,356	48,216,493
Total	<u>4,996,853,047</u>	<u>4,061,464,393</u>
SCHEDULE 4		
Unsecured Loans		
Short Term Loan		
From Banks	3,470,842,545	1,630,103,998
Others	11,585,183	-
Interest Accrued and Due	1,515,216	-
Inter Corporate Deposit	20,000,000	-
Other Loans		
From Banks	1,362,403,987	941,525,000
Deferred Sales Tax Loan (Repayable on different dates starting from Year 2009)	448,406,779	434,534,587
Lease Finance	2,511,572	9,121,658
Total	<u>5,317,265,282</u>	<u>3,015,285,243</u>
SCHEDULE 5		
Deferred Tax Liabilities (Net) (Refer Note 18(c))		
Deferred Tax Liabilities	517,881,172	429,121,570
Less: Deferred Tax Assets	456,679,939	372,992,508
Total	<u>61,201,233</u>	<u>56,129,062</u>

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 01-01-2008	Additions	Deductions	As at 31-12-2008	Up to 31-12-2007	For the Year	Deductions	Upto 31.12.2008	As at 31.12.2008	As at 31.12.2007
a) Intangibles										
Patents/Trademarks	21,322	-	-	21,322	2,345	2,705	-	5,050	16,272	18,977
Software	54,115,228	7,302,560	-	61,417,788	28,615,936	13,054,566	-	41,670,502	19,747,286	25,499,292
b) Tangibles										
Owned Assets										
Freehold Land	78,070,055	1,293,091	26,152,654	53,210,492	-	-	-	-	53,210,492	78,070,055
Leasehold Land	59,587,966	-	58,575	59,529,391	10,067,027	1,849,792	38,073	11,878,746	47,650,645	49,520,939
Buildings	1,207,869,065	105,544,964	-	1,313,414,029	154,338,290	57,249,734	-	211,588,024	1,101,826,005	1,053,530,775
Leasehold Improvements	17,218,838	-	-	17,218,838	2,256,443	2,636,828	-	4,893,271	12,325,567	14,962,395
Plant & Machinery	11,475,372,775	941,228,548	66,671,076	12,349,930,247	6,170,934,281	962,771,270	41,687,343	7,092,018,208	5,257,912,039	5,287,359,721
Equipment	234,748,163	17,886,363	1,005,221	251,629,305	112,984,567	31,218,958	859,041	143,344,484	108,284,821	118,342,833
Furniture & Fixtures	199,527,327	10,905,604	718,781	209,714,150	61,848,128	23,133,888	552,818	84,429,198	125,284,952	134,964,773
Vehicles	23,299,762	-	7,156,202	16,143,560	14,027,261	1,280,696	6,451,134	8,856,823	7,286,737	9,272,501
Owned Assets (A)	13,349,830,501	1,084,161,130	101,762,509	14,332,229,122	6,555,074,278	1,093,198,437	49,588,409	7,598,684,306	6,733,544,816	6,771,542,261
Leased Assets										
Vehicles	7,597,484	-	4,141,557	3,455,927	2,064,710	946,382	2,132,407	878,685	2,577,242	5,532,774
Leased Assets (B)	7,597,484	-	4,141,557	3,455,927	2,064,710	946,382	2,132,407	878,685	2,577,242	5,532,774
Total (A+B)	13,357,427,985	1,084,161,130	105,904,066	14,335,685,049	6,557,138,988	1,094,144,819	51,720,816	7,599,562,991	6,736,122,058	6,777,075,035
Share in Joint Venture	190,644,573	15,217,912	6,727,072	199,135,413	84,803,300	25,758,613	5,828,066	104,733,847	94,401,566	105,841,273
Grand Total 2008	13,548,072,558	1,099,379,042	112,631,138	14,534,820,462	6,641,942,288	1,119,903,432	57,548,882	7,704,296,838	6,830,523,624	6,882,916,308
Grand Total 2007	12,051,946,535	2,001,583,070	559,165,927	13,494,363,678	6,199,947,826	746,769,398	335,269,854	6,611,447,370	6,882,916,308	
Capital Work in Progress									388,745,773	793,635,489
Share in Joint Venture									33,814,942	326,030
Total									422,560,715	793,961,519

Notes:

- Buildings include Roads, Residential Flats, Tubewells and Watertanks and Shares in Co-operative Housing Society.
- The Opening Gross Block and Accumulated Depreciation as at January 1, 2008 has been restated to include Rs. 53,708,880 in Gross Block, and Rs. 30,494,918 in Accumulated Depreciation, resulting from the acquisition of Medical Engineering and Design Inc and Catheter and Disposable Technology Inc during the year.

Schedules to the Consolidated Balance Sheet as at December 31,

	(Amount in Rupees)	
	2008	2007
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	50,211,433	44,615,325
Share of Profit for the year	7,804,417	13,018,198
Less: Dividend Received	2,950,432	7,422,090
	425,886,943	421,032,958
(b) 3141971 Equity Shares of Rs. 10/- each of		
Bericap India Private Limited (Extent of Holding 16.50%)	31,419,710	31,419,710
Less: Provision for Dimunition in value of investment	(5,445,500)	(5,445,500)
	25,974,210	25,974,210
Long Term Trade - Quoted		
(a) 100 Equity Shares (Face Value Rs.10/- each) in	1,125	1,125
Akar Laminators Limited		
(b) 200 Equity Shares (Face Value Rs.10/- each) in	1,760	1,760
Cosmo Films Limited		
(c) 100 Equity Shares (Face Value Rs.10/- each) in	1,515	1,515
Flex Industries Limited		
(d) 100 Equity Shares (Face Value Rs.10/- each) in	1,360	1,360
Orient Press Limited		
(e) 5 Equity Shares (Face Value Rs.10/- each) in	7,130	7,130
Sharp Industries Limited		
(f) 50 Equity Shares (Face Value Rs.10/- each) in	6,105	6,105
Paper Products Limited		
Long Term Non Trade - Quoted		
(a) 400 Equity Shares (Face Value Rs.10/- each) in	4,000	4,000
Associated Business Credit Limited		
(b) 70 Equity Shares (Face Value Rs.100/- each) in	42,000	42,000
State Bank of Travancore		
	64,995	64,995
Less: Provision for Diminution in value of investments	48,161	12,255
	16,834	52,740
Note:		
Quoted Investments		
Cost	64,995	
Market Value	21,579	
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	452,599,865	447,781,786

Schedules to the Consolidated Balance Sheet as at December 31,

	(Amount in Rupees)	
	2008	2007
SCHEDULE 8		
Inventories		
Raw Materials	941,932,416	877,201,772
Finished Goods	214,301,310	208,885,120
Goods-in-Process	429,937,478	343,739,312
Stores, Spares and Packing materials	341,827,780	320,147,753
Goods-in-Transit	129,289,663	113,503,084
	<u>2,057,288,647</u>	<u>1,863,477,041</u>
Share in Joint Ventures	22,116,848	26,922,421
Total	<u>2,079,405,495</u>	<u>1,890,399,462</u>
SCHEDULE 9		
Sundry Debtors		
(Unsecured and Considered Good, unless otherwise stated)		
Over six months		
Considered Good	80,260,055	125,058,106
Considered Doubtful	86,666,564	71,537,912
	<u>166,926,619</u>	<u>196,596,018</u>
Others	1,907,821,761	1,395,549,338
	<u>2,074,748,380</u>	<u>1,592,145,356</u>
Less: Provision for doubtful debts	86,666,564	71,537,912
	<u>1,988,081,816</u>	<u>1,520,607,444</u>
Share in Joint Ventures	31,867,651	29,194,117
Total	<u>2,019,949,467</u>	<u>1,549,801,561</u>
SCHEDULE 10		
Cash and Bank Balances		
Cash on Hand	2,131,234	1,314,646
With Banks:		
(a) In Current Account*	632,118,474	446,577,676
(b) In Fixed Deposit	178,160,927	95,851,092
(c) Remittance in Transit	4,473,329	6,315,560
	<u>816,883,964</u>	<u>550,058,974</u>
Share in Joint Ventures	495,847	1,358,303
Total	<u>817,379,811</u>	<u>551,417,277</u>
* Includes Rs.8,310,496 (Rs.17,683,482) being balance in Unclaimed Dividend Accounts.		
SCHEDULE 11		
Other Current Assets		
Interest Receivable on Loans and Advances	124,251,911	113,837,512
Export Benefit Receivable	24,312,790	20,949,092
Other Receivables	5,672,380	13,388,273
Total	<u>154,237,081</u>	<u>148,174,877</u>

Schedules to the Consolidated Balance Sheet as at December 31,

	(Amount in Rupees)	
	2008	2009
SCHEDULE 12		
Loans and Advances		
(Unsecured, Considered Good unless otherwise stated)		
Loans	922,992,385	397,382,595
Advances (Recoverable in cash or in kind or for value to be received)		
Other Advances	1,488,323,454	1,066,701,319
Tax advance (Net of provisions)	-	50,305,367
Deposits	103,319,528	98,499,918
	2,514,635,367	1,612,889,199
Share in Joint Ventures	4,001,207	1,725,349
Total	2,518,636,574	1,614,614,548
SCHEDULE 13		
Current Liabilities and Provisions		
A. Current Liabilities		
Acceptances	280,337,005	222,719,780
Sundry Creditors		
for Goods	610,123,420	925,039,037
for Capital Goods	119,400,998	301,101,658
for Others	870,771,471	686,704,610
Interest Accrued but not due	66,995,090	42,169,960
Trade Advances and Deposits Received	12,438,219	11,596,978
Investor Education and Protection Fund		
Unpaid Dividend	8,310,496	17,683,482
	1,968,376,699	2,207,015,505
Share in Joint Ventures	57,444,688	65,577,674
	2,025,821,387	2,272,593,179
B. Provisions		
For Taxation (Net of Advances)	48,649,932	-
For Retirement Benefits	69,961,800	54,266,313
For Proposed Dividend	46,980,339	187,921,356
For Dividend tax	7,984,309	31,937,234
	173,576,380	274,124,903
Share in Joint Ventures	5,219,645	4,325,448
	178,796,025	278,450,351
Total	2,204,617,412	2,551,043,530
SCHEDULE 14		
Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
Deferred Revenue Expenditure	51,688,190	23,899,914
Share in Joint Ventures	288,673	475,554
Total	51,976,863	24,375,468

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

	(Amount in Rupees)	
	2008	2007
SCHEDULE 15		
Sales and Services		
Sales	12,908,560,555	12,114,773,217
Export Incentives	27,384,840	19,659,521
	<u>12,935,945,395</u>	<u>12,134,432,738</u>
Share in Joint Ventures	291,678,887	259,161,140
Total	<u>13,227,624,282</u>	<u>12,393,593,878</u>
SCHEDULE 16		
Other Income		
Profit on sale/discard of Fixed Assets (net)	-	84,780,288
Grant Revenue	12,928,470	11,891,231
Miscellaneous Income	18,347,704	51,388,848
	<u>31,276,174</u>	<u>148,060,367</u>
Share in Joint Ventures	7,053,536	794,018
Total	<u>38,329,710</u>	<u>148,854,385</u>
SCHEDULE 17		
Cost of Materials		
Raw Materials Consumed		
Opening Stock**	910,802,373	827,199,223
Add: Purchases	5,792,020,500	5,343,937,205
	<u>6,702,822,873</u>	<u>6,171,136,428</u>
Less: Closing Stock	941,932,416	877,201,772
	<u>5,760,890,457</u>	<u>5,293,934,656</u>
Share in Joint Ventures	137,259,531	128,998,665
Total (A)	<u>5,898,149,988</u>	<u>5,422,933,321</u>
Increase / (Decrease) in stocks		
Closing Stock		
Finished Goods	214,301,310	208,885,120
Goods-in-process	429,937,478	343,739,312
	<u>644,238,788</u>	<u>552,624,432</u>
Less: Opening 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>
	91,614,356	97,392,942
Share in Joint Ventures	(3,272,514)	1,224,892
Total (B)	<u>88,341,842</u>	<u>98,617,834</u>
Total (A) - (B)	<u>5,809,808,146</u>	<u>5,324,315,487</u>

** Includes acquired during the year Rs. 33,600,601.

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

	(Amount in Rupees)	
	2008	2007
SCHEDULE 18		
Manufacturing and Other Expenses		
Stores, Spares and Packing Materials	655,874,058	587,285,048
Power and Fuel	352,170,814	318,734,851
Job Work Charges	103,939,957	157,827,479
Repairs and Maintenance		
Building	13,820,331	15,676,395
Plant and Machinery	63,215,735	86,260,340
Other Manufacturing Expenses	120,703,892	103,479,867
Lease Rent		
Building	112,902,535	138,088,762
Plant and Machinery	167,191,297	37,759,100
	<u>1,589,818,619</u>	<u>1,445,111,842</u>
Share in Joint Ventures	16,207,661	13,091,973
Total	<u>1,606,026,280</u>	<u>1,458,203,815</u>
SCHEDULE 19		
Personnel Cost		
Managerial Remuneration	23,800,000	44,959,915
Salaries, Wages and Allowances	2,276,830,166	2,000,414,690
Welfare Expenses	169,434,280	174,492,513
Gratuity	11,953,603	7,434,627
	<u>2,482,018,049</u>	<u>2,227,301,745</u>
Share in Joint Ventures	52,494,874	42,533,305
Total	<u>2,534,512,923</u>	<u>2,269,835,050</u>
SCHEDULE 20		
Administrative and Other Expenses		
Rent	42,625,896	34,160,847
Repairs to Others	34,907,580	38,945,146
Rates and Taxes	60,575,295	60,561,938
Insurance	79,641,383	78,027,982
Directors' Sitting Fees	1,203,604	864,925
Travelling and Conveyance Expenses	107,538,994	120,236,926
Advertisement Expenses	6,038,688	3,289,380
Professional and Consultancy Charges	99,874,985	93,192,264
Communication Expenses	48,099,755	47,144,260
Donation	1,251,508	5,699,701
Miscellaneous Expenses	191,085,599	150,370,448
Provision for Diminution in value of Investments	35,906	-
Loss on Sale of Assets (Net)	535,122	-
Research and Development Expenses	1,497,676	2,365,347
Deferred Revenue Expenses Written off	1,407,728	32,158,427
	<u>676,319,719</u>	<u>667,017,591</u>
Share in Joint Ventures	27,661,328	21,551,969
Total	<u>703,981,047</u>	<u>688,569,560</u>

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

	(Amount in Rupees)	
	2008	2007
SCHEDULE 21		
Selling and Distribution Expenses		
Freight and Forwarding Expenses	376,267,404	272,694,328
Discount and Rebate	164,478	34,284
Bad Debts written off	26,248,676	8,583,872
Provision for Doubtful Debts	13,991,950	20,584,410
Commission	22,623,063	11,421,522
	439,295,571	313,318,416
Share in Joint Ventures	16,539,321	13,729,806
Total	455,834,892	327,048,222
SCHEDULE 22		
Financial Expenses (Net)		
Interest Paid		
On Fixed Loans	338,364,056	241,837,470
On Debentures	-	77,472,467
On Others	497,463,117	352,962,546
Share in Joint Ventures	3,222,625	1,892,037
	839,049,798	674,164,520
Interest Received		
From Banks	12,102,816	5,868,107
From Others	207,621,714	178,997,906
Share in Joint Ventures	110,058	23,436
	219,834,588	184,889,449
Interest Paid (Net)	619,215,210	489,275,071
Bank Charges	79,215,235	41,305,256
Share in Joint Ventures	220,395	463,969
	79,435,630	41,769,225
Total	698,650,840	531,044,296

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, associate 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 specialty 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) CFS are prepared to the extent possible using uniform accounting policies for transactions and other events in similar circumstances, except as under:
 - (i) In certain foreign subsidiaries, the loan costs are deferred and amortized over the period for which benefit accrues. Outstanding balance as on December 31, 2008 is Rs. 51,976,863.
 - (ii) In certain foreign subsidiaries, the cost of compensated absences is recognised when actually paid and liability is not provided at the year end as considered immaterial.
 - (iii) No adjustment made for the impact of policy differences referred in (i) and (ii) above.
- c) The CFS 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. 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
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.	85%	USA
Produx Inc.	85%	USA
Arista Tubes Inc.	100%	USA
Catheter and Disposables Technology Inc.*	85%	USA
Medical Engineering and Design Inc.*	62.90%	USA

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

* Acquired during the year.

e) **Associate**

The Group has adopted and accounted for Investment in the following associate 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

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. No adjustment is made for difference in accounting policy for inventories of Rs. 22,116,848 valued on weighted average basis.

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

- (ii) The parent company's share of capital commitments in the Joint Ventures as at December 31, 2008 is Rs. Nil (Rs Nil).
 (iii) The parent company's share of contingent liabilities in the Joint Ventures as at December 31, 2008 is Rs. Nil (Rs Nil).
 (iv) No contingent liabilities and capital commitments have been incurred as at December 31, 2008 in relation to the parent company's interest in the Joint Ventures along with other venturer.

Significant Accounting Policies and Notes to the Consolidated Accounts

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 current year includes the financial statements of subsidiaries acquired during the year as referred in note 2(d) above, 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. Loan repaid during the year Rs. 433,188,939 for which charge is yet to be satisfied.
- ii) In case of subsidiaries/joint ventures, 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 facilities/Loans from Banks

- i) In case of parent company, Working Capital facilities/Loans are secured by way of hypothecation of all inventories both on hand and in transit, book debts and other receivables, and are also secured by way of second charge on all immovable properties and other fixed assets of the Company at Wada and Vasind.
- 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 subsidiaries 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 capitalised 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.

(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.

Significant Accounting Policies and Notes to the Consolidated Accounts

- (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.

8. Impairment of Assets

At each Balance Sheet date, the Company reviews the carrying amount of the fixed assets to determine whether there is any indication that those assets suffered impairment loss. If any such indication exists, 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 of their present value.

9. Borrowing Costs

- a) Borrowing costs that are 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 costs capitalised during the year Rs. NIL (Rs. 10,993,240).

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 recognize 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.
- 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 recognized 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.

In case of subsidiaries/ associate/ 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 recognized 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. Customs 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.

Significant Accounting Policies and Notes to the Consolidated Accounts

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) Expenditure other than (a) above comprising amortization of loan cost deferred in subsidiaries/joint ventures are amortized over the period over which the benefit accrues. Deferred Revenue Expenditure balance as at December 31, 2008 is Rs. 51,976,863 (Rs. 24,375,468)

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 transaction.
- (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 recognized 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 is recognised in the Profit and Loss account. Any profit or loss on settlement/cancellation of forward contract is recognized as 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.

Significant Accounting Policies and Notes to the Consolidated Accounts

(c) The Components of the deferred tax balances as at December 31, are as under:

(Amount in Rupees)

Particulars	2008	2007
Deferred Tax Asset		
Provision for doubtful debts	19,441,930	12,857,030
Allowable on Payment basis	47,201,325	39,154,306
Start-up and organisational costs	251,940	197,175
Effect of Tax Loss carry forwards	354,417,888	304,407,293
Others	35,366,856	16,376,704
Total	456,679,939	372,992,508
Deferred Tax Liabilities		
Depreciation and other Capital Expenditure	494,223,340	372,776,679
Accrued interest income on deferred sales tax loan liability assigned/paid	12,032,122	12,922,682
Others	11,625,710	43,422,209
Total	517,881,172	429,121,570
Deferred Tax Liabilities (Net)	61,201,233	56,129,062

19. Leasing Liabilities

(a) Finance Lease

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 3 years. The minimum lease payments required under this finance lease that have initially or remaining non-cancellable lease terms in excess of one year as at December 31, 2008 and its present value are as follows:

Reconciliation of minimum lease payment and present value:

(Amount in Rupees)

Particulars	2008	2007
Minimum lease payment as at		
Not later than one year	1,556,615	3,174,159
Later than one year but not later than five years	1,573,642	8,159,577
Total	3,130,157	11,333,736
Less: Amount representing interest	618,585	2,212,078
Present value of Minimum Lease Payment	2,511,572	9,121,658
Less: Amount due not later than one year	1,113,927	2,355,730
Amount due later than one year but not later than five years	1,397,645	6,765,928

(b) **Operating Lease**

(i) In respect of assets taken under operating lease

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 recognized 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 eighty six 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, 2008 are as follows:

Significant Accounting Policies and Notes to the Consolidated Accounts

(Amount in Rupees)

Particulars	2008	2007
Lease rental charges for the year (Net) (Including Rs. 55,634 (Rs. 766,756) in Joint Ventures)	290,039,556	281,471,272
Future lease rental obligation payable (under non-cancellable leases)		
Not later than one year (Including Rs. 816,270 (Rs. 822,831) of the Joint Ventures)	216,445,872	258,328,079
Later than one year but not later than five years (Including Rs.1,087,035 (Rs.1,672,736) of the Joint Ventures)	605,299,362	757,589,085
Later than five years	173,717,281	-
Total	995,462,515	1,015,917,164

- (ii) In respect of assets given under operating lease.

The Company has given part of building under non- cancellable operating lease agreement. The initial term of the lease is 60 months. The rental revenue for the year is Rs.1,494,082.

20. a) Contingent Liabilities

(Amount in Rupees)

Sr. No.	Particulars	2008	2007
(i)	Unexpired Letters of Credit	17,532,064	59,156,816
(ii)	Guarantees and counter guarantees given by the Company [includes Rs. 6,230,497,924 (Rs. 3,970,664,481) for loans taken by Subsidiaries]. Loans outstanding against these guarantees are Rs. 4,984,693,952 (Rs. 3,210,680,750)	6,573,374,474	4,045,264,481
(iii)	Disputed Indirect Taxes*	179,862,155	161,533,991
(iv)	Disputed Direct Taxes	50,096,848	80,927,650
(v)	Claims not acknowledged as debts	249,260,586	156,594,808
(vi)	Deferred Sales Tax Liability assigned	180,319,450	215,052,178
(vii)	Duty benefit availed under EPCG scheme, pending export obligations	663,793,947	50,949,942
(viii)	Bills discounted from banks	-	1,318,088

* Does not include Rs. 198,191,799 (Rs. 2,022,335) for alleged undervaluation in inter unit transfer of Web, for captive consumption as it does not have significant impact on profits of the Company, since excise duty paid by one unit is admissible as Cenvat credit at other unit. Further the appeal filed by Excise Department against the decision in Company's favour by High Court is pending before Supreme Court.

b) Capital Commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs.126,388,282 (Rs. 193,826,823) (including Rs. Nil of the Joint Ventures).

21. Managerial Remuneration

- a) Remuneration paid for the year as stated under to the Managing Director is included in personnel cost and is in excess of the limits prescribed under Section 198 as computed in Note 3(a) of the standalone financial statements of parent company. The Company has made necessary application to the Central Government and the approval is pending. This is also subject to the approval of shareholders.

(Amount in Rupees)

Sr. No.	Particulars	2008	2007
1.	Salaries, Allowances and Perquisites **	23,800,000	40,759,915
2.	Contribution to Provident and other funds	2,304,000	2,166,300
	Total	26,104,000	42,926,215

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

- b) During the year, the Company has received necessary approval from the Central Government for excess remuneration for the year 2007.

Significant Accounting Policies and Notes to the Consolidated Accounts

- c) During the year, the Company has paid Commission of Rs. 4,400,000 to Non-Executive Independent Directors based on the profits for the year ended December 31, 2007.

22. 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	2008	2007
Net Profit for the year before Exceptional items (Rs.)	(894,956,628)	668,761,230
Net Profit for the year after Exceptional items (Rs.)	(883,108,122)	608,134,987
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.)	(5.71)	4.27
Basic and Diluted Earnings per share after Exceptional items (Rs.)	(5.64)	3.88

23. Shareholder's Agreement with Bericap Holding GmbH

In accordance with the terms of agreement with Bericap Holding GmbH and Bericap India Private Limited, the Company has (in December, 2008) exercised the Put option for transfer of 3,141,971 equity shares held by the Company in Bericap India Private Limited to Bericap Holding GmbH. The transfer of shares will be effected after completion of statutory and other formalities. The Management is of the opinion that the realisable value of Investments will not be less than its carrying value.

24. During the year 2007, the Company had consented to act as co-promoter 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) before the Board of Industrial and Financial Reconstruction (BIFR), New Delhi. BIFR Orders dated February 6, 2009 and February 17, 2009 have been received which envisage investment of Rs.93.59 million as Capital and Loans by the Company.

25. Exceptional items include

(Amount in Rupees)

Particulars	2008	2007
Profit on Sale of Land at Goa	11,848,506	-
Redundancy payment and stock write off in a subsidiary	-	71,324,989

26. During the year Company has acquired two subsidiaries namely Catheter and Disposables Technology Inc. and Medical Engineering and Design Inc. as referred in note 2(d) above, for a consideration of Rs.383,010,434, Goodwill arising on consolidation is Rs. 329,405,440.

27. Financial Statements of Subsidiary Companies

The Ministry of Corporate Affairs, Government of India vide its order no. 47/589/2008/CL-III dated February 16, 2009 issued under section 212 (8) of the Companies Act, 1956 ("The Act") has exempted the Company from attaching the Balance Sheets and Profit and Loss Accounts of its subsidiaries under Section 212 (1) of the Act. As per the orders, key details of each subsidiary are attached along with statements under Section 212 (1) of the Act.

28. 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/Associate**

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

Significant Accounting Policies and Notes to the Consolidated Accounts

(ii) **Other Related Parties**

Ayepee 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, Premier Finance & Trading Company Limited, Prajatma Trading Company Private 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 and Managing Director)

d) **Transactions with Related Parties**

(Amount in Rupees)

Particulars	2008		2007	
	Total Amount	Amount for Major Parties	Total Amount	Amount for Major Parties
(A) Transactions				
Sale to and Recoveries from				
Joint Venture/Associate	6,104,778		87,19,003	
Essel Deutschland GmbH & Co., KG Germany		6,104,778		7,733,965
Bericap India Private Limited, India *		—		985,038
Sale of Fixed Assets				
Other Related Party	—		3,250,015	
Essel Infra Projects Limited		—		3,250,015
Purchase of Goods and Services				
Other Related Parties	42,554,750		44,272,646	
Essel Corporate Resources Private Limited		21,000,000		22,327,031
Ganjam Trading Company Private Limited		17,136,000		17,136,000
Purchase of Fixed Assets				
Associate	—		2,334,539	
Bericap India Private Limited, India *		—		2,334,539
Loans/ Deposits/ Advances given				
Other Related Parties	3,575,509,001		3,414,330,239	
Churu Trading Company Private Limited		1,031,515,368		1,103,890,284
Premier Finance & Trading Company Limited		776,477,789		651,531,848
Ayepee Lamitubes Limited		649,719,180		593,388,370
Briggs Trading Company Private Limited.		740,717,590		1,046,025,944
Prajatma Trading Company Private Limited		341,000,000		—
Repayment of Loans/ Deposits/ Advances given				
Associate			149,067,066	
Bericap India Private Limited, India *		—		149,067,066
Other Related Parties	3,071,972,162		3,480,343,113	
Churu Trading Company Private Limited		1,013,000,000		1,125,000,000
Premier Finance & Trading Company Limited		645,000,000		645,000,000
Ayepee Lamitubes Limited		649,791,101		593,388,370
Briggs Trading Company Private Limited		741,000,000		1,100,000,000

Significant Accounting Policies and Notes to the Consolidated Accounts

(Amount in Rupees)

Particulars	2008		2007	
	Total Amount	Amount for Major Parties	Total Amount	Amount for Major Parties
Interest Income on Loans/Deposits given				
Associate	—		463,269	
Bericap India Private Limited, India *		—		463,269
Other Related Parties	202,341,834		166,761,754	
Churu Trading Company Private Limited		57,355,808		51,302,135
Premier Finance & Trading Company Limited		52,110,340		39,124,519
Ayeppee Lamitubes Limited		42,300,552		31,484,785
Briggs Trading Company Private Limited		28,384,607		44,178,731
Prajatma Trading Company Private Limited		19,320,219		—
(B) Balance Outstanding as on 31.12.2008				
Debtors/Royalty Receivable				
Joint Venture	48,418		4,970,622	
Essel Deutschland GmbH & Co., KG Germany		48,418		4,970,622
Other Related Party	223,284		2,573,299	
Essel Infra Projects Limited		223,284		2,573,299
Loans/Deposits/Advances				
Joint Venture	1,096,701		640,156	
Essel Deutschland GmbH & Co., KG Germany		1,096,701		640,156
Other Related Parties	649,296,828		145,009,988	
Ganjam Trading Company Private Limited		35,667,441		22,841,347
Churu Trading Company Private Limited		54,113,892		35,598,524
Premier Finance & Trading Company Limited		161,484,597		30,006,808
Ayeppee Lamitubes Limited		50,000,000		50,000,000
Prajatma Trading Company Private Limited		341,000,000		—
Interest Receivable				
Other Related Parties	123,376,496		111,263,648	
Churu Trading Company Private Limited		43,516,445		39,839,675
Premier Finance & Trading Company Limited		42,112,660		30,702,848
Briggs Trading Company Private Limited		15,788,765		40,051,675
Prajatma Trading Company Private Limited		19,320,219		—
Remuneration to Directors	26,104,000		42,926,215	
Managing Director#		26,104,000		42,926,215

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

"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 21.

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

29. 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.

Significant Accounting Policies and Notes to the Consolidated Accounts

Geographical Segments: 2008

(Amount in Rupees)

Particulars	AMESA	EAP	Americas	Europe	Unallocated	Eliminations	Consolidated Total
REVENUE							
External Sales and Services	5,004,462,953	2,146,064,326	4,198,410,624	1,557,126,453	4,891,956	-	12,910,956,312
Inter-segment Sales and Services	271,313,916	765,201,205	29,542,746	1,218,097	4,067,196	(1,071,343,160)	-
Total Revenue	5,275,776,869	2,911,265,531	4,227,953,370	1,558,344,550	8,959,152	(1,071,343,160)	12,910,956,312
Segment Result (Operating Profit before Interest, Foreign Exchange Fluctuation (Net), Exceptional items and Tax)	841,058,347	739,926,470	131,927,666	(924,726,290)	577,852,374	(726,254,895)	639,783,672
(Gain)/Loss on Foreign Exchange fluctuation (Net)	171,558,502	16,818,853	48,823,126	227,957,580	52,250,250		517,408,311
Segment Result (Operating Profit before Interest, Exceptional items and Tax)	669,499,845	723,107,617	83,104,540	(1,152,683,870)	525,602,124	(726,254,895)	122,375,361
Interest Expenses							839,049,798
Interest Income							219,834,588
Profit before tax and exceptional items							(496,839,849)
Exceptional items							(11,848,506)
Profit before tax							(484,991,343)
Current Taxes							
- Current Year							328,340,348
- Earlier Years							5,912,724
Deferred Tax							5,072,172
Fringe Benefit Tax							6,263,074
Profit after tax							(830,579,661)
Share of profit in Associate company							7,804,418
Minority Interest							60,332,879
Net Profit							(883,108,122)

Other Segmental Information 2008

(Amount in Rupees)

Particulars	AMESA	EAP	Americas	Europe	Unallocated	Eliminations	Consolidated Total
1. Segment Assets	7,590,337,113	3,153,968,489	4,505,577,606	2,308,544,505	11,873,232,433	(9,237,162,348)	20,194,497,798
2. Segment Liabilities	1,396,280,655	321,047,658	1,103,501,403	759,581,885	13,672,785,354	(4,050,484,655)	13,202,712,300
3. Capital Expenditure	499,124,633	98,263,448	91,643,897	110,199,743	-	(71,253,483)	727,978,238
4. Depreciation	342,261,779	286,959,932	322,044,976	174,644,255	-	(6,007,510)	1,119,903,432
5. Non Cash expenditure	10,852,153	-	8,145,134	20,399,697	-	-	39,396,984
Other than Depreciation							

Significant Accounting Policies and Notes to the Consolidated Accounts

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)	871,473,105	627,021,718	1,625,942	(174,369,289)	619,181,250	(635,532,695)	1,309,400,031
(Gain)/Loss on Foreign Exchange fluctuation (Net)	(50,079,241)	3,995,351	20,318,077	(65,131,047)	(3,755,908)		(94,652,768)
Segment Result (Operating Profit before Interest, Exceptional items and Tax)	921,552,346	623,026,367	(18,692,135)	(109,238,242)	622,937,158	(635,532,695)	1,404,052,799
Interest Expenses							674,164,520
Interest Income							184,889,449
Profit before tax and exceptional items							914,777,728
Exceptional items							71,324,989
Profit before tax							843,452,739
Current Taxes							
- Current Year							313,737,606
- Earlier Years							15,193,490
Deferred Tax							(129,547,695)
Fringe Benefit Tax							5,460,463
Profit after tax							638,608,875
Share of profit in Associate company							13,018,198
Minority Interest							43,492,086
Net Profit							608,134,987

Other Segmental Information 2008

(Amount in Rupees)

Particulars	AMESA	EAP	Americas	Europe	Unallocated	Eliminations	Consolidated Total
1. Segment Assets	5,462,459,150	2,651,718,062	3,884,443,855	2,833,354,404	12,280,789,490	(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

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 Plastic Packaging Material as major business segment and other business segment being medical devices.

a) The Revenue are based on business segment

(Amount in Rupees)

Particulars	2008	2007
Plastic Packaging Material	11,439,130,801	10,935,912,771
Medical Devices	1,471,825,511	1,001,729,011
Total	12,910,956,312	11,937,641,782

b) Other Segment Information

(Amount in Rupees)

Particulars	Segment Assets		Capital Expenditure	
	2008	2007	2008	2007
Plastic Packaging Material	18,833,614,495	17,200,763,181	693,296,685	2,475,574,680
Medical Devices	1,360,883,303	767,155,331	34,681,553	27,142,324
Total	20,194,497,798	17,967,918,512	727,978,238	2,502,717,004

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	2008	2007
AMESA	5,004,462,953	4,546,902,245
EAP	2,146,064,326	1,979,758,607
AMERICAS	4,198,410,624	3,249,161,036
EUROPE	1,557,126,453	2,161,819,894

(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, 2009

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)
A.S. Khandwala Vice President - Legal and Company Secretary

Mumbai, March 31, 2009

Consolidated Cash Flow Statement for the year ended December 31,

(Amount in Rupees)

	2008	2007
A. Cash Flow from Operating Activities		
Profit Before Tax and Exceptional Items	(496,839,849)	914,777,728
Adjustments for		
Depreciation / Amortisation	1,119,903,432	667,354,777
Interest Expense	839,049,798	674,164,520
Interest Income	(219,834,588)	(184,889,449)
(Profit)/Loss on Sale of Fixed Assets (net)	535,122	(84,780,288)
Deferred Revenue expenses written off	1,594,610	32,396,828
Provision for doubtful debts	15,128,652	17,891,636
Redundancy payment and stock write off (Exceptional items)	-	(71,324,989)
Provision for diminition in value of Investments	35,906	-
Exchange adjustments (net)	(421,738,242)	(54,946,356)
Capital Incentive transferred from Reserve	(10,826,129)	(11,408,402)
Operating Profit before Working Capital Changes	827,008,712	1,899,236,005
Adjustments for		
Increase in Trade Receivables	(935,551,451)	(418,900,487)
Increase in Inventories	(155,132,178)	(274,199,941)
Decrease in Trade Payables	(99,869,938)	(83,816,132)
Cash Generated from Operations	(363,544,855)	1,122,319,445
Direct Taxes Paid (Net)	(241,560,848)	(277,046,905)
Net Cash from Operating Activities	(605,105,703)	845,272,540
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets/Capital Work in Progress	(907,621,095)	(2,215,385,714)
Sale of Fixed Assets	66,395,640	308,676,361
Investments for acquisition of Subsidiaries	(383,010,434)	-
(Increase)/Decrease in Short-term Loans to other parties	(51,887,085)	483,058
Short-term loans given to related parties	(3,575,509,001)	(3,414,330,243)
Repayment of Short-term loans given to related parties	3,071,972,162	3,480,343,113
Repayment of Long-term Loan to related party	29,814,134	14,907,066
Interest Received	209,420,189	72,302,448
Dividend Received	2,950,432	7,422,090
Capital Incentive received	14,842,022	4,904,257
Net Cash to Investing Activities	(1,522,633,036)	(1,740,677,564)

Consolidated Cash Flow Statement for the year ended December 31,

(Amount in Rupees)

	2008	2007
C. Cash Flow from Financing Activities		
Calls in Arrears received (including Securities Premium)	7,500	37,500
Proceeds from issue of Shares (Minority Interest)	280	-
Increase in other Borrowings (net)	503,342,296	209,131,100
Proceeds from Long-term Borrowings	1,993,564,950	1,488,842,830
Repayment of Long-term Borrowings	(707,962,549)	(1,075,244,153)
Proceeds from Short-term Borrowings	9,899,293,071	11,536,768,982
Repayment of Short-term Borrowings	(8,472,850,335)	(10,113,450,056)
Proceeds from Debentures	-	8,200,000,000
Repayment of Debentures	-	(8,200,000,000)
Principal Payment under Finance Lease	(6,610,087)	(14,072,326)
Interest Paid	(812,709,452)	(661,424,021)
Dividend Paid (including tax)	(238,141,894)	(355,588,201)
Dividend Paid (Minority Interest)	(36,995,457)	(20,721,840)
Profit on Forward Contract cancellation	301,958,955	5,252,394
Deferred Revenue expenses Paid	(29,196,005)	-
Net Cash from Financing Activities	2,393,701,273	999,532,209
Net Changes in Cash & Cash Equivalents (A+B+C)	265,962,534	104,127,185
Cash and Cash Equivalents - Opening Balance	551,417,277	447,290,092
Cash and Cash Equivalents - Closing Balance	817,379,811	551,417,277

Notes:

1. Previous year figures are regrouped/reconsidered wherever necessary.
2. The balance in the Cash and Cash Equivalents include Rs. 8,310,496 (Rs. 176,83,482) set aside for payment of dividends and accordingly is not otherwise available to the Company.
3. Cash and Cash Equivalents include Rs. 2,810 (Rs. 1,374) on account of realignment of foreign currency account.

Consolidated Cash Flow Statement for the year ended December 31,

(Amount in Rupees)

	2008	2007
Cash and Cash Equivalents include the following		
Cash on Hand	2,131,234	1,314,646
With Banks :		
(a) In Current Account	632,118,474	446,577,676
(b) In Fixed Deposit	178,160,927	95,851,092
(c) Remittance in transit	4,473,329	6,315,560
	816,883,964	550,058,974
Share in Joint Venture	495,847	1,358,303
	817,379,811	551,417,277

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

Mohan Bhandari
Partner
Membership No.12912

Mumbai, March 31, 2009

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)
A.S. Khandwala Vice President - Legal and Company Secretary

Mumbai, March 31, 2009

Statement Pursuant to Section 212 of the Companies Act, 1956

(Amount in Local Currency)

Name of the Subsidiary	Financial years of Subsidiary Companies ending on	Currency	Capital	Reserves	Total Assets	Total Liabilities	Total Loans	Investment (Other than in Subsidiary)	Turnover	Profit before taxation	Provision for taxation	Profit after taxation	Proposed Dividend
Packaging India Pvt. Ltd., India	31.12.2008	Indian Rupee	144,115,000	33,677,724	1,099,413,436	1,099,413,436	921,620,720	16,834	1,617,245,232	(149,004,807)	36,018,176	(185,022,982)	-
Essel Packaging (Nepal) P. Ltd., Nepal	31.12.2008	Nepalese Rupee	64,000,000	(27,106,509)	36,893,490	36,893,490	-	-	-	154,700	66,614	88,086	-
Essel Propack America, LLC, USA	31.12.2008	US Dollar	16,000,000	3,920,134	41,309,824	41,309,824	21,389,691	-	52,571,406	1,123,937	1,027,983	95,954	-
Lamitube Technologies Ltd, Mauritius	31.12.2008	US Dollar	9,550,001	39,774,345	99,395,806	99,395,806	53,119,793	-	206,337	9,677,767	-	9,677,767	4,000,000
Lamitube Technologies Cyprus Ltd.	31.12.2008	US Dollar	12,000,000	(719,778)	20,765,083	20,765,083	9,484,861	-	112,666	(808,174)	-	(808,174)	-
The Egyptian India Company for Modern Packaging S.A.E. Egypt	31.12.2008	Egyptian Pound	6,075,000	9,396,938	16,012,279	16,012,279	540,341	-	39,089,087	9,703,838	2,109,033	7,594,805	7,668,353
Essel Packaging (Guangzhou) Ltd., China	31.12.2008	Chinese Yuan	230,261,712	111,222,584	341,484,298	341,484,298	-	-	413,032,826	84,132,958	15,653,086	68,479,872	70,650,905
Essel Propack Philippines, Inc., Philippines	31.12.2008	Philippine Peso	37,559,300	39,623,307	76,992,401	76,992,401	(190,205)	7,000	146,633,687	48,127,743	16,868,916	31,258,827	38,250,000
MTL de Panama S.A, Panama	31.12.2008	US Dollar	3,066,732	1,747,019	4,813,751	4,813,751	-	14,117	-	(5,267)	-	(5,267)	-
Packtech Ltd, St. Vincent Island	31.12.2008	EC Dollar	10,000	-	10,000	10,000	-	-	-	-	-	-	-
Arista Tubes Limited, United Kingdom	31.12.2008	British Pound	917,000	(3,347,573)	354,554	354,554	2,785,127	-	1,152,969	(2,831,537)	49,000	(2,980,537)	-
Essel Propack UK Limited United Kingdom	31.12.2008	British Pound	1,711,370	(2,465,591)	1,651,982	1,651,982	2,406,205	-	5,471,420	(1,336,308)	-	(1,336,308)	-
Essel Propack de Venezuela, C.A., Venezuela	31.12.2008	Venezuelan Bolivar	2,495,096,669	1,378,958,220	3,874,054,890	3,874,054,890	-	-	-	(42,555,515)	-	(42,555,515)	-
Essel de Mexico, S.A. de C.V, Mexico	31.12.2008	Mexican Peso	51,067,490	(47,251,599)	(1,381,646)	(1,381,646)	(5,197,538)	-	89,877,875	(12,684,948)	3,669,855	(16,354,803)	-
Tubopack de Colombia S.A, Colombia	31.12.2008	Colombian Peso	511,000,000	10,442,243,482	11,034,659,874	11,034,659,874	81,416,392	1,130,000	8,883,247,401	591,810,420	145,328,717	446,481,703	-
Essel Propack LLC (Russia), Russia	31.12.2008	Russian Ruble	105,845,052	(11,361,3176)	85,814,796	85,814,796	93,582,920	-	81,690,203	(45,077,685)	(3,830,659)	(41,247,026)	-
Essel Propack Mitr for Advanced Packaging S.A.E. Egypt	31.12.2008	Egyptian Pound	5,250,000	2,915,868	8,331,961	8,331,961	166,092	-	11,960,789	2,395,094	60,350	2,334,744	2,548,396
Essel Propack Polska, Poland	31.12.2008	Polish Zloty	53,240,000	(48,444,902)	50,757,349	50,757,349	45,962,251	-	34,196,621	(45,687,073)	-	(45,687,073)	-
Avalon Medical Services Pre Ltd. Singapore	31.12.2008	US Dollar	64	5,194,457	9,452,069	9,452,069	4,257,547	32	3,650,928	2,431,685	23,843	2,407,842	699,550
Arista Tubes Inc., USA	31.12.2008	US Dollar	1,500,000	(5,938,689)	4,581,542	4,581,542	9,020,230	-	3,488,138	(5,004,072)	(1,889,900)	(3,114,172)	-
Tactx Medical Inc., USA	31.12.2008	US Dollar	2,550	-	2,550	2,550	-	-	-	-	-	-	-
Produx Inc., USA	31.12.2008	US Dollar	2,550	-	2,550	2,550	-	-	-	-	-	-	-
Tacpro Inc., USA	31.12.2008	US Dollar	72,144	3,181,490	10,629,022	10,629,022	7,375,389	7,393,132	20,670,616	1,914,509	696,806	1,217,703	-
Medical Engineering Devices Inc., USA	31.12.2008	US Dollar	5	456,765	29,639	29,639	150,404	-	1,165,473	281,245	108,794	172,451	-
Catheter and Disposal Technology Inc. USA	31.12.2008	US Dollar	8,119	898,309	350,549	350,549	270,630	-	2,916,291	(101,842)	11,730	(113,572)	-

Statement Pursuant to Section 212 of the Companies Act, 1956

(Amount in Rupees)

Name of the Subsidiary	Financial year of Subsidiary Company ending on	Currency	Exchange Rate as on 31.12.2008	Capital	Reserves	Total Assets	Total Liabilities	Total Loan	Investment (Other than in Subsidiary)	Turnover	Profit before taxation	Provision for taxation	Profit after taxation	Proposed Dividend
Packaging India Pvt. Ltd., India	31.12.2008	Indian Rupee	1.00	144,115,000	33,677,722	1,099,413,436	1,099,413,436	921,620,720	16,834	1,617,245,232	(149,004,807)	36,018,176	(185,022,983)	-
Essel Packaging (Nepal) P.Ltd., Nepal	31.12.2008	Nepalese Rupee	0.63	40,000,000	(16,941,569)	23,058,431	23,058,431	-	-	-	96,688	41,634	55,054	-
Essel Propack America, LLC, USA	31.12.2008	US Dollar	48.45	744,341,248	185,829,716	1,923,140,096	1,923,140,096	1,036,330,515	-	2,282,650,438	92,611,734	49,805,794	42,805,940	-
Lamitube Technologies Ltd, Mauritius	31.12.2008	US Dollar	48.45	443,201,499	1,754,305,475	4,699,764,639	4,699,764,639	2,573,653,987	-	8,959,153	41,987,598	-	419,875,998	193,800,000
Lamitube Technologies Cyprus Ltd.	31.12.2008	US Dollar	48.45	525,477,750	(31,240,985)	841,405,541	841,405,541	459,541,515	-	4,891,957	(35,090,925)	-	(35,090,925)	-
The Egyptian Indian Company for Modern Packaging S.A.E. Egypt	31.12.2008	Egyptian Pound	9.11	75,937,500	56,979,114	179,775,670	179,775,670	4,920,834	-	317,798,190	82,370,206	19,206,753	63,163,453	52,376,193
Essel Packaging (Guangzhou) Ltd., China	31.12.2008	Chinese Yuan	7.29	1,260,254,068	574,954,320	2,176,906,112	2,176,906,112	-	-	2,612,019,590	560,772,916	114,156,388	446,616,528	515,249,989
Essel Propack Philippines, Inc., Philippines.	31.12.2008	Philippine Peso	1.05	33,991,167	34,627,187	69,175,296	69,175,296	(200,153)	6,574	144,903,409	48,167,134	17,751,160	30,415,974	40,250,475
MTL de Panama S.A, Panama	31.12.2008	US Dollar	48.45	91,758,768	90,833,043	186,435,640	186,435,640	-	690,625	-	(228,680)	-	(228,680)	-
Packtech Ltd, St. Vincent Island	31.12.2008	EC Dollar	16.98	468,900	-	189,762	189,762	-	-	-	-	-	-	-
Arista Tubes Limited, United Kingdom	31.12.2008	British Pound	71.99	74,654,470	(268,271,079)	25,523,302	25,523,302	200,492,968	-	92,967,690	(235,435,092)	3,527,363	(238,962,455)	-
Essel Propack UK Limited, United Kingdom	31.12.2008	British Pound	71.99	141,732,288	(210,686,689)	147,757,658	147,757,658	173,215,458	-	441,178,633	(107,337,562)	-	(107,337,562)	-
Essel Propack de Venezuela, C.A., Venezuela	31.12.2008	Venezuelan Bolivar	0.02	62,522,277	228,393,424	89,878,073	89,878,073	-	-	-	(872,388)	-	(872,388)	-
Essel de Mexico, S.A. de C.V, Mexico	31.12.2008	Mexican Peso	3.64	209,488,315	(207,865,166)	15,536,938	15,536,938	(18,940,868)	-	354,685,057	(47,910,695)	13,373,686	(61,284,381)	-
Tubopack de Colombia S.A, Colombia	31.12.2008	Colombian Peso	0.02	20,492,426	225,981,474	246,123,815	246,123,815	1,840,010	24,679	201,649,716	24,282,896	3,284,429	20,998,467	-
Essel Propack LLC (Russia), Russia	31.12.2008	Russian Rouble	1.70	165,113,570	(184,672,388)	137,847,107	137,847,107	(32,514,201)	-	143,913,631	(76,888,441)	(6,514,801)	(70,373,640)	-
Essel Propack Mistr for Advanced Packaging S.A.E, Egypt	31.12.2008	Egyptian Pound	9.11	40,912,350	21,862,566	67,409,658	67,409,658	1,512,588	-	97,242,409	20,101,823	549,604	19,552,219	23,207,988
Essel Propack Polska, Poland	31.12.2008	Polish Zloty	16.92	872,399,841	(864,995,840)	816,715,582	816,715,582	777,607,742	-	627,579,805	(827,949,579)	-	(827,949,579)	-
Avalon Medical Services Pte Ltd, Singapore	31.12.2008	US Dollar	48.45	2,989	219,062,355	454,100,402	454,100,402	206,278,174	1,330	158,523,293	105,862,509	1,155,173	104,707,336	33,893,198
Arista Tubes Inc, USA	31.12.2008	US Dollar	48.45	70,618,866	(229,929,802)	187,036,537	187,036,537	437,030,134	-	151,454,953	(212,183,365)	(91,565,655)	(120,617,710)	-
Tactx Medical Inc., USA	31.12.2008	US Dollar	48.45	113,871	-	123,548	123,548	-	-	-	-	-	-	-
Produx Inc., USA	31.12.2008	US Dollar	48.45	113,871	-	123,548	123,548	-	-	-	-	-	-	-
Tacpro Inc., USA	31.12.2008	US Dollar	48.45	3,221,594	142,229,507	478,898,667	478,898,667	357,337,587	325,786,611	897,518,129	93,640,035	33,760,260	59,879,775	-
Medical Engineering Devices Inc., USA	31.12.2008	US Dollar	48.45	204	20,716,337	29,292,222	29,292,222	7,287,080	-	50,604,846	13,278,573	5,271,056	8,007,517	-
Catheter and Disposal Technology Inc., USA	31.12.2008	US Dollar	48.45	325,613	37,711,040	53,343,138	53,343,138	13,112,023	-	1,266,253,335	(2,302,843)	568,319	(2,871,162)	-

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)
A.S. Khandwala Vice President - Legal and Company Secretary



“The difference between what we do and what we are capable of doing would suffice to solve most of the world’s problems.”

- Mahatma Gandhi



