

ESSEL PROPACK LIMITED



Company Background

EsseL Propack Limited, a part of the EsseL Group, was established in 1984. It is headquartered at Mumbai in India, and is the largest specialty packaging company in the world. It manufactures laminated and seamless tubes and offers packaging solutions to the oral care, cosmetics, pharmaceutical, personal care, food and industrial sectors worldwide. EsseL Propack is the largest laminated tube-manufacturing company, holding an international market share of 32 per cent. The company has recently forayed into the medical devices and specialty packaging materials business.

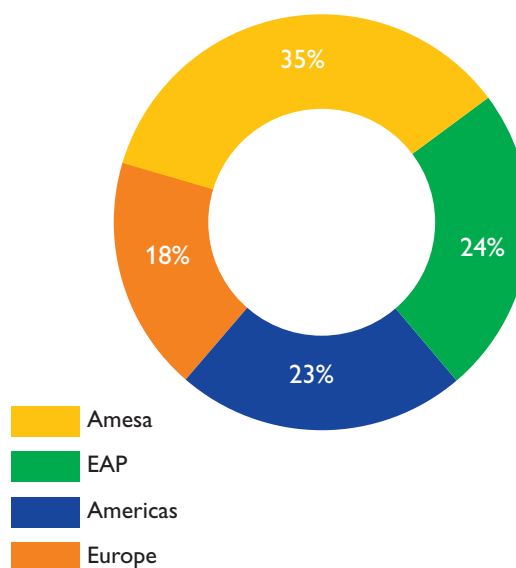
EsseL Propack has modern manufacturing facilities comprising 23 plants spanning 14 countries – India, China, USA, UK, Germany, Russia, Mexico, Colombia, Venezuela, Philippines, Indonesia, Egypt, Singapore and Nepal. It has wholly owned subsidiaries in the UK, China, Mexico, Mauritius, USA, Cyprus, Russia, Venezuela, Colombia, Philippines, Panama and Nepal. Its customers include multinationals such as Colgate Palmolive, Unilever, P&G, Glaxo Smith Kline (GSK), Sara Lee, Revlon, Oriflame, etc. The company currently employs over 2000 personnel.

EsseL Propack generated revenues of EUR 156.2 million in the financial year ending 31 December 2005, which was 37.5 per cent higher than its revenues of EUR 113.6 million generated in the previous year. EsseL Propack figured in the 'Forbes Asia's Annual Best Under a Billion Companies' list for the third consecutive year.

EsseL Propack in the European Union (EU)

EsseL Propack operates in four geographical zones: the Americas, Europe, AMESA (Africa, Middle East and South Asia, including India) and EAP (East Asia Pacific). It generated 18 per cent of its total revenues from Europe in 2005, as depicted in the figure below.

EsseL Propack's Revenue Break-up by Geography: 2005



Source: Company Analysis Report

EsseL Propack expects the European market to emerge as a key growth area for the packaging industry, since the packaging industry in the EU is superior to that in the Asian region. The company is planning to focus on modern technologies and new materials to grow in the competitive EU market. It also plans to acquire subsidiaries in the EU to cater to the growing demand for laminated and plastic tubes, due to increasing demand from the cosmetic, pharma and FMCG sectors.

Essel Propack in the UK and Ireland

In 2004, Essel Propack acquired a 100 per cent stake in Arista Tubes, UK, for EUR 8 million. Arista Tubes is a leading manufacturer of plastic tubes in the UK. The company has a market share of 30 per cent in the UK and Ireland. This acquisition was made through Lamitube Technologies Limited, Mauritius, a wholly owned subsidiary of Essel Propack. This acquisition facilitated Essel Propack to expand its operations in the EU by catering to the speciality packaging needs of cosmetics, personal care and pharmaceutical majors in Europe. Arista Tubes Limited attained the 'Gold Status' for consistently supplying high-quality plastic tubes to the Alberto-Culver Company (UK) Limited.

In 2005, Essel Propack also acquired Telcon Packaging Limited in the UK (now renamed 'Essel Propack U.K. Limited') to strengthen its presence in Europe. Telcon Packaging Limited is a manufacturer of laminated tubes and has a 12 per cent market share in the UK.

These acquisitions have provided Essel Propack with a local manufacturing base in the UK and have strengthened its position for winning major contracts in the UK and Europe.

Essel Propack in Germany

Essel Propack set up Essel Deutschland, its subsidiary in Germany, in 2000. Essel Deutschland manufactures laminated tubes in different formats. Its German operations have contributed steadily to the company's revenues and are expected to maintain a 20 per cent growth rate.

Essel Propack in Poland

Essel Propack, through its subsidiary Arista Tubes, is setting up manufacturing operations in Poland. The entire cost of setting up the plant in Poland is approximately EUR 18 million. The new plant is expected to be operational by March 2007 and will serve the European cosmetics and toiletries

industry. Essel Propack chose Poland to set up its new manufacturing plant since the country is the largest market for plastic tubes in Eastern Europe, and its market is growing faster than those in the rest of Europe.

Success Factors

Inorganic Growth Route

Essel Propack owes its global recognition and current market share in the packaging industry to its policy of focussing on acquisitions and JVs. Pursuing its strategy of inorganic growth in the EU, the company has acquired subsidiaries such as Arista Tubes and Telcon Packaging in the UK, and Lamitube Technologies (Cyprus) Limited in Cyprus. It also set up its subsidiary, Essel Deutschland, in Germany. These acquisitions and the JV have helped it to attain brand recognition and attract new clientele in the EU.

Wide Range of Product Offerings

Essel Propack manufactures a wide range of products for the speciality packaging industry, such as laminated and plastic tubes, mini-tubes and closures. Its diverse product portfolio helps it to cater to multiple sectors, and also serve the diverse needs of a single sector.

Future Plans

Foraying into the Medical Devices Business

With the global medical devices market valued at EUR 144 billion and growing at a rate of 7 to 10 per cent per annum, Essel Propack has availed of the opportunity and forayed into the medical devices business. The company plans to leverage its expertise in polymers and polymer processing in this field. It expects that its medical equipment business will evolve into its major business line over the next two to three years. This business is expected to account for a 5 per cent growth in its revenues in 2006. After acquiring Tacpro Inc., USA,

and Avalon Medical Services, Singapore, Essel Propack is looking for new acquisitions in the medical devices business in the EU.

Focus on the Plastic Tubes Market

With the European plastic tubes market estimated at 2.5 to 3 billion tubes (in terms of volume), and plastic tubes earning nearly 1.5 to 2 times more profit than laminated tubes, Essel Propack is now focussing on the plastic tubes market in Europe. It expects greater profits from its subsidiary, Arista Tubes, in the UK. It looks forward to garnering a 20 per cent market share in the global market by 2010, thereby evolving into a leading manufacturer of plastic tubes.

Exploring New Business Models

Currently, Essel Propack offers empty packaging material to its clients. It now plans to implement novel delivery models, wherein the client would only focus on product development, brand building and distribution, and entrust Essel Propack with the entire responsibility of the packaging process till the finished products are ready.

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