
54 TH ANNUAL REPORT 2003



The Paper Products Ltd.

 **PPL** - THE POWER OF FLEXIBLE PACKAGING.

A MEMBER OF  **HUHTAMAKI** TAKING PACKAGING FURTHER





PPL

(The Paper Products Ltd., www.pplpack.com)



Best Value Creator among small sized companies for the year 2003

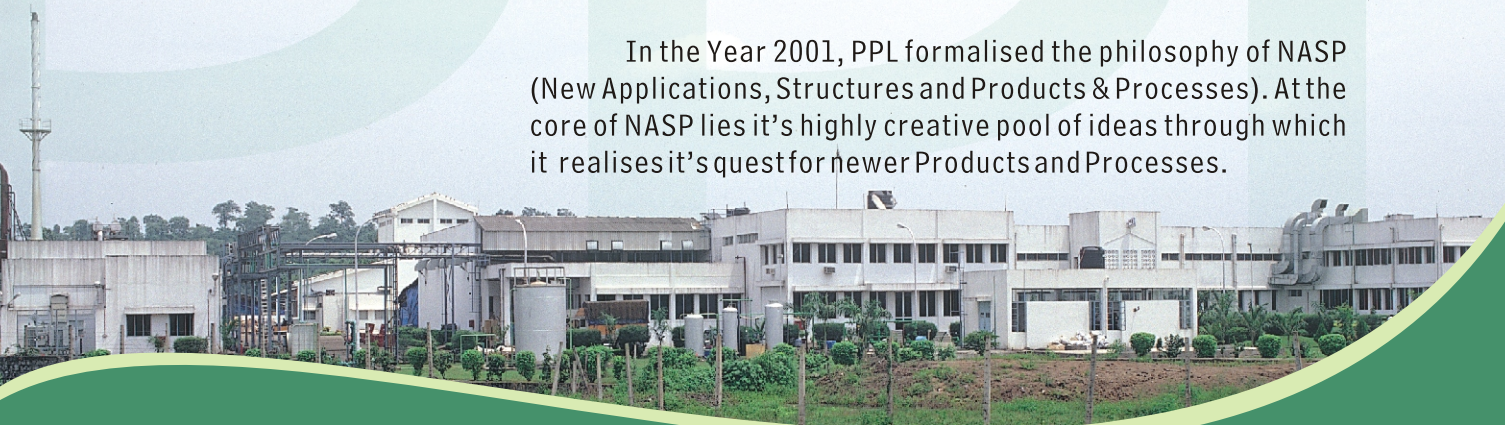
About The Paper Products Ltd. : PPL is India's leading manufacturer of primary consumer packaging with annual sales of USD100 million.

Since 1999, PPL is a joint venture with the global packaging major Huhtamaki Finland, who hold 59% of the equity capital.

With a history spanning 70 years, PPL is the pioneer in Flexible Packaging and Labelling in India, having manufacturing facilities at Thane, Silvassa and Hyderabad. The Flexibles product range meets the packaging needs of almost the entire spectrum of FMCG segments including personal products, personal wash, laundry, foods, sauces, beverages, bakery products, spices, chocolates and confectionery, dairy, etc.; and also for seeds, specialty chemicals, electronics and many other specific specialised uses including anti-spurious packaging. The Labelling products range includes Shrink sleeves, Heat transfer labels, Pressure sensitive labels, Metallised labels and Wrap-around labels. Manufacturing of specialised cartons and cartoning systems, manufacture of poly films, specialised barrier metallising and high-end application extrusion coating are also part of PPL's product offerings. The company's Packaging Machines Division offers complete packaging solutions to customers.

PPL mainly caters to the premium segment of packaging and its clients include Unilever, Nestle, GSK, Cadbury, P&G, Perfetti, Coca-Cola, Amway, Eveready, Sara Lee, Pepsi, Wrigley's, 3M, Colgate, etc.

In the Year 2001, PPL formalised the philosophy of NASP (New Applications, Structures and Products & Processes). At the core of NASP lies it's highly creative pool of ideas through which it realises it's quest for newer Products and Processes.



NASP

(New Applications, Structures and Products & Processes)

NASP is an acronym for New Applications, Structures and Products & Processes. NASP denotes PPL's 'Innovation' programme. NASP stands for:

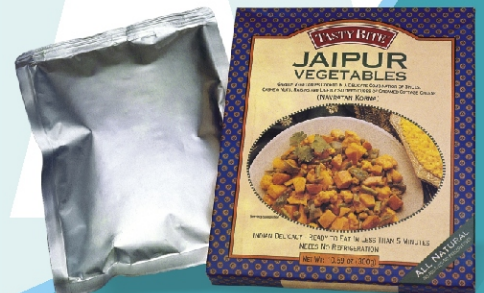
- New Application of a given structure
- New Structure for a given application
- New Packaging Productline
- New Process to manufacture the same structure at a higher value addition

New Applications: Flexible packaging structures consist of numerous options each designed for a particular application or a number of multiple applications. New applications would also include adaptation of an available packaging solution to a new product. Infact, the growth of flexible packaging is driven by the need to reduce the mass of any packaging material and yet provide adequate shelf life to protect the product it packs. Towards this end there is a continuous need to innovate and find newer applications for a given structure.



New Structures: With an increasing number of products being packed in Flexibles, there is a need to invent newer structures of laminates. There are new, sometimes exotic materials that improve the laminate structure or make it possible to develop structures for a particular product that hitherto seemed difficult. This also prompts design of a complete new structure, which enhances package performance and/or gives cost benefits; for example, packing of tender coconut water. This pack simulates a perfect replacement for a coconut shell while delivering full nutritional value.

Retort Packs- With the advent of nuclear families and working mothers, ready to eat and microwavable foods are the need of the hour. With a retort pack, one can pick up fresh dal and curry in a retort pouch from a supermarket shelf and dinner is served with minimum time and effort.



THE ART OF COOKING REDEFINED
BY THE SCIENCE OF PACKAGING.

New Products: Packaging is in a continuous stage of development. Newer packaging materials and products are being invented throughout the world. Specialty materials and process upgradations are pioneering innovations.



Thermoformables- The opportunity to offer a convenient single use pack for viscous products like oils & shampoos has led to the invention of the disposable mini pack.

Heat Transfer Labels- The latent demand for containers having multicolour graphic for branding and decoration with no label look inspired us to introduce this new technology in the country. This premium labelling technology is also ideal for consumer promotions.



Shrink Sleeves- It is the fastest growing labelling technology today. Ease of shifting to this technology, coupled with the attractive total print coverage that it offers, make sleeves the preferred option for a widerange of containers.



Metallised Paper Labels- This labelling system finds wide application in the food and beer segment. Wet strength paper gives it the desired properties to withstand refrigeration and moist environs, whereas metallic look makes these labels eye catching.



Cold Seal- Traditional structures require heat for sealing. Heat is very unfriendly to products like chocolates & ice creams. Cold Seal laminates eliminate the need for heating and also give an overall superior package.



Holographic Products- Holograms are being developed for packaging and labelling applications, either as a tool for enhancing product visibility for premium positioning or as a deterrent against counterfeits for product protection. The inherent features of holograms of depth, clarity, multicolour imaging and high impact make it a unique medium; when fused with print options, holograms open up a wide variety of designing possibilities.



Lube Oil Cartons- Conventional Lubes packaging like Metal & Plastic cans have been replaced by Specialised Lined Lubes cartons that are integrated structures combining the benefits of semi-rigid packaging on the outside with a high performance flexible liner inside. These are cost-effective, consumer friendly and offer highly aesthetic print options.





New Processes: Innovations in the manufacturing process is an integral part of PPL's NASP programme. One does not always look for big changes, any small incremental change in the production process (Japanese concept of 'KAIZEN') that can add value to a product or process is actively encouraged in PPL. Adhesive based lamination moving to extrusion based lamination or solvent based lamination moving to solventless lamination process or pioneering work done by PPL in graphic reproduction using innovative inputs for enhancing print appeal are a few illustrations.



The focus of the NASP programme in PPL is more on 'Development' rather than 'Research'. At the same time, at PPL's R&D centre, research is also given its due importance to provide key inputs in our NASP activity.

NASP is application driven and works aggressively to deliver incremental benefits.

The NASP programme encourages synergy among the multiple technologies that exist in PPL; Flexibles, Labels, Specialised Cartons, Holograms, Machine Building, are all directed towards this objective. At the same time one of the key elements of NASP is - 'Keep it Simple and Practical'. PPL's stated objective is to develop NASP products that result in sales of 25% of total sales. To track this, the life of a NASP product is a maximum of 3 years, i.e. the year of introduction plus two years.

PPL's NASP programme has now been extended to other areas too. For example, one could think innovatively of reducing an administrative cost without compromising on the quality of service or innovation in the field of information technology and software development. The NASP programme now encompasses all areas of the company with the sole objective of improving the value chain in the organisation. Every member of the PPL team is motivated to think and implement NASP; NASP is thus teamwork. It requires perseverance, perseverance and more perseverance.



About Huhtamaki: As a leading consumer packaging specialist, Huhtamaki serves the world's premier food, foodservice and consumer products companies with a comprehensive range of rigid and flexible packaging products. The company's manufacturing and sales network spans 36 countries on all continents, making its innovative, high-quality products available to smaller, local customers as well.

In 2003, Huhtamaki again took consumer packaging further on many fronts. Already a world leader in rigid plastic, paper and molded fiber packaging, the company made significant strides in flexible packaging and films technology. Numerous new products and awards attest to the company's success in unleashing its innovative potential.

Net sales amounted to EUR 2.1 billion in 2003. A good half came from Europe, almost a third from the Americas and the rest from Asia, Oceania and Africa. Trading conditions remained tight, and on-off items also affected the financial results. Volume growth nevertheless accelerated during the year, and new growth opportunities triggered timely capital expenditure.

Established in 1920 as a Finnish legal entity, the Group's parent company Huhtamäki Oyj maintains its head office in Espoo, Finland, and has been listed on the Helsinki Exchange (HEX Symbol: HUIV) Since 1960.

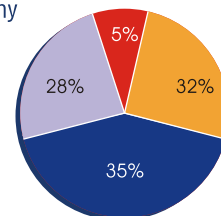
Huhtamaki's view of the global packaging market: The total world market for consumer packaging is estimated at USD 350 billion and growing at an annual rate of 2-4%. Food and beverages account for about two-thirds of the total demand, with North America, Asia-Oceania and Europe as the main market areas. Asia, Latin America and Eastern Europe display the highest growth rates.

As for materials, plastics have grown the most, winning market share especially from glass and metal packaging. Paper-based packaging also shows clear growth.

Packaging remains a comparatively fragmented industry for two basic reasons. First, there is a vast universe of packaging types, shapes, sizes, materials and technologies addressing the specific needs of customers and end-users. Second, most types of packaging need to be produced close to customers, so much of the industry remains local in terms of reach. Thus, even the largest multinational packaging groups address a limited number of market segments and manufacturing technologies.

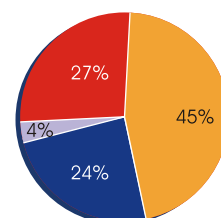
Global consumer packaging market by geography

- Europe
 - Asia-Oceania-Africa
 - North America
 - Latin America
- Source: Pira 2004



Global consumer packaging market by sector

- Food
 - Beverage
 - Pharma
 - Other
- Source: Pira 2004



Huhtamaki Businesses: According to company estimates, Huhtamaki derives more than 70% of its sales from product categories and technologies where it is a world leader.

Our current strategic position rests on three cornerstones:

Global scope enables us to address large, multinational customers with similar business views. New markets are entered and addressed together. State-of-the-art packaging becomes accessible to local customers. Sourcing, optimization of manufacturing and logistics become strategic functions.

Leadership brings economies of scale in manufacturing and sourcing, facilitated by the transfer of best practices across the organization. Concentrating all activities under single Huhtamaki brand further enhances our corporate reputation as a "category champion" and innovator.

Specialization keeps focus on key development areas, drives innovation and fosters closer relationships with customers. Our profound insight enables us to offer optimal packaging solutions, whether existing or entirely new.



Our activities have been organized around two major business segments: Consumer Goods and Foodservice. The former serves mainly food processors and other Fast Moving Consumer Goods (FMCG) companies. The latter addresses quick service restaurants, contract caterers, vending operators and retail trade.

Consumer Goods: The Consumer Goods business area serves primarily the processed foods industry but also fresh food packers as well as the pet food, personal care and detergent segments, employing all our main packaging technologies. Advanced barrier packaging solutions, functional improvements, combination materials, emerging market areas and the consolidation and globalization of the customer base offer major growth opportunities for both rigid and flexible packaging.

Main market segments: processed foods, fresh foods, pet food, personal care and detergents.

Main customers (alphabetically): Colgate, Danone, Heinz, Kraft, Mars, Nestlé, Procter & Gamble, Unilever.

Foodservice: The Foodservice customers include virtually all leading international quick service and beverage companies, rapidly growing coffee and casual dining restaurant chains, as well as successful local operators. Foodservice products are also sold to institutional caterers and vending operators, often through specialized distributors. Branded single-use tableware for the retail channel is another important product category. The business segment offers opportunities for all of our rigid packaging technologies.

Main market segments: quick service restaurants and beverage, catering, vending, food retailers, specialized distributors, cash & carry, mass merchandizers.

Main customers (alphabetically): Bunzl, Burger King, Coca Cola, Compass, CostCo, McDonald's, Pepsi, Sam's, Sodexo, Sysco, Yum! Brands, Wal-Mart.



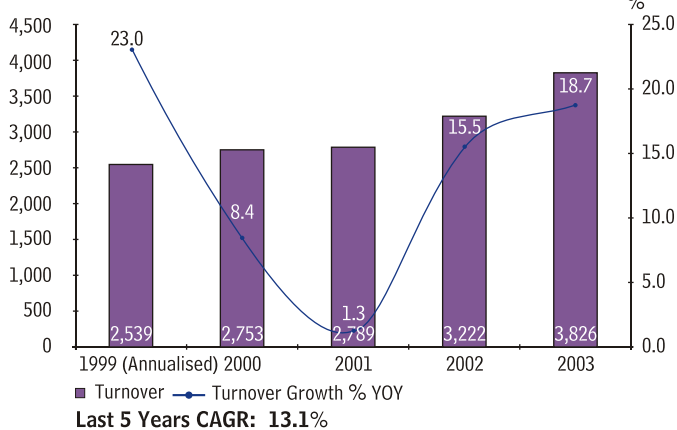


PPL

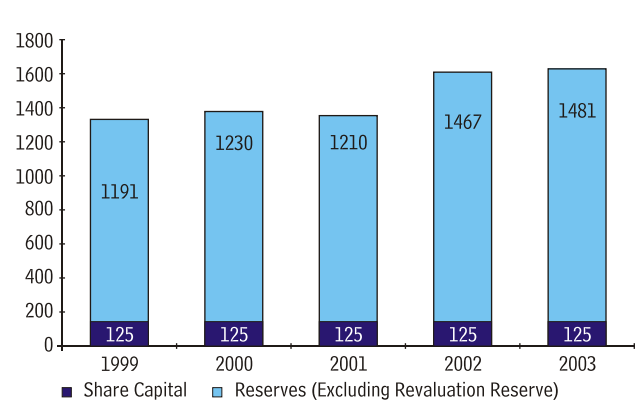
(The Paper Products Ltd.)

Financial Performance Indicators

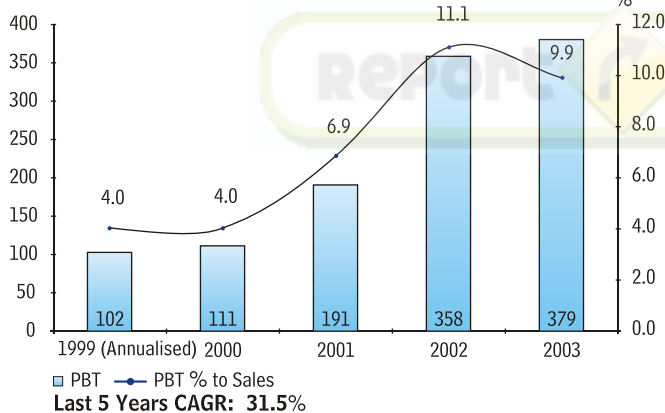
TURNOVER (Rs. Mn)



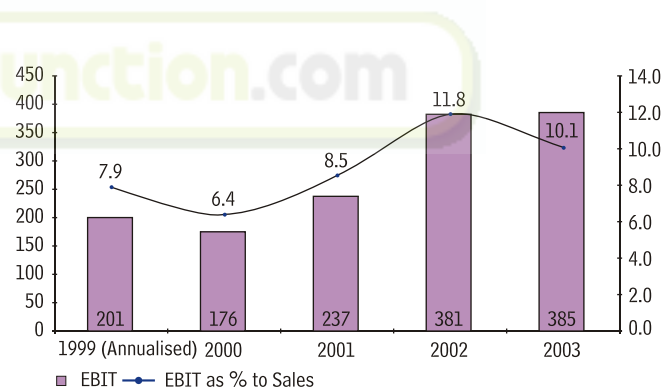
NET WORTH GROWTH (Rs. Mn)



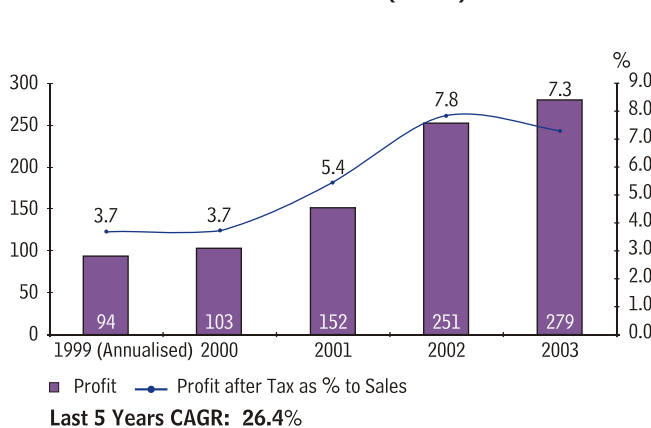
PROFIT BEFORE TAX (PBT) (Rs. Mn)



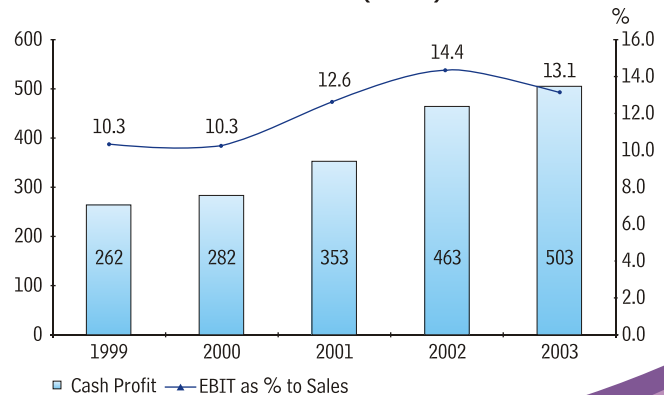
EARNING BEFORE INTEREST & TAX (EBIT) (Rs. Mn)



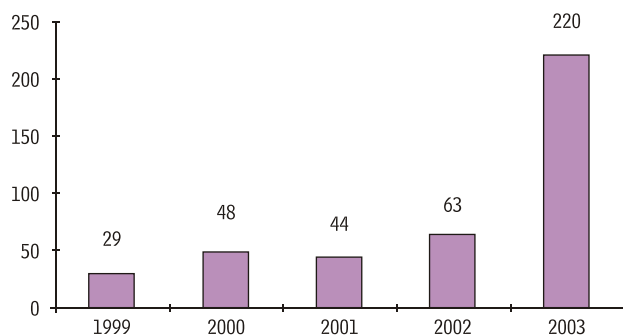
PROFIT AFTER TAX (Rs. Mn)



CASH PROFIT (Rs. Mn)



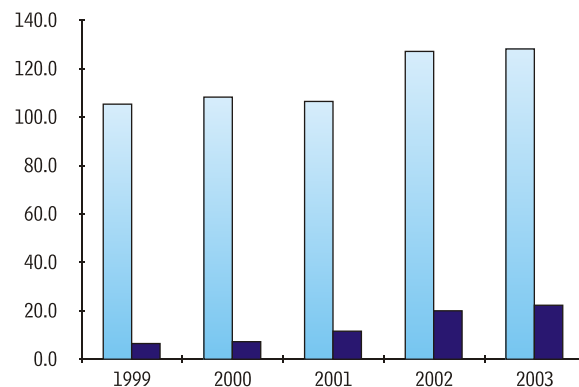
DIVIDEND PAYOUT (Rs. Mn)



Dividend Payout %	46.5	52.2	30.5	24.9	78.8
Dividend %	35*	35	35	50	150**

* Prorata **Includes One Time Dividend of 100%

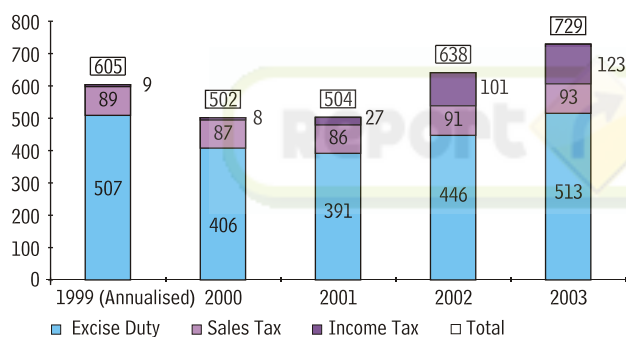
EPS AND BOOK VALUE PER SHARE (Rs.)



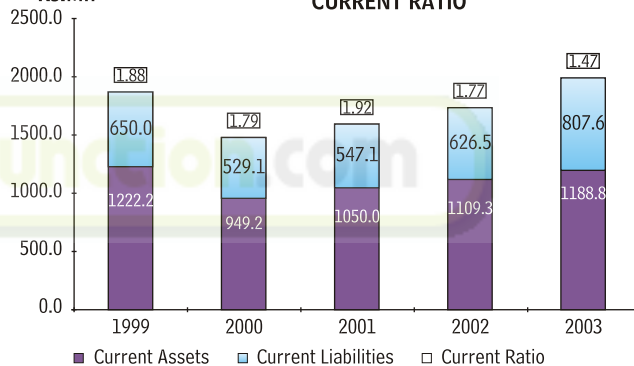
Book Value**	105.0	108.1	106.5	127.0	128.2
EPS	6.7*	7.4	11.5	20.1	22.3

* Annualised **Excluding Revaluation Reserve

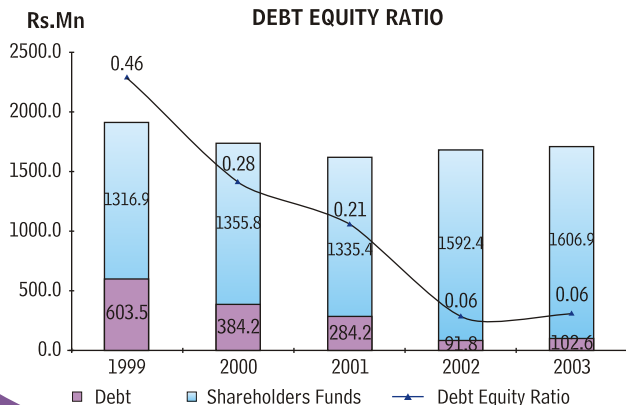
CONTRIBUTION TO EXCHEQUER (Rs. Mn)



CURRENT RATIO



DEBT EQUITY RATIO



BREAK UP OF NET INCOME 2003 (EXCL. EXCISE DUTY & SALES TAX)

