



HUHTAMAKI-PPL

55 TH ANNUAL REPORT 2004

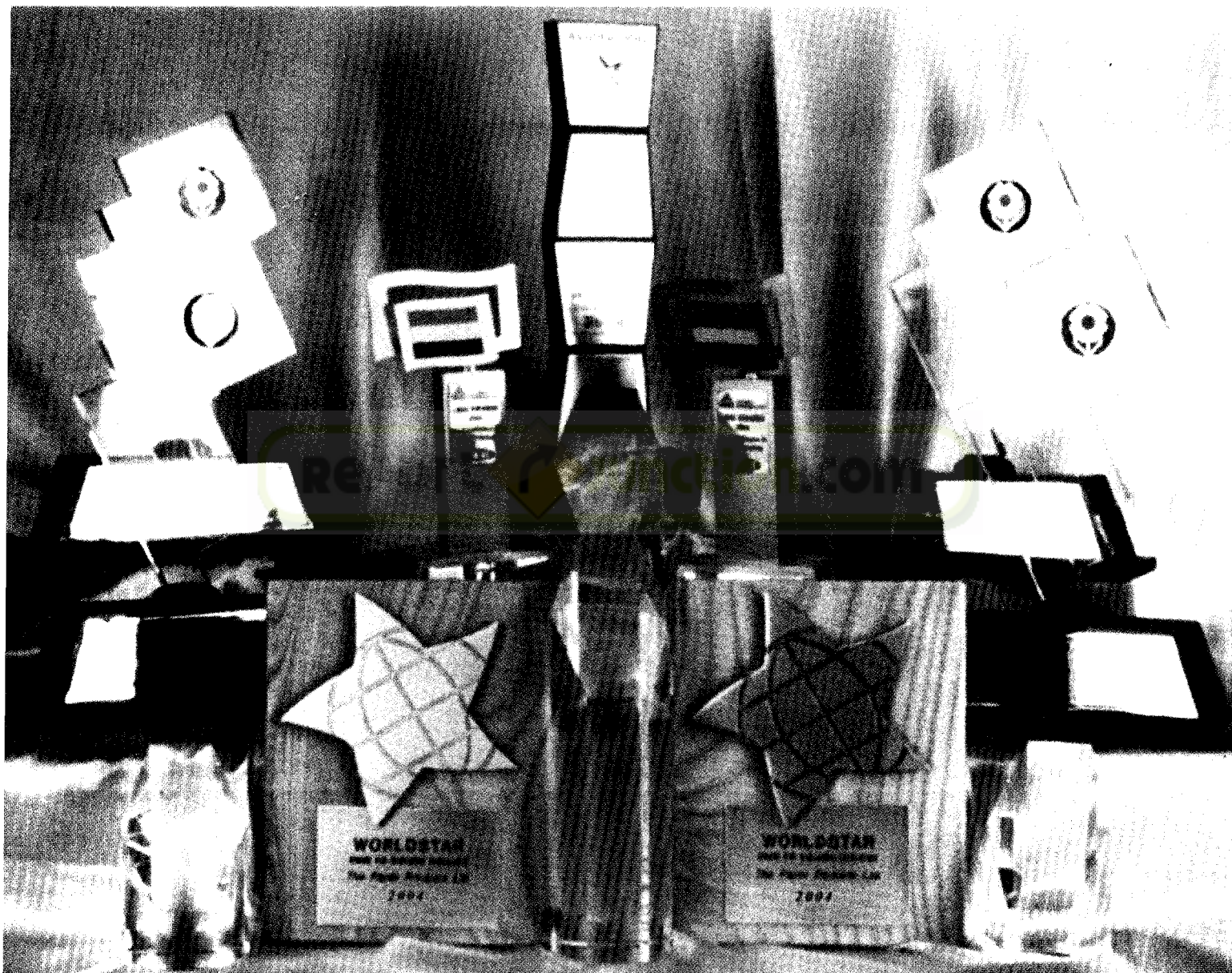
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The Paper Products Ltd.

 **PPL** - THE POWER OF FLEXIBLE PACKAGING

Awards Gallery

2004





PPL

The Paper Products Ltd. (PPL) is India's leading manufacturer of primary consumer packaging and labelling materials with annual sales of over USD 100 million.

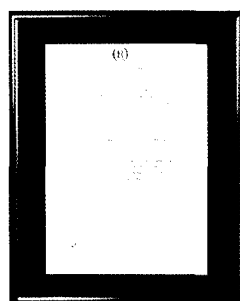
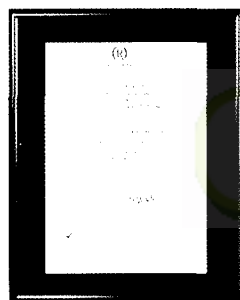
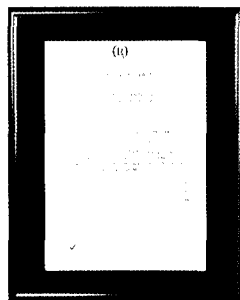
Since 1999, PPL is a joint venture with the global packaging major Huhtamaki Finland, who hold 59% of the equity capital.

PPL has a history spanning seven decades, enriched with pioneering achievements in Flexible Packaging and Labelling in India. These products are manufactured at three state-of-the-art, fully integrated manufacturing facilities in Thane, Silvassa and Hyderabad. Here, highly skilled and experienced staff ensures complete control and confidentiality, working with individual customers from product inception to product placement at supermarket shelf.

The Flexible product range meets the packaging needs of almost the entire spectrum of FMCG segments including personal products, personal wash, laundry, foods, ketchups, beverages, bakery products, spices, chocolates & confectionery, dairy, etc. Flexibles also caters to packaging challenges of 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, customised Holographic options 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, Britannia, GSK, Cadbury, P&G, Perfetti, Coca-Cola, Colgate, 3M, Eveready, Dabur, Marico, Emami, Hindustan Latex, Godrej, DS Group, Cavin Kare, etc.

A high degree of resources at PPL are committed towards competence in Quality Management, Hygiene and Safety programmes that ensure continuous success in meeting stringent global standards for manufacturing excellence.





PPL

BRC-IoP and HACCP certification achieved!

These global standards for manufacturing practices added to our quality certification for ISO 9001:2000.

The first company in India to hold all three certifications!

QMHS - QUALITY MANAGEMENT, HYGIENE & SAFETY programme



"Packaging is the first handshake that a consumer has with a product", and packaging, being an integral part of any product, "must protect what it sells, besides selling what it protects!"

In food products, and many other products, quality is trust. People have the right to expect that the food they eat and the products they consume are hygienic, safe and suitable to their needs. Quality...Hygiene... is what all of us look for before consuming any product.

We, at PPL, as leaders in consumer packaging, believe that in all our products the end consumer's expectations in terms of quality and hygiene needs are safeguarded as well as proactively addressed. This is core to our functioning. Further, we respect our environment and value the health of each individual on our premises by giving high priority to the safety measures across all our operations.



Towards these objectives, we initiated a journey of implementing steps and recognised systems & procedures that would help us meet our objectives. Against a backdrop of having achieved the upgraded ISO9001:2000 quality certification at our three plants at Thane, Hyderabad and Silvassa, we set up a dedicated Health, Safety and Environment Cell (HSE) which assists all our plants in ensuring continuous improvements in our HSE culture. This cell regularly conducts workshops on various topics of interest as well as circulates a monthly newsletter for knowledge enhancement of PPL personnel.

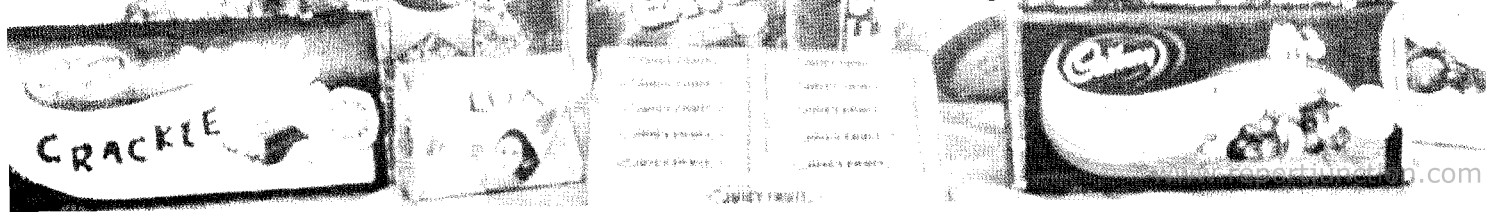


Then we began the journey for implementing HACCP and BRC-IOP systems at all three plants. We started with the formation of various cross-functional implementation teams at the respective plants under a common driver. This was followed by formulation and designing of an approach by the team members for implementation of these standards in the respective departments.

The implementation process involved:

- Understanding of Standards.
- Developing appropriate systems & methods as per standards.
 - Training of people at all levels.
 - Development of measurement, monitoring controlled measures.
 - Introduction of GMP (Good Manufacturing Practices) & hygiene practices.
 - Documentation & recording of work practices.
- Undergoing the detailed audit successfully for certification.

We take this opportunity to give a brief overview of these global standards.





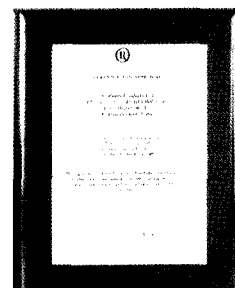
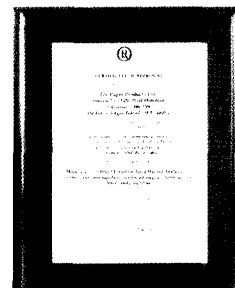
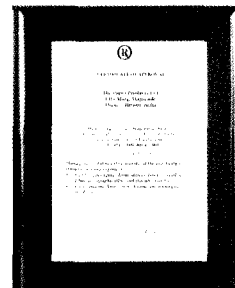
PPL

HACCP

HACCP i.e. Hazard Analysis Critical Control Point, is a systematic approach to controlling safety hazards in a food process including packaging. HACCP is an internationally accepted preventive system for Food Safety that addresses Hygiene, Physical, Chemical and Biological risks i.e. hazards. Analysis of the presence, if any, of these hazards forms the basis for establishing Critical Control Points (CCP's), which identify those points in the process of conversion that must be controlled, regularly monitored & documented in order to ensure the safety of the food.

The approach selected for implementation of this system was "Bottom - Up" and through extensive brain storming sessions. People at all levels at all PPL plants were trained & educated about the advantages / benefits of implementing this system. Thereafter the implementation was through

- Analysing and identifying possible hazards at each and every stage of the conversion process within the plants.
- Identifying CCP's.
- Setting critical limits for these identified CCP's.
- Documentation of procedures & records.
- Monitoring & verification steps.





PPL

GTX



BRC-IoP

In 2001 the British Retail Consortium (BRC) and the Institute of Packaging (IoP) developed this Technical Standard and Protocol for companies manufacturing and supplying Food Packaging Materials for Retailer Branded Products to assist retailers and Food manufacturers in the fulfillment of their legal obligations, and help protection of consumers by providing a common basis for evaluating and certifying companies for supply of packaging for Food Products. It is regarded as a benchmark for best practice in safety, quality and operational criteria involved in manufacture and supply of packaging materials, which has seen it evolve into a Global Standard.

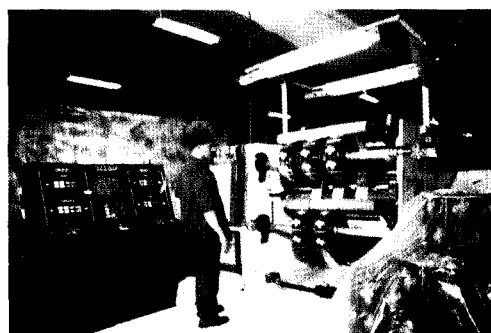
QMHS

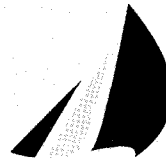
The QMHS at PPL has helped in consolidating the existing processes by offering the following key benefits:

- It is comprehensive and covers areas of quality, hygiene & product safety that meets international standards.
- It addresses the "Due Diligence" requirements across the entire chain consisting of raw materials supplier, packaging materials manufacturer, packer / filler and retailer.
- It ensures, by way of audits, a self-improving quality, hygiene and product safety system.

The implementation of these globally recognized standards, along with ISO 9001:2000, heralds a new era of standardisation of processes & systems in flexible packaging industry for achieving total customer satisfaction. PPL is committed to enrich its diverse portfolio through continuous improvements in its QMHS journey.

The Vision Document 2015 prepared by the Food Processing Ministry proposes to make India the food factory of the world. The creation of an integrated Food Law and Food Standards Authority for achieving this goal, endeavours to make the Indian food processing industry internationally competitive - quantitatively as well as qualitatively. PPL is ready for this challenge!





HUHTAMAKI

TAKING PACKAGING FURTHER

As a leading manufacturer of consumer and speciality packaging, Huhtamaki serves the world's premier food, food service and consumer products companies, leveraging its:

- Unrivalled range of rigid and flexible packaging technologies
- Comprehensive offering of innovative, high quantity products
- Global network comprising some 70 manufacturing and sales units in 36 countries

In 2004, Huhtamaki took important steps to consolidate its position in its main markets - Western Europe, North America and Oceania - while further strengthening its presence in the rapidly growing markets of Eastern Europe, Asia and Latin America.

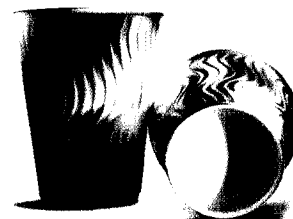
The consolidated net sales amounted to EUR 2.1 billion. Europe accounted for 55% of the total, the Americas for 29%, and Asia, Oceania and Africa for the remaining 16%. Volatile raw material prices and a slowdown in the European rigid packaging business dampened the recovery of profit margins. Toward the end of the year, the company announced a two-year restructuring program in order to improve cost efficiency.

Established in 1920 and publicly traded since 1960, the Group's parent company Huhtamaki Oyj (HEX Symbol: HUH1V) is domiciled and headquartered in Espoo, Finland.

Environmental organization and management

Environmental, health and safety management activities are primarily carried out on site level. Each manufacturing unit is required to submit an annual action plan and to report consistent quantitative environmental information. Site-level information is consolidated at the Head Office, forming the basis of an annual environmental review by the Executive Committee

Environmental management is daily practice at our sites. Risk management activities are carried out continuously. Each site has to submit an annual report on the development of its environmental management routines based on data collected through an Environment, Quality and Hygiene assessment form.





Corporate responsibility

Corporate performance is increasingly judged by the value a company adds on all three dimensions of sustainability: economic, environmental and social.

Corporate analysis and valuation is evolving into an activity that strives to capture the whole set of values, issues and processes that companies should address to create positive economic, social and environmental value and to minimize any harm resulting from their activities.

Good local citizenship is deeply ingrained in our corporate culture. Local law and practice set the minimum levels for our employee and community relations, environmental footprint and business practices. We observe the highest ethical standards in all our actions and require the same from our suppliers.

Taking good care of employees, providing equal opportunities, training and occupational safety, behaving ethically and respecting an employee's rights and dignity even in times of business integration and rationalization will benefit societies and local neighbourhoods.

The environment - Policies and principles

Huhtamaki is an early signatory to the ICC Business Charter for Sustainable Development and has published a global environmental policy in order to ensure consistent operating principles.

We will ensure that our packaging products, while meeting customers' requirements for functional properties and the highest standards for hygiene and safety, are developed and designed to achieve prevention at source, the use of renewable or recycled materials, and the recyclability of the packaging product itself.

- In 2004, we launched in Europe the 'BioWare' range of compostable packaging products made of renewable raw materials such as recycled fiber and biopolymers.
- We also formalized the chain of custody for fiber traceability in Europe and will extend the procedure to other regions.

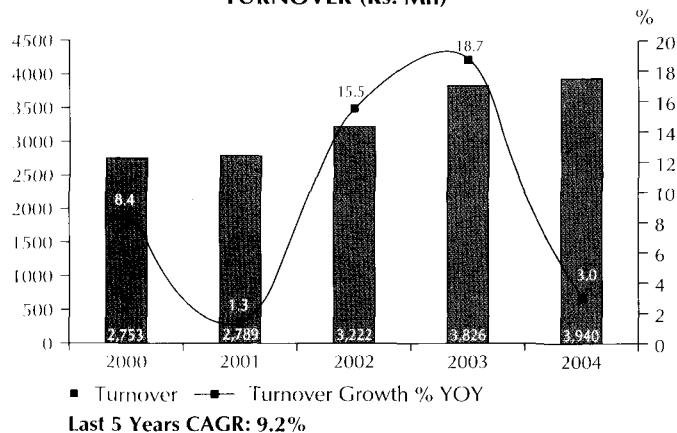
Environmental matters form part of our interaction with customers, financial stakeholders, suppliers, authorities and employees.



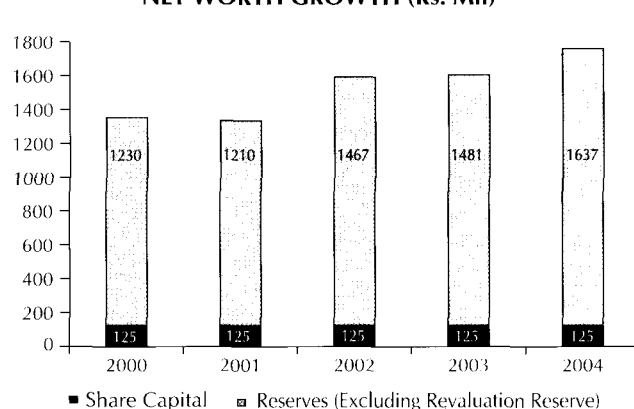


Financial Performance Indicators

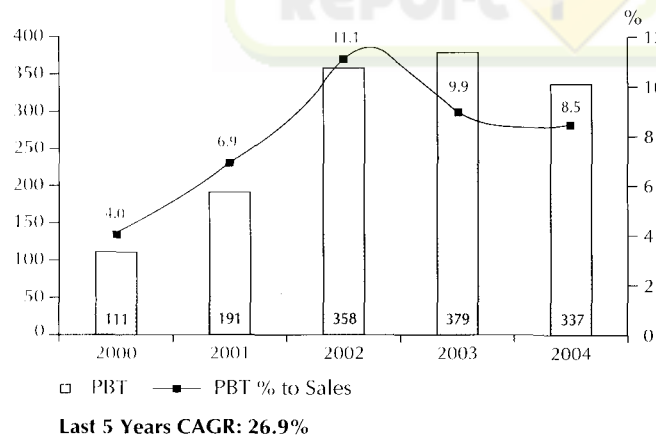
TURNOVER (Rs. Mn)



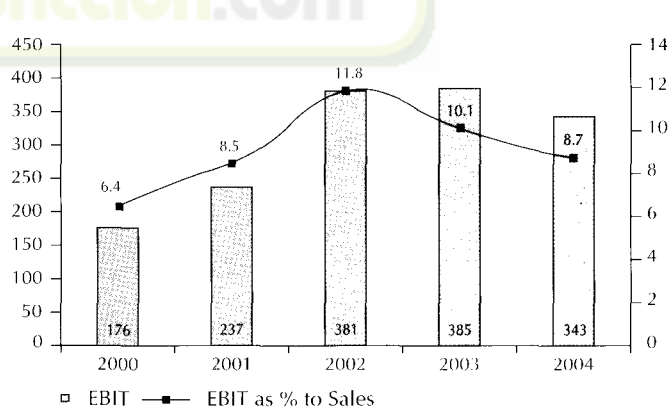
NET WORTH GROWTH (Rs. Mn)



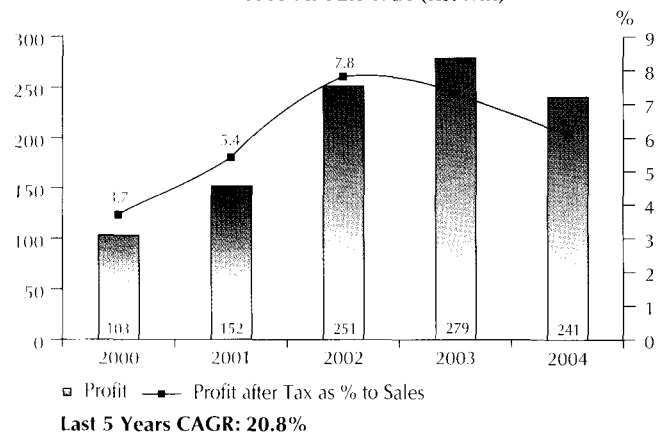
PROFIT BEFORE TAX (PBT) (Rs. Mn)



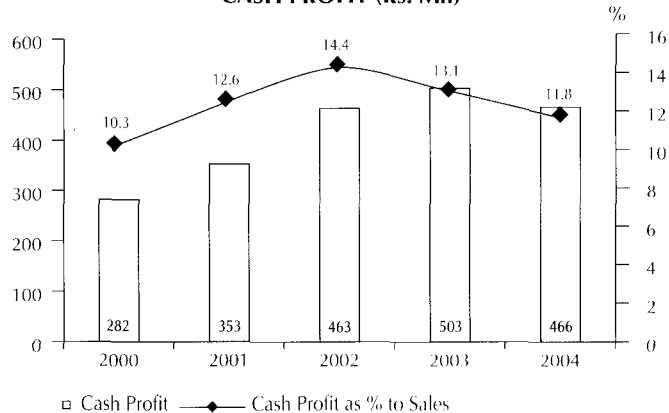
EARNING BEFORE INTEREST & TAX (EBIT) (Rs. Mn)



PROFIT AFTER TAX (Rs. Mn)



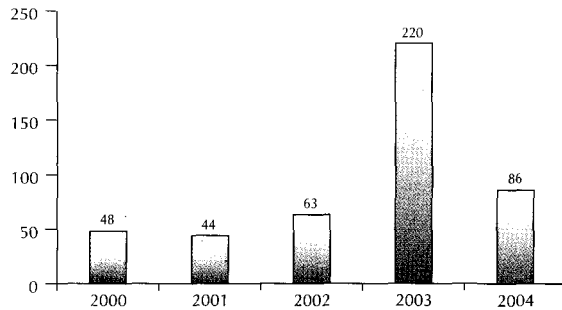
CASH PROFIT (Rs. Mn)





Financial Performance Indicators

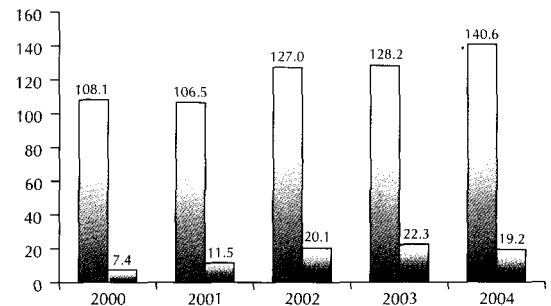
DIVIDEND PAYOUT (Rs. Mn)



Dividend Payout %	52.2	30.5	24.9	78.8	35.5
Dividend %	35	35	50	150*	60

* Includes One Time Dividend of 100%

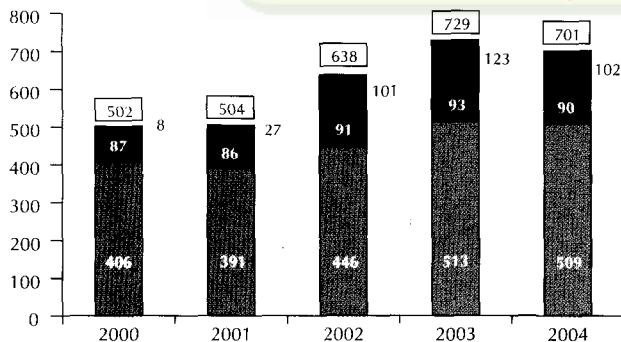
EPS & BOOK VALUE PER SHARE (Rs.)



Book Value*	108.1	106.5	127.0	128.2	140.6
EPS	7.4	11.5	20.1	22.3	19.2

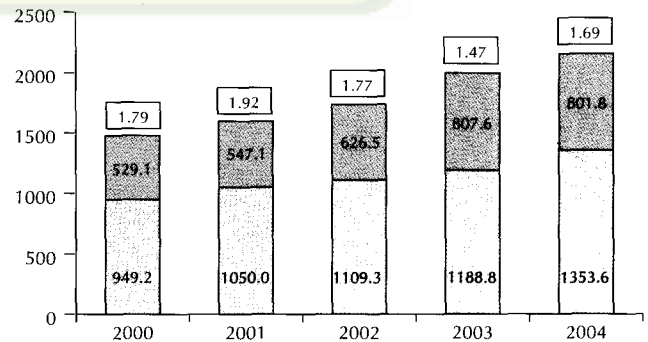
*Excluding Revaluation Reserve

CONTRIBUTION TO EXCHEQUER (Rs. Mn)



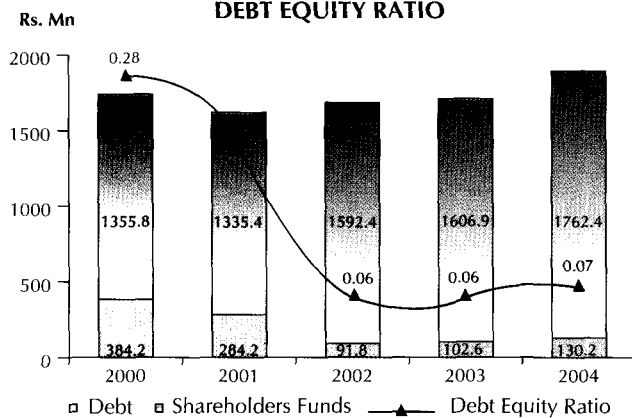
■ Excise Duty ■ Sales Tax ■ Income Tax □ Total

CURRENT RATIO



■ Current Assets ■ Current Liabilities □ Current Ratio

DEBT EQUITY RATIO



□ Debt □ Shareholders Funds — Debt Equity Ratio

SPLIT UP OF NET INCOME 2004 (EXCL. EXCISE DUTY & SALES TAX)

