

***HUHTAMAKI - PPL***

---


**56 TH ANNUAL REPORT 2005**

---

Report  junction.com

**The Paper Products Ltd.**

---

 **PPL** - THE POWER OF FLEXIBLE PACKAGING

---

## Learning from nature... Developing for consumer



### Packaging Concepts

Resistant

Freshness Sealed

Tamper Evident

Oxygen Scavenging

Ultra-thin

Moisture Absorbing

Indicative

Flavour Enhancing

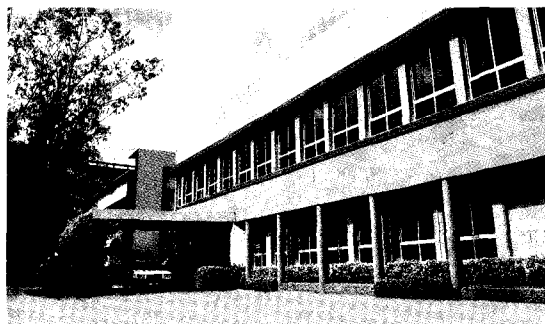
Easy Peel

Biodegradable

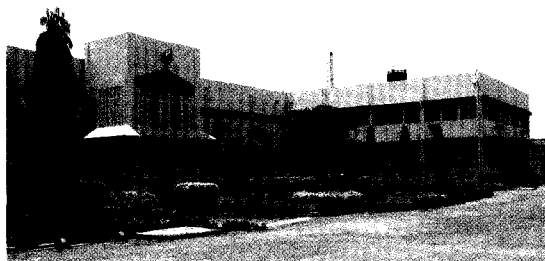
Odour Absorbing

Microbial Preventive

"If there is one industry that plays a unique role by way of both creation of wealth through a wide range of manufacturing activities and also by way of preserving the wealth or value created by many, many other industries, it is packaging."



Thane Plant



Silvassa Plant



Hyderabad Plant

## Leading with experience...

PPL has been in the complex world of designing and producing packaging solutions for over seventy years. It is perhaps this experience that places us in a unique position to understand customer needs and design optimum packaging solutions.

In mid 1999, PPL became a member of Huhtamaki Packaging Worldwide, a global leader in consumer packaging. Huhtamaki's technical resources and product lines have further strengthened our capability to be a one-stop-shop for a wide variety of consumer packaging products.

PPL is the only packaging solutions provider, perhaps globally, to offer solutions across Flexibles, Decorative Technologies, Specialised Cartons, Packaging Machines, Holographic Options....

### Design Reproduction

- Prepress – With in-house prepress capabilities, we help our customers visualise their ideas, from the drawing board to a product on the shelf.
- In House Cylinder Making – Producing cylinders within the factory gives greater process control and an advantage on reduced lead times.

- Printing Technologies – Print options of Gravure, Offset and Flexo allow optimal design reproduction and cost flexibility.

### Multi-locational Manufacturing Facilities

- Our three manufacturing locations (and a fourth one coming up in North India) offer comfort and confidence, optimising supply chain support for our customers.
- It also gives us the capability to support large volumes and flexibility to offer quick turn around times in a crisis situation.

### Machine Building and Engineering Support

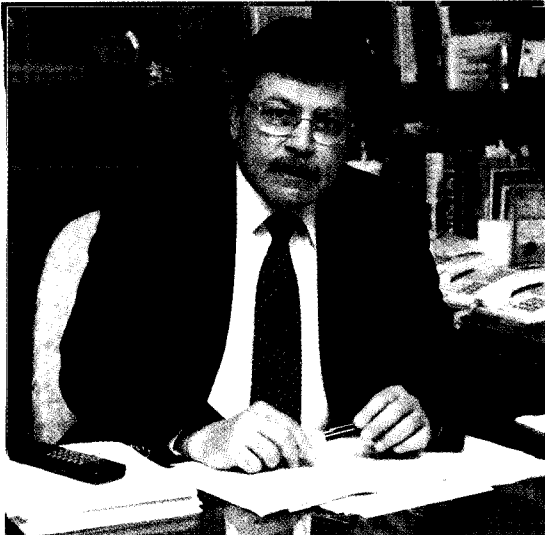
- Providing packaging solutions for over seven decades, we understand how important it is for the client to have not only the right packaging material, but also a good quality packaging system.
- Our customers today respect us for our high levels of expertise in providing customised packaging machine solutions and our problem-solving abilities.

### Customer Satisfaction

- PPL Seal of Quality: We design our products around our customer's needs. Starting with the best quality inputs to using the latest technology. Supported by a wealth of knowledge and an enthusiastic team. We ensure that we deliver a quality product.
- At PPL, we continuously strive to achieve excellence through Partnership With Customers.

Customers today appreciate the true value of working with a "Total Solutions Provider."





**It was a time for good men and women to come together...**

### Message from the Managing Director

2005 was unusually interesting — the most challenging year of the last decade. Looking back, I can clearly see our people negotiating the challenges as if they were in the midst of an exciting expedition, facing unexpectedly scary obstacles, and finally “climbing over the mountain” to reach home.

In tribute to our people and their “esprit de corps”, this report showcases them at work, at learning, at play, and at winning awards.

During the record rains and consequent flooding on 26th July '05 in vast areas of Mumbai and Thane region, our Thane plant was also impacted by flood. The entire production floor including most of our high tech machinery and equipment was in dirty flood water 3 feet deep for 6-8 hours. The entire team of people, managers, staff, machine operators, worked tirelessly and non-stop such that a few machines were back in operation within a week. This was despite the fact that many of our people suffered flooding of their own homes and damage to their personal property. Simultaneously, our Silvassa and Hyderabad plants immediately took up the challenge of meeting the needs of Thane plant customers. This often involved them doing unfamiliar customer jobs in record turnaround times while meeting the delivery needs of their own customers. Going all out 24 hours, 7 days a week, they even exceeded production capacity and set new production records, without allowing quality to be compromised. Simultaneously, our headquarter people, and those in the field, were working tirelessly to tackle the enormous planning and logistics issue, and doing whatever was best possible to minimize customer dissatisfaction.

Every thundercloud has a silver lining. Overcoming this unexpected crisis has left us

Report



with a quiet confidence to face the uncertainties and challenges we face daily, and will face in the future. Our people set new records and we have new benchmarks. In a way, we have moved to a new level of capability as a group of people.

The previous year's report detailed the severe market adversities we suddenly faced from the start of the second half of 2004. Raw material prices unprecedentedly shot up by as much as 60%, driven by the rapid surge in crude oil pricing and therefore of petrochemical products. The refusal by customers to absorb the majority of the inflation, squeezed margins. We drew up a detailed crisis management action plan comprising innovation, cost efficiency, sourcing initiatives, new market development, and many more. Effective implementation of the plan at all levels, locations, and functional groups, saw good results with the first half of 2005 recording a sequential improvement in Profit before Tax of 25% over the second half of 2004. So the "ramp-up" was in place. We were expecting to continue the growth momentum in the second half of 2005, when suddenly the Thane plant was hit by flood... nevertheless...

2005 as a year, set a new record in Sales, EBDIT, EBIT, and Cash Earnings per share which almost touched Rs.42 per share. Sales growth for the year was almost 10% over 2004, and PAT almost 15%. EPS for 2005 was Rs.22.07 per share against Rs.19.23 the previous year.

Also, we did not lose sight of our strategic objectives. Construction of our new Greenfield North India plant was begun in full measure in the last quarter of the year, and we expect to be in production in Q3 2006. The renovation of Thane plant has been in full swing. Besides repair, new key equipment has been, and is being ordered. This is being done to replace damaged equipment which is not working, or is operating at below pre-flood capability with repair ineffective in restoring full capability. Various other strategic investments are being implemented during the course of 2006.

I must mention here two of our key 2005 successes in the market place. Exports grew by 38%. Our innovation program, termed NASP (New Application, Structures, Products & Processes), continued to yield great results in domestic markets helping us counter margin pressures.

The market remains challenging with firm raw material prices at high levels and customer pressures on selling prices. We remain committed to profitable growth through our various technical and market initiatives, underlined by focus on improved cost efficiency. We also look to the positives from our economy which is on a firm growth path and is driving the vast array of sectors we service from FMCG, including overall food processing, pharmaceuticals, to agrochemicals, and many more. So we proceed with determination and cautious optimism.

I take this opportunity to warmly thank our Shareholders, our Board of Directors, The Huhtamaki Group, Customers, Suppliers, and business associates for their kind support and encouragement.

### **Suresh Gupta**

Managing Director & President

The Paper Products Ltd., India.

March 2006



**A technology session in progress.**

**Appreciating the environment  
and learning from it.**

"It is people who  
face and overcome  
challenges. Their  
approach, knowledge  
commitment and  
actions are what  
finally deliver."

**Suresh Gupta,**  
MD & President



**A team at the  
Back to College Retro Meet.**



**On top of the world...  
and looking higher!**







**Keeping the mind alert...  
and the body active.**



**Safety drill on  
fire fighting/prevention.**

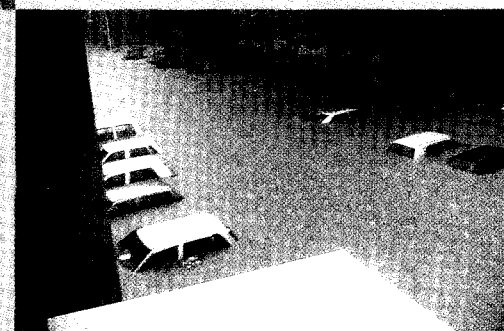
*"After all it is we the  
people who come here,  
work and grow with  
the organization.  
The organization  
belongs to us as much  
as we belong to it."*



On July 26th 2005, our Thane plant was confronted with nature's explosive fury. In the days that followed there were stories of extraordinary courage, of dedication and team work, of single minded focus... and the plant started operations in August itself! Thank you customers for standing by us.



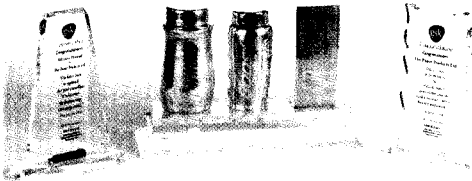
**Annual Day celebrations  
at the factory.  
Encouraging family  
participation and bonding.**







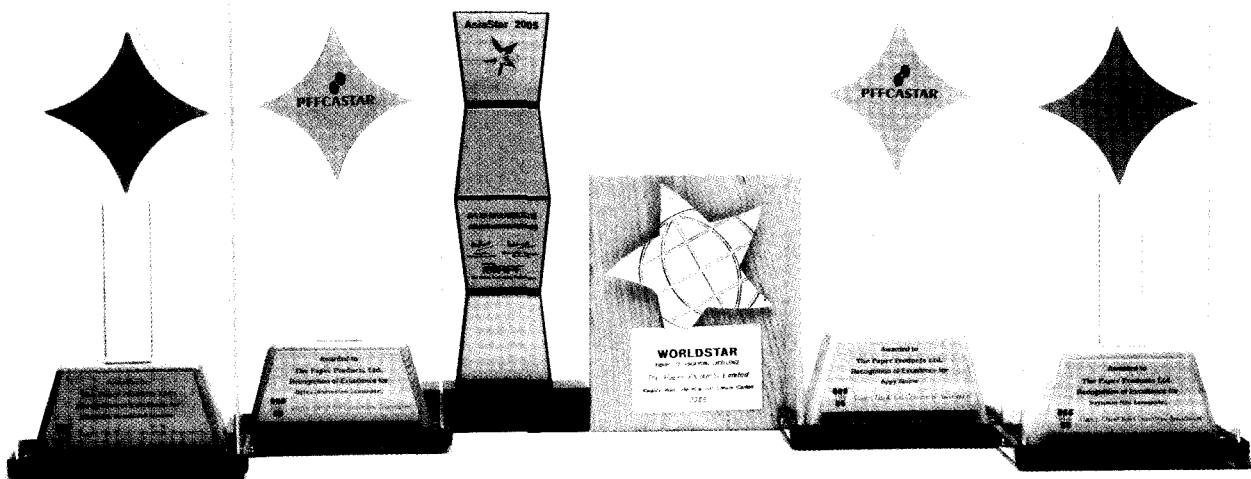
## Recognition from a Key Customer.



GSK recognized PPL as one amongst only four of their suppliers across all products and services for "Excellent Performance in 2005", which contributed significantly to their business performance. PPL was the only flexible packaging company to be honoured with this award.

PPL was also given an exclusive award for "Excellent Customer Relationship Management" – awarded to Vikram Prasad, Senior Key Account Manager. GSK was impressed with the way Vikram has been "actively working for GSK while enhancing his own company's goals".

ISO 9001:2000,  
HACCP, BRC-IoP,  
not just important  
certifications but  
a way of life at PPL.  
We are the first  
company in India  
to be awarded  
all three certifications.







"Awards reflect PPL's knowledge and technical competence, but for all at PPL, the highest satisfaction comes from delighting customers."

PFFCAsar 2005 – "Pick me up" graphics, inducing a refreshing mood. Innovative communication of sparkling effect in a fruit drink.

WorldStar 2005 – High Barrier Profile Stand-Up pouch for juice concentrate powder.



AsiaStar 2005 – High gloss, Metallic look carton... has created a new benchmark in aesthetic appeal.

PFFCAsar 2005 – New packaging structure, perhaps the first in the world, to ensure that the crispy choco-filled snack reaches the consumer as fresh and tasty as when packed.

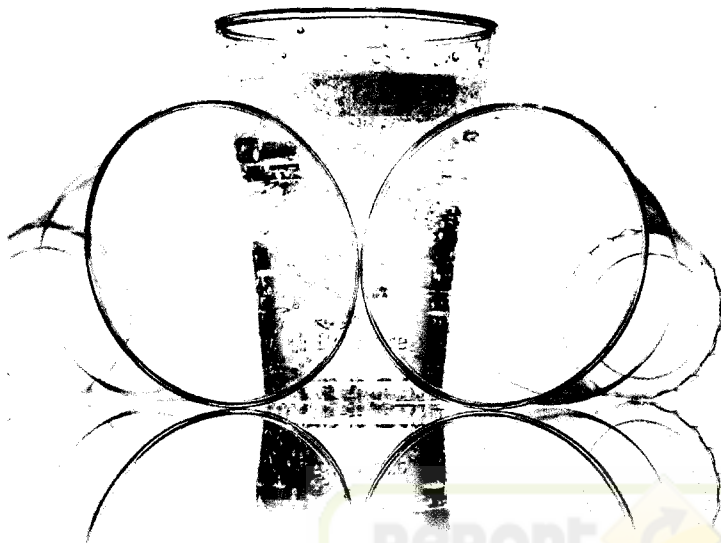
PFFCAsar 2005 – Excellent "see through" visual effect, to convey product purity and innovative graphics.


## World class packaging

Huhtamaki is a truly global consumer and specialty packaging company. Focus and expertise is in paper, plastic, films and molded fiber. Huhtamaki offers products from stock, custom designs as well as total packaging systems and solutions. Through worldwide activities and presence, Huhtamaki is committed to providing Innovative solutions and ensuring operational excellence.

Huhtamaki has evolved from a multi-industry company into a consumer-packaging specialist through a series of almost 200 company acquisitions and divestments since 1980. Many of the oldest and finest names in packaging now belong to our family.

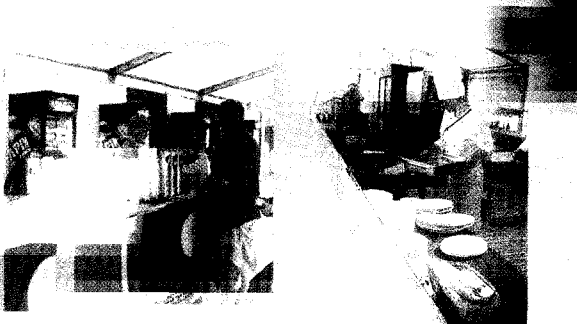
Today, Huhtamaki maintains a strategic focus on consumer packaging with 68 manufacturing and additional sales offices and almost 15,000 employees in 37 countries. Net sales in 2005 amounted to EUR 2.2 Billion. Huhtamaki Oyj has been short listed on the Helsinki Stock Exchange (HEX) since 1960.



Report  junction.com

### World championships and bioware\*

Huhtamaki's environmentally sound single use range BioWare was used by the main caterers of the 10th IAAF World Championships in Athletics, arranged in Helsinki in August 2005. BioWare suited the event's profile, as it observes the environmental program ECO-mass (ECO-Efficient Mass event), a program aimed to reduce the overall environmental impact of the event by e.g. enhancing the sorting of waste and reducing the amount of waste to landfill.



**In its worldwide activities and presence Huhtamaki strives for innovative solutions and operational excellence. Huhtamaki wants to be a proactive company contributing to its customers' success by helping them sell more.**

