



HUHTAMAKI-PPL

connecting with consumers



**The Paper Products Ltd.**

**PPL - THE POWER OF FLEXIBLE PACKAGING**

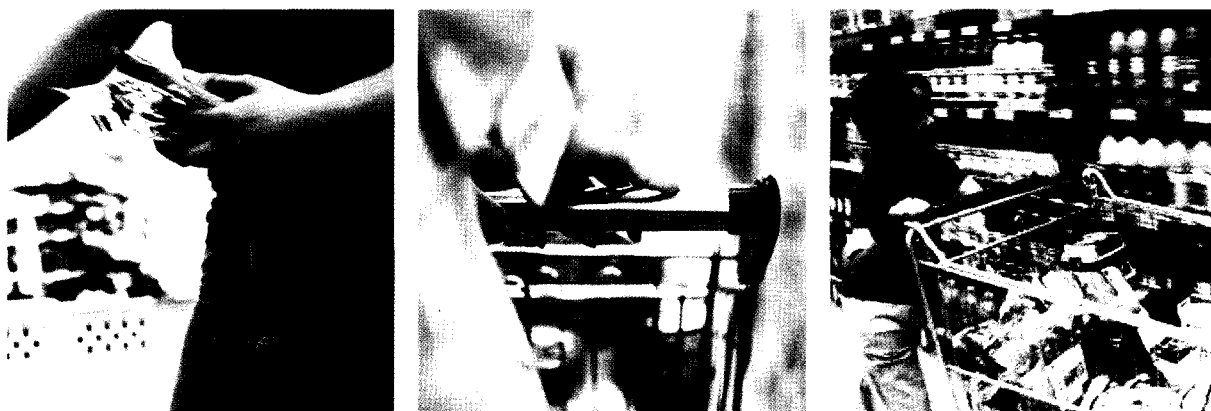
## MISSION STATEMENT

**PPL** IS COMMITTED TO DEVELOPING AND PRODUCING PACKAGING THAT IS TRUE TO THE BRAND AND TO THE CONSUMER AND WORKS HARDER FOR BOTH.



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Spanning seven decades in the industry, we have come a long way with a host of pioneering achievements in flexible packaging. On our journey, we have added Package Protection and Decoration Technologies, Specialised Cartons and Packaging Machinery Solutions to our portfolio. This year, we take pride in achieving the milestone of crossing Rs. 500 crores in our top line revenues.

India's consumer market is riding the crest of the country's economic upswing, racing at an incredible pace. In the fast changing socio-economic environment, the consumer is truly a moving target, on the radar of aggressive and ambitious retailers. Today the shopper is faced with a plethora of choices in making a buying decision. This presents an enormous challenge to FMCGs to differentiate their products in the ever-growing sea of products available in the market.

The importance of packaging cannot be overemphasised. It is the high quality of packaging that protects the product through its distribution channel, ensuring that it reaches the retail shelf in pristine condition. It is also the first point of contact with the consumer with enormous play on visibility and the high quality talks volumes in terms of selling itself. The quality of packaging is again the most important aspect of the consumer's first impression and perception of the product. Today, more than ever before, the challenge for the FMCGs is to use the tools of branding, pricing and packaging, to attract the consumer's attention.

The success of our customers is our precept in everything we do. As a packaging solutions provider to them, we are a cherished ally in their quest for connecting with consumers. It is through satisfying our customers in their need for maintaining and growing their marketshare, that we bring value to all our stakeholders.



## MESSAGE FROM THE MANAGING DIRECTOR & CEO



"... 2006 was a reasonably satisfying year. Another year where our team of people proved that we could rise above obstacles and strong challenges and deliver a reasonably good performance."

**Suresh Gupta**  
Managing Director & CEO

"The company is poised for a 'paradigm' shift in its overall scale of operations in the next three years."



In the circumstances, 2006 was a reasonably satisfying year. Another year, where our team of people proved that we could rise above obstacles and strong challenges and deliver a reasonably good performance.

Net sales increased by 16% to Rs. 5,012 million surpassing the milestone of Rs. 500 crore. Gross sales commensurately increased to Rs. 5,796 million. Earnings per share, (EPS) excluding net extraordinary income, increased 18% to Rs. 26.73. Including net extraordinary income EPS was Rs. 31.85.

The key Thane plant, which was severely impacted by the massive floods which hit Mumbai in 2005, had been put back into operation in record time, as narrated in the previous year's report. And it is commendable that despite the massive damage, the efforts of our people on rehabilitating and nursing the equipment throughout the year (till replacements arrive in 2007), saw the plant's production value almost reach the level achieved two years earlier in 2004, falling short by 7%. Simultaneously, we were committed to the construction of our new Greenfield factory in Uttarakhand. Our people and resources were stretched between rehabilitation and nursing of the key Thane plant, in meticulously building a state-of-the-art Greenfield plant in Uttarakhand and in the execution of various optimisation and development projects in the Silvassa and Hyderabad plants. I am happy to report that the Greenfield plant's first line went successfully into commercial production during January 2007. I am also happy to report that, our other plants could set new production records to enable our growth as a company.

On the other side, and as was apprehended, the sharp inflation in raw material prices seen over two previous years continued into 2006. Strong resistance from customers to price increases forced us, in specific cases where business had become unremunerative, to painfully and regretfully walk away. Our efforts elsewhere on market development enabled our sales growth.

More details on 2006 are given in the Management Discussion & Analysis note in this report.

Now to move into 2007 and beyond. The company is in exciting, and simultaneously, in challenging times. The good pace of growth in the economy, combined with the fast rising aspirations of the consumer, has created an exciting growth opportunity for the latest technology based world class packaging. And this is

against a backdrop of 15% plus growth in consumer packaging volumes. On the other hand, firm raw material prices combined with customer pressure on packaging material prices, and with capacity amply available amongst a relatively fragmented consumer packaging industry, is putting downward pressure on margins.

We have our plans in place. The challenge will be in successful implementation. The North India Uttarakhand Greenfield plant's second line is scheduled to be fully in commercial production in Q2'07.

The new project for specialised packaging formats, backed by a technology transfer agreement with a European leader in the technology, is also scheduled for commercial production by end Q2'07. Another special project in Hyderabad plant for new products is expected to be on stream by end Q3'07. All these will help us in 2007. The major reconstruction activity in the Thane plant, which will rejuvenate the plant to the very best world class levels in all aspects, will give us significant strength in 2008. And there are many company initiatives on improving our efficiency and overall capability. As mentioned later in this report, the cash out flow on planned capital expenditure in 2006 was Rs. 877 million and in 2007 is expected to be Rs. 636 million. We are also actively participating in global synergy projects of the Huhtamaki Group, which will open opportunities for us in India.

The company is poised for a "paradigm" shift in its overall scale of operations in the next three years.

There is a daunting task ahead of us in successfully implementing our multiple projects and plans and also in overcoming the challenges. Our people will be stretched, but the goal is clear. During 2007 we will proceed, as always, with determination and cautious optimism.

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

**Suresh Gupta**

Managing Director & CEO

The Paper Products Ltd., India.

March 2007

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr. K. C. Narang  
*Chairman*

Mr. Suresh Gupta  
*Managing Director & CEO*

Mr. Heikki Takanen

Mr. Henk Koekoek

Mr. Arunkumar R. Gandhi

Mr. P.V. Narayanan

Mr. Ramesh Kumar Dhir

Mr. C. N. Murthy  
*Executive Director & COO*

Mr. Vibhu Talwar

Mr. Sakari Ahdekivi  
*(Alternate to Mr. Heikki Takanen)*

Mr. Evert A. Ariens  
*(Alternate to Mr. Henk Koekoek)*

### BANKERS

BNP Paribas

Bank of Rajasthan Ltd

Punjab & Sindh Bank

Standard Chartered Bank

The Hongkong & Shanghai Banking Corporation Ltd.

Union Bank of India

### AUDITORS

BSR & Associates  
*Chartered Accountants*

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Huhtamaki-PPL is India's leading consumer packaging company. Today, we are recognised for our uncompromising quality, consistency and reliability, and for total partnering solutions. With a knowledge base from over 70 years of experience, we are constantly evolving through innovative ideas, applications and new materials and technologies. Straddling the complete value chain - from research and innovation to manufacturing, we are a full service packaging partner to leading consumer product companies.

As a part of the Huhtamaki family of companies, the leading packaging solutions provider worldwide, we are well positioned to succeed in a fast growing and exciting marketplace.



## CUSTOMER SERVICE

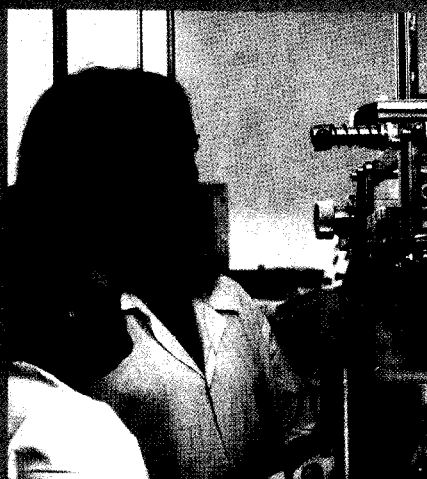
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PPL's pursuit for perfection in its products and passion for delivering value, enables it to provide the highest level of service.

Product development takes place in close cooperation with customers, resulting in both product improvement and entirely new solutions. PPL strives to form partnerships with its key customers as an important element of product development and offering customised services.

Product packaging quality can be the most important aspect of the consumer's perception of the product. Commitment to the highest standards of quality and efficiency are carried out throughout the entire organisation. PPL's reputation for world class quality is well earned, the proof lying in its satisfied customers.

Our knowledge of a wide range of technologies and expertise in combining different technologies allow us to offer multi-technology solutions to customers.



PPL's steadfast customer dedication is highlighted by its unsurpassed focus on consistently delivering quality products, which translates into success for its customers.



## PRODUCT PROFILE

# PACKAGING SOLUTIONS WITH INNOVATIVE SOLUTIONS

**Primary Packaging** PPL produces a wide range of custom designed film, foil and paper based laminate structures, printed in upto 10 colour high quality process, for primary packaging of products in solid, powder or liquid form, in consumer pack sizes. The customising process optimises design for achieving product protection, product filling productivity, brand image promotion and overall cost effectiveness. Specialised structures include those providing

- high barriers for tropical climate,
- high strength for transportation over long distances,
- high speeds on filling lines,
- holographic images and
- registered hot melt and cold seal coatings.

Pre-formed pouches, including stand-up and re-closeable are also options provided by PPL.

**Branding, Promotion & Decorative Solutions** PPL's innovative and novel range of labelling options, compliments the type of packaging, helping customers create the right package that advertises itself and also sets it apart. Our brand decoration solutions include:

- Shrink Sleeves
- Heat Transfer Labels
- Pressure Sensitive Labels
- Metallised Paper Labels
- Wrap Around Labels

**Specialised Cartons** PPL manufactures lined cartons and systems for primary packaging of powders and liquids in a variety of consumer pack sizes. These systems called 'Cekaline' can be used to pack a variety of consumer products. To provide relative protection and security in a cost effective manner, we offer 'Expresso' cartons system. We also produce speciality mono-cartons with metallic, holographic, profiles and customised finish.

**Specialised Structures** PPL manufactures a wide range of custom designed film, foil and paper based laminate structures, printed in upto 10 colour high quality process, for primary packaging of products in solid, powder or liquid form, in consumer pack sizes. The customising process optimises design for achieving product protection, product filling productivity, brand image promotion and overall cost effectiveness. Specialised structures include those providing

At PPL, we believe that 'Packaging Solutions' is an exciting incessant journey with Infinite Potential. A journey which fosters dynamism in innovative materials, structures, applications and processes.

Today, PPL offers a multi-dimensional portfolio of packaging solutions, with functionality, product protection as well as valuable shelf appeal.





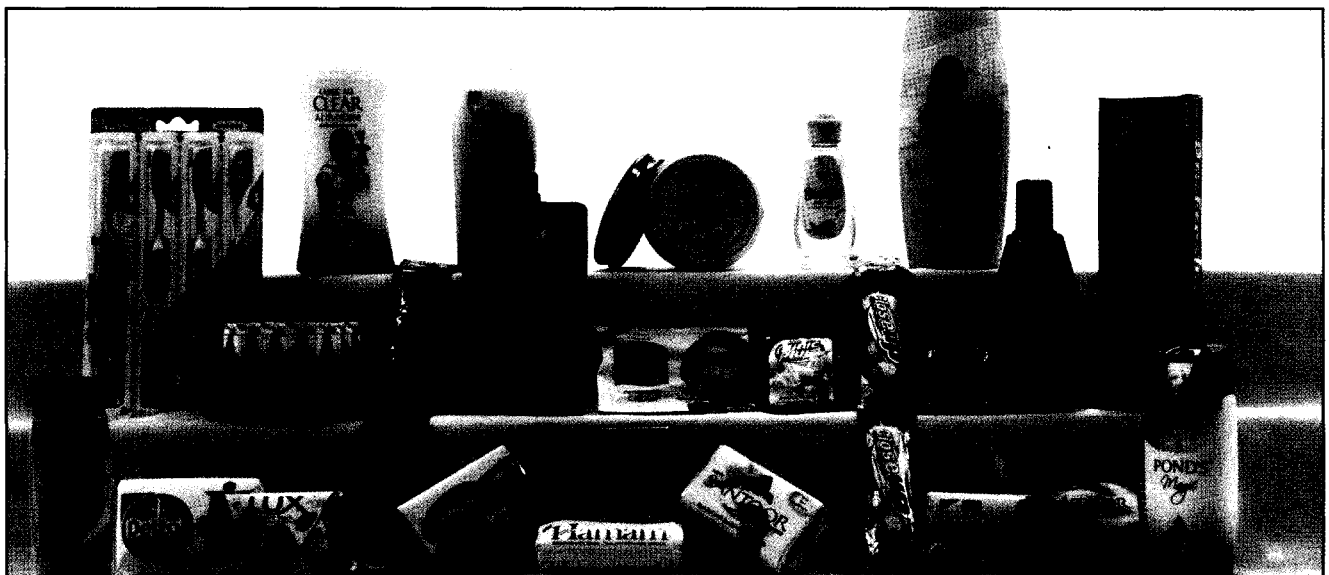
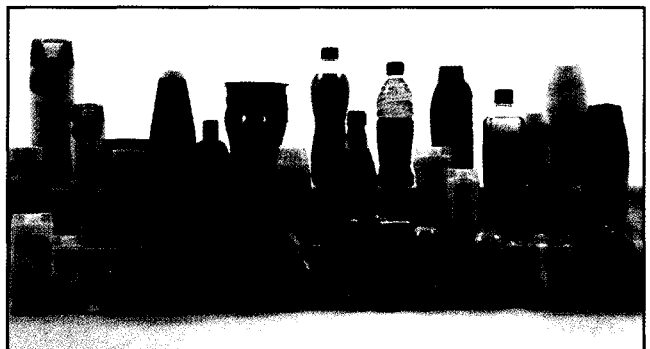
**Design engineering** – The focus on designing machine solutions to optimally suit our customised materials, helps provide 'total packaging experience' to our clients. The division plays an active role in providing systems solutions, to reduce infrastructure costs, improve logistics and greatly reduce 'concept to market' lead times.

**Other products** – PPL also specialises in products which are to become inputs into finished packaging materials. These are also offered as stand alone products. These include:

- Gravure Cylinders
- High-barrier Metallised Films
- Co-extruded Blown Films
- Coated Materials

**Specialty products** – PPL is probably the only company worldwide that offers a complete holographic solution. We have successfully integrated holograms across our portfolio of flexibles, labels and specialised cartons. Depending upon their specific requirements, clients can either develop customised holograms with us or chose one from the library of ready stock designs.

For more information on the full range of products and services that we offer, please visit our website.



## MANUFACTURING CAPABILITIES

# OUR STRONGHOLD: MANUFACTURING INFRASTRUCTURE

PPL's unique business model is hinged on its wide angled view of providing solutions. It is supported by robust vertically integrated processes, allowing it to control every aspect of the manufacturing process.

PPL's manufacturing units are dedicated to developing new growth and productivity initiatives, leveraging its synergies. Its continued success can be attributed to:

- Dedicated, passionate and experienced professional team of employees
- Every process focused on producing high quality and cost effective products
- Commitment to timely and efficient deliveries
- Constant environmental awareness
- Allegiance to ultimate client satisfaction

Today, we are strategically located in six major Indian metros, and each of our five plants is technologically equipped to offer tailor made solutions from our very broad range of resources.

