



BUILDING
FOR
GROWTH

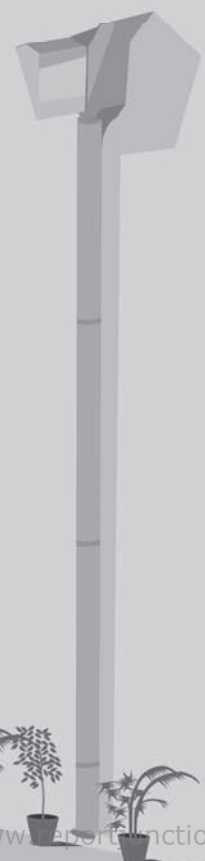


The Paper Products Ltd.

PPL - THE POWER OF FLEXIBLE PACKAGING

58TH ANNUAL REPORT 2007

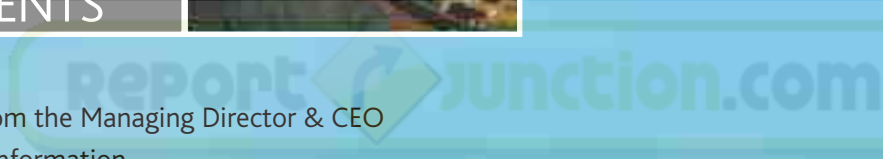
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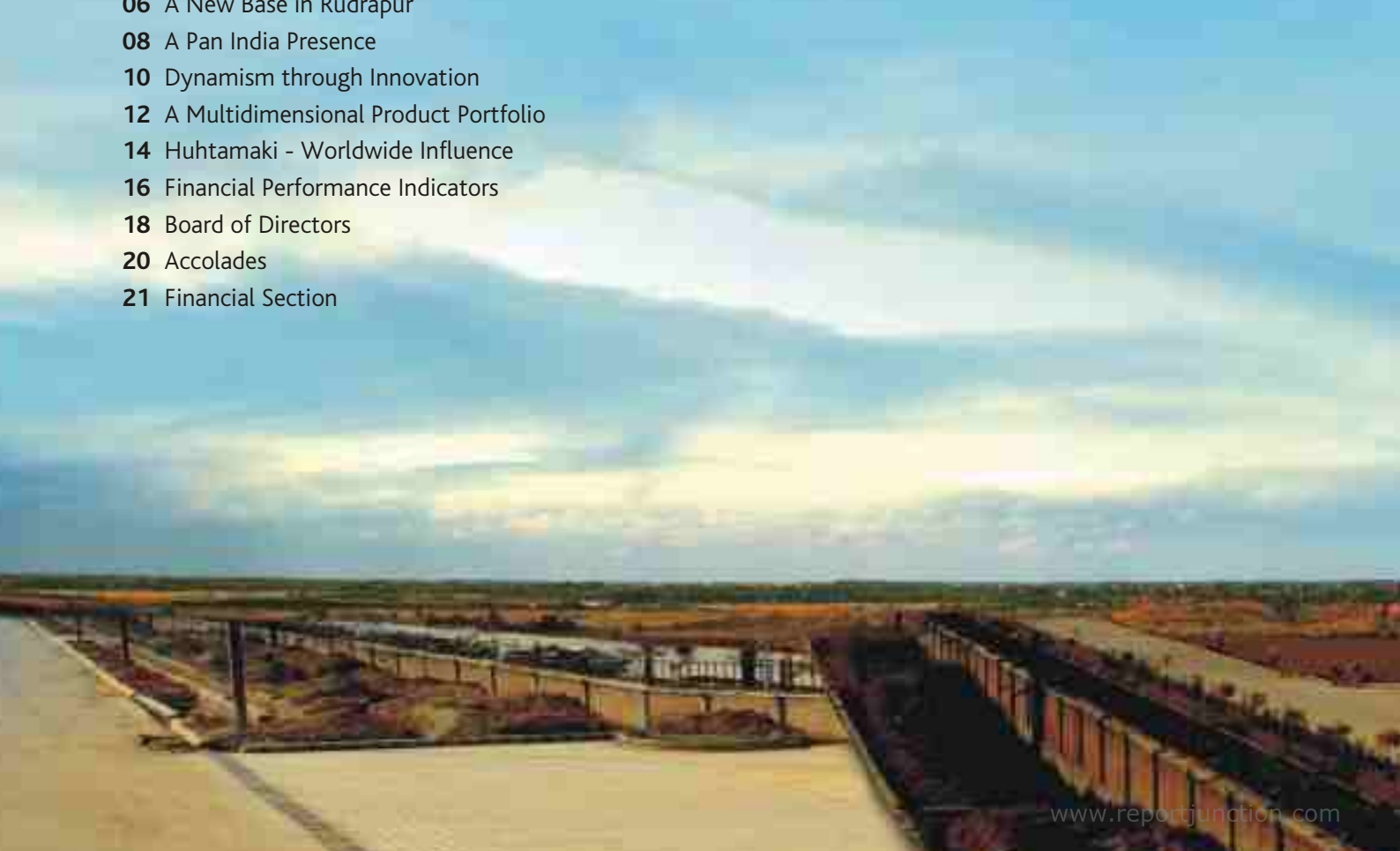


The most cherished possession of a leader is the foresight. Having proven our mettle as leaders, our vision stretches beyond today, to capture the opportunities the future unfolds.

CONTENTS



- 02 Message from the Managing Director & CEO
- 04 Corporate Information
- 05 Lasting Relationships
- 06 A New Base in Rudrapur
- 08 A Pan India Presence
- 10 Dynamism through Innovation
- 12 A Multidimensional Product Portfolio
- 14 Huhtamaki - Worldwide Influence
- 16 Financial Performance Indicators
- 18 Board of Directors
- 20 Accolades
- 21 Financial Section



BUILDING FOR GROWTH

Today, we have carved a distinct image for ourselves as purveyors of efficient, ingenious packaging solutions. We are cognisant of the enormous responsibility and expectations associated with recognitions of this order. Consequently, we have initiated a journey in expanding our reach, solutions, manufacturing and proximity to our customers.

A busy lifestyle and increasing urbanisation demand constant renewal from packaging solutions. Furthermore, fierce competition in the marketplace has posed a challenge on FMCG companies in differentiating their products. We have upgraded our existing plants in line with the changing requirements of the marketplace. We have traveled that extra mile to establish our presence in the close vicinity of our clients to serve them better.

As a Company with a long-term vision, we are not deterred by the challenges of today. We foresee exciting times ahead. With the determination to transform prospects into business growth, we are getting into the gear to meet the demands of tomorrow!



MESSAGE FROM THE MANAGING DIRECTOR & CEO

Customer delight is a clear goal of the Business Excellence program, as is sharp improvement in our cost effectiveness.

We want our people to “enjoy their work, be proud of their work” while underlining their personal growth. This anchors the growth model for the company.

Suresh Gupta
Managing Director & CEO



Our performance in 2007 was a mixed bag. Sales grew in double digits, however, Earning before depreciation, interest, and taxes (EBDIT) was only slightly ahead of 2006. Increased depreciation resulting from the strategic investments commissioned in 2007 pulled the underlying EBIT below the prior year. Recorded Earnings per share (EPS) reduced to Rs.4.53 per share against Rs.6.37 recorded in the prior year (which included the accounting effect of the insurance settlement recorded as extraordinary income in 2006).

There are clear positives. 2007 has been a year of “Building for Growth and Profitability”. We successfully commissioned the North India Greenfield plant in Rudrapur, Uttaranchal, end Jan 07 and the plant ran at capacity and profitably in Q4 07. The new specialized pouches facility at Silvassa plant and specialized labels & cartons facility at Hyderabad plant were

successfully commissioned, supporting the new product development program we term as NASP (New Applications, Structures, Products and Processes). NASP initiatives in 2007 contributed over 30% of our total sales in the year. The strategic investments have been successfully commissioned while closing with a solid debt equity ratio of 0.27:1 at end 2007.

We have also progressed our learning on delivering profitable results in an adverse environment of sharply increasing input raw material prices; depreciation in the US\$ seriously impacting our profitability from exports which comprise 20% of our sales; and inflation in key costs of salaries, energy, transport and the like. It is our clear intention to progress our competence in overcoming such serious challenges. We worked hard in 2007 to develop a new “Business Excellence” program, developmental

Good packaging is critical for protection of the product and vital for the health and safety of consumers and society at large. Development of good packaging is central to the development of a vibrant consumer market.

work on which will continue through 2008. The program uses modern tools such as six sigma for continuous improvement, as well as focused training for our people. To provide a robust real time information system, and to improve efficiency and effectiveness of routine processes, stepwise implementation of a radically new company wide ERP system will begin later in 2008 based on detailed groundwork done in 2007.

Customer delight is a clear goal of the Business Excellence program, as is sharp improvement in our cost effectiveness. The dynamics of our growing, and simultaneously highly competitive emerging economy, require Customer Service Excellence. Great and robust Quality, fast and reliable Service, and continuous Innovation, and at prices which provide good Value. The imperative of good value and the imperative of profitability underlines the need to achieve defined "cost out" targets. A major initiative is our company wide "waste reduction" program, as is targeted improvement in the cost efficiency of processes.

At the same time we continue modernization and upgradation of our manufacturing processes and product range, and strengthening of our NASP capability. 2008 envisages a capex spend of Rs.357 mn well supported by operating cashflows.

Despite the recent financial market events abroad and impact on the US and global economy there is consensus on the Indian economic growth continuing around 7.5% - 8.0%. An even more positive effect on consumer market growth is expected. Development of good packaging is central to the development of a vibrant consumer market. Good packaging is critical for protection of the product and vital for the health and safety of consumers and society at large. Also, it often represents the sole "handshake" a product or a brand has with the consumer. I strongly believe the level of development of packaging in an economy reflects the development level of that economy and

society. I believe the Indian consumer is becoming more aware of safety and health needs, and is more discerning and demanding. These growth and qualitative trends reflect an emerging "step change" in the development level of our consumer society.

The above trends represent a clear opportunity for us as the technical leaders in flexible packaging pushing for world class levels in quality, product development, innovation and service - all at good value. It is our clear intention to overcome the challenges our flexible packaging sector faces and to take full advantage of the opportunity. The actions broadly outlined earlier are aimed at strengthening our market position and growing our business profitably to a "new" level in a three-year time frame.

Leadership in our field in India is purely a result of the knowledge base that resides in our people and the great efforts they make to progress the company. The company is the people, backed by our financial base, and, our shareholders and stakeholders. We will focus on upgrading the competence of all of us as a group of people and on further energizing the existing "esprit de corps". We want our people to "enjoy their work, be proud of their work" while underlining their personal growth. This anchors the growth model for the company.

We look forward to overcoming the serious challenges we clearly see in 2008 from the oil based petrochemical chain inflation, and delivering improved results and growth.

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 2008

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. K. C. Narang
Chairman
Mr. Suresh Gupta
Managing Director & CEO
Mr. C. N. Murthy
Executive Director & COO
Mr. Timo Salonen
Mr. Maurice Petitjean
Mr. Arunkumar R. Gandhi
Mr. P. V. Narayanan
Mr. Ramesh K. Dhir
Mr. Vibhu Talwar
Mr. Henk Beek
(Alternate to Mr. Maurice Petitjean)
Mr. Juha Salonen
(Alternate to Mr. Timo Salonen)

COMPANY SECRETARY

Mr. Sushil Kumar Agarwal

BANKERS

BNP Paribas
Punjab & Sind Bank
Standard Chartered Bank
The Hongkong & Shanghai Banking Corporation Ltd.
Union Bank of India

AUDITORS

BSR & Associates
Chartered Accountants

REGISTERED OFFICE

Regent Chambers, 13th Floor, Nariman Point
Mumbai - 400 021.
Maharashtra, India.
Tel No: +91 22 22820969
Fax No: +91 22 22832860
Website: www.pplpack.com

CORPORATE OFFICE

L. B. S. Marg, Majiwade
Thane (W) - 400 601
Maharashtra, India
Tel No: +91 22 25343691 / 25427051
Fax No: +91 22 25340599 / 25427050
Email: investor.communication@pplpack.com



LASTING RELATIONSHIPS



STRENGTHENING OUR SKILL BASE. FOSTERING GROWTH.

An open hands on culture, which involves and empowers, which believe in sharing and training, and inculcates pride and knowledge.



With the evolution of the packaging market, our clients' demands are constantly changing. At PPL, we comprise of a skilled lot, adopting dynamism as a way of life.

Innovation is tuned into every aspect of our work and workforce. We believe that each employee holds the potential to create and give them optimum leverage to bring out their best. As an inherent part of our work culture, we are incessantly imparting them with extensive training for the implementation of our Innovation programme - New Applications, Structures, Products and Processes (NASP).

The end of 2007 saw us grow to a workforce exceeding 1,400 people strong. Reaching so far has been a challenge, and we have made the most of it. With our rapid growth initiatives and changing market trends during the last couple of years, the job of retaining people brought us to task. We

redefined our talent universe to suit the demands of our challenges. We structured a Performance Management System with clear linkages to objectives, creating back-ups for key positions, capability improvements, holistic development and training. During the year, we flagged off Six Sigma training initiatives and a Business Excellence programme with specific focus on change management. Through campus recruitments, we identified and absorbed bright young professionals, building a pipeline for future intellectual capital.

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

A NEW BASE IN RUDRAPUR

A NEW KID AROUND THE BLOCK. UP CLOSE AND EFFICIENT.

Creating a base in Rudrapur is bringing us closer to our customers in North India. Scaling a step further in Manufacturing Efficiency, the Rudrapur plant is the manifestation of our pursuit for excellence. With 140 people working at the North India greenfield project, our investment for the same exceeds Rs. 664 million.

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The art of converting clients' needs into realities falls well within the realm of our capabilities.

Our excellence in manufacturing and reliable customer servicing make for a complete experience in packaging solutions. Different printing and lamination methods and various end-use formats as opposed to singular processes, give us an edge over our competitors.

Spreading out to the North has been a major stepping stone for PPL creating a better logistical platform to cater to the packaging needs of our consumers. The new Industrial Policy announced in 2003 encouraged numerous FMCG giants to move to the North of India. Adding to our well established manufacturing and supply net in the West and the South of India, we saw Rudrapur as a means to optimize our efficiency in serving our North-based customers even better.

For the green-field plant at Rudrapur, the period between the flagging off and the finishing line was a process of Herculean targets and laborious tasks. We overcame major obstacles such as scarce resources and manpower availability through resilient efforts to take us forward.

The year 2007 saw the culmination of our consistent inputs and streamlined strategy. Today, we are well established and technologically equipped to fulfill the expectations and demands of our customers across India. With an extensive portfolio of products including Laminates, Shrink Sleeves, Cylinders and Multi layer Blown PE films, our customers in the North now have access to best we have to offer. As a fully functional plant, we are now dedicated to developing new growth and productivity initiatives. We have also set ourselves high standards in terms of quality and delivery.

The coming years should bear the fruits of our strategic initiatives and organised efforts. We are equipped with excellent people and state-of-the-art technological support that should deliver nothing but the best, in terms of products as well as value.



A PAN INDIA PRESENCE

NATIONWIDE MANUFACTURING. ENHANCING CAPABILITIES.

- MANUFACTURING LOCATION
- CUSTOMER SUPPORT OFFICE
- R&D CENTRE

Our diverse product profile is developed through numerous meticulous processes of modern manufacturing. We harness a multitude of technologies under one roof, to service the demands of numerous customers, diverse in their expectations. With our imprints present across India, we are strategically positioned to cover the entire spectrum of the Indian Packaging Industry.

