

EXCELLENCE

INNOVATION

CREATIVITY



62nd ANNUAL REPORT 2011



Specialised Pouches



Personal Care



Product Portfolio

Package Protection & Decoration Technologies



Specialised Cartons

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman & Managing Director	Mr. Suresh Gupta
	Mr. K. C. Narang
	Mr. Arunkumar Gandhi
	Mr. P. V. Narayanan
	Mr. Jukka Moisio
	Mr. Johann Sippel
(Alternate to Mr. Jukka Moisio)	Mr. Timo Salonen
	Mr. R. K. Dhir
	Mr. S. K. Palekar
CEO & Executive Director	Mr. M. K. Srinivasan

Company Secretary & Head - Legal	Mr. Anand Daga
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BANKERS

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

AUDITORS

S. V. Ghatalia & Associates,
Chartered Accountants

REGISTERED OFFICE

Regent Chambers, 13th Floor,
Nariman Point, Mumbai - 400 021,
Maharashtra, India.
Tel No: +91 22 2282 0969
Fax No: +91 22 2283 2860
Website: www.pplpack.com

CORPORATE OFFICE

L. B. S. Marg, Majiwade,
Thane (W) – 400 601,
Maharashtra, India.
Tel No: +91 22 2173 5551 / 2173 5591
Fax No: +91 22 2173 5599 / 2173 5650
Email: investor.communication@pplpack.com

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BOARD OF DIRECTORS

MR. SURESH GUPTA - *CHAIRMAN & MANAGING DIRECTOR*

Mr. Suresh Gupta did his Masters in Management (MMS) from Jamnalal Bajaj Institute of Management Studies, Mumbai. He has diverse management experience of over 38 years, including 24 years in the Company. He was appointed as Managing Director since May 1994, and designated as Chairman & Managing Director of the Company w.e.f. 10th March 2010. He also holds position of Executive Vice President, Flexible Packaging Global and a member of the Group Executive Team of Huhtamaki Oyj., the ultimate holding Company.

MR. K. C. NARANG - *DIRECTOR*

Mr. K. C. Narang is B.A., L.L.B. and FCA. He is a former partner of Dalal Desai & Kumana, Chartered Accountants and a past President of Bombay Chartered Accountants Society. He has been a Director of the Company since July 1981 and has served as Non-Executive Chairman till 10th March 2010. He is Chairman of Audit Committee.

MR. ARUNKUMAR GANDHI - *DIRECTOR*

Mr. Arunkumar Gandhi is a Fellow Member of the Institute of Chartered Accountants of England & Wales and the Institute of Chartered Accountants of India and an associate member of the Chartered Institute of Taxation, London. He is on the Board of number of various companies of Tata Group in India and abroad. He has been an Independent Director of the Company since March 2002.

MR. P. V. NARAYANAN - *DIRECTOR*

Mr. P. V. Narayanan is a Post-Graduate in Chemistry and Diploma in Marketing Management. He has 46 years of experience in the field of packaging covering various positions of eminence. He has also been conferred with the Honorary Membership by the Asian Packaging Federation. He has been awarded the Fellow membership of Institute of Packaging (F. Inst. Pkg) UK and Chartered Scientist (CS) by the Science Council, UK. He is an advisor of Cognizance Packaging Solutions Pvt. Ltd. Mr Narayanan is a member of the Board of APEDA (Agricultural & Processed Food Products Export Development Authority), Ministry of Commerce, Government of India. He has been an Independent Director of the Company since March 2002.

MR. JUKKA MOISIO - *DIRECTOR*

Mr. Jukka Moisio holds Masters degree in Science and (Econ) and MBA. He has worked with Ahlstrom Corp (1991-2008) before joining Huhtamaki Oyj in the year 2008. He is holding the position of CEO and Chairman of Group Executive Team of Huhtamaki Oyj. He has been nominated as Director by Huhtavefa B.V. on the Board of Directors of the Company w.e.f. 23rd April 2008.

MR. JOHANN SIPPEL - *DIRECTOR*

Mr. Johann Sippel holds post graduate degree of Certified Accounting Specialist (CCI) from Germany. He has over 26 years of experience including 22 years in Huhtamaki Group companies in different roles. He currently holds position of Vice President Finance, Flexible Packaging Global, leading the finance function for this segment of Huhtamaki Oyj since January, 2010. He has Finance & Accounts related expertise.

MR. TIMO SALONEN - *ALTERNATE DIRECTOR TO MR. JUKKA MOISIO*

Mr. Timo Salonen holds Masters degree in Science (Econ) and Masters degree in Law. His career at Huhtamaki Oyj started in the year 1991. He is currently the Chief Financial Officer of Huhtamaki Oyj. Prior to joining Huhtamaki Oyj he worked with Partek Corporation (1983-1991), wherein, the last position held by him was of Division Controller, Partek Concrete International, Belgium.

MR. RAMESH KUMAR DHIR - *DIRECTOR*

Mr. Ramesh Kumar Dhir is a Fellow Member of the Institute of Chartered Accountants England & Wales and also a Fellow of the Institute of Management (U.K.). He has wide corporate management experience of over 39 years working with Peat Marwick, London and a US Multinational with operations in India and overseas. He is currently the President and on the Board of Council for Fair Business Practices. He has been an Independent Director of the Company since March 2002.

MR. S. K. PALEKAR - *DIRECTOR*

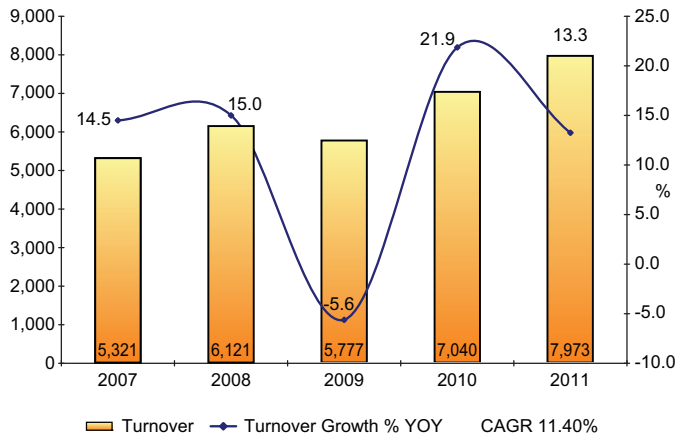
Mr. S. K. Palekar is B.Sc., M.Sc. (Physics) from Mumbai University & MMS (Marketing) from Jamnalal Bajaj Institute of Management Studies. He secured 1st rank both in M.Sc (Physics) & MMS (Marketing). He is currently the Chairperson of Executive Education Centre of S P Jain Institute of Management & Research at Mumbai. He brings with him 35 years of experience in all aspects of marketing – like sales, advertising, market research, brand management – and also of general management. He has hands on experience in FMCG, durables & service Industries. He retired as Senior Vice President of Marketing & Knowledge Management from Eureka Forbes Limited; after serving there for over a decade.

MR. M. K. SRINIVASAN - *CEO & EXECUTIVE DIRECTOR*

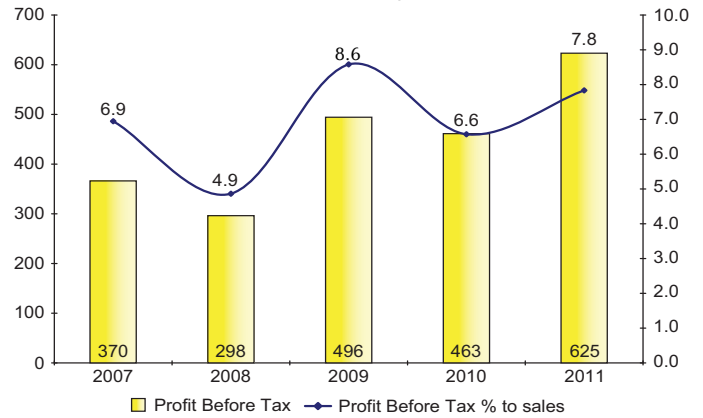
Mr. M. K. Srinivasan is an ICWA and holds a degree in Bachelors and Masters of Commerce from Bombay University. He has diversified experience of over 28 years. He has worked with the Company from Feb' 93 to Aug' 04 in various capacity and was holding the position of Senior Vice President & CFO before moving out to serve Arcelor Mittal Group in overseas assignments. He served as CFO, Arcelor Mittal Trinidad from August 2004 to August 2006 and as Chief Executive Officer of Arcelor Mittal Zeneca, Bosnia from August 2006 to September 2009. He has been appointed as CEO & Executive Director since March 2010.

FINANCIAL PERFORMANCE INDICATORS

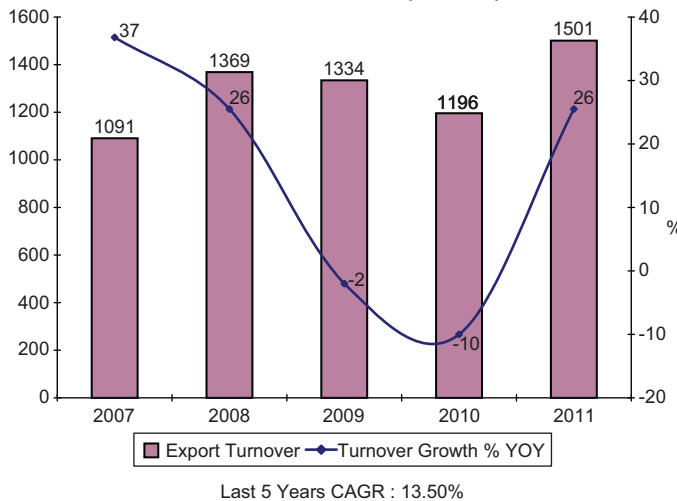
TURNOVER (Rs. Mns)



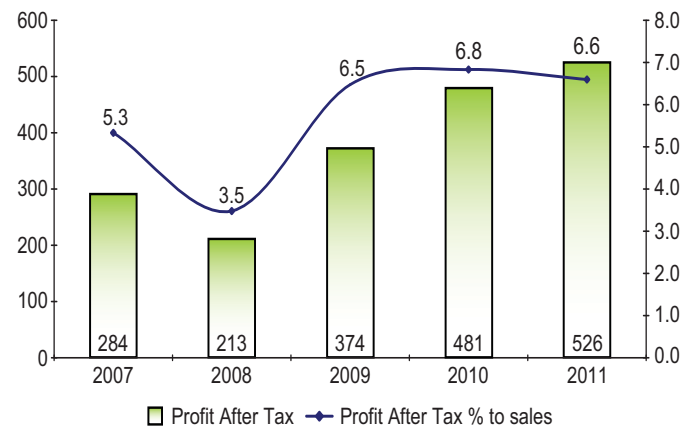
PROFIT BEFORE TAX, EXCEPTIONAL & EXTRAORDINARY ITEMS (Rs. Mns)



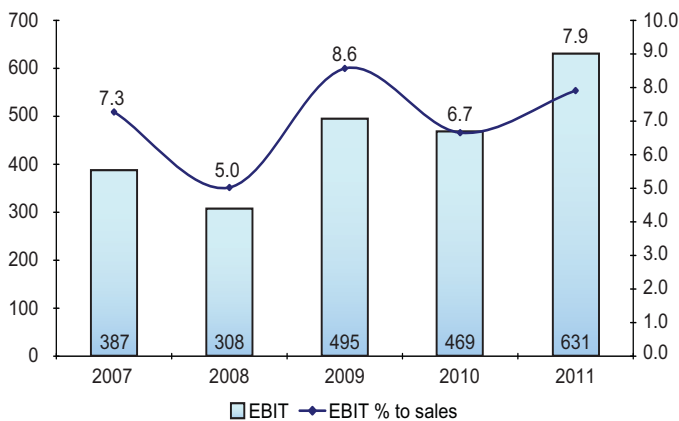
EXPORT TURNOVER (Rs. Mns)



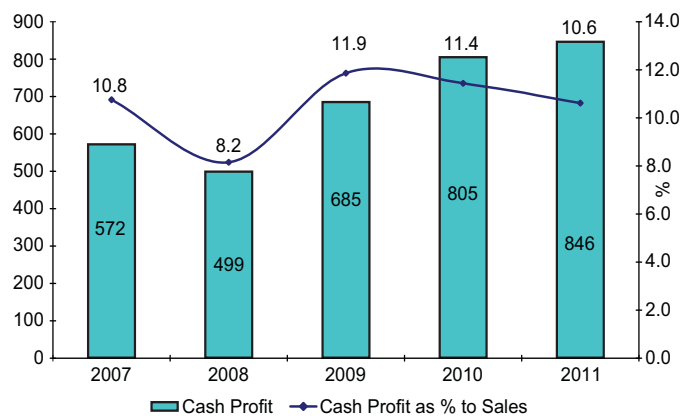
PROFIT AFTER TAX, EXCEPTIONAL & EXTRAORDINARY ITEMS (Rs. Mns)



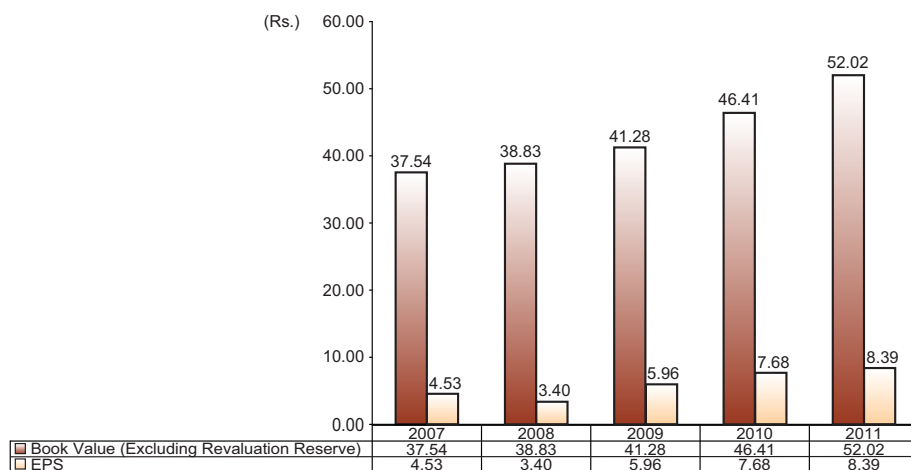
EARNING BEFORE INT & TAX (EBIT) (Rs. Mns)



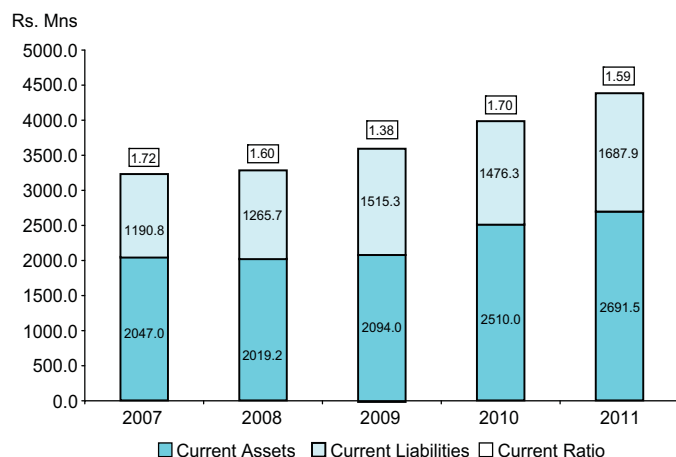
CASH PROFIT (Rs. Mns)



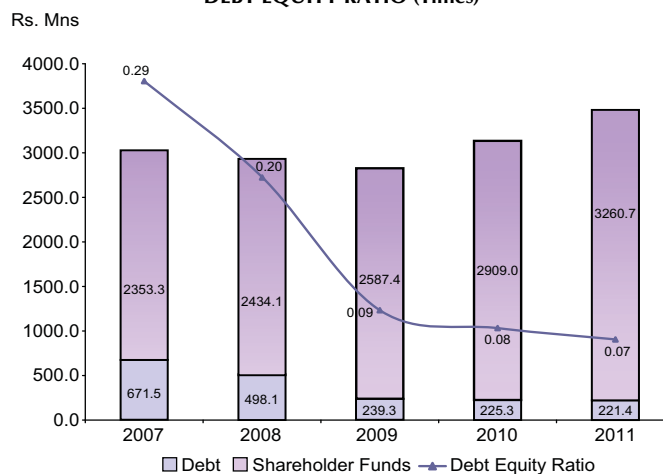
EPS AND BOOK VALUE PER SHARE



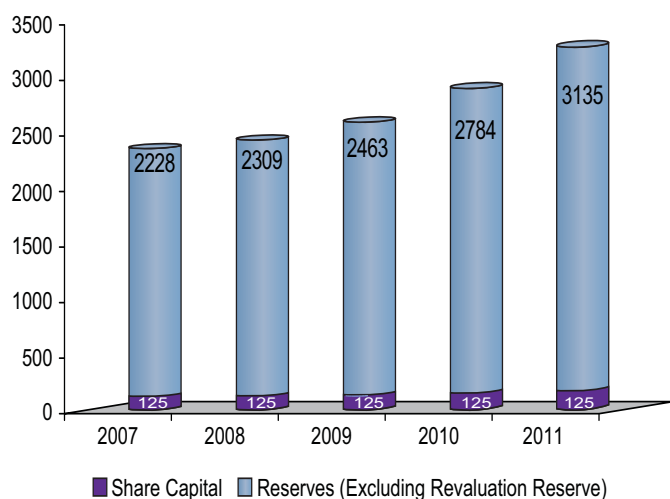
CURRENT RATIO (Times)



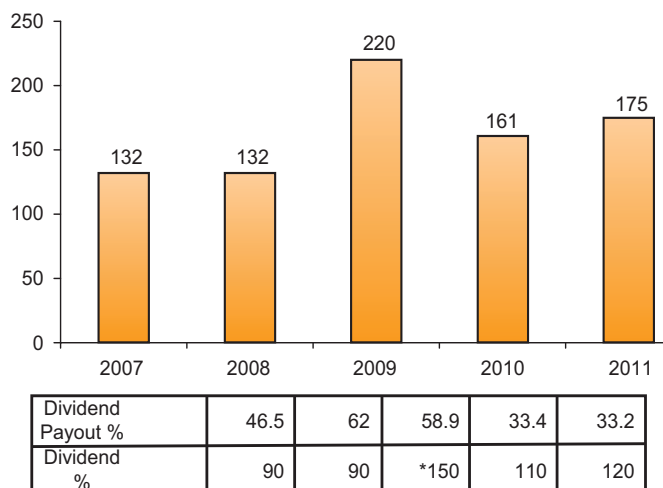
DEBT EQUITY RATIO (Times)



NET WORTH GROWTH (Rs. Mns)



DIVIDEND PAYOUT (Rs. Mns)



*Includes 50% Platinum Jubilee Dividend.

FINANCIAL HIGHLIGHTS

	(Rs. in Million)									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
OPERATING RESULTS										
Net Sales	7973.0	7040.1	5776.9	6120.9	5320.6	4646.7	3982.9	3617.8	3525.3	2988.9
Other Income	136.8	83.2	91.1	117.3	107.4	114.8	96.6	56.6	44.5	34.9
EBDIT	951.0	792.7	818.6	609.0	676.8	665.0	643.7	568.9	615.4	608.6
Depreciation & Amortisation	320.4	324.0	311.5	286.2	288.6	230.7	249.8	224.7	223.5	211.1
EBIT	630.6	468.7	507.1	322.8	388.2	434.3	393.9	344.2	391.9	397.5
Profit before Tax, Exceptional & Extraordinary Items	624.7	462.7	495.8	297.7	369.7	428.1	386.8	336.5	379.1	357.7
Exceptional & Extraordinary Items- Net of Tax	29.4	153.3	—	—	(31.8)	120.8	(8.0)	—	—	—
Provision for Tax	128.1	134.8	122.0	84.8	54.1	149.7	102.1	95.4	100.0	106.2
Net Profit after Tax	526.0	481.2	373.8	212.9	283.7	399.2	276.7	241.1	279.1	251.5
EBDIT to Sales %	11.93%	11.26%	14.17%	9.95%	12.72%	14.31%	16.16%	15.72%	17.46%	20.36%
EBIT to Sales %	7.91%	6.66%	8.78%	5.27%	7.30%	9.35%	9.89%	9.51%	11.12%	13.30%
PBT to Sales %	8.20%	8.75%	8.58%	4.86%	6.35%	11.81%	9.51%	9.30%	10.75%	11.97%
Earning Per Share	8.39	7.68	5.96	3.40	4.53	6.37	4.41	3.85	4.45	4.01
Cash Earning Per Share	13.50	12.84	10.93	7.96	9.13	10.05	8.39	7.37	7.89	7.17
Equity Dividend %	120	110	**150	90	90	90	70	60	*150	50
FINANCIAL POSITION										
Equity Share Capital	125.4	125.4	125.4	125.4	125.4	125.4	125.4	125.4	125.4	125.4
Reserves & Surplus	3162.9	2811.2	2490.1	2336.3	2257.3	2113.1	1842.4	1669.8	1514.2	1499.7
Shareholders Funds	3288.3	2936.6	2615.5	2461.7	2382.7	2238.5	1967.8	1795.2	1639.6	1625.1
Loan Funds	221.5	225.3	239.3	498.1	671.5	337.8	162.9	130.2	102.6	91.8
Deferred Tax Liability (Net)	25.2	52.6	67.7	69.0	85.2	83.9	60.2	89.9	96.2	75.0
Net Fixed Assets (Incl. Capital Work in Progress)	1897.7	1786.9	2033.5	2105.5	2145.1	1967.0	1351.5	1365.0	1142.1	1277.9
Investments	633.8	394.5	310.3	169.8	138.1	5.2	82.5	98.0	311.0	3.6
Net Working Capital	1003.5	1033.2	578.7	753.5	856.2	688.0	757.0	551.8	381.2	482.8
Miscellaneous Expenditure	—	—	—	—	—	—	—	0.5	4.2	27.6
Capital Employed	3535.0	3214.6	2922.5	3028.8	3139.4	2660.2	2191.0	2015.3	1838.5	1791.9

** Includes One Time Dividend @ 50%

* Includes One Time Dividend @ 100%

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 62nd Annual Report along with the Audited Statement of Accounts for the year ended December 31, 2011.

PERFORMANCE DURING THE YEAR

Your Company's performance during the year is summarized below:

	(Rupees in Million)	
	2011	2010
Net Sales	7973.0	7040.1
Profit before Tax & Extraordinary Items	624.6	585.5
Less: Provision for Current Tax	167.5	152.8
Provision for Deferred Tax	(39.4)	(18.0)
Extraordinary Items (Net of Tax)	29.4	30.5
Profit after Tax	525.9	481.2
Add: balance of profit for earlier years	1239.3	966.2
Excess provision for dividend tax for earlier year	–	0.8
Profit available for appropriation	1765.2	1448.2
Transfer to General Reserve	52.6	48.1
Proposed Dividend on Equity Shares & Dividend Tax thereon	174.3	160.8
Balance Carried forward	1538.3	1239.3

During the year under review, the net sales were Rs. 7973.0 Mn as compared to Rs. 7040.1 Mn in the previous year. Profit Before Tax & Extraordinary Items was Rs. 624.6 Mn as compared to Rs. 585.5 Mn in the previous year.

After providing for Income Tax of Rs. 128.1 Mn, Net Profit after Tax & Extraordinary Items was Rs. 525.9 Mn. Further, after transferring an amount of Rs. 52.6 Mn to General Reserve, the amount available for appropriation was Rs. 1712.6 Mn including amount brought forward of Rs. 1239.3 Mn of previous year. The Earning per Equity Share (EPS) including extraordinary items was Rs. 8.39 and the Earning per Equity Share (EPS) excluding extraordinary items was Rs. 7.92.

DIVIDEND

Your Directors recommend payment of dividend of Rs.2.40 per equity share, i.e. @ 120% on the Equity Capital for the year ended December 31, 2011. The said Equity dividend will absorb a sum of Rs. 174.3 Mn including the dividend distribution tax & cess thereon.

FIXED DEPOSITS

The Company did not invite or accept deposits from public and/or shareholders during the year under review. As of December 31, 2011, there was no fixed deposit pending with the Company.

STATUTORY DISCLOSURES

The information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 forms part of this report as Annexure I.

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report.

DIRECTORS' REPORT (contd.)

However, as per the provisions of Section 219 (b) (iv) of the said Act read with Clause 32 of the Listing Agreement, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company at the registered office of the Company.

DIRECTORS

Mr. P. V. Narayanan and Mr. Jukka Moisio, retire by rotation at this Annual General Meeting and being eligible have offered themselves for re-appointment.

Mr. Vibhu Talwar resigned as Director from the Board w.e.f. May 7, 2011. The Board places on record its appreciation for the guidance and support provided by Mr. Vibhu Talwar during his tenure as Director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- i) In the preparation of the annual accounts for the year ended December 31, 2011 the applicable Accounting Standards have been followed and there are no material departures.
- ii) Accounting policies have been selected and applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year ended December 31, 2011 and of the profit of the Company for that period.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) Annual accounts for the year ended December 31, 2011 have been prepared on a going concern basis.

CORPORATE GOVERNANCE

A separate report on Corporate Governance forms part of this report.

Certificate from the Statutory Auditors of the Company regarding compliance with the Corporate Governance requirements as stipulated under Clause 49 of the Listing Agreement is attached.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis forms part of this Annual Report for the year ended December 31, 2011.

AUDITORS' REPORT

The Auditors' Report does not contain any qualification. Notes to Accounts and Auditors remarks in their report are self explanatory and therefore do not call for any further comments.

AUDITORS

The present Auditors of the Company, M/s S. V. Ghatalia & Associates, Chartered Accountants, have expressed their unwillingness to be re-appointed as Auditors of the Company on their retirement at the forthcoming Annual General Meeting. The Board records its appreciation for the assistance and guidance provided by them during their tenure with the Company. The Board recommends the appointment of M/s S. R. Batliboi & Co., Chartered Accountants, as Auditors of the Company from the conclusion of the 62nd Annual General Meeting until the conclusion of the 63rd Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors of the Company.

DIRECTORS' REPORT (contd.)

COST AUDITORS

The Board of Directors have appointed M/s. R. Nanabhoy & Co., Cost Accountants for conducting the audit of the cost accounting records maintained by the Company for the products covered under Chapter 48 and Chapter 76 of the Central Excise Tariff Act, as may be applicable to the Company for the calendar year 2012.

INDUSTRIAL RELATIONS

The industrial relations during the year under review continued to be cordial. The Directors place on record their sincere appreciation of the services rendered by employees at all levels.

ACKNOWLEDGEMENT

Your Board of Directors wish to express its sincere appreciation for the excellent support and co-operation received from Huhtamaki Group, Shareholders, Customers, Vendors, Banks and all other business associates.

By Order of the Board
For **THE PAPER PRODUCTS LIMITED**

SURESH GUPTA
Chairman & Managing Director

Mumbai
21st March, 2012