

# 63<sup>rd</sup> ANNUAL REPORT 2012







Specialised Pouches



Personal Care



Product Portfolio



Package Protection & Decoration Technologies



Specialised Cartons

## CORPORATE INFORMATION

### BOARD OF DIRECTORS      BANKERS

Chairman & Managing Director Mr. Suresh Gupta  
 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  
 Mr. Nripjit Singh Chawla  
 Executive Director Mr. A. Venkatrangan

Standard Chartered Bank  
 The Hongkong and Shanghai  
 Banking Corporation Ltd.

### AUDITORS

S.R. Batliboi & Co.  
 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](http://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](mailto:investor.communication@pplpack.com)

Company Secretary &  
 Head - Legal

Mr. Anand Daga



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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 39 years, including 25 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. 10<sup>th</sup> 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. 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 holds 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. 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 40 years working with Peat Marwick, London and a US Multinational with operations in India and overseas. He is a past President and on the Board of Council for Fair Business Practices. He is also a member of Maharashtra State General Committee of the Indian Red Cross Society. 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 1<sup>st</sup> 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 36 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. He has joined as an Independent Director of the Company on 16<sup>th</sup> March 2011.

### **MR. NRIPJIT SINGH CHAWLA - DIRECTOR**

Mr. Nripjit Singh Chawla did his MBA from Indian Institute of Management, Calcutta. He has wide corporate management experience of over 43 years working with ITC Ltd., Korn / Ferry International, Max India Ltd. He is currently acting as Independent Management Consultant to Commercial organizations and NGO's in the areas of Marketing, Business strategy and Business Processes, Education, Tourism and Hospitality, Healthcare, etc. He serves as teaching faculty in many Business Schools and Management Institutes. He has joined as an Independent Director of the Company on 12<sup>th</sup> March 2013.

### **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. 23<sup>rd</sup> April 2008.

### **MR. JOHANN SIPPEL - DIRECTOR**

Mr. Johann Sippel holds post graduate degree of Certified Accounting Specialist (CCI) from Germany. He has over 27 years of experience including 23 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.

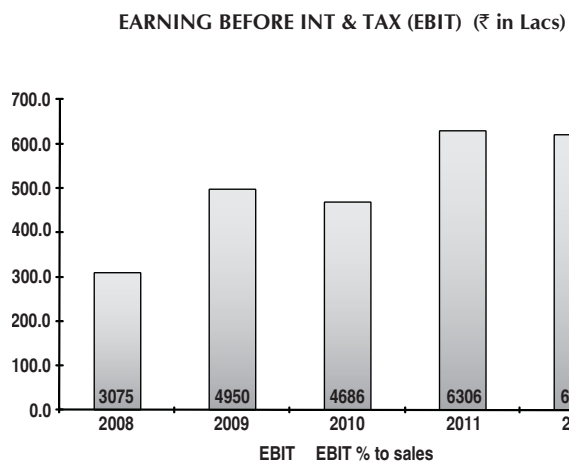
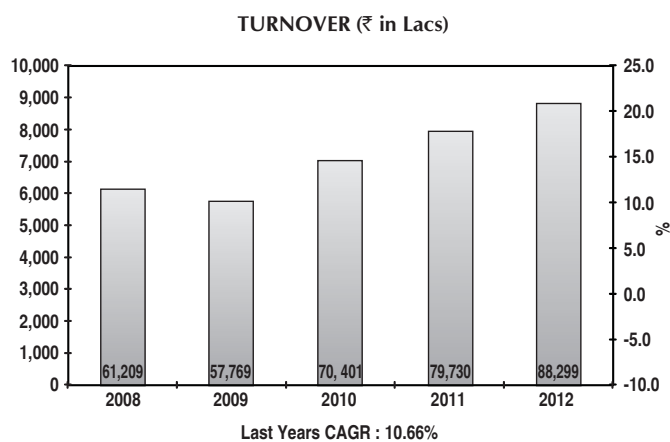
### **MR. TIMO SALONEN - ALTERNATE DIRECTOR TO MR. JUKKA MOISIO**

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.

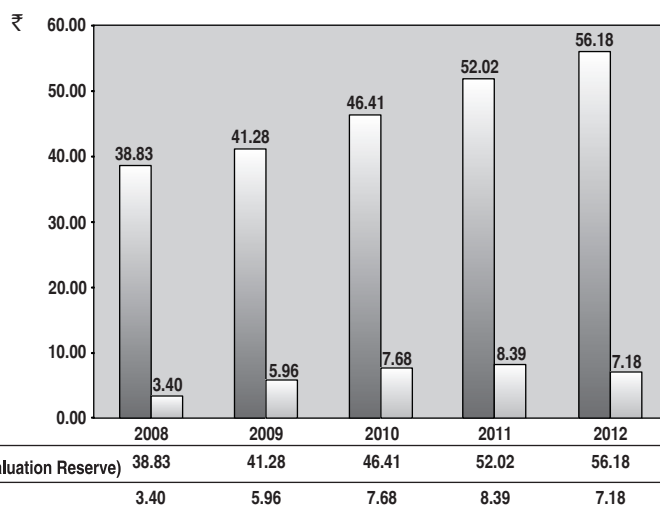
### **MR. A. VENKATRANGAN - EXECUTIVE DIRECTOR**

Mr. A. Venkatrangan is Graduate in Commerce and MBA in Finance and Marketing and having a total experience of 32 years, wherein he has worked in Corporate Planning, Costing, MIS, Budget Control, Operations, Internal Audit and Commercial functions at various levels with Murugappa Group and Essar Group. He joined the Company in January, 1999. He was appointed as an Additional Director of the Company on 4<sup>th</sup> June 2012 and designated as the Executive Director of the Company w.e.f. 1<sup>st</sup> July 2012.

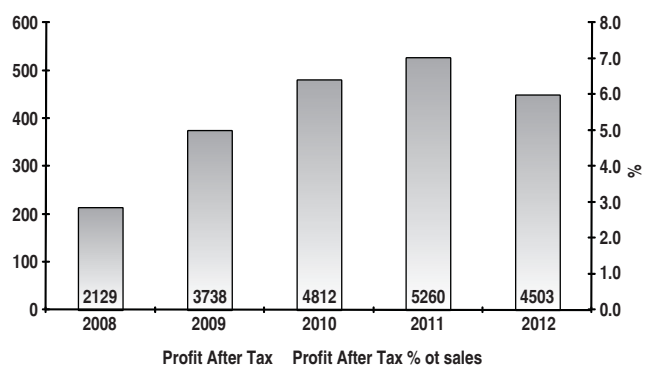
## FINANCIAL PERFORMANCE INDICATORS



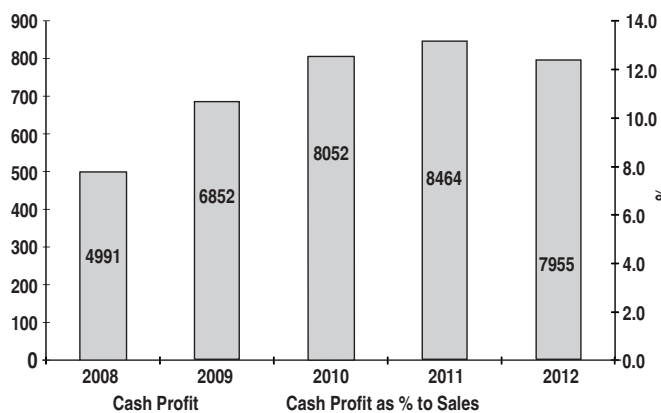
### EPS AND BOOK VALUE PER SHARE



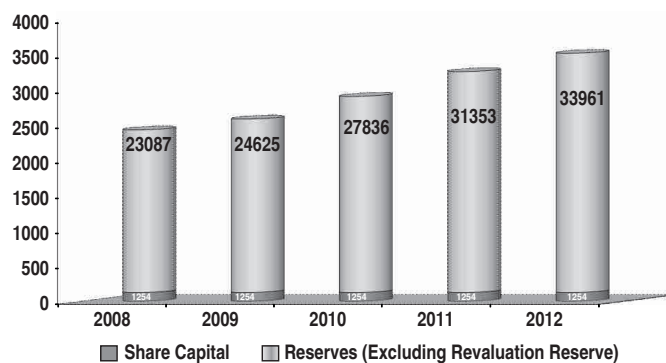
### PROFIT AFTER TAX, EXCEPTIONAL & EXTRAORDINARY ITEMS (₹ in Lacs)



### CASH PROFIT (₹ in Lacs)



### NET WORTH GROWTH (₹ in Lacs)



# FINANCIAL HIGHLIGHTS

	( ₹ in Lacs)									
	2012 ^	2011 ^	2010	2009	2008	2007	2006	2005	2004	2003
<b>OPERATING RESULTS</b>										
Net Sales	88299	79730	70401	57769	61209	53206	46467	39829	36178	35253
Other Income	1567	1426	832	911	1173	1074	1148	966	566	445
EBDIT	9596	9455	7927	8186	6090	6768	6650	6437	5689	6154
Depreciation & Amortisation	3452	3204	3240	3115	2862	2886	2307	2498	2247	2235
EBIT	6144	6251	4687	5071	3228	3882	4343	3939	3442	3919
Profit before Tax	6139	6247	4627	4958	2977	3697	4281	3868	3365	3791
Exceptional Items & Extraordinary - Net of Tax	—	294	1533	—	—	(318)	1208	(80)	—	—
Provision for Tax	1636	1281	1348	1220	848	541	1497	1021	954	1000
Profit after Tax	4503	5260	4812	3738	2129	2837	3992	2767	2411	2791
EBDIT to Sales %	10.87%	11.86%	11.26%	14.17%	9.95%	12.72%	14.31%	16.16%	15.72%	17.46%
EBIT to Sales %	6.96%	7.84%	6.66%	8.78%	5.27%	7.30%	9.35%	9.89%	9.51%	11.12%
PBT to Sales %	6.95%	8.20%	8.75%	8.58%	4.86%	6.35%	11.81%	9.51%	9.30%	10.75%
Earning Per Share	7.18	8.39	7.68	5.96	3.40	4.53	6.37	4.41	3.85	4.45
Cash Earning Per Share	12.69	13.50	12.84	10.93	7.96	9.13	10.05	8.39	7.37	7.89
Equity Dividend %	130	120	110	***150	90	90	90	70	60	**150
<b>FINANCIAL POSITION</b>										
Equity Share Capital	1254	1254	1254	1254	1254	1254	1254	1254	1254	1254
Reserves & Surplus	34237	31629	28112	24901	23363	22573	21131	18424	16698	15142
Shareholders Funds	35491	32883	29366	26155	24617	23827	22385	19678	17952	16396
Loan Funds	2061	2159	2253	2393	4981	6715	3378	1629	1302	1026
Deferred Tax Liability (Net)	40	252	526	677	690	852	839	602	899	962
Net Fixed Assets (Incl. Capital work in Progress)	17568	18230	17869	20335	21055	21451	19670	13515	13650	11421
Investments	9916	6338	3945	3103	1698	1381	52	825	980	3110
Net Assets (Current & Non Current)	10108	10726	10332	5787	7535	8562	6880	7570	5518	3812
Miscellaneous Expenditure	—	—	—	—	—	—	—	—	5	42
Capital Employed	37592	35294	32146	29225	30288	31394	26602	21910	20153	18385

^ 2011 & 2012 - based on Revised Schedule VI

\*\*\* Includes One Time Dividend @ 50%

\*\* Includes One Time Dividend @ 100%

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 63<sup>rd</sup> Annual Report along with the Audited Statements of Accounts for the year ended December 31, 2012.

### PERFORMANCE DURING THE YEAR (STANDALONE)

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

	(₹ in Lacs)	
	2012	2011
Net Sales	88299	79730
Profit before Tax & Extraordinary Items	6139	6246
Less: Provision for Current Tax	1848	1675
Provision for Deferred Tax	(212)	(394)
Extraordinary Items (Net of Tax)	—	294
Profit after Tax	4503	5259
Add: balance of profit for earlier years	15383	12393
Profit available for appropriation	19886	17652
Transfer to General Reserve	450	526
Proposed Dividend on Equity Shares & Dividend Tax thereon	1894	1743
Balance Carried forward	17542	15383

During the year under review, the net sales grew by 10.7%. PBT margin dropped marginally to 7.0% from 7.8% primarily due to steep increase in input and energy costs.

After transferring an amount of ₹ 450 Lacs to General Reserve, the balance available for appropriation was ₹ 19436 Lacs including amount brought forward of ₹ 15383 Lacs of previous year. The Earning per Equity Share (EPS) including/excluding extraordinary items was ₹ 7.18.

During the year under review the Company acquired 51% Equity stake in Webtech Labels Pvt. Ltd., at a cost of ₹ 3879 Lacs. Webtech Labels Pvt. Ltd. had a total outstanding debit of ₹ 2617 Lacs as on the date of acquisition. Webtech Labels Pvt. Ltd. is a leader in the Specialized Indian Pressure Sensitive Labels Sector.

### DIVIDEND

Your Directors recommend payment of dividend of ₹ 2.60 per equity share i.e. @ 130% on the Equity Capital for the year ended December 31, 2012. The said dividend will absorb ₹ 1894 Lacs 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, 2012, 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.



## **DIRECTORS' REPORT (contd.)**

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. 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. R. K. Dhir and Mr. S. K. Palekar, retire by rotation at this Annual General Meeting and being eligible have offered themselves for re-appointment.

Mr. M. K. Srinivasan resigned as the CEO & Executive Director of the Company w.e.f June 30, 2012. The Board places on record its appreciation for the services rendered by Mr. M. K. Srinivasan as CEO & Executive Director of the Company.

Mr. K. C. Narang retired as Director of the Company w.e.f March 12, 2013 after serving on the Board for 30 years. The Board places on record its appreciation for the invaluable contribution made during his tenure as Director of the Company.

Mr. A. Venkatrangan was appointed as an Additional Director of the Company w.e.f June 4, 2012. Mr. A. Venkatrangan was appointed as Executive Director of the Company w.e.f July 1, 2012.

Mr. Nripjit Singh Chawla was appointed as an Additional Director of the Company w.e.f March 12, 2013.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm that:

- i) In the preparation of the annual accounts for the year ended December 31, 2012 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, 2012 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, 2012 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, 2012.

### **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.

## **DIRECTORS' REPORT (contd.)**

### **AUDITORS**

M/s. S. R. Batliboi & Co., Chartered Accountants, Statutory Auditors of the Company holds office until the conclusion of the ensuing Annual General Meeting and have furnished a certificate under Section 224 of the Companies Act, 1956 regarding their eligibility for re-appointment. The Board and the Audit Committee have recommended the appointment.

### **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, for the calendar year 2012. The Cost Audit report for the year 2012 is awaited.

### **SUBSIDIARY COMPANY**

In terms of General Exemption, under Section 212(8) of the Companies Act, 1956, granted by the Ministry of Corporate Affairs vide its circular no. 02/2011 dated February 8, 2011 and in compliance with the conditions enlisted therein, the Audited Statement of Accounts, Auditors' Report thereon and the Reports of the Board of Directors of the Company's subsidiary for the year ended December 31, 2012 have not been annexed. The Annual Accounts and related documents of the Subsidiary company shall be kept open for inspection at the Registered Office of the Company. The Company will also make available these documents upon request by any Member of the Company interested in obtaining the same. However, as directed by the said circular, the financial data of the Subsidiary have been furnished under "Subsidiary Company Particulars" forming part of the Annual Report (refer page no. 62). Further, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountant of India, Consolidated Financial Statements presented by the Company in this Annual Report includes the financial information of its subsidiary.

### **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.

### **ACKNOWLEDGMENT**

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**

Mumbai  
March 12, 2013

**SURESH GUPTA**  
Chairman & Managing Director