

**Huhtamaki-PPL**



# 67th Annual Report 2016

**Huhtamaki PPL Ltd.**  
(Formerly The Paper Products Ltd.)



PRESSURE SENSITIVE LABELS



SPECIALISED POUCHES



PERSONAL CARE & HOUSEHOLD



SHRINK SLEEVES



SPECIALISED CARTONS



AUTOMOTIVE & INDUSTRIAL



WET STRENGTH LABELS

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Chairman	Mr. Suresh Gupta
Independent Director	Mr. Arunkumar Gandhi
Independent Director	Mr. R K Dhir
Independent Director	Mr. S K Palekar
Independent Director	Mr. Nripjit Singh Chawla
Independent Director	Ms. Sukanya Kripalu
Non-Executive Director	Mr. Jukka Moisio
Non-Executive Director	Mr. Olli Koponen
Managing Director	Mr. A Venkatrangan

Company Secretary & Head - Legal	Mr. D V Iyer
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### BANKERS

Standard Chartered Bank  
The Hongkong and Shanghai  
Banking Corporation Ltd.

### AUDITORS

S R B C & CO LLP  
Chartered Accountants

### REGISTERED & CORPORATE OFFICE

Unit No-12A-06, B-Wing, 13<sup>th</sup> Floor,  
Parinee Crescenzo, Plot No C-38/C-39,  
G-Block, Behind MCA,  
Bandra Kurla Complex,  
Bandra (East), Mumbai - 400051  
Tel No: +91 22 6174 0400  
Fax No: +91 22 6174 0401  
Website: [www.ppl.huhtamaki.com](http://www.ppl.huhtamaki.com)

### CENTRAL HEADQUARTERS

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@ppl.huhtamaki.com](mailto:investor.communication@ppl.huhtamaki.com)

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## BOARD OF DIRECTORS

### **MR. SURESH GUPTA, CHAIRMAN**

Mr. Suresh Gupta did his Masters in Management (MMS) from Jamnalal Bajaj Institute of Management Studies, Mumbai. He has diverse management experience of over 42 years, including 29 years in the Company. Mr. Suresh Gupta is the Chairman of the Company from 10<sup>th</sup> March, 2010.

### **MR. ARUNKUMAR GANDHI, INDEPENDENT DIRECTOR**

Mr. Arunkumar Gandhi is a Fellow Member of the Institute of Chartered Accountants of England & Wales, Institute of Chartered Accountants of India (ICAI) and also an Associate Member of the Chartered Institute of Taxation, London. He has been an Independent Director of the Company since March 2002. Mr. Gandhi worked with N. M. Rajji & Co., Chartered Accountants, as a partner from 1969 and in 1993 became a Senior Partner upto July 2003. As partner, Mr. Gandhi audited several public sector and private sector entities and is an expert on share valuation and corporate restructuring. Over the last 21 years, Mr. Gandhi served on the Boards of various Indian and foreign companies.

### **MR. RAMESH KUMAR DHIR, INDEPENDENT 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 44 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, INDEPENDENT DIRECTOR**

Mr. S K Palekar did his 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 over 40 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 Industry. He retired as Senior Vice President of Marketing & Knowledge Management from Eureka Forbes Limited; after serving there for over a decade. He has been an Independent Director of the Company since March 2011.

### **MR. NRIPJIT SINGH CHAWLA, INDEPENDENT DIRECTOR**

Mr. Nripjit Singh Chawla did his MBA from Indian Institute of Management, Calcutta. He has wide corporate management experience of over 47 years working with ITC Ltd., Korn/Ferry International, Max India Ltd. He is currently acting as an 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 has served as a member of the teaching faculty in some of the premium Business Schools and Management Institutes. He has been an Independent Director of the Company since March 2013.

### **MS. SUKANYA KRIPALU, INDEPENDENT DIRECTOR**

Ms. Sukanya Kripalu has done her graduation in Mathematics from St. Xavier's College and has completed her MBA from Indian Institute of Management, Calcutta. She has 27 years of marketing and management experience. She has been involved in the launch and marketing successes of several leading consumer brands at FMCG Companies such as Nestle, Cadbury and Kellogg's. She was a CEO of Quadra Advisory, a WPP group Company. She works as an consultant in marketing strategy, brand and advertising development as well as marketing training. Her experience covers industries such as Insurance, White Goods, Jewellery, Textiles, Branded Staples, FMCG and Media. She was appointed as an Independent Director of the Company w.e.f. 17<sup>th</sup> March, 2015.

### **MR. JUKKA MOISIO, NON-EXECUTIVE 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 currently the CEO and Chairman of Group Executive Team of Huhtamaki Oyj. He has been nominated as Director by Huhtavefa B.V. on Board of Directors of the Company w.e.f. 23<sup>rd</sup> April, 2008.

### **MR. OLLI KOPONEN, NON-EXECUTIVE DIRECTOR**

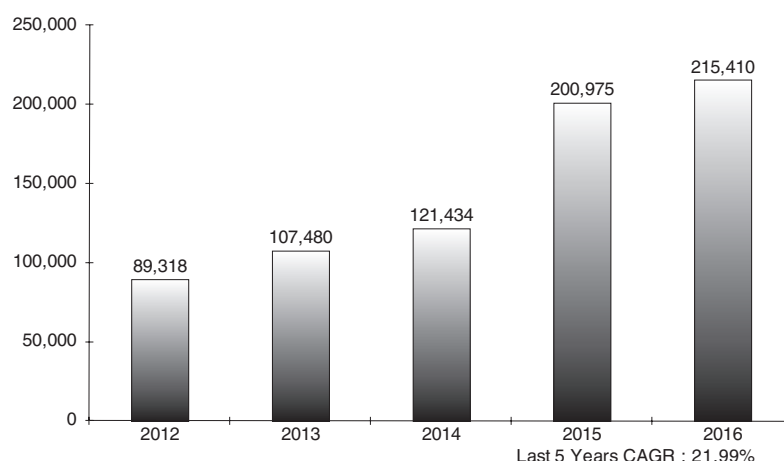
Mr. Olli Koponen holds a Masters Degree in Engineering Automation and Information Technology. He has worked previously with Systecon Oy before joining Huhtamaki Oyj in the year 1990. He is presently holding position as Executive Vice President, Flexible Packaging. Based on the nomination received from Huhtavefa B V, he has been appointed as Additional Director on the Board of the Company w.e.f. 17<sup>th</sup> December, 2015.

### **MR. A VENKATRANGAN, MANAGING DIRECTOR**

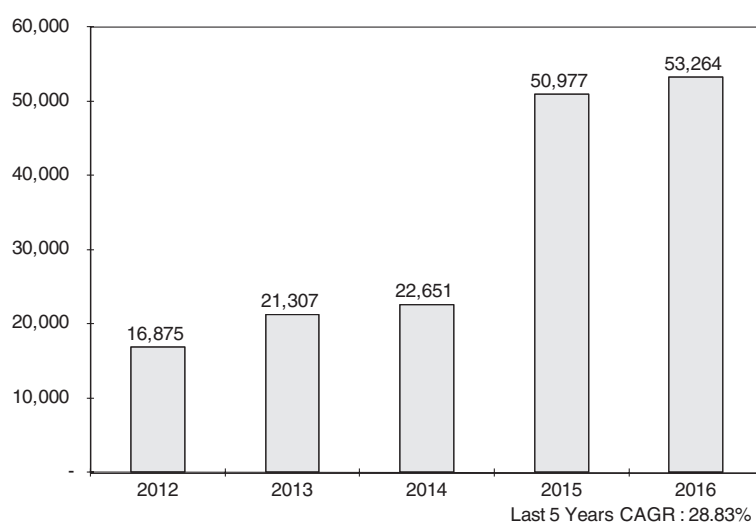
Mr. A Venkatrangan is a Commerce Graduate and MBA in Finance and Marketing, having a total experience of over 36 years. He has worked in Corporate Planning, Costing, MIS, Budget Control, Operations, Internal Audit and Commercial functions at various levels with Murugappa and Essar Group. He joined the Company in January 1999 and was inducted on the Board of our Company in July 2012 and is currently the Managing Director of the Company.

# Financial Performance Indicators

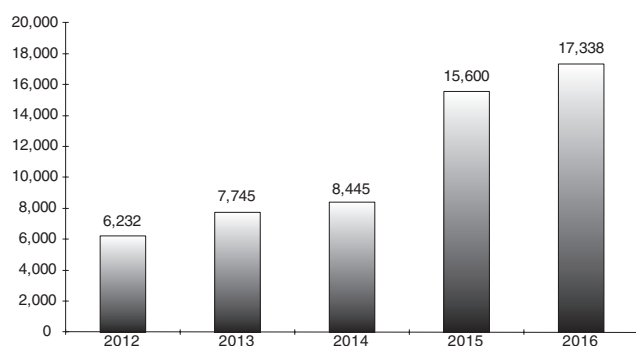
**TURNOVER (₹ in Lacs)**



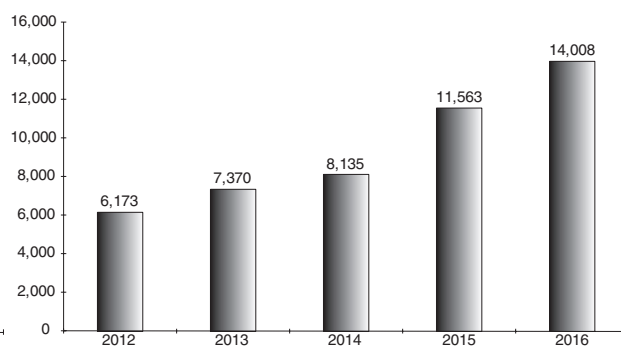
**EXPORT TURNOVER (₹ in Lacs)**



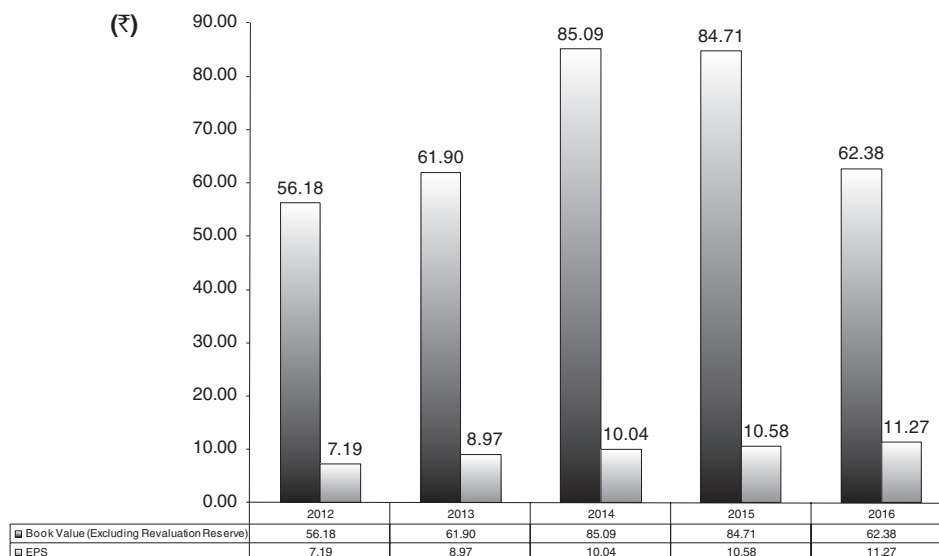
**EARNING BEFORE INT & TAX (EBIT) (₹ in Lacs)**



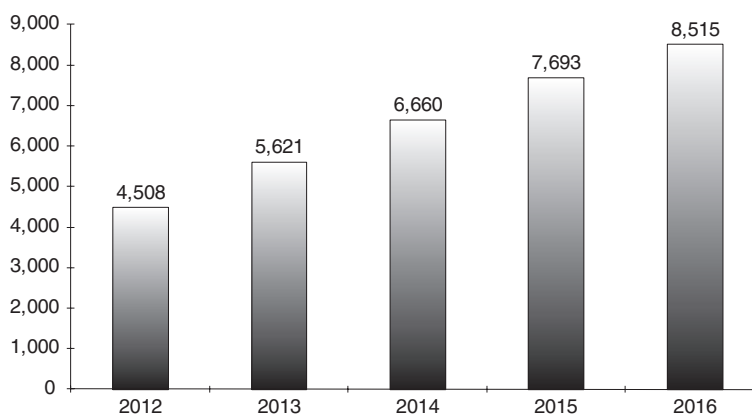
**PROFIT BEFORE TAX, EXCEPTIONAL & EXTRAORDINARY ITEMS (₹ in Lacs)**



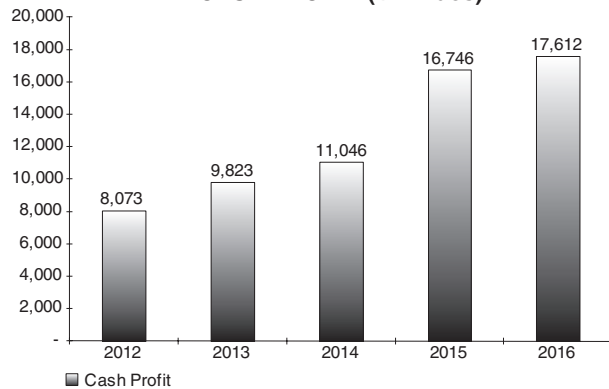
## EPS AND BOOK VALUE PER SHARE



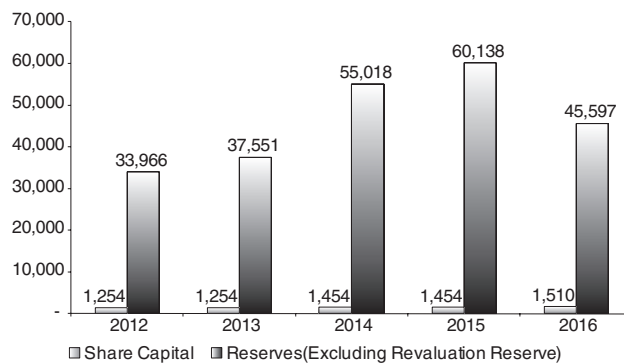
## PROFIT AFTER TAX, EXCEPTIONAL & EXTRAORDINARY ITEMS (₹ Lac)



## CASH PROFIT (₹ in Lacs)



## NET WORTH GROWTH (₹ in Lacs)





# Financial Highlights

(₹ in lacs)										
Particulars	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>OPERATING RESULTS</b>										
Net Sales	215,410	200,975	121,434	107,480	89,318	79,730	70,401	57,769	61,209	53,206
Other Income	4,091	4,187	2,025	1,560	1,567	1,426	832	911	1,173	1,074
EBDIT	26,435	24,653	12,830	11,947	9,797	9,455	7,927	8,186	6,090	6,768
Depreciation & Amortisation	9,097	9,053	4,386	4,202	3,565	3,204	3,240	3,115	2,862	2,886
EBIT	17,338	15,600	8,445	7,745	6,232	6,251	4,687	5,071	3,228	3,882
Profit before Tax Exceptional & Extraordinary Items	14,008	11,563	8,135	7,370	6,173	6,247	4,627	4,958	2,977	3,697
Exceptional & Extraordinary Items - Net of Tax	(255)	-	628	705	-	294	1,533	-	-	(318)
Provision for Tax	5,238	3,690	1,911	2,293	1,661	1,281	1,348	1,220	848	541
Profit for the year (after minority interest)	8,515	7,693	6,660	5,621	4,508	5,260	4,812	3,738	2,129	2,837
EBDIT to Sales %	12.27%	12.27%	10.57%	11.12%	10.97%	11.86%	11.26%	14.17%	9.95%	12.72%
EBIT to Sales %	8.05%	7.76%	6.95%	7.21%	6.98%	7.84%	6.66%	8.78%	5.27%	7.30%
PBT to Sales %	6.38%	5.75%	7.22%	7.51%	6.91%	8.20%	8.75%	8.58%	4.86%	6.35%
Earning Per Share	11.27	10.58	10.04	8.97	7.19	8.39	7.68	5.96	3.40	4.53
Cash Earning Per Share	23.32	23.03	16.64	15.67	12.88	13.50	12.84	10.93	7.96	9.13
Equity Dividend %	150.00	140.00	140.00	140.00	130.00	120.00	110.00 ***	150.00	90.00	90.00
<b>FINANCIAL POSITION</b>										
Equity Share Capital	1,454	1,454	1,454	1,254	1,254	1,254	1,254	1,254	1,254	1,254
Share Suspense	56	-	-	-	-	-	-	-	-	-
Reserves & Surplus	45,874	60,414	55,294	37,827	34,242	31,629	28,112	24,901	23,363	22,573
Shareholders Funds	47,384	61,868	56,748	39,081	35,496	32,883	29,366	26,155	24,617	23,827
Minority Interest	-	2,383	2,203	2,013	1,852	-	-	-	-	-
Loan Funds	43,628	52,864	4,194	4,620	5,186	2,159	2,253	2,393	4,981	6,715
Deferred Tax (Asset) / Liability (Net)	(314)	424	549	99	68	252	526	677	690	852
Goodwill on Consolidation	-	22,716	1,957	1,957	1,957	-	-	-	-	-
Net Fixed Assets (Incl.Capital work in Progress)	45,874	53,135	26,166	22,323	22,788	18,230	17,869	20,335	21,055	21,451
Investments	19,502	20,663	18,634	5,479	6,038	6,338	3,945	3,103	1,698	1,381
Current Assets	76,939	68,393	41,256	36,491	29,608	27,257	25,095	20,940	20,192	20,561
Current Liabilities	51,617	47,367	24,319	20,437	17,788	16,531	14,763	15,153	12,657	11,999
Net Assets ( Current & Non Current)	25,322	21,025	16,937	16,054	11,820	10,726	10,332	5,787	7,535	8,562
Capital Employed	90,698	117,539	63,693	45,813	42,602	35,294	32,145	29,225	30,288	31,394

Results from 2007 to 2011 are Standalone results

Results from 2012 to 2015 are consolidated results. Consolidated results include Webtech Labels Private Limited from 2012 and Positive Packaging Industries Limited from 2015.

Results for 2016 are Standalone merged results on account of merger of Positive Packaging Industries Limited and Webtech Labels Private Limited with the Company.

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

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 67<sup>th</sup> Annual Report along with the Audited Statements of Accounts for the year ended 31<sup>st</sup> December, 2016.

### FINANCIAL HIGHLIGHTS:

Your Company's financial performance during the year was as follows:

(₹ in lacs)

Particulars	2016*	2015* (Consolidated)	2015* (Standalone)
Net Sales	215,410	200,975	114,059
Profit before Tax & Exceptional Item	14,008	11,563	6,848
Profit before Tax	13,752	11,563	6,848
Less: Provision for Current Tax	5,974	3,674	1,988
Provision for Deferred Tax	(737)	16	(51)
Less: Share of Minority Interest	-	180	-
Profit after Tax	8,515	7,693	4,911
Add: balance of profit for earlier years	23,800	24,127	23,756
Add: Profit and Loss balance transferred pursuant to Amalgamation	7,124	-	-
Profit available for appropriation	39,439	31,820	28,667
Transfer to General Reserve	887	492	492
Transfer to Debenture Redemption Reserve	1,925	1,925	1,925
Proposed Dividend on Equity Shares & Dividend Tax thereon	2,784	2,450	2,450
Balance Carried forward	33,843	26,953	23,800

*\*Previous year figures are not comparable with current year, since current year figures include full year figures of erstwhile Positive Packaging Industries Limited ("Positive") and Webtech Labels Private Limited ("Webtech") consequent to their merger with Huhtamaki PPL Ltd (HPPL). In view of that, we have included the 2015 Consolidated numbers, for ease of comparison.*

### DIVIDEND:

Your Directors are pleased to recommend a dividend of ₹ 3/- (Rupees three only) per equity share (@ 150%) having face value of ₹2/- each, for the year ended 31<sup>st</sup> December, 2016. The said dividend, including dividend of ₹ 57 lakh (which includes ₹ 17 lakh as Dividend Distribution Tax) declared or paid by erstwhile Webtech Labels Private Limited, will absorb an amount of ₹ 2,784 lakh, including the dividend distribution tax and cess thereon.

### FIXED DEPOSITS:

The Company did not invite or accept deposits covered under Chapter V of the Companies Act, 2013 and there are no deposits pending with the Company.

### TRANSFER TO RESERVES:

Debenture Redemption Reserve is created to the extent of 25% of the Non Convertible Debentures (NCDs) equally, over the period till maturity of the NCDs, as per the requirements of the applicable laws. Further, an amount of ₹ 887 lakh has been transferred to the General Reserve.

### MERGER :

Pursuant to the approval of the National Company Law Tribunal, Mumbai Bench, erstwhile subsidiaries of the Company viz., Positive Packaging Industries Limited and Webtech Labels Private Limited, merged into the Company effective 1<sup>st</sup> April, 2017. Further, pursuant to the said merger, 28,10,000 equity shares of the Company were allotted to the shareholders of Webtech Labels in the ratio of 281 equity shares of ₹ 2/- each of the Company, for every 1 equity share of ₹ 10/- each of Webtech Labels Private Limited, held by them.

After the merger of erstwhile Positive and Webtech, your company has emerged as one of the largest entities in the flexible packaging industry in Afro-Asian region. We have, over the past two years, integrated key functions of Marketing, NASP, Procurement and Supply Chain Management and achieved significant synergies. However, we had to function as separate legal entities, pending the merger. Completion of this legal merger will help us to align business processes, improve controls, simplify the reporting needs and further streamline our Corporate Governance standards.



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

## **COMMISSIONING OF NEW MANUFACTURING UNITS:**

In line with our philosophy of servicing our customers better, we have established two new manufacturing units in North East India – in Guwahati for Flexibles and in Sikkim for Pressure Sensitive Labels. Both these units have been established to service our customers who have their manufacturing plants in the North East. These units have gone into commercial production from March 2017.

## **CHANGES IN CAPITAL STRUCTURE**

Pursuant to the allotment of shares, consequent to the merger of erstwhile Webtech Labels Private Limited with the Company in April 2017, the paid-up share capital of the Company has increased from ₹ 1454 lakh to ₹ 1510 lakh.

## **SUBSIDIARY COMPANIES AND FINANCIAL STATEMENTS :**

Since both the subsidiaries have been merged with the Company pursuant to Order of the National Company Law Tribunal, Mumbai Bench, your Company does not have any subsidiaries and hence Form AOC-1 is not applicable.

In accordance with the provisions of Section 136 of the Companies Act, 2013, the audited financial statements, and related information of the Company are available on the website of the Company - [www.ppl.huhtamaki.com](http://www.ppl.huhtamaki.com). These documents will be made available to the Members for inspection at the Registered Office of the Company up to the date of the ensuing Annual General Meeting.

## **AUDITORS AND AUDITORS' REPORT:**

Pursuant to provisions of Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, S R B C & CO LLP, Chartered Accountants (SRBC) were appointed as Statutory Auditors for a term of five years to hold office from the conclusion of 65<sup>th</sup> Annual General Meeting up to the conclusion of the 70<sup>th</sup> Annual General Meeting, subject to ratification at every Annual General Meeting.

The approval of members is being sought for ratification of appointment of SRBC as Statutory Auditors of the Company to examine and audit the accounts of the Company for the Financial Year 2017.

The Auditors' Report to the Members on the Accounts of the Company for the year ended 31<sup>st</sup> December, 2016 does not contain any qualification, reservation or adverse remark.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :**

Information pursuant to the provisions of Section 134 of the Companies Act, 2013 and the rules framed thereunder, relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, forms part of this Report and is given at Annexure 1.

## **BUSINESS RESPONSIBILITY REPORT :**

As per Regulation 34 of the Listing Regulations, 2015 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Business Responsibility Report forms part of this Report and is annexed hereto.

The Business Responsibility Report of the Company for the year ended 31<sup>st</sup> December, 2016 in line with the green initiative is available on the website of the Company <http://www.huhtamaki.com/web/flexible-packaging-india/policies> and forms part of this Report and is kept at the registered office of the Company for inspection. A copy of the aforesaid report shall be made available to such shareholders who are desirous of and interested in perusing them, upon receipt of a written request from them.

## **CORPORATE GOVERNANCE REPORT:**

The Report on Corporate Governance and the Certificate of the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated in Part C of Schedule V of the Listing Regulations, 2015, are enclosed as a separate section and forms part of this Report. A declaration signed by the Managing Director in regard to compliance with the Code of Conduct by the members of the Board and Senior Management Personnel also forms part of this Report.

## **MANAGEMENT DISCUSSION AND ANALYSIS:**

A detailed review of the operations, performance and future outlook of the Company and its businesses are given in the Management Discussion and Analysis, and forms a part of this Report.

## **DIRECTORS & KEY MANAGERIAL PERSONNEL:**

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Olli Koponen, retires by rotation and being eligible, offers himself for re-appointment. Further, as stipulated under Regulation 36 of the Listing Regulations, 2015, his brief resume, is given in the section on Corporate Governance, which forms part of this Annual Report.

## DIRECTORS' REPORT (Contd.)

Further, at the Extra Ordinary General Meeting (EGM) of the Company held on 30<sup>th</sup> March, 2017, the shareholders approved the re-appointment of Independent Directors, Mr. Arun Gandhi, Mr. N S Chawla, Mr. S K Palekar and Ms. Sukanya Kripalu for a tenure of 3 years and that of Mr. Ramesh Dhir for a tenure of 1 year. Further, the shareholders at the said EGM also approved the re-appointment of Mr. Suresh Gupta, Executive Chairman for a period of 2 years.

### **EVALUATION OF PERFORMANCE OF BOARD, ITS COMMITTEES AND OF DIRECTORS:**

Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations, 2015 the Board of Directors has undertaken an annual evaluation of its own performance, its various Committees and individual directors. The manner in which the performance evaluation has been carried out has been given in detail in the Corporate Governance Report, annexed to this Report.

The policy of the Company on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Section 178(3) of the Act, and Part D of Schedule II of the Listing Regulations, adopted by the Board is appended as Annexure 2 to the Directors' Report. We affirm that the remuneration paid to the directors is as per the terms laid out in the Nomination and Remuneration Policy of the Company.

### **FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS :**

Your Company has put in place a Familiarisation Programme for Independent Directors to familiarize them with their roles, rights, responsibilities, nature of the Industry, Company's strategy, business plan, operations, markets, products, etc. The details of the Company's Familiarisation Programme is available on the Company's website - web link: <http://www.huhtamaki.com/web/flexible-packaging-india/policies.pdf>.

### **DECLARATION BY INDEPENDENT DIRECTORS:**

The Company has received necessary declaration from all the Independent Directors of the Company confirming that they meet the criteria of independence laid down in Section 149(6) of the Companies Act, 2013 and SEBI Listing Regulations, 2015.

### **MEETINGS OF THE BOARD:**

During the year, nine meetings of the Board of Directors were held, particulars of attendance of directors at the said meetings are detailed in the report on Corporate Governance Report, which forms part of this Report.

### **DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to the provisions of Section 134 of the Companies Act 2013, your Directors state that :

- a. in the preparation of the annual financial statements for the year ended 31<sup>st</sup> December, 2016, the applicable accounting standards have been followed along with no material departures;
- b. appropriate accounting policies have been selected and applied consistently and based on judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> December, 2016 and of the profit of the Company for the year ended on that date;
- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the annual financial statements have been prepared on a going concern basis;
- e. proper internal financial controls have been laid down to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f. the proper systems to ensure compliance with the provisions of all applicable laws are in place and were adequate and operating effectively.

### **COST AUDITORS :**

The Board has appointed M/s. R. Nanabhoy & Co., Cost Accountants as the Cost Auditors of the Company to conduct the Cost Audit for the Financial year 2017. Members approval is being sought for ratification of their remuneration as Cost Auditors of the Company for the Financial Year 2017.

### **SECRETARIAL AUDITOR :**

The Board has appointed M/s. S.N. Ananthasubramanian & Co., Practicing Company Secretaries, to conduct Secretarial Audit for the Financial year 2016. The Secretarial Audit Report in prescribed format is annexed as Annexure 3 to this Report.