

**Huhtamaki PPL Ltd.**

(Formerly The Paper Products Ltd.)

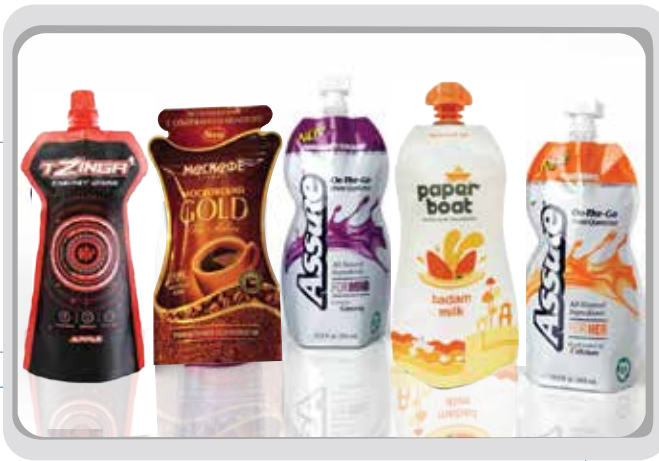


**68th  
Annual Report  
2017**

**HPPL**



PRESSURE SENSITIVE LABELS



SPECIALISED POUCHES



PERSONAL CARE & HOUSEHOLD



SHRINK SLEEVES



AUTOMOTIVE & INDUSTRIAL



WET STRENGTH LABELS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Chairman	Mr. Suresh Gupta
Independent Director	Mr. Arunkumar Gandhi
Non-Executive Director	Mr. Jukka Moisio
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. Olli Koponen
Managing Director	Dr. Arup Basu

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



## BANKERS

Standard Chartered Bank  
The Hongkong and Shanghai  
Banking Corporation Ltd.  
State Bank of India  
HDFC Bank 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)

## CONTENTS

### OVERVIEW

Board of Directors	02
Financial Performance Indicators	04
Directors' Report	07
Corporate Governance Report	29
Management Discussion & Analysis	46

### FINANCIAL STATEMENTS

Auditors' Report	51
Balance Sheet	58
Statement of Profit & Loss	59
Cash Flow Statement	61
Notes	63

# 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 43 years, including 30 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 22 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 45 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. Ramesh Dhir steps down as Director of the Company on expiry of his term on 30 March, 2018.

## **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 41 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 48 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 28 years of experience in marketing and management. 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 and worked as CEO of Quadra Advisory, a WPP group Company. Presently, she provides consultancy services 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, Media, etc. 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 (Economic) 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.

## BOARD OF DIRECTORS

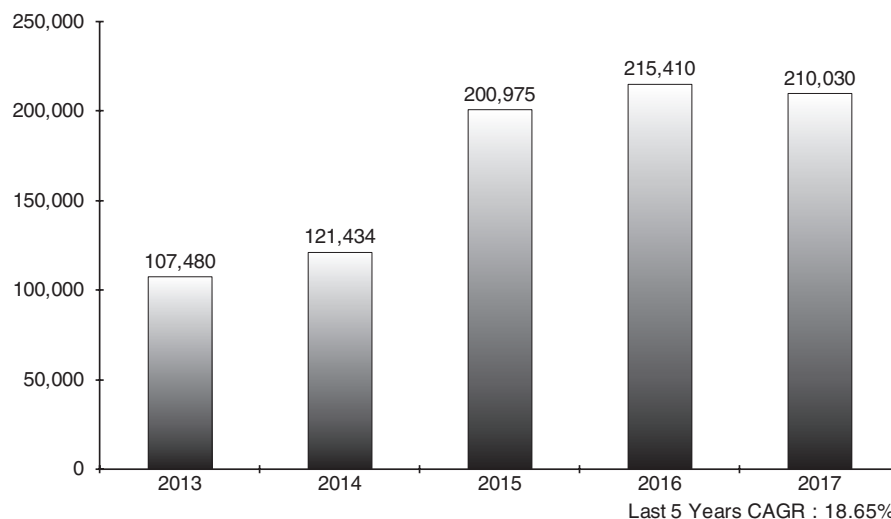
### **DR. ARUP BASU, MANAGING DIRECTOR**

Dr. Arup Basu holds a Ph.D in Technology, Composite Materials from the University of Manchester, Institute of Science and Technology (UMIST), UK, and a Bachelors Degree in Material Science and Engineering from Imperial College, London, UK. He also has an International Baccalaureate Diploma from United World College (UWC) of Atlantic, Wales, UK. He brings with him almost two decades of senior level industry experience. Dr. Arup Basu joins us from Tata Chemicals Ltd (TCL) where he was holding the position of President and Chief Technology Officer and was responsible for new business, technology and innovation. At TCL, Dr. Arup Basu also served as the Chief Operating Officer of Chemicals – Indian Operations and also served as its Vice President of Manufacturing and Head of the Haldia Works, West Bengal. During this tenure, he was Member of Board for the Magadi Soda Company, Kenya and member of the Global Chemicals Council with manufacturing operations spread across Kenya, UK and USA. Prior to this Dr. Basu worked for Accenture, where he was responsible for business development and managing large-scale projects for clients in the industrial space. Before his tenure with Accenture, he worked in a variety of roles at the Indian Aluminium Company and at Tata Motors.

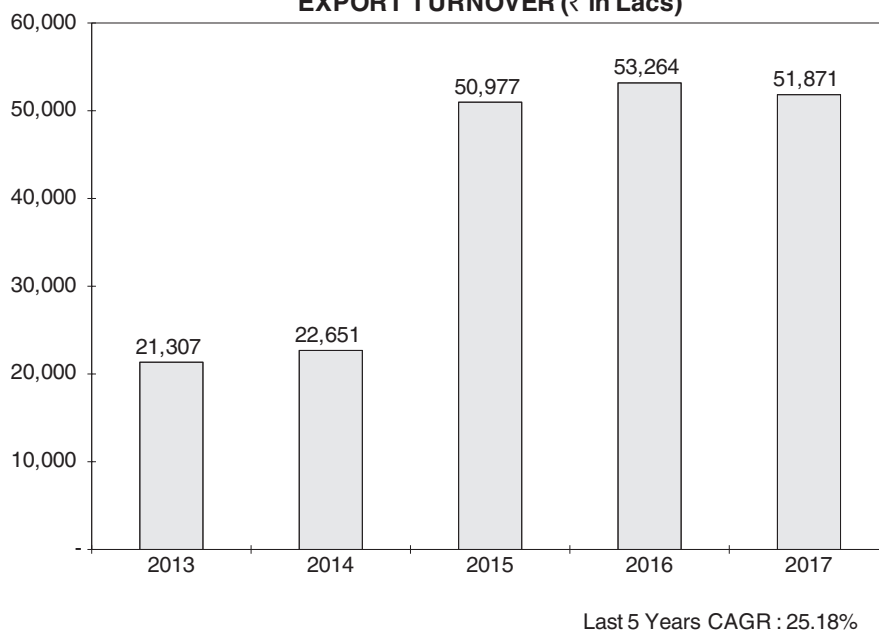
He was appointed as Managing Director of the Company w.e.f. 1<sup>st</sup> November 2017.

# Financial Performance Indicators

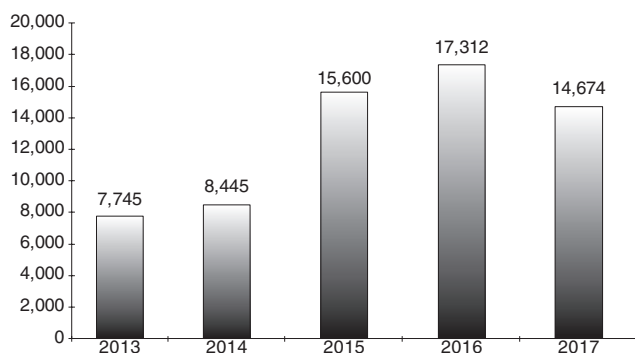
**TURNOVER (₹ in Lacs)**



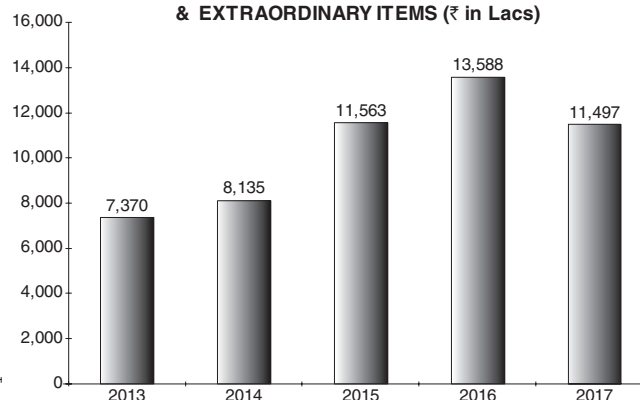
**EXPORT TURNOVER (₹ in Lacs)**



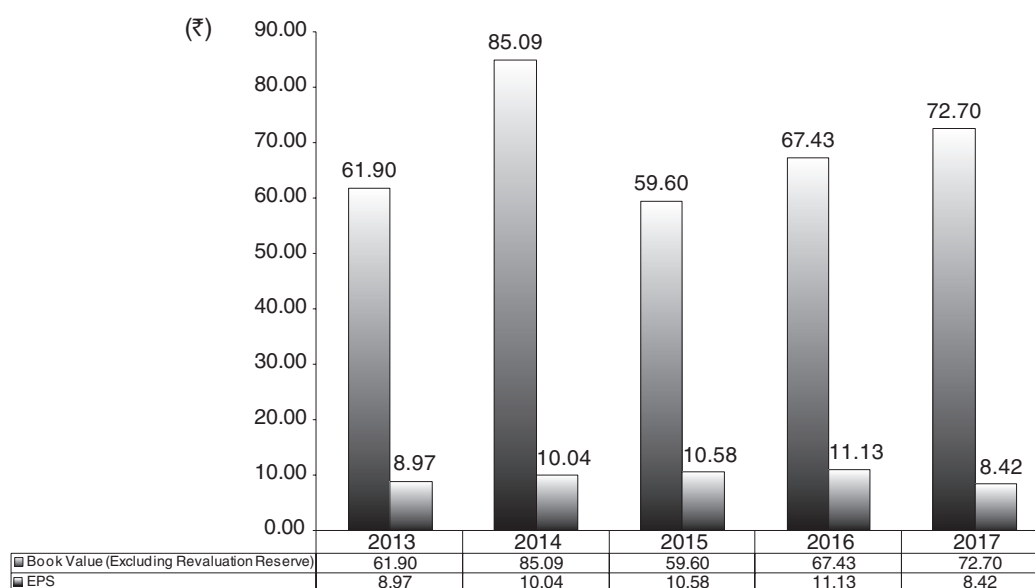
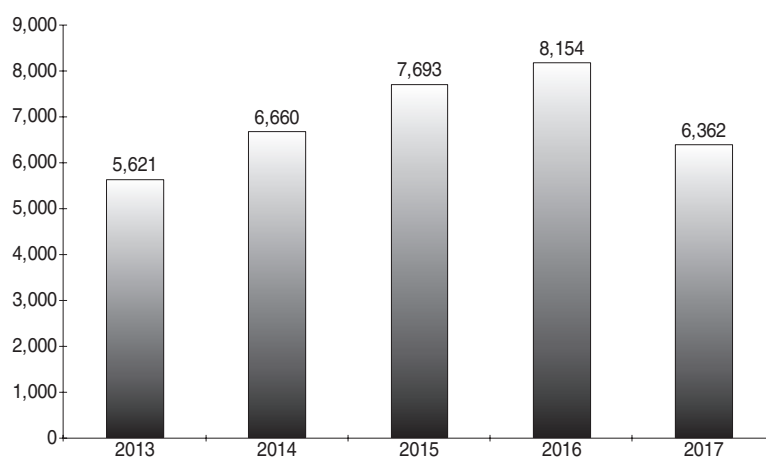
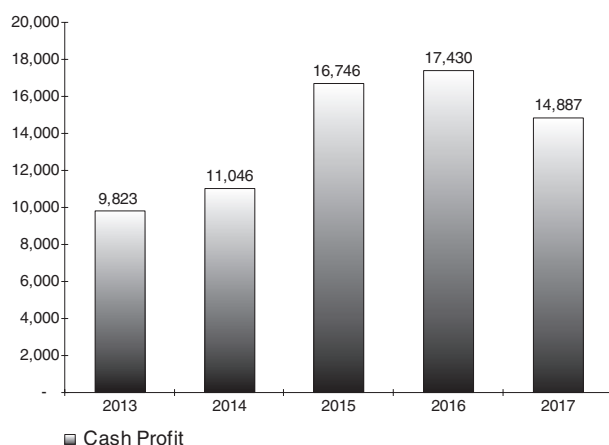
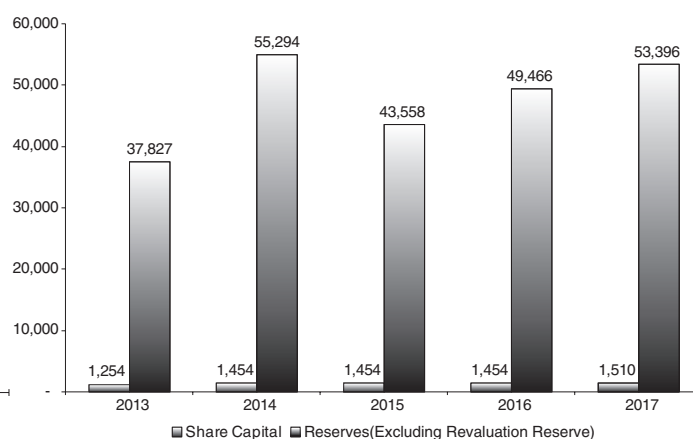
**EARNING BEFORE INT & TAX (EBIT) (₹ in Lacs)**



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





**EPS AND BOOK VALUE PER SHARE**

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

**CASH PROFIT (₹ in Lacs)**

**NET WORTH GROWTH (₹ in Lacs)**


# FINANCIAL HIGHLIGHTS

(₹ in lacs)

Particulars	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>OPERATING RESULTS</b>										
Sales (Net of excise duty)	<b>210,030</b>	215,410	200,975	121,434	107,480	89,318	79,730	70,401	57,769	61,209
Other Income	<b>4,424</b>	4,462	4,187	2,025	1,560	1,567	1,426	832	911	1,173
EBDITA	<b>23,199</b>	26,588	24,653	12,830	11,947	9,797	9,455	7,927	8,186	6,090
Depreciation & Amortisation	<b>8,525</b>	9,276	9,053	4,386	4,202	3,565	3,204	3,240	3,115	2,862
EBIT	<b>14,674</b>	17,312	15,600	8,445	7,745	6,232	6,251	4,687	5,071	3,228
Profit before Tax, Exceptional & Extraordinary Items	<b>11,497</b>	13,588	11,563	8,135	7,370	6,173	6,247	4,627	4,958	2,977
Exceptional & Extraordinary Items - Net of Tax	-	(255)	-	628	705	-	294	1,533	-	-
Provision for Tax	<b>5,135</b>	5,179	3,690	1,911	2,293	1,661	1,281	1,348	1,220	848
Profit for the year (after minority interest)	<b>6,362</b>	8,154	7,693	6,660	5,621	4,508	5,260	4,812	3,738	2,129
EBDITA to Sales %	<b>11.05%</b>	12.34%	12.27%	10.57%	11.12%	10.97%	11.86%	11.26%	14.17%	9.95%
EBIT to Sales %	<b>6.99%</b>	8.04%	7.76%	6.95%	7.21%	6.98%	7.84%	6.66%	8.78%	5.27%
PBT to Sales %	<b>5.47%</b>	6.19%	5.75%	7.22%	7.51%	6.91%	8.20%	8.75%	8.58%	4.86%
Earning Per Share	<b>8.42</b>	11.13	10.58	10.04	8.97	7.19	8.39	7.68	5.96	3.40
Cash Earning Per Share	<b>19.71</b>	23.08	23.03	16.64	15.67	12.88	13.50	12.84	10.93	7.96
Equity Dividend %	<b>150.00</b>	150.00	140.00	140.00	140.00	130.00	120.00	110.00	*150.00	90.00
<b>FINANCIAL POSITION</b>										
Equity Share Capital	<b>1,510</b>	1,454	1,454	1,454	1,254	1,254	1,254	1,254	1,254	1,254
Other Equity	<b>53,396</b>	49,466	43,558	55,294	37,827	34,242	31,629	28,112	24,901	23,363
Shareholders Funds	<b>54,906</b>	50,920	45,012	56,748	39,081	35,496	32,883	29,366	26,155	24,617
Minority Interest	-	-	-	2,203	2,013	1,852	-	-	-	-
Loan Funds	<b>40,574</b>	43,549	52,749	4,194	4,620	5,186	2,159	2,253	2,393	4,981
Deferred Tax (Asset) / Liability (Net)	<b>(1019)</b>	(1871)	(748)	549	99	68	252	526	677	690
Goodwill on Consolidation	-	-	-	1,957	1,957	1,957	-	-	-	-
Fixed Assets and Intangible Assets (Incl. Capital work in Progress)	<b>43,934</b>	46,661	54,101	26,166	22,323	22,788	18,230	17,869	20,335	21,055
Investments	<b>13,750</b>	19,502	20,663	18,634	5,479	6,038	6,338	3,945	3,103	1,698
Deferred Tax Asset (Net)	-	-	-	-	-	-	-	-	-	-
Other Net Assets (Current & Non-Current)	<b>37,795</b>	28,307	22,999	16,937	16,054	11,820	10,726	10,332	5,787	7,535
Capital Employed	<b>94,461</b>	92,598	97,013	63,693	45,813	42,602	35,294	32,145	29,225	30,288

Results from 2008 to 2011 are Standalone results.

Results from 2012 to 2015 are Consolidated results (includes results of Webtech Labels Pvt. Ltd. from 2012 and Positive Packaging Industries Ltd. from 2015).

Results from 2016 are merged results on account of merger of Positive Packaging Industries Ltd &amp; Webtech Labels Pvt. Ltd. with the Company.

\* Includes One Time Dividend @ 50%

Financial Position for the years 2015, 2016 and 2017 and Operating Results for the years 2017 and 2016 are as per Ind AS.



# DIRECTORS' REPORT

Your Directors have pleasure in presenting the 68<sup>th</sup> Annual Report along with the Audited Statements of Accounts for the year ended 31<sup>st</sup> December, 2017.

## FINANCIAL HIGHLIGHTS:

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

(₹ in lacs)

Particulars	2017	2016
Sales	219,904	233,324
Profit before Tax & Exceptional Item	11,497	13,588
Profit before Tax	11,497	13,333
Less: Provision for Current Tax	5,440	5,975
Provision for Deferred Tax	(305)	(796)
Profit after Tax	6,362	8,154
Add: Balance of profit for earlier years	37,412	34,521
Profit available for appropriation	43,774	42,675
Transfer to General Reserve	-	887
Transfer to Debenture Redemption Reserve	1,925	1,925
Proposed Dividend on Equity Shares & Dividend Tax thereon	2,784	2,451
Balance Carried forward	39,065	37,412

## 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, 2017. The said dividend will absorb an amount of ₹ 2,784 lakhs, 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. There is has been no transfer to reserve during the year.

## MERGER :

Pursuant to the approval of the National Company Law Tribunal (NCLT) the erstwhile subsidiaries of the Company viz., Positive Packaging Industries Limited and Webtech Labels Private Limited have been merged into the Company, effective 1<sup>st</sup> April, 2017 and all key functions like Marketing, NASP, Procurement and Supply Chain Management have been fully integrated.

## CHANGES IN CAPITAL STRUCTURE

Consequent to the Merger of its erstwhile subsidiary, Webtech Labels Private Limited with the Company, it allotted 28,10,000 Equity shares of face value of ₹ 2/- each were allotted to the shareholders of Webtech Labels Pvt Ltd. Upon allotment of the said equity shares, the paid-up share capital of the Company has increased from ₹ 1454 lakhs to ₹ 1510 lakhs.

## SUBSIDIARY COMPANIES AND FINANCIAL STATEMENTS :

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 of the Company for a term of

## DIRECTORS' REPORT (Contd.)

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 2018.

The Auditors' Report to the Members on the Accounts of the Company for the year ended 31<sup>st</sup> December, 2017 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations, 2015) Business Responsibility Report forms part of this Report and is annexed hereto.

In line with the green initiative, Business Responsibility Report of the Company for the year ended 31<sup>st</sup> December, 2017 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. Jukka Moisio 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. Mr. A. Venkatrangan was re-appointed as Managing Director for the period 7<sup>th</sup> October, 2017 to 31<sup>st</sup> October, 2017, who has moved laterally to an assignment within the Huhtamaki Group. Dr. Arup Basu was appointed as Managing Director for a period of 5 (Five) years w.e.f 1<sup>st</sup> November, 2017. Mr. Ramesh Dhir steps down as Independent Director w.e.f. 30<sup>th</sup> March, 2018, pursuant to expiration of his term.

### **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 Listing Regulations, 2015.