



Specialised Pouches

Personal Care



Product Portfolio



Specialised Cartons

Package Protection & Decoration Technologies



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman & Managing Director Mr. Suresh Gupta
 Mr. Arunkumar Gandhi
 Mr. P. V. Narayanan
 Mr. Jukka Moisio
 Mr. Johann Sippel
 Mr. R. K. Dhir
 Mr. S. K. Palekar
 Mr. Nripjit Singh Chawla
 Executive Director Mr. A. Venkatrangan

Company Secretary & Head - Legal Mr. Anand Daga



BANKERS

Standard Chartered Bank
 The Hongkong and Shanghai
 Banking Corporation Ltd.

AUDITORS

S.R. Batliboi & Co. LLP
 Chartered Accountants

REGISTERED OFFICE

Unit No-12A-06, 13th Floor,
 Parinee Crescenzo, Plot No C-38/C-39,
 G-Block, Behind MCA,
 Bandra Kurla Complex,
 Bandra (East), Mumbai - 400051
 Tel No: +91 22 2653 1320
 Fax No: +91 22 2653 1310
 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 40 years, including 26 years in the Company. He was appointed as Managing Director since May, 1994, and designated as the 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. 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 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 47 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 28 years of experience including 24 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. 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 41 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 did his M.Sc. (Physics) from Mumbai University and 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 37 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 and 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 16th March, 2011.

MR. NRIPJIT SINGH CHAWLA - DIRECTOR

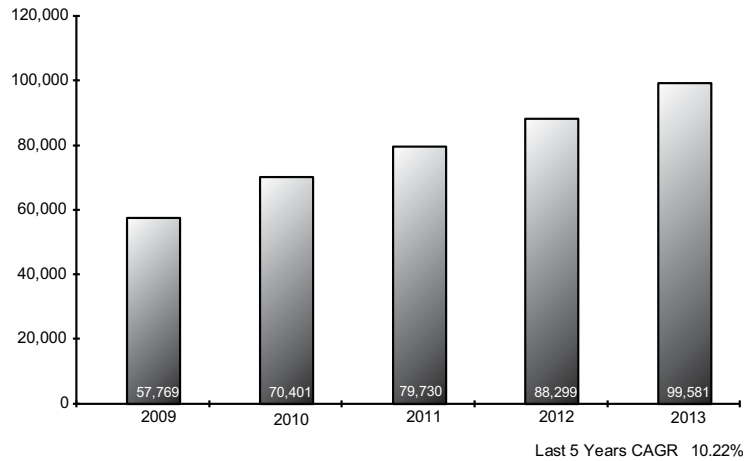
Mr. Nripjit Singh Chawla did his MBA from Indian Institute of Management, Calcutta. He has wide corporate management experience of over 44 years working with ITC Ltd., Korn/Ferry International, Max India Ltd. He is currently acting as Independent Management Consultant to Commercial organizations and 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 12th March, 2013.

MR. A. VENKATRANGAN - EXECUTIVE DIRECTOR

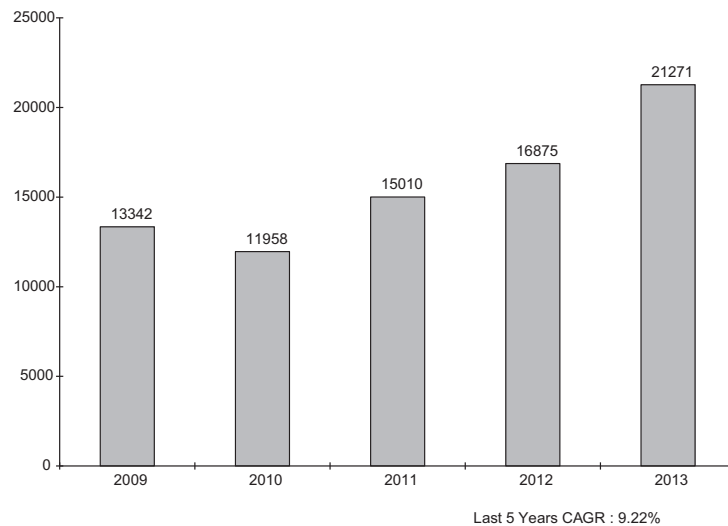
Mr. A. Venkatrangan is Graduate in Commerce and MBA in Finance and Marketing and having a total experience of 33 years, wherein he has worked in Corporate Planning, Costing, MIS, Budget Control, Operations, Internal Audit and Commercial functions at various levels with Murugappa Group and Essar Group. He joined the Company in January, 1999. He was appointed as an Additional Director of the Company on 4th June, 2012 and designated as the Executive Director of the Company w.e.f. 1st July, 2012.

FINANCIAL PERFORMANCE INDICATORS

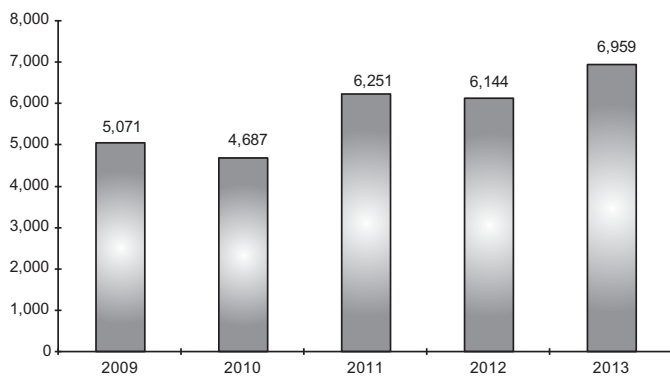
TURNOVER (₹ in lac)



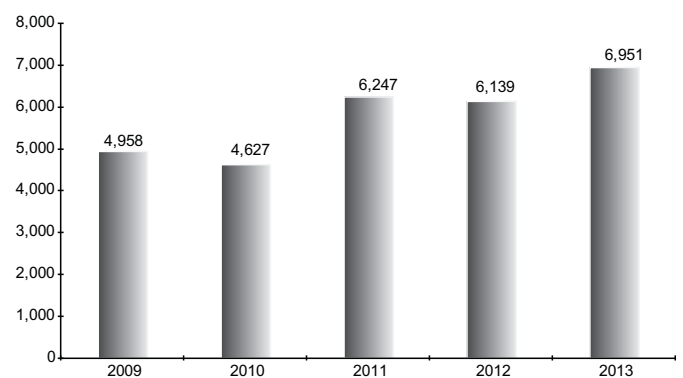
EXPORT TURNOVER (₹ in lac)



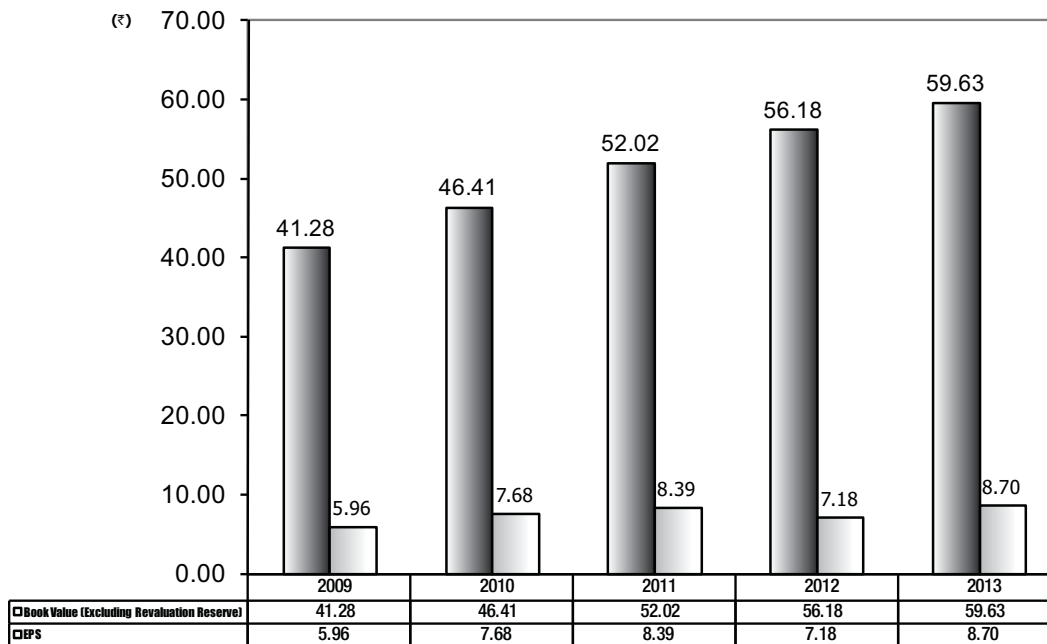
EARNING BEFORE INT & TAX (EBIT) BEFORE EXCEPTIONAL & EXTRAORDINARY ITEMS (₹ in lac)



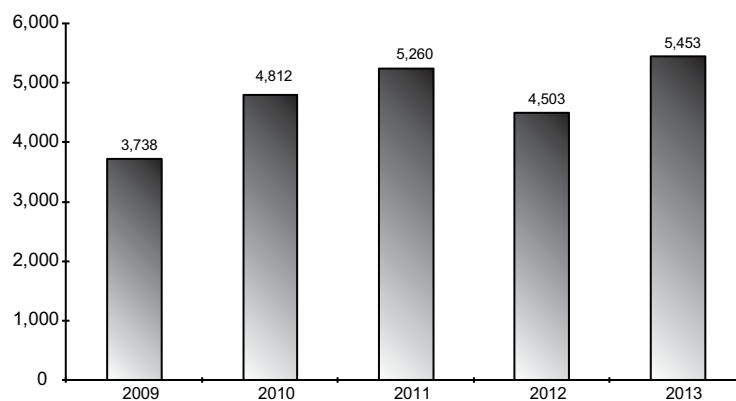
PROFIT BEFORE TAX, EXCEPTIONAL & EXTRAORDINARY ITEMS (₹ in lac)



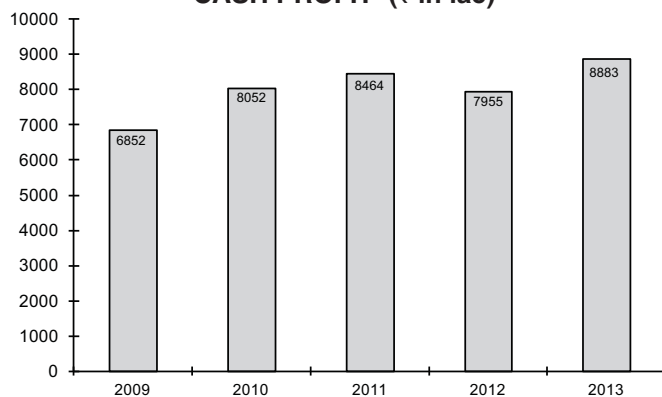
EPS AND BOOK VALUE PER SHARE



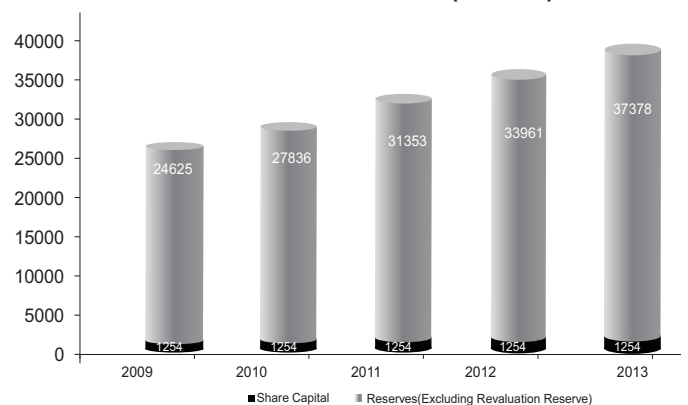
PROFIT AFTER TAX, EXCEPTIONAL & EXTRAORDINARY ITEMS (₹ in lac)



CASH PROFIT (₹ in lac)



NET WORTH GROWTH (₹ in lac)



FINANCIAL HIGHLIGHTS

(₹ in lac)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
OPERATING RESULTS										
Net Sales	99581	88299	79730	70401	57769	61209	53206	46467	39829	36178
Other Income	1550	1567	1426	832	911	1173	1074	1148	966	566
EBDIT	10389	9596	9455	7927	8186	6090	6768	6650	6437	5689
Depreciation & Amortisation	3430	3452	3204	3240	3115	2862	2886	2307	2498	2247
EBIT	6959	6144	6251	4687	5071	3228	3882	4343	3939	3442
Profit before Tax	6951	6139	6247	4627	4958	2977	3697	4281	3868	3365
Exceptional Items & Extraordinary - Net of Tax	705	—	294	1533	—	—	(318)	1208	(80)	—
Provision for Tax	2203	1636	1281	1348	1220	848	541	1497	1021	954
Profit after Tax	5453	4503	5260	4812	3738	2129	2837	3992	2767	2411
EBDIT to Sales %	10.43%	10.87%	11.86%	11.26%	14.17%	9.95%	12.72%	14.31%	16.16%	15.72%
EBIT to Sales %	6.99%	6.96%	7.84%	6.66%	8.78%	5.27%	7.30%	9.35%	9.89%	9.51%
PBT to Sales %	7.69%	6.95%	8.20%	8.75%	8.58%	4.86%	6.35%	11.81%	9.51%	9.30%
Earning Per Share	8.70	7.18	8.39	7.68	5.96	3.40	4.53	6.37	4.41	3.85
Earning Per Share (Excluding Exceptional & Extraordinary items)	7.96	7.18	7.92	5.60	5.96	3.40	4.53	5.35	4.54	3.85
Cash Earning Per Share	14.17	12.69	13.50	12.84	10.93	7.96	9.13	10.05	8.39	7.37
Equity Dividend %	140	130	120	110	***150	90	90	90	70	60
FINANCIAL POSITION										
Equity Share Capital	1254	1254	1254	1254	1254	1254	1254	1254	1254	1254
Reserves & Surplus	37654	34237	31629	28112	24901	23363	22573	21131	18424	16698
Shareholders Funds	38908	35491	32883	29366	26155	24617	23827	22385	19678	17952
Loan Funds	1921	2061	2159	2253	2393	4981	6715	3378	1629	1302
Deferred Tax Liability (Net)	(3)	40	252	526	677	690	852	839	602	899
Net Fixed Assets (Incl.Capital work in Progress)	16861	17568	18230	17869	20335	21055	21451	19670	13515	13650
Investments	9358	9916	6338	3945	3103	1698	1381	52	825	980
Net Assets (Current & Non Current)	14607	10108	10726	10332	5787	7535	8562	6880	7570	5518
Miscellaneous Expenditure	—	—	—	—	—	—	—	—	—	5
Capital Employed	40826	37592	35294	32146	29225	30288	31394	26602	21910	20153

*** Includes One Time Dividend @ 50%

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 64th Annual Report along with the Audited Statements of Accounts for the year ended 31st December, 2013.

PERFORMANCE DURING THE YEAR (STANDALONE)

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

(₹ in lac)

	2013	2012
Net Sales	99,581	88,299
Profit before Tax & Exceptional Item	6,951	6,139
Profit before Tax	7,656	6,139
Less: Provision for Current Tax	2,247	1,848
Provision for Deferred Tax	(44)	(212)
Profit after Tax	5,453	4,503
Add: balance of profit for earlier years	17,542	15,383
Profit available for appropriation	22,995	19,886
Transfer to General Reserve	545	450
Proposed Dividend on Equity Shares & Dividend Tax thereon	2,066	1,894
Balance Carried forward	20,384	17,542

During the year under review, the net sales grew by 12.8%. PBT margin improved from 6.95% to 6.98% despite increase in input and energy cost. PBT margin (including exceptional item) is 7.68%. Exceptional Income comprises gain on sale of office property at Nariman Point, Mumbai of ₹ 705 lac (provision for tax includes ₹ 239 lac towards tax on this gain).

After providing for Income Tax of ₹ 2,203 lac, Net Profit after Tax & Exceptional Items was ₹ 5,453 lac. After transferring an amount of ₹ 545 lac to General Reserve, the amount available for appropriation was ₹ 22,450 lac including amount brought forward of ₹ 17,542 lac of previous year. The Earning per Equity Share (EPS) including Exceptional Items was ₹ 8.70 & excluding exceptional items was ₹ 7.96.

DIVIDEND

Your Directors recommend payment of dividend of ₹ 2.80 per equity share i.e. @ 140% on the Equity Capital for the year ended 31st December, 2013. The said dividend will absorb ₹ 2,066 lac including the dividend distribution tax and cess thereon.

FIXED DEPOSITS

The Company did not invite or accept deposits from public and/or shareholders during the year under review. As of 31st December, 2013, 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 1.

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' REPORT (contd.)

DIRECTORS

Mr. Arun Kumar Gandhi and Mr. Johann Sippel, retire by rotation at this Annual General Meeting and being eligible have offered themselves for re-appointment.

Mr. A. Venkatrangan was re-appointed as an Executive Director for a period of three years w.e.f. 1st July, 2013.

Mr. Suresh Gupta was re-appointed as the Chairman & Managing Director for a period of three years w.e.f. 1st January, 2014.

Mr. Nripjit Singh Chawla was appointed as an Additional Director of the Company w.e.f. 12th March, 2013 and was subsequently appointed as Non-Executive, Independent Director on 7th May, 2013.

Mr. Timo Salonen who was an Alternate Director to Mr. Jukka Moisio, Director of the Company has resigned w.e.f. 7th August, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- i) In the preparation of the annual accounts for the year ended 31st December, 2013 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 31st December, 2013 and of the profits 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; and
- iv) Annual accounts for the year ended 31st December, 2013 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 31st December, 2013.

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

M/s. S. R. Batliboi & Co. LLP, Chartered Accountants, Statutory Auditors of the Company hold 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 Audit Committee and the Board recommended their re-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. The Cost Audit Report and Cost Compliance Report for the calendar year 2012 were filed by the Company on 8th June, 2013, well within the prescribed time limit. The Cost Audit Report and Cost Compliance Report for the calendar year 2013 is expected to be filed within the prescribed time.

DIRECTORS' REPORT (contd.)

CHANGE IN THE NAME OF THE COMPANY

At the request of Huhtavefa B.V., the Board of Directors have recommended the change in the name of the Company from "The Paper Products Limited" to "Huhtamaki PPL Limited". The Registrar of Companies, Maharashtra, Mumbai, has made the aforesaid name, viz., "Huhtamaki PPL Limited" available to the Company for adoption.

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 8th February, 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 Webtech Labels Pvt. Ltd., the Company's subsidiary for the year ended 31st December, 2013 have not been annexed. A statement pursuant to Section 212 of the Companies Act, 1956 relating to the subsidiary is attached to the Accounts.

Further, 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. 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.

OBLIGATION OF COMPANY UNDER THE SEXUAL HARRASMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

In order to prevent sexual harassment of women at work place a new act The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 has been notified on 9th December, 2013. Under the said Act every company is required to set up a Committee to look into complaints relating to sexual harassment at work place of any women employee.

In view of the said Act being notified on 9th December, 2013, the Company is in the process of setting up the requisite Committee and putting other Compliance requirements in place.

The Company has not received any complaints relating to sexual harassment at work place from any women employee, during the year.

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
21st March, 2014

SURESH GUPTA
Chairman & Managing Director



ANNEXURE TO DIRECTORS' REPORT

ANNEXURE - 1

A. CONSERVATION OF ENERGY

The Company has a well-structured energy management system in place. Regular efforts are made to optimize process parameters, modernize plant and machinery and upgrade technology and equipment.

Some of the key initiatives during 2013 are:

- Replacement of old chiller by latest energy efficient screw and scroll chillers.
- Installation of energy efficient LED light in offices.
- Replacement of DC drives into AC drives in major process equipment.
- Installation of VFD in Air Handling Units, blowers etc.
- Installation of Auto Controllers for Cooling tower fans that are temperature sensitive.

B. TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

Your Company has taken continuous efforts in developing new, effective and need based products and thus has introduced many new products in the market.

The Company's Central Research & Development Center is located at Thane and is recognized as Research & Development Center by the Department of Science & Technology, Government of India.

The Company believes that 'Sustainability is the need of the day'. The Company has undertaken various projects to improve Sustainability and the projects are in various stages of implementation. To carry out such projects necessary trial machines have been added to the existing facilities.

Enhancement of consumer convenience by increasing value of the products, but without increasing significant cost is another focus area of Innovation activities carried out by the Company.

Your Company believes in maintaining technological leadership which requires building up of strong knowledge base through absorption from external sources, creation through internal trials and experimentation on a continuous basis. The Company has upgraded its existing Laboratory facilities and instruments.

These innovative efforts in developing new products have been recognized by several organizations over the years. Your Company has received many awards during the year for innovations in packaging.

The expenditure on R & D during the year under report is as below:

a. Capital	₹ 53 lac
b. Recurring	₹ 138 lac
c. Total	<u>₹ 191 lac</u>

C. FOREIGN EXCHANGE EARNINGS & OUTGO

- a. Foreign exchange earnings from the exports of the Company's products & services amounted to ₹ 19,871 lac.
- b. The outflow of foreign exchange on account of import of goods and expenses on Travelling, Commission on Exports, Royalty and Technical Service charges amounted to ₹ 16,890 lac.

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

PPL believes that good Corporate Governance is essential to achieve long term corporate goals and enhance stakeholders' value. Thus, PPL's philosophy on Corporate Governance is aimed at the attainment of highest level of transparency, accountability and compliance of laws in all facets of operations, leading to best standards of Corporate Governance.

It is PPL's belief that good ethics make good business sense and our business practices are in keeping with this spirit of maintaining the highest level of ethical standards. The implementation of PPL's code for prohibition of Insider Trading exemplifies this spirit of good ethics.

The Company complies with the requirements of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, entered into with the Stock Exchanges where its shares are listed.

CORPORATE GOVERNANCE

The Directors present the Company's Report on Corporate Governance for the year ended 31st December, 2013.

BOARD OF DIRECTORS

The Board of Directors of the Company (hereinafter referred as the Board) comprises of a combination of Executive and Non-Executive Directors. The Board of Directors, as on 31st December, 2013 comprised 9 Directors of whom two are Executive and seven are Non-Executive Directors with five Directors being Independent. The Chairman of the Board is an Executive Director and more than half of the Board members are Independent. The composition of the Board is in line with requirement of Clause 49 of the Listing Agreement. The Independent Directors do not have any material pecuniary relationship or transactions with the Company, Promoters or Management, which may affect their judgment in any manner. The Directors are eminently qualified and experienced professionals in business, finance and corporate management.

The policy formulation, evaluation of performance and the control function vest with the Board, while the Board Committees oversee operational issues. The Board meets at least once in a quarter to consider amongst other business, the quarterly performance of the Company and financial results. Directors attending the meetings actively participate in the deliberations at these meetings.

The composition of the Board and attendance at Board Meetings and the last Annual General Meeting (AGM) held during the year under review is given below:

S. No.	Name of the Director	Category	No. of Board Meetings held during the FY 2013 / Tenure	No. of Board Meetings attended	Attendance at Last AGM
1	Mr. Suresh Gupta *	Executive	6	6	Yes
2	Chairman & Managing Director				
3	Mr. A. Venkatrangan ~	Executive	6	5	Yes
4	Executive Director				
5	Mr. Jukka Moisio	Non-Executive	6	1	Yes
6	Mr. Johann Sippel	Non-Executive	6	4	Yes
7	Mr. Timo Salonen #	Non-Executive	3	0	No
8	(Alternate to Mr. Jukka Moisio)				
9	Mr. Arunkumar Gandhi	Non-Executive, Independent	6	6	Yes
10	Mr. P.V. Narayanan	Non-Executive, Independent	6	6	Yes
11	Mr. Ramesh K. Dhir	Non-Executive, Independent	6	5	Yes
12	Mr. S. K. Palekar	Non-Executive, Independent	6	6	Yes
13	Mr. Nripjit Singh Chawla \$	Non-Executive, Independent	5	4	Yes
14	Mr. K. C. Narang ^	Non-Executive, Independent	2	2	N.A

* Mr. Suresh Gupta was re-appointed as the Chairman & Managing Director for a period of three years w.e.f. 1st January, 2014.

~ Mr. A. Venkatrangan was re-appointed as an Executive Director for a period of three years w.e.f. 1st July, 2013.

Mr. Timo Salonen who was an Alternate Director to Mr. Jukka Moisio, Director of the Company has resigned as an Alternate Director of the Company w.e.f. 7th August, 2013.

\$ Mr. Nripjit Singh Chawla was appointed as an Additional Director w.e.f. 12th March, 2013 and was subsequently appointed as Non-Executive, Independent Director on 7th May, 2013.

^ Mr. K. C. Narang retired as Director of the Company w.e.f. 12th March, 2013.

CORPORATE GOVERNANCE (contd.)

During the year 2013, six Board Meetings were held on 6th February, 2013, 12th March, 2013, 7th May, 2013, 7th August, 2013, 19th October, 2013 and 13th November, 2013 with time gap not exceeding 4 months between two such meetings. The Annual General Meeting was held on 7th May, 2013.

Apart from physical meetings, the Board also considered and approved certain matters by circular resolutions, which were noted at the next Board Meeting.

Directorships and Committee Memberships/Chairmanships in other public limited companies are given below:

Name of the Director	As on 31st December, 2013			
	Other Directorship(s) ¹	Committee positions in other Companies (excluding PPL) ²		
		Member	Chairman	Total
Mr. Suresh Gupta	1	Nil	Nil	Nil
Mr. Jukka Moisio	Nil	Nil	Nil	Nil
Mr. Johann Sippel	Nil	Nil	Nil	Nil
Mr. Arunkumar Gandhi	2	1	1	2
Mr. P.V. Narayanan	Nil	Nil	Nil	Nil
Mr. Ramesh K. Dhira	Nil	Nil	Nil	Nil
Mr. S. K. Palekar	2	Nil	Nil	Nil
Mr. A. Venkatrangan	1	Nil	Nil	Nil
Mr. Nripjit Singh Chawla	Nil	Nil	Nil	Nil

¹The number of Directorships excludes Directorships of private limited companies, foreign companies, companies licensed under Section 25 of the Companies Act, 1956 and Alternate Directorships.

²Committee includes only Audit Committee and Shareholders' Grievance Committee of public limited companies (excluding foreign companies and section 25 companies) in terms of Clause 49 of the Listing agreement.

Information provided to the Board:

The annual calendar of the Board & Committee Meetings is agreed upon at the beginning of the year. The agenda is circulated well in advance to the Board members, along with comprehensive background information on the items in the agenda to enable the Board to deliberate on relevant points and arrive at an informed decision. All relevant information related to the working of the Company, including the information required under Clause 49 I (C)(i) of the Listing Agreement is made available to the Board. In addition to matters which require to be placed before the Board for its noting and/or approval, information is also provided on various other significant matters.

Review of legal compliance reports:

During the year, the Board periodically reviewed reports placed by the management with respect to compliance of various laws applicable to the Company. The Internal Auditors also review compliance status and report to the Audit Committee.

Relationship between Directors inter-se:

There are no inter-se relationships amongst the Directors.

COMMITTEES OF THE BOARD:

The Board has constituted various Committees, viz., the Audit Committee, the Remuneration Committee, the Shareholders'/ Investors' Grievance Committee and the Share Transfer Committee.



CORPORATE GOVERNANCE (contd.)

a) Audit Committee:

- (i) The Audit Committee comprises of three Non-Executive Independent Directors, all of them are financially literate and one of them possesses accounting and/or financial management expertise.

During the Year 2013, five Audit Committee meetings were held on 6th February, 2013, 12th March, 2013, 7th May, 2013, 7th August, 2013 and 13th November, 2013. The time gap between two consecutive meetings of the Audit Committee was not more than four months.

The composition of the Audit Committee and the attendance of Directors at its meetings are given hereunder:

Name of the Director	Qualification	Meetings attended / held during FY 2013
Mr. S. K. Palekar ^ Chairman	M. Sc (Physics) and M.M.S (Marketing)	3/3
Mr. Arunkumar Gandhi	FCA (India) and FCA (England & Wales)	5/5
Mr. P. V. Narayanan	Post Graduate in Chemistry	5/5
Mr. K. C. Narang*	B.A, L.L.B, FCA	2/2

^Mr. S. K. Palekar was appointed as the Chairman and member of the Audit Committee w.e.f. 12th March, 2013.

*Mr. K. C. Narang ceased to be the Chairman of the Audit Committee w.e.f. 12th March, 2013 consequent to his retirement from the Board.

- (ii) The terms of reference of the Audit Committee are in line with clause 49 II (C) and (D) of the Listing Agreement and Section 292A of the Companies Act, 1956.

The terms of reference of the Audit Committee include the following:

- Overseeing Company's financial reporting process and the disclosure of its financial information.
- Review of Management discussion and analysis of financial condition and results of operations.
- Recommending appointment, re-appointment or removal of the statutory auditors, fixing of audit fees and approving payments for any other services.
- Reviewing with the management the quarterly and annual financial statements with primary focus on:
 - a. Matters required to be included in the Director's Responsibility Statement,
 - b. Accounting policies and practices,
 - c. Compliances with accounting standards,
 - d. Accounting based on exercise of judgment by Management,
 - e. Qualifications in the draft Audit Report,
 - f. Compliance with the Listing Agreement and legal requirements concerning financial statements,
 - g. Significant adjustments arising out of audit, if any,
 - h. The going concern assumption,
 - i. Related party transactions.
- Reviewing with the management, external and internal auditors the adequacy and compliance of internal control systems.
- Reviewing Company's financial and risk management policies.
- Reviewing the internal audit function and reports and major findings of the internal auditors.
- Pre-Audit and Post-Audit discussion with the Statutory Auditors to ascertain any area of concern.

The Chairman of the Committee was present at the Annual General Meeting of the Company held in 2013 for addressing the shareholders queries, if any.

The CMD, CMO, CFO, the Statutory Auditors and the Internal Auditors are invited by the Committee to attend the meetings. Operating managers are also invited to attend as and when it is required.

CORPORATE GOVERNANCE (contd.)

The minutes of the Audit Committee meetings are placed before the Board. The Company Secretary of the Company acts as Secretary to the Audit Committee.

- (iii) The Committee relies on the expertise and knowledge of the management, Internal Auditors and independent Statutory Auditors in carrying out its responsibilities. It also uses external expertise, if required. Management is responsible for the preparation, presentation and integrity of the Company's financial reporting principles. Management is also responsible for internal control over financial reporting and all procedures are designed to ensure compliance with Accounting Standards, applicable laws and regulations as well as for objectively reviewing and evaluating the adequacy, effectiveness and quality of the Company's system of internal control.

M/s. S. R. Batliboi & Co. LLP, Chartered Accountants, are the Company's independent Statutory Auditors. They are responsible for performing an independent audit of the financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in India.

b) Shareholders/Investors Grievance Committee:

The Committee comprises of two Non-Executive Directors. During the Year 2013, one Shareholders/Investors Grievance Committee meeting was held on 12th March, 2013 in which both the Directors were present.

The composition of the Committee is given hereunder:

Name of the Director	Meetings attended / held during FY 2013
Mr. Ramesh K. Dhir [#] Chairman	1/1
Mr. S. K. Palekar [^]	N.A
Mr. K. C. Narang [*]	1/1

[#]Mr. Ramesh K. Dhir was appointed as the Chairman of Shareholders/Investors Grievance Committee w.e.f. 12th March, 2013.

[^] Mr. S. K. Palekar was appointed as member of Shareholders/Investors Grievance Committee w.e.f. 12th March, 2013.

^{*} Mr. K. C. Narang ceased to be the Chairman of Shareholders/Investors Grievance Committee w.e.f. 12th March, 2013 consequent to his retirement from the Board.

The Company has attended to all the Investor's grievances/queries/information requests except for the cases where the Company was constrained due to pending legal proceedings or Court/statutory orders. The Company endeavors to reply to all letters/complaints received from shareholders within a week of receipt of the same.

There were no investor complaints pending at the beginning and at the end of the year. The status of complaints, if any, is also reported to the Board. The Compliance Officer and his team along with the registrar and share transfer agent of the Company address general queries of the shareholders to their satisfaction.

Details of investors' complaints received during 2013:

Nature of Complaint	Received	Replied/resolved	Pending	Remarks
Non-receipt of Dividend	1	1	—	—
Non-receipt of share Certificate after transfer/ Exchange/Sub divided/consolidated/Annual Report	2	2	—	—
Total	3	3	—	—

CORPORATE GOVERNANCE (contd.)

c) Remuneration Committee:

With a view to review and recommend to the Board the remuneration payable to the Executive Directors from time to time, a Remuneration Committee of the Board was constituted which comprises of three Independent Directors. The composition of the Committee and their attendance at the meeting(s) is given hereunder:

Name of the Director	Meetings attended / held during FY 2013
Mr. Arunkumar Gandhi Chairman	3/3
Mr. Ramesh K. Dhir	3/3
Mr. Nripjit Singh Chawla [^]	2/2
Mr. K. C. Narang [*]	1/1

[^] Mr. Nripjit Singh Chawla was appointed as the member of the Remuneration Committee w.e.f. 12th March, 2013.

^{*} Mr. K. C. Narang ceased to be the member of the Remuneration Committee w.e.f. 12th March, 2013 consequent to his retirement from Board.

The meetings of the Remuneration Committee were held on 12th March, 2013, 7th May, 2013 and 13th November, 2013, in which all the members were present.

The remuneration paid to Mr. Suresh Gupta, Chairman & Managing Director and Mr. A. Venkatrangan, Executive Director for the year 2013 is as under:

(Amount in ₹)

Name of the Directors	Salary	HRA	Perquisites	Commission	Total
Mr. Suresh Gupta	12,505,874	5,352,204	2,805,574	-	20,663,652
Mr. A. Venkatrangan	12,567,678	-	2,054,394	-	14,622,072

Notes:

- Perquisites include Company's contribution to provident fund, medical and leave travel allowance etc., as well as monetary value of perquisites as per Income Tax Rules.
- Salary includes incentive of ₹ 3,429,175/- paid to Mr. Suresh Gupta and ₹ 4,773,481/- paid to Mr. A Venkatrangan under the Management Incentive Program based on the Company performance and achievement of specific targets.
- The above does not include gratuity and leave encashment benefits as the provisions for these are determined for the Company as a whole and therefore separate amounts for the Directors are not available.
- The Chairman & Managing Director and Executive Director of the Company are entitled to options under "Option Rights Plan" and shares under the "Share Ownership Plan" of Huhtamaki Oyj (the ultimate Holding company) which entitles the holder of the option rights to subscribe to the shares of the ultimate holding company at a future date, at a price fixed based on the fair market price of the shares during specified period plus certain percentage of market value on the exercise date and the recipient of grants under share ownership plan is entitled to receive shares at nil cost respectively. The schemes detailed above are assessed, managed and administered by the ultimate holding company and there is no cost charged to the Company. The charge, taken by Huhtamaki Oyj in its accounts for the year ended 31st December, 2013 for these options and shares is ₹ 1,000,213/- (previous year ₹ 12,668,234/-)
- The above remuneration of Mr. Suresh Gupta, Chairman & Managing Director of the Company does not include ₹ 22,224,552/- (Previous Year ₹ 9,303,590/-), paid by Huhtamaki Oyj, the parent company, for his role as Executive Vice President, Flexibles Global Packaging, Huhtamaki Oyj.

CORPORATE GOVERNANCE (contd.)

6. Details of service contracts, notice period and severance fees of the Executive Directors:

	Mr. Suresh Gupta	Mr. A. Venkatrangan
Date of contract	6th July, 1999 (renewed and modified on 22nd June, 2001, 24th June, 2004, 27th April, 2007, 3rd March, 2010, 4th May, 2012 and 13th November, 2013)	27th July, 2012 and 7th May, 2013
Notice Period	90 days	90 days
Severance fees	i. Salary and other emoluments for a period of 90 days in lieu of notice. and ii. Base salary for a period equal to one month's base salary for every year of completed service.	Salary and other emoluments for a period of 90 days in lieu of notice.

Remuneration to Non-Executive Directors

Non-Executive Directors are paid sitting fees for attending Board/Committee Meetings as approved by the Board within the limits prescribed under the Companies Act, 1956.

Details of Sitting Fees paid to the Directors during the year 2013 are as follows:

(Amount in ₹)

Names of the Directors	Board Meetings	Committee Meetings	Total
Mr. Arunkumar Gandhi	90,000	120,000	210,000
Mr. S. K. Palekar	90,000	45,000	135,000
Mr. P. V. Narayanan	90,000	75,000	165,000
Mr. Ramesh K. Dhir	75,000	45,000	120,000
Mr. Nripjit Singh Chawla	60,000	30,000	90,000
Mr. K. C. Narang	30,000	45,000	75,000
Total	435,000	360,000	795,000

The Commission payable to the Non-Executive Independent Directors for the year 2013 is as follows:

(Amount in ₹)

Names of the Directors	Commission
Mr. Arunkumar Gandhi	1,200,000
Mr. S. K. Palekar	800,000
Mr. P.V. Narayanan	700,000
Mr. Ramesh K. Dhir	650,000
Mr. Nripjit Singh Chawla	515,000
Mr. K. C. Narang	286,000
Total	4,151,000

Commission payable to each of the Independent Directors as authorized by the Members at 62nd Annual General Meeting held on 4th May, 2012, is limited to a fixed amount per year as determined and approved by the Board based on their contribution at the Board and Committee meetings. The total amount of commission to Non-Executive Independent Directors is within the limit of 1% of the net profits of the Company for the year, calculated as per the provisions of the Companies Act, 1956.

None of the Non-Executive Directors are holding any shares in the Company, except Mr. K. C. Narang (holding 150,000 equity shares), who has retired from Directorship of the Company w.e.f. 12th March, 2013. The Company has not granted any stock options to its Directors.

CORPORATE GOVERNANCE (contd.)

d) Share Transfer Committee

The Board of Directors has delegated the powers to approve the transfer of shares to a Share Transfer Committee. The Committee comprises of Mr. Suresh Gupta, Chairman & Managing Director, Mr. A. Venkatrangan, Executive Director and Mr. Johann Sippel, Director.

The meetings of the Share Transfer Committee were held on 30th January, 2013, 12th February, 2013, 14th March, 2013, 2nd April, 2013, 25th April, 2013, 14th May, 2013, 4th June, 2013, 5th June, 2013, 21st June, 2013, 1st July, 2013, 26th August, 2013, 2nd September, 2013, 14th October, 2013, 24th October, 2013, 25th October, 2013, 1st November, 2013, 19th December, 2013, 23rd December, 2013 and 30th December, 2013.

The report of the Practising Company Secretary on the Reconciliation of Share Capital of the Company as required by SEBI is obtained every quarter and furnished to the Stock Exchanges. The Report is also placed before the Board and noted by them as required under the applicable law.

Share Transfer System

Documents for transfer of shares in physical form can be lodged with Sharepro Services (India) Pvt. Ltd., the R&T Agents of the Company. The Board of Directors has delegated the powers to approve the transfer of shares to Share Transfer Committee. The Committee attends to share transfer formalities at least once in fortnight.

MANAGEMENT

Management Discussion and Analysis

This Annual Report has a detailed section on Management Discussion and Analysis (MDA).

Disclosures by Management

The particulars of transactions between the Company and its related parties as per the Accounting Standard are set out in Note 37 forming part of the accounts. These transactions are not likely to have any conflict with the Company's interest.

All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board, and interested Directors neither participate in the discussion, nor do they vote on such matters.

CEO/CFO Certification

Mr. Suresh Gupta, Chairman & Managing Director, Mr. A. Venkatrangan, Executive Director & Mr. Parag Vyavahare, Chief Financial Officer, have issued necessary certification to the Board in terms of Clause 49(V) of the Listing Agreement and the same was taken on record by the Board at its meeting held on 18th February, 2014. A copy of this certificate is provided as Annexure A to this report.

Code of Conduct

As required under Clause 49 of the Listing Agreement, the Company has laid down Code of Conduct for Directors and Senior Management Personnel of the Company. The same has been posted on the Company's website www.pplpack.com. The Company has received affirmation of compliance from Directors & Senior Managerial Personnel of the Company for the financial year ended 31st December, 2013. A declaration to this effect signed by the Chairman & Managing Director of the Company is provided as Annexure B to this report.

DISCLOSURES

Disclosures Regarding Appointment or Reappointment of Directors

- A. Pursuant to the Articles of Association of the Company, at every Annual General Meeting of the Company, one-third of the directors, whose office is subject to retirement, are liable to retire.

Accordingly, Mr. Johann Sippel and Mr. Arunkumar Gandhi being longest in office shall retire by rotation at the ensuing Annual General Meeting, and being eligible have offered themselves for re-appointment.

CORPORATE GOVERNANCE (contd.)

Mr. A. Venkatrangan was re-appointed as an Executive Director of Company to hold office for a period of 3 (three) years w.e.f. 1st July, 2013. Mr. Suresh Gupta was re-appointed as the Chairman & Managing Director of the Company w.e.f. 1st January, 2014 for a period of 3 (three) years. Their re-appointment is subject to approval of members at the ensuing Annual General Meeting of the Company.

B. The brief resumes of the above-mentioned Directors are as follows:

Mr. Johann Sippel holds Post Graduate degree of Certified Accounting specialist (CCI) from Germany. He has over 28 years of experience including 24 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 and accounts related expertise.

Mr. Arunkumar Gandhi is a Fellow Member of the Institute of Chartered Accountants England & Wales and the Institute of Chartered Accountants of India and an Associate Member of the Chartered Institute of Taxation, London. He has been an Independent director of the Company since March, 2002.

Mr. A. Venkatrangan is a Graduate in Commerce and MBA in Finance and Marketing and is having a total experience of 33 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.

Mr. Suresh Gupta did his Masters in Management (MMS) from Jamnalal Bajaj Institute of Management Studies, Mumbai. He has diverse management experience of over 40 years, including 26 years in the Company. He was appointed as Managing Director since May, 1994, and designated as the 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.

Means of Communication

The Company has always promptly reported to all the Stock Exchanges where the securities of the Company are listed, all the material information including declaration of quarterly/half-yearly and annual financial results in the prescribed formats and through press releases etc.

The financial results and other statutory information are communicated to the shareholders by way of advertisement in "Business Standard" the English newspaper having nationwide circulation and "Sakal" the Marathi (the local language) newspaper, as per the requirements of the Listing Agreement entered into with the Stock Exchanges.

The said results are also made available on the Company's website: www.pplpack.com. The Official press releases, Company information, Annual Reports and the extracts of media coverage are also displayed on the Company's website.

As the financial results are published in leading newspapers as well as hosted on the Company's website, the results are not sent to the households of the individual shareholders.

Insider Trading Regulations

The Company has notified and adopted the PPL Code of Conduct for Prohibition of Insider Trading made pursuant to SEBI (Prohibition of Insider Trading) Regulations, 1992. The Company Secretary of the Company is the Compliance Officer for the purpose of these Regulations.

Details of capital market related non-compliance, if any

There has been no non-compliance by the Company of any legal requirements during the last three years; nor has there been any penalty, stricture imposed on the Company by any stock exchange, SEBI or any statutory authority on any matter related to capital markets pertaining to this period.

CORPORATE GOVERNANCE (contd.)

Risk Management

The Company has in place mechanism to inform Board Members about the Risk Assessment and Minimization procedures and periodical reviews to ensure that risk is controlled by the Executive Management.

Adoption/Non-adoption of Non-Mandatory Requirements of Clause 49 of the Listing Agreement

- The Company has not provided for tenure of Independent Directors.
- The Company has set up the Remuneration Committee.
- The Company does not send Half-yearly financial performance to each household of shareholders, as it is displayed on Company's website.
- The Audit qualifications if any are displayed in the financial reports of the Company. There are no audit qualifications for the year under review.
- The Company does not have any formal training program for Board Members.
- There is no mechanism for evaluating the performance of Non-Executive Board Members.
- The Company does not have a "Whistle Blower Policy". However no personnel has been denied access to the Audit Committee to seek redressal of his/her grievance, if any.

Annual General Meetings

The details of last three Annual General Meetings held were as under:

Year	Date	Time	Location	Special Resolutions passed
2010	27.04.2011	4.00 PM	Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020	NIL
2011	04.05.2012	4.00 PM	- Do -	To approve payment of a sum not exceeding 1% of net profit to Directors other than Managing/ whole-time Director(s)/Executive Director(s) of the Company for a period of five years commencing from 1st January, 2012.
2012	07.05.2013	4.00 PM	- Do -	To seek consent of the Company for holding office or place of profit by, Mr. A. Venkatrangan, under Section 314(1)(a) and payment of remuneration and perquisites.

The Company has not conducted any Postal Ballot for passing of any Special Resolution during the last three years.

GENERAL SHAREHOLDER INFORMATION

Details of ensuing Annual General Meeting

Day & Date	Time	Venue
7th May, 2014	4.00 PM	Manik Sabhagriha, Vishwakarma, M. D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai - 400 050

CORPORATE GOVERNANCE (contd.)

Financial Calendar:

Financial Year: Calendar Year (1st January to 31st December)

Schedule of the Board Meetings for declaration of Financial Results (tentative and subject to change):

Quarter ended	Date of Board Meetings
March, 2014	7th May, 2014 (Wednesday)
June, 2014	8th August, 2014 (Friday)
September, 2014	7th November, 2014 (Friday)
December, 2014	Second week of February, 2015

Book Closure Date

Pursuant to Section 154 of the Companies Act, 1956, the Register of Members will remain closed from Thursday 24th April, 2014 to Wednesday 7th May, 2014 (both days inclusive).

Dividend Payment Date

Dividend at the rate of ₹ 2.80 per share has been recommended by the Board and is subject to the approval from the shareholders at the ensuing AGM, the same will be paid on or before 15th May, 2014:

- to all those beneficial owners holding shares in electronic form, as per the ownership data made available to the company by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as of the end-of-the-day on 23rd April, 2014; and
- To all those shareholders holding shares in physical form, after giving effect to all the valid share transfers lodged with the Company on or before the closing hours on 23rd April, 2014.

Dividend History of the Company

Year	AGM Date	Dividend Rate ₹ (%)
2010	27.04.2011	₹ 2.20/- (110%)
2011	04.05.2012	₹ 2.40/- (120%)
2012	07.05.2013	₹ 2.60/- (130%)

Listing of Shares on Stock Exchanges

The Company's shares are listed BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). The details of the same are as follows:

Stock Exchange	Stock Code/Symbol
BSE Limited (BSE)	509820
The National Stock Exchange of India Limited (NSE)	PAPERPROD

The ISIN of Company's equity shares is INE275B01026.

Annual Listing fees for 12 months ended 31st March, 2014 have been paid to the BSE and NSE.

Company Identification Number (CIN)

All the forms, returns, balance sheets, charges & all other documents, papers etc. filed by the Company with the Registrar of Companies are available for inspection on the official website of MCA www.mca.gov.in, under the Company Identification Number (CIN): L21011MH1950FLC145537.



CORPORATE GOVERNANCE (contd.)

Auditor's Certificate on Corporate Governance

As required under Clause 49 of the Listing Agreement, the Auditor's Certificate regarding the compliance of provisions of the Corporate Governance norms is attached with this report.

Stock Data

The table herein below gives the monthly high and low prices and volume of the Company's shares traded at the BSE and NSE during the period from January, 2013 to December, 2013.

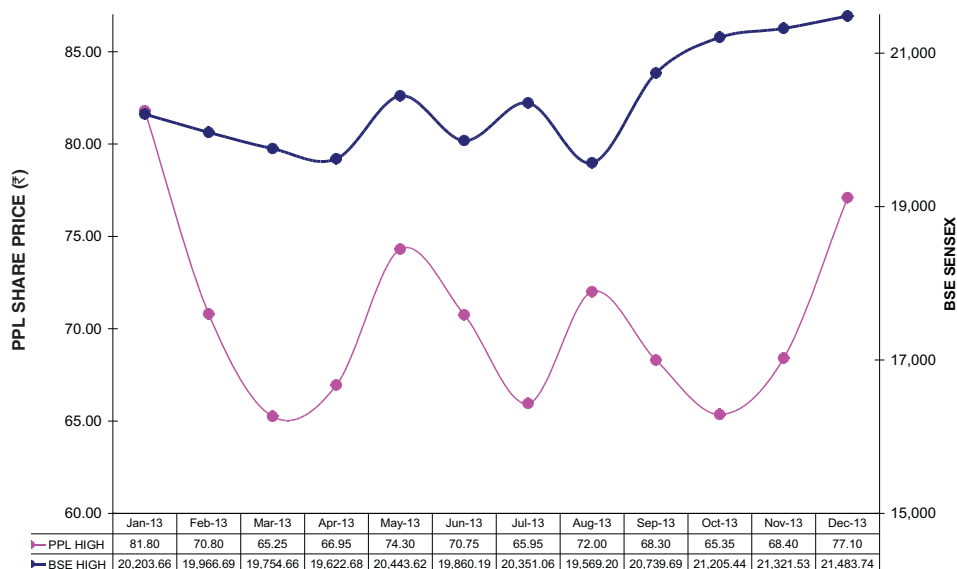
Month & Year	BSE			NSE		
	High (₹/share)	Low (₹/share)	Volume (No. of Shares)	High (₹/share)	Low (₹/share)	Volume (No. of Shares)
January 2013	81.80	68.35	960,983	82.00	68.05	2,037,709
February 2013	70.80	63.60	264,671	71.00	63.50	523,011
March 2013	65.25	61.00	207,453	65.00	60.75	431,751
April 2013	66.95	56.50	172,592	67.00	61.50	365,908
May 2013	74.30	60.00	610,735	74.00	59.65	1,439,392
June 2013	70.75	62.10	161,072	70.70	62.10	482,480
July 2013	65.95	60.55	111,427	65.70	60.50	356,549
August 2013	72.00	57.00	169,680	63.40	56.90	375,733
September 2013	68.30	56.85	502,552	68.35	56.25	931,406
October 2013	65.35	60.10	180,824	65.40	60.00	427,363
November 2013	68.40	62.00	188,437	68.35	61.70	550,566
December 2013	77.10	65.10	379,359	77.50	65.00	778,372

Note:

- Volume is the total monthly volume of trade (in numbers) in shares of the Company on respective exchanges.

The chart herein below shows the comparison of the Company's share price movement vis-à-vis the movement of the BSE SENSEX:

COMPANY SHARE PRICE AND BSE SENSEX -HIGH



CORPORATE GOVERNANCE (contd.)

Distribution of Shareholding

Following is the distribution pattern of shareholding of the Company as on 31st December, 2013:

Distribution of shareholding by ownership:

Sr. No.	Category	No. of Shareholders*	No. of Shares	% of Total Holding
1.	Indian Promoters	10	1,884,087	3.01
2.	Foreign Promoters – Huhtavefa B.V.	1	38,095,166	60.77
3.	Foreign Institutional Investors	8	72,250	0.12
4.	NRI's & OCB's	224	1,007,036	1.61
5.	Bodies Corporate	558	3,030,503	4.83
6.	Banks/Financial Institutions	5	21,558	0.03
7.	Insurance Companies	1	227,745	0.36
8.	Mutual Funds	7	3,703,565	5.91
9.	Resident Individuals	14096	14,640,280	23.35
10.	Trust	3	5,000	0.01
	Total	14913	62,687,190	100.00

* No of shareholders based on number of folios/demat accounts as per register of members.

Distribution of shareholding by number of shares held:

No. of Equity Shares Held	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares
Upto – 500	10951	73.44	1,805,677	2.88
501 – 1000	1648	11.05	1,371,127	2.19
1001 – 2000	994	6.67	1,532,664	2.45
2001 – 3000	442	2.96	1,143,770	1.82
3001 – 4000	167	1.12	596,142	0.95
4001 – 5000	178	1.19	845,455	1.35
5001 – 10000	288	1.93	2,136,308	3.40
10001 and above	245	1.64	53,256,047	84.96
Total	14913	100	62,687,190	100.00

Following is the List of Top Ten Shareholders (other than Promoters) of the Company as on 31st December, 2013:

Sr. No.	Name of Shareholder	No. of Shares Held	% of Total Shareholding
1.	HDFC TRUSTEE COMPANY LTD - A/C MID - CAP OPPORTUNITIES FUND	3,330,525	5.31
2.	DOLLY KHANNA	970,137	1.55
3.	SHREE CAPITAL SERVICES LIMITED	896,147	1.43
4.	UTI-MID CAP FUND	366,700	0.59
5.	DR SANJEEV ARORA	308,610	0.49
6.	THE NEW INDIA ASSURANCE COMPANY LIMITED	227,745	0.36
7.	PUNIT KHANNA	215,733	0.34
8.	RAJAN	204,960	0.33
9.	NEWA INVESTMENTS PVT LTD	185,605	0.30
10.	AMIT JAIN	180,000	0.29
	Total	6,886,162	10.99



CORPORATE GOVERNANCE (contd.)

Pledge of Shares

No pledge has been created over the Equity Shares held by the Promoters and/or Promoter Group Shareholders as on 31st December, 2013.

Dematerialisation of Shares

At present, 97.91% of the Company's shares including all the shares held by the Promoters and/or Promoter Group Shareholders are held in electronic form and the Company's shares can only be traded in compulsory demat segment in the stock exchanges where it is listed.

The table herein below gives the break up of shares in physical and demat form as at 31st December, 2013:

Form	Number of Shareholders	Number of shares	Percentage
Physical	1540	1,308,068	2.09
Dematerialised	13373	61,379,122	97.91
Total	14913	62,687,190	100

Outstanding ADR/GDR/Warrants/Convertible instruments and their impact on Equity

The Company has not issued any ADR, GDR or Warrants and there are no Convertible instruments outstanding and hence there is no likely impact on equity.

Details of Public funding obtained in the last three years

The Company has not obtained any public funding in the last three years.

Electronic Clearance Scheme (ECS) for Dividend

To avoid risk of loss/interception of dividend warrants in postal transit and/or fraudulent encashment, shareholders are requested to avail of the ECS facility where dividends are directly credited in electronic form to their respective bank accounts. This also ensures faster credit of dividend. Shareholders who desire receipt of their dividend through ECS can obtain the form from the Registrar and Transfer agent of the Company.

Shareholders may also submit their bank details to Registrar and Transfer Agent. This will enable the Company to incorporate this information on dividend warrants to minimize the risk of fraudulent encashment.

Address for correspondence with the Company

All correspondence may please be addressed to the Registrar and Transfer Agent, SHAREPRO SERVICES (INDIA) PRIVATE LIMITED at the address given below.

In case any shareholder is not satisfied with the response or do not get any response within reasonable period from the Registrar and Transfer Agent, they may approach the Compliance Officer at the Registered Office of the Company or email their queries/grievances to investor.communication@pplpack.com.

Registered Office:

The Paper Products Limited
Unit No.12A-06, 13th Floor
Parinee Crescenzo
Plot Nos. C-38 & C-39,
G Block, Behind MCA,
Bandra Kurla Complex,
Bandra (East),
Mumbai - 400051
Tel: +91 2653 1320 / 2653 1310,
Fax: +91 22 2653 1310,
Website: www.pplpack.com
Email: investor.communication@pplpack.com

Registrar and Transfer Agent (R&TA)

Sharepro Services (India) Pvt. Ltd.
Sakinaka Telephone Exchange Lane,
Off Andheri- Kurla Road,
Sakinaka, Andheri (East),
Mumbai - 400072
Tel: + 91 22 6772 0300 / 6772 0351/2/3
Fax : + 91 22 2837 5646
Website: www.shareproservices.com
Email : sharepro@shareproservices.com

CORPORATE GOVERNANCE (contd.)

COMPLIANCE OFFICER

Mr. Anand Daga, Company Secretary & Head – Legal is the Compliance Officer of the Company.

LOCATIONS

Registered Office: Unit No-12A-06, 13th Floor, Parinee Crescenzo, Plot No C-38/C-39, G-Block, Behind MCA, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051

Corporate Office: L.B.S. Marg, Majiwade, Thane - 400 601, Maharashtra

Plants:

Thane	L.B.S. Marg, Majiwade, Thane - 400 601, Maharashtra
Silvassa	Survey No. 33/1, At Post Umerkoi, Via Silvassa - 396 230 U. T. of Dadra & Nagar Haveli
Hyderabad	Plot No.139 & 148, Sri Venkateshwara Co-op. Industrial Estate, Bollaram - 502 325 Medak District, Andhra Pradesh
Rudrapur	Plot No. 70-73, Sector 4, IIE Pantnagar, Rudrapur - 263 153 Udhamsingh Nagar, Uttarakhand

Annexure A

CEO/CFO certification (As per clause 49(v) of the Listing Agreement)

18th February, 2014

To

The Board of Directors

The Paper Products Ltd.

We hereby certify that in the preparation of the accounts for the year ended 31st December, 2013,

- (a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) To the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or in violation of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposes to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee
- a. That there are no significant changes in internal controls over financial reporting during the year.
 - b. That there are no significant changes in accounting policies during the year.
 - c. There have been no instances of significant fraud of which we have become aware and the involvement therein, if any of the management or an employee having a significant role in the company's internal control system over financial reporting.

Suresh Gupta
Chairman & Managing Director

A. Venkatrangan
Executive Director

Parag Vyavahare
Chief Financial Officer



CORPORATE GOVERNANCE (contd.)

Annexure B

Certificate of Compliance with the Code of Conduct for Board of Directors and Senior Management Personnel

The Members of The Paper Products Limited

As required under Clause 49(I)(D) of the Listing Agreement with the Stock Exchanges, I hereby declare that all the Board members and senior management personnel of the Company have complied with the Code of Conduct of the Company for the year ended 31st December, 2013.

For **The Paper Products Limited**

Mumbai
18th February, 2014

Suresh Gupta
Chairman & Managing Director

CERTIFICATE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE REQUIREMENTS UNDER CLAUSE 49 OF LISTING AGREEMENT

To The Member of The Paper Products Limited

We have examined the compliance of conditions of corporate governance by The Paper Products Limited, for the year ended on 31st December, 2013, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliances of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S. R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI Firm registration number: 301003 E

Mumbai
21st March, 2014

per Vijay Maniar
Partner
Membership No.: 36738

MANAGEMENT DISCUSSION & ANALYSIS

HIGHLIGHTS

Despite the unfavorable economic climate PPL performed well. Consolidated Net Sales for the year 2013, at ₹ 1,075 crore, crossed the ₹ 1,000 crore mark for the first time in the history of the Company. This included sales of ₹ 79 crore of the subsidiary – Webtech Labels Pvt. Ltd. - which was acquired in November, 2012.

Consolidated profit before tax and exceptional items improved to ₹ 73.7 crore from ₹ 61.7 crore.

ECONOMY

The Operating performance for 2013 needs to be viewed in the context of the following factors:

- One of the weakest macro-economic performance by the Indian Economy in recent history.
- Adverse geo-political developments – quantitative easing by the US Treasury, adverse developments in parts of Asia.
- Steep increase in input costs due to a sharp depreciation of the Indian Rupee.
- Steep increase in Power and Fuel cost.
- Decline in growth rates of various FMCG products.

INDUSTRY OVERVIEW

Packaging is an essential and integral component of every supply chain. From protection of the contents to informing the customer, packaging – in particular, flexible packaging - plays a vital role in the economy. Showing a product helps to sell it. Attractive packaging is a powerful marketing tool. Food and beverages consume the bulk of flexible packaging. The gap in per capita consumption between developed and developing countries is continuously narrowing. The Indian flexible packaging industry has grown rapidly in the last decade. However, the industry is highly fragmented with unorganised players far outnumbering the organized players, putting a pressure on margins and devaluating quality.

STRENGTHS AND OPPORTUNITIES

Flexible packaging touches the lives of masses everyday. Aspirations of a vibrant and growing populace that drives consumption patterns assures the packaging industry a bright future. Rising expectations with respect to quality and design drive innovation. PPL is well placed to exploit every opportunity for profitable growth – through both the organic or inorganic routes. Technology, assets, people, reach and closeness to customers have traditionally been the core strengths of the Company. Consequently, the Company is well placed to take advantage of growth opportunities.

RISKS AND CONCERNS

The year 2013 has been a very challenging one for the Indian economy. The GDP growth slowed down considerably especially from June, 2013 onwards. Several macro-economic and political factors affected the overall performance of the economy. High food inflation, steep increase in energy costs, extremely volatile Forex and capital markets, near normal monsoons but with disruptive results – all affected consumer sentiment and consumer demand. Several sectors of the economy performed below par. In 2013, India witnessed one of the weakest festival seasons in recent history.

Our customers resisted price increase on account of increases in material and other input costs. They used the fragmented nature of the industry to drive down buying prices of packaging materials – sometimes to unsustainable levels.

RESPONSE

Despite the gloomy economic scenario, your Company performed well. We grew by almost 13% despite reduced growth rates for FMCG sector. In VUCA (Volatile/Uncertain/Complex/Ambiguous) times, we steadfastly remained on course.

Your Company's good performance is due to:

- Empowering frontline people to take all steps necessary to deliver quality products to the customers.
- Special thrust on further improving operational efficiencies and selective investments for cost reduction.



MANAGEMENT DISCUSSION & ANALYSIS (contd.)

- Substantially increasing the utilization of the IT solutions that we have implemented and continuously upgraded since 2009.
- Our NASP (New Applications, Structures, Products and Processes) programme, focus on key business segments and products – exports, specialized pouches and labeling business helped us in maintaining the growth trajectory and also manage our costs.

We have strengthened the Company on various fronts to be ready to accelerate when the overall macro-economic situation improves.

INTERNAL CONTROLS

The Company has adequate Internal Control systems in place to ensure that we maintain our high ethical standards and excellent corporate governance, provide reliable MIS and safeguard our assets. Scope and coverage of Audit are varied and enlarged as the situation demands. Reports are regularly reviewed by the Audit Committee.

RISK MANAGEMENT REVIEW

The slowdown in the economy and the forthcoming elections may well cast a long shadow across the economy. The baggage of risks carried includes:

- Competitive pressures affecting top and bottom line.
- Weak currency.
- Volatility in price of raw materials, fuel cost and transport cost.
- Attrition of personnel.

The Board undertakes a detailed periodic review of risks.

SAFETY

Safety of all the members of the PPL family is always of paramount importance to us. We have instilled a strong culture of preserving the health, safety and environment of our people across all operating units. We acutely understand the long term impact of an unsafe incident not only on the individual but also on his/her family. We have laid out a clear policy on Occupational Safety – Health and Environment and we follow it in letter and spirit. We go far beyond “numbers” that measure “incidents”.

AWARDS

Awards reflect recognition of the Company's commitment to quality and innovation. PPL won 15 prestigious awards during the year from various industry bodies.

PEOPLE

Our philosophy is that our people are the foundations of our success. We continue to invest heavily in training and development of our people, enhancing their knowledge, competencies and skills. Being the leader in the Flexible Packaging industry, we are a prime hunting ground for talent by an ever increasing competition. We have set in motion specific initiatives to attract and retain appropriate talent across all levels.

The number of employees at the end of the year stood at 1,496 as against 1,502 at the end of the previous year.

FINANCIAL OVERVIEW

Financial performance:

Sales Revenue

Sales Revenue grew to ₹ 99,581 lac from ₹ 88,299 lac in 2012 – a growth of 13%. All key business segments grew well

MANAGEMENT DISCUSSION & ANALYSIS (contd.)

especially Exports business. Our wide product portfolio along with NASP and commitment to high quality helped us achieve this growth despite adverse market conditions.

NASP – the cornerstone of PPL strategy to protect the ever declining margins in the industry and also through offering superior value added solutions to our customers continued to pay rich dividends in 2013. The NASP initiatives have contributed to over 30% of our turnover. We added over 50 customers across all businesses as well.

Other Operating Income

Other Operating Income was at ₹ 1,066 lac against ₹ 741 lac for the previous year. It includes ₹ 142 lac towards compensation received for loss of business.

Other Income

Other Income was at ₹ 484 lac against ₹ 826 lac for the previous year. It includes ₹ 328 lac of dividend income against ₹ 570 lac for 2012.

Raw Material

Raw material costs rose from 70.2% of net sales in 2012 to 71.3% of net sales in 2013. Cost of films, resins and paper were up by 10%. The feedstock price increases, a weakening rupee and slowing economy pushed up our input costs.

Other Input Costs

Steep increases in fuel rates and power tariffs of state controlled power utility companies led to 7-8% increase in energy costs. As a result of steep increases in fuel prices, freight costs went up by 10-12% and we were forced to absorb most of the increase.

Margins

During the year, the margins continued to be under severe pressure. While several input costs increased in double digits, relentless push for cost reduction by our customers, unhealthy competition and overall negative sentiment in the economy forced us to absorb a major portion of the input costs increases. We managed to cushion the adverse impact of such increases by excellent efforts put in by the team in value engineering, continuous improvement of operational efficiencies, focus on energy conservation measures and appropriate changes to processes etc.

Profit before Taxation

Profit before tax and exceptional income rose to ₹ 6,951 lac in 2013 against ₹ 6,139 lac for 2012.

Exceptional Income

Exceptional income represents gain on sale of office property at Nariman Point, Mumbai of ₹ 705 lac (Provision for Tax includes ₹ 239 lac towards tax on this gain).

Provision for Taxation

Provision for taxation including deferred tax increased to ₹ 2,203 lac from ₹ 1,636 lac for 2012.

Financial Position

Reserves and Surplus

Reserves and Surplus increased by ₹ 3,417 lac after providing for dividend (including tax thereon) amounting to ₹ 2,054 lac for the year 2013.

Fixed Assets

Addition to fixed assets amounted to ₹ 2,075 lac of which Plant and Machinery was ₹ 1,513 lac.



MANAGEMENT DISCUSSION & ANALYSIS (contd.)

Inventories

Inventories stood at ₹ 8,914 lac at the end of 2013 compared to ₹ 8,317 lac at the end of the previous year. Raw materials contributed to the bulk of the increase. Inventories at the end of 2013 represent 33 days of sale value against 34 days for 2012.

Sundry Debtors

Sundry Debtors rose to ₹ 18,556 lac from ₹ 13,809 lac at the end of 2012. Debtors at the end of 2013, represents 68 days of sale value against 57 days for the previous year. Record sales in December pushed up the outstanding - this should smoothen out, going forward.

Cash and Bank Balances

Cash and bank balances at the end of 2013 amounted to ₹ 1,568 lac against ₹ 1,468 lac at the end of 2012.

Loans and Advances

Loans and Advances of ₹ 2,609 lac at the year-end largely comprise balances and deposits with excise and VAT authorities and Prepaid Expenses against ₹ 1,804 lac at the end of 2012.

Current Liabilities

Sundry Creditors for raw materials and packing materials at the end of 2013 amount to ₹13,344 lac against ₹ 11,712 lac at the end of 2012, while other liabilities stood at ₹ 2,401 lac against ₹ 1,945 lac at the end of 2012. Trade creditors represent 49 days sales - similar to the previous year.

Net Working Capital

As at 31st December, 2013, Net Working Capital is ₹ 18,263 lac against ₹ 14,862 lac as at 31st December, 2012.

Return on Capital Employed

Return on Capital Employed was 18.5% for 2013 against 16.4% for 2012.

COMMENTS ON SUBSIDIARY

Webtech Labels Pvt. Ltd. performed to our expectations. Net Sales achieved was ₹ 7,899 lac for 2013 which represents over 10% growth in comparable operating levels v/s 2012. The company embraced many of the good practices followed by PPL. It also follows the PPL philosophy of focusing on innovation, high levels of customer service and cost control as a platform for rapid quality growth.

FINALLY

Flexible packaging industry continues to maintain its relatively stable growth outlook. The industry is expected to grow around 10-12% CAGR in the medium term. Growing rural demand, retail push, planned investments by large MNCs in the FMCG business and strong fundamentals of the Indian economy support the view that FMCG and consequently growth for Flexible Packaging would remain strong.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, expectations and estimates regarding future performance may be "forward looking statements" within the meaning of applicable securities laws and regulations and are based on currently available information. The management believes these to be true to the best of its knowledge at the time of preparation of this report. However, these statements are subject to future events and uncertainties, which could cause actual results to differ materially from those that may be indicated by such statement.

INDEPENDENT AUDITORS' REPORT

To the Members of

The Paper Products Limited

Report on the Financial Statements

We have audited the accompanying financial statements of The Paper Products Limited ("the Company"), which comprise the Balance Sheet as at December 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;



- (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;
- (e) On the basis of written representations received from the directors as on December 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For **S.R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E

per Vijay Maniar
Partner
Membership No.: 36738

Mumbai
18 February 2014

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: The Paper Products Limited ("the Company")

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4 (iii) (a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii) (e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act, that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to records of the Company, the dues outstanding of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:-

ANNEXURE TO THE AUDITORS' REPORT (contd.)

Name of Statute	Nature of Dues	Period to which the amount relates	Forum where dispute is pending	Amount ₹ in lac
Income Tax Act, 1961	Tax and Interest	2001-2002	High Court of Mumbai	51.08
State and Central Sales Tax Acts	Tax	1997-98, 2001-02, 2005-2006	Joint Commissioner of Sales Tax (Appeals)	61.53
	Tax	2001-02	Assistant Commissioner of Sales Tax	9.78
	Tax	2003-2005, 2007-09	Deputy Commissioner of Sales Tax	41.10
	Tax	2009-12	Appellate Deputy Commissioner of Sales Tax	58.64
Finance Act, 1994 – Service Tax	Tax and Penalty	2002-2012	Custom, Excise and Service Tax Appellate Tribunal	131.55
	Tax and Penalty	2006-2013	Commissioner Appeals	10.83
Central Excise Act, 1944	Tax	1998-2004	Supreme Court	1,346.94
	Tax	2005-2009	Assistant Commissioner of Central Excise	504.83
	Tax and Penalty	1998-2000	The Commissioner of Central Excise	5.47
	Tax and Penalty	1997-99, 2004-05	Commissioner Appeals	4.86
	Tax and Penalty	1989-91, 1996-98, 2000 -2010	Custom, Excise and Service Tax Appellate Tribunal	3,422.94
	Tax	2011-2012	Joint Secretary (Revision application unit), Govt. of India	64.47

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised money through public issues during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For **S.R. BATLIBOI & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E

per Vijay Maniar
Partner
Membership No.: 36738
Mumbai
18 February 2014

BALANCE SHEET

As at 31st December 2013

		(₹ in lac)	
	Notes	31 December 2013	31 December 2012
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	1,253.83	1,253.83
Reserves and Surplus	3	37,654.45	34,237.44
		38,908.28	35,491.27
Non-Current Liabilities			
Long - Term Borrowings	4	1,921.06	2,061.47
Deferred Tax Liability (Net)	5	—	40.34
Long Term Provisions	6	86.97	113.08
		2,008.03	2,214.89
Current Liabilities			
Trade Payables	7	13,344.93	11,711.89
Other Current Liabilities	8	2,400.94	1,945.33
Short Term Provisions	9	3,015.79	2,833.27
		18,761.66	16,490.49
TOTAL		59,677.97	54,196.65
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	10	15,484.52	16,661.98
Intangible Assets	10	279.49	461.75
Capital Work in Progress		1,096.47	443.81
Non-Current Investments	11	3,879.13	3,879.13
Deferred Tax Assets (Net)	5	3.31	—
Long Term Loans & Advances	12	1,485.48	1,026.40
Other Non Current Assets	13	425.26	371.37
		22,653.66	22,844.44
Current Assets			
Current Investments	14	5,479.38	6,037.88
Inventories	15	8,913.87	8,317.17
Trade Receivables	16	18,555.85	13,809.19
Cash and Cash Balances	17	1,568.03	1,467.94
Short Term Loans & Advances	18	1,123.37	777.69
Other Current Assets	19	1,383.81	942.34
		37,024.31	31,352.21
TOTAL		59,677.97	54,196.65

Significant Accounting Policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date

For S.R. Batliboi & Co.LLP

Chartered Accountants
ICAI Firm Registration No. 301003E

per Vijay Maniar
Partner
Membership No. 36738

Mumbai
18 February 2014

For and on behalf of the Board of Directors
Suresh Gupta
Chairman & Managing Director

Parag Vyavahare
Chief Financial Officer

Anand Daga
Company Secretary & Head Legal
Mumbai, 18 February 2014

A.Venkatrangan
Executive Director

Jukka Moisio
Johann Sippel
Ramesh Kumar Dhir
Nripjit Singh Chawla
S.K.Palekar
P.V.Narayanan } Directors


STATEMENT OF PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2013

(₹ in lac)

	Notes	31 December 2013	31 December 2012
INCOME			
Revenue from Operations (Gross)	20	107,286.10	95,052.08
Less : Excise Duty		6,639.17	6,011.85
Revenue from Operations (Net)		100,646.93	89,040.23
Other Income	21	484.27	825.68
Total Revenue		101,131.20	89,865.91
EXPENSES			
Raw Material and Components Consumed	22	70,803.80	61,538.48
Changes in Inventories of Finished Goods and Work-in-Process	23	240.34	439.05
Employee Benefit Expenses	24	7,669.19	7,005.29
Finance Cost	25	7.93	5.47
Depreciation and Amortisation Expenses	26	3,429.99	3,451.85
Other Expenses	27	12,028.52	11,286.79
Total Expenses		94,179.77	83,726.93
Profit Before Exceptional Item and Tax		6,951.43	6,138.98
Exceptional Item (Refer note 43)		704.66	–
Profit Before Tax		7,656.09	6,138.98
Tax Expenses			
Current Tax		2,246.60	1,903.60
Excess Provision for earlier years written back		–	(55.60)
Deferred Tax		(43.65)	(211.79)
Profit for the period		5,453.14	4,502.77
Earnings per Equity Share including Exceptional Item (Nominal value-₹ 2 (Previous Year-₹ 2))	28		
1. Basic		8.70	7.18
2. Diluted		8.70	7.18
Earnings per equity share excluding Exceptional Item			
1. Basic		7.96	7.18
2. Diluted		7.96	7.18
Significant Accounting Policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date

For S.R. Batliboi & Co.LLPChartered Accountants
ICAI Firm Registration No. 301003E**per Vijay Maniar**Partner
Membership No. 36738Mumbai
18 February 2014**For and on behalf of the Board of Directors****Suresh Gupta**
Chairman & Managing Director**Parag Vyavahare**
Chief Financial Officer**Anand Daga**
Company Secretary & Head Legal
Mumbai, 18 February 2014**A.Venkatrangan**
Executive Director
Jukka Moisio
Johann Sippel
Ramesh Kumar Dhir
Nripjit Singh Chawla
S.K.Palekar
P.V.Narayana

} Directors



CASH FLOW STATEMENT

For the year ended 31st December 2013

	(₹ in lac)	
	31 December 2013	31 December 2012
A. Cash Flow from Operating Activities		
Net Profit before Tax	7,656.09	6,138.98
Adjustments for		
Depreciation	3,429.99	3,451.85
Unrealised Foreign Exchange Loss (Net)	133.58	182.56
Interest Income	(16.45)	(11.43)
Dividend Income	(327.59)	(569.65)
Financial Expenses	7.93	5.47
Provision for Doubtful Debts made / (Written back)	(39.35)	51.56
(Profit)/Loss on Sale of Investments	(3.64)	(0.85)
Fixed Assets Written Off	4.44	15.28
Provision for Sales Tax made	49.61	75.73
Profit on Sale of Assets (Net)	(10.67)	(5.82)
Operating Profit before Changes in Working Capital	10,883.94	9,333.68
Adjustments for (Increase)/Decrease in		
Trade Receivables	(4,750.04)	(1,519.82)
Inventories	(596.70)	120.17
Loans and Advances	(641.22)	276.03
Other Assets	(495.37)	152.55
Adjustments for Increase / (Decrease) in		
Trade Payables	1,682.27	281.65
Other Current Liabilities	384.21	(62.72)
Provisions	(107.56)	(280.08)
Cash Generated from Operations	6,359.53	8,301.46
Direct Taxes Paid (Net of Refunds Received)	(2,399.66)	(1,926.76)
Net Cash from Operating Activities	3,959.87	6,374.70
Exceptional Item (Refer note 43)	(704.66)	–
Net Cash from Operating Activities	3,255.21	6,374.70
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(2,816.56)	(2,346.50)
Proceeds from Sale of Fixed Assets	715.39	12.53
Purchase of Investments	(23,135.95)	(27,878.12)
Sale of Investments	23,698.09	28,178.77
Investment in Subsidiary	–	(3,879.13)
Dividend Received	327.59	569.65
Interest Received	16.36	11.76
Capital Subsidy Received	30.00	–
Net Cash used in Investing Activities	(1,165.08)	(5,331.04)

CASH FLOW STATEMENT (Contd.)

For the year ended 31st December 2013

	(₹ in lac)	
	31 December 2013	31 December 2012
C. Cash Flow from Financing Activities		
Repayment of Sales Tax deferral loan	(97.77)	(55.26)
Interest Paid	(7.93)	(5.47)
Dividends Paid (Including Dividend Tax thereon)	(1,900.28)	(1,742.47)
Net Cash Used in Financing Activities	(2,005.98)	(1,803.20)
Net Increase in Cash and Cash Equivalents	84.15	(759.54)
Effect of Exchange difference on Cash and Cash equivalents held in Foreign Currency	15.94	16.30
Cash and Cash Equivalents at the Beginning of the Year	1,467.94	2,211.18
Cash and Cash Equivalents at the Close of the Year	1,568.03	1,467.94
Cash and Cash Equivalents Comprise:		
Cash on Hand	12.93	13.05
Cheques on Hand	19.97	18.07
Balances in Current Accounts with Scheduled Banks	1,474.14	1,237.67
Balances in Deposit Accounts with Scheduled Banks	3.75	148.50
Balances in Unpaid Dividend Bank Accounts *	57.24	50.65
	1,568.03	1,467.94

* These balances are not available for use by the Company, as they represent corresponding unpaid liabilities.

Notes :

- The above cashflow statement has been prepared under indirect method as per Accounting Standard-3 "Cash Flow Statement"
- Cash and Cash equivalents for the purpose of cash flow statements comprise of cash at Bank and in Hand and short term investments with an original maturity of three months or less.

As per our report of even date

For S.R. Batliboi & Co.LLP

Chartered Accountants
ICAI Firm Registration No. 301003E

per **Vijay Maniar**
Partner
Membership No. 36738

Mumbai
18 February 2014

For and on behalf of the Board of Directors

Suresh Gupta
Chairman & Managing Director

Parag Vyavahare
Chief Financial Officer

Anand Daga
Company Secretary & Head Legal
Mumbai, 18 February 2014

A.Venkatrangan
Executive Director

Jukka Moisio
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Ramesh Kumar Dhir
Nripjit Singh Chawla
S.K.Palekar
P.V.Narayana } Directors

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention (with the exception of freehold land which has been revalued and derivative financial instruments which have been measured at fair value), on the accrual basis of accounting and comply with the Companies (Accounting Standards) Rules 2006 (as amended) issued by the Central Government and relevant provisions of the Companies Act, 1956 to the extent applicable. The accounting policies have been consistently followed by the company.

2. Use of Estimates

The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in India which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements which in management's opinion are prudent and reasonable. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revision to accounting estimates is recognized prospectively in current and future periods.

3. Fixed Assets

- Fixed assets are stated at cost (or revalued amounts as the case may be) less accumulated depreciation & impairment losses, if any. Cost of fixed assets comprises of purchase price, duties, levies and any directly attributable cost of bringing each asset to its working condition for the intended use.
- Financing costs relating to borrowed funds attributable to the acquisition of qualifying fixed assets upto the completion of construction or acquisition of such fixed assets are included in the gross book value of the asset.
- Cenvat credit availed for excise duty and countervailing duty availed for customs duty payments made on fixed assets is reduced from the cost of fixed assets.
- Machinery spares which are specific to a particular item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the residual useful life of the asset.
- Capital work-in-progress includes the cost of fixed assets that are not ready to use at the balance sheet date.

4. Depreciation

a. Tangible Assets

Buildings are depreciated on written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956, which coincide with management estimate of useful life except those specified below.

Other fixed assets are depreciated on straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except those specified below.

Following assets are depreciated at the rates higher than those prescribed in Schedule XIV to the Companies Act, 1956 as in management's judgement, their estimated useful lives are shorter than those prescribed under Schedule XIV to the Companies Act, 1956.

Assets	Method of Depreciation	Rate
Computers	Straight Line Method	25.00%
Motor Vehicles	Straight Line Method	19.00%
General Furniture	Straight Line Method	9.50%
Office and Other Equipments	Straight Line Method	19.00%
Cellphones and Photocopiers	Straight Line Method	31.67%
Airconditioning Equipment used in manufacturing process	Straight Line Method	10.34%
Administrative Buildings	Written Down Value Method	10.00%
Electrical Fittings	Straight Line Method	10.34%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

Depreciation on additions/deletions to fixed assets is provided prorata from the date of addition/till the date of deletion.

Leasehold Land - Premium paid for acquisition of leasehold land is amortised over the period of lease, viz 99 years.

b. Intangible Assets

ERP software is amortised over a period of 60 months commencing from the month in which software is put to use.

Specialised software is amortised over a period of 36 months commencing from the month in which such expenditure is incurred. All upgradations/enhancements are generally charged to profit and loss account, unless they bring significant additional benefits.

Corporate club membership fees paid are amortised over the period of use, viz 10 years.

Non compete fees paid are amortised over the period of restriction, viz 3 years.

5. Foreign Currency Transactions

- Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account of the year.
- Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end are translated at the year end at the closing exchange rate and the resultant exchange differences are recognised in the profit and loss account.
- Non-monetary foreign currency items are carried at cost.
- The premium or discount on forward exchange contracts covered by AS-11 The Effects of Changes in Foreign Exchange Rates is recognised over the period of the contracts in the profit and loss account. Exchange gain or loss on forward exchange contracts covered by AS-11 The Effects of Changes in Foreign Exchange Rates is recognised in the profit and loss account.
- In compliance with the Institute of Chartered Accountants of India (ICAI) announcement dated 29th March, 2008 on accounting for derivatives, the mark to market valuation loss on forward contracts entered into, to cover the forecast transactions is charged to profit and loss account. Gain on Mark to Market valuation is ignored.

6. Inventories

- Inventories are valued at lower of cost and net realisable value.
- Raw materials, Components, Stores and Spares held for use in production of Inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
- The cost of manufactured inventories and Work-In-Process is the direct cost of manufacture plus appropriate allocated overheads & excise duty wherever applicable. Cost is determined on Weighted Average Method.
- The cost of bought out inventory is computed using the Weighted Average Method.
- The cost of loose tools is amortised over its estimated useful life.

7. Revenue Recognition

- Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. It is recognised when significant risks and rewards of ownership of goods have passed to the buyer.
- Gross sales are inclusive of Excise Duty.
- Sales are net of returns & discounts.
- Dividend income is recognised when the right to receive dividend is unconditional at the balance sheet date.
- Interest on investments is accounted on a time proportion basis taking into account the amounts invested and the rate of interest.

8. Retirements Benefits

a. Defined Contribution Plans:

Contributions payable to the recognised provident fund, which is a defined contribution plan, are charged to the profit and loss account as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

b. Defined Benefit Plans :

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans are based on the market yields on Government securities as at the balance sheet date.

When the calculation results in a benefit to the Company, the recognized asset is limited to the lower of the net total of the present value of the defined benefit obligation at the balance sheet date minus any past service cost minus fair value of plan assets as at balance sheet date and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Actuarial gains and losses are recognised immediately in the profit and loss account.

c. Other Long Term Employment Benefits :

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are determined on the basis of valuations, as at balance sheet date, carried out by an independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account.

d. Other Short Term Employment Benefits:

Company provides short term benefit of sick leave to its employees with certain accumulation provisions and same being short term and expected to be utilised within twelve months are provided on undiscounted basis.

9. Investments

- Investments, which are readily realisable and intended to be held for not more than one year from the date on which such Investments are made, are classified as current Investments. All other Investments are classified as Long Term Investments.
- Long term investments are valued at cost and an appropriate provision is made for diminution, which is other than temporary, in their value.
- Current investments are valued at cost or market value, whichever is lower.

10. Research Expenditure

Research expenditure of a revenue nature is charged off in the year in which it is incurred and expenditure of a capital nature is capitalised to fixed assets.

11. Taxation

Income tax expense comprises current income tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

12. Leases

Operating Leases

Lease payments under operating leases are recognised as an expense in the statement of profit and loss account on a straight line basis over the lease term.

13. Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. After impairment, depreciation is provided on their revised carrying amount of the asset over its remaining useful life.

14. Government Grants and Subsidies

Grants and Subsidies from the Governments are recognised when there is a reasonable assurance that (i) the company will comply with the conditions attached to them, and (ii) the grants / subsidy will be received.

Government Grants of the nature of Promoter Contribution are credited to Capital Reserve and treated as part of the Shareholders Funds.

15. Provisions and Contingent Liabilities

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

16. Earnings Per Share (EPS)

Basic EPS is computed by dividing the net profit for the period attributable to the equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period, except where the results would be anti dilutive.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

No.	31 December 2013		31 December 2012	
2	SHARE CAPITAL			
AUTHORISED CAPITAL				
150,000,000 (Previous Year 150,000,000)				
Equity shares of ₹ 2/- each	3,000.00		3,000.00	
700,000 (Previous Year 700,000) 12% Redeemable				
Cumulative Preference Shares of ₹ 100/- each	700.00		700.00	
300,000 (Previous Year 300,000) Unclassified				
Shares of ₹ 100/- each	300.00	4,000.00	300.00	4,000.00
	4,000.00		4,000.00	
ISSUED SUBSCRIBED AND PAID-UP CAPITAL				
62,687,190 (Previous Year: 62,687,190) Equity				
Shares of ₹ 2/- each fully paid-up.	1,253.74		1,253.74	
Add : Amount Received on 1,449 (Previous Year 1,449)				
forfeited Shares.	0.09	1,253.83	0.09	1,253.83
TOTAL	1,253.83		1,253.83	

a Reconciliation of the shares outstanding at the beginning & at the end of the reporting period

	31 December 2013		31 December 2012	
	Nos.	₹ in lac	Nos.	₹ in lac
At the beginning of the period	62,687,190	1,253.74	62,687,190	1,253.74
Outstanding at the end of the period	62,687,190	1,253.74	62,687,190	1,253.74

b Terms / Rights attached to equity shares.

The company has only one class of Issued, Subscribed & Paid up Equity Capital having a par value of ₹ 2/- per share. Each holder of equity share is entitled to one vote per share. The company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31st December 2013, the amount of per share dividend recognised as distributions to equity shareholders was ₹ 2.80 (31 December 2012 : ₹ 2.60)

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all Preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

c Shares held by holding company

Out of equity shares issued by the company, shares held by its holding company are as follows :

	31 December 2013		31 December 2012	
	Nos.	₹ in lac	Nos.	₹ in lac
Huhtavefa B.V., Netherlands, The Holding Company	38,095,166	761.90	38,095,166	761.90

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

d Details of Shareholders holding more than 5% shares in the company

(₹ in lac)

	31 December 2013		31 December 2012	
	Nos.	% holding in the class	Nos.	% holding in the class
Equity Shares of ₹ 2/- each fully paid up.				
Huhtavefa B. V., Netherlands, The Holding Company.	38,095,166	60.77%	38,095,166	60.77%
HDFC Trustee Company Limited	3,330,525	5.31%	3,330,525	5.31%

As per the records of the company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

	31 December 2013		31 December 2012	
3 RESERVES AND SURPLUS				
Capital Redemption Reserve		700.00		700.00
Securities Premium Account		7,936.32		7,936.32
Revaluation Reserve		275.77		275.77
Capital Reserve		30.00		—
(Capital subsidy received from State Government of Uttaranchal in respect of investment in setting up of Plant at Rudrapur)				
General Reserve				
Balance as per last Balance sheet	7,783.75		7,333.47	
Add: Amount transferred from Surplus balance in the Statement of Profit and Loss	545.31	8,329.06	450.28	7,783.75
Surplus in the statement of Profit & Loss				
Balance as per last financial statement	17,541.60		15,383.38	
Profit for the year	5,453.14		4,502.77	
Less : Appropriations				
Proposed Final Equity Dividend (Amount per share ₹ 2.80 (31st December, 2012 ₹ 2.60))	(1,755.24)		(1,629.87)	
Tax on Proposed Equity Dividend	(298.30)		(264.40)	
Differential Tax on dividend for previous year.	(12.59)		—	
Transferred to General Reserve	(545.31)		(450.28)	
Net Surplus in the statement of Profit & Loss		20,383.30		17,541.60
Total Reserves and Surplus		37,654.45		34,237.44

	31 December 2013		31 December 2012	
4 LONG - TERM BORROWINGS				
Deferred sales tax loan (Unsecured)		1,921.06		2,061.47
		1,921.06		2,061.47

The Company has availed of unsecured interest free Sales tax deferred loan from the Government of Andhra Pradesh for its Hyderabad (Bollaram) factory, in accordance with their sales tax deferral scheme. The above amount is repayable after 14 years from the date of availment of the loan. The loan is repayable annually on 1st April with 1st instalment was due on 1st April 2011 and last one being due on 1st April 2021

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

The scheduled maturity of long term borrowings is summarised below.

	(₹ in lac)	
	31 December 2013	31 December 2012
In the next one year (disclosed in note 8 being current maturities of long term borrowings)	140.41	97.77
In the second year	191.55	140.41
In the 3rd to 5th year	818.13	729.04
After 5 years	911.38	1,192.02

	31 December 2013	31 December 2012
5 DEFERRED TAX (ASSET) / LIABILITY (NET)		
Deferred Tax Liability arising on account of timing differences in :		
-Depreciation	344.53	362.83
	<u>344.53</u>	<u>362.83</u>
Deferred Tax Asset arising on account of timing differences in :		
-Provision for doubtful debts	47.41	58.03
-Provision for retirement benefits	152.65	145.93
-Effect of expenditure debited to Profit & Loss account but allowed for Tax purposes in following years	147.78	118.53
	<u>347.84</u>	<u>322.49</u>
Deferred Tax (Asset) /Liability (Net)	(3.31)	40.34

	31 December 2013	31 December 2012
6 LONG TERM PROVISIONS		
Provisions for Employee Benefits		
Provision for Employee Benefits (Refer note 39)	86.97	113.08
	<u>86.97</u>	<u>113.08</u>

	31 December 2013	31 December 2012
7 TRADE PAYABLES		
Trade Payables (Refer note 32 for details of dues to Micro and Small Enterprises.)	13,344.93	11,711.89
	<u>13,344.93</u>	<u>11,711.89</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013	31 December 2012
8 OTHER CURRENT LIABILITIES		
Unclaimed dividend *	57.24	50.66
Advance from Customers	223.17	90.53
Employee Benefits Payable	1,098.67	914.48
Employee Statutory Liabilities Payable	71.86	64.56
Taxes payable	310.53	274.42
TDS Payable	70.68	61.03
Creditors for Capital Goods	398.39	369.63
Current Maturity of Long Term Borrowings (Refer note 4)	140.41	97.77
Others	29.99	22.25
	2,400.94	1,945.33

* There is no amount due and outstanding to be credited to Investor Education & Protection Fund.

	31 December 2013	31 December 2012
9 SHORT TERM PROVISIONS		
Provision for Income Tax (Net of Advance Tax)	138.41	245.93
Provision for Employee Benefits (Refer note 39)	380.55	375.99
Provision for Mark to Market Losses on Derivative Contracts	75.04	27.39
Provision for Losses on Derivative Contracts (as per AS 11-Revised)	80.99	23.11
Provision for Litigations	287.26	266.57
Proposed Equity dividend	1,755.24	1,629.87
Provision for Tax on Proposed Equity Dividend	298.30	264.41
	3,015.79	2,833.27
Provision for Litigations		
At the beginning of the year	266.57	205.24
Arising during the year	166.47	84.33
Unused amount reversed / utilised during the year	(145.78)	(23.00)
At the end of the year	287.26	266.57

Provision for Litigation represents provision made by the company in respect of disputed Indirect Tax matters.

For the year ended 31st December 2013

(₹ in lac)

GROSS BLOCK			ACCUMULATED DEPRECIATION / AMORTISATION					NET BLOCK		
Description	Original Cost As At 01-01-2013	Additions During The Year	Deletions During The Year	Original Cost As At 31-12-2013	Opening Balance As At 01-01-2013	On Deletions During The Year	Charge For The Year	Closing Balance As up to 31-12-2013	Balance As At 31-12-2013	Balance As At 31-12-2012
TANGIBLE ASSETS										
Land - Freehold	522.66	-	-	522.66	-	-	-	-	522.66	522.66
- Leasehold	259.45	-	-	259.45	21.06	-	2.88	23.94	235.51	238.39
Buildings	6,926.97	88.98	25.69	6,990.26	3,256.04	24.13	366.12	3,598.03	3,392.23	3,670.93
Machinery	38,545.50	1,513.26	423.24	39,635.52	26,830.86	421.36	2,609.05	29,018.55	10,616.97	11,714.64
Computers	818.92	105.31	41.77	882.46	689.01	41.31	81.12	728.82	153.64	129.91
Motor Vehicles	185.27	8.88	15.01	179.14	115.10	15.01	25.49	125.58	53.56	70.17
Furniture, Fixtures	728.27	176.68	15.60	889.35	468.38	15.24	52.89	506.03	383.32	259.89
Office Equipments	267.16	95.02	20.44	341.74	211.77	20.22	23.56	215.11	126.63	55.39
Sub Total	48,254.20	1,988.13	541.75	49,700.58	31,592.22	537.27	3,161.11	34,216.06	15,484.52	16,661.98
INTANGIBLE ASSETS										
Non Compete Fees	275.00	-	200.00	75.00	243.75	200.00	24.99	68.74	6.26	31.25
Computer Softwares	1,236.93	86.62	16.96	1,306.59	848.99	16.96	238.37	1,070.40	236.19	387.94
Club Membership	55.15	-	-	55.15	12.59	-	5.52	18.11	37.04	42.56
Sub Total	1,567.08	86.62	216.96	1,436.74	1,105.33	216.96	268.88	1,157.25	279.49	461.75
Grand Total	49,821.28	2,074.75	758.71	51,137.32	32,697.55	754.23	3,429.99	35,373.31	15,764.01	17,123.73
PREVIOUS YEAR	46,831.30	3,204.92	214.94	49,821.28	29,438.67	192.97	3,451.85	32,697.55	17,123.73	-
				As At 31st December 2013		As At 31st December 2012				
				Original Cost	Written Down Value	Original Cost	Written Down Value			
1 Buildings include				1,970.87			1,970.87			
a. Buildings on leasehold land				212.62			212.62			
b. Ownership flats in Co-operative Societies on freehold land				61.78			61.78			
c. Ownership flats in Co-operative Societies on leasehold land										
2 Machinery includes Electrical Fittings being expenditure incurred on installing overhead line & metering yard for laying high tension line for drawing power from Central Power Distribution Company of Andhra Pradesh Ltd's Grid to the Hyderabad plant though ownership of the same vests with Central Power Distribution Company of Andhra Pradesh Ltd				13.60	3.64		13.60			5.04

1 Buildings include

- a. Buildings on leasehold land
- b. Ownership flats in Co-operative Societies on freehold land
- c. Ownership flats in Co-operative Societies on leasehold land

Freehold Land at Thane was revalued on 31.07.1985 based on independent valuation report. The historical cost of Freehold Land fair valued by the Company was ₹ 1.29 lacs and the fair value was ₹ 277.06 lacs. Hence the revaluation resulted in an increase in the value of Freehold Land by ₹ 275.77 lacs

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013	31 December 2012
11 NON-CURRENT INVESTMENTS		
Trade Investments (valued at cost unless stated otherwise)		
Unquoted Equity Shares		
Investment in Subsidiary	3,879.13	3,879.13
10,408 Equity Shares of ₹ 10/-each fully paid in Webtech Labels Private Limited (Previous Year 10,408 Equity Shares of ₹ 10/-each)		
	3,879.13	3,879.13
	31 December 2013	31 December 2012
12 LONG TERM LOANS & ADVANCES		
Capital Advances		
Unsecured, Considered Good	274.46	156.54
Security Deposit		
Unsecured, Considered Good	377.73	204.21
Advances recoverable in Cash or in Kind		
Unsecured Considered Good	27.83	35.13
Other Loans & Advances (Unsecured Considered Good)		
Advance Income Tax (Net of Provision)	123.95	78.42
Advance Fringe Benefit Tax (Net of Provision)	21.01	21.01
Loans / Advances to Staff	20.39	19.06
Prepaid Expenses	7.91	3.38
Balances with Customs, Excise & Sales Tax Authorities etc	632.20	508.65
	1,485.48	1,026.40
	31 December 2013	31 December 2012
13 OTHER NON-CURRENT ASSETS		
Unsecured, considered good unless stated otherwise.		
Non - Current bank balances being Deposits with original maturity of more than 12 months	0.73	0.73
Others		
Export Rebate Receivables	290.54	290.54
Recoverable from Gratuity Trust	133.99	80.10
	425.26	371.37

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)					
	Face Value	31 December 2013		31 December 2012	
		Nos.	₹ in lac	Nos.	₹ in lac
14 CURRENT INVESTMENTS (valued at lower of cost & fair value,unless stated otherwise)					
UNITS OF MUTUAL FUNDS- UNQUOTED					
Reliance Medium Term fund - Daily Dividend Plan	10	—	—	1,833,273	313.66
UTI Short Term Income Fund Institutional Dividend Plan	10	—	—	4,275,491	464.85
Templeton India Ultra Short Bond Fund-Super Institutional Plan	10	—	—	7,370,675	738.21
DWS Ultra Short Term Fund- IP-Daily Dividend	10	—	—	9,310,415	932.71
Sundaram Ultra Short Term Fund Super Institutional	10	—	—	11,287,726	1,132.95
Birla Sun Life Dynamic Bond Fund-Retail-Quarterly Dividend Reinvestment	10	—	—	2,615,838	300.00
Birla Sun Life Short Term Fund-Monthly Dividend Reinvestment	10	—	—	2,596,431	302.35
ICICI Prudential Short Term Plan -DDR Fortnightly	10	—	—	2,523,476	302.29
Templeton India Low Duration Fund- MDR	10	—	—	5,263,623	545.59
SBI Short term Debt Fund - Weekly Dividend	10	—	—	2,875,511	302.83
JP Morgon India Treasury Fund Super Inst.-DDR	10	—	—	7,018,770	702.44
Reliance Liquid fund Treasury Plan- Daily Dividend Re-investment	1,529	58,141	888.84	—	—
Kotak floater Short Term -Daily Dividend Re-investment	1,012	98,887	1,000.39	—	—
ICICI Prudential Money Market Fund-DDR	100	199,925	200.19	—	—
Birla Sun Life Floating Rate Fund-STP-DDR	100	346,535	346.61	—	—
Sundaram Money Fund Regular -DDR	10	8,839,948	892.44	—	—
Birla Sun Life Cash Plus -DDR	100	503,170	504.16	—	—
ICICI Prudential Liquid -Reg-DDR	100	734,455	734.84	—	—
HDFC Liquid Fund - DDR	10	8,941,684	911.91	—	—
TOTAL			5,479.38		6,037.88
Net Asset Value of Mutual fund Units			5,479.38		6,041.06
15 INVENTORIES (Valued at lower of cost and net realizable value)					
Raw Materials and Components [includes in transit ₹ 207.05 Lacs (31 December, 2012 ₹ 224.81 Lacs)]			5,207.11		4,497.25
Work in Process			1,235.09		1,360.71
Finished Goods			795.51		903.13
Stores & Spares			700.55		573.12
Loose Tools			975.61		982.96
			8,913.87		8,317.17

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013	31 December 2012
16 TRADE RECEIVABLES		
Trade Receivables (Unsecured)		
Outstanding for more than Six Months from the date they are due for payment		
Considered Good	–	30.94
Considered Doubtful	128.64	171.97
	<u>128.64</u>	<u>202.91</u>
Less : Provision for Doubtful Receivables	128.64	171.97
	<u>–</u>	<u>30.94</u>
Other Receivables		
Considered Good	18,555.85	13,778.25
Considered Doubtful	10.87	6.88
	<u>18,566.72</u>	<u>13,785.13</u>
Less : Provision for Doubtful Receivables	10.87	6.88
	<u>18,555.85</u>	<u>13,778.25</u>
TOTAL	18,555.85	13,809.19

	31 December 2013	31 December 2012
17 CASH AND CASH BALANCES		
Cash and Cash Equivalents		
Balances with Banks		
On Current Accounts	1,474.14	1,237.67
On Unpaid Dividend Accounts	57.24	50.65
Deposits with original maturity of less than three months	3.75	148.50
Cheques on Hand	19.97	18.07
Cash on Hand	12.93	13.05
	<u>1,568.03</u>	<u>1,467.94</u>

	31 December 2013	31 December 2012
18 SHORT TERM LOANS & ADVANCES		
Security Deposit		
Unsecured, Considered Good	28.91	28.50
Advances Recoverable in Cash or in Kind		
Unsecured Considered Good	314.08	155.49
Loans & Advances to Related Parties (Refer Note 37)		
Unsecured Considered Good	6.36	2.91
Other Loans & Advances (Unsecured Considered Good)		
Loans/Advances to Staff	39.54	47.75
Prepaid Expenses	178.82	180.87
Balances with Customs, Excise & Sales Tax Authorities etc	555.66	362.17
	<u>1,123.37</u>	<u>777.69</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013	31 December 2012
19 OTHER CURRENT ASSETS		
Unsecured, considered good unless stated otherwise.		
Un-amortised Premium on Forward Contract	26.47	27.67
DEPB Licences Available	281.84	8.46
Others		
Claims Recoverable	312.20	224.81
Export Rebate Receivables	687.03	681.14
Interest Accrued on Investments	0.35	0.26
Recoverable from Gratuity Trust	75.92	—
	1,383.81	942.34
	31 December 2013	31 December 2012
20 REVENUE FROM OPERATIONS		
Revenue from operations		
Sale of Products		
Finished Goods	106,219.90	94,311.17
Less : Excise Duty on Sales	6,639.17	6,011.85
	99,580.73	88,299.32
Other operating Revenue		
Scrap Sales	924.22	740.91
Compensation received for loss	141.98	—
Revenue from Operations (net)	100,646.93	89,040.23
Details of Products Sold		
Finished Goods Sold		
a Laminates and Converted, Coated/ Uncoated Paper and Films	96,705.44	84,780.38
b Cartons	2,460.61	3,056.34
c Others	414.68	462.60
	99,580.73	88,299.32
	31 December 2013	31 December 2012
21 OTHER INCOME		
Interest Income on		
Bank Deposits	4.39	1.88
Others	12.07	9.55
Dividend Income on Current Investments	327.59	569.65
Net Gain on Sale of Current Investments	3.64	0.85
Other Non-Operating Income		
Rent	3.87	3.76
Profit on Sale of Fixed Assets (Net)	10.67	5.82
Doubtful Debts Provision Written Back	39.35	—
Insurance Claim Received	11.57	44.08
Other Non Operating Income (net of expenses)	71.12	190.09
	484.27	825.68

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013	31 December 2012
22 RAW MATERIAL AND COMPONENTS CONSUMED		
Inventory at the beginning of the year	4,497.25	4,236.81
Add : Purchases	71,513.66	61,798.92
	76,010.91	66,035.73
Less : Inventory at the end of the year	5,207.11	4,497.25
Cost of Raw Material and Components Consumed	70,803.80	61,538.48
Details of Raw Materials and Components Consumed		
Paper	3,901.28	2,359.19
Paper Board	818.21	981.87
Films	35,257.31	29,651.02
Inks, Adhesives and Solvents	16,888.87	15,361.46
Polyethylene Granules	10,987.65	9,787.56
Others	2,950.48	3,397.38
	70,803.80	61,538.48
	31 December 2013	31 December 2012
23 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROCESS		
Inventories at the end of the year		
Work in Process	1,235.09	1,360.71
Finished Goods	795.51	903.13
	2,030.60	2,263.84
Inventories at the beginning of the year		
Work in Process	1,360.71	1,998.34
Finished Goods	903.13	674.88
	2,263.84	2,673.22
Changes in Inventories of Finished Goods and Work-in-Process	233.24	409.38
Excise Duty on Changes in Inventories of Finished Goods		
Excise Duty on Closing Finished Goods Stock	88.53	81.43
Less: Excise Duty on Opening Finished Goods Stock	81.43	51.76
	7.10	29.67
	240.34	439.05
Details of Inventory		
Work in Process		
a. Laminates and Converted, Coated/Uncoated Paper and Films	1,157.97	1,280.43
b. Cartons	53.92	63.58
c. Others	23.20	16.71
	1,235.09	1,360.71
	31 December 2013	31 December 2012
24 EMPLOYEE BENEFIT EXPENSES		
Salaries, Wages and Bonus	6,607.00	5,987.05
Contribution to Provident and Other Fund	272.59	343.36
Staff Welfare Expenses	789.60	674.88
	7,669.19	7,005.29

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013	31 December 2012
25 FINANCE COST		
Interest		
- To Banks	0.11	0.33
- To Others	7.82	5.14
	7.93	5.47
	31 December 2013	31 December 2012
26 DEPRECIATION AND AMORTISATION EXPENSES		
Depreciation of Tangible Assets	3,161.11	3,200.14
Amortisation of Intangible Assets	268.88	251.71
	3,429.99	3,451.85
	31 December 2013	31 December 2012
27 OTHER EXPENSES		
Consumption of Stores and Consumables	740.73	684.15
Power and Fuel	3,603.40	3,259.38
Repairs to Building	126.02	164.23
Repairs to Machinery	1,095.22	1,109.14
Other Repairs	191.14	169.57
Sub Contracting Expenses	882.24	870.25
Insurance	170.46	181.50
Rent	113.66	35.67
Rates and Taxes	120.11	127.93
Travelling and Conveyance	547.90	520.29
Legal and Professional Charges *	560.05	631.04
Commission-Directors	41.51	45.34
Communication Costs	132.86	130.52
Payment to Auditor (Refer note 27.1)	47.64	42.52
Donation	7.33	10.35
Printing and Stationery	67.14	78.24
Commission on Sales - Others	219.29	165.60
Freight and Forwarding Expenses	1,539.97	1,430.57
Fixed Assets Written Off	4.44	15.28
Bank Charges	64.23	70.53
Provision for Sales Tax	49.61	75.73
Provision for Doubtful Debts	—	51.56
Foreign Exchange Loss (Net)	192.37	139.77
Miscellaneous Expenses	1,511.20	1,277.63
	12,028.52	11,286.79

* Previous year includes ₹ 80.74 lac being professional fees incurred on acquisition of Subsidiary- Webtech Labels Pvt. Ltd.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013	31 December 2012
27.1 PAYMENT TO AUDITORS :		
Auditor's Remuneration		
Audit Fees	42.59	38.71
In other capacity		
Certification Fees	1.35	2.27
Reimbursement of Expenses	3.70	1.54
	47.64	42.52
	31 December 2013	31 December 2012
28 EARNINGS PER SHARE (EPS)		
Profit after Tax Excluding Exceptional Item	4,987.99	4,502.77
Profit after Tax Including Exceptional Item	5,453.14	4,502.77
Weighted Average Number of Equity Shares	62,687,190	62,687,190
Basic and Diluted Earnings per Equity Share Excluding Exceptional Item	7.96	7.18
Basic and Diluted Earnings per Equity Share Including Exceptional Item	8.70	7.18
Nominal Value of Share (in ₹)	2.00	2.00
	31 December 2013	31 December 2012
29 NET DIVIDEND REMITTED IN FOREIGN CURRENCY (EURO) TO ITS PARENT COMPANY		
Huhtavefa B.V., Netherlands.		
The particulars of dividend declared and paid to above shareholder are as under:		
a. Dividend for the year	2012	2011
b. Number of Non-resident Shareholder	1	1
c. Equity Shares held by Non-resident Shareholder	38,095,166	38,095,166
d. Gross Amount of Dividend Remitted	990.47	914.28
	31 December 2013	31 December 2012
30 CONTINGENT LIABILITIES		
a Excise Duty		
Matters in Appeal - Duty	5,202.50	5,099.57
- Penalties	147.01	125.58
Show Cause Notices - Duty	3,703.92	3,221.53
b Service Tax		
Show Cause Notices - Service Tax	49.74	34.47
Matters in Appeal - Service Tax	84.26	74.81
- Penalties	58.12	55.87
c Sales Tax Demands in Appeal	76.91	117.24
d Claims against the company not acknowledged as debts	65.18	120.83

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

Note for (a) to (d): Future cash outflows / uncertainties, if any, in respect of the above are determinable only on receipt of judgements / decisions pending with various forums / authorities.

	(₹ in lac)	
	31 December 2013	31 December 2012
31 CONTRACTS REMAINING TO BE EXECUTED ON CAPITAL ACCOUNT AND NOT PROVIDED FOR (NET OF ADVANCES).		
	3,990.31	323.04

	31 December 2013	31 December 2012
32 DISCLOSURE OF THE AMOUNTS DUE TO THE MICRO AND SMALL ENTERPRISES		
(On the basis of the information and records available with the Management.)		
The principal amount and the interest due there on remaining unpaid to any Micro/Small supplier		
- Principal amount	115.67	59.09
- Interest there on	14.18	10.85
The interest paid by the buyer as above, along with the amount of payments made beyond the appointed date during each accounting year.	—	—
The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act 2006.	—	—
The amount of interest accrued and remaining unpaid at the end of each accounting year.	3.33	4.43
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small / micro enterprise.	14.18	10.85

	Currency	31 December 2013 Foreign Currency in lac	31 December 2012 Foreign Currency in lac
33 DISCLOSURE OF DERIVATIVE INSTRUMENTS			
i Derivative Instruments Outstanding			
Forward Exchange contracts for the foreign exchange exposures of receivables on account of export of goods.	USD	12.00	13.00
ii Foreign Exchange Exposures			
Foreign Exchange exposures not covered by a derivative contract for payments to be received on account of export of goods.	USD	61.06	48.29
	EUR	0.65	0.39

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

		(₹ in lac)	
	Currency	31 December 2013 Foreign Currency in lac	31 December 2012 Foreign Currency in lac
Foreign Exchange exposures not covered by a derivative contract for payments to be made against revenue imports and capital imports creditors.	USD	36.43	30.31
	EUR	0.66	1.97
	JPY	28.04	23.97
	GBP	0.13	0.17
	SFR	–	0.10
iii Bank balance in Export Earners Foreign Currency account	USD	0.93	–
iv Derivatives taken to Cover Forecast Exposures	USD	28.00	35.00
Forward Exchange contracts taken for the forecast exports receivables on account of export of goods & services.			
Forward Exchange contracts taken for the forecasted Capital imports.	Euro	8.78	–
	JPY	–	236.10
v Closing exchange rate at Balance Sheet date (In INR)	USD	61.90	54.89
	EUR	85.37	72.42
	JPY	0.59	0.64
	GBP	102.39	88.74
	SFR	69.54	59.99
vi Mark to market valuation loss on account of forward exchange contracts entered into to cover the forecast transactions pursuant to the ICAI announcement of 29th March 2008 on Accounting for Derivatives.	₹	75.04	27.39

	31 December 2013	31 December 2012
34 VALUE OF IMPORTS ON CIF BASIS IN RESPECT OF		
a. Raw Materials	15,169.81	12,524.16
b. Stores, Spares-Parts and Other Materials	378.25	280.91
c. Capital Goods	867.37	1,272.30

35 SEGMENT REPORTING

The Company's sole business segment is consumer packaging and all activities of the Company are incidental to this sole business segment. Given this fact and that the Company services its domestic and export markets from India only, the financial statements reflect the information required by AS-17 Segment Reporting for the sole business segment of consumer packaging.

Secondary segments for the Company are geographic, namely domestic and exports. Revenue from geographic segments is based on the domicile of customers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

	(₹ in lac)	
	31 December 2013	31 December 2012
Net Sales Domestic Customers	78,309.43	71,424.60
Net Sales Export Customers	21,271.30	16,874.72
Total Net Sales	99,580.73	88,299.32
The entire business assets other than trade receivables are situated in India.		
Trade receivables outstanding in respect of domestic segment as at the year end	14,158.93	10,615.65
Trade receivables outstanding in respect of export segment as at the year end	4,396.92	3,193.54

	31 December 2013	31 December 2012
36 EARNINGS IN FOREIGN CURRENCY		
a. F.O.B. Value of Exports	19,419.68	15,110.80
b. Others	450.98	489.58

37 RELATED PARTY TRANSACTIONS

- a. Related party where control exists :

Ultimate Parent Company	Huhtamaki Oyj., Finland
Holding Company	Huhtavefa B.V., Netherlands
Subsidiary Company	Webtech Labels Private Limited
- b. Other Related Parties with whom transactions have taken place during the year :

Fellow Subsidiaries	Huhtamaki New Zealand Ltd., New Zealand.
	Huhtamaki Australia Ltd., Australia
	Huhtamaki Deutschland GmbH and Co.KG., Germany
	Huhtamki South Africa Pty Ltd., South Africa
	Huhtamaki (Thailand) Ltd., Thailand
- c. Key Managerial Personnel

Mr. Suresh Gupta	Chairman and Managing Director
Mr. M.K.Srinivasan	Chief Executive Officer and Executive Director (till 30th June 2012)
Mr. A.Venkatrangan	Executive Director
- d. Relatives of Key Managerial Personnel

Mr. Suresh Gupta	Mrs. Kumkum Gupta-Wife, Ms. Ratna Gupta-Daughter, Ms. Shivani Gupta-Daughter
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	31 December 2013	31 December 2012
e. Details of transactions with related parties that have taken place during the year :		
1) Ultimate Parent Company		
a) Software and Expense Reimbursements Charge	33.89	31.59
b) Remuneration paid by Huhtamaki Oyj to Mr.Suresh Gupta as EVP - Flexibles Packaging Global, Huhtamaki Oyj.Finland	222.25	93.04
2) Holding Company		
– Dividend Paid		
– Huhtavefa B.V., Netherlands	990.47	914.28
3) Subsidiary Company		
– Expense Reimbursement	30.19	2.91

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

	(₹ in lac)			
	31 December 2013		31 December 2012	
4) Fellow Subsidiaries				
Purchase of Goods				
– Huhtamaki Deutschland Gmbh and Co.KG., Germany		18.34		2.99
Sale of Goods				
– Huhtamaki New Zealand Ltd., New Zealand. (Net of Sales Returns)		453.17		525.44
– Huhtamaki (Thailand) Ltd, Thailand		114.79		46.39
– Huhtamaki Australia Ltd., Australia		418.05		408.03
– Huhtamaki South Africa Pty Ltd., South Africa		201.03		–
– Huhtamaki Deutschland Gmbh and Co.KG., Germany		5.37		–
Commission Expenses on Sales				
– Huhtamaki South Africa Pty Ltd., South Africa		77.72		73.84
Expense Reimbursements - Charge				
– Huhtamaki New Zealand Ltd., New Zealand		–		5.72
– Huhtamaki Australia Ltd., Australia		0.11		49.77
– Huhtamaki (Thailand) Ltd., Thailand		3.56		–
Expense Reimbursements - Recovery				
– Huhtamaki Deutschland Gmbh and Co.KG., Germany		0.91		–
Balances due to				
– Huhtamaki Oyj., Finland		21.32		23.73
– Huhtamaki South Africa Pty Ltd., South Africa		43.10		46.25
– Huhtamaki Australia Ltd., Australia		0.11		–
– Huhtamaki Deutschland Gmbh and Co.KG., Germany		8.60		–
Balances due from				
– Huhtamaki New Zealand Ltd., New Zealand.		155.30		32.91
– Huhtamaki Australia Ltd., Australia.		61.74		119.43
– Huhtamaki South Africa Pty Ltd., South Africa		49.16		–
– Webtech Labels Private Limited		6.36		2.91
5) Payments to Key Managerial Personnel and their Relatives				
Remuneration Paid to Key Managerial Personnel				
Mr. Suresh Gupta, Chairman and Managing Director	206.64		187.22	
Mr. M.K.Srinivasan, Chief Executive Officer & Executive Director	–		67.86	
Mr. A.Venkatrangan, Executive Director	146.22	352.86	47.48	302.56
Dividend Paid to Key Managerial Personnel and their Relatives				
Mr. Suresh Gupta	30.71		28.35	
Mrs. Kumkum Gupta	6.53		6.03	
Ms. Ratna Gupta	5.23		4.83	
Ms. Shivani Gupta	5.21		4.81	
Mr. A.Venkatrangan	0.13	47.81	0.12	44.14

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013		31 December 2012	
	% of Consumption	Amount	% of Consumption	Amount
38 CONSUMPTION OF RAW MATERIALS, PACKING MATERIALS & STORES & SPARES CONSUMED				
Imported	23.69%	16,948.88	22.14%	13,774.42
Indigenous	76.31%	54,595.65	77.86%	48,448.21
	100.00%	71,544.53	100.00%	62,222.63

	31 December 2013	31 December 2012
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39 DISCLOSURE PURSUANT TO ACCOUNTING STANDARD - 15 (REVISED) 'EMPLOYEE BENEFITS'

The Company has classified the various employee benefits as under

i) Defined Contribution Plans

Amount recognised as an expense and included in "Personnel costs" for Provident Fund & ESIC contributions in the Profit and Loss account.

307.77

298.87

ii) Defined Benefit Plans

The Company has classified the various benefit plans provided to employees as under :

I Gratuity Plan

Gratuity is payable to all eligible employees of the Company on superannuation, death and resignation, in terms of the provisions of the Payment of Gratuity Act or as per the Company's Scheme whichever is more beneficial.

II Leave Plan

Eligible employees can carry forward and encash leave on superannuation, death, and resignation subject to maximum limits as per Company policy.

The following table summarises the components of the net benefit expense recognised in the profit & loss account and the funded status and amount recognised in the Balance sheet for the respective plans.

(₹ in lac)

	Gratuity - Funded		Leave Encashment - Non Funded	
	2013	2012	2013	2012
I. Change in Benefit Obligation				
Opening Defined Benefit Obligation	1,274.36	1,125.94	356.89	350.30
Interest Cost	105.77	92.27	29.62	24.72
Current Service Cost	88.02	106.05	58.22	53.13
Benefit Paid	(111.39)	(80.83)	(34.72)	(56.20)
Actuarial (Gain)/ Loss on Obligations	(128.37)	30.93	(50.36)	(15.06)
Closing Defined Benefit Obligation	1,228.39	1,274.36	359.65	356.89

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	Gratuity - Funded		Leave Encashment - Non Funded	
	2013	2012	2013	2012
II. Fair Value of Plan Assets				
Fair Value of Plan Assets at the beginning of the year	1,274.36	1,125.94	—	—
Expected Return on Plan Assets	105.77	100.04	—	—
Contributions	(139.01)	52.02	—	—
Benefit Paid	—	(80.83)	—	—
Actuarial Gain/(Loss) on Plan Assets	(12.73)	77.19	—	—
Fair Value of Plan Assets at the end of the year	1,228.39	1,274.36	—	—
III. Actual Return on Plan Assets				
Actual Return on Plan Assets	93.04	177.23	—	—
Expected Return on Plan Assets	105.77	100.04	—	—
Actuarial Gain/ (Loss) on Plan Assets	(12.73)	77.19	—	—
Actuarial Gain/ (Loss) on Obligation	128.37	(30.93)	50.36	15.06
IV. Amount Recognised in the Balance Sheet				
Defined Benefit Obligation	1,228.39	1,274.36	359.65	356.89
Fair Value of Plan Assets	1,228.39	1,274.36	—	—
Funded Status	—	—	(359.65)	(356.89)
Unrecognised Actuarial Gain/(Loss)	—	—	—	—
Net Asset /(Liability) Recognised in the Balance Sheet	—	—	(359.65)	(356.89)
V. Expenses Recognised in the Profit & Loss Account				
Current Service Cost	88.02	106.05	58.22	53.13
Interest Cost	105.77	92.27	29.62	24.72
Expected Return on Plan Assets	(105.77)	(100.04)	—	—
Net Actuarial (Gain)/Loss to Be Recognised	(115.63)	(46.26)	(50.36)	(15.06)
Expense Recognised in Statement of Profit and Loss	(27.62)	52.02	37.48	62.78

The Company expects to contribute ₹ Nil to Gratuity in next year (31st December 2012: ₹ Nil)

The principal assumptions used in determining benefit obligations for the Company's plans are shown below.

Particulars	2013	2012
Discount Rate	9.50%	8.30%
Rate of Return on Plan Assets	9.50%	9.00%
Salary Escalation	7.25%	7.25%
Employee Turnover	years	%
	0-2	12%
	3-4	5%
	5-9	2.5%
	10 & Above	1%

Estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows.

Particulars	Gratuity			
	31 December 2013		31 December 2012	
	Amount in lac	%	Amount in lac	%
Investment Value in Unit Linked Plans	243.90	20%	351.12	28%
Investment Value in Non Unit Linked Plans	879.31	71%	818.06	64%
Investment Value in Special Deposit Scheme of Bank Of Baroda	105.18	9%	105.18	8%
Total	1228.39	100%	1274.36	100%

Amounts for the current and previous periods are as follows.

Particulars	Gratuity				
	2013	2012	2011	2010	2009
Defined Benefit Obligation	1,228.39	1,274.36	1,125.95	1,003.55	926.24
Plan Assets	1,228.39	1,274.36	1,125.95	1,103.17	1,057.63
Excess of Defined Benefit Obligation over Fair Value of Plan Assets.	—	—	—	(99.62)	(131.39)
Experience Adjustment on Plan Assets	—	(77.19)	(42.43)	—	—
Experience Adjustment on Plan Liabilities	14.71	30.93	(11.48)	—	—
Particulars	Leave Encashment				
	2013	2012	2011	2010	2009
Defined Benefit Obligation	359.65	356.89	306.53	287.94	267.65
Plan Assets	—	—	—	—	—
Experience Adjustment	—	—	—	—	—
Excess of Defined Benefit Obligation over Fair Value of Plan Assets.	359.65	356.89	306.53	287.94	267.65

	31 December 2013	31 December 2012
40 LEASES		
The Company has taken certain office premises and residential facilities under operating Lease arrangements.		
There are no restrictions imposed by lease arrangements. There are no subleases.		
Future lease commitments in respect of non-cancellable operating leases are as follows :		
Within one year	181.32	—
After one year but not more than five years	641.93	—
	823.25	—



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013	31 December 2012
41 EXPENDITURE IN FOREIGN CURRENCY		
a. Travelling Expenses	76.96	68.54
b. Commission on Sales	213.17	162.02
c. Service Charges Paid for Technical Services	68.48	39.09
d. Royalty	12.50	19.94
e. Professional Fees	76.82	88.21
f. Others	26.49	89.81

	31 December 2013	31 December 2012
42 RESEARCH AND DEVELOPMENT EXPENSES		
The details of expenses incurred on in-house research and development activities during the year ended 31 December 2013 as certified by the management are as follows :		
Total Revenue Expenditure *	137.19	84.11
Total Capital Expenditure **	52.61	—
Total Research & Development Expenses	189.80	84.11

* Revenue Expenditure of ₹ 137.19 lacs has been grouped under various expense heads of the Financial Statements.

** Additions to Fixed Assets in Note no. 10 includes ₹ 52.61 lacs towards Capital Expenditure have incurred for Company's in house R & D facilities.

43 EXCEPTIONAL INCOME

Exceptional Income comprises of gain realised on sale of office property at Nariman Point, Mumbai during the current year of ₹ 705 Lacs (Provision for Tax includes ₹ 239 lacs towards tax on this gain).

44 Previous year figures have been regrouped or reclassified wherever necessary, to conform to this year classifications.

As per our report of even date

For S.R. Batliboi & Co.LLP

Chartered Accountants
ICAI Firm Registration No. 301003E

per Vijay Maniar

Partner
Membership No. 36738

Mumbai
18 February 2014

For and on behalf of the Board of Directors

Suresh Gupta
Chairman & Managing Director

Parag Vyavahare
Chief Financial Officer

Anand Daga
Company Secretary & Head Legal
Mumbai, 18 February 2014

A.Venkatrangan
Executive Director

Jukka Moisio
Johann Sippel
Ramesh Kumar Dhir
Nripjit Singh Chawla
S.K.Palekar
P.V.Narayana

} Directors

STATEMENT PURSUANT TO SECTION 212 (8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

In accordance with the General Circular No: 2/2011 dated 8 February, 2011, issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, the Statement of Profit and Loss and other documents of the subsidiary are not being attached with the Annual Accounts of the Company. This Annual Report contains Consolidated Financial Statement of the Company and its subsidiary in accordance with the relevant Accounting Standards and the same has been duly audited by Statutory Auditors. The annual Accounts of the subsidiary company and related information will be made available to the shareholders of the Company and its subsidiary company on request and will also be kept open for inspection by the shareholders at the Registered Office of the Company and the subsidiary.

(₹ in lac)

Name of Subsidiary Company	Issued & Subscribed Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit/ (Loss) before Tax	Provision for Tax	Profit/ (Loss) After Tax	Proposed Dividend
WEBTECH LABELS PRIVATE LIMITED	2.04	4,105.34	8,503.16	4,395.78	0.03	7,898.92	418.81	90.19	328.62	–

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

**To The Board of Directors of
The Paper Products Limited**

We have audited the accompanying consolidated financial statements of The Paper Products Limited ("the Company") and its subsidiary, which comprise the consolidated Balance Sheet as at December 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at December 31, 2013;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO. LLP

Chartered Accountants

ICAI Firm registration number: 301003E

per Vijay Maniar

Partner

Membership No.: 36738

Mumbai

18 February 2014

CONSOLIDATED BALANCE SHEET

As at 31st December 2013

(₹ in lac)

Notes	31 December 2013	31 December 2012
EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital 2	1,253.83	1,253.83
Reserves and Surplus 3	37,826.80	34,242.19
	39,080.63	35,496.02
Minority Interest	2,012.63	1,851.61
Non-Current Liabilities		
Long - Term borrowings 4	3,991.44	3,426.35
Deferred Tax Liability (Net) 5	102.00	67.77
Long Term Provisions 6	127.38	151.79
	4,220.82	3,645.91
Current Liabilities		
Short - Term Borrowings 7	58.61	1,406.20
Trade Payables 8	14,854.81	12,824.58
Other Current Liabilities 9	2,995.74	2,321.08
Short Term Provisions 10	3,029.75	2,844.87
	20,938.91	19,396.73
TOTAL	66,252.99	60,390.27
ASSETS		
Non-Current Assets		
Fixed Assets		
Tangible Assets 11	19,359.17	20,084.54
Intangible Assets 11	1,866.47	2,256.36
Capital Work in Progress	1,097.57	446.80
Goodwill On Consolidation	1,956.73	1,956.73
Non-Current Investments 12	0.03	0.03
Deferred Tax Assets (Net) 5	3.31	—
Long Term Loans & Advances 13	1,675.83	1,154.80
Other Non Current Assets 14	428.02	431.66
	26,387.13	26,330.92
Current Assets		
Current Investments 15	5,479.38	6,037.88
Inventories 16	9,348.30	8,861.84
Trade Receivables 17	20,868.57	15,887.02
Cash and Cash Balances 18	1,579.95	1,475.94
Short Term Loans & Advances 19	1,205.85	854.13
Other Current Assets 20	1,383.81	942.54
	39,865.86	34,059.35
TOTAL	66,252.99	60,390.27

Significant Accounting Policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date

For S.R. Batliboi & Co.LLP

Chartered Accountants
ICAI Firm Registration No. 301003E

per Vijay Maniar

Partner
Membership No. 36738

Mumbai
18 February 2014

For and on behalf of the Board of Directors

Suresh Gupta
Chairman & Managing Director

Parag Vyavahare
Chief Financial Officer

Anand Daga
Company Secretary & Head Legal
Mumbai, 18 February 2014

A.Venkatrangan
Executive Director

Jukka Moisio
Johann Sippel
Ramesh Kumar Dhir
Nripjit Singh Chawla
S.K.Palekar
P.V.Narayana } Directors



CONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT

For the year ended 31st December 2013

(₹ in lac)

	Notes	31 December 2013	31 December 2012
INCOME			
Revenue from Operations (Gross)	21	115,871.82	96,156.74
Less: Excise Duty		7,321.78	6,098.01
Revenue from Operations (Net)		108,550.04	90,058.73
Other Income	22	490.27	825.87
Total Revenue		109,040.31	90,884.60
EXPENSES			
Cost of Raw Material and Components Consumed	23	74,987.04	62,123.58
Changes in Inventories of Finished goods and Work-in-Process	24	242.80	367.10
Employee Benefit Expenses	25	8,409.82	7,098.32
Finance Cost	26	374.99	59.06
Depreciation and Amortisation Expenses	27	4,201.74	3,565.28
Other Expenses	28	13,453.68	11,498.34
Total Expenses		101,670.07	84,711.68
Profit Before Exceptional Item and Tax		7,370.24	6,172.92
Exceptional Item (Refer note 39)		704.66	—
Profit Before Tax		8,074.90	6,172.92
Tax Expenses			
Current Tax		2,329.85	1,911.17
Excess Provision for earlier years written back		—	(55.60)
Deferred Tax		30.92	(187.16)
MAT Credit entitlement		(67.63)	(7.57)
Profit for the period		5,781.76	4,512.08
Share of Minority Interest		161.02	4.56
Profit After Minority Interest		5,620.74	4,507.52
Earnings per Equity Share including Exceptional Item (Nominal value-₹ 2 (Previous Year-₹ 2))	29		
1. Basic		8.97	7.19
2. Diluted		8.97	7.19
Earnings per equity share excluding Exceptional Item			
1. Basic		8.23	7.19
2. Diluted		8.23	7.19

Significant Accounting Policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date

For S.R. Batliboi & Co.LLP

Chartered Accountants
ICAI Firm Registration No. 301003E

per Vijay Maniar
Partner
Membership No. 36738

Mumbai
18 February 2014

For and on behalf of the Board of Directors

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Nripjit Singh Chawla
S.K.Palekar
P.V.Narayana

} Directors



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2013

	(₹ in lac)	
	31 December 2013	31 December 2012
A. Cash Flow from Operating Activities		
Net Profit before Tax	8,074.90	6,172.92
Adjustments for		
Depreciation	4,201.74	3,565.28
Unrealised Foreign Exchange Loss (Net)	135.05	182.56
Interest Income	(22.24)	(11.63)
Dividend Income	(327.59)	(569.65)
Financial Expenses	374.99	59.06
Provision for doubtful debts made/(written back)	(39.35)	51.56
(Profit)/Loss on Sale of Investments	(3.64)	(0.85)
Fixed Assets written Off	4.44	15.28
Provision for Sales Tax made	49.61	75.73
Profit on Sale of Assets (Net)	(7.46)	(5.82)
Operating Profit before Changes in Working Capital	12,440.45	9,534.44
Adjustments for (Increase)/Decrease in		
Trade Receivables	(4,984.92)	(1,635.55)
Inventories	(486.46)	(34.22)
Loans and Advances	(651.28)	457.02
Other Assets	(437.65)	92.55
Adjustments for Increase/(Decrease) in		
Trade Payables	2,079.46	72.08
Other Current Liabilities	435.55	(5.73)
Provisions	(103.51)	(273.68)
Cash Generated from Operations	8,291.64	8,206.91
Direct Taxes Paid (Net of Refunds Received)	(2,496.11)	(1,954.19)
Net Cash from Operating Activities	5,795.53	6,252.72
Exceptional Item (Refer note 39)	(704.66)	–
Net Cash from Operating Activities	5,090.87	6,252.72
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(3,818.34)	(2,409.27)
Proceeds from Sale of Fixed Assets	719.54	12.53
Purchase of Investments	(23,135.95)	(27,878.15)
Sale of Investments	23,698.09	28,178.77
Expenditure on acquisition of subsidiary	–	(111.75)
Purchase of Business from Webtech Industries Pvt.Ltd	–	(3,767.33)
Dividend Received	327.59	569.65
Interest Received	22.14	11.76
Capital Subsidy Received	30.00	–
Net Cash used in Investing Activities	(2,156.93)	(5,393.79)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2013

	(₹ in lac)	
	31 December 2013	31 December 2012
C. Cash Flow from Financing Activities		
Repayment of Sales Tax Deferral Loan	(97.77)	(55.26)
Repayment of Long Term Borrowings	(316.41)	(38.65)
Repayment of Short Term Borrowings	(1,347.58)	262.08
Proceeds from Long Term Borrowings	1,195.94	—
Interest Paid	(379.77)	(54.28)
Dividends Paid (Including Dividend Tax thereon)	(1,900.28)	(1,742.47)
Net Cash Used in Financing Activities	(2,845.87)	(1,628.58)
Net Increase/(Decrease) in Cash and Cash Equivalents	88.07	(769.65)
Effect of Exchange difference on Cash and Cash equivalents held in Foreign Currency	15.94	16.30
Cash and Cash Equivalents at the Beginning of the Year	1,475.94	2,229.29
Cash and Cash Equivalents at the Close of the Year	1,579.95	1,475.94
Cash and Cash Equivalents Comprise:		
Cash on Hand	13.94	14.73
Cheques on Hand	19.97	18.07
Balances in Current Accounts with Scheduled Banks	1,485.05	1,243.98
Balances in Deposit Accounts with Scheduled Banks	3.75	148.50
Balances in Unpaid Dividend Bank Accounts *	57.24	50.66
	1,579.95	1,475.94

* These balances are not available for use by the Company, as they represent corresponding unpaid liabilities.

Notes :

- The above cashflow statement has been prepared under indirect method as per Accounting Standard-3 "Cash Flow Statement"
- Cash and Cash equivalents for the purpose of cash flow statements comprise of cash at Bank and in Hand and short term investments with an original maturity of three months or less.

As per our report of even date

For S.R. Batliboi & Co.LLP

Chartered Accountants
ICAI Firm Registration No. 301003E

per Vijay Maniar
Partner
Membership No. 36738

Mumbai
18 February 2014

For and on behalf of the Board of Directors

Suresh Gupta
Chairman & Managing Director

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Chief Financial Officer

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Company Secretary & Head Legal
Mumbai, 18 February 2014

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Executive Director

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Nripjit Singh Chawla
S.K.Palekar
P.V.Narayana } Directors

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. GROUP INFORMATION

Subsidiary considered in this Consolidated Financial Statement-

Name of the Company	Country of Incorporation	% of Ownership at 31st December 2013	% of Ownership at 31st December 2012
Webtech Labels Private Limited	India	51%	51%

The financial statements of subsidiary considered in consolidated accounts are drawn upto the same date i.e. 31 December 2013

B. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements relate to The Paper Products Limited ('the company') and its subsidiary company (hereinafter referred as "the Group"). The consolidated financial statements have been prepared on the following basis.

- The financial statements of the Company and its subsidiary company have been consolidated on line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21-"Consolidated Financial Statements" as notified by Companies (Accounting Standards) Rules 2006 (as amended).
- The difference between the cost of investment in the subsidiary and the company's share of equity on the date of acquisition of shares in the subsidiary is recognised in the financial statement as Goodwill or Capital Reserve as the case may be.
- Minority Interest's share of net profit of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the company.
- Minority Interest's share of net assets of Consolidated subsidiary is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the company's shareholders.
- The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the company's separate financial statements.

C. OTHER SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention (with the exception of freehold land which has been revalued and derivative financial instruments which have been measured at fair value), on the accrual basis of accounting and comply with the Companies (Accounting Standards) Rules 2006 (as amended) issued by the Central Government and relevant provisions of the Companies Act, 1956 to the extent applicable. The accounting policies have been consistently followed by the Group.

b. Use of Estimates

The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in India which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements which in management's opinion are prudent and reasonable. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revision to accounting estimates is recognized prospectively in current and future periods.

c. Fixed Assets

- Fixed assets are stated at cost (or revalued amounts as the case may be) less accumulated depreciation & impairment losses, if any. Cost of fixed assets comprises of purchase price, duties, levies and any directly attributable cost of bringing each asset to its working condition for the intended use.
- Financing costs relating to borrowed funds attributable to the acquisition of qualifying fixed assets upto the completion of construction or acquisition of such fixed assets are included in the gross book value of the asset.
- Cenvat credit availed for excise duty and countervailing duty availed for customs duty payments made on fixed assets is reduced from the cost of fixed assets.
- Machinery spares which are specific to a particular item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the residual useful life of the asset.
- Capital work-in-progress includes the cost of fixed assets that are not ready to use at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

d. Intangibles

Intangible Assets acquired separately are measured on initial recognition at cost. Following, initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

e. Depreciation

i. Tangible Assets

Buildings are depreciated on written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956 which coincide with management estimate of useful life except those specified below. Other fixed assets are depreciated on straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except those specified below.

Following assets are depreciated at the rates higher than those prescribed in Schedule XIV to the Companies Act, 1956 as in management's judgement, their estimated useful lives are shorter than those prescribed under Schedule XIV to the Companies Act, 1956.

Assets	Method of Depreciation	Rate
Computers	Straight Line Method	25.00%
Motor Vehicles	Straight Line Method	19.00%
General Furniture	Straight Line Method	9.50%
Office and Other Equipments	Straight Line Method	19.00%
Cellphones and Photocopiers	Straight Line Method	31.67%
Airconditioning Equipment used in manufacturing process	Straight Line Method	10.34%
Administrative Buildings	Written Down Value Method	10.00%
Electrical Fittings	Straight Line Method	10.34%

Depreciation on additions/deletions to fixed assets is provided prorata from the date of addition/till the date of deletion.

Leasehold Land - Premium paid for acquisition of leasehold land is amortised over the period of lease, viz 99 years.

ii. Intangible Assets

ERP software is amortised over a period of 60 months commencing from the month in which software is put to use.

Specialised software is amortised over a period of 36 months commencing from the month in which such expenditure is incurred. All upgradations/enhancements are generally charged to profit and loss account, unless they bring significant additional benefits.

Goodwill is amortised over a period of 10 years.

Corporate club membership fees paid are amortised over the period of use, viz 10 years.

Non compete fees paid are amortised over the period of restriction, viz 3/5 years.

f. Goodwill on Consolidation

Goodwill arising on Consolidation is valued at cost, and provision is made for impairment if applicable.

g. Foreign Currency Transactions

- Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account of the year.
- Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end are translated at the year end at the closing exchange rate and the resultant exchange differences are recognised in the profit and loss account.
- Non-monetary foreign currency items are carried at cost.
- The premium or discount on forward exchange contracts covered by AS-11 The Effects of Changes in Foreign Exchange Rates is recognised over the period of the contracts in the profit and loss account. Exchange gain or loss on forward exchange contracts covered by AS-11 The Effects of Changes in Foreign Exchange Rates is recognised in the profit and loss account.
- In compliance with the Institute of Chartered Accountants of India (ICAI) announcement dated 29th March, 2008 on accounting for derivatives, the mark to market valuation loss on forward contracts entered into, to cover the forecast transactions is charged to profit and loss account. Gain on Mark to Market valuation is ignored.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

h. Inventories

- Inventories are valued at lower of cost and net realisable value.
- Raw materials, Components, Stores and Spares held for use in production of Inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
- The cost of manufactured inventories and Work-In-Process is the direct cost of manufacture plus appropriate allocated overheads & excise duty wherever applicable. Cost is determined on Weighted Average Method.
- The cost of bought out inventory is computed using the Weighted Average Method.
- The cost of loose tools is amortised over its estimated useful life.

i. Revenue Recognition

- Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. It is recognised when significant risks and rewards of ownership of goods have passed to the buyer.
- Gross sales are inclusive of Excise Duty.
- Sales are net of returns and discounts
- Dividend income is recognised when the right to receive dividend is unconditional at the balance sheet date.
- Interest on investments is accounted on a time proportion basis taking into account the amounts invested and the rate of interest.

j. Retirements Benefits

i. Defined Contribution Plans:

Contributions payable to the recognised provident fund, which is a defined contribution plan, are charged to the profit and loss account as incurred.

ii. Defined Benefit Plans :

The Group's gratuity benefit scheme is a defined benefit plan. The Group's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans are based on the market yields on Government securities as at the balance sheet date.

When the calculation results in a benefit to the Group, the recognized asset is limited to the lower of the net total of the present value of the defined benefit obligation at the balance sheet date minus any past service cost minus fair value of plan assets as at balance sheet date and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Actuarial gains and losses are recognised immediately in the profit and loss account.

iii. Other Long Term Employment Benefits :

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are determined on the basis of valuations, as at balance sheet date, carried out by an independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account.

iv. Other Short Term Employment Benefits:

Group provides short term benefit of sick leave to its employees with certain accumulation provisions and same being short term and expected to be utilised within twelve months are provided on undiscounted basis.

k. Investments

- Investments, which are readily realisable and intended to be held for not more than one year from the date on which such Investments are made, are classified as current Investments. All other Investments are classified as Long Term Investments.
- Long term investments are valued at cost and an appropriate provision is made for diminution, which is other than temporary, in their value.
- Current investments are valued at cost or market value, whichever is lower.

l. Research Expenditure

Research expenditure of a revenue nature is charged off in the year in which it is incurred and expenditure of a capital nature is capitalised to fixed assets.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

m. Taxation

Income tax expense comprises current income tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and deferred tax liabilities are offset at entity level, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The individual entity recognizes MAT credit available as an asset only to the extent that there is convincing evidence that it will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which individual entity recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The individual entity reviews the "MAT Credit Entitlement" asset at each reporting date and writes down the asset to the extent the individual entity does not have convincing evidence that it will pay normal tax during the specified period.

n. Leases

Operating Leases

Lease payments under operating leases are recognised as an expense in the statement of profit and loss account on a straight line basis over the lease term.

o. Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. After impairment, depreciation is provided on their revised carrying amount of the asset over its remaining useful life.

p. Government Grants and subsidies

Grants and Subsidies from the Governments are recognised when there is a reasonable assurance that (i) the company will comply with the conditions attached to them, and (ii) the grants / subsidy will be received.

Government Grants of the nature of Promoter Contribution are credited to Capital Reserve and treated as part of the Shareholders Funds

q. Provisions and Contingent Liabilities

The Group creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

r. Earnings Per Share (EPS)

Basic EPS is computed by dividing the net profit for the period attributable to the equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period, except where the results would be anti dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013		31 December 2012	
2 SHARE CAPITAL				
AUTHORISED CAPITAL				
150,000,000 (Previous Year 150,000,000)				
Equity shares of ₹ 2/- each	3,000.00		3,000.00	
700,000 (Previous Year 700,000) 12% Redeemable				
Cumulative Preference Shares of ₹ 100/- each	700.00		700.00	
300,000 (Previous Year 300,000) Unclassified				
Shares of ₹ 100/- each	300.00	4,000.00	300.00	4,000.00
		4,000.00		4,000.00
ISSUED SUBSCRIBED AND PAID-UP CAPITAL				
62,687,190 (Previous Year: 62,687,190) Equity				
Shares of ₹ 2/- each fully paid-up.	1,253.74		1,253.74	
Add : Amount Received on 1,449 (Previous Year 1,449) forfeited Shares.	0.09	1,253.83	0.09	1,253.83
TOTAL		1,253.83		1,253.83

a Reconciliation of the shares outstanding at the beginning & at the end of the reporting period.

	31 December 2013		31 December 2012	
	Nos.	₹ in lac	Nos.	₹ in lac
At the beginning of the period	62,687,190	1,253.74	62,687,190	1,253.74
Outstanding at the end of the period	62,687,190	1,253.74	62,687,190	1,253.74

b Terms /rights attached to equity shares.

The company has only one class of Issued, Subscribed & Paid up Equity Capital having a par value of ₹ 2/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31st December 2013, the amount of per share dividend recognised as distributions to equity shareholders was ₹2.80 (31 December 2012 : Rs.2.60)

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all Preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

c Shares held by holding company

Out of equity shares issued by the company, shares held by its holding company are as follows :

	31 December 2013		31 December 2012	
	Nos.	₹ in lac	Nos.	₹ in lac
Huhtavefa B.V., Netherlands, The Holding Company	38,095,166	761.90	38,095,166	761.90



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)				
	31 December 2013		31 December 2012	
	Nos.	% holding in the class	Nos.	% holding in the class
d Details of Shareholders holding more than 5% shares in the company.				
Equity shares of ₹2/- each fully paid up.				
Huhtavefa B.V., Netherlands, The Holding Company.	38,095,166	60.77%	38,095,166	60.77%
HDFC Trustee Company Limited	3,330,525	5.31%	3,330,525	5.31%

As per the records of the company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

	31 December 2013		31 December 2012	
3 RESERVES AND SURPLUS				
Capital Redemption Reserve		700.00		700.00
Securities Premium Account		7,936.32		7,936.32
Revaluation Reserve		275.77		275.77
Capital Reserve		30.00		—
(Capital subsidy received from State Government of Uttaranchal in respect of investment in setting up of Plant at Rudrapur)				
General Reserve				
Balance as per last Balance sheet	7,783.75		7,333.47	
Add: Amount transferred from Surplus balance in the Statement of Profit and Loss	545.31	8,329.06	450.28	7,783.75
Surplus in the statement of Profit & Loss				
Balance as per last financial statement	17,546.35		15,383.39	
Profit for the year	5,620.74		4,507.52	
Less : Appropriations				
Proposed Final Equity Dividend (Amount per share ₹ 2.80 (31st December, 2012 ₹ 2.60))	(1,755.24)		(1,629.87)	
Tax on Proposed Equity Dividend	(298.30)		(264.41)	
Differential Tax on dividend for previous year.	(12.59)		—	
Transferred to General Reserve	(545.31)		(450.28)	
Net Surplus in the statement of Profit & Loss		20,555.64		17,546.35
Total Reserves and Surplus		37,826.80		34,242.19

	31 December 2013		31 December 2012	
4 LONG - TERM BORROWINGS				
Deferred sales tax loan (Unsecured)		1,921.06		2,061.47
Indian Rupee loan from bank (secured)		2,070.38		1,364.88
		3,991.44		3,426.35

The Group has availed of unsecured interest free Sales tax deferred loan from the Government of Andhra Pradesh for its Hyderabad (Bollaram) factory, in accordance with their sales tax deferral scheme. The above amount is repayable after 14 years from the date of availment of the loan. The loan is repayable annually on 1st April with 1st instalment due on 1st April 2011 and last one being due on 1st April 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013	31 December 2012
The scheduled maturity of Deferred Sales Tax loan is summarised below.		
In the next one year	140.41	97.77
In the second year	191.55	140.41
In the 3rd to 5th year	818.13	729.04
After 5 years	911.39	1,192.02

Indian rupee loan from bank carries interest @ Prime Lending Rate (PLR) less 5% p. a., The loan is repayable in 60 monthly installments of ₹ 60.84 lacs each along with interest, from the date of loan. The loan is secured by hypothecation of Machinery of Webtech Labels Pvt Ltd.

	31 December 2013		31 December 2012	
5 DEFERRED TAX (ASSET)/LIABILITY (NET)	Deferred Tax Asset	Deferred Tax Liability	Deferred Tax Asset	Deferred Tax Liability
Deferred Tax Liability arising on account of timing differences in :				
-Depreciation	–	476.75	–	401.21
	–	476.75	–	401.21
Deferred Tax Asset arising on account of timing differences in :				
-Unabsorbed losses*	30.22	–	10.95	–
-Provision for doubtful debts	47.40	–	58.03	–
-Provision for retirement benefits	152.65	–	145.93	–
-Effect of expenditure debited to Profit & Loss account but allowed for Tax purposes in following years	147.79	–	118.53	–
Deferred Tax (Asset)/Liability (Net)	378.06	476.75	333.44	401.25
(*) Recognised on account of reversible timing differences.				
		98.69		67.77
Disclosed as under				
Deferred Tax Liability (Net)	102.00			67.77
Deferred Tax Assets (Net)	3.31			–
	98.69			67.77

	31 December 2013	31 December 2012
6 LONG TERM PROVISIONS		
Provision for Employee Benefits	127.38	151.79
Provision for Employee Benefits (Refer note 35)		
	127.38	151.79



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013	31 December 2012
7 SHORT TERM BORROWINGS		
Cash Credit from Banks (secured)	58.61	1,051.90
Other Unsecured Loan	–	354.30
	58.61	1,406.20

Cash credit from banks is secured against hypothecation of stock and book debts. The cash credit carries interest @ PLR less 5% p.a.
Other unsecured loan carries interest @ 9% p.a., the loan is repayable on demand which has been repaid in the current year.

	31 December 2013	31 December 2012
8 TRADE PAYABLES		
Trade Payables	14,854.81	12,824.58
	14,854.81	12,824.58

	31 December 2013	31 December 2012
9 OTHER CURRENT LIABILITIES		
Unclaimed dividend*	57.24	50.66
Advance from Customers	223.17	90.53
Employee Benefits payable	1,200.90	987.29
Employee Statutory Liabilities payable	78.00	70.64
Taxes payable	342.62	302.38
TDS Payable	83.50	68.77
Creditors for capital goods	398.67	370.11
Current maturity of Long Term Borrowings (Refer note 4)	570.36	353.69
Interest accrued and due on Borrowings	–	4.78
Others	41.28	22.23
	2,995.74	2,321.08

* There is no amount due and outstanding to be credited to Investor Education & Protection Fund.

	31 December 2013	31 December 2012
10 SHORT TERM PROVISIONS		
Provision for Income Tax (Net of Advance Tax)	138.41	245.93
Provision for Employee Benefits (Refer note 35)	394.51	387.59
Provision for Mark to Market Losses on Derivative Contracts	75.04	27.39
Provision for Losses on Derivative Contracts (as per AS 11-Revised)	80.99	23.11
Provision for Litigations	287.26	266.57
Proposed Equity dividend	1,755.24	1,629.87
Provision for Tax on Proposed Equity Dividend	298.30	264.41
	3,029.75	2,844.87
Provision for Litigations		
Opening Balance	266.57	205.24
Arising during the year	166.47	84.33
Unused amount reversed/utilised during the year	(145.78)	(23.00)
At the end of the year	287.26	266.57

Provision for Litigation represents provision made by the group in respect of disputed Indirect Tax matters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

11. FIXED ASSETS

Description	GROSS BLOCK			ACCUMULATED DEPRECIATION / AMORTISATION				NET BLOCK	
	Original Cost as at 01-01-2013	Additions During the Year	Deletions During the year	Original Cost as at 31-12-2013	Opening Balance as at 01-01-2013	On Deletions During The Year	Charge for the Year	Closing Balance at 31/12/2013	Balance as at 31/12/2013
TANGIBLE ASSETS									
Land - Freehold	522.66	-	-	522.66	-	-	-	522.66	522.66
- Leasehold	259.45	-	-	259.45	21.06	-	2.88	23.94	238.39
Buildings	6,926.97	88.98	25.69	6,990.26	3,256.04	24.13	366.12	3,598.03	3,670.93
Machinery	41,906.20	2,502.51	430.42	43,978.29	26,910.20	422.26	3,119.36	29,607.30	14,996.00
Computers	843.17	113.48	42.69	913.96	693.73	41.91	91.12	742.94	149.44
Motor vehicles	199.05	10.80	18.63	191.22	116.70	17.90	30.12	128.92	82.35
Furniture, fixtures	829.49	180.51	15.60	994.40	476.48	15.24	68.65	529.89	353.01
Office Equipments	287.31	96.32	20.77	362.86	215.55	20.53	27.89	222.91	71.76
Sub Total	51,774.30	2,992.60	553.80	54,213.10	31,689.76	541.97	3,706.14	34,853.93	20,084.54
INTANGIBLE ASSETS									
Non compete Fees	689.00	-	200.00	489.00	258.27	200.00	107.80	166.07	430.73
Computer									
Softwares	1,237.43	105.71	16.96	1,326.18	849.02	16.96	240.33	1,072.39	388.41
Club Membership	55.15	-	-	55.15	12.60	-	5.51	18.11	42.55
Goodwill	1,419.56	-	-	1,419.56	24.89	-	141.96	166.85	1,394.67
Sub Total	3,401.14	105.71	216.96	3,289.89	1,144.78	216.96	495.60	1,423.42	2,256.36
Grand Total	55,175.44	3,098.31	770.76	57,502.99	32,834.54	758.93	4,201.74	36,277.35	22,340.90
Previous year	46,831.29	8,559.09	214.94	55,175.44	29,438.67	192.95	3,588.82	32,834.54	22,340.90

As At 31st December 2013

As At 31st December 2012

Original Cost	Written Down Value	Original Cost	Written Down Value
1,970.87		1,970.87	
212.62		212.62	
61.78		61.78	
13.60	3.64	13.60	5.04

1 Buildings include

- Buildings on leasehold land
- Ownership flats in Co-operative Societies on freehold land
- Ownership flats in Co-operative Societies on leasehold land

2 Machinery includes Electrical Fittings being expenditure incurred on installing overhead line & metering yard for laying high tension line for drawing power from Central Power Distribution Company of Andhra Pradesh Ltd's Grid to the Hyderabad plant though ownership of the same vests with Central Power Distribution Company of Andhra Pradesh Ltd

3 Freehold Land at Thane was revalued on 31.07.1985 based on independent valuation report. The historical cost of Freehold Land fair valued by the Company was ₹ 1.29 lacs and the fair value was ₹ 277.06 lacs. Hence the revaluation resulted in an increase in the value of Freehold Land by ₹ 275.77 lacs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)		
	31 December 2013	31 December 2012
12 NON-CURRENT INVESTMENTS		
Trade Investments (Valued at cost unless stated otherwise)		
Unquoted Equity Instruments		
100 Equity shares of ₹ 25/- each fully paid up in Shamrao Vithal Co-op Bank Ltd	0.03	0.03
	0.03	0.03
	31 December 2013	31 December 2012
13 LONG TERM LOANS & ADVANCES		
Capital Advances		
Unsecured, Considered good	306.36	208.50
Security Deposit		
Unsecured, Considered good	427.29	253.21
Advances recoverable in Cash or in Kind		
Unsecured considered good	27.82	35.13
Other loans & advances (Unsecured considered good)		
Advance Income Tax (Net of Provision)	157.65	98.28
Advance Fringe Benefit Tax (Net of Provision)	21.01	21.01
MAT Credit entitlement	75.20	7.57
Loans/Advances to Staff	20.39	19.06
Prepaid Expenses	7.91	3.38
Balances with Customs, Excise and Sales Tax Authorities etc	632.20	508.66
	1,675.83	1,154.80
	31 December 2013	31 December 2012
14 OTHER NON-CURRENT ASSETS		
Unsecured, considered good unless stated otherwise.		
Margin Money deposit	2.48	60.00
Non - Current bank balances being Deposits with original maturity of more than 12 months	1.01	1.02
Others		
Export Rebate Receivables	290.54	290.54
Recoverable from Gratuity Trust	133.99	80.10
	428.02	431.66

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)					
		31 December 2013		31 December 2012	
15	CURRENT INVESTMENTS (valued at lower of cost & fair value, unless stated otherwise)				
	Face Value	Nos.	Amount	Nos.	Amount
UNITS OF MUTUAL FUNDS-UNQUOTED					
Reliance Medium Term fund - Daily Dividend Plan	10	—	—	1,833,273	313.66
UTI Short Term Income Fund Institutional Dividend Plan	10	—	—	4,275,491	464.85
Templeton India Ultra Short Bond Fund-Super Institutional Plan	10	—	—	7,370,675	738.21
DWS Ultra Short Term Fund- IP-Daily Dividend	10	—	—	9,310,415	932.71
Sundaram Ultra Short Term Fund Super Institutional	10	—	—	11,287,726	1,132.95
Birla Sun Life Dynamic Bond Fund-Retail-Quarterly Dividend Reinvestment	10	—	—	2,615,838	300.00
Birla Sun Life Short Term Fund-Monthly Dividend Reinvestment	10	—	—	2,596,431	302.35
ICICI Prudential Short Term Plan -DDR Fortnightly	10	—	—	2,523,476	302.29
Templeton India Low Duration Fund- MDR	10	—	—	5,263,623	545.59
SBI Short term Debt Fund - Weekly Dividend	10	—	—	2,875,511	302.83
JP Morgon India Treasury Fund Super Inst.-DDR	10	—	—	7,018,770	702.44
Reliance Liquid fund Treasury Plan- Daily Dividend Re-investment	1,529	58,141	888.84	—	—
Kotak floater Short Term -Daily Dividend Re-investment	1,012	98,887	1,000.39	—	—
ICICI Prudential Money Market Fund-DDR	100	199,925	200.19	—	—
Birla Sun Life Floating Rate Fund-STP-DDR	100	346,535	346.61	—	—
Sundaram Money Fund Regular -DDR	10	8,839,948	892.44	—	—
Birla Sun Life Cash Plus -DDR	100	503,170	504.16	—	—
ICICI Prudential Liquid -Reg-DDR	100	734,455	734.84	—	—
HDFC Liquid Fund - DDR	10	8,941,684	911.91	—	—
TOTAL		5,479.38		6,037.88	
Net Asset Value of Mutual fund Units		5,479.38		6,041.06	
		31 December 2013		31 December 2012	
16	INVENTORIES (Valued at lower of cost and net realizable value)				
Raw Materials and Components [includes in transit ₹ 207.05 lac 2012 (31 December, 2012 ₹ 224.81lac)]			5,572.05		4,969.96
Work in Process			1,304.58		1,432.66
Finished Goods			795.51		903.13
Stores & Spares			700.55		573.13
Loose Tools			975.61		982.96
			9,348.30		8,861.84

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013	31 December 2012
17 TRADE RECEIVABLES		
Trade Receivables (Unsecured)		
Outstanding for more than Six Months from the date they are due for payment.		
Considered Good	–	30.93
Considered Doubtful	161.87	205.20
	161.87	236.13
Less:Provision for Doubtful Receivables	161.87	205.20
	–	30.93
Other Receivables		
Considered Good	20,868.57	15,856.09
Considered Doubtful	10.87	6.88
	20,879.44	15,862.97
Less:Provision for Doubtful Receivables	10.87	6.88
	20,868.57	15,856.09
	20,868.57	15,887.02

	31 December 2013	31 December 2012
18 CASH AND CASH BALANCES		
Cash and Cash Equivalents		
Balances with Banks		
On Current Accounts	1,485.05	1,243.98
On Unpaid Dividend Accounts	57.24	50.66
Deposits with original maturity of less than three months	3.75	148.50
Cheques on Hand	19.97	18.07
Cash on Hand	13.94	14.73
	1,579.95	1,475.94

	31 December 2013	31 December 2012
19 SHORT TERM LOANS & ADVANCES		
Security Deposit		
Unsecured,Considered good	28.91	28.50
Advances recoverable in Cash or in Kind		
Unsecured,Considered good	314.56	191.30
Other loans & advances (Unsecured considered good)		
Loans/Advances to Staff	52.33	56.84
Prepaid Expenses	197.96	197.07
Balances with Customs, Excise, and Sales Tax Authorities etc	612.09	380.42
	1,205.85	854.13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

		(₹ in lac)	
		31 December 2013	31 December 2012
20 OTHER CURRENT ASSETS			
Unsecured, considered good unless stated otherwise.			
Un-amortised premium on forward contract		26.47	27.67
DEPB Licences available		281.84	8.46
Others			
Claims recoverable		312.20	224.80
Export Rebate Receivables		687.03	681.15
Interest Accrued on Investments & Fixed Deposits		0.35	0.46
Recoverable from Gratuity Trust		75.92	–
		1,383.81	942.54
		31 December 2013	31 December 2012
21 REVENUE FROM OPERATIONS			
Revenue from operations			
Sale of Products			
Finished Goods		114,801.43	95,415.43
Less : Excise Duty on Sales		7,321.78	6,098.01
		107,479.65	89,317.42
Other operating Revenue			
Scrap Sales		928.41	741.31
Compensation Received		141.98	–
Revenue from Operations (net)		108,550.04	90,058.73
		31 December 2013	31 December 2012
22 OTHER INCOME			
Interest Income on			
Bank Deposits		10.17	2.08
Others		12.07	9.55
Dividend Income on Current Investments		327.59	569.65
Net gain on sale of Investments		3.64	0.85
Other non-operating income			
Rent		3.87	3.76
Profit on Sale of Fixed Assets (Net)		7.46	5.82
Doubtful Debts Provision Written Back		39.35	–
Insurance claim Received		11.57	44.08
Other Non Operating Income (net of expenses)		74.55	190.08
		490.27	825.87
		31 December 2013	31 December 2012
23 COST OF RAW MATERIALS AND COMPONENTS CONSUMED			
Inventory at the beginning of the year		4,969.96	4,236.81
Add : Purchases		75,589.13	62,856.73
		80,559.09	67,093.54
Less : Inventory at the end of the year		5,572.05	4,969.96
Cost of raw material and components consumed		74,987.04	62,123.58



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

		(₹ in lac)	
		31 December 2013	31 December 2012
24 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROCESS			
Inventories at the end of the year			
Work in Process		1,304.58	1,432.66
Finished Goods		795.51	903.13
		<u>2,100.09</u>	<u>2,335.79</u>
Inventories at the beginning of the year			
Work in Process		1,432.66	1,998.34
Finished Goods		903.13	674.88
		<u>2,335.79</u>	<u>2,673.22</u>
		<u>235.70</u>	<u>337.43</u>
Changes in Inventories of Finished Goods and Work-in-Process			
Excise Duty on Changes in Inventories of Finished Goods			
Excise Duty on Closing Finished Goods Stock	88.53		81.43
Less: Excise Duty on Opening Finished Goods Stock	81.43	7.10	51.76
			29.67
Net (Increase) / Decrease in Inventories		242.80	367.10
		31 December 2013	31 December 2012
25 EMPLOYEE BENEFIT EXPENSES			
Salaries, Wages and Bonus		7,219.92	6,067.48
Contribution to Provident and Other Fund		317.35	347.15
Staff welfare Expenses		872.55	683.69
		<u>8,409.82</u>	<u>7,098.32</u>
		31 December 2013	31 December 2012
26 FINANCE COST			
Interest			
- To Banks		303.19	41.40
- To Others		13.86	9.61
Foreign Exchange Difference on Borrowings		44.85	—
Bank Charges		13.09	8.05
		<u>374.99</u>	<u>59.06</u>
		31 December 2013	31 December 2012
27 DEPRECIATION AND AMORTISATION EXPENSES			
Depreciation of Tangible Assets		3,706.14	3,280.90
Amortisation of Intangible Assets		495.60	284.38
		<u>4,201.74</u>	<u>3,565.28</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013	31 December 2012
28 OTHER EXPENSES		
Consumption of Stores and Consumables	831.76	693.92
Power and Fuel	3,829.11	3,291.92
Repairs to Building	171.06	166.11
Repairs to Machinery	1,270.86	1,157.85
Other Repairs	207.55	171.84
Sub Contracting Expenses	1,089.13	888.49
Insurance	183.67	182.92
Rent	221.67	50.74
Rates and Taxes	120.32	128.02
Travelling and Conveyance	547.90	520.29
Legal and Professional Charges *	771.70	671.37
Commission-Directors	41.51	45.34
Communication Costs	132.86	130.51
Payment to Auditor (Refer note 28.1)	64.85	48.52
Donation	7.33	10.35
Printing and Stationery	67.14	78.24
Commission on Sales - Others	219.29	165.60
Freight and Forwarding Expenses	1,670.40	1,447.50
Fixed Assets Written Off	4.44	15.28
Bank Charges	64.23	70.53
Provision for Sales Tax	49.61	75.73
Provision for Doubtful Debts	—	51.56
Foreign Exchange Loss (Net)	220.05	139.25
Miscellaneous Expenses	1,667.24	1,296.46
	13,453.68	11,498.34

* Previous year includes ₹ 80.74 lacs being professional fees incurred on acquisition of Subsidiary- Webtech Labels Pvt.Ltd.

	31 December 2013	31 December 2012
28.1 Payment to Auditors :		
Auditor's Remuneration		
Audit Fees	57.58	44.71
In other capacity		
Certification Fees	1.35	2.27
Reimbursement of Expenses	5.92	1.54
	64.85	48.52

	31 December 2013	31 December 2012
29 EARNINGS PER SHARE (EPS)		
Profit after Tax Excluding Exceptional Item	5,155.60	4,507.52
Profit after Tax Including Exceptional Item	5,620.74	4,507.52
Weighted Average Number of Equity Shares	62,687,190	62,687,190
Basic and Diluted Earnings per Equity Share Excluding Exceptional Item (in ₹)	8.23	7.19
Basic and Diluted Earnings per Equity Share Including Exceptional Item (in ₹)	8.97	7.19
Nominal Value of Share (in ₹)	2.00	2.00



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	31 December 2013	31 December 2012
30 CONTINGENT LIABILITIES		
a Excise Duty		
Matters in Appeal - Duty	5,202.50	5,099.57
- Penalties	147.01	125.58
Show Cause Notices - Duty	3,703.92	3,221.53
b Service Tax		
Show Cause Notices - Service Tax	49.74	34.47
Matters in Appeal - Service Tax	84.26	74.81
- Penalties	58.12	55.87
c Sales Tax Demands in Appeal	76.91	117.24
d Claims against the group not acknowledged as debts	65.18	120.83

Note for (a) to (d): Future cash outflows / uncertainties, if any, in respect of the above are determinable only on receipt of judgements / decisions pending with various forums / authorities.

	31 December 2013	31 December 2012
31 CONTRACTS REMAINING TO BE EXECUTED ON CAPITAL ACCOUNT AND NOT PROVIDED FOR (NET OF ADVANCES).	4,064.48	1,047.12

		31 December 2013	31 December 2012
	Currency	Foreign Currency in lac	Foreign Currency in lac
32 DISCLOSURE OF DERIVATIVE INSTRUMENTS			
i Derivative Instruments Outstanding			
Forward Exchange contracts for the foreign exchange exposures of receivables on account of export of goods.	USD	12.00	13.00
ii Foreign Exchange Exposures			
Foreign Exchange exposures not covered by a derivative contract for payments to be received on account of export of goods.	USD	61.06	48.29
	EUR	0.65	0.39
iii Foreign Exchange exposures not covered by a derivative contract for payments to be made against revenue imports and capital imports creditors	USD	36.43	30.31
	EUR	0.66	1.97
	JPY	28.04	23.97
	GBP	0.13	0.17
	SFR	—	0.10
iv Bank balance in Export Earners Foreign Currency account	USD	0.93	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

		(₹ in lac)	
		31 December 2013	31 December 2012
v Derivatives taken to Cover Forecast Exposures			
Forward Exchange contracts taken for the forecast exports receivables on account of export of goods & services.	USD	28.00	35.00
Forward Exchange contracts taken for the forecasted Capital imports.	Euro	9.62	–
	JPY	–	236.10
vi Closing exchange rate at Balance Sheet date (In INR)	USD	61.90	54.89
	EUR	85.37	72.42
	JPY	0.59	0.64
	GBP	102.39	88.74
	SFR	69.54	59.99
vii Mark to market valuation loss on account of forward exchange contracts entered into to cover the forecast transactions pursuant to the ICAI announcement of 29th March 2008 on Accounting for Derivatives.	₹	76.51	27.39

33 SEGMENT REPORTING

The Group's sole business segment is consumer packaging and all activities of the Group are incidental to this sole business segment. Given this fact and that the Group services its domestic and export markets from India only, the financial statements reflect the information required by AS-17 Segment Reporting for the sole business segment of consumer packaging.

Secondary segments for the Group are geographic, namely domestic and exports. Revenue from geographic segments is based on the domicile of customers.

	31 December 2013	31 December 2012
Net Sales Domestic Customers	86,172.19	72,442.70
Net Sales Export Customers	21,307.46	16,874.72
Total Net Sales	107,479.65	89,317.42
The entire business assets other than trade receivables are situated in India.		
Trade receivables outstanding in respect of domestic segment as at the year end	16,471.65	12,693.49
Trade receivables outstanding in respect of export segment as at the year end	4,396.92	3,193.53



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

		(₹ in lac)	
		31 December 2013	31 December 2012
34 RELATED PARTY TRANSACTIONS			
a) Related party where control exists :			
Ultimate Parent Company	Huhtamaki Oyj., Finland		
Holding Company	Huhtavefa B.V., Netherlands		
b) Other Related Parties with whom transactions have taken place during the year :			
Fellow Subsidiaries	Huhtamaki New Zealand Ltd., New Zealand.		
	Huhtamaki Australia Ltd., Australia		
	Huhtamaki Deutschland Gmbh and Co.KG., Germany		
	Huhtamki South Africa Pty Ltd., South Africa		
	Huhtamaki (Thailand) Ltd., Thailand		
c) Key Managerial Personnel	Mr. Suresh Gupta	Chairman and Managing Director	
	Mr. M.K.Srinivasan	Chief Executive Officer and Executive Director (till 30th June 2012)	
	Mr. A.Venkatrangan	Executive Director	
d) Relatives of Key Managerial Personnel			
Mr. Suresh Gupta	Mrs. Kumkum Gupta-Wife, Ms. Ratna Gupta-Daughter, Ms. Shivani Gupta-Daughter		
e) Details of transactions with related parties that have taken place during the year :			
1) Ultimate Parent Company			
a) Software and Expense Reimbursements Charge	33.89		31.59
b) Remuneration paid by Huhtamaki Oyj to Mr.Suresh Gupta as EVP - Flexibles Packaging Global, Huhtamaki Oyj.Finland	222.25		93.04
2) Holding Company			
Dividend Paid			
Huhtavefa B.V., Netherlands	990.47		914.28
3) Fellow Subsidiaries			
Purchase of Goods			
– Huhtamaki Deutschland Gmbh and Co.KG., Germany	18.34		2.99
Sale of Goods			
– Huhtamaki New Zealand Ltd., New Zealand. (Net of Sales Returns)	453.17		525.44
– Huhtamaki (Thailand) Ltd, Thailand	114.79		46.39
– Huhtamaki Australia Ltd., Australia	418.05		408.03

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

	(₹ in lac)	
	31 December 2013	31 December 2012
– Huhtamaki South Africa Pty Ltd., South Africa	201.03	–
– Huhtamaki Deutschland Gmbh and Co.KG., Germany	5.37	–
Commission Expenses on Sales		
– Huhtamaki South Africa Pty Ltd., South Africa	77.72	73.84
Expense Reimbursements - Charge		
– Huhtamaki New Zealand Ltd., New Zealand	–	5.72
– Huhtamaki Australia Ltd., Australia	0.11	49.77
– Huhtamaki (Thailand) Ltd., Thailand	3.56	–
Expense Reimbursements - Recovery		
– Huhtamaki Deutschland Gmbh and Co.KG., Germany	0.91	–
Balances due to		
– Huhtamaki Oyj., Finland	21.32	23.73
– Huhtamaki South Africa Pty Ltd., South Africa	43.10	46.25
– Huhtamaki Australia Ltd., Australia	0.11	–
– Huhtamaki Deutschland Gmbh and Co.KG., Germany	8.60	–
Balances due from		
– Huhtamaki New Zealand Ltd., New Zealand.	155.30	32.91
– Huhtamaki Australia Ltd., Australia.	61.74	119.43
– Huhtamaki South Africa Pty Ltd., South Africa	49.16	–
4) Payments to Key Managerial Personnel and their Relatives		
Remuneration Paid to Key Managerial Personnel		
Mr. Suresh Gupta, Chairman and Managing Director	206.64	187.22
Mr. M.K.Srinivasan, Chief Executive Officer & Executive Director	–	67.86
Mr. A.Venkatrangan, Executive Director	146.22	47.48
	352.86	302.56
Dividend Paid to Key Managerial Personnel and their Relatives		
Mr. Suresh Gupta	30.71	28.35
Mrs. Kumkum Gupta	6.53	6.03
Ms. Ratna Gupta	5.23	4.83
Ms. Shivani Gupta	5.21	4.81
Mr. A.Venkatrangan	0.13	0.12
	47.81	44.14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

	31 December 2013	31 December 2012
35 DISCLOSURE PURSUANT TO ACCOUNTING STANDARD - 15 (REVISED)' EMPLOYEE BENEFITS'		
i) Defined Contribution Plans		
Amount recognised as an expense and included in "Personnel costs" for Provident Fund & ESIC contributions in the Profit and Loss account.	346.74	305.04

i) Defined Benefit Plans

The Company has classified the various benefit plans provided to employees as under :

I Gratuity Plan

Gratuity is payable to all eligible employees of the Company on superannuation, death and resignation, in terms of the provisions of the Payment of Gratuity Act or as per the Company's Scheme whichever is more beneficial.

II Leave Plan

Eligible employees can carry forward and encash leave on superannuation, death, and resignation subject to maximum limits as per Company policy.

The following table summarises the components of the net benefit expense recognised in the profit & loss account and the funded status and amount recognised in the Balance sheet for the respective plans.

(₹ in lac)

	Gratuity - Funded		Leave Encashment - Non Funded	
	2013	2012	2013	2012
I. Change in Benefit Obligation				
Opening Defined Benefit Obligation	1,316.18	1,125.95	356.89	350.30
Interest cost	109.28	92.89	29.62	24.72
Current Service Cost	96.35	108.46	58.22	53.13
Benefit Paid	(115.94)	(81.27)	(34.72)	(56.20)
Obligation taken over on acquisition of business	–	43.92		
Actuarial (Gain)/ Loss on Obligations	(134.55)	26.23	(50.36)	(15.06)
Closing Defined Benefit Obligation	1,271.32	1,316.18	359.65	356.89
II Fair Value of Plan Assets				
Fair Value of Plan Assets at the beginning of the year	1,274.36	1,125.95	–	–
Expected Return on Plan Assets	105.77	100.04	–	–
Contributions	(139.01)	52.02	–	–
Benefit Paid	–	(80.83)	–	–
Actuarial Gain/(Loss) on Plan Assets	(12.73)	77.19	–	–
Fair Value of Plan Assets at the end of the year	1,228.39	1,274.36	–	–
III. Actual Return on Plan Assets				
Actual Return on Plan Assets	93.04	177.23	–	–
Expected Return on Plan Assets	105.77	100.04	–	–
Actuarial Gain/ (Loss) on Plan Assets	(12.73)	77.19	–	–
Actuarial Gain/ (Loss) on Obligation	134.55	(26.23)	50.36	15.06

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

	Gratuity - Funded		Leave Encashment - Non Funded	
	2013	2012	2013	2012
IV. Amount Recognised in the Balance Sheet				
Defined Benefit Obligation	1,271.32	1,316.18	359.65	356.89
Fair Value of Plan Assets	1,228.39	1,274.36	–	–
Funded Status	(42.93)	(41.82)	(359.65)	(356.89)
Unrecognised Actuarial Gain/(Loss)	–	–	–	–
Net Asset /(Liability) Recognised in the Balance Sheet	(42.93)	(41.82)	(359.65)	(356.89)
V. Expenses Recognised in the Profit & Loss Account				
Current Service Cost	96.35	108.46	58.22	53.13
Interest Cost	109.28	92.89	29.62	24.72
Expected Return on Plan Assets	(105.77)	(100.04)	–	–
Net Actuarial (Gain)/Loss to Be Recognised	(121.81)	(50.95)	(50.36)	(15.06)
Expense Recognised in Statement of Profit and Loss	(21.96)	50.36	37.48	62.78

The Company expects to contribute ₹ Nil to Gratuity in next year (31st December, 2012: ₹ Nil)

The principal assumptions used in determining benefit obligations for the Company's plans are shown below.

	31-Dec-13	31-Dec-12
Discount Rate	9.50%	8.30%
Rate of Return on Plan Assets	9.50%	9.50%
Salary Escalation	7.25%	7.25%
	years	%
Employee Turnover	0-2	12%
	3-4	5%
	5-9	2.5%
	10 & Above	1%

Estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows.

Particulars	Gratuity		Gratuity	
	31 December 2013		31 December 2012	
	Amount in lac	%	Amount in lac	%
Investment Value in Unit Linked Plans	243.90	20%	351.12	28%
Investment Value in Non Unit Linked Plans	879.31	71%	818.06	64%
Investment Value in Special Deposit Scheme of Bank Of Baroda	105.18	9%	105.18	8%
Total	1228.39	100%	1,274.36	100%

Amounts for the current and previous periods are as follows.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

(₹ in lac)

Particulars	Gratuity	
	2013	2012
Defined Benefit Obligation	1,271.32	1,316.18
Plan Assets	1,228.39	1,274.36
Excess of Defined Benefit Obligation over Fair Value of Plan Assets.	42.93	41.82
Experience Adjustment on Plan Assets	—	(77.19)
Experience Adjustment on Plan Liabilities	14.71	30.93
Particulars	Leave Encashment	
	2013	2012
Defined Benefit Obligation	359.65	356.89
Plan Assets	—	—
Experience Adjustment	—	—
Excess of Defined Benefit Obligation over Fair Value of Plan Assets.	359.65	356.89

	31 December 2013	31 December 2012
36 LEASES		
The Group has taken certain office premises and residential facilities under operating Lease arrangements.		
There are no restrictions imposed by lease arrangements. There are no subleases.		
Future lease commitments in respect of non-cancellable operating leases are as follows :		
Within one year	181.32	—
After one year but not more than five years	641.93	—
	823.25	—

	31 December 2013	31 December 2012
37 RESEARCH AND DEVELOPMENT EXPENSES		
The details of expenses incurred on in-house research and development activities during the year ended 31 December 2013 as certified by the management are as follows :		
Total Revenue Expenditure *	137.19	84.11
Total Capital Expenditure **	52.61	—
Total Research & Development Expenses	189.80	84.11

* Revenue Expenditure of Rs.137.19 lacs has been grouped under various expense heads of the Financial Statements.

** Additions to Fixed Assets in Note no. 11 includes Rs.52.61 lacs towards Capital Expenditure have incurred for Company's in house R & D facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2013

38 The Remuneration payable by subsidiary to its Managing Director for the period from November 9, 2012 to December 31, 2013 has exceeded the limits approved by the Central Government under section 198, 269, 309, 310 read with Schedule XIII to the Companies Act, 1956 by ₹ 30 Lacs. The Company has filed a revised application with the Central Government for approval of remuneration to be paid to the Managing Director in excess to the limits prescribed.

39 EXCEPTIONAL INCOME

Exceptional Income comprises of gain realised on sale of office property at Nariman Point, Mumbai during the current year of ₹ 705 lac (Provision for Tax includes ₹ 239 lac towards tax on this gain).

40 In the previous year on November 9, 2012 the company ('PPL') had subscribed to 51% share capital of Webtech Lables Pvt. Ltd., hence figures for the current year are not comparable to that of previous year.

41 Previous year figures have been regrouped or reclassified wherever necessary, to conform to this year classifications.

As per our report of even date

For S.R. Batliboi & Co.LLP

Chartered Accountants
ICAI Firm Registration No. 301003E

per Vijay Maniar

Partner
Membership No. 36738

Mumbai
18 February 2014

For and on behalf of the Board of Directors

Suresh Gupta
Chairman & Managing Director

Parag Vyavahare
Chief Financial Officer

Anand Daga
Company Secretary & Head Legal
Mumbai, 18 February 2014

A.Venkatrangan
Executive Director

Jukka Moisio
Johann Sippel
Ramesh Kumar Dhir
Nripjit Singh Chawla
S.K.Palekar
P.V.Narayana

} Directors



[illegible]

[illegible]



THANE

CORPORATE HEAD QUARTER

THANE

LBS Marg, Majiwade,
Thane (West) - 400601, Maharashtra
Tel : +91 22 2173 5551/5591
Fax: +91 22 2173 5599/5650

MANUFACTURING LOCATIONS

THANE

LBS Marg, Majiwade,
Thane (West) - 400601, Maharashtra
Tel : +91 22 2173 5551/5591
Fax: +91 22 2173 5599/5650

SILVASSA

Survey No. 33/1, At Post Umerkoi, Via Silvassa
U.T. of Dadra & Nagar Haveli - 396230
Tel : +91 97250 25351



SILVASSA

HYDERABAD

139 & 148, Sri Venkateshwara Co-op. Indl. Estate
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Fax: +91 8458 279464

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Fax: +91 5944 250186

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Fax: +91 22 2173 5599/5650



HYDERABAD

CUSTOMER SUPPORT OFFICES

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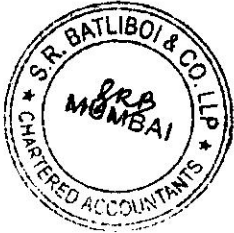
RUDRAPUR



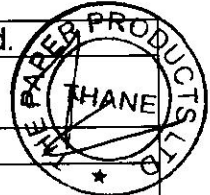
नासतो विद्यते भावो नाभावो विद्यते सतः ।
Untrue can never be true and truth is indestructible.

FORM A

**Format of covering letter of the annual audit report
to be filed with the Stock Exchange**



1.	Name of the company	The Paper Products Ltd.
2.	Annual financial statements for the year ended (standalone & consolidated)	31 st December, 2013
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable
5.	To be signed by- <ul style="list-style-type: none">• Managing Director• CFO• Auditor of the Company• Audit Committee Chairman	

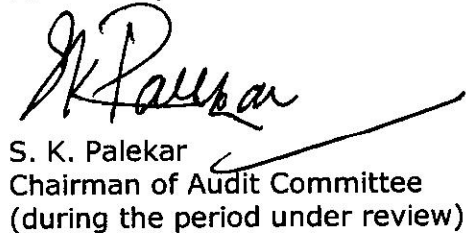


For The Paper Products Ltd.


Suresh Gupta
Chairman & Managing Director

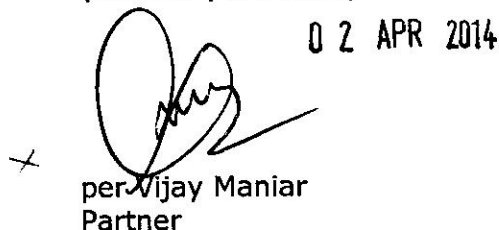

Parag Vyavahare
Chief Financial Officer

For The Paper Products Ltd.


S. K. Palekar
Chairman of Audit Committee
(during the period under review)

U L M R 2014 02 APR 2014

For S. R. Batliboi & Co. LLP
Chartered Accountants
(Statutory Auditors)


per Vijay Maniar
Partner