


# The Paper Products Ltd.

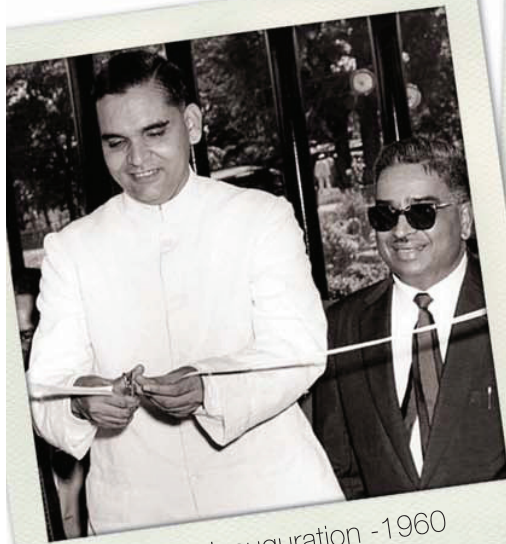
 **PPL - THE POWER OF FLEXIBLE PACKAGING**

  
**HUHTAMAKI-PPL**

*Excellence with Service*



**60<sup>TH</sup>** ANNUAL REPORT 2009



Thane Plant Inauguration - 1960



Thane Plant Inauguration



Thane Plant



PPL Silver Jubilee Celebrated  
in 1960 at Thane Plant



Hyderabad Plant



Rudrapur Plant



Silvassa Plant



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr. K. C. Narang \*  
Chairman

Mr. Suresh Gupta #  
Managing Director & CEO

Mr. Jukka Moisio

Mr. Arunkumar R. Gandhi

Mr. Ramesh K. Dhir

Mr. P. V. Narayanan

Mr. Johann Sippel

Mr. C. N. Murthy  
Executive Director & COO

Mr. Vibhu Talwar

Mr. Timo Salonen  
(Alternate to Mr. Jukka Moisio)

Mr. Juha Salonen  
(Alternate to Mr. Johann Sippel)

## COMPANY SECRETARY

Mr. Sushil Kumar Agarwal

## BANKERS

BNP Paribas

Punjab & Sindh Bank

Standard Chartered Bank

The Hongkong & Shanghai Banking Corporation Ltd

Union Bank of India

## AUDITORS

B S R & Associates, Chartered Accountants



## CORPORATE OFFICE

L. B. S. Marg, Majiwade,  
Thane (W) – 400 601,  
Maharashtra, India.

Tel No: +91 22 2173 5551 / 5591

Fax No: +91 22 2173 5599 / 5650

Email: [investor.communication@pplpack.com](mailto:investor.communication@pplpack.com)

## REGISTERED OFFICE

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Nariman Point, Mumbai - 400 021,  
Maharashtra, India.

Tel No: +91 22 2282 0969

Fax No: +91 22 2283 2860

Website: [www.pplpack.com](http://www.pplpack.com)

\* Chairman till 10th March 2010 and appointed as Chairman of the Audit Committee w.e.f. 10th March 2010

# Redesignated as Chairman & Managing Director w.e.f. 10th March 2010

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# PRODUCT PORTFOLIO

We believe that 'Packaging Solutions' is an exciting incessant journey with infinite potential. A journey, which fosters dynamism in innovative materials, applications, structures, products and processes.

Today, PPL offers a multi-dimensional portfolio of packaging solutions, with functionality, product protection as well as valuable shelf appeal. Our portfolio includes;

Flexible Packaging

Specialised Pouches

Package Protection & Decoration Technologies (Labelling Options)

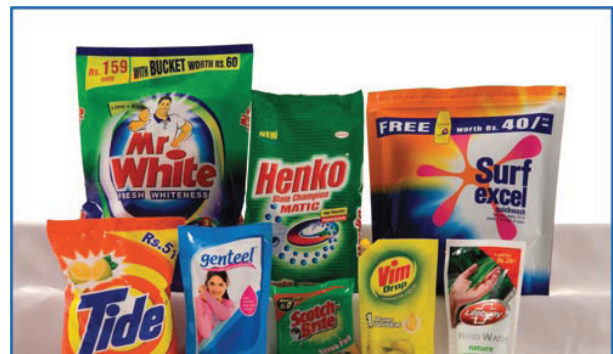
Specialised Cartons

Packaging Machines

Barrier Metallised & Holographic Options

Others - Cylinders, Blown Films, Webs

Our diverse product portfolio is developed through numerous meticulous processes of modern manufacturing. We harness a multitude of technologies under one roof, to service the demands of numerous customers, diverse in their expectations. With our imprints present accross India, we are strategically positioned to cover a wide spectrum of the Indian Packging Industry.



# MESSAGE FROM THE MANAGING DIRECTOR



At the time of writing this letter we have begun celebrating our Platinum Jubilee Year! It was 75 years ago in 1935 that The Paper Products (PPL) started as a small manufacturing unit set up in a warehouse in Lahore to manufacture the then India's first machine made printed packaging from paper. Post partition PPL shifted location to Delhi, and began the task of setting up manufacturing facilities in Delhi, and in the then Bombay, and in Thane. To help our Founder achieve this purpose, PPL became a public limited company in 1950, and therefore this is our 60th Annual Report. I am happy to report that the 60 years have seen uninterrupted dividends.

We look back at our history with gratitude, with pride, with humility.

With gratitude to the Almighty to have given our Founder, Sardari Lal Talwar, the vision and entrepreneurship to set us up in 1935. With gratitude to all our stakeholders with whose support we continue as a strong leader of the packaging sector in India and in the surrounding region.

With pride that we pioneered Flexible Packaging in the Indian sub-continent.....that since inception virtually every form of modern flexible packaging was introduced by PPL into the Indian market.....that we have embedded a strong foundation of values and ethics into our operating DNA..... that our modern flexible packaging is helping reach products safely and healthily to the Indian consumer.....that today

we have a strong reputed parent in Huhtamaki Oyj, Finland, one of the world's leading consumer packaging specialists..... that we are proudly participating in Huhtamaki's 90th year celebrations !

We are humbled by the fact that there is yet so much we need to do, yet so much we need to improve, before we can truly say that yes we fully represent the very best in the world. And we humbly but firmly dedicate ourselves to this task.

In terms of performance the year 2009 was a bit of a mixed bag for PPL. On the bright side, in 2009 the underlying Profit before tax of almost Rs.500 million (mn) was a record in absolute terms. EPS increased by 75% to Rs. 5.96 from Rs.3.40 in 2008. The Board has recommended an increased dividend of Rs.2 per share (100%) from Rs.1.80 per share (90%) in 2008, plus, a One Time Platinum Jubilee dividend of Re.1.0 per share (50%). Regarding balance sheet, our Debt:Equity ratio is only 0.09:1.0.

On the negative side our sales fell by 5.6% to Rs.5777 mn. Only partially this is explained as an impact from slow market conditions in some products where we provide packaging. Ironically, our major business excellence project of ERP roll out created temporary serious blockages in our supply chain which seriously impacted sales. However, this is now behind us, and once the ERP system is functioning near potential then substantial efficiency benefits can be expected. The newly reconstructed Thane plant is now fully operational and looks in every way an absolute world class facility.

In 2010 we are committed to profitable and satisfactory sales growth. Company wide hard work is on towards ensuring this objective is achieved.

Taking a medium term outlook, we are fully conscious that we must take full advantage of the opportunities presented by an Indian market which is now clearly on a growth path. We are actively strengthening our people organization. We are working on improving and expanding our product portfolio, and we will invest as needed.

I take this opportunity to warmly thank our People, our Shareholders, Customers, Suppliers, Business Associates, our Board of Directors, and our Huhtamaki group colleagues for their efforts, kind support and encouragement.

Suresh Gupta  
March 2010



## WORLD STAR



Bayer Seeds Carton with Security Seal

## AWARDS 2009

## PFFCA STAR



Parachute Therapie  
Metallic Sleeve



Haldiram's Kaju Barfi Carton



Britannia Bourbon  
Relaunch Pack



Britannia Pure Magic  
Canister Pack



Nature Nuts Cartons



Tilda Rice Specialised Laminates



Lacto Calamine Sleeves

# BOARD OF DIRECTORS

## 1 Mr. K. C. Narang \* Chairman

He is B.A., L.L.B and FCA. He is a former partner of Dalal Desai & Kurana and a past president of Bombay Chartered Accountants Society. He has been a Director of the Company since July 1981 and served as Chairman of the Board of Directors since April 2003.

\* [Chairman till 10th March 2010 and appointed as Chairman of the Audit Committee w.e.f. 10th March 2010]

## 2 Mr. Suresh Gupta # MD & CEO

He did his Masters in Management (MMS) from Jamnalal Bajaj Institute of Management Studies, Mumbai. He has diverse management experience of over 36 years, including 22 years in the Company. He was appointed as Managing Director since May 1994. He also holds the position of EVP, Flexibles Global and member of the Group Executive Team of Huhtamaki Oyj., the ultimate holding Company.

# [Re-designated as Chairman & Managing Director of the Company w.e.f. 10th March 2010]

## 3 Mr. Jukka Moisio, Director

He holds Masters degree in Science (Econ) and MBA and 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 PPL Board of Directors w.e.f. 23rd April 2008

## 4 Mr. Arun Gandhi, Director

He is a Fellow Member of both, the Institute of Chartered Accountants of England & Wales and the Institute of Chartered Accountants of India. Besides, He is an associate member of the Chartered Institute of Taxation,

London. He is on the Board of number of Tata Companies in India and abroad. He has been an Independent Director of the Company since March 2002.

## 5 Mr. Ramesh Kumar Dhir Director

He 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 37 years working with Peat Marwick, London and a US Multinational with operations in India and overseas. He is currently the President and on the Board of Council for Fair Business Practices. He has been an Independent Director of the Company since March 2002.

## 6 Mr. P. V. Narayanan Director

He is a Post-Graduate in Chemistry, and Diploma in Marketing Management. He has 42 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 of Institute of Packaging (F. Inst. Pkg) UK and Chartered Scientist (CS) by the Science Council, UK. He is the Chair Professor and Advisor of the SIES School of Packaging. He has been an Independent Director of the Company since March 2002.

## 7 Mr. Johann Sippel Director

He holds post graduate degree of Certified Accounting Specialist (CCI) from Germany. He has over 24 years of experience including 20 years in Huhtamaki Group companies in different roles. He currently holds position of Vice President Finance, Flexibles Packaging, leading the

finance function for this segment of Huhtamaki Oyj since 1st Jan 10. He has been nominated as Director by Huhtavefa B. V. on PPL Board of Directors w.e.f. 27th January 2010.

## 8 Mr. C.N. Murthy, ED & COO

He is a B.Tech (Hons) in Mechanical Engineering from IIT Kharagpur. He has been Wholtime Director of the Company since February 2005. He has diverse experience of over 35 years in the field of packaging including 14 years in the Company.

## 9 Mr. Vibhu Talwar, Director

He graduated with honours in mathematics and economics from Oberlin College. He is the COO of The Moolchand Healthcare Group, which is viewed to be a leader in the healthcare services space in India. Prior to assuming his current role in 2002, he was associated with Salomon Smith Barney (real estate Merger & Acquisitions) and JP Morgan, London and Singapore for over 6 years. He has been a Director of the Company since April 2003.

## 10 Mr. Timo Salonen Alternate to Mr. Jukka Moisio

He holds Masters degree in Science (Econ) and Masters degree in Law. His career at Huhtamaki Oyj started in the year 1991 and he has held several different roles. He is currently the Chief Financial Officer of Huhtamaki Oyj. Prior to joining Huhtamaki Oyj he worked with Partek Corporation (1983 – 1991), with several different roles, the last position held was of a Division Controller, Partek Concrete International, Belgium.

## 11 Mr. Juha Salonen, Alternate to Mr. Johann Sippel

He holds Masters degree in Law and B.Sc (Econ). He joined Huhtamaki Oyj in the year 1983 and since then held several dif-

ferent roles. He is currently the Senior Vice President, Administration and General Counsel and also the Secretary of the Board of Directors of Huhtamaki Oyj.



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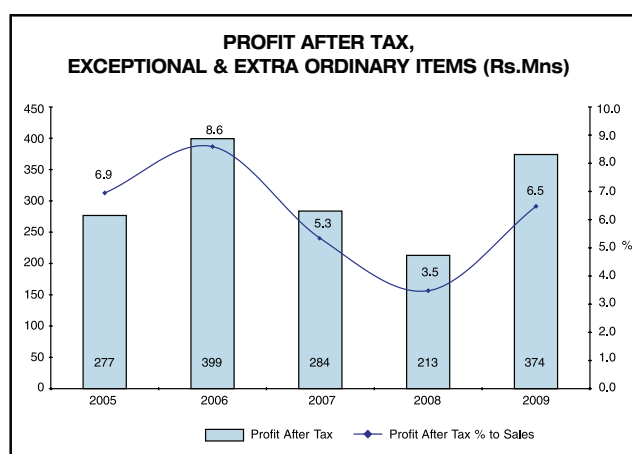
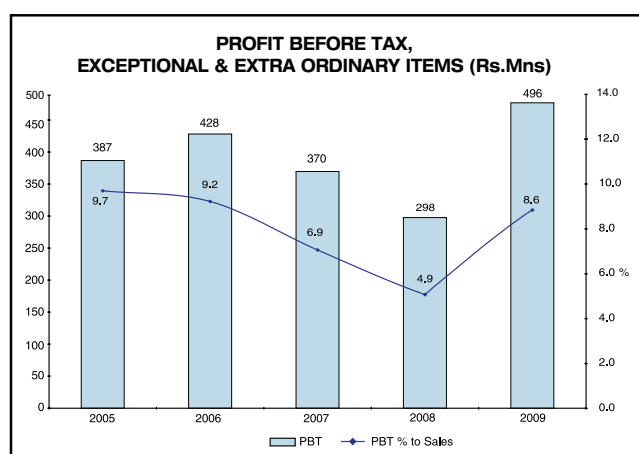
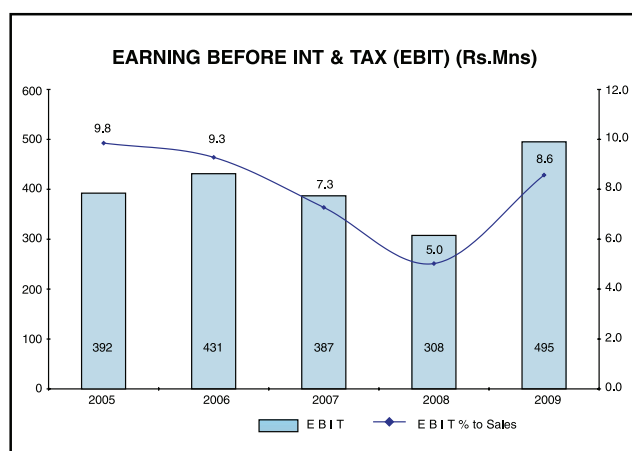
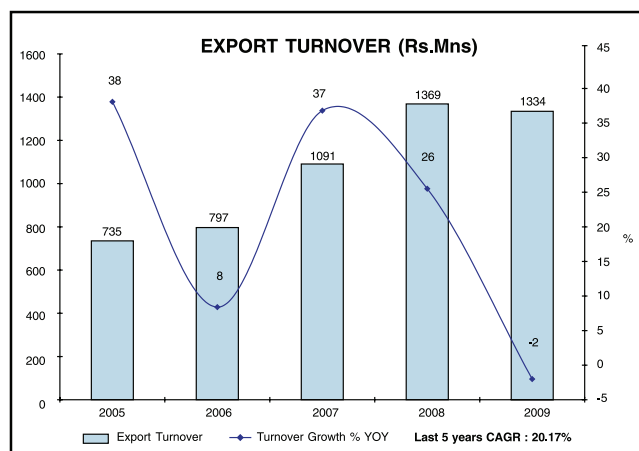
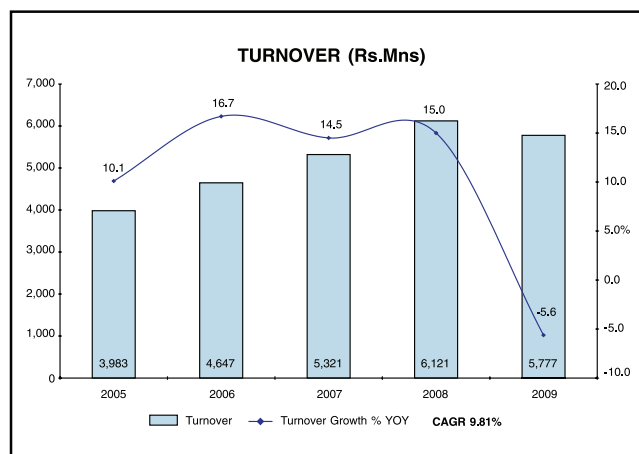


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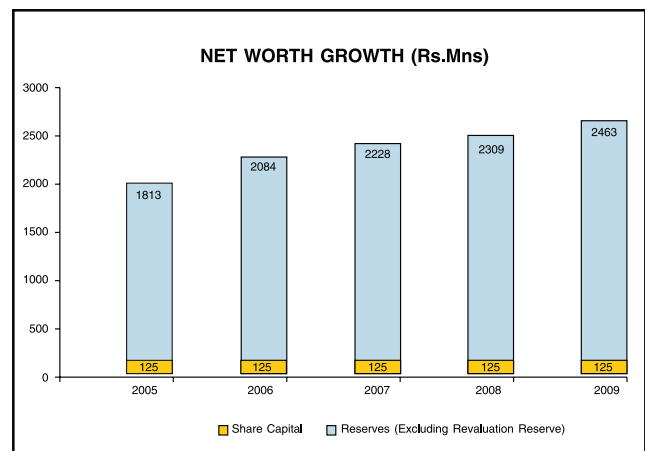
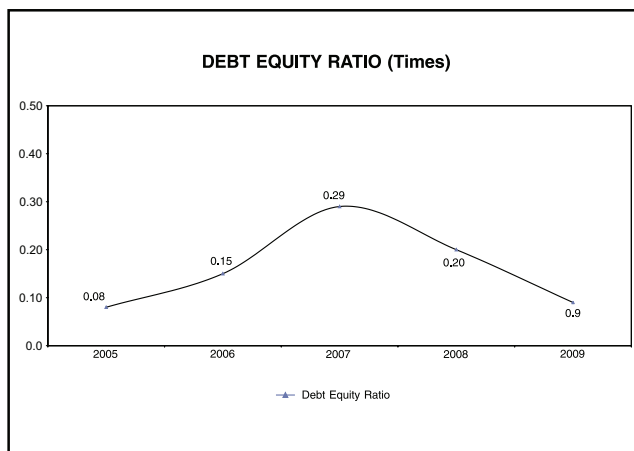
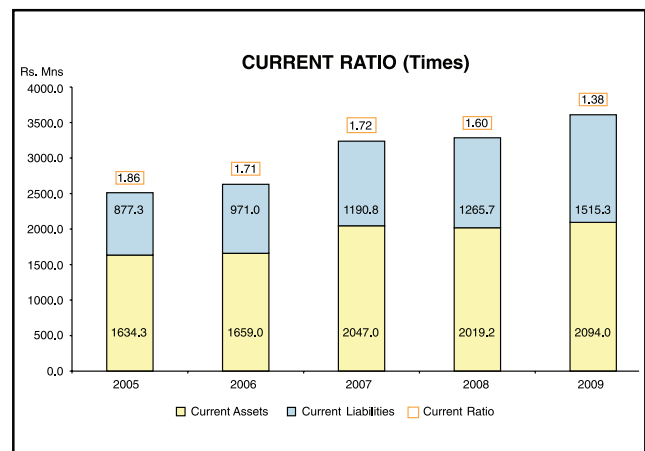
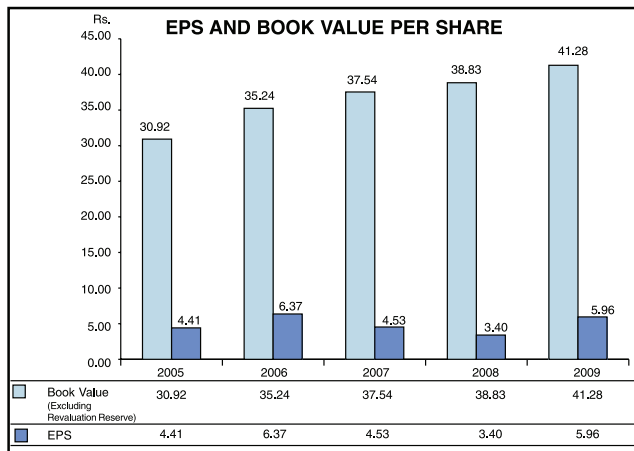
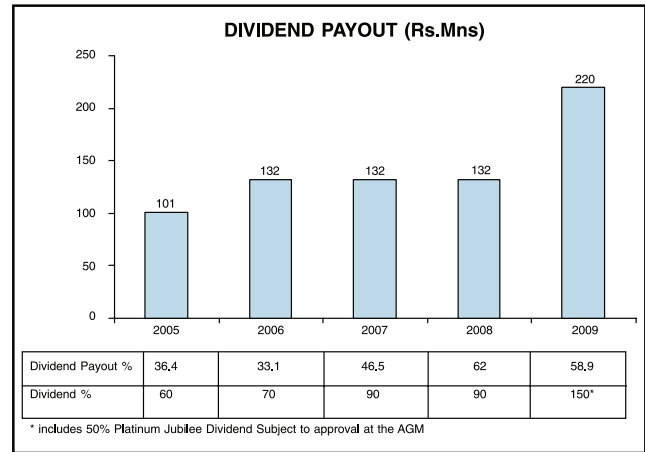
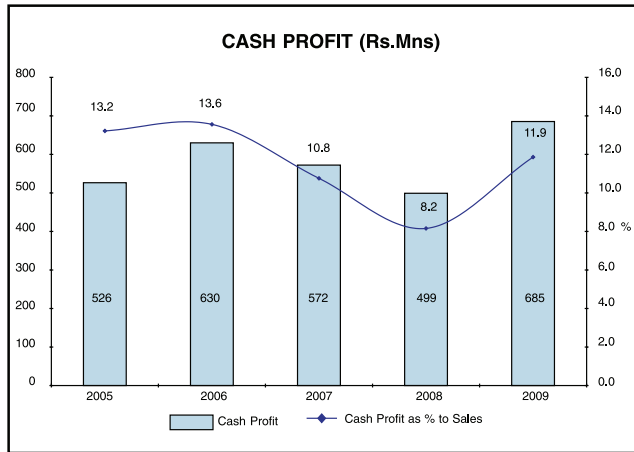


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# FINANCIAL PERFORMANCE INDICATORS







# FINANCIAL HIGHLIGHTS

(Rs. in Million )

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>OPERATING RESULTS</b>										
Net Sales	5776.9	6120.9	5320.6	4646.7	3982.9	3617.8	3525.3	2988.9	2511.6	2423.2
Other Income	79.0	102.0	106.2	111.6	94.9	55.1	37.6	18.8	20.0	30.8
Operating Expenses	5049.4	5629.2	4751.2	4096.5	3435.8	3105.5	2954.4	2415.2	2090.1	2093.1
EBDIT	806.5	593.7	675.6	661.8	642.0	567.4	608.5	592.5	441.5	360.9
Depreciation & Amortisation	311.5	286.2	288.6	230.7	249.8	224.7	223.5	211.1	201.1	179.5
EBIT	495.0	307.5	387.0	431.1	392.2	342.7	385.0	381.4	240.4	181.4
Interest (Net)	(0.7)	9.8	17.3	3.0	5.4	6.2	5.8	23.7	45.7	64.6
Profit before Tax & Extraordinary Items	495.7	297.7	369.7	428.1	386.8	336.5	379.2	357.7	194.7	116.8
Extraordinary/Exceptional Items	—	—	(31.8)	120.8	(8.0)	—	—	—	(3.6)	—
Profit before Tax & after Extraordinary/Exceptional Items	495.7	297.7	337.8	548.9	378.8	336.50	379.20	357.70	191.1	116.80
Provision for Tax	122.0	84.8	54.1	149.7	102.1	95.4	100.0	106.2	39.4	8.3
Profit after Tax	373.7	212.9	283.7	399.2	276.7	241.1	279.2	251.5	151.7	108.5
EBDIT to Sales %	13.96%	9.70%	12.70%	14.24%	16.12%	15.68%	17.26%	19.82%	17.58%	14.89%
EBIT to Sales %	8.57%	5.02%	7.27%	9.28%	9.85%	9.47%	10.92%	12.76%	9.57%	7.49%
PBT to Sales % (before Extraordinary/Exceptional Items)	8.58%	4.86%	6.95%	9.21%	9.71%	9.30%	10.76%	11.97%	7.75%	4.82%
Earning Per Share	5.96	3.40	4.53	6.37	4.41	3.85	4.45	4.01	2.29	1.48
Cash Earning Per Share	10.93	7.96	9.13	10.05	8.39	7.37	7.89	7.17	5.34	4.24
Preference Dividend %	—	—	—	—	—	—	—	—	*12	12
Equity Dividend %	***150	90	90	90	70	60	**150	50	35	35
<b>FINANCIAL POSITION</b>										
Equity Share Capital	125.4	125.4	125.4	125.4	125.4	125.4	125.4	125.4	125.4	125.4
Preference Share Capital	—	—	—	—	—	—	—	—	—	70.0
Reserves & Surplus	2490.1	2336.3	2257.3	2113.1	1842.4	1669.8	1514.2	1499.7	1242.8	1263.2
Shareholders Funds	2615.5	2461.7	2382.7	2238.5	1967.8	1795.2	1639.6	1625.1	1368.2	1458.6
Loan Funds	239.3	498.1	671.5	337.8	162.9	130.2	102.6	91.8	284.2	384.2
Deferred Tax Liability (Net)	67.7	69.0	85.2	83.9	60.2	89.9	96.2	75.0	133.5	—
Gross Fixed Assets	4546.1	3993.9	3890.3	3112.0	2968.6	2936.7	2489.5	2259.3	2222.7	2149.2
Net Fixed Assets	1987.8	1636.6	1778.1	1100.6	1166.5	1337.8	1093.6	1078.5	1233.4	1334.9
Capital Work in Progress	45.7	468.9	367.0	866.4	185.0	27.2	48.5	199.4	6.0	21.9
Investments	310.3	169.8	138.1	5.2	82.5	98.0	311.0	3.6	2.0	6.1
Current Assets	2094.0	2019.2	2056.1	1659.0	1634.3	1353.6	1188.8	1109.3	1050.0	949.2
Current Liabilities	1515.3	1265.7	1199.9	971.0	877.3	801.8	807.6	626.5	546.2	499.7
Net Current Assets	578.7	753.5	856.2	688.0	757.0	551.8	381.2	482.8	503.8	449.5
Miscellaneous Expenditure	—	—	—	—	—	0.5	4.2	27.6	40.5	30.5
Capital Employed	2922.6	3028.8	3139.4	2660.2	2191.0	2015.3	1838.5	1791.9	1785.7	1842.8

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

\*\* Includes One Time Dividend @ 100%

\* Prorata

# DIRECTORS REPORT

Your Directors have pleasure in presenting the 60<sup>th</sup> Annual Report along with the Audited Statement of Accounts for the year ended 31<sup>st</sup> December 2009.

## PERFORMANCE DURING THE YEAR

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

	(Rupees in Million)	
	2009	2008
Net Sales	5776.9	6120.9
Profit Before Tax	495.7	297.7
Less: Provision for Current Tax	122.0	96.0
Provision for Deferred Tax	(1.2)	(16.2)
Provision for Fringe Benefits Tax	1.2	5.0
Profit after Tax	373.7	212.9
Add: balance of profit for earlier years	849.9	790.3
Profit available for appropriation	1223.6	1003.2
Transfer to General Reserve	37.4	21.3
Proposed Dividend on Equity Shares & Dividend Tax thereon	146.7	132.0
Proposed one time Platinum Jubilee Dividend on Equity Shares & Dividend tax thereon	73.3	—
Balance Carried forward	966.2	849.9

During the year under review, the net sales were Rs. 5776.9 million as compared to Rs. 6120.9 million in the previous year. Profit Before Tax was Rs. 495.7 million as compared to Rs. 297.7 million in the previous year.

After providing for Income Tax of Rs. 122.0 million, Profit after tax was Rs. 373.7 million. Further after transferring an amount of Rs. 37.4 million to General Reserve, the amount available for appropriation was Rs. 1186.2 million including amount brought forward of Rs.849.9 million of previous year. The Earning per Equity Share (EPS) was Rs. 5.96.

## CORPORATE GOVERNANCE

A separate report on Corporate Governance measures adopted by the Company forms part of this report.

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

## DIVIDEND

Your Directors recommend the payment of dividend of Rs. 2/- per equity share, i.e. @ 100% on the Equity Capital for the year ended 31<sup>st</sup> December 2009. In addition to this, they also recommend a one time Platinum Jubilee dividend of Re. 1/- per equity share. The said Equity dividends will absorb a sum of Rs. 220 million including the dividend distribution tax thereon.

## FIXED DEPOSITS

The Company did not invite or accept deposits from public and/or shareholders during the year under review. As of 31<sup>st</sup> December 2009 there was no fixed deposit pending with the Company.

## STATUTORY DISCLOSURES

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



## DIRECTORS REPORT (contd.)

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. However, as per the provisions of Section 219 (b) (iv) of the said Act read with Clause 32 of the Listing Agreement, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company.

### DIRECTORS

- a) Mr. Suresh Gupta and Mr. Ramesh Kumar Dhir, retire by rotation at this Annual General Meeting and being eligible have offered themselves for re-appointment.
- b) Mr. Jukka Moisio was appointed as Director in casual vacancy, in the meeting of Board of Directors of the Company held on 23rd April 2008, arising due to withdrawal of nominee directorship of Mr. Heikki Takanen by the Holding Company, M/s Huhtavefa B V. in terms of the provisions of Section 262 read with Sections 255 and 256 of the Companies Act 1956, Mr. Jukka Moisio will hold office as Director only upto the date of this Annual General Meeting. A notice has been received from a member proposing the name of Mr. Jukka Moisio for election to the office of Director and therefore necessary agenda item for his appointment as director forms part of notice of 60th Annual General Meeting.
- c) Mr. Henricus Beek ceased to be director of the Company, in view of withdrawal of nomination by the Holding Company and in his place Mr. Johann Sippel has been appointed as director in casual vacancy with effect from 27th January 2010. Consequently Mr. Juha Salonen, who was alternate director to Mr. Henricus Beek, has been appointed as alternate director to Mr. Johann Sippel.
- d) Your Directors at their meeting held on 10th March 2010 have re-designated Mr. Suresh Gupta as the Chairman & Managing Director of the Company. Mr. K C Narang will continue to be an Independent Director of the Company and your Directors and the Company will continue to benefit from his advice and guidance.
- e) Your Directors at their meeting held on 10th March 2010 appointed Mr. M K Srinivasan as additional director with effect from 25th March 2010, to be designated as Chief Executive Officer & Executive Director of the Company. Mr. M K Srinivasan brings with him more than 26 years of rich and varied experience. Your Directors welcome him on Board and are confident that under his able stewardship your Company will achieve the goals it has set forth for itself. In terms of Section 260 of the Companies Act 1956, he would hold office till the date of the ensuing Annual General Meeting. A notice has been received from a member proposing his candidature for appointment as a Director and accordingly necessary agenda item relating to his appointment as Director forms part of the Notice convening the 60th Annual General Meeting.

Your Directors have, at their Meeting held on 10th March 2010, reconstituted the Audit Committee of the Board by appointing Mr. K C Narang, Independent Director as the Chairman of the Committee vice Mr. P V Narayanan who continues to be a member of the Committee.

Your Directors place on record appreciation for valuable services rendered by Mr. Henricus Beek as Director, Mr. K C Narang as the Chairman of the Board and Mr. P V Narayanan as the Chairman of the Audit Committee

### MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis forms part of this Annual Report for the year ended 31<sup>st</sup> December 2009.

### RECONSTRUCTION OF THANE PLANT

The reconstruction of Company's Thane Plant and relocation of operations have been completed during the year and reconstructed facility is full operational. The new facility was formally inaugurated on 28<sup>th</sup> January 2010 by Huhtamaki Group CEO Mr. Jukka Moisio in presence of other directors and our respected customers.

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

### **ERP GO LIVE**

The Company has implemented Oracle ERP system, which has gone live during October 2009. Due to black out period, teething issues, sales in the month of October 2009 were severely affected. Since then the system is stabilizing and the Company is moving towards normalized sales level.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

On behalf of the Directors, I confirm that:

- i) In the preparation of the annual accounts for the year ended 31<sup>st</sup> December, 2009 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 31<sup>st</sup> December 2009 and of the profit or loss of the company for that period.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) Annual accounts for the year ended 31<sup>st</sup> December 2009 have been prepared on a going concern basis.

### **AUDITORS' REPORT**

The Auditors' Report does not contain any qualification and the Notes on Accounts referred to in the Auditor's report are self explanatory and therefore do not call for any further comments.

### **AUDITORS**

The present Auditors of the Company, Messrs B S R & Associates, Chartered Accountants, have expressed their unwillingness to be re-appointed as Auditors of the Company on their retirement at the forthcoming Annual General Meeting. The Board records its appreciation for the assistance and guidance provided by them during their long tenure with the Company. The Board recommends the appointment of Messrs S. V. Ghatalia & Associates, Chartered Accountants and a member firm of Ernst & Young Global network, as Auditors of the Company from the conclusion of the 60th Annual General Meeting until the conclusion of the 61st Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors of the Company.

### **INDUSTRIAL RELATIONS**

Relations with our people at all the units continued to be cordial.

Your Directors wish to express their appreciation for the support and co-operation received from Banks, Government Authorities and Shareholders during the year under review. PPL is a people's company and your Directors place on record their appreciation for the services rendered by our people.

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

Mumbai  
10<sup>th</sup> March, 2010

**K. C. NARANG**  
Chairman

## ANNEXURE TO DIRECTORS REPORT

### ANNEXURE - 1

#### A. CONSERVATION OF ENERGY:

Energy Conservation is an effective key value driver to reduce cost. Company has a well-structured energy management system to initiate, facilitate and sustain energy conservation program throughout the organization. Regular efforts are taken to optimize process parameters, modernize plant & machinery, and upgrade technology and equipment.

Company has been always conscious of the need for conservation of energy and several measures have been implemented in all plants and corporate head office.

1. Solar water heating system installed in Thane factory canteen for hot water requirements in kitchen.
2. High efficiency forced air ventilation (FAV) system installed for meeting cooling & ventilation requirement in the Thane production hall.
3. Regular cross-plant energy audits done to share best practices & benchmarking across plants.
4. A separate energy meter installed for CHQ building for regular monitoring & control of electricity usage.
5. High speed state of the art new printers, laminators & slitting machines installed in new Thane factory giving very high energy efficiency.
6. Replacement of power transformer of automated type to provide constant voltage & reduce power losses in Hyderabad & Thane plants.
7. Close monitoring & control of oil temperature in thermic fluid heaters started to optimize the fuel consumption.
8. Conducting regular awareness & training program in all plants to impart the importance of energy conservation among all associates.
9. Design modification to improve the efficiency of FAV system in Silvassa.

#### B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

The company has its Research and Development Centre at Thane, which is recognized by Department of Science and Technology, Government of India.

The continuous impetus for customized packaging offerings with value-added features is central to our product development and innovations programme, NASP – New Applications, Structures and Products & Processes. Our special focus has been on introducing versatile pre-formed pouches across FMCG, for applications including ready-to-eat products, food, beverages, tea, coffee, personal care, confectionery & bakery, agro-chemicals, pharmaceuticals, household products, automotive and many others. We launched a block-bottom bag for confectionery to replace rigid format to not only provide good gravure print but also savings for the highly competitive segment. Taint free structures were finished with specialty stand-up and profile formats with closures for packing of water, flavoured water and liquid beverages. Gusseted bags with specialty valves were developed for highly sensitive powder beverages.

Our innovations are designed and refined to provide enhanced packaging experience to our customer's customer and thereby helping sell the packaged product more. Laminates were developed which not only provide the essential protection requirements but superior aesthetics to differentiate the product in the retail. A holographic pouch with reusable format for pillow was one such unique product. Similarly holographic soap-wrappers for medicinal soaps helped to enhance its looks as well as provide overt security feature.

The need of cost-out by customers propelled developments of high-line speed performance structures for laminates. Multi-layered complex flexibles were developed for OTC and pharmaceutical products to launch single-dose packs at low price points. Also, low-cost laminate structures were designed and introduced for very aggressively priced mass market products. Print aesthetic enhancements through satin finish films were achieved for a variety of substrates and FMCG applications.

Our unique random codification concept was extended to wrap-around labels for enabling marketers to connect one-to-one with their consumers. Metallic wrap-arounds were further refined and made robust for meeting more stringent labeling needs. Full body shrink sleeves with transparent print and special effects were launched for providing a high-end brand decoration solution.



## ANNEXURE TO DIRECTORS REPORT

### ANNEXURE - 1 (contd.)

Metallised Cartons with more value-added print finish were developed for distinct categories of products that required aesthetic upgrade and/or anti-counterfeit features. Offset printed board was used to develop a first-of-its-kind canister pack with lid. Window metallised structures were developed to enlarge their applications across consumer goods and commodities in organized retail.

We have been awarded one world star for our innovations during the year.

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

a. Capital	Rs. Nil
b. Recurring	Rs. 8.836 Mn
c. Total	Rs. 8.836 Mn

Percentage of R & D expenses to total turnover is 0.15% (previous year 0.17%)

#### **C. FOREIGN EXCHANGE EARNINGS & OUTGO**

1. Foreign exchange earnings from the exports of the company's products & services amounted to Rs.1264.434 million.
2. The outflow of foreign exchange during the year is disclosed in the notes to the accounts forming part of the balance sheet.

## **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 2009.

## BOARD OF DIRECTORS

The Board of Directors of the Company (hereinafter referred as Board) comprises of a combination of executive and non-executive Directors. The Board is headed by a non-executive Chairman who is not related to any promoter or person occupying management positions at the Board level or at one level below the Board. The composition of Board is in line with requirement of Clause 49 of the Listing agreement, which says that at least one half of the Board members should be Non Executive Directors and at least one third of the Board members should be 'Independent Directors'. The independent directors do not have any 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 held during the financial year under review and the last Annual General Meeting (AGM) is given below:

Name of the Director	Category	FY 2009 Attendance at	
		Board Meetings	Last AGM
<b>Mr. K. C. Narang</b> Chairman	Non-Executive, Independent	4/4	Yes
<b>Mr. Suresh Gupta</b> Managing Director & CEO	Executive	4/4	Yes
<b>Mr. C. N. Murthy</b> Executive Director & COO	Executive	3/4	No
<b>Mr. Jukka Moisio*</b>	Non-Executive	2/4	Yes
<b>Mr. Henricus Beek *</b> Nomination withdrawn w.e.f. 27.1.2010	Non-Executive	2/4	Yes
<b>Mr. Arunkumar R. Gandhi</b>	Non-Executive, Independent	3/4	Yes
<b>Mr. P.V. Narayanan</b>	Non-Executive, Independent	4/4	Yes
<b>Mr. Ramesh Kumar Dhir</b>	Non-Executive, Independent	4/4	Yes
<b>Mr. Vibhu Talwar</b>	Non-Executive	1/4	Yes
<b>Mr. Timo Salonen*</b> (Alternate to Mr. Jukka Moisio)	Non-Executive	1/4	No
<b>Mr. Juha Salonen*</b> (Alternate to Mr. Henricus Beek)	Non-Executive	0/4	No

\* Nominated as directors by the foreign promoters.

Fresh nominations by foreign promoters in Board Meeting held on 27<sup>th</sup> January 2010:

1. Mr. Johann Sippel appointed as a Director, in place of Mr. Henricus Beek to fill in the casual vacancy of Mr. Maurice Petitjean.
2. Mr. Juha Salonen ceases to be alternate director to Mr. Henricus Beek and appointed as alternate director to Mr. Johann Sippel w.e.f. 1<sup>st</sup> February 2010.



## CORPORATE GOVERNANCE (contd.)

During the year 2009, four Board Meetings were held on 28<sup>th</sup> January 2009, 28<sup>th</sup> April 2009, 29<sup>th</sup> July 2009 and 28<sup>th</sup> October 2009 and the Annual General Meeting was held on 28<sup>th</sup> April 2009.

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

Name of the Director	As on 31 <sup>st</sup> December, 2009		
	Other Directorships <sup>1</sup>	Committee positions <sup>2</sup>	
		Member	Chairman
Mr. K. C. Narang	Nil	Nil	Nil
Mr. Suresh Gupta	Nil	Nil	Nil
Mr. C. N. Murthy	Nil	Nil	Nil
Mr. Jukka Moisio	Nil	Nil	Nil
Mr. Henricus Beek	Nil	Nil	Nil
Mr. Arunkumar R. Gandhi	7	3	Nil
Mr. P.V. Narayanan	1	Nil	Nil
Mr. Ramesh K. Dhir	Nil	Nil	Nil
Mr. Vibhu Talwar	Nil	Nil	Nil
Mr. Timo Salonen	Nil	Nil	Nil
Mr. Juha Salonen	Nil	Nil	Nil

<sup>1</sup> The number of directorships excludes directorships of private limited companies, foreign companies, companies incorporated under Section 25 of the Companies Act, 1956 and alternate directorships.

<sup>2</sup> Committee includes 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:

In advance of each meeting, the Board is presented with all relevant information on various matters related to working of the Company. Directors have separate and independent access to senior management. In addition to items, which are required to be placed before the board for its noting and / or approval, information is provided on various significant items.

### Review of legal compliance reports:

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

### Relationship between directors inter-se:

Mr. Vibhu Talwar, a Director of the Company is nephew-in-law of Mr. Suresh Gupta, MD & CEO of the Company. No other director is related inter-se with each other.

### COMMITTEES OF THE BOARD:

#### a) Audit Committee:

- (i) The Audit Committee comprises of three non-executive independent directors, all of them are financially literate and two of them have accounting or financial management expertise.

During the Year 2009, five Audit Committee meetings were held on 28<sup>th</sup> January 2009, 7<sup>th</sup> March 2009, 28<sup>th</sup> April 2009, 29<sup>th</sup> July 2009 and 28<sup>th</sup> October 2009.

## CORPORATE GOVERNANCE (contd.)

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

Name of the Director	Qualification	Meetings Attended during FY 2009
Mr. P. V. Narayanan, Chairman	Post Graduate in Chemistry	5/5
Mr. A. R. Gandhi	FCA (India) and FCA (England & Wales)	4/5
Mr. K. C. Narang	B. A., LLB., FCA	5/5

- (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.
- 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
  - 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 last Annual General Meeting of the Company for addressing the shareholders queries.

The CEO, COO, CFOs, the Statutory Auditors and the Internal Auditors are invited by the Committee to attend the meetings. Mr. Parag Vyavahare, Controller - Accounts & Joint CFO and Mr. Ravi Chidambaram, Controller - Finance & Joint CFO are sharing the responsibilities of CFO and they are invited to attend the meeting. Operating managers also attend as and when it is required.

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.

### b) Shareholders /Investors Grievance Committee:

The Committee comprises of two non-executive directors. During the Year 2009, three Shareholders/Investors Grievance Committee meetings were held on 28<sup>th</sup> April 2009, 29<sup>th</sup> July 2009 and 28<sup>th</sup> October 2009 in which both the directors were present.

## CORPORATE GOVERNANCE (contd.)

The composition of the Committee is given hereunder:

Name of the Director	Designation
Mr. K. C. Narang	Chairman
Mr. Henricus Beek	Member

The Committee looks into complaints received from shareholders of the Company. No complaint was received from the shareholders during the year under review. 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 Company Secretary is the compliance officer and a secretary to the committee. His team along with the registrar and share transfer agent of the company address general queries of the shareholders to their satisfaction.

### c) Remuneration Committee:

On 24th January 2009, a Remuneration Committee consisting of three independent directors, was constituted, so as to review and approve and recommend to the Board, the remuneration payable to the working directors from time to time. The Members of the Committee are as under:

Name of the Director	Designation
Mr. A. R. Gandhi	Chairman
Mr. K. C. Narang	Member
Mr. Ramesh K Dhir	Member

The meetings of the Remuneration Committee were held on 28th January 2009 and 28th October 2009, in which all the directors were present.

The remuneration of Mr. Suresh Gupta, Managing Director & CEO and Mr. C. N. Murthy, Executive Director & COO, for the year 2009 are as under:

(Amt. Rs.)					
Name of the Directors	Salary	HRA	Perquisites	Commission	Total
Mr. Suresh Gupta	10,906,827	5,352,192	2,618,380	-	18,877,399
Mr. C. N. Murthy	5,201,668	-	1,492,815	-	6,694,483

Notes:

1. 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.
2. Salary includes incentive of Rs. 14,05,637/- to Mr. Suresh Gupta and Rs. 6,24,075/- to Mr. C N Murthy under the Management Incentive Program based on company performance and achievement of specific targets.
3. 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
4. The Board of Directors of the Company have reappointed the Managing Director of the Company with effect from 1st January 2009, for which the shareholders approval has been obtained through Postal Ballot.
5. Managing Director & Chief Executive Officer, Executive Director & Chief Operating Officer 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 right 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 these options and shares is Rs. 11,213,515 (Y2009) and Rs. 2,858,474 (Y2008) respectively.



## CORPORATE GOVERNANCE (contd.)

6. The above remuneration paid/ payable to the Managing Director & CEO of the Company does not include Rs. 4,196,309/- for the Year 2009 (Previous Year Rs. Nil), receivable from Huhtamaki Oyj, the parent Company, for his role as Executive Vice President, Flexibles Global, Huhtamaki Oyj.
7. 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.
8. Details of Sitting Fees paid to the Directors during the year 2009 are as follows:

(Amount in Rs.)

Names of the Directors	Board Meetings	Committee Meetings
Mr. K.C. Narang	40,000	70,000
Mr. Arunkumar R. Gandhi	30,000	60,000
Mr. P.V. Narayanan	40,000	50,000
Mr. Ramesh K. Dhir	40,000	20,000
Mr. Vibhu Talwar	10,000	---

9. The Commission due to the Non-Executive Independent Directors for the year 2009 is as follows:

Names of the Directors	Commission (Rs.)
Mr. K.C. Narang	8,00,000
Mr. P.V. Narayanan	5,50,000
Mr. Arunkumar R. Gandhi	7,70,000
Mr. Ramesh K. Dhir	4,00,000

Commission payable to each of the Independent Directors as authorized by the Members at 57<sup>th</sup> Annual General Meeting held on 27<sup>th</sup> April 2007, 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.

The compensation payable to independent directors and the method of calculation of the limits as laid down in the Companies Act, are disclosed separately in the financial statements.

10. None of the Non-Executive Directors (except Mr. K. C. Narang, who holds 148,250 equity shares in his personal capacity) is holding shares in the Company. The Company has not granted any stock options to its Directors.
11. An Office with required facilities is being maintained by the Company at its Registered Office, for use of the Non-Executive Chairman.
12. Details of service contracts, notice period and severance fees of whole-time directors:

	Mr. Suresh Gupta	Mr. C. N. Murthy
Date of contract	6th July, 1999 (renewed and modified on 22nd June 2001, 24th June 2004, 27th April 2007 & 3rd March 2010)	1st February, 2005 (Modified on 27th April 2007, 28th April 2009 & 3rd March 2010)
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.

## CORPORATE GOVERNANCE (contd.)

### 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 is set out in Note 5 of Schedule 17 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 / COO / CFO Certification

Mr. Suresh Gupta, Managing Director & CEO, Mr. C. N. Murthy, Executive Director & COO, Mr. Parag Vyavahare, Controller – Accounts & Joint CFO and Mr. Ravi Chidambaram, Controller – Finance & Joint CFO, 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 27th January, 2010. 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](http://www.pplpack.com). The Company has received affirmation of compliance from Directors & Senior Managerial Personnel of the Company for the financial year ended on 31st December 2009. A declaration to this effect signed by the Managing Director & CEO 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. Suresh Gupta and Mr. Ramesh Kumar Dhir, being longest in office shall retire by rotation, and being eligible have offered themselves for re-appointment. Further, Mr. Heikki Takanen was appointed at the Annual General Meeting held in 2007. His casual vacancy was filled by Mr. Timo Salonen and subsequently by Mr. Jukka Moisio. This office is also subject to retirement in the ensuing Annual General Meeting. Accordingly, Mr. Jukka Moisio is seeking his appointment in the forthcoming Annual General Meeting.

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

Mr. Suresh Gupta did his Masters in Management Studies (MMS) from Jamnalal Bajaj Institute of Management Studies, Mumbai. He has diverse management experience of over 36 years, including 22 years in the Company. He was appointed as Whole-time Director in March 1992, has been holding the position of Managing Director since May 1994. In addition, he has been holding the position of Executive Vice President, Flexibles Global and a member of the Group Executive Team of Huhtamaki Oyj., the ultimate holding Company, since 1<sup>st</sup> January 2009.

Mr. Ramesh Kumar Dhir is a Fellow Member of the Institute of the Chartered Accountants (England & Wales) and also a Fellow of the Institute of Management (U.K). He has wide corporate management experience of over 37 years working with Peat Marwick, London and a US Multinational with operations in India and overseas. He is currently the President and on the Board of Council for Fair Business Practices. He is a Governing Committee member of the Government of Maharashtra, State General Committee of the Red Cross and also member of RBI – AXIS Bank, Corporate Standing Committee on customer service. He has been an Independent Director of the Company since March 2002.

Mr. Jukka Moisio holds Masters degree in Science (Econ) and MBA. His career at Huhtamaki Oyj started in the year 2008. He is holding the position of Chief Executive Officer (CEO) and Chairman of Group Executive Team of Huhtamaki Oyj. Prior to joining Huhtamaki Oyj he was with Ahlstrom Corporation (1991–2008) with several different roles, the last position held was of CEO. He has been nominated as Director by Huhtavefa B. V. on PPL Board of Directors w.e.f. 23<sup>rd</sup> April 2008.

## **CORPORATE GOVERNANCE (contd.)**

### **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 one English daily and one Marathi language daily newspaper, as per the requirements of the Listing Agreement entered with Stock Exchanges.

The said results are also made available on the Company's website: [www.pplpack.com](http://www.pplpack.com). 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.

As per the Listing Agreement entered with the Stock Exchange, the Company has also uploaded the Financial Results, Shareholding Pattern, Annual Report, Corporate Governance Report etc. on the website: [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in).

### **Share Transfer System**

The Board of Directors has delegated the powers to approve the transfer of shares to a Share Transfer Committee. The Committee comprised of Mr. Suresh Gupta, Managing Director & CEO, Mr. C. N. Murthy, Executive Director & COO and Mr. Henricus Beek, Director.

Secretarial Audit is carried out in line with SEBI requirements and reports submitted by Practising Company Secretary confirming that the aggregate number of equity shares of the Company held in NSDL, CDSL and in physical form tally with the issued/ paid up capital of the Company, are placed before the Board and noted from time to time.

### **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.

### **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.
- The Company does not have any formal training program for Board Members. However periodical presentations are made to the Board on changes made by SEBI and the Stock Exchanges in disclosure and other requirements.



## CORPORATE GOVERNANCE (contd.)

- There is no separate mechanism for evaluating the performance of non-executive Board Members.
- The Company does not have a "Whistle Blower Policy" for the time being, however no personnel has been denied access to the Audit Committee.

Further, the Company is yet to adopt the recent Corporate Governance Voluntary Guidelines 2009 published by Ministry of Corporate Affairs.

### ANNUAL GENERAL MEETINGS

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

Year	Date	Time	Location	Special Resolutions passed
2006	27.04.2007	4.00 PM	Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020	1. Sub-division of shares from Rs. 10/- each to Rs. 2/- each. 2. Alteration of Articles of Association of the Company. 3. Payment of annual Commission to non-executive directors up to 1% of the net profits of the Company.
2007	07.05.2008	4.00 PM	- Do -	NIL
2008	28.04.2009	4.30 PM	- Do -	NIL

### Special Resolution passed through Postal Ballot

Approval of the members were sought through Postal Ballot Notice dated 12<sup>th</sup> January 2010 for passing of the Special Resolution under Section 163 of the Companies Act, 1956 for keeping Register of Members, Indices of Members and other related books at the changed address of Company's Registrar & Share Transfer Agents or at such other place within Mumbai, where the Registrar and Transfer Agents may shift its office from time to time.

Total Number of Postal Ballot Forms received	:	353
Number of Invalid Postal Ballot Forms	:	21
Number of Valid Postal Ballot forms	:	332

	No. of Postal Ballot Forms	No. of shares voted	Percentage
Votes cast – Assent	315	86,60,187	99.54
Votes cast – Dissent	17	39,720	0.46
Total Votes	332	86,99,907	100.00

Mr. S. N. Ananthasubramanian, Practising Company Secretary, Thane was appointed as Scrutinizer for conducting the postal ballot voting process for the above resolution.

The Postal Ballot process was undertaken in accordance with the provisions of Section 192A of the Companies Act, 1956, read with the Companies (Passing of Resolution by Postal Ballot), Rules 2001.

### GENERAL SHAREHOLDER INFORMATION

#### Details of ensuing Annual General Meeting

Day & Date	Time	Venue
Tuesday, 27 <sup>th</sup> April 2010	4.00 pm	Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020

## 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, 2010	27 <sup>th</sup> April 2010 (Tuesday)
June, 2010	30 <sup>th</sup> July 2010 (Friday)
September, 2010	29 <sup>th</sup> October 2010 (Friday)

### Book Closure Date

Pursuant to Section 154 of the Companies Act, 1956, the Register of Members will remain closed from 20th April 2010 to 27th April 2010 (both days inclusive).

### Dividend Payment Date

Dividend at the rate of Rs. 3/- per share (which includes a one time Platinum jubilee dividend of Re. 1/- per Equity 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 after Thursday, 29th April 2010:

- 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 Monday, 19th April 2010; 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 Monday, 19th April 2010.

### Dividend History of the Company

Year	AGM Date	Dividend Rate Rs. (%)
2006	27.04.2007	Rs. 9/- (90%)
2007	07.05.2008	Rs. 1.80/- * (90%)
2008	28.04.2009	Rs. 1.80/- * (90%)

\* Consequent to sub-division of shares of every share of Rs. 10/- into 5 shares of Rs. 2/- during 2007

### Listing of Shares on Stock Exchanges

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

Stock Exchange	Stock Code/Symbol
Bombay Stock Exchange 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 2009 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](http://www.mca.gov.in), under the Company Identification Number (CIN): L21011MH1950FLC145537.

## **CORPORATE GOVERNANCE (contd.)**

### **Shareholders' Rights:**

A Shareholder can enjoy the following rights mentioned in the Companies Act, 1956:

- To transfer shares.
- To receive the share certificates upon transfer within the stipulated period prescribed in the Listing Agreement.
- To receive notice of general meetings, balance sheet and profit & loss account and the Auditors' report.
- To appoint proxy to attend and vote at the general meetings. In case the member is a body corporate, to appoint a representative to attend and vote at general meetings of the company on its behalf.
- To attend and speak in person, at general meetings. Proxy can not vote on show of hands but can vote on a poll.
- To vote at the general meetings on show of hands wherein every shareholder has one vote. In case of poll, the number of votes of a shareholder depends on the proportion of equity shares held by him with the total paid up equity share capital of the Company.
- To demand poll along with other shareholder(s) who collectively hold 25,000 shares or is not less than 1/10th of the total voting power in respect of any resolution.
- To requisition an Extra-Ordinary general meeting of Company by shareholders who collectively hold not less than 1/10th of the total paid up capital of the Company.
- To move amendments to resolutions proposed at the meetings.
- To receive dividends and other corporate benefits like rights, bonus shares etc. as and when declared/ announced.
- To take inspection of the various statutory registers of the Company.
- To inspect the minutes' books of general meetings and to receive copies thereof after complying with the procedure prescribed in the Companies Act, 1956.
- To proceed against the company by way of civil or criminal proceedings.
- To proceed against the winding up of the Company.
- To receive the residual proceeds upon winding up of a Company.

### **THE INVESTORS EDUCATION AND PROTECTION FUND (IEPF)**

Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956, dividends, matured fixed deposits, redeemed debentures and interest thereon, which remained unclaimed upto 31<sup>st</sup> December, 2002 were deposited with Investors' Education and Protection Fund (IEPF) of the Central Government.

The amount of dividend paid, fixed deposit that have matured, debentures redeemed and interest accrued thereon, after 31<sup>st</sup> December 2002 will be transferred to the IEPF after the expiry of such 7 years from the date on which such payments were due for payment. And once the amount is transferred to the IEPF as mentioned above, no claim shall lie in respect of the same, with the Company and / or Government of India. Therefore, the shareholders are advised to claim such amounts immediately.

### **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.

## CORPORATE GOVERNANCE (contd.)

### STOCK DATA

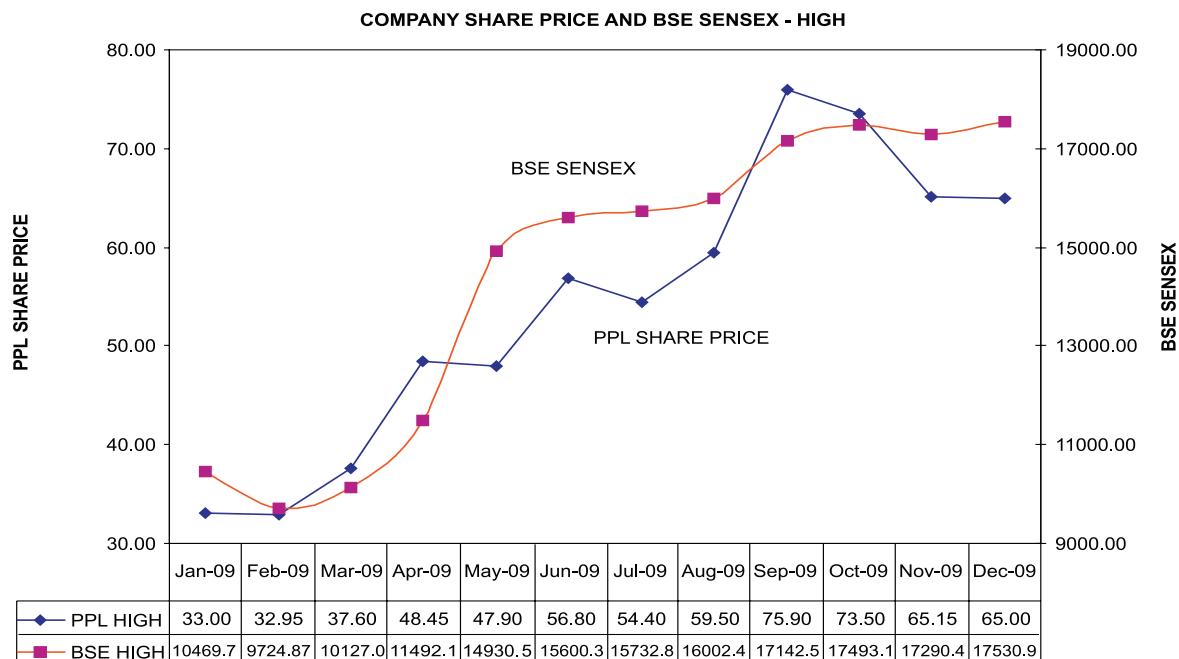
The table herein below gives the monthly high and low prices and volume of the Company's shares traded at the Bombay Stock Exchange Limited (BSE) and National Stock Exchange (NSE) during the period from January 2009 to December 2009.

Month & Year	BSE			NSE		
	High (Rs./share)	Low (Rs./share)	Volume (No. of Shares)	High (Rs./share)	Low (Rs./share)	Volume (No. of Shares)
January 2009	33.00	27.15	49,269	33.25	27.20	83,427
February 2009	32.95	30.05	48,084	32.80	30.00	61,188
March 2009	37.60	29.05	150,814	41.25	30.60	83,218
April 2009	48.45	35.75	263,826	45.50	35.90	214,913
May 2009	47.90	38.00	213,548	50.00	37.65	175,433
June 2009	56.80	41.00	391,009	55.95	35.30	329,123
July 2009	54.40	38.50	238,922	54.00	39.60	229,463
August 2009	59.50	49.00	675,295	60.50	45.35	468,256
September 2009	75.90	55.00	1,992,264	75.45	54.60	2,034,017
October 2009	73.50	59.60	765,690	73.70	59.20	890,370
November 2009	65.15	54.95	1,245,598	64.95	55.40	1,724,685
December 2009	65.00	54.00	1,029,492	64.80	56.60	1,641,035

Note:

1. Volume is the total monthly volume of trade (in numbers) in shares of "The Paper Products Limited" on BSE & NSE.

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





## CORPORATE GOVERNANCE (contd.)

### DISTRIBUTION OF SHAREHOLDINGS

Following is the distribution pattern of shareholding of the Company as on 31st December 2009:

Distribution of shareholding by ownership:

Sr. No.	Category	No. of Shareholders*	No. of Shares	% of Total Holding
1.	Indian Promoters	15	31,11,832	4.96
2.	Foreign Promoters – Huhtavefa B.V.	1	36,934,100	58.92
3.	Foreign Institutional Investors	8	54,26,485	8.66
4.	NRI's & OCB's	144	1,80,306	0.29
5.	Bodies Corporate	531	27,76,374	4.43
6.	Banks/ Financial Institutions	3	6,130	0.01
7.	Insurance Companies	2	3,53,400	0.56
8.	Mutual Funds	8	34,78,671	5.55
9.	Resident Individuals	10595	1,04,12,002	16.61
10.	Trust	1	7,890	0.01
	<b>Total</b>	<b>11308</b>	<b>6,26,87,190</b>	<b>100</b>

\* 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
Up to – 500	8,101	71.64	1,446,830	2.31
501 – 1000	1,332	11.78	1,111,389	1.77
1001 – 2000	836	7.39	1,270,029	2.03
2001 – 3000	359	3.17	911,903	1.45
3001 – 4000	149	1.32	530,600	0.85
4001 – 5000	141	1.25	661,649	1.05
5001 - 10000	194	1.72	1,398,398	2.23
10001 and above	196	1.73	55,356,392	88.31
<b>Total</b>	<b>11,308</b>	<b>100.00</b>	<b>62,687,190</b>	<b>100.00</b>

Following is the List of Top Ten Shareholders (other than Promoters) of the Company as on 31<sup>st</sup> December 2009:

Sr. No.	Name Of Shareholder	No. Of Shares Held	% Of Total Shareholding
1	Aberdeen Asset Managers Limited	4,961,820	7.92
2	HDFC Trustee Company Ltd - A/C HDFC Mid – cap	2,688,217	4.29
3	Birla Sun Life Trustee Company Pvt Limited A/C	583,974	0.93
4	Shree Capital Services Limited	545,532	0.87
5	East Sail	458,415	0.73
6	Ragini Finance Limited	426,815	0.68
7	The New India Assurance Company Limited	227,745	0.36
8	Rajan	204,960	0.33
9	ICICI Prudential Tax Plan	200,140	0.32
10	NBI Industrial Finance Co Ltd	187,850	0.30
	<b>TOTAL</b>	<b>10,485,468</b>	<b>16.73</b>

## 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 31<sup>st</sup> December 2009.

### DEMATERIALISATION OF SHARES

At present, 97.34 % of the Company's shares 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 2009:

No. of Shares in physical segment	1,666,371	2.66%
No. of Shares in demat segment	61,020,819	97.34%
<b>Total</b>	<b>62,687,190</b>	<b>100.00%</b>

### OUTSTANDING GDRS/WARRANTS/CONVERTIBLE INSTRUMENTS AND THEIR IMPACT ON EQUITY

The Company has not issued any GDR/ Warrants/ Convertible instruments in the past and hence there is no 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 & 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

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.

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](mailto:investor.communication@pplpack.com).

#### **Registered Office:**

The Paper Products Limited  
Regent Chambers, 13th Floor,  
Nariman Point,  
Mumbai – 400 021  
Tel: +91 22 2282 0969, +91 22 2283 1889  
Fax: +91 22 2283 2860  
Website: [www.pplpack.com](http://www.pplpack.com)  
Email: [sushil.agarwal@pplpack.com](mailto:sushil.agarwal@pplpack.com)

#### **Registrar and Transfer Agent (R&TA)**

Sharepro Services (India) Pvt. Ltd.  
Unit : PPL  
13 AB, Samhita Warehousing Complex, 2nd Floor  
Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road  
Sakinaka, Andheri East, Mumbai - 400072  
Tel : +91 22 6772 0300, +91 22 6772 0351/2/3  
Fax: +91 22 2837 5646  
Website: [www.shareproservices.com](http://www.shareproservices.com)  
Email: [sharepro@shareproservices.com](mailto:sharepro@shareproservices.com)

## CORPORATE GOVERNANCE (contd.)

### COMPLIANCE OFFICER

Mr. Sushil Kumar Agarwal, Company Secretary & Head Taxation is the Compliance Officer of the Company.

### LOCATIONS

**Registered Office:** Regent Chambers, 13th Floor Nariman Point, Mumbai –400021

**Corporate Office:** L.B.S. Marg, Majiwade, Thane (Maharashtra) – 400601

### Plants Locations:

Thane	L.B.S. Marg, Majiwade, Thane (Maharashtra) – 400601
Silvassa	Survey No. 33/1, At Post Umerkoi, Via Silvassa U. T. of Dadra & Nagar Haveli - 396230
Hyderabad	Plot No.139 & 148, Sri Venkateshwara Co-op. Industrial Estate, Bollarum, Medak District (Andhra Pradesh) - 502325
Rudrapur	Plot No. 70-73, Sector 4, IIE Pantnagar, Rudrapur, Udhamsingh Nagar (Uttarakhand) - 263153

### Annexure A

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

27th January 2010

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 2009,

- (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, and further state that there were no deficiencies in the design or operation of such internal controls.
- (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**  
(Managing Director & CEO)

**Parag Vyavahare**  
(Controller Accounts & Joint CFO)

**C. N. Murthy**  
(Executive Director & COO)

**Ravi Chidambaram**  
(Controller Finance & Joint CFO)

## 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 31<sup>st</sup> December 2009.

For The Paper Products Limited

Mumbai  
27<sup>th</sup> January, 2010

**Suresh Gupta**  
Managing Director & CEO

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

##### To The Members of The Paper Products Limited

We have examined the compliance of the conditions of Corporate Governance by The Paper Products Limited ("the Company") for the year ended 31 December 2009, as stipulated in Clause 49 of the Listing Agreement of the Company with The Stock Exchange, Mumbai and National Stock Exchange of India Limited.

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

In our opinion, and to the best of our knowledge and according to the information and explanations given to us, we certify that the Company is in compliance with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement for the year ended 31 December 2009.

We further state that our report 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 **B S R & Associates**  
Chartered Accountants

Mumbai  
10 March 2010

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070



# MANAGEMENT DISCUSSION & ANALYSIS

## OVERVIEW

### **‘We are in an environment where change is the only constant’**

Y 2009 began amidst severe global financial crisis induced global economic recession. The economic environment in India was stressed as GDP growth fell from 9% + to 5-6%. It was uncertain times. We faced unanswered questions on whether the economic situation will worsen or stabilise, and when will there be an upturn. The Government of India responded through an economic stimulus which included cuts in excise duty, customs duty and service tax.

Towards the later part of Y 2009, the economic stimulus and increased public expenditure, aided by a large domestic market, showed revival signs. Manufacturing and services sectors started bouncing back. The Government forecast for Y 2010 GDP growth was increased to 7%. However, amidst this, inflation soared and continues to be the biggest economic concern.

In this highly uncertain environment, the company achieved a significantly improved financial performance in 2009. While Net Sales declined by 5.6% compared to previous year, Operating Profit increased to INR 495 Mn – a increase of 61% over Y2008 and the Profit after tax increased to INR 374 Mn as compared to INR 213 Mn in the previous year.

The basic and diluted earnings per share (EPS) for Y2009 was INR 5.96 as compared to INR 3.40 in the previous year. Dividend of Rs. 2 per share has been proposed, i.e., 10% higher than the previous year. In addition a Special Platinum Jubilee one time dividend of Re. 1.00 per share has also been proposed for Y2009. Hence the total dividend for 2009 is Rs. 3 per equity share.

Amidst the challenges faced in a continuously changing environment, the company continued to maintain its focus on implementation of strategic initiatives. Highlights for 2009 include:

- New levels of material efficiencies were achieved at some of our operations. The team is committed to carry forward the benefits of these initiatives in 2010.
- Project Phoenix – the company’s Oracle ERP project went live in Oct’2009 at all plants for all modules across all activities. Post ‘Go-live’, the system is stabilising and the company is moving towards normalised sales level.
- Reconstruction of Thane Plant was fully completed by the 3rd quarter of 2010. Machines and utilities were shifted from the old plant into the new premises with minimum disruption to operations. We now have a world class plant in Thane which envisions new benchmarks of operational excellence with special focus on servicing export customers.

## **Platinum Jubilee Celebrations**

Y 2010 is Platinum Jubilee year of PPL. By a very happy coincidence, Y 2010 is also the 90th anniversary of PPL’s parent company, Huhtamaki Oyj. It is evident that this has been achieved with the support of our valued customers, trusted partners and all stakeholders. PPL places on record its deep appreciation for their support. It is planned that this momentous occasion is celebrated with specific events organized for the stakeholders.

## FINANCIAL OVERVIEW

### **Sales**

Y2009 ended with Gross Sales of INR 6180 Mn (Y2008 – INR 6748 Mn). Net Sales were INR 5777 Mn. Sales declined by 5.6% in value and 9.8% in tonnage compared to 2008. Slowdown in sales in the early part of Y2009 was primarily due to the economic slowdown. In addition ERP related black out period and teething issues impacted sales in Q4’2009. Exports reduced by 3.2%.

### **Other Income**

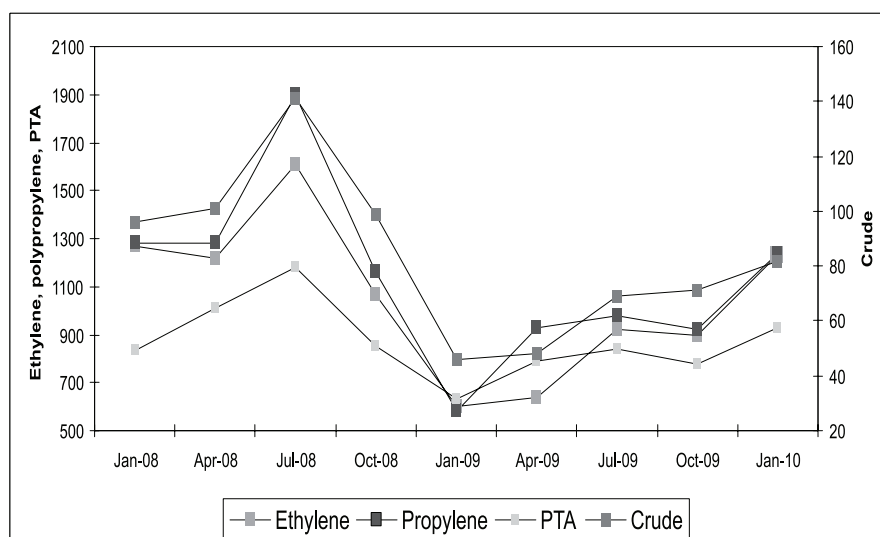
Other Income in Y2009 was INR 79 mn compared to INR 102 Mn for Y2008. Other income for Y2009 includes profit of INR 10.6 Mn realised on sale of surplus fixed assets. Dividend Income from Mutual Funds contributed INR 12.9 Mn. The remaining INR 55.5 Mn mainly represents sale of scrap.

## MANAGEMENT DISCUSSION & ANALYSIS (contd.)

### Raw material

Raw materials costs as a percentage of net sales in the year 2009 decreased to 66.2% from 69.6% in the year 2008.

Prices of Crude and feedstocks, which started falling in Q4'2008, continued to fall in Q1'2009. After remaining relatively less volatile till July'09, the prices started rising in the latter part of 2009,



A combination of the 'lag effect' of lower raw material prices, favourable product mix, ongoing buying initiatives and material cost reduction strategies have contributed to improved VA in 2009.

### Profitability

#### Expenditure

Total operating expense in Y2009 P&L statement, i.e., aggregate of manufacturing and operating expenses, personnel expenses, administration and sales expenses and depreciation and amortization expenses amounted to INR 1548 Mn as compared to INR 1518 Mn in Y2008. Overall expenses were kept in constant control. However, the 5.6% drop in sales resulted in expenses as a % of Sales at 26.8% as compared to 24.8% in Y2008. To analyse key elements —

Manufacturing and operating expenses were at INR 416.8 Mn as against INR 393.5 Mn in the previous year. The increase was primarily on account of a 25% increase in repairs and maintenance costs mainly due to shifting of machines to the new plant at Thane. In spite of rising power tariffs across all locations with deteriorating quality of power supply necessitating increased use of expensive DG power, the power and fuel costs were maintained at same the levels as in the previous year.

Personnel expenses were at INR 493.3 Mn as against INR 509.2 Mn in Y 2008. Y 2008 included INR 13.9 Mn spend towards settlement of workers at Nagpur plant pursuant to its closure Excluding this impact, the personnel expense Y 2009 were marginally lower than Y 2008. Consequent to economic slowdown, compensation levels rose in subdued manner. Control over increases in compensation together with various cost control measures and favourable impact from retirement provisions helped in controlling personnel expenses. However, this trend is likely to see reversal in 2010.

Administration and Sales expenses were contained at INR 329.3 Mn compared to INR 331.5 Mn in the previous year. This included a 6% decrease in selling and distribution expenses to INR 148 Mn (2.6% of net sales) compared to INR 158 Mn (2.4% of net sales) in the previous year mainly due to decrease in exports. Administration expenses were marginally higher INR 181.3 Mn compared to INR 173 Mn in the previous year. Major reason for increase in Administration expenses was primarily on account of write off of fixed assets of INR 14.6 Mn due to Thane Plant reconstruction and a few idle and obsolete assets.

## MANAGEMENT DISCUSSION & ANALYSIS (contd.)

### Foreign Exchange Gain:

As explained in last year's annual report, the company realigned its forex hedging strategy. This realigned strategy combined with a comparatively lower volatility in foreign exchange rates resulted in a forex gain of INR 15.4 Mn as compared to forex loss of INR 132 Mn in Y 2008.

### EBDIT:

EBDIT for Y 2009 excluding the impact of the foreign exchange gain, was at INR 791 Mn compared to INR 726 Mn in previous year.

### Operating Profit

Operating Profit for Y 2009 was INR 495 Mn – an increase of 61% over Y2008.

### Depreciation and Amortisation

Depreciation and Amortisation for Y2009 was at INR 311 Mn as compared to INR 286 Mn in the previous year.

### Financial Expenses

Net financial expenses dropped by 107% to INR (0.7) Mn as compared to INR 9.8 Mn in the previous year. The sharp drop was achieved by tight cash management coupled with repayment of all interest bearing loans.

### PBT, Tax, PAT

Profit before tax was INR 496 Mn representing an increase of 66.5% over Y2008.

Tax liability (including deferred tax) net of previous years write back is provided for at INR 120.8 Mn (as against previous year's liability of INR 79.8 Mn). Fringe Benefits Tax is provided for at INR 1.2 Mn.

Net Profit after Tax was INR 374 Mn as compared to INR 213 Mn in the previous year.

### Earnings Per Share

The basic and diluted earnings per share (EPS) for Y2009 was INR 5.96 as compared to INR.3.40 in the previous year.

### Dividend

A Normal Dividend on equity shares has been proposed at Rs.2.00 per share, i.e., 100% which is higher than the previous year. Apart from normal dividend a Special Platinum Jubilee one time dividend of Re. 1.00 per share has been proposed for Y2009.

Based on the proposed dividend the amount provided in the accounts is INR 220 Mn, including dividend distribution tax and cess thereon. This represents 59% of the distributable profits of the year.

### Balance Sheet

#### Shareholders Funds

There were no changes in Equity Share Capital during the year. After transfer of INR 37.4 Mn to general reserve, a balance of INR 966.3 Mn is retained in the Profit and Loss account.

Book value of the equity share has increased to Rs. 41.28 per equity share at the end of Y2009 from INR 38.82 at the end of Y2008.

#### Borrowings

Total borrowings decreased to INR 239.4 Mn as on 31st Dec '09 from INR 498.2 Mn as on 31st Dec '08. Reduction in borrowings was achieved through focused efforts at improving the operating cash flow in Y2009. Included in the borrowings is an interest free sales tax deferred loan (under sales tax deferment scheme availed in the State of Andhra Pradesh) of INR 225.3 Mn (previous year INR 225.3 Mn). The short-term borrowings for working capital as on 31st Dec '09 stood at INR 14.1 Mn vis-à-vis INR 2.8 Mn as on 31st Dec '08.

## MANAGEMENT DISCUSSION & ANALYSIS (contd.)

Consequent to the decrease in borrowings, the company's 'debt equity ratio' (including short term debt and excluding revaluation reserve) as on 31st Dec '09 improved to 0.09:1 as compared to 0.20:1 as on 31st Dec'08.

### **Capital Expenditure and Fixed Assets**

During Y2009 the company had a cash outflow of INR 233.1 Mn on Capital investments (net of proceeds from sale of fixed assets) including strategic investments on the Thane Plant reconstruction project and the ERP project which were completed during the year. Excluding these, investment for maintenance capex was kept to the bare minimum. The economic slowdown in the early part of 2009 delayed the sale of the Nagpur plant property which was concluded in February 2010.

Net addition to Gross Block is INR 552.2 Mn in 2009, which increased to INR 4546.1 Mn as at 31st Dec 2009 from INR 3993.9 Mn as on 31st Dec 2008. Capital work in progress as at 31st Dec '09 was at INR 45.7 Mn (INR 468.9 Mn as on 31st Dec 2008).

In 2010, the capital expenditure has been budgeted at INR 367 Mn primarily for capacity balancing, enhancing capabilities for valued added niche products including maintenance capex.

### **Inventory**

Inventories were at INR 759 Mn as at 31st Dec '09 compared to INR 621 Mn as at 31st Dec '08. Increase was primarily due to increased lead times in case of few materials, increase in sales from Q3 2009 and due to contingency stocks built in Q3-Q4 2009 when ERP system went live.

### **Debtors**

Sundry debtors, net of provision for bad and doubtful debts, as at 31st Dec '09 were at INR 972 Mn vis a vis INR 944.2 Mn as on 31st Dec '08. Sundry debtors have been under constant focus throughout the year. Stabilisation of the ERP system has led to increase in Sundry Debtors in the fourth quarter.

### **Creditors**

Sundry creditors as at 31st Dec '09 were at INR 814.7 Mn vis-à-vis INR 647.2 Mn as at 31st Dec '08. The increase is attributable to increased inventory levels and some shifts in vendor mix.

### **Loans and Advances**

Loans and Advances as at 31st Dec '09 were at INR 212.1 Mn as compared to INR 203.9 Mn as at 31st Dec '08.

### **Cash and Cash Equivalents**

Cash and cash equivalents comprise of current investments, balances in current accounts and deposit accounts with scheduled banks, cash and cheques in hand, unpaid dividend accounts and accrued gain/loss on foreign currency cash and cash equivalents.

As on 31st Dec 2009, cash and cash equivalents stood at INR 353.8 Mn as compared to INR 293.1 Mn as at 31st Dec 2008.

### **Cash Flow from Operating activities**

During the year, cash flow from operating activities increased to INR 668 Mn in Y2009 as compared to INR 650 Mn in Y2008.

### **Trade Investments**

Temporary surplus funds were invested judiciously in Mutual Funds during the year, yielding an income of INR 12.9 Mn and the investments held at year end are valued at INR 310 Mn.

### **Cash & Bank Balances**

Balances at current accounts and deposit accounts with scheduled banks aggregated INR 35.5 Mn as on 31st Dec 2009 as compared to INR 109.5 Mn as on 31st Dec 2008.

## MANAGEMENT DISCUSSION & ANALYSIS (contd.)

### MARKET COMMENTARY

#### India – the growth story remains intact

The 2nd half of 2009 has clearly demonstrated that the Indian economy has survived the impact of the global financial crisis. Led by strong domestic demand and relatively quick revival in economic activity in the manufacturing and service sectors, the Indian economy grew despite all odds by 6% in 2009. India continues to be among the fast growing economies of the world. The growth for 2010 is projected at 7%.

#### Role of Packaging in Society

Packaging is essential for societal development. Packaging performs multiple roles, i.e., distribution, availability, product protection with optimal economic material usage, preservation, containment, confidence, convenience, information, promotion... A good package must strive to satisfy everyone's needs.

#### Opportunities:

India is today a US\$ One trillion economy and in PPP terms, the 4th largest economy in the world. A rising consumer class with growing aspirations and willingness to experiment with products contributes to this growth. Over 30% of India's 1 billion+ population is the 'consuming Middle Class' with increasing disposable income aspiring for lifestyle changes.

India is amongst the largest fruit and vegetable growing countries. A large portion does not reach the market and hence is 'not available' for consumption. This is due to low level supply chain infrastructure and minimal level of processing / packaging facilities.

Organised Retail is gaining share – at present around 5% of retail sales and is expected to go to over 10% within the next 4 to 5 years – driving consumption.

Growth of high performance packaging is a must for reducing wastage, improving availability thereby contributing to India's societal and human development.

Packaging in India presents unique challenges. Climatic conditions vary from extreme cold to extreme hot and highly humid. Constantly developing infrastructure adds to the challenge for packaged goods and consequently in the design of packaging. Logistics across different climatic conditions and transport infrastructure adds to this complexity. Manufacture of packaging material needs to factor in these circumstances in providing packaging solutions. PPL has been innovating as these factors inter alia present opportunities for growth of the Indian Packaging Market. PPL expects demand for packaging materials once again to be on the path of double digit growth.

There are opportunities for growing exports in the developed markets and in the Asian region. International majors look to source their packaging requirements globally and regionally and India is a potential source. Development work in this area continues, both directly and with the synergy available as a member of the Huhtamaki group.

#### Concerns:

Packaging market in India is highly price-competitive. The trend of 'competition' accepting lower prices based on minimum marginal costing for volumes and market share 'at any cost' due to their bullish view of future pie continues. Buyers in India's customer organizations continue to 'Commoditize' flexible packaging in their attempts to control packaging costs. India is today one of the lowest priced packaging markets in the world.

However, there is clearly a demand for higher quality packaging, innovation, and increasing safety standards in packaging.

#### Strategies

The company's continued thrust on development of new innovative value added packaging formats that provide new value propositions to customers, and doing this in a profitable manner, is key to sustaining growth and margins.



## MANAGEMENT DISCUSSION & ANALYSIS (contd.)

In a highly cost driven market, the company is focused on profitable growth through:

- A. Effective Business management
  - Increasing market share and developing new business with customers
  - New growth markets including geographical expansion in export markets
  - Expanding the customer base through new customer development, by partnering with small and medium size FMCG companies
- B. NASP – Unleashing Innovation
  - Specialised - Pouches, Labels, Cartons
  - Moving into new application areas
  - Integrating Global Developments
- C. Marketing Huhtamaki-PPL as a ‘one-stop’ shop – building customer confidence when they seek comprehensive packaging solutions and great service!
- D. The Business Excellence Program – besides creating added customer value, is focused on continuous improvement in ‘cost’ and being ‘cost efficient’..

Attention to research and development in the field of packaging materials and manufacturing practices will continue to help us in offering solutions tailored to meet the needs of our customers. Our strategy of continuous innovation and development of newer packaging formats will stand us in good stead to meet the market needs and to grow profitably. Improved cost efficiency will create the balance needed between being competitive and being profitable.

### **NASP programme update and Awards**

NASP (New Applications Structures Products and Processes), the company’s innovation program, is the cornerstone of business strategy - a constant endeavour to renew product offering and constantly add superior value to customers. Innovation and creativity are in constant demand. NASP initiatives in Y 2009 contributed 25.8% of total sales.

Mention has been made of the ‘Small is beautiful’ customer in earlier reports. This program met with satisfying results as 96 new customers were added in Y2009.

As in the past, this year too saw a few of our special efforts recognized by discerning juries in Indian and international packaging competitions. The following awards were won in 2009:

1. 1 WORLDSTAR 2009 award
2. 7 PFFCASTAR 2009 awards

### **INTERNAL CONTROL**

The company has in operation a reasonably good system of internal control considering the size and nature of operations.

The internal control system covers following aspects of business process and reporting systems;

- Financial propriety of business transactions.
- Accurate financial reporting of transactions as per applicable Accounting Standards and Policies.
- Safeguarding assets of the Company.
- Compliance with prevalent statutes, listing agreement provisions, management authorizations, policies and procedures.
- Review of information technology and other business process systems so as to suggest ways and means of cost optimization.

## MANAGEMENT DISCUSSION & ANALYSIS (contd.)

An independent internal audit function is an important element of the company's internal control system. The management and the internal auditors continuously monitor the operation of the internal control system. Internal audit reports are regularly discussed and corrective measures, where and when required, are taken.

Further, the Audit Committee meets the internal and statutory auditors to be assured of the operations of the internal controls. The Audit Committee also reviews the internal audit findings.

### **Risk Management**

The company recognizes risk management as an integrated forward looking and process oriented approach for managing all key business risks and opportunities. The management team reviews business risks on an ongoing basis. Risks are categorized into strategic risks, operational risks, financial risks and information risks. A detailed risk assessment report is prepared and updated on an ongoing basis.

As part of the process of risk management, the board reviews the risk management process.

Key risks are around the following areas:

- Price management risk
- Raw material and energy cost risks
- Foreign exchange risk
- People risks
- Investment risk

Plans are in place to address the impact of the risks identified and necessary risk mitigation actions are implemented on an ongoing basis.

### **OUR PEOPLE**

We continue to practice and re-emphasise our philosophy

**It is people who face and overcome challenges. Their approach, knowledge, commitment and actions are what finally deliver. An open hands-on culture, which involves and empowers, which believes in sharing and training, and inculcates pride in knowledge. All this is our philosophy. We need to continuously ensure that it is also our practice.**

The total team strength was 1473 in end 2009 as compared to 1439 in end 2008. Addition in head count was mainly due to filling of vacancies in various positions.

Talent retention remains one of the key challenges during the year. The company continues to be seen as a 'poaching ground' across industry and service sectors. The company is intensively working on improvement in Performance Management Systems.

Training has been a key focus area in Y2009. ERP related training of users and change management across all locations formed the major part of training. This will continue to remain a focus area in 2010 as well. Alongside, the company plans to accelerate training initiatives aligned to the Business Excellence Program.

Simultaneously, the company is in the process of re-organising the business structure. In addition to being a catalyst for the Business Excellence initiatives, this reorganization will address aspirational needs of the team.

### **HEALTH, SAFETY AND ENVIRONMENT**

'Health, Safety and Environment is a core value for the company. Simply stated, our goals are: no accidents, no harm to people and no damage to environment. The health, safety and security of everyone who works for us, are critical to our business.'

## MANAGEMENT DISCUSSION & ANALYSIS (contd.)

KPI's instituted on Safety and environment are monitored on an ongoing basis. Continuous engagement with all stakeholders and rigorous training is an integral part of HSE management. Reporting on KPI's is a part of reports to top management and to the Board and the indices are embedded into the Performance Management systems

### **FINALLY**

Year 2009 started with the global economic slowdown and ended with a resurgence in the Indian economy.

In a highly uncertain environment, the company achieved a healthy growth in the bottom line. The financial position has improved and all interest bearing debt has been repaid. Cash and cash equivalents as at Dec'09 are at INR 351 Mn.

The volatile environment in past 5 years has been extremely challenging for packaging business in India. Amidst these challenges, the company has demonstrated its resilience. In a growing Indian consumer market, the company is hungry for growth – profitable growth. Strategies for returning to the growth path are being investigated. Special events for customers aligned to the Platinum jubilee celebrations have been planned throughout the year. Capacities are in place to meet the growth in business in the near term. Acceleration of the business excellence initiatives is the key to maintain competitiveness. The company is committed to remaining proactive to meet challenges arising in a continuously changing environment.

Simultaneously, strategic plans are being redrawn to build a sustainable high growth profitable business. This includes plans for new product offerings in multiple end user segments.

In the medium to long term, the company maintains a positive outlook.

### **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.***

## AUDITORS' REPORT

To The Members of  
The Paper Products Limited

We have audited the attached balance sheet of The Paper Products Limited ('the Company') as at 31 December 2009 and the related profit and loss account and cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) 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;
- (ii) 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;
- (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 Act to the extent applicable;
- (v) on the basis of written representations received from the directors as on 31 December 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
- (vi) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts 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 31 December 2009;
  - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
  - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For B S R & Associates**  
Chartered Accountants

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

Mumbai  
27 January 2010

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physically verifying its fixed assets once each year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, fixed assets were verified during the year and no material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial and, therefore, do not affect the going concern assumption.
- (ii) (a) The inventory, except goods-in-transit and inventory lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For inventory lying with third parties at the year-end, written confirmations have been obtained.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clause (iii) (b) of the order is not applicable to the Company.
- (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 with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion, and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) During the year the Company has not accepted deposits from the public. For deposits accepted in the earlier years, the Company has complied with the provisions of Section 58A, Section 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975. According to the information and explanations provided to us, there have been no proceedings before the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Act for any of the products manufactured / services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been generally regular in depositing the amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, Cess and other material statutory dues deposited during the year with the appropriate authorities.

There were no dues on account of cess under Section 441A of the Act since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 December 2009 for a period of more than six months from the date they became payable.



## ANNEXURE TO THE AUDITORS' REPORT (contd.)

- (b) According to the information and explanations given to us, the dues of Sales tax, Custom duty, Excise duty and Service tax as listed in Appendix – I that have not been deposited by the Company on account of disputes. According to the information and explanations given to us, there are no dues of Income tax, Wealth tax and Cess which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institution or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks 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 are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year to companies/firms/parties 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 any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For B S R & Associates**  
Chartered Accountants

**Bhavesh Dhupelia**  
Partner  
Membership No: 042070

Mumbai  
27 January 2010

## APPENDIX –1

### STATEMENT OF DISPUTED DUES AS ON 31 DECEMBER 2009

Name of the Statute	Nature of the dues	Amount (Rs'000)	Period to which the amount relates	Forum where dispute is pending
State and Central Sales Tax Acts	Tax	2,915	1997–1998 2001–2002	Sales Tax Tribunal
		130	2000–2002	Assistant Commissioner
		12,749	1998–2000 2004–2009	Appellate Deputy commissioner
		2,057	2002–2003 2005–2006	Joint commissioner – Sales Tax appeals
		18,000	2003–2005	Commissioner of VAT
Finance Act, 1994 – Service Tax	Tax	79	2002	The Commissioner, Appeals
		1,889	2006–2008	Commissioner appeals
		1,086	2007	Custom, Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Duty and Penalty	134,694	1998–2004	Supreme Court
		320,274	1989–1990 1992–1993 1998–1999 2000–2001 2002–2008	Custom, Excise & Service Tax Appellate Tribunal
		1,437	1997–1999 2000–2004	The Commissioner of Central Excise
		50,483	2005–2008	The Secretary, Ministry of Finance, Government of India

# BALANCE SHEET

As at 31st December 2009

		(Rs. In Thousands)	
	Schedule	2009	2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	125,383	125,383
Reserves and Surplus	2	2,490,080	2,336,317
		<b>2,615,463</b>	2,461,700
<b>Loan Funds</b>			
Secured Loans	3	14,042	2,853
Unsecured Loans	4	225,309	495,301
		<b>239,351</b>	498,154
<b>Deferred Tax Liability (Net)</b>		<b>67,759</b>	68,965
(Refer Schedule 17 Note 3 b)			
		<b>2,922,573</b>	3,028,819
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	4,546,074	3,993,922
Less: Accumulated Depreciation		2,558,231	2,357,332
Net Block		<b>1,987,843</b>	1,636,590
<b>Capital Work in Progress</b>		<b>45,716</b>	468,915
(Refer Schedule 17 Note 21)			
<b>Investments</b>	6	<b>310,359</b>	169,756
<b>Current Assets, Loans and Advances</b>			
	7		
Inventories		759,294	621,215
Sundry Debtors		971,981	944,189
Cash and Bank Balances		40,774	126,379
Other Current Assets		109,890	123,484
Loans and Advances		212,051	203,943
		<b>2,093,990</b>	2,019,210
<b>Less: Current Liabilities and Provisions</b>	8		
Current Liabilities		1,245,242	1,065,256
Provisions		270,093	200,396
		<b>1,515,335</b>	1,265,652
Net Current Assets		<b>578,655</b>	753,558
		<b>2,922,573</b>	3,028,819
Significant Accounting Policies	16		
Notes to Accounts	17		

The accompanying Schedules referred to above form an integral part of the Accounts.  
As per our report of even date attached.

**For B S R & Associates**  
Chartered Accountants

**Bhavesh Dhupelia**  
Partner  
Membership No 042070

**K. C. Narang**  
Chairman

**C. N. Murthy**  
Executive Director & Chief Operating Officer

**Parag Vyavahare**  
Controller – Accounts & Joint CFO

**Suresh Gupta**  
Managing Director & Chief Executive Officer

**P. V. Narayanan**  
Director

**Sushil Kumar Agarwal**  
Company Secretary & Head Taxation

Mumbai  
27 January, 2010

# PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2009

(Rs. In Thousands)			
	Schedule	2009	2008
<b>INCOME</b>			
Gross Sales		6,179,646	6,747,515
Less: Excise Duty and Sales Tax		402,723	626,631
Net Sales	9	5,776,923	6,120,884
Other Income	10	79,028	101,992
		5,855,951	6,222,876
<b>EXPENDITURE</b>			
Material Costs	11	3,825,421	4,263,021
Manufacturing and Operating Expenses	12	416,761	393,485
Personnel Expenses	13	493,334	509,269
Administration and Sales Expenses	14	329,286	331,486
Depreciation and Amortisation	5	311,467	286,164
Foreign Exchange (-)Gain/(+) Loss (Net) (Refer Schedule 17 Note 22 (iv))		(15,357)	131,959
<b>OPERATING PROFIT</b>		495,039	307,492
Financial Expenses (Net)	15	(710)	9,835
<b>PROFIT BEFORE TAX</b>		495,749	297,657
Provision for Current Taxes			
– Current year		132,300	102,200
– Previous years		(10,330)	(6,238)
– Deferred Taxes		(1,206)	(16,183)
Provision for Fringe Benefits Tax		1,200	5,000
<b>PROFIT AFTER TAX</b>		373,785	212,878
Balance brought forward from last year		849,862	790,285
Amount available for appropriation		1,223,647	1,003,163
<b>APPROPRIATIONS</b>			
Transferred to General Reserve		37,379	21,288
Proposed Dividend @ Rs.2/-per Equity Share (Previous Year Rs.1.80 per Equity Share)		125,374	112,837
Provision for Dividend Tax on above		21,307	19,176
Proposed Special One time Dividend @ Rs.1/-per Equity Share		62,687	–
Provision for Dividend Tax on above		10,654	–
Balance carried to Balance Sheet		966,246	849,862
		1,223,647	1,003,163
Significant Accounting Policies	16		
Notes to Accounts	17		
Weighted average number of shares			
Face value Rs.2/- per equity share (Previous Year Rs.2/-)		62,687,190	62,687,190
Basic and Diluted Earning per share		5.96	3.40

The accompanying Schedules referred to above form an integral part of the Accounts.

As per our report of even date attached.

**For B S R & Associates**

Chartered Accountants

**Bhavesh Dhupelia**

Partner

Membership No 042070

**K. C. Narang**

Chairman

**C. N. Murthy**

Executive Director & Chief Operating Officer

**Parag Vyavahare**

Controller – Accounts & Joint CFO

**Suresh Gupta**

Managing Director & Chief Executive Officer

**P. V. Narayanan**

Director

**Sushil Kumar Agarwal**

Company Secretary & Head Taxation

Mumbai

27 January, 2010

# CASH FLOW STATEMENT

For the year ended 31st December 2009

	(Rs. in Thousands)	
	2009	2008
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Taxation and Exceptional Items	495,749	297,657
Adjustments for		
Depreciation	311,467	286,164
Unrealised Foreign Exchange Loss/(Gain)–Net	(7,558)	99,891
Interest Income	(1,290)	(932)
Dividend Income	(12,929)	(14,517)
Financial Expenses ( Except Bank Charges)	3,168	16,638
Provision for Diminution in Value of Investments	–	–
Provision for Doubtful Debts	(566)	5,291
(Profit)/Loss on Sale of Investments	–	(346)
Fixed Assets Written Off / Provided	14,561	1,054
Other Write Offs/Provisions	668	1,883
Profit on Sale of Assets (Net)	(10,589)	(18,210)
Operating Profit before Changes in Working Capital	792,681	674,573
Adjustments for (Increase)/Decrease in		
Trade Receivables	(31,647)	84,219
Inventories	(138,078)	57,123
Trade Payables	195,338	(143,780)
Loans and Advances	(8,631)	(53,652)
Other Current Liabilities	(47,349)	98,510
Cash Generated from Operations	762,314	716,993
Direct Taxes Paid (Net of Refunds Received)	(94,721)	(67,454)
<b>Net Cash from Operating Activities</b>	<b>667,593</b>	<b>649,539</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(271,449)	(236,522)
Proceeds from Sale of Fixed Assets	10,891	20,942
Proceeds from Advance Received Against Sale of Land	27,500	22,500
Purchase of Investments	(1,314,135)	(2,371,332)
Sale of Investments	1,317,246	2,373,679
Dividend Received	12,929	14,517
Interest Received	3,928	494
<b>Net Cash Used in Investing Activities</b>	<b>(213,090)</b>	<b>(175,722)</b>

## CASH FLOW STATEMENT (Contd.)

For the year ended 31st December 2009

	(Rs. in Thousands)	
	2009	2008
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Buyers credit	–	287,078
Repayment of Buyers credit	(269,992)	(450,239)
Repayment of Bank Borrowings	11,189	(40,041)
Interest Paid	(6,423)	(18,173)
Dividends Paid (Including Dividend Tax thereon)	(131,607)	(131,588)
<b>Net Cash Used in Financing Activities</b>	<b>(396,833)</b>	<b>(352,963)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>57,670</b>	<b>120,854</b>
Cash and Cash Equivalents at the Beginning of the Year	293,083	172,229
Cash and Cash Equivalents at the Close of the Year	350,753	293,083
Cash and Cash Equivalents Comprise:		
Cash on Hand	1,573	1,316
Cheques on Hand	150	12,398
Balances in Current Accounts with Scheduled Banks	31,567	105,225
Balances in Deposit Accounts with Scheduled Banks	3,950	4,312
Balances in Unpaid Dividend Bank Accounts	3,534	3,128
Current Investments	310,309	166,595
Unrealised Loss/(Gain) on Foreign Currency Cash and Cash Equivalents	(330)	109
	350,753	293,083

### Notes:

- 1) The above cashflow statement has been prepared under indirect method as per Accounting Standard-3 "Cash Flow Statement"
- 2) Cash and Cash equivalents consist of highly liquid instruments, including Money Market instruments which are readily encashable.

The accompanying Schedules referred to above form an integral part of the Accounts.

As per our report of even date attached.

**For B S R & Associates**  
Chartered Accountants

**Bhavesh Dhupelia**  
Partner  
Membership No 042070

**K. C. Narang**  
Chairman

**C. N. Murthy**  
Executive Director & Chief Operating Officer

**Parag Vyavahare**  
Controller – Accounts & Joint CFO

**Suresh Gupta**  
Managing Director & Chief Executive Officer

**P. V. Narayanan**  
Director

**Sushil Kumar Agarwal**  
Company Secretary & Head Taxation

Mumbai  
27 January, 2010



# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

	(Rs. In Thousands)	
	2009	2008
<b>SCHEDULE 1 – SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>		
150,000,000 (Previous Year 150,000,000)		
Equity shares of Rs.2/- each	<b>300,000</b>	300,000
700,000 (Previous Year 700,000) 12% Redeemable		
Cumulative Preference Shares of Rs.100/- each	<b>70,000</b>	70,000
300,000 (Previous Year 300,000) Unclassified		
Shares of Rs.100/- each	<b>30,000</b>	30,000
	<b>400,000</b>	400,000
	<b>400,000</b>	400,000
<b>ISSUED SUBSCRIBED AND PAID-UP CAPITAL</b>		
62,687,190 (Previous Year: 62,687,190) Equity		
Shares of Rs.2/- each fully paid-up.	<b>125,374</b>	125,374
Add : Amount Received on 1,449		
(Previous Year 1,449) forfeited Shares.	<b>9</b>	9
	<b>125,383</b>	125,383
<b>TOTAL</b>	<b>125,383</b>	125,383
Paid up Share capital includes Bonus Shares issued by capitalisation of reserves; Current year 7,525,000 (Previous year 7,525,000) Shares of Rs.2/- each Paid up Share capital includes Shares held by holding company Huhtavefa B.V., Current year 36,934,100 (Previous year 36,934,100) of Rs.2/-each.		
<b>SCHEDULE 2 – RESERVES &amp; SURPLUS</b>		
<b>SECURITIES PREMIUM ACCOUNT</b>	<b>793,632</b>	793,632
<b>REVALUATION RESERVE</b>		
Balance as per last Balance sheet	<b>27,576</b>	29,429
Less : Withdrawn on disposal of land	<b>–</b>	1,853
	<b>27,576</b>	27,576
<b>CAPITAL REDEMPTION RESERVE</b>	<b>70,000</b>	70,000
<b>GENERAL RESERVE</b>		
Balance as per last Balance sheet	<b>595,247</b>	573,959
Add: Transferred from Profit and Loss Account	<b>37,379</b>	21,288
	<b>632,626</b>	595,247
<b>PROFIT AND LOSS ACCOUNT</b>	<b>966,246</b>	849,862
<b>TOTAL</b>	<b>2,490,080</b>	2,336,317
<b>SCHEDULE 3 – SECURED LOANS</b>		
<b>LOANS FROM BANKS AND FINANCIAL INSTITUTIONS</b>		
Working Capital Loans from Banks (Refer Schedule 17 Note 1)		
Cash Credit Balances	<b>14,042</b>	2,853
<b>TOTAL</b>	<b>14,042</b>	2,853
<b>SCHEDULE 4 – UNSECURED LOANS</b>		
Buyer's Credit Payable to Banks in Foreign Currency (Repayable within one year)	<b>–</b>	269,992
Sales Tax Deferred Loan (Refer Schedule 17 Note 16)	<b>225,309</b>	225,309
<b>TOTAL</b>	<b>225,309</b>	495,301

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

## SCHEDULE 5 – FIXED ASSETS

Description	GROSS BLOCK			ACCUMULATED DEPRECIATION / AMORTISATION			(Rs. in Thousands)	
	Original Cost As At 01.01.2009	Additions During The Year	Deletions During the year	Original Cost As At 31.12.2009	Opening Balance As At 01.01.2009	On Deletions During The Year	Charge For The Year	NET BLOCK Balance As At 31.12.2009
<b>TANGIBLE ASSETS</b>								
Land – Freehold	52,265	–	–	52,265	–	–	–	52,265
– Leasehold	25,945	–	–	25,945	953	–	289	24,703
Buildings	462,969	173,179	12,580	623,568	210,606	9,832	36,995	385,799
Machinery	3,258,210	351,790	94,865	3,515,135	2,008,293	89,952	245,108	1,351,686
Computers	62,141	23,550	5,693	79,998	41,772	4,960	11,147	32,039
Motor Vehicles	16,378	2,597	2,105	16,870	10,904	1,776	2,322	5,420
Furniture, Fixtures, Office Equipments & Technical Library	76,081	25,784	4,149	97,716	50,919	2,470	6,233	43,034
<b>INTANGIBLE ASSETS</b>								
Non compete fees	20,000	–	–	20,000	19,000	–	1,000	–
Computer Softwares	19,933	96,222	1,578	114,577	14,885	1,578	8,373	92,897
<b>Grand Total</b>	<b>3,993,922</b>	<b>673,122</b>	<b>120,970</b>	<b>4,546,074</b>	<b>2,357,332</b>	<b>110,568</b>	<b>311,467</b>	<b>1,987,843</b>
Previous Year	3,890,270	150,291	46,639	3,993,922	2,112,169	41,001	286,164	1,636,590

	As At 31st December 2009		As At 31st December 2008	
	Original Cost	Written Down Value	Original Cost	Written Down Value
1. Buildings include				
a. Buildings on leasehold land	129,792		129,792	
b. Ownership flats in Co-operative Societies on freehold land	21,262		21,262	
c. Ownership flats in Co-operative Societies on leasehold land	13,772		13,772	
2 a. Machinery includes Electrical Fittings being expenditure incurred on installing High Tension Line for drawing power from the Electricity Department, Dadra and Nagar Haveli Grid to the Silvassa Plant though ownership of the same vests with the Electricity Department.	30,083	12,777	30,083	18,675
b. 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	1,360	926	1,360	1,067
3. Freehold land at Thane was revalued on 31.07.1985.				
4. Leasehold land comprises of provisional lease premium paid to SIDCUL for acquisition of land at Rudrapur in state of Uttarakhand. Additional amount if any payable will be capitalised in the year of payment.	25,945	–	25,945	–

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

(Rs. In Thousands)					
		2009		2008	
Face Value Rs		Nos		Nos	
<b>SCHEDULE 6 – INVESTMENTS (AT COST)</b>					
<b>LONG TERM INVESTMENTS – TRADE</b>					
GOVERNMENT SECURITIES – 6 Year National Savings Certificates –Series VIII					
			50		50
			50		50
<b>OTHER INVESTMENTS –UNQUOTED</b>					
<b>BONDS:</b>					
ICICI Safety Bonds					
626 Bonds of Rs.5,000/-each	5,000	626	–		3,111
			–		3,111
<b>CURRENT INVESTMENTS–NON TRADE– UNQUOTED</b>					
<b>UNITS OF MUTUAL FUNDS:</b>					
–					
HDFC Cash Management Fund – Treasury Advantage – Wholesale DDR					
16,108,347 Units purchased and 13,620,889 Units sold during the year	10	4,022,832	40,355	1,535,374	15,402
–					
ICICI Prudential Flexible Income Premium Plan (5,996,114 Units purchased and 9,786,444 Units sold during the year)	10	–	–	3,790,330	40,077
–					
Birla Sun Life Savings Fund – Inst Daily Div Reinvest (10,251,830 Units purchased and 5,496,263 Units sold during the year)	10	6,271,688	62,760	1,516,121	15,172
–					
IDFC Money Manager Fund – Treasury Plan Inst B – Daily Div Reinvest (7,536,860 Units purchased and 10,555,206 Units sold during the year)	10	–	–	3,018,346	30,396
–					
Reliance Medium Term fund – Daily Dividend Reinvest (3,645,697 Units purchased and 3,509,696 Units sold during the year)	10	2,489,693	42,563	2,353,692	40,237
–					
Tata Floater Fund – Daily Div (7,595,184 Units purchased and 8,577,032 Units sold during the year)	10	1,540,237	15,457	2,522,085	25,311
–					
IDFC Money Manager Fund TP – Super Inst Plan C– Daily Div (5,127,010 Units purchased during the year)	10	5,127,010	51,278		–
–					
ICICI Pru Ultra Short Term Plan Premium Plus – Daily Div Reinvest (6,249,928 Units purchased during the year)	10	6,249,928	62,630		–
–					
UTI Treasury Advantage Fund – Inst Plan – Daily Div Reinvest (50,256 Units purchased and 14,997 Units sold during the year)	1,000	35,259	35,266		–
			310,309		166,595
Less : Provision for Diminution in value of Investments					
			–		–
			310,309		166,595
<b>Total</b>			<b>310,359</b>		<b>169,756</b>

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

(Rs. In Thousands)

	2009	2008
Aggregate Value of Unquoted Investments	50	3,161
Aggregate Value of Mutual Fund Units	310,309	166,595
	310,359	169,756
Net Asset Value (NAV) of Mutual fund Units	310,309	166,595

## UNITS OF MUTUAL FUNDS PURCHASED & SOLD DURING THE YEAR

	Face Value Rs.	Total Nos. Of Units	Total Purchase Cost (Rs.)	Total Nos. Of Units	Total Purchase Cost (Rs.)
– Birla Cash Plus Institutional Premium – Daily Dividend Reinvestment	10	10,982,832	110,042	16,619,713	167,790
– HDFC Cash Management Fund – Savings Plan – Daily Div Reinvest	10	15,045,385	160,029	11,781,740	125,315
– ICICI Pru Institutional Liquid Plan – Super Insti Daily Div Reinvest	10	9,013,883	90,148	30,157,884	301,594
– IDFC Cash Fund – Inst Plan B – Daily Div Reinvest	10	7,089,274	75,016	4,281,344	45,304
– Reliance Liquid Fund – Treasury Plan – Inst – Daily Dividend	10	5,571,730	85,176	12,122,911	185,325
– Tata Liquid Fund Super High Investment Plan – Daily Div Reinvest	1000	112,235	125,088	53,871	60,042
– UTI Liquid Cash Plan Inst – Daily Div Reinvest	10	49,050	50,005	–	–
– Reliance Monthly Interval Fund – Series 1 – Dividend Plan	10	–	–	4,049,401	40,527
– HDFC Cash Management Fund – Savings Plan – Weekly Dividend Reinvest	10	–	–	6,583,201	70,037
– IDFC Liquidity Manager – Plus – Daily Dividend Reinvest	10	–	–	75,007	75,023
– BSL Interval Income– Instl–Monthly– Series 1–Div Reinvest	10	–	–	1,012,929	10,129
– BSL Interval Income– Instl–Monthly– Series 2–Div Reinvest	10	–	–	6,177,622	61,776
– HSBC Cash Fund – Institutional Plan – Daily Dividend Reinvest	10	–	–	15,479,460	161,607
– HSBC Liquid Plus – Institutional Daily Dividend	10	–	–	10,131,156	101,438
– LICMF Liquid Fund – Dividend Reinvest Plan	10	–	–	3,643,600	40,007
– LICMF Liquid Plus Fund – Daily Dividend Reinvest	10	–	–	4,010,321	40,103
– Reliance Liquid Plus Fund – Inst –Daily Dividend Reinvest	1,000	–	–	75,650	75,736
– Reliance Monthly Interval Fund – Series II Dividend Plan	10	–	–	1,019,213	10,197
– Reliance Quarterly Interval Fund–Series III– Institutional Dividend Plan	10	–	–	2,079,972	20,801
– Tata Fixed Income Portfolio Fund Scheme A2 Institutional Dividend plan	10	–	–	6,162,690	61,691
			695,504		1,654,442

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

	(Rs. In Thousands)	
	2009	2008
<b>SCHEDULE 7 – CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>INVENTORIES</b>		
Raw Materials	360,666	241,939
Goods in Transit	70,571	99,450
Stores and Spares	39,034	41,365
Loose Tools	77,530	50,916
Semi-Finished Goods	147,051	112,209
Finished Goods	64,442	75,336
<b>TOTAL</b>	<b>759,294</b>	<b>621,215</b>
<b>SUNDRY DEBTORS (Unsecured)</b>		
Debts Outstanding for more than Six Months		
Considered Good	2,268	59
Considered Doubtful	15,881	18,800
	<b>18,149</b>	<b>18,859</b>
Other Debts		
Considered Good	969,713	944,130
Considered Doubtful	245	655
	<b>969,958</b>	<b>944,785</b>
	<b>988,107</b>	<b>963,644</b>
Less: Provision for Doubtful Debts	16,126	19,455
<b>TOTAL</b>	<b>971,981</b>	<b>944,189</b>
(Refer Schedule 17 Note 19 for debts due from companies under the same management)		
<b>CASH AND BANK BALANCES</b>		
Cash on Hand	1,573	1,316
Cheques on Hand	150	12,398
Balances with Scheduled Banks:		
Current Accounts	31,567	105,225
Fixed Deposit Accounts	3,950	4,312
Unpaid Dividend Accounts	3,534	3,128
<b>TOTAL</b>	<b>40,774</b>	<b>126,379</b>
<b>OTHER CURRENT ASSETS (Unsecured, Considered Good)</b>		
Claims Recoverable	77,768	103,348
Interest Accrued on Investments and Deposits	35	2,674
Deferred Sales Tax Recoverable	–	863
Others	32,087	16,599
<b>TOTAL</b>	<b>109,890</b>	<b>123,484</b>
<b>LOANS AND ADVANCES (Unsecured, Considered Good)</b>		
Advances Recoverable in Cash or in Kind or for Value to be Received	45,070	40,674
Loans/Advances to Staff	6,214	5,731
Advances to Suppliers	17,917	13,310
Tax Paid – Net of Provision	–	16,752
Prepaid Expenses	14,122	12,236
Deposits *	128,728	115,240
<b>TOTAL</b>	<b>212,051</b>	<b>203,943</b>
(Refer Schedule 17 Note 20 for amounts due from companies under the same management)		
*( Includes Deposits with Government Bodies Rs.5,715/- Thousands)		
<b>GRAND TOTAL</b>	<b>2,093,990</b>	<b>2,019,210</b>

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

	(Rs. In Thousands)	
	2009	2008
<b>SCHEDULE 8 – CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
– Micro, Small and Medium Enterprises (Refer Schedule 17 Note 18)	1,973	1,546
– Others	812,740	645,621
Advances from Customers	14,617	25,770
Advance received against Sale of Land	50,000	22,500
Interest Accrued but not due – on Unsecured Loans	–	3,255
Unclaimed Dividend *	3,534	3,128
Unclaimed Matured Deposits *	–	12
Unclaimed Interest on Matured Deposits *	–	6
Unclaimed Matured Debentures *	64	64
Unclaimed Interest on Matured Debentures *	3	19
Other Liabilities	362,311	363,335
<b>TOTAL</b>	<b>1,245,242</b>	<b>1,065,256</b>
* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.		
<b>PROVISIONS</b>		
Proposed Dividend	188,061	112,837
Dividend Tax	31,961	19,176
Provision for Taxation – Net of Advance Tax Paid	11,696	–
Provision for Retirement Benefits	38,375	68,383
<b>TOTAL</b>	<b>270,093</b>	<b>200,396</b>
<b>GRAND TOTAL</b>	<b>1,515,335</b>	<b>1,265,652</b>



# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

For the year ended 31st December 2009

	(Rs. In Thousands)	
	2009	2008
<b>SCHEDULE 9 – SALES</b>		
Gross Sales	6,262,307	6,811,383
Less: Rebates and Discounts	82,661	63,868
	6,179,646	6,747,515
Less: Excise Duty and Sales Tax	402,723	626,631
<b>Net Sales</b>	<b>5,776,923</b>	<b>6,120,884</b>
<b>SCHEDULE 10 – OTHER INCOME</b>		
Rent	408	302
Profit on Sale of Fixed Assets (Refer Schedule 17 Note 24)	10,589	18,210
Dividend Income – from Mutual Funds (Current Investments)	12,929	14,517
Profit on Sale of Investments – Mutual funds (Net) (Current Investments)	–	346
Doubtful Debts Provision Written Back (Net of debts written off)	566	–
Miscellaneous Income (Refer Schedule 17 Note 26)	54,536	68,617
<b>TOTAL</b>	<b>79,028</b>	<b>101,992</b>
<b>SCHEDULE 11 – MATERIAL COSTS</b>		
Raw Materials and Packing Materials Consumed	3,804,242	4,193,067
Stores, Spares and Other Materials Consumed	48,832	50,496
(Increase)/Decrease in Stocks		
Closing Stock:		
Finished Goods	64,442	75,336
Semi-Finished Goods	147,051	112,210
	211,493	187,546
Less: Opening Stock		
Finished Goods	75,336	97,705
Semi-Finished Goods	112,210	117,399
	187,546	215,104
	(23,947)	27,558
Excise Duty on Increase/(Decrease) in Finished Goods Stock		
Excise Duty on Closing Finished Goods Stock	4,358	8,064
Less: Excise Duty on Opening Finished Goods Stock	8,064	16,164
	(3,706)	(8,100)
<b>TOTAL</b>	<b>3,825,421</b>	<b>4,263,021</b>
<b>SCHEDULE 12 – MANUFACTURING AND OPERATING EXPENSES</b>		
Power and Fuel	199,947	199,947
Repairs – Plant and Machinery	85,266	71,895
– Building	12,140	7,041
– Others	17,532	13,038
Other Manufacturing Expenses	101,876	101,564
<b>TOTAL</b>	<b>416,761</b>	<b>393,485</b>

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

For the year ended 31st December 2009

	(Rs. In Thousands)	
	2009	2008
<b>SCHEDULE 13 – PERSONNEL EXPENSES</b>		
Salaries, Wages and Bonus (Refer Schedule 17 Note 25)	429,928	417,011
Contribution to Provident and Other Funds (Refer Schedule 17 Note 23)	14,584	45,715
Staff Welfare Expenses	48,822	46,543
(For Director's Remuneration Refer Schedule 17 Note 2)		
<b>TOTAL</b>	<b>493,334</b>	<b>509,269</b>
<b>SCHEDULE 14 – ADMINISTRATION AND SALES EXPENSES</b>		
Rent	3,838	3,998
Rates and Taxes	7,762	5,291
Travelling and Conveyance	30,894	40,745
Directors Travelling Expenses	2,134	3,285
Legal and Professional Charges	31,206	26,884
Communication Costs	16,127	16,574
Auditors' Remuneration :		
– Statutory Audit	3,367	2,900
– Reimbursement of Expenses	150	150
– Other Services	50	110
Directors Fees	3,567	3,160
Insurance	360	390
Donation	9,910	13,657
Printing and Stationery	2,438	654
Commission on Sales	8,766	7,900
Freight and Forwarding Expenses	14,527	15,228
Sale / Purchase Tax	110,909	124,559
Doubtful Debts Provided / Written Off	17,383	7,538
Fixed Assets Provided / Written Off	–	5,291
Other Write Offs / Provisions	14,561	1,054
Miscellaneous Expenses	668	1,883
<b>TOTAL</b>	<b>329,286</b>	<b>331,486</b>
<b>SCHEDULE 15 – FINANCIAL EXPENSES (NET)</b>		
Bank Charges / Commission	8,207	8,539
Interest		
– To Banks	2,875	15,773
– To Others	294	866
	3,169	16,639
Less: Interest Received (Includes tax deducted at source Rs.145/- Thousands Previous Year 79/-Thousands)	1,290	932
Less : Interest Income on Income Tax Refunds	10,796	14,411
<b>TOTAL</b>	<b>(710)</b>	<b>9,835</b>

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

## SCHEDULE 16 – SIGNIFICANT ACCOUNTING POLICIES

### I. 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), on the accrual basis of accounting and comply with the Companies (Accounting Standards) Rules 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards (NACAS) and relevant provisions of the Companies Act, 1956 to the extent applicable.

#### 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.

### II. FIXED ASSETS

- 1 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.
- 2 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.
- 3 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.
- 4 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.
- 5 Capital work-in-progress includes the cost of fixed assets that are not ready to use at the balance sheet date and advances paid to acquire fixed assets before the balance sheet date.

### III. DEPRECIATION

#### Tangible Assets

Buildings are depreciated on written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956 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.

Asset	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 exchange fluctuations capitalised till 31 December 2006 to fixed assets is provided over the residual useful life of the fixed assets. Depreciation on additions / deletions to fixed assets is provided prorata from the date of addition / till the date of deletion.

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

Leasehold Land – Premium paid for acquisition of leasehold land is amortised over the period of lease.

## **Intangible Assets**

Non compete fees paid are amortised over a period of 10 years commencing from July 1999 which represents the period of restriction.

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.

## **IV. FOREIGN CURRENCY TRANSACTIONS**

- 1 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.
- 2 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.
- 3 Non-monetary foreign currency items are carried at cost.
- 4 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.
- 5 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.

## **V. INVENTORIES**

- 1 Inventories are valued at lower of cost and net realisable value.
- 2 The cost of manufactured inventories is the direct cost of manufacture plus appropriate allocated overheads.
- 3 The cost of bought out inventory is computed using the Weighted Average method .
- 4 The cost of loose tools is amortised over its estimated useful life.

## **VI. REVENUE RECOGNITION**

- 1 Revenue from sale of manufactured goods is recognised on despatch to customers.
- 2 Gross sales are inclusive of Excise Duty and Sales Tax .
- 3 Sales returns are accounted for in the year of return.
- 4 Dividend income is recognised when the right to receive dividend is unconditional at the balance sheet date.
- 5 Interest on investments is accounted on a time proportion basis taking into account the amounts invested and the rate of interest.

## **VII. RETIREMENT BENEFITS**

- 1 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.
- 2 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.

## **SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

As at 31st December 2009

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.

Family Pension and Long Term Service Award plan are defined benefit plans and are valued based on actuarial valuation.

**3 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.

**4 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.

### **VIII. 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.

### **IX. RESEARCH AND DEVELOPMENT EXPENDITURE**

Research and development 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.

### **X. TAXATION**

Income tax expense comprises current income tax (i.e. amount of tax for the period determined in accordance with the income tax law), fringe benefits tax 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.

Provision for fringe benefits tax ('FBT') is made on the basis of applicable FBT on the taxable value of eligible expenses of the company as prescribed under the Income Tax Act, 1961.

### **XI 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.

# **SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

As at 31st December 2009

## **XII IMPAIRMENT OF ASSETS**

The Company assesses at each balance sheet date whether there is any indication that an asset or a group of assets (cash generating unit) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to reversal of loss being limited to maximum of historical impairment loss booked.

## **XIII 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.

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

## **XIV. EARNINGS PER SHARE**

Basic EPS is computed using 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-end, except where the results would be anti dilutive.



# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

## SCHEDULE 17– NOTES TO THE ACCOUNTS

(Rs.in Thousands)

### 1 SECURED LOANS

Working Capital Loans from Banks are secured by hypothecation of inventories, book-debts and bills.

### 2 a) DIRECTORS' REMUNERATION

	For The Year Ended 31 December 2009	For The Year Ended 31 December 2008
Salary, Allowances and Perquisites	24,372	20,588
Contribution to Provident Fund	1,200	1,217
	25,572	21,805

#### Note:

- 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 Board of Directors of the Company have reappointed the Managing Director of the Company with effect from 1 January 2009, for which the shareholders approval is sought through a postal ballot system under Section 192A. The remuneration paid to the Managing Director is therefore subject to the above approval from the shareholders. Further, the Board has also sought for an approval from the shareholders for changes in certain remuneration terms and conditions of the working directors.
- Managing Director and Chief Executive Officer, Executive Director and Chief Operating Officer 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 these options and shares is

11,214 2,858

- The above remuneration paid/payable to the managing director and CEO of the Company does not include Rs.4,196/- Thousand receivable from Huhtamaki Oyj, the parent company, for his role as Executive Vice President Flexibles Global Huhtamaki Oyj.

4,196 –

- Computation of net profit in accordance with Sections 198, 349 and 350 of the Companies Act, 1956 and commission payable to Directors:

	For The Year Ended 31 December 2009	For The Year Ended 31 December 2008
Profit before Taxation and Exceptional Items	495,750	297,657
Add: Remuneration to Working Directors	25,572	21,805
Remuneration to Non-Executive Directors	2,520	2,240
Wealth Tax	673	441
	28,765	24,486
	524,515	322,143
Less: Capital Profit on sale of fixed assets	597	13,822
Profit on sale of Investments	–	346
Write back of provision for diminution in value of Investments	–	–
	597	14,168
Net Profit	523,918	307,975
Maximum Managerial Remuneration payable as per above profit:		
To Working Directors @ 10% P.A.	52,392	30,797
To Non-Executive Directors @ 1 % P.A.	5,239	3,080
	57,631	33,877
Commission provided for Non-Executive Directors	2,520	2,240
	2,520	2,240

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

(Rs.in Thousands)

The Company depreciates its fixed assets as enumerated in Schedule 16 Policy III wherein estimated useful lives for certain assets are lower than implicit estimated useful lives prescribed by Schedule XIV of the Companies Act, 1956. Thus, the depreciation charge in the books is higher than the minimum prescribed by the Companies Act, 1956. This higher depreciation charge has been considered as deduction for the Computation of Managerial Remuneration above. Remuneration of the Managing Director and Chief Executive Officer is within 5% of the net profits of the Company.

- 3 a) Provision for taxes is based on the results for the year ended 31 December 2009 in accordance with the provisions of the Income Tax Act, 1961. The final tax liability will be determined on the basis of the results of the operations for the year 1 April 2009 to 31 March 2010, being the tax year of the Company.

	As at 31 December 2009	As at 31 December 2008
<b>b) Details of Deferred Tax Asset</b>		
Arising on account of timing differences in :		
–Provision for doubtful debts	5,481	6,613
–Provision for retirement benefits	12,416	14,825
–Provision for other expenses	10,433	3,472
	<b>28,330</b>	<b>24,910</b>
<b>Details of Deferred Tax Liability</b>		
Arising on account of timing differences in :		
–Depreciation	96,090	93,875
Deferred Tax Liability (Net)	<b>67,760</b>	<b>68,965</b>

## 4 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. The entire business assets of the Company are situated in India.

Total Capital employed in the business and as such in the segment. **2,922,573** 3,028,819

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

Debtors outstanding in respect of export segment. **217,704** 238,214

	For The Year Ended 31 December 2009	For The Year Ended 31 December 2008
Net Sales to External Domestic Customers	<b>4,442,710</b>	4,752,225
Net Sales to External Export Customers	<b>1,334,213</b>	1,368,659
<b>Total Net Sales to External Customers</b>	<b>5,776,923</b>	<b>6,120,884</b>

## 5 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 Vietnam Ltd, Vietnam
  - Huhtamaki Australia Ltd., Australia
  - Huhtamaki Deutschland GmbH and Co.KG., Germany
  - Huhtamaki Finance B.V., Netherlands
  - Huhtamki South Africa Ltd., South Africa
  - Huhtamaki Singapore Pte.Ltd., Singapore
  - Huhtamaki (Thailand) Ltd., Thailand

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

(Rs.in Thousands)

- c) Key Managerial Personnel
- Mr. Suresh Gupta  
*Managing Director and Chief Executive Officer*  
Mr. C.N.Murthy  
*Executive Director and Chief Operating Officer*
- d) Relatives of Key Managerial Personnel
- Mr. Suresh Gupta  
Brig.V.P.Gupta–Father, Mrs.Manmohini Gupta–Mother,  
Mrs.Kumkum Gupta–Wife, Ms.Ratna Gupta–Daughter,  
Ms.Shivani Gupta–Daughter ,Mr.Suresh Gupta as  
Excecutor of Jyoti Trust and Geeta Trust.  
Mr. C.N.Murthy  
Mrs.Jayanthi Murthy–Wife
- e) Details of transactions with related parties that have taken place during the year :

	31 December 2009	31 December 2008
<b>1) Ultimate Parent Company</b>		
Software and Expense Reimbursements Charge		
– Huhtamaki Oyj., Finland	3,324	1,535
<b>2) Holding Company</b>		
Dividend Paid		
– Huhtavefa B.V., Netherlands	66,481	66,481
<b>3) Fellow Subsidiaries</b>		
Purchase of Goods		
– Huhtamaki Deutschland Gmbh and Co.KG., Germany	–	2,444
– Huhtamaki (Thailand) Limited	1,191	–
Sale of Goods		
– Huhtamaki New Zealand Ltd., New Zealand.	10,825	6,731
– Huhtamaki South Africa Ltd., South Africa	1,202	–
– Huhtamaki Australia Ltd., Australia	22,949	8,805
Commission Expenses on Sales		
– Huhtamaki South Africa Ltd., South Africa	1,305	1,001
Expense Reimbursements – Charge		
– Huhtamaki New Zealand Ltd., New Zealand.	–	399
– Huhtamaki (Thailand) Ltd., Thailand.	191	–
– Huhtamaki (Vietnam) Ltd., Vietnam.	912	–
– Huhtamaki Deutschland Gmbh and Co.KG., Germany	30	–
Expense Reimbursements – Recovery		
– Huhtamaki (Thailand) Ltd., Thailand	–	241
– Huhtamaki New Zealand Ltd., New Zealand.	306	268
– Huhtamaki Australia Ltd., Australia	–	238
– Huhtamaki Deutschland Gmbh and Co.KG., Germany	98	49
– Huhtamaki South Africa Ltd., South Africa	–	7
– Huhtamaki (Vietnam) Ltd., Vietnam	30	–
Balances due to		
– Huhtamaki Oyj., Finland	3,746	614
– Huhtamaki Deutschland Gmbh and Co.KG., Germany	–	2,529
– Huhtamaki (Vietnam) Ltd., Vietnam.	880	–

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

(Rs.in Thousands)

	31 December 2009	31 December 2008
Balances due from		
– Huhtamaki New Zealand Ltd., New Zealand.	591	1,595
– Huhtamaki Australia Ltd., Australia	5,850	2,929
– Huhtamaki Deutschland Gmbh and Co.KG., Germany	–	49
<b>4) Payments to Key Managerial Personnel and their Relatives</b>		
Remuneration Paid to Key Managerial Personnel		
Mr. Suresh Gupta, Managing Director and Chief Executive Officer (Refer note 2(iv) above)	18,877	15,382
Mr. C.N.Murthy, Executive Director and Chief Operating Officer	6,695	6,423
	25,572	21,805
Dividend Paid to Key Managerial Personnel and Their Relatives		
Mr. Suresh Gupta	2,126	1,958
Mrs.Kumkum Gupta	452	452
Miss Ratna Gupta	362	362
Miss Shivani Gupta	361	361
Mrs.Jayanthi Murthy	7	7
	3,308	3,140
<b>6 LEASES</b>		
	31 December 2009	31 December 2008
<b>a) Assets obtained on lease</b>		
i) Company has taken office facilities and residential facilities under cancellable operating lease agreements. Company renews such leases in the normal course of business.		
Total rental expenses under cancellable operating leases	5,814	6,719
Above includes rent for guest houses classified under miscellaneous expenses	817	1,135
Above includes rent for guest houses capitalised to capital work in progress	2,104	1,586
Total rental expenses under non–cancellable operating leases	945	–
Minimum payments due not later than 1 year	675	–
<b>7 CONTINGENT LIABILITIES</b>		
	31 December 2009	31 December 2008
i) Excise Duty		
a Matters in Appeal – Duty	497,382	497,382
– Penalties	7,148	7,148
b Show cause notices – Duty	225,242	189,392
– Penalties	1,179	776
ii) Customs Duty demands in appeal	–	133
iii) Service Tax show cause notices	4,065	1,700
– Penalties	88	–
iv) Service Tax appeal – Service Tax	4,143	2,528
– Penalties	136	70
v) Sales Tax demands in appeal	22,998	19,546
vi) Claims against the company not acknowledged as debts	6,288	6,288

## SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

	(Rs.in Thousands)	
	31 December 2009	31 December 2008
vii) Counter guarantees issued to bankers for issuance of guarantees on behalf of the Company	17,685	6,918
viii) Contracts remaining to be executed on capital account and not provided for (net of advances)	75,732	84,786
ix) Letters of Credit issued by banks on behalf of the company for import of goods	36,559	62,571
x) The Company has obtained EPCG licences issued under and subject to conditions contained in Chapter 5 of the Foreign Trade Policy 2004–2009. These licenses entitle the Company to import capital goods at concessional rates of customs duty and accordingly the duty concession obtained	222,309	222,309
In accordance with the terms of the EPCG licence, the Company has an export obligation to be discharged over a period of 8 years	1,779,498	1,779,498
As at year end the Company has discharged export obligation of approximate value.	1,779,498	1,679,970

### 8 RESEARCH AND DEVELOPMENT EXPENSES

The details of Research and development expenses incurred and included under various heads in Profit and Loss Account as certified by the management are as follows:

	For The Year Ended 31 December 2009	For The Year Ended 31 December 2008
<b>Operating Expenses</b>		
Repairs and Stores Consumed	515	402
<b>Personnel Expenses</b>		
Salaries, Wages and Bonus	3,934	4,350
Contribution to PF and Other funds	201	175
Staff welfare Expenses	363	387
<b>Other Expenditure</b>		
Product Development Expenses	1,758	2,450
Conveyance, electricity, printing and stationery, travelling, car and vehicle expense, society charges etc.	221	792
Miscellaneous Expenses	57	212
<b>Depreciation</b>	1,786	1,797
<b>Total</b>	<b>8,835</b>	<b>10,565</b>

This information is given pursuant to the recognition granted to the Company's Research and Development Center by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India, vide their letter No.TUD/4D/RD/963/84–84 dt.06.01.1984 and as renewed from time to time.

### 9 PARTICULARS IN RESPECT OF GOODS MANUFACTURED

Description	31 December 2009 Tonnes	31 December 2008 Tonnes
1 Installed Capacity *		
a. Laminates and Converted, Coated / Uncoated Paper and Films	37,590.000	31,590.000
b. Cartons	11,000.000	11,000.000
c. Metalised Films	1,000.000	1,000.000
d. Polyethylene Films	5,400.000	5,400.000

\* Installed capacities are as certified by the management and have not been verified by the auditors, as this is a technical matter.

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

(Rs.in Thousands)		
	For The Year ended 31 December 2009 Tonnes	For The Year ended 31 December 2008 Tonnes
2 Production		
a. Laminates and Converted, Coated / Uncoated Paper and Films @	23,982.308	25,802.715
b. Cartons	4,632.438	6,059.600
c. Metalised Films #	112.646	246.443
d. Jobwork – Metalised Films #	1.415	374.939
e. Polyethylene Films \$	5,041.934	4,336.147
f. Jobwork– Others	–	12.038
	<b>33,770.741</b>	<b>36,831.882</b>

@ Includes for captive consumption 7.229 MT (Previous year 96.009 MT)

# Includes for captive consumption 114.36 MT (Previous year 616.862 MT)

\$ Utilised for captive consumption

## 10 TURNOVER AND STOCKS OF GOODS MANUFACTURED AND TRADED

	For The Year ended 31 December 2009		For The Year ended 31 December 2008	
	Tonnes	Value	Tonnes	Value
a. Turnover (Net Sales)				
a. Laminates and Converted, Coated / Uncoated Paper and Films	24,031.929	5,519,371	25,805.632	5,781,176
b. Cartons	4,693.801	322,595	6,022.816	376,042
c. Metalised Films	–	–	–	–
d. Jobwork – Metalised Films	–	–	4.098	246
e. Jobwork– Others	–	–	12.038	55
f. Others	–	17,618	–	27,233
	<b>28,725.730</b>	<b>5,859,584</b>	<b>31,844.584</b>	<b>6,184,752</b>
Less: Rebates and Discounts		<b>82,661</b>		<b>63,868</b>
	<b>28,725.730</b>	<b>5,776,923</b>	<b>31,844.584</b>	<b>6,120,884</b>
	As at 31 December 2009		As at 31 December 2008	
	Tonnes	Value	Tonnes	Value
b. Opening Stock				
a. Laminates and Converted, Coated / Uncoated Paper and Films	361.767	62,263	460.293	85,195
b. Cartons	68.278	3,131	31.494	934
c. Metalised Films	0.422	64	–	–
d. Polyethylene Films	85.810	9,878	128.085	11,576
	<b>516.277</b>	<b>75,336</b>	<b>619.872</b>	<b>97,705</b>
	As at 31 December 2009		As at 31 December 2008	
	Tonnes	Value	Tonnes	Value
c. Closing Stock				
a. Laminates and Converted, Coated / Uncoated Paper and Films	304.917	45,805	361.767	62,263
b. Cartons	6.915	507	68.278	3,131
c. Metalised Films	0.125	27	0.422	64
d. Polyethylene Films	195.364	18,103	85.810	9,878
	<b>507.321</b>	<b>64,442</b>	<b>516.277</b>	<b>75,336</b>

Quantitative details for Turnover, Production, Opening Stock and Closing Stock have been converted in Tonnes based on technical estimates by management as products are sold in diverse units of measurement.



# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

(Rs.in Thousands)

## 11 RAW MATERIALS AND PACKING MATERIALS CONSUMED\*

	For The Year ended 31 December 2009		For The Year ended 31 December 2008	
	Tonnes	Value	Tonnes	Value
a. Paper	3,575.213	176,042	4,129.860	193,403
b. Paper Board	4,134.959	104,054	5,401.875	135,542
c. Films	15,870.259	1,973,301	16,042.987	2,130,775
d. Inks,Adhesives and Solvents	8,183.871	853,494	8,116.465	887,041
e. Polyethylene Granules	7,512.230	583,735	7,466.577	677,977
f. Others	–	113,616	–	168,329
	39,276.532	3,804,242	41,157.764	4,193,067

\*Above does not include quantity and value of materials consumed in trial runs.

## 12 CIF VALUE OF IMPORTS

	For The Year ended 31 December 2009	For The Year ended 31 December 2008
a. Raw Materials	982,165	1,112,281
b. Stores, Spares–Parts and Other Materials	18,471	25,632
c. Capital Goods	18,825	107,839

## 13 CONSUMPTION OF RAW MATERIALS, PACKING MATERIALS, STORES and SPARES

	For The Year ended 31 December 2009		For The Year ended 31 December 2008	
	Percentage	Value	Percentage	Value
a. Imported	25.93%	999,210	24.80%	1,052,205
b. Indigenous	74.07%	2,853,864	75.20%	3,191,358
	100.00%	3,853,073	100.00%	4,243,563

## 14 EARNINGS IN FOREIGN CURRENCY

	For The Year ended 31 December 2009	For The Year ended 31 December 2008
a. F.O.B. Value of Exports	1,235,785	1,258,700
b. Others	26,741	26,901

## 15 EXPENDITURE IN FOREIGN CURRENCY (On payment basis)

	For The Year ended 31 December 2009	For The Year ended 31 December 2008
a. Travelling Expenses	3,631	7,362
b. Export Agency Commission	10,231	9,743
c. Technician Fees	18,395	13,758
d. Interest Expenses on Buyers Credit	6,097	17,018
e. Royalty	1,134	863
f. Others	777	186

- 16 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. **225,309** 225,309

The above amount is repayable after 14 years from the date of availment of the loan. The first due date for repayment is 1 April 2011.

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

(Rs.in Thousands)

- 17 a) The Company has remitted dividend in Foreign Currency (Euro) to its parent Company M/s. Huhtavefa B.V., Netherlands.

The particulars of dividend declared and paid to above shareholder are as under:

	31 December 2009	31 December 2008
a. Dividend for the year	2008	2007
b. Number of Non-resident Shareholder	1	1
c. Equity Shares held by Non-resident Shareholder	36,934,100	36,934,100
d. Gross Amount of Dividend Remitted	66,481	66,481

- b) Except at point no.17 a) the Company has not directly remitted any amount in foreign currency on account of dividend on equity shares and or interest on Non Convertible Debentures held by Non Resident Indians, Overseas Corporate Bodies and Foreign Institutional Investors. The Company does not have any information if any remittance in foreign exchange has been made by the respective banks and/or custodians, to whom the payment had been made by Company in rupees.

The particulars of dividend declared during the year and paid to the Non-resident shareholders are as under :-

	31 December 2009	31 December 2008
a. Dividend for the year	2008	2007
b. Number of Non-resident Shareholders	142	115
c. Equity Shares held by Non-resident Shareholders	5,548,461	5,550,375
d. Gross Amount of Dividend	9,987	9,991

- 18 Disclosure of the amounts due to the Micro, Small and Medium Enterprises

(On the basis of the information & records available with the Management.)

	31 December 2009	31 December 2008
i) The principal amount and the interest due thereon remaining unpaid to any Micro/Small supplier		
– Principal amount	1,973	1,546
– Interest there on	284	714
ii) The interest paid by the buyer as above, along with the amount of payments made beyond the appointed date during each accounting year.	609	–
iii) 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	–	–
iv) The amount of interest accrued and remaining unpaid at the end of each accounting year.	179	189
v) 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	284	714

- 19 Sundry Debtors include amounts due from Companies under the Same Management:-

Huhtamaki Australia Ltd., Australia	5,850	2,929
Huhtamaki New Zealand Ltd. New Zealand	591	1,595

- 20 Loans & Advances include amounts due from Companies under the Same Management:-

	31 December 2009	31 December 2008
	Max. Due at any during time the year	Max. Due at any time during the year
Huhtamaki Australia Ltd., Australia	–	238
Huhtamaki Vietnam Ltd, Vietnam	30	280
Huhtamaki New Zealand Ltd., New Zealand	306	268
Huhtamaki (Thailand) Ltd., Thailand	–	152
Huhtamaki Deutschland GmbH & Co.KG., Germany	98	49

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

(Rs.in Thousands)			
21	During the year, revenue expenses incurred for the projects that have been capitalised	24,533	19,877
	Out of above at year end amount lying in Capital Work in Progress	–	32,039
		As at 31 December 2009	As at 31 December 2008
	Personnel Expenses	–	8,939
	Travelling & Conveyance	–	1,294
	Legal & Professional Charges	–	17,210
	Transit House Expenses	–	1,586
	Insurance	–	2,153
	Other Administrative Expenses	–	857
	<b>Total</b>	–	32,039
22	<b>Disclosure of Derivative Instruments</b>		
		As at 31 December 2009	As at 31 December 2008
	Currency	Foreign Currency Amount	Foreign Currency Amount
(i)	<b>Derivative Instruments Outstanding</b>		
	Foreign Exchange Exposures		
	Forward Exchange contracts for the foreign exchange exposures of receivables on account of export of goods & services.	USD EUR	2,100 125
			5,268 –
	Forward Exchange contracts for the foreign exchange exposures for payments to be made against imports and repayment of buyers credit.	USD	62
			6,490
	Option contracts for the foreign exchange exposures on account of capital import creditors	USD	–
			–
(ii)	<b>Foreign Exchange Exposures</b>	USD	3,423
	Foreign Exchange exposures not covered by a derivative contract for payments to be made against revenue imports & capital imports creditors.	EUR SFR JPY	31 – 832
			2,307 36 3,740
(iii)	<b>Derivatives taken to Cover Forecast Exposures</b>		
	Forward Exchange contracts taken for the forecast exports receivables on account of export of goods & services.	USD EUR	8,700 1,125
			7,133 –
	Forward Exchange contracts taken for the forecast revenue imports.	USD	–
			1,200
(iv)	Foreign Exchange (Loss) / Gain includes realised and unrealised exchange (losses)/gains and 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.		(71)
			(40,153)
23	<b>Disclosure pursuant to Accounting Standard – 15 (Revised) ‘Employee Benefits’</b>		
(i)	Effective 1 January, 2007 the Company has adopted accounting standard 15 (revised 2005) “Employee Benefits” issued by ICAI. The Company has classified the various benefits provided to employees as under :		

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

## (iii) Defined Benefit Plans

(Rs. In Thousands)

	Gratuity		Leave Wages		Pension Plan		Long Service Award	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>I. Change in Benefit Obligation</b>								
Liability at the beginning of the year	102,677	81,894	31,884	29,500	1,173	1,066	6,310	4,538
Cost of Benefit increase	–	–	–	–	–	349	–	–
Interest cost	6,367	6,284	1,990	2,243	71	95	409	362
Current Service Cost	8,316	8,383	4,077	4,360	–	–	–	–
Benefit Paid	(9,452)	(6,693)	(2,539)	(2,921)	(150)	(450)	(33)	(33)
Actuarial (gain)/loss on obligations	(15,284)	12,809	(8,646)	(1,300)	(124)	113	(1563)	1443
Liability at the end of the year	92,624	102,677	26,765	31,884	970	1,173	5,123	6,310
<b>II. Fair value of Plan Assets</b>								
Fair value of Plan Assets at the beginning of the year	79,919	73,088	–	–	–	–	–	–
Expected Return on Plan Assets	7,892	3,537	–	–	–	–	–	–
Contributions	24,992	9,987	2,539	2921	150	450	33	33
Benefit Paid	(9,452)	(6,693)	(2,539)	(2,921)	(150)	(450)	(33)	(33)
Actuarial gain/(loss) on Plan Assets	2,412	–	–	–	–	–	–	–
Fair Value of Plan Assets at the end of the year	105,763	79,919	–	–	–	–	–	–
<b>III. Reconciliation of present value of the obligation and fair value of plan assets</b>								
Present value of the defined obligation (PVO) at the end of the year	92,624	102,677	37,191	31,884	970	1,173	5,123	6,310
Fair value of plan assets at the end of the year	105,763	79,919	–	–	–	–	–	–
Excess of PVO over fair value of plan assets	(13,139)*	22,759	37,191	31,884	970	1,173	5,123	6,310
<b>IV. Actual Return on Plan Assets</b>								
Actual Return on Plan Assets	10,304	3,537	–	–	–	–	–	–
Expected Return on Plan Assets	7,892	6,726	–	–	–	–	–	–
Actuarial gain/(loss) on Plan Assets	2,412	(3,189)	–	–	–	–	–	–
Actuarial gain/(loss) on obligation	15,284	(12,809)	–	1,300	124	(112)	1,563	(1,443)
<b>V. Amount Recognised in the Balance Sheet</b>								
Liability at the end of the year	92,624	102,677	26,765	31,834	970	1,173	5,123	6,310
Fair Value of Plan Assets at the end of the year	105,763	79,919	–	–	–	–	–	–
Funded Status	13,139	(22,759)	(26,765)	(31,834)	(970)	(1,173)	(5,123)	(6,310)
Unrecognised Actuarial Gain/(Loss)	–	–	–	–	–	–	–	–
Net Asset/(Liability) Recognised in the Balance Sheet	13,139	(22,759)	(26,765)	(31,834)	(970)	(1,173)	(5,123)	(6,310)
<b>VI. Expenses Recognised in the Income Statement</b>								
Current Service Cost	8,316	8,383	4,077	4,360	–	–	–	–
Interest Cost	6,367	6,284	1,990	2,243	71	95	409	362
Cost of Benefit increased	–	–	–	–	–	349	–	–
Expected Return on Plan Assets	(7,892)	(6,726)	–	–	–	–	–	–
Net Actuarial (Gain)/Loss To Be Recognised	(17,696)	15,998	(8,646)	(1,300)	(124)	112	(1,563)	1,443
Expense Recognised in P&L	(10,905)	23,940	(2,579)	5,304	(52)	557	(1,154)	1,804
<b>VII. Balance Sheet Reconciliation</b>								
Opening Net Liability	22,759	8,806	31,884	29,500	1,173	1,066	6,310	4,538
Expense as above	(10,905)	23,940	(2,579)	5,304	(52)	557	(1,154)	1,804
Employers Contribution	(24,992)	(9,987)	(2,539)	(2,921)	(150)	(450)	(33)	(33)
Amount Recognised in Balance Sheet	(13,139)	22,759	26,765	31,884	970	1,173	5,123	6,310
<b>VIII. Actuarial Assumptions : For the year</b>								
Discount Rate Current	8.35%	6.50%	8.35%	6.50%	8.35%	6.50%	8.35%	6.50%
Rate of return on Plan Assets Current		9.00%						
Salary Escalation Current	7.25%	6.75%	7.25%	6.75%			7.25%	
Withdrawal rate	12% for the next 2 years, 5% for the next 1 year, 2.5% for the next 4 years and thereafter reducing 1%	12% for the next 2 years, 5% for the next 1 year, 2.5% for the next 4 years and thereafter reducing 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.

\* Amount recognised in the balance sheet has been taken as lower of the amount of fair value of assets that exceed the present value of obligation as at year end (Rs. 13,138,996/-) and value of reductions in future contributions to the plan (Rs. 9,577,448) as per Para 59 of AS-15 (Revised).

# SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2009

(Rs.in Thousands)

**(ii) Defined Contribution Plans**

Amount recognised as an expense and included in "Personnel costs" for Provident Fund & ESIC contributions in the Profit and Loss account.(Refer schedule 13)

**22,655** 21,457

**(iv) General Descriptions of significant defined benefit plans**

**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 accumulation of 90 days.

**III Long Service Award**

Long Service Award benefit is payable to eligible employees on completion of 25 years of service.

- |                                                                                                                                                                                                                            |   |        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--------|
| <b>24.</b> Profit on Sale of Fixed Assets includes Profit realised on sale of Transferable Development Right received on compulsory acquisition of a portion of vacant Land at Thane Plant by Thane Municipal Corporation. | – | 13,712 |
| Profit on Sale of Fixed Assets includes Profit realised on sale of Residential Flats.                                                                                                                                      | – | 667    |
| <b>25.</b> Personnel Expenses include a onetime charge towards settlement compensation paid to employees of Nagpur Unit which ceased manufacturing operations on 27th April,2008.                                          | – | 13,011 |
| <b>26.</b> Miscellaneous Income includes compensation received on settlement of claims.                                                                                                                                    | – | 3,220  |
| <b>27</b> Previous year figures are appropriately reclassified to conform with current year's classification.                                                                                                              |   |        |

Signatures to Schedules 1 to 17

**K.C.Narang**  
Chairman

**Suresh Gupta**  
Managing Director &  
Chief Executive Officer

**C.N.Murthy**  
Executive Director &  
Chief Operating Officer

**P. V. Narayanan**  
Director

**Parag Vyavahare**  
Controller – Accounts  
& Joint CFO

**Sushil Kumar Agarwal**  
Company Secretary  
& Head Taxation

Mumbai  
27 January,2010

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

As at 31 December 2009

Statement showing particulars as described in the amendment to Schedule VI to the Companies Act, 1956, vide Notification No. G.S.R.388(E) dated May 15, 1995 :

<b>I. REGISTRATION DETAILS</b>	
Registration No.	145537
State Code	11
Balance Sheet Date	31st December, 2009
(Rs.in Thousands)	
<b>II. CAPITAL RAISED DURING THE YEAR ENDED 31ST DECEMBER 2009</b>	
Public Issue	—
Rights Issue	—
Bonus Issue	—
Private Placement	—
Others—Preferential Issue	—
<b>III. POSITION OF MOBILISATION &amp; DEPLOYMENT OF FUNDS AS AT 31ST DECEMBER 2009</b>	
Total Liabilities	2,922,573
Total Assets	2,922,573
<b>Sources of Funds</b>	
Paid-up Capital	125,383
Reserves & Surplus	2,490,080
Secured Loans	14,042
Unsecured Loans	225,309
Deferred Tax Liability (Net)	67,759
	2,922,573
<b>Application of Funds</b>	
Net Fixed Assets (Incl.Capital Work-in-Progress)	2,033,559
Investments	310,359
Net Current Assets	578,655
Miscellaneous Expenditure	—
	2,922,573
<b>IV. PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31ST DECEMBER 2009</b>	
i) Turnover (Net Sales & Other Income)	5,855,951
ii) Total Expenditure	5,360,201
iii) Profit before Tax	495,750
iv) Profit after Tax	373,786
v) Earning Per Share (Rs.)	5.96
vi) Dividend Rate %	150%
<b>V. GENERIC NAME OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY ( as per monetary terms )</b>	
<b>Item Code No.</b>	<b>Product Description</b>
<b>ITC Code</b>	
3921 90 96	Printed Polyester / Polyethylene Laminates
3921 90 99	Shrink Sleeves
3920 69 12	Printed Polyester / Foil / Polyester / Poly Laminates



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[illegible]



## CORPORATE HEAD QUARTER

### THE PAPER PRODUCTS LTD.

LBS Marg, Majiwade, Thane (W) - 400 601, Maharashtra.

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Fax: +91 22 2173 5599 / 5650

## CLIENT SERVICING OFFICES

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Tel: +91 8458 279 628 / 279 616 Fax: +91 8458 279 464

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## MANUFACTURING LOCATIONS

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### HYDERABAD

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### R&D - THANE

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प्रवृत्तिं च निवृत्तिं च कार्याकार्ये भयाभये ।  
बन्धं मोक्षं च या वेत्ति बुद्धिः सा पार्थ सात्त्विकी ।।

Buddhi, which knows activity and renunciation,  
what ought to be done and what ought not to be done, fear  
and fearlessness, bondage and release, is Pure.

