HUHTAMAKI-PPL

61st ANNUAL REPORT 2010

The Paper Products Ltd.

PPL - THE POWER OF FLEXIBLE PACKAGING

Product Portfolio

Specialised Cartons

Specialised Pouches

Package Protection & Decoration Technologies

Personal Care

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman & Managing Director	Mr. Suresh Gupta
	Mr. K. C. Narang
	Mr. Jukka Moisio
	Mr. Arunkumar R. Gandhi
CEO & Executive Director	Mr. M. K. Srinivasan
	Mr. Ramesh K. Dhir
	Mr. P. V. Narayanan
	Mr. Vibhu Talwar
(Alternate to Mr. Jukka Moisio)	Mr. Timo Salonen

BANKERS

BNP Paribas
Punjab & Sindh Bank
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Ltd.
Union Bank of India

AUDITORS

S V Ghatalia & Associates,
Chartered Accountants

REGISTERED OFFICE

Regent Chambers, 13th Floor,
Nariman Point, Mumbai - 400 021,
Maharashtra, India.
Tel No: +91 22 2282 0969
Fax No: +91 22 2283 2860
Website: www.pplpack.com

CORPORATE OFFICE

L. B. S. Marg, Majiwade,
Thane (W) – 400 601,
Maharashtra, India.
Tel No: +91 22 2173 5551 / 2173 5591
Fax No: +91 22 2173 5599 / 2173 5650
Email: investor.communication@pplpack.com

CONTENT

BOARD OF DIRECTORS

SURESH GUPTA - *CHAIRMAN & MANAGING DIRECTOR*

Mr. Suresh Gupta did his Masters in Management (MMS) from Jamnalal Bajaj Institute of Management Studies, Mumbai. He has diverse management experience of over 37 years, including 23 years in the Company. He was appointed as Managing Director since May 1994, and redesignated as Chairman & Managing Director of the Company w.e.f. 10th March 2010. He also holds position of Executive Vice President, Flexibles Global and a member of the Group Executive Team of Huhtamaki Oyj., the ultimate holding Company.

K.C.NARANG - *DIRECTOR*

Mr. K. C. Narang is B.A., L.L.B. and FCA. He is a former partner of Dalal Desai & Kumana, Chartered Accountants and a past President of Bombay Chartered Accountants Society. He has been a Director of the Company since July 1981 and has served as Non-Executive Chairman till 10th March 2010. He is Chairman of Audit Committee.

JUKKA MOISIO - *DIRECTOR*

Mr. Jukka Moisio holds Masters degree in Science and (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.

ARUNKUMAR GANDHI - *DIRECTOR*

Mr. Arunkumar R. Gandhi 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.

M. K. SRINIVASAN - *CEO & EXECUTIVE DIRECTOR*

Mr. M. K. Srinivasan is an ICWA and holds a degree in Bachelors and Masters of Commerce from Bombay University. He has diversified experience of over 27 years. He has worked with the Company from Feb’ 93 to Aug’ 04 in various roles and last position held was of Senior Vice President & CFO before he moved out to serve Arcelor Mittal Group in overseas assignments. He served as CFO, Arcelor Mittal Trinidad from August 2004 to August 2006 and as Chief Executive Officer of Arcelor Mittal Zeneca, Bosnia from August 2006 to September 2009. He has been appointed as CEO & Executive Director since March 2010.

RAMESH KUMAR DHIR - *DIRECTOR*

Mr. Ramesh Kumar Dhir is a Fellow Member of the Institute of Chartered Accountants (England & Wales) and also a Fellow of the Institute of Management (U.K.). He has wide corporate management experience of over 38 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.

P. V. NARAYANAN - *DIRECTOR*

Mr. P. V. Narayanan is a Post-Graduate in Chemistry, and Diploma in Marketing Management. He has 43 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.

VIBHU TALWAR - *DIRECTOR*

Mr. Vibhu Talwar 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 Saloman Smith Barney (real estate Merger & Acquisitions) and JP Morgan, London & Singapore for over 6 years. He has been a Director of the Company since April 2003.

TIMO SALONEN - *ALTERNATE DIRECTOR TO JUKKA MOISIO*

Mr. Timo Salonen holds Masters degree in Science (Econ) and Masters degee 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 Division Controller, Partek Concrete International, Belgium.

CEO's REVIEW 2010

In many ways the year 2010 was a year of mixed blessings. Having successfully withstood the crises of 2008/9, the Indian economy recorded a near 8% growth. The FMCG sector - the principle sector to which PPL caters to also recorded a robust 14% growth. Keeping pace with this growth, PPL also recorded a solid 15% volume growth. The value growth was higher at about 22% given the higher selling prices consequent to higher input costs. However, the relentless input price increase especially that of polyester film (which increased by 150%) put undue pressure on the margins despite a high volume growth. As a result, the underlying bottom line (ie before exceptional and extraordinary items) was 6.7% of net sales as compared to 8.6% in the year 2009. The time lag between the continuous pet film price increase and its pass on to the customers did impact the company bottom line.

During the year the company reinforced its core values namely Leadership, Quality and Innovation. Going forward, the growth strategy would be market driven and based on product diversification, innovation and geographical spread. We will continue to focus on our key growth drivers namely, Customer, Cost and Cash. While on the one hand we undertook specific measures to unlock the potential of our key resources, we also continued to focus on sweating our fixed assets as well as control our working capital to improve the RONA of the company.

While we expect reasonable growth in 2011, inflation and the large scale scams being unearthed each day is a matter of grave concern and we hope it does not derail the country's otherwise good growth story.

In the current year, we would be expanding our Rudrapur plant by adding one more full conversion line that includes printing, lamination, slitting and cylinder making. At our Hyderabad plant we would be adding a printer, augmenting the overall print capacity. We would also be adding products to our labelling basket as well as seek newer market segments needing our packaging products.

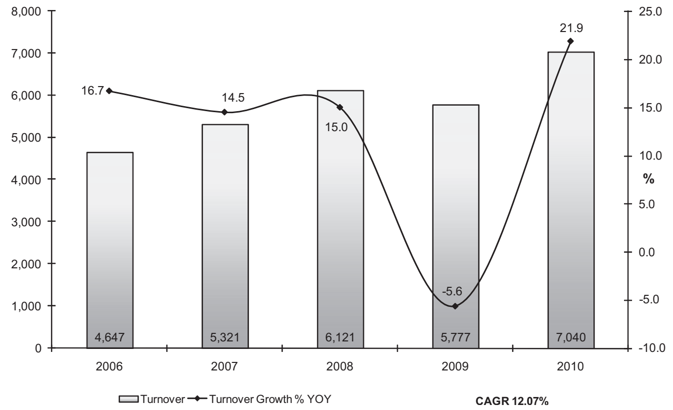
We in PPL are committed to continue on our Journey to profitable growth and seek the support of our esteemed shareholders in all our endeavours.

Wishing you all the very best in 2011 and in the years to come.

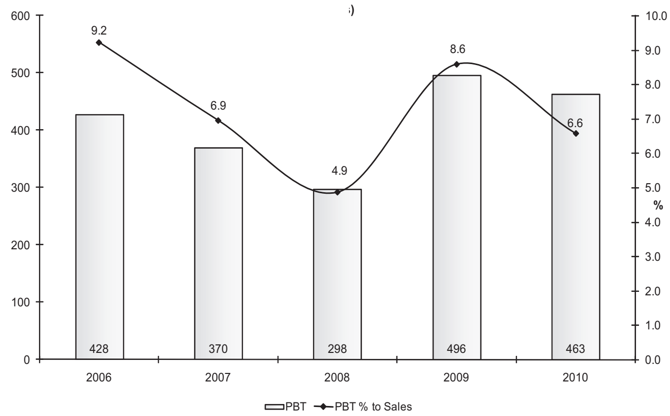
- M K Srinivasan

FINANCIAL PERFORMANCE INDICATORS

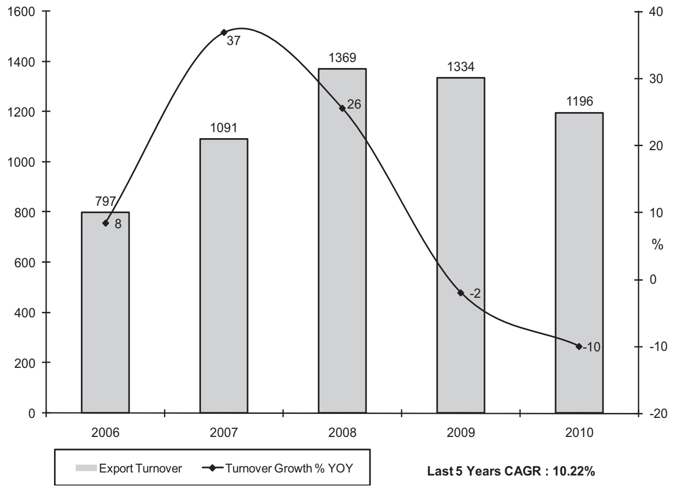
TURNOVER (Rs. Mns)



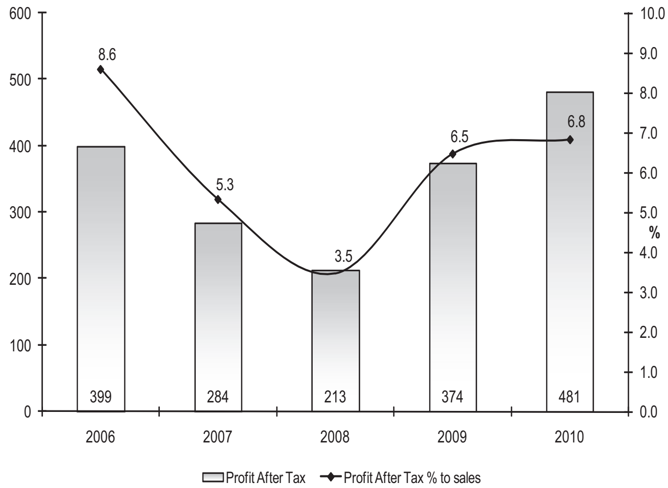
PROFIT BEFORE TAX, EXCEPTIONAL & EXTRAORDINARY ITEMS (Rs. Mns)



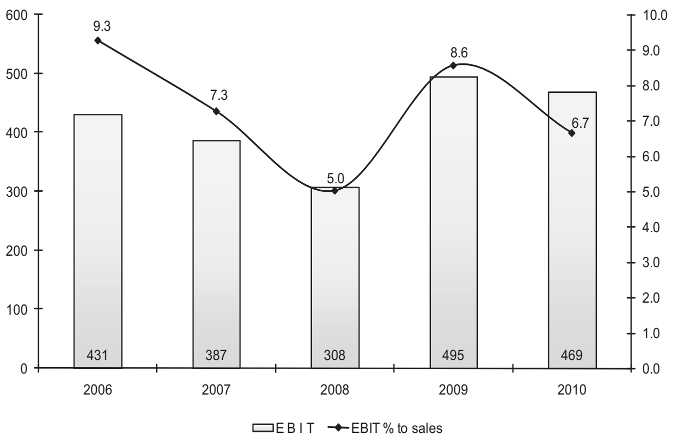
EXPORT TURNOVER (Rs. Mns)



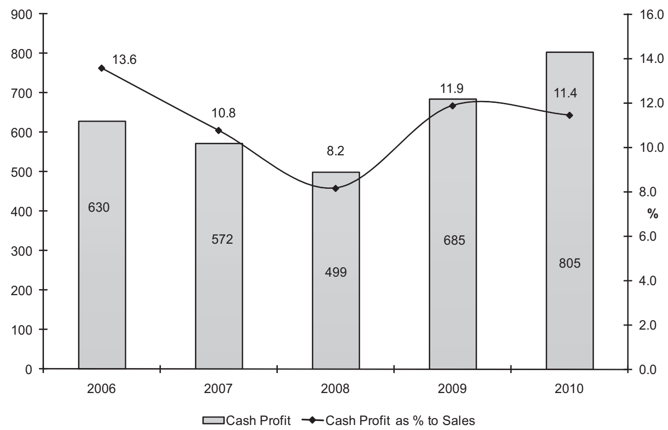
PROFIT AFTER TAX, EXCEPTIONAL & EXTRAORDINARY ITEMS (Rs. Mns)



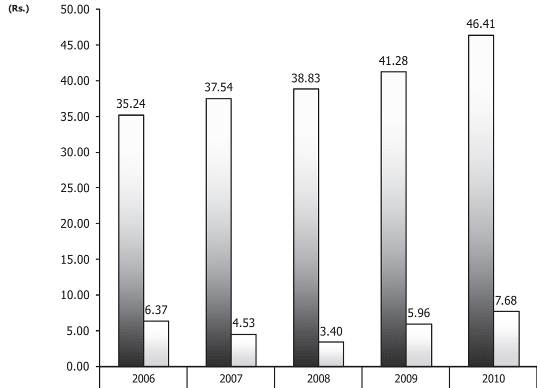
EARNING BEFORE INT & TAX (EBIT) (Rs. Mns)



CASH PROFIT (Rs. Mns)

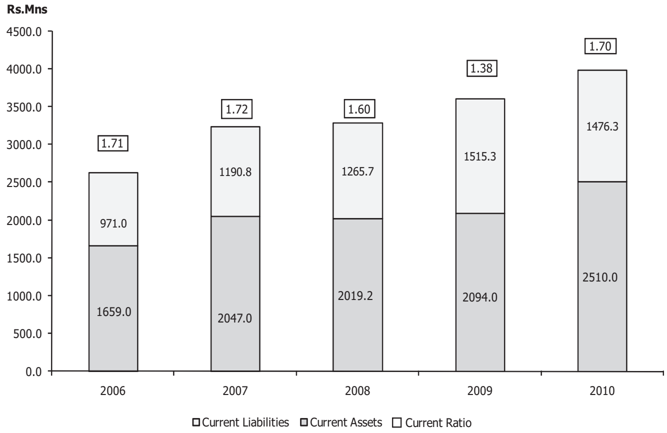


EPS AND BOOK VALUE PER SHARE

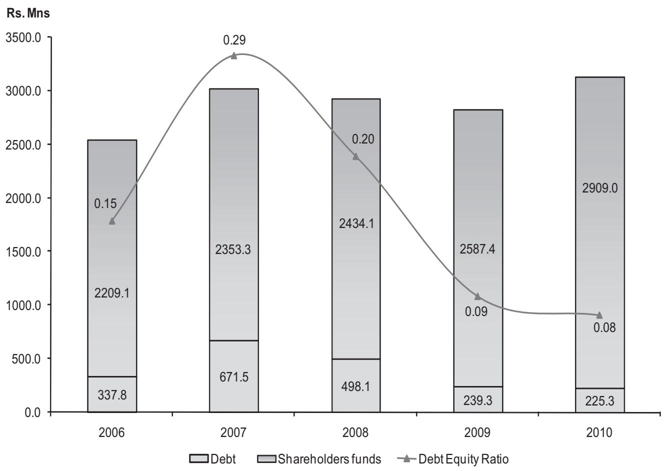


	2006	2007	2008	2009	2010
Book Value (Excluding Revaluation Reserve)	35.24	37.54	38.83	41.28	46.41
EPS	6.37	4.53	3.40	5.96	7.68

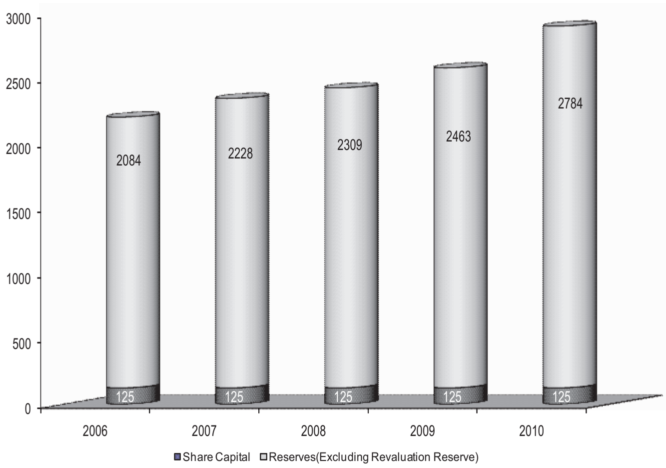
CURRENT RATIO (Times)



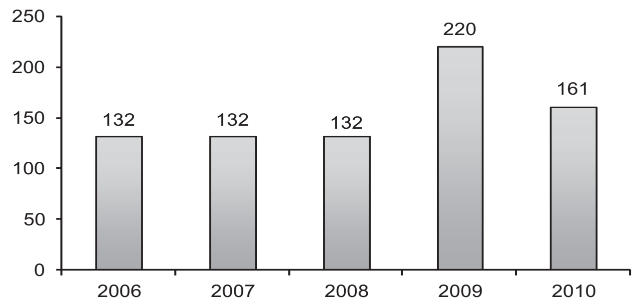
DEBT EQUITY RATIO (Times)



NET WORTH GROWTH (Rs. Mns)



DIVIDEND PAYOUT (Rs. Mns)



	2006	2007	2008	2009	2010
Dividend Payout %	33.1	46.5	62	58.9	33.4
Dividend %	70	90	90	*150	110

* Includes 50% Platinum Jubilee Dividend.

FINANCIAL HIGHLIGHTS

(Rs. in Million)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
OPERATING RESULTS										
Net Sales	**7040.1**	5776.9	6120.9	5320.6	4646.7	3982.9	3617.8	3525.3	2988.9	2511.6
Other Income	**83.2**	91.1	117.3	107.4	114.8	96.6	56.6	44.5	34.9	35.4
EBDIT	**792.7**	818.6	609.0	676.8	665.0	643.7	568.9	615.4	608.6	456.9
Depreciation & Amortisation	**324.0**	311.5	286.2	288.6	230.7	249.8	224.7	223.5	211.1	201.1
EBIT	**468.7**	507.1	322.8	388.2	434.3	393.9	344.2	391.9	397.5	255.8
Profit before Tax, Exceptional & Extraordinary Items	**462.7**	495.8	297.7	369.7	428.1	386.8	336.5	379.1	357.7	194.7
Exceptional & Extraordinary Items- Net of Tax	**153.3**	–	–	(31.8)	120.8	(8.0)	–	–	–	(3.6)
Provision for Tax	**134.8**	122.0	84.8	54.1	149.7	102.1	95.4	100.0	106.2	39.4
Net Profit after Tax	**481.2**	373.8	212.9	283.7	399.2	276.7	241.1	279.1	251.5	151.7
EBDIT to Sales %	**11.26%**	14.17%	9.95%	12.72%	14.31%	16.16%	15.72%	17.46%	20.36%	18.19%
EBIT to Sales %	**6.66%**	8.78%	5.27%	7.30%	9.35%	9.89%	9.51%	11.12%	13.30%	10.18%
PBT to Sales %	**8.75%**	8.58%	4.86%	6.35%	11.81%	9.51%	9.30%	10.75%	11.97%	7.61%
Earning Per Share	**7.68**	5.96	3.40	4.53	6.37	4.41	3.85	4.45	4.01	2.29
Cash Earning Per Share	**12.84**	10.93	7.96	9.13	10.05	8.39	7.37	7.89	7.17	5.34
Equity Dividend %	**110**	**150	90	90	90	70	60	*150	50	35
FINANCIAL POSITION										
Equity Share Capital	**125.4**	125.4	125.4	125.4	125.4	125.4	125.4	125.4	125.4	125.4
Reserves & Surplus	**2811.2**	2490.1	2336.3	2257.3	2113.1	1842.4	1669.8	1514.2	1499.7	1242.8
Shareholders Funds	**2936.6**	2615.5	2461.7	2382.7	2238.5	1967.8	1795.2	1639.6	1625.1	1368.2
Loan Funds	**225.3**	239.3	498.1	671.5	337.8	162.9	130.2	102.6	91.8	284.2
Deferred Tax Liability (Net)	**52.6**	67.7	69.0	85.2	83.9	60.2	89.9	96.2	75.0	133.5
Net Fixed Assets (Incl. Capital Work in Progress)	**1786.9**	2033.5	2105.5	2145.1	1967.0	1351.5	1365.0	1142.1	1277.9	1239.4
Investments	**394.5**	310.3	169.8	138.1	5.2	82.5	98.0	311.0	3.6	2.0
Net Working Capital	**1033.2**	578.7	753.5	856.2	688.0	757.0	551.8	381.2	482.8	503.8
Miscellaneous Expenditure	**–**	–	–	–	–	–	0.5	4.2	27.6	40.5
Capital Employed	**3214.6**	2922.5	3028.8	3139.4	2660.2	2191.0	2015.3	1838.5	1791.9	1785.7

** Includes One Time Dividend @ 50%
* Includes One Time Dividend @ 100%

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 61st Annual Report along with the Audited Statement of Accounts for the year ended 31st December 2010.

PERFORMANCE DURING THE YEAR

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

(Rupees in Million)

	2010	2009
Net Sales	**7040.1**	5776.9
Profit before Tax & Extraordinary Items	**585.5**	495.7
Less: Provision for Current Tax	**152.8**	122.0
Provision for Deferred Tax	**(18.0)**	(1.2)
Provision for Fringe Benefits Tax	–	1.2
Extraordinary Items (Net of Tax)	**30.5**	–
Profit after Tax	**481.2**	373.7
Add: balance of profit for earlier years	**966.2**	849.9
Excess provision for dividend tax for earlier year	**0.8**	–
Profit available for appropriation	**1448.2**	1223.6
Transfer to General Reserve	**48.1**	37.4
Proposed Dividend on Equity Shares & Dividend Tax thereon	**160.8**	146.7
One time Platinum Jubilee Dividend on Equity Shares & Dividend tax thereon	–	73.3
Balance Carried forward	**1239.3**	966.2

During the year under review, the net sales were Rs. 7040.1 mn as compared to Rs. 5776.9 mn in the previous year. Profit Before Tax & Extraordinary Items was Rs. 585.5 mn as compared to Rs. 495.7 mn in the previous year.

After providing for Income Tax of Rs. 134.8 mn, Net Profit after Tax & Extraordinary Items was Rs. 481.2 mn. Further after transferring an amount of Rs. 48.1 mn to General Reserve, the amount available for appropriation was Rs. 1400.1 mn including amount brought forward of Rs. 966.2 mn of previous year. The Earning per Equity Share (EPS) including extraordinary items was Rs. 7.68 and the Earning per Equity Share (EPS) excluding extraordinary items was Rs. 7.19.

EXCEPTIONAL ITEMS

During the year, the Company sold the assets of its Nagpur factory which had ceased manufacturing in April 2008. Your Company realized a net gain of Rs. 139.8 mn (tax impact Rs. 28.6 mn) on this sale.

During the year Company offered a Voluntary Retirement Scheme at its Hyderabad plant to rationalize manpower and make operations lean. 30 employees opted for Voluntary Retirement and have been paid aggregate compensation of Rs. 17.0 mn.

EXTRAORDINARY ITEMS

During the year the Company has reversed balance provision amounting to Rs. 28 mn (net of tax) created in earlier year towards repairs of certain machines damaged by flood in 2005, as the same is no longer required.

During the Q1 2010 there was a fire at Thane plant & certain machines were damaged. Insurance Claim was lodged. Pending settlement an advance payment of Rs. 10 mn was received during the year. Surplus of Rs. 2.8 mn net of tax of Rs. 2.9 mn after adjusting the cost of repairs & book value of damaged assets has been included in the operational results of the year.

DIRECTORS' REPORT (contd.)

CORPORATE GOVERNANCE

A separate report on Corporate Governance forms part of this report.

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

DIVIDEND

Your Directors recommend payment of dividend of Rs. 2.20 per equity share, i.e. @ 110 % on the Equity Capital for the year ended 31st December 2010. The said Equity dividend will absorb a sum of Rs. 160.8 million including the dividend distribution tax & cess thereon.

FIXED DEPOSITS

The Company did not invite or accept deposits from public and/or shareholders during the year under review. As of 31st December 2010 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.

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

DIRECTORS

Mr. K. C. Narang and Mr. Arunkumar Gandhi, retire by rotation at this Annual General Meeting and being eligible have offered themselves for re-appointment.

Mr. Suresh Gupta, Managing Director of the Company was re-designated as the Chairman & Managing Director with effect from March 10, 2010. In terms of Clause 49 of the Listing Agreement where the Chairman of the Board is an Executive Director, at least one half of the Board should comprise of Independent Directors and this needs to be complied within 180 days of any change in status. However, the Board was reconstituted only on December 8, 2010, where Mr. C N Murthy, Executive Director & Mr. Johann Sippel, a Director nominated by the parent company, stepped down from the Board to comply with the aforesaid requirement of the Listing Agreement. Consequent upon the stepping down of Mr. Johann Sippel as a Director, Mr. Juha Salonen also ceased to be his Alternate Director forthwith.

Your Directors at their meeting held on March 16, 2011 have appointed Mr. S K Palekar as an Additional Director of the Company. He is also an Independent Director within the meaning of Clause 49 of the Listing Agreement.

Pursuant to section 260 of the Companies Act, 1956 and Article 122 of the Articles of Association of the Company Mr. S K Palekar holds office up to the date of the ensuing Annual General Meeting. The Company has received the requisite notice under Section 257 of the Companies Act, 1956 and accordingly necessary agenda item relating to his appointment forms part of the Notice convening the 61st Annual General Meeting.

DIRECTORS' REPORT (contd.)

With the appointment of Mr. S. K. Palekar as an Independent Director, the parent Company has renominated Mr. Johann Sippel as a Director of the Company to fill in the vacancy caused by his stepping down as a Director on December 8th 2010. Mr. Johann Sippel has joined the Board with effect from March 16th 2011 and holds office till the ensuing Annual General Meeting. The Company has also received the requisite notice under Section 257 of the Companies Act, 1956 and accordingly necessary agenda item relating to his appointment forms part of the Notice convening the 61st Annual General Meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis forms part of this Annual Report for the year ended 31st December 2010.

DIRECTORS' RESPONSIBILITY STATEMENT

On behalf of the Directors, I confirm that:

i) In the preparation of the annual accounts for the year ended 31st December, 2010 the applicable Accounting Standards have been followed and there are no material departures.

ii) Accounting policies have been selected and applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year ended 31st December 2010 and of the profit of the Company for that period.

iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv) Annual accounts for the year ended 31st December 2010 have been prepared on a going concern basis.

AUDITORS' REPORT

The Auditors' Report does not contain any qualification. Notes to Accounts and Auditors remarks in their report are self explanatory and therefore do not call for any further comments.

AUDITORS

The existing Statutory Auditors Messrs S V Ghatalia & Associates hold office until the conclusion of the ensuing Annual General Meeting and have furnished a certificate regarding their eligibility for re-appointment. The Directors recommend that they be re-appointed as Auditors of the Company for the current year.

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
16th March, 2011

SURESH GUPTA
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT
ANNEXURE - 1

A. CONSERVATION OF ENERGY

Energy Conservation is a necessary and 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.

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

1. Autonomous maintenance of air compressor to arrest leakages, modulation of delivery pressure and effective capacity utilization.
2. Maintained power factor to unity throughout the year in all plants
3. Replacement of inefficient air cooled process chiller with energy efficient digital scroll compressor.
4. Optimization of motor loading flow rate control in oil heating system.
5. Installation of lighting energy saver in dedicated feeder in Flexible Conversion Department and for compound wall lighting.
6. Up gradation of machine control panel with energy efficient and new technology by converting existing DC Motor in slitting machine to AC Motor Control System to reduce power consumption and increase efficiency.
7. Replacement of Conventional Aluminum Blades of Cooling Tower Fan with FRP Blades.
8. Replacement of Cooling Water Recirculation Pump with Smaller Capacity Energy Efficient Pump for TFH Cooling Tower.
9. Trimming/Replacement of impeller of Delivery Pump with smaller size impeller for panel cooling.
10. Integration lighting circuit with day light sensors and install Light pipes in Flexible Conversion Department at Hyderabad.
11. Install automatic star delta starter with all FDVs with cellular pads to run it in auto mode as per percentage loading on motor.
12. MCB and contactor combine power circuit provided for high capacity package air conditioner to control load surge at every power on condition.
13. Replacement of all V-belts with Flat belt in FDV motors to improve the efficiency.
14. Use booster pump in series circuit rather than in parallel by modifying the present thermic fluid circuit to save excess oil heating in the pipe.
15. Modulating production planning by scheduling power exhaustive processes in the night shift to utilize the benefical Zone A electricity tariff structure.
16. Retrofitting Variable Frequency Drive (VFD) on Blower Fan Motors in a planned manner in all plants.
17. Retrofitting of Refrigerant Optimization System on Air Cooled Process Chiller, Packaged Air Conditioning System and Ductable Split Air Conditioning System above and Equal to 5 TR Capacity.
18. Follow a stringent machine operation practices and reduce or stop idle operation of critical machines.

B. TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

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

Innovations and new product & technology focus has led to several custom made products that have been designed, developed and commercialized with special emphasis on total-cost, aesthetics, convenience, performance and product protection.

The growing domestic consumption ensured that the customers became more demanding on productivity and total-cost

ANNEXURE TO DIRECTORS' REPORT
ANNEXURE - 1 (contd.)

solutions. Increasing number of FMCG manufacturers therefore sought better line speeds resulting in our continued focus on providing better laminate design to meet this expectation from conventional structures. New capacity additions with more sophisticated equipments required high performance packaging with stricter material tolerances. Hence, laminates were designed and developed to support this key customer need in an increasingly competitive scenario.

The year was marked with unprecedented and steep spike in prices of one of the key raw materials. This undesirable situation gave us the opportunity to redesign our laminates and provide technical solution to a market event beyond our control. Several solutions were established including development of alternate options, which were appreciated by our customers and helped us to further strengthen our technical leadership in the industry.

Our product decoration technology was enhanced with the introduction of mono-layer holographic wrap around label, a first of its kind product. We also extended the unique random code technology to our shrink sleeves portfolio, thereby providing solution to its customers to communicate one-to-one with their end consumers. The focus of our specialized cartons portfolio was on developing high end packs using metallic and holographic finishes with speciality inks & coatings for premium and niche products. The developments were particularly successful for the festive and promotional cartons requirements.

An active area of interest for some of our key customers this year has been the issue of sustainability and eco-friendly solutions. We have actively kept abreast with these concerns of the industry and have also keenly partnered such initiatives of our customers, like the one of replacing PVC with PET in various packaging applications. Our continued efforts on down gauging structures as well as developments on mono-layer structures, has been helpful in addressing some of these challenges.

In recognition of the innovation efforts, we received 7 PFFCA Stars.

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

a.	Capital	Rs. Nil
b.	Recurring	Rs. 7.806 Mn
c.	Total	Rs. 7.806 Mn

Percentage of R & D expenses to total turnover is 0.11% (previous year 0.15%)

C. FOREIGN EXCHANGE EARNINGS & OUTGO

a) Foreign exchange earnings from the exports of the Company's products & services amounted to Rs.1,112.896 mn.

b) 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 December 31, 2010.

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 of Directors, as on December 31, 2010 comprised **8** Directors (excluding Alternate Director) of whom two are Executive and six are Non-Executive Directors with four Directors being Independent. The Chairman of the Board is an Executive Director and half of the Board members (excluding Alternate Director) are Independent. The composition of Board is in line with requirement of Clause 49 of the Listing Agreement.. The Independent Directors do not have any material pecuniary relationship or transactions with the Company, promoters or management, which may affect their judgment in any manner. The Directors are eminently qualified and experienced professionals in business, finance and corporate management.

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

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

S. No.	Name of the Director	Category	No. of Board Meetings held during the FY 2010/ Tenure	No. of Board Meetings attended	Attendance at Last AGM
1	**Mr. Suresh Gupta** [1] Chairman & Managing Director	Executive	5	4	Yes
2	**Mr. M. K. Srinivasan** [2] CEO & Executive Director	Executive	3	3	Yes
3	**Mr. K. C. Narang** [3] Director	Non-Executive, Independent	5	5	Yes
4	**Mr. C. N. Murthy** Executive Director & COO upto 8.12.2010	Executive	5	4	Yes
5	**Mr. Jukka Moisio***	Non-Executive	5	2	No
6	**Mr. Johann Sippel** * [4] upto 8.12.2010	Non-Executive	5	2	No
7	**Mr. Arunkumar R. Gandhi**	Non-Executive, Independent	5	5	Yes
8	**Mr. P.V. Narayanan**	Non-Executive, Independent	5	5	Yes
9	**Mr. Ramesh Kumar Dhir**	Non-Executive, Independent	5	5	Yes
10	**Mr. Vibhu Talwar**	Non-Executive	5	2	Yes
11	**Mr. Timo Salonen*** (Alternate to Mr. Jukka Moisio)	Non-Executive	5	0	No
12	**Mr. Juha Salonen*** [5] (Alternate to Mr. Johann Sippel) upto 8.12.2010	Non-Executive	5	0	No
13	**Mr. Henricus Beek*** Upto 27.01.2010	Non-Executive	1	1	No

* Nominated as directors by the foreign promoters

[1] Re-designated as Chairman & Managing Director w.e.f. March 10, 2010.

[2] Appointed as an Additional Director w.e.f March 25, 2010 and confirmed as a Director at the 60th AGM held on April 27, 2010.

[3] Chairman upto March 10, 2010.

[4] Appointed as a Director in place of Mr. Henricus Beek to fill in the casual vacancy of Mr. Maurice Petitjean

[5] Ceased to be Alternate to Mr. Henricus Beek w.e.f. January 27, 2010 & appointed as an Alternate Director to Mr. Johann Sippel w.e.f. Feb 1, 2010.

CORPORATE GOVERNANCE (contd.)

Mr. Suresh Gupta, Managing Director of the Company was re-designated as the Chairman & Managing Director with effect from March 10, 2010. In terms of Clause 49 of the Listing Agreement where the Chairman of the Board is an Executive Director, at least one half of the Board should comprise of Independent Directors and this needs to be complied within 180 days of any change in status. However, the Board was reconstituted only on December 8, 2010, where Mr. C N Murthy, Executive Director & Mr. Johann Sippel, a Director nominated by the parent company, stepped down from the Board to comply with the aforesaid requirement of the Listing Agreement. Consequent upon the stepping down of Mr. Johann Sippel as a Director, Mr. Juha Salonen also ceased to be his Alternate Director forthwith.

During the year 2010, five Board Meetings were held on **January 27, 2010, March 10, 2010, April 27, 2010, July 30, 2010 and October 29, 2010** respectively. The gap between two board meetings did not exceed 4 months and the Annual General Meeting was held on April 27, 2010.

Apart from physical meetings, the Board also considered and approved certain matters by circular resolutions, which were taken on record at the subsequent Board Meeting.

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

Name of the Director	As on 31st December, 2010			
	Other Directorship(s)[1]	Committee positions in other Companies (excluding PPL)[2]		
		Member	Chairman	Total
Mr. Suresh Gupta	1	Nil	Nil	Nil
Mr. K. C. Narang	1	Nil	Nil	Nil
Mr. M. K. Srinivasan	Nil	Nil	Nil	Nil
Mr. Jukka Moisio	Nil	Nil	Nil	Nil
Mr. Arunkumar R. Gandhi	10	4	1	5
Mr. P.V. Narayanan	1	Nil	Nil	Nil
Mr. Ramesh K. Dhir	Nil	Nil	Nil	Nil
Mr. Vibhu Talwar	Nil	Nil	Nil	Nil
Mr. Timo Salonen	Nil	Nil	Nil	Nil

[1]The number of directorships excludes directorships of private limited companies, foreign companies, companies licensed under Section 25 of the Companies Act, 1956 and alternate directorships.

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

Information provided to the Board:

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

Review of legal compliance reports:

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

CORPORATE GOVERNANCE (contd.)

Relationship between Directors inter-se:

Mr. Vibhu Talwar, a Non-Executive Director of the Company is nephew-in-law of Mr. Suresh Gupta, Chairman & Managing Director of the Company. Other than the aforesaid there are no inter-se relationships amongst the Directors.

COMMITTEES OF THE BOARD:

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

a) **Audit Committee**:

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

During the Year 2010, five Audit Committee meetings were held on **January 27, 2010, March 10, 2010, April 27, 2010, July 30, 2010 and October 29, 2010**. The time gap between two consecutive meetings of the Audit Committee was not more than four months.

The Audit Committee was reconstituted by the Board at its meeting held on March 10, 2010 by designating Mr. K. C. Narang as the Chairman of the Committee vice Mr. P. V. Narayanan, who continues to be a member of the Committee.

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

Name of the Director	Qualification	Meetings attended / held during FY 2010
Mr. K. C. Narang, Chairman	B. A., LLB., FCA	5/5
Mr. A. R. Gandhi	FCA (India) and FCA (England & Wales)	4/5
Mr. P. V. Narayanan	Post Graduate in Chemistry	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.

CORPORATE GOVERNANCE (contd.)

- Reviewing the internal audit function and reports and major findings of the internal auditors.
- Pre-Audit and Post-Audit discussion with the Statutory Auditors to ascertain any area of concern.

The Chairman of the Committee was present at the Annual General Meeting of the Company held in 2010 for addressing the shareholders queries, if any.

The CMD, CEO, COO, CMO, CFO, the Statutory Auditors and the Internal Auditors are invited by the Committee to attend the meetings. Mr. Parag Vyavahare, Chief Financial Officer is also invited to attend the meetings. Operating managers are also invited to 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. The Company Secretary has resigned w.e.f 30.11.2010 and the Company is in the process of appointing a suitable replacement.

b) Shareholders /Investors Grievance Committee:

The Committee comprises of two Non–Executive Directors. During the Year 2010, one Shareholders/Investors Grievance Committee meeting was held on October 29, 2010 in which both the Committee members were present.

The composition of the Committee is given hereunder:

Name of the Director	Designation
Mr. K. C. Narang	Chairman
Mr. Johann Sippel Upto 08.12.2010	Member

With stepping down of Mr. Johann Sippel as a Director of the Company, he ceased to be a member of the Committee as well. The Board at its meeting held on January 28, 2011 reconstituted the Committee with the induction of Mr. R K Dhir as a member. The Committee as on January 28, 2011 comprised of Mr. K C Narang as its Chairman and Mr. R K Dhir as its member.

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.

During the year under review, two investor complaints were received and both were resolved to the satisfaction of the investors. There were no investor complaints pending at the beginning and at the end of the year. The status of complaints, if any, is also reported to the Board.

The Compliance Officer and his team along with the Share Transfer Agent of the Company endeavour to resolve the general queries raised by the shareholders to their satisfaction.

c) Remuneration Committee:

With a view to review and recommend to the Board the remuneration payable to working Directors from time to time , a Remuneration Committee of the Board was constituted comprising three Independent Directors. 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 March 10, 2010 and April 27, 2010, in which all the Committee Members were present.

CORPORATE GOVERNANCE (contd.)

Remuneration to Executive Directors:

The remuneration of Mr. Suresh Gupta, Chairman & Managing Director, Mr. C. N. Murthy, Executive Director & Chief Operating Officer and Mr. M. K. Srinivasan, Chief Executive Officer & Executive Director, for the year 2010 are as under:

(Amt. Rs.)

Name of the Directors	Salary	HRA	Perquisites	Commission	Total
Mr. Suresh Gupta	12,780,579	5,352,204	2,618,836	–	20,751,619
Mr. M. K. Srinivasan	3,847,161	1,383,871	719,153	–	5,950,185
Mr. C. N. Murthy *	7,031,660	–	1,783,856	–	8,815,516

*Includes remuneration till December 08, 2010.

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. 3,860,271/- to Mr. Suresh Gupta and Rs. 2,370,493/- 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 Chairman & Managing Director, the CEO & Executive Director and the Executive Director & Chief Operating Officer of the Company (now ceased to be a Director of the Company) are entitled to options under "Option Rights Plan" and shares under the "Share Ownership Plan" of Huhtamaki Oyj (the ultimate Holding company) which entitles the holder of the option rights to subscribe to the shares of the ultimate holding company at a future date, at a price fixed based on the fair market price of the shares during specified period plus certain percentage of market value on the exercise date and the recipient of grants under share ownership plan is entitled to receive shares at nil cost respectively. The schemes detailed above are assessed, managed and administered by the ultimate holding company and there is no cost charged to the Company. The charge taken by Huhtamaki Oyj in its accounts for the year ended December 31, 2010 for these options and shares is Rs. 7,193,393/- (previous year Rs. 11,213,515/-)
5. The above remuneration to the Chairman & Managing Director of the Company does not include Rs. 11,812,969/- for the Year 2010 (Previous Year Rs. 4,196,316), paid by Huhtamaki Oyj, the parent company, for his role as Executive Vice President, Flexibles Global Packaging, Huhtamaki Oyj.
6. Details of service contracts, notice period and severance fees of whole-time directors:

	Mr. Suresh Gupta	Mr. C. N. Murthy	Mr. M. K. Srinivasan
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)	25th March, 2010
Notice Period	90 days	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.	Salary and other emoluments for a period of 90 days in lieu of notice.

CORPORATE GOVERNANCE (contd.)

Remuneration to Non Executive Directors

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

Details of Sitting Fees paid to the Directors during the year 2010 are as follows:

Amount in Rupees

Names of the Directors	Board Meetings	Committee Meetings	Total
Mr. K C Narang	50,000	70,000	1,20,000
Mr. Arunkumar R Gandhi	50,000	60,000	1,10,000
Mr. P V Narayanan	50,000	50,000	1,00,000
Mr. Ramesh Dhir	50,000	20,000	70,000
Mr. Vibhu Talwar	20,000	0.00	20,000
Total	**2,20,000**	**2,00,000**	**4,20,000**

The Commission due to the Non–Executive Independent Directors for the year 2010 is as follows:

Amount in Rupees

Names of the Directors	Commission
Mr. K C Narang	10,00,000
Mr. Arunkumar R Gandhi	9,60,000
Mr. P V Narayanan	6,25,000
Mr. Ramesh Dhir	5,00,000
Total	**30,85,000**

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

None of the Non-Executive Directors (except Mr. K. C. Narang, who holds 148,250 equity shares in his personal capacity) are holding shares in the Company. The Company has not granted any stock options to its Directors.

d) **Share Transfer Committee**

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

Mr. C. N. Murthy & Mr. Johann Sippel have ceased to be the members of the Committee after stepping down as Directors with effect from December 8, 2010.

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

Share Transfer System

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

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.

CMD / CEO / CFO Certification

Mr. Suresh Gupta, Chairman & Managing Director, Mr. M. K. Srinivasan, CEO & Executive Director & Mr. Parag Vyavahare, Chief Financial Officer, have issued necessary certification to the Board in terms of Clause 49(V) of the Listing Agreement and the same was taken on record by the Board at its meeting held on January 28, 2011. A copy of this certificate is provided as Annexure A to this report.

Code of Conduct

As required under Clause 49 of the Listing Agreement, the Company has laid down Code of Conduct for Directors and Senior Management Personnel of the Company. The same has been posted on the Company's website www.pplpack.com. The Company has received affirmation of compliance from Directors & Senior Managerial Personnel of the Company for the financial year ended December 31, 2010. A declaration to this effect signed by the Chairman & Managing Director of the Company is provided as Annexure B to this report.

DISCLOSURES

Disclosures Regarding Appointment or Reappointment of Directors

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

   Accordingly, Mr. K. C Narang and Mr. Arunkumar R Gandhi being longest in office shall retire by rotation, and being eligible have offered themselves for re-appointment.

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

   Mr. K. C. Narang, is a B.A., L.L.B and FCA. He is a former partner of M/s. Dalal Desai and Kumana, Chartered Accountants and a past President of Bombay Chartered Accountants Society. He has been a Director of the Company since July 1981.

   Mr. Arunkumar R Gandhi 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 joined Tata Sons Ltd. as an Executive Director on August 18, 2003 and continued in that position till August 17, 2008. Prior to joining Tata Sons, he was partner with M/s. N M Raiji & Co., Chartered Accountants. He is on the Board of number of Tata Group Companies in India and abroad. He has been an Independent Director of the Company since March 2002.

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.

CORPORATE GOVERNANCE (contd.)

Financial results are normally published in "Business Standard" in English & "Sakal" in Marathi.

The said results are also made available on the Company's website: 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.

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 who was the Compliance Officer has resigned w.e.f. November 30, 2010 and Mr. Parag Vyavahare, Chief Financial Officer of the Company has been designated as the Compliance Officer for the purpose of these regulations, w.e.f. December, 12.2010.

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. There are no audit qualifications for the year under review.
- The Company does not have any formal training program for Board Members.
- There is no mechanism for evaluating the performance of non-executive Board Members.
- The Company does not have a "Whistle Blower Policy" for the time being, however no personnel has been denied access to the Audit Committee.

ANNUAL GENERAL MEETINGS

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

Year	Date	Time	Location	Special Resolutions passed
2007	07.05.2008	4.00 PM	Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020	NIL
2008	28.04.2009	4.30 PM	- Do -	NIL
2009	27.04.2010	4.00 PM	- Do -	NIL

CORPORATE GOVERNANCE (contd.)

Special Resolution passed through Postal Ballot

Approval of the members was sought through Postal Ballot vide Notice dated **January 12, 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.

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.

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

Results of the Postal Ballot are as under:-

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

GENERAL SHAREHOLDER INFORMATION

Details of ensuing Annual General Meeting

Day & Date	Time	Venue
Wednesday, April 27, 2011	4.00 pm	Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020

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, 2011	April 27,2011 (Wednesday)
June, 2011	July 27, 2011 (Wednesday)
September, 2011	November 1, 2011 (Tuesday)

Book Closure Date

Pursuant to Section 154 of the Companies Act, 1956, the Register of Members will remain closed from April 20, 2011 to April 27, 2011 (both days inclusive).

Dividend Payment Date

Dividend at the rate of Rs. 2.20 per share has been recommended by the Board and is subject to the approval from the shareholders at the ensuing AGM, the same will be paid on or after Thursday, April 29, 2011:

a) 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 Tuesday, April 19, 2011; and

CORPORATE GOVERNANCE (contd.)

b) 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 Tuesday, April 19, 2011.

Dividend History of the Company

Year	AGM Date	Dividend Rate Rs. (%)
2007	07.05.2008	Rs. 1.80/- (90%)
2008	28.04.2009	Rs. 1.80/- (90%)
2009	27.04.2010	Rs. 3.00/- * (150%)

** Includes one time Platinum Jubilee dividend of Re. 1/- per equity share.*

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 March 31, 2010 have been paid to the BSE and NSE.

Company Identification Number (CIN)

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

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 cannot 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 25000 shares or 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.

CORPORATE GOVERNANCE (contd.)

- To take inspection of the various statutory registers of the Company, as provided under the Companies Act, 1956.
- 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 December 31, 2003 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 31st December 2003 will be transferred to the IEPF after the expiry of 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.

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 2010 to December 2010.

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 2010	69.75	56.90	2,416,805	69.80	57.50	2,694,709
February 2010	59.35	56.00	1,304,744	59.35	55.80	1,495,220
March 2010	61.00	56.10	2,082,548	66.70	50.80	2,508,043
April 2010	69.50	57.65	5,902,527	69.65	57.75	6,652,851
May 2010	63.40	55.05	1,007,745	63.25	56.50	1,369,720
June 2010	65.60	57.10	1,376,602	65.60	57.00	1,826,510
July 2010	71.50	61.35	3,256,297	71.35	61.15	3,695,184
August 2010	67.50	59.65	1,413,055	66.70	59.80	1,047,582
September 2010	65.40	57.95	733,943	65.90	57.55	913,840
October 2010	64.75	59.05	1,039,924	64.90	59.10	991,401
November 2010	63.50	52.35	396,463	71.35	52.45	551,841
December 2010	58.40	50.35	281,814	59.90	50.60	442,244

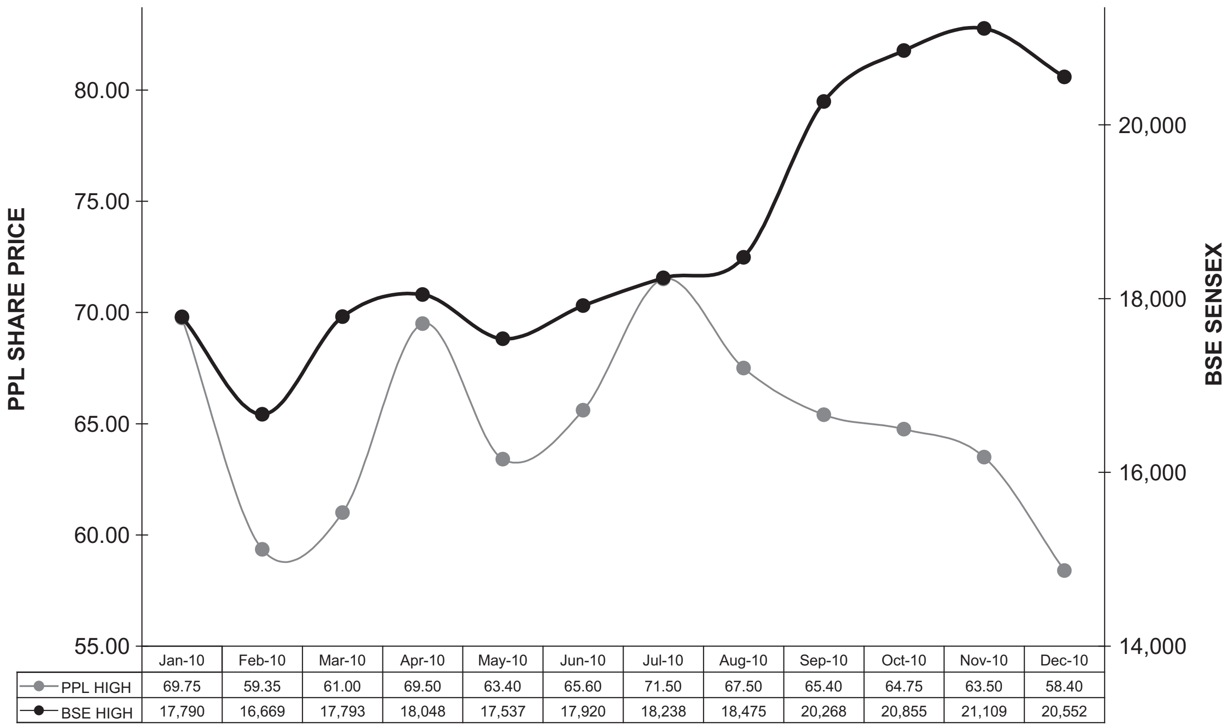
Note:

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

CORPORATE GOVERNANCE (contd.)

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

COMPANY SHARE PRICE AND BSE SENSEX - HIGH



	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
PPL HIGH	69.75	59.35	61.00	69.50	63.40	65.60	71.50	67.50	65.40	64.75	63.50	58.40
BSE HIGH	17,790	16,669	17,793	18,048	17,537	17,920	18,238	18,475	20,268	20,855	21,109	20,552

DISTRIBUTION OF SHAREHOLDING

Following is the distribution pattern of shareholding of the Company as on 31st December 2010:

Distribution of shareholding by ownership:

Sr. No.	Category	No. of Shareholders*	No. of Shares	% of Total Holding
1.	Indian Promotors	15	3,111,832	4.96
2.	Foreign Promotors – Huhtavefa B.V.	1	36,934,100	58.92
3.	Foreign Institutional Investors	9	1,083,234	1.73
4.	NRI's & OCB's	247	612,529	0.98
5.	Bodies Corporate	610	4,087,133	6.52
6.	Banks/ Financial Institutions	5	39,480	0.06
7.	Insurance Companies	2	307,745	0.49
8.	Mutual Funds	5	2,692,807	4.30
9.	Resident Individuals	13,970	13,807,440	22.02
10.	Trust	1	10,890	0.02
	Total	**14,865**	**62,687,190**	**100.00**

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

CORPORATE GOVERNANCE (contd.)

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	10,093	67.90	1,784,799	2.85
501 – 1000	2,028	13.64	1,640,835	2.62
1001 – 2000	1,222	8.22	1,862,560	2.97
2001 – 3000	615	4.14	1,548,646	2.47
3001 – 4000	187	1.26	671,612	1.07
4001 – 5000	193	1.30	907,477	1.45
5001 - 10000	281	1.89	2,011,239	3.21
10001 and above	246	1.65	52,260,022	83.36
Total	**14,865**	**100.00**	**62,687,190**	**100.00**

Following is the List of Top Ten Shareholders (other than Promoters) of the Company as on 31st December 2010:

Sr. No.	Name of Shareholder	No. of Shares Held	% of Total Shareholding
1	HDFC Trustee Company Ltd. A/c HDFC MID	2,688,217	4.29
2	Shree Capital Services Limited	896,147	1.43
3	India Optima Fund	751,591	1.20
4	Kotak Securities Limited	444,410	0.71
5	Bank Muscat (SAOG) A/c Bank Muscat India Fund	263,453	0.42
6	The New India Assurance Company Limited	227,745	0.36
7	Rajan	204,960	0.32
8	NBI Industrial Finance Co. Ltd.	187,850	0.30
9	Newa Investments Pvt. Ltd.	185,605	0.30
10	Ravindar Prakash	172,900	0.28
	Total	**6,022,932**	**9.61**

PLEDGE OF SHARES

No pledge has been created over the Equity Shares held by the Promoters and/or Promoter Group Shareholders as on 31st December 2010.

DEMATERIALISATION OF SHARES

At present, 97.50% 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.

CORPORATE GOVERNANCE (contd.)

The table herein below gives the break up of shares in physical and demat form as at December 31, 2010:

No. of Shares in physical segment	1,563,788	2.50%
No. of Shares in demat segment	61,123,402	97.50%
Total	**62,687,190**	**100.00%**

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

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

DETAILS OF PUBLIC FUNDING OBTAINED IN THE LAST THREE YEARS

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

ELECTRONIC CLEARANCE SCHEME (ECS) FOR DIVIDEND

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

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

ADDRESS FOR CORRESPONDENCE WITH THE COMPANY

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

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

Registered Office:

The Paper Products Limited
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
Email: investor.communication@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
Email: sharepro@shareproservices.com

CORPORATE GOVERNANCE (contd.)

COMPLIANCE OFFICER

Mr. Parag Vyavahare, Chief Financial Officer 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:	
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

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

28th January 2011

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 2010,

(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	**M. K. Srinivasan**	**Parag Vyavahare**
(Chairman & Managing Director)	(CEO & Executive Director)	(Chief Financial Officer)

CORPORATE GOVERNANCE (contd.)

Annexure B

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

The Members of
The Paper Products Limited

As required under Clause 49(I)(D) of the Listing Agreement with the Stock Exchanges, I hereby declare that all the Board members and senior management personnel of the Company have complied with the Code of Conduct of the Company for the year ended 31st December 2010.

For **The Paper Products Limited**

Mumbai
28th January, 2011

Suresh Gupta
Chairman & Managing Director

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 conditions of corporate governance by The Paper Products Limited, for the year ended on December 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

Clause 49 I (A) (ii) of the listing agreement requires at least half of the Board to comprise of Independent Directors where the Chairman of the Board is an Executive Director. In the Board Meeting held on March 10, 2010, the Board re-designated the Managing Director of the Company as Chairman and Managing Director resulting in four independent directors on the Board against required norm of five independent directors. On December 8, 2010, the Board was re-constituted and the Board strength was reduced to eight, thereby meeting the requirement mentioned above.

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

For **S.V. GHATALIA & ASSOCIATES**
Firm registration number: 103162W
Chartered Accountants

per Sudhir Soni
Partner
Membership No.: 41870

Mumbai
28th January, 2011

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

"Maintain calmness and stability With Growth with Profitability Despite Turbulence and Volatility".

Adaptability and change management were buzzwords of an earlier decade. Unpredictability was the running theme of the first decade of the present millennium -- more so for year 2010.

Emerging from the shadows of the 2008 meltdown, the economy's journey to the end of the decade was a sprint. The Indian economy was on firmer ground compared to the US, Japanese or European economies. The stimulus package ushered in by the Government of India led to a robust domestic economic performance. While developed economies that shrunk in 2009 marginally recovered in 2010, India registered a robust growth of 7.7%. However, valid concerns on overall inflation triggered by stagflation in food prices and emerging food crisis in the region and the geo-political situation in the Middle East are major dampeners. The overall demand for flexibles in India grew by 15 – 17% with severe competitive pressures. Despite these challenges, your company performed very well.

In 2010, its Platinum Jubilee year, Net External Sales were INR 7040.1 Mn against INR 5776.9 Mn for the previous year, registering a growth of 21.9% in value and 15% in volume terms. Strong domestic demand, gains in operating efficiencies and overall push for growth helped achieve the strong growth in 2010.

Profit from ordinary activities before tax was INR 585.5 Mn (INR 495.7 Mn for 2009), - a growth of 18.1%. Exceptional income for 2010 of INR 122.8 Mn included net gain realized from sale of Nagpur factory assets of INR 139.8 Mn in Q1 -2010 and an expense of INR 17.0 Mn towards the Voluntary Retirement Scheme (VRS) at Hyderabad. Current tax for 2010 includes INR 28.6 Mn relating to the above exceptional income . Other extraordinary income (net of tax) of INR 30.5 Mn pertains to partial settlement of Insurance claim for loss suffered because of fire at Thane and reversal of earlier repairs provision for repairs to machinery at Thane damaged in 2005.

Net profit after extraordinary items and tax for Y-2010 was INR 481.2 Mn (INR 373.8 Mn for Y-2009). The basic and diluted earnings per share including extraordinary and exceptional items rose to INR 7.68 (INR 5.96 for Y-2009) and stood at INR 5.60 excluding extraordinary and exceptional items.

FINANCIAL OVERVIEW

Sales

Gross sales for Y 2010 was INR 7613.3 Mn (INR 6179.6 Mn for Y 2009). As already mentioned, Net sales at INR 7040.1 Mn represented an increase of 21.9% over Y 2009. Volumes grew from 28726 tons in Y 2009 to 33056 tons in Y 2010 - a growth of 15.1%. The Volume growth in 2010 in the core flexibles business was a robust 17% in line with the market growth. During the year, unremunerative products in the Specialised Cartons Business were reduced impacting the overall volume growth.

Other Income

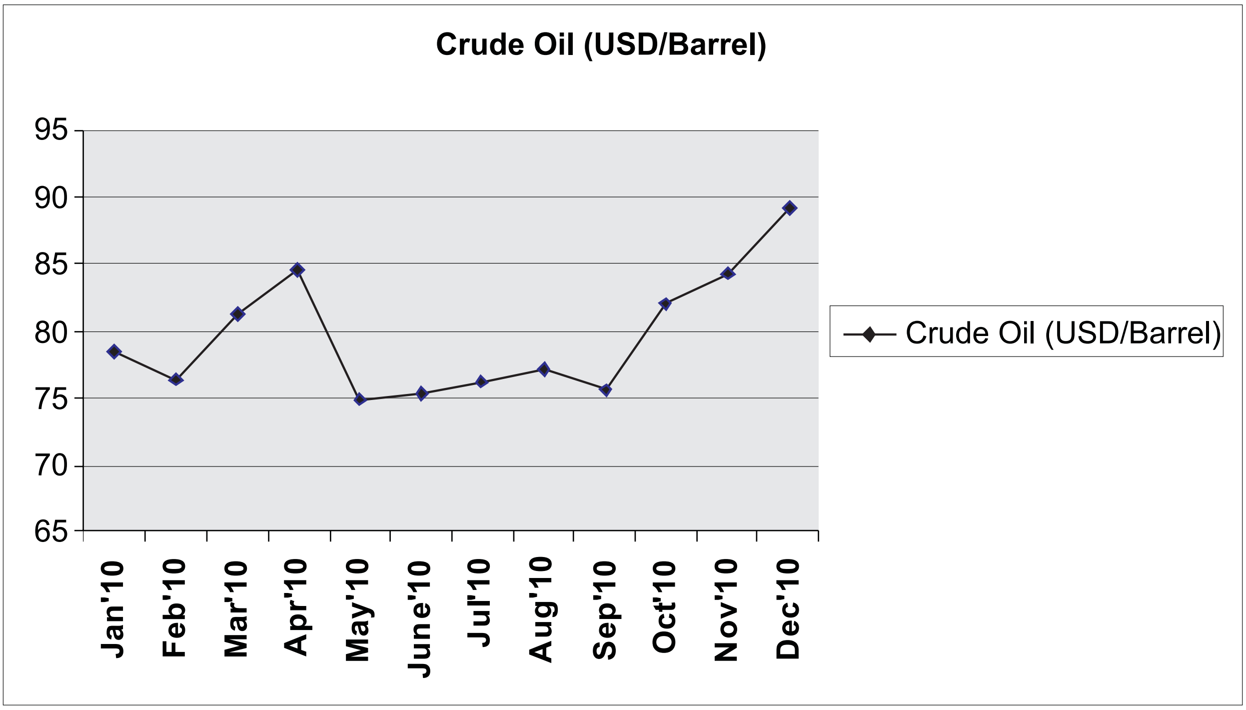
Other income was INR 83.2 Mn against INR 91.1 Mn for Y 2009. It included INR 16.3 Mn of Dividend from Mutual Funds , INR 1.1 Mn from sale of fixed assets, INR 3.2 Mn of sales and purchase tax refunds and the rest from mainly sale of scrap.

Raw Material

Input costs rose sharply from 66.2% to 70.5% in Y 2010. Prices of most of the input materials were volatile but moved in a narrow band except for PET Films and Paper. PET film prices increased by more than 150%. Diversion of thin films to higher value added thick films for electronics industry; postponement of capacity additions in 2009 consequent to the global melt down in 2008 coupled with closure old and unviable plants in Europe resulted in a serious shortage of PET fims. Price of films rose very steeply from April 2010 but the customers were unwilling to adjust laminate prices immediately leading to large, unprecedented cost price lag.

MANAGEMENT DISCUSSION & ANALYSIS (contd.)

Crude, which remained reasonably stable in the first three quarters started raising sharply due to adverse geo-political developments and worse than anticipated winter in the major energy consuming markets of US and EU.



Prices of a few other key raw materials – especially dyes and pigments , crude based solvents, waxes and some speciality grades of polymer resins also went up during the second half of 2010, primarily due to strong revival in demand and delay in revival of plants which closed down in 2009. Prices of inks, adhesives and solvents hardened in the third quarter.

While these factors were clear to all our customers, they were most reluctant to recognise the immediate and steep impact of these cost developments. As PET Film prices jumped every month steeply (sometimes every fortnight), several increases were needed in a short period to merely maintain margins. Many of our customers resorted to reverse auctions, hard negotiations with the flexible packaging manufacturers using consultants, open bidding for specific volumes etc. Further, excess capacity in the flexibles packaging industry which has been the bane for many years also contributed to inadequate recovery of input costs.

Judicious use of raw materials, buying forward, hedging and entering into contracts fairly early in the up moving cycle helped to contain the situation to a certain extent.

PROFITABILITY

With a volatile and challenging situation on the raw material front, the management went on a renewed expenditure control drive.

Expenditure

Total operating expense in Y 2010 - aggregate of manufacturing and operating expenses, personnel expenses, administration and selling expenses and depreciation and amortization expenses amounted to INR 1717.2 Mn (INR 1550.8 Mn in Y 2009). Overall expenses dropped from 26.8 % of net sales in Y 2009 to 24 .4 % in Y 2010.

MANAGEMENT DISCUSSION & ANALYSIS (contd.)

Key expenditure elements are analysed below ---

Manufacturing and operating expenses were at INR 447.8 Mn (INR 416.8 Mn for Y 2009) - maintained at 2.5 as % to net sales, despite increase in energy cost and other inflationary pressures.

Personnel expenses stood at 8.3% of net sales (INR 591.0 Mn) dropped compared to 8.5% in Y 2009 (INR 493.3 Mn).

Administration and Sales expenses were maintained at 5%.

Foreign Exchange Gains

Gains for Y 2010 were INR 28.0 Mn against INR 15.3 Mn for Y 2009.

EBDIT

EBDIT for Y 2010 was INR 792.7 Mn compared to INR 818.6 Mn for Y 2009.

Operating Profit

Operating profit dropped to INR 468.7 Mn from INR 507.1 Mn in Y 2009.

Depreciation and Amortisation

Depreciation and Amortisation for Y 2010 was INR 324.0 Mn against INR 311.5 Mn for the previous year.

Financial Expenses

Expenses dropped from INR 11.4 Mn in Y 2009 to INR 6.0 Mn .

PBT, Tax, PAT

Profit before Tax & Exceptional Income for Y 2010 is INR 462.7 Mn as against INR 495.7 Mn for Y 2009. After considering exceptional items aggregating to INR 122.8 Mn which is net of profit on sale of Nagpur Factory property INR 139.8 Mn & expenses of INR 17.0 Mn pertaining to VRS at Hyderabad Plant, Profit before Tax & after exceptional items for Y 2010 is INR 585.5 Mn, as against INR 495.7 Mn for Y 2009.

Tax liability for Y 2010 was INR 134.8 Mn against INR 120.8 Mn for Y 2009.

Profit after tax before extraordinary income was INR 450.7 Mn against INR 373.8 Mn for Y 2009. Net Profit after Tax was INR 481.2 Mn against INR 373.8 Mn for Y 2009.

Earnings Per Share

Basic and diluted earnings per share was INR 7.68 for Y 2010 against INR 5.96 for Y 2009.

Dividend

For the year under review, Directors have recommended a dividend of INR 2.20 per share. This will absorb INR 160.1 Mn including Dividend Distribution Tax and cess thereon and represents 33 % of distributable profits of the year.

BALANCE SHEET

Shareholders' Funds

Equity share capital remained unchanged during the year. INR 48.1 Mn was transferred to General reserve leaving INR 1239.3 Mn in the Profit and Loss Account

MANAGEMENT DISCUSSION & ANALYSIS (contd.)

Borrowings

Total borrowings dropped to INR 225.3 Mn. During the year, short term borrowings for working capital amounting to INR 14.1 Mn was brought down to NIL.

Capital Expenditure and Fixed Assets

During Y 2010 Company had a cash inflow of INR 52.7 Mn from fixed assets divestments, primarily due to sale of Nagpur Factory Assets .

Gross Block reduced by INR 148.5 Mn mainly due to write off of certain obsolete assets & sale of Nagpur factory assets. At end 2010, it stood at INR 4397.6 Mn. Capital work in progress stood at INR 33.9 Mn against INR 45.7 Mn at end 2009.

The 2011 Capital Expenditure Budget has been set at INR 422.0 Mn to support the profitable growth in specific geographies/ segments, creating capacity for value added niche products and selective replacement and maintenance capital expenditure.

Inventory

Inventories were at INR 892.1 Mn as at 31st December, 2010 compared to INR 759.3 Mn as at 31st December, 2009 due to higher raw material prices and increase in business volumes.

Debtors

Sundry Debtors, net of provision for bad and doubtful debts, as on 31st December, 2010 were at INR 1188.3 Mn against INR 972.0 Mn as on 31st December, 2009.

Creditors

Sundry Creditors at end 2010 stood at INR 941.0 Mn against INR 814.7 Mn at end 2009.The increase is in line with increase in prices and activity levels.

Loans and Advances

Loans and advances as on 31st December 2010 were INR 197.6 Mn compared to INR 212.1 Mn as on 31st December 2009

Cash and Cash Equivalents

Cash and Cash equivalents comprise 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 December, 2010, cash and cash equivalents stood at INR 501.8 Mn compared to INR 350.6 Mn as on 31st December 2009.

Cash Flow from Operating Activities

Cash Flow from Operating Activities was INR 314.1 Mn in 2010 against INR 667.6 Mn in 2009. In the current year with 21% growth in business , working capital expanded substantially.

Trade Investments

Temporary surplus funds were invested judiciously in Mutual Funds during the year, yielding an income of INR 16.3 Mn (previous year INR 12.9 Mn). Value of investments held at the end of the year was INR 394.5 Mn.

Cash and Bank Balances

Balances in current accounts and deposit accounts with scheduled banks aggregated INR 84.5 Mn as on 31st December, 2010 compared to INR 35.5 Mn as on 31st December, 2009.

MANAGEMENT DISCUSSION & ANALYSIS (contd.)

MARKET COMMENTARY

The management of Indian Economy has been repeatedly commented upon for its conservatism, slow response and low pace of economic reforms. However, these very factors helped the economy insulate itself from risky financial engineering and debt defaults. During the global meltdown in 2009 and the implications for 2010, the so-called rigid and conservative Indian banking system stood its ground. Business damage was limited largely to demand compression in overseas markets.

India's GDP registered a robust 7.7% Growth. On the back of this growth, the demand for flexible packaging also grew strongly. The Union Budget of 2010-11 also unlocked a large quantum of funds to the agriculture and food processing industries as well as improvements in infrastructure in an effort to establish 'inclusive' growth. These translated to a reasonably strong rural demand for consumer goods. The consequent growth in flexible packaging was very robust. Expert opinion on the growth rate of the flexible packaging industry converges to around 15 – 17% growth. Capacity additions that were marginally delayed or postponed in 2009 were completed. As demand grew and also with more players and capacities entering the flexibles market, the competition became more intense.

With high inflation in food and primary articles becoming the order of the day, especially in the second half of 2010, FMCG players, especially MNCs, had to go on an overdrive to cut costs across the system to cash in on the growing demand at lower price points in the domestic market. With unprecedented, frequent increases in the price of PET films, Inks and Solvents as well as increase in operating costs due to inflation and energy rates, the customers were hard pressed to accept price increases. As a result, the margins of the flexible packaging industry further eroded.

Going forward, a blend of cautious optimism and rational exuberance are indicated. GDP growth of over 8 % is expected for the coming fiscal. Agriculture, Industry, services and private consumption are expected to perform better in line with the economic outlook. Consumer Products , Processed Foods, Pharma and Engineering Components are expected to do well in the medium to long term. Therefore the medium to long term outlook for flexible packaging is quite attractive.

Opportunities

Processed Foods:

Vision-2015 statement of the Ministry of Food Processing Industries, Government of India sets out the following;

1 Become the Food Factory of the World

2 Triple the growth of the Food Processing Industry

3 Increase the value addition from 20% to 35%.

4 Increase contribution to world agriculture business from 1.5% to 3%.

Hi-tech agriculture, horticulture, organic farming, contract farming and agri retailing are already seen to be receiving a push at various levels. Staples like wheat, maize and pulses are getting a special thrust.

Concerns and Risks

PPL remains committed as a supplier of quality packaging to discerning customers. Admittedly, 2010 has been a challenging year. Input cost pressures hit our suppliers, our customers and our customers' customers. As mentioned earlier, inflation -- particularly food inflation -- touched all segments of the economy. Selectively increasing unit prices of packs, reducing pack sizes etc can work upto a point in an elastic market. Not surprisingly, demand shifts, particularly downtrading, become a feature leading to uneven demand or even compression. Driven to the wall, buyers of packaging material make vigorous attempts to "commoditize" packaging to rein in costs. Discerning customers seem to be sacrificing quality packaging and are becoming extremely price conscious.

MANAGEMENT DISCUSSION & ANALYSIS (contd.)

Food and fuel inflation is worrying and industry faces higher input costs. Perceived/probable cartelization of our raw materials adds further pressure to our input cost. Recent political developments in the Arab World offer no comfort.

Strategies

In the long run, moving more business to value added segments, Innovation and new products, exploring new markets are seen as critical to profitable growth.

NASP (New Applications, Structures, Products and Processes), the company's endeavour to renew innovation programme will continue to be the cornerstone of our strategy – a constant product offering and constantly add value to the customers. Innovation and creativity is our constant endeavour. NASP initiatives which contributed to 27.2% of total 2010 sales would get added thrust in the current year and years to come. Organisational measures to further accelerate the NASP efforts are in place with the CEO directly overseeing the company's innovation programs and strategy.

Operations

During the year, a major re-orientation of the planning and review systems for day to day operations have been put in place. The focus on sweating the assets was enhanced. We have been able to achieve new benchmarks in asset utilisation and unlocking of capacity through de-bottlenecking, closer coordination between the various elements of the supply chain and inventory controls. Focus has been placed on further improving the operating efficiencies and 'forecasting reliability'. Expanding supplier base for critical items, introduction of alternate materials, improving equipment reliability through major overhauls have been completed in different facets of operations. Two of the major plants – Rudrapur and Hyderabad are getting ready to induct new machines to augment capacities. Technology rationalisation across sites is in progress. These measures are expected to bring in sharper focus on throughputs and efficiencies in the different plants.

People

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'. We believe 'philosophy' and 'practice' are partners.

In line with the basic tenet that it is the people who deliver the results, major organisational changes, considered relevant to meet the challenges of today and tomorrow have been initiated. Focus is on enhancing the knowledge and competency base. Key resources for various critical areas – plant management, technology management, new business development, innovation and HR management have been identified and are in the process of moving to designated positions across the organisation. Training and development needs, at the individual and team levels have been identified and appropriate actions have been set in motion. Training has been a key focus area in Y2010. ERP related training of users and change management across all locations formed the major part of training. The company plans to accelerate training initiatives aligned to the Business Excellence Program in Y 2011.

These steps are expected to lead to a strong and vibrant organisation that is ready to meet the challenges of profitable growth through share gain in conventional products as well as the new product and NASP initiatives.

However, talent retention still remains one of the key challenges with growth in the economy and shortage of skilled and trained manpower. PPL continues to be seen as a 'poaching ground' across industry and service sectors.

SYSTEMS

Key ERP modules stabilized. With the basic system in place, plans are afoot to intensify training and take advantage of the power of ERP.

RISK MANAGEMENT

At PPL, risk management is looked upon as an area of continuous focus . All major decisions are critically evaluated from a risk standpoint. Risks in the areas of selling price management, raw material and energy costs, forex , investment and people are continuously evaluated and periodically reviewed and wherever necessary, corrective actions are initiated to mitigate the risks.

MANAGEMENT DISCUSSION & ANALYSIS (contd.)

INTERNAL CONTROLS

The company's Internal Control systems are commensurate with the nature and size of its operations. Internal Audit is conducted by an independent firm of internal auditors & every year , new areas of business operations are added to increase the scope or enhance the scope of review.

Review of Internal Control systems covers following aspects:

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

The Audit Committee reviews the internal audit findings. Further, the Audit Committee meets the Internal and Statutory Auditors to be assured of the Operations of the internal controls.

HEALTH, SAFETY AND ENVIRONMENT

'Health, Safety and Environment is our core value. Simply stated, our goals are: no accidents, no harm to people and no damage to environment. Health, safety and security of everyone who works at PPL, are critical to our business.'

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

The volatility in the environment in recent years has been extremely challenging for packaging business. Your management is hungry for profitable growth. Capacities are being put in place to meet the growth in business in the near term. Focus is being given to acceleration of the business excellence initiative as a key driver of maintaining & improving competitiveness. Your management is committed to remaining proactive to meet challenges arising in a continuously changing environment. The irony is : every customer of our products is conscious of the fact that good packaging not only protects and preserves but also enhances saleability and is yet compromising on quality because of cost constraints.

Strategic plans have been drawn up to build a sustainable high growth profitable business including plans for new product offerings in multiple end user segments.

As we move into 2011, PPL will continue to focus on achieving long term success while continuing to genuinely adopt kindness, understanding, openness, honesty and a strong and dynamic work ethics as core values.

Despite constraints, in the medium to long term, your management 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

1. We have audited the attached Balance Sheet of The Paper Products Limited ("the Company") as at December 31, 2010 and also the Profit and Loss account and the 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.
2. 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ("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.
4. 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 purposes 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 of the Act.
   v. On the basis of the written representations received from the directors, as on December 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
   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 December 31, 2010;
      b) in the case of the profit and loss account, of the profit for the year ended on that date; and
      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **S.V. GHATALIA & ASSOCIATES**
Firm registration number: 103162W
Chartered Accountants

per Sudhir Soni
Partner
Membership No.: 41870

Mumbai
28th January, 2011

ANNEXURE TO THE AUDITORS' REPORT

referred to in paragraph [3] of our report of even date

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

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Therefore, the provisions of clause 4 (iii) (b to d) are not applicable to the Company

(b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Therefore, the provisions of clause 4(iii) (f and g) are 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, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the products of the Company.

(ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Act, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

ANNEXURE TO THE AUDITORS' REPORT (contd.)

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to records of the Company, the dues outstanding of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:-

Name of Statute	Nature of Dues	Period to which the amount relates	Forum where dispute is pending	Amount Rs. in '000
Income Tax Act, 1961	Tax and Interest	2007-08	Commissioner of Income Tax (Appeals)	14,079
State and Central Sales Tax Acts	Tax	2004-05	Commissioner of VAT	14,800
	Tax	2002-03	Joint Commissioner – Sales Tax Appeals	2,057
	Tax	1997-98, 2001-02	Sales Tax Tribunal	2,915
	Tax	1998-2000, 2006-07	Appellate Deputy Commissioner	2,623
	Tax	2000-01,2004-05 to 2008-09	Assistant Commissioner of Commercial Tax	12,484
Finance Act, 1994 – Service Tax	Tax and Penalty	2004-2010	Commissioner Appeals	1,231
	Tax	2002	Custom, Excise and Service Tax Appellate Tribunal	79
	Tax and Penalty	2006-08	Custom, Excise and Service Tax Appellate Tribunal	1,410
Central Excise Act, 1944	Tax	1998-2004	Supreme Court	134,694
	Tax	2005-08	Assistant Commissioner of Central Excise	50,483
	Tax and Penalty	1996-2004	The Commissioner of Central Excise	1,034
	Tax and Penalty	1989-91,1997-2009	Custom, Excise and Service Tax Appellate Tribunal	319,871

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised money through public issues during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S.V. GHATALIA & ASSOCIATES**
Firm registration number: 103162W
Chartered Accountants

per Sudhir Soni
Partner
Membership No.: 41870

Mumbai
28th January, 2011

BALANCE SHEET

As at 31st December 2010

(Rs. In Thousands)

	Schedule	2010	2010	2009	2009
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	**125,383**		125,383	
Reserves and Surplus	2	**2,811,229**		2,490,080	
			2,936,612		2,615,463
Loan Funds					
Secured Loans	3	–		14,042	
Unsecured Loans	4	**225,309**		225,309	
			225,309		239,351
Deferred Tax Liability (Net) (Refer Schedule 17 Note 3 b)			**52,639**		67,759
			3,214,560		2,922,573
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	5	**4,397,563**		4,546,074	
Less: Accumulated Depreciation		**2,644,604**		2,558,231	
Net Block		**1,752,959**		1,987,843	
Capital Work in Progress including Capital Advances (Refer Schedule 17 Note 21)		**33,920**		45,716	
			1,786,879		2,033,559
Investments	6		**394,481**		310,359
Current Assets, Loans and Advances	7				
Inventories		**892,068**		759,294	
Sundry Debtors		**1,188,299**		971,981	
Cash and Bank Balances		**108,447**		40,774	
Other Current Assets		**123,166**		109,890	
Loans and Advances		**197,555**		212,051	
		2,509,535		2,093,990	
Less: Current Liabilities and Provisions	8				
Current Liabilities		**1,249,112**		1,245,242	
Provisions		**227,223**		270,093	
		1,476,335		1,515,335	
Net Current Assets			**1,033,200**		578,655
			3,214,560		2,922,573
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 S.V. Ghatalia & Associates
Firm Registration No. 103162W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai
January 28, 2011

Suresh Gupta
Chairman & Managing Director

Parag Vyavahare
Chief Financial Officer

M.K. Srinivasan
Chief Executive Officer & Executive Director

Jukka Moisio
K.C. Narang
P.V. Narayanan
Ramesh K Dhir
Directors

PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2010

(Rs. In Thousands)

	Schedule		2010		2009
INCOME					
Gross Sales			**7,613,309**		6,179,646
Less:Excise Duty		**449,945**		314,941	
Less:Sales Tax		**123,264**	**573,209**	87,782	402,723
Net Sales	9		**7,040,100**		5,776,923
Other Income	10		**83,218**		91,114
			7,123,318		5,868,037
EXPENDITURE					
Material Costs	11		**4,965,529**		3,825,421
Manufacturing and Operating Expenses	12		**447,841**		416,761
Personnel Expenses	13		**591,007**		493,334
Administration and Sales Expenses	14		**354,345**		329,286
Depreciation and Amortisation	5		**323,967**		311,467
Foreign Exchange (Gains)/Losses (Net)			**(28,039)**		(15,357)
OPERATING PROFIT			**468,668**		507,125
Financial Expenses	15		**5,970**		11,376
PROFIT BEFORE TAX, EXCEPTIONAL AND EXTRAORDINARY ITEMS			**462,698**		495,749
Exceptional Income / (Expenses) (Refer Schedule 17 Note 24)			**122,809**		–
PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS			**585,507**		495,749
Provision for Current Taxes					
- Current year			**147,500**		132,300
- Previous years			**5,327**		(10,330)
Provision for Deferred Taxes			**(18,033)**		(1,206)
Provision for Fringe Benefits Tax			–		1,200
PROFIT AFTER TAX BEFORE EXTRAORDINARY ITEMS			**450,713**		373,785
Extraordinary Income / (Expenses) (Net of Tax) (Refer Schedule 17 Note 25)			**30,527**		–
NET PROFIT AFTER TAX AND EXTRAORDINARY ITEMS			**481,240**		373,785
Balance brought forward from last year			**966,246**		849,862
Amount available for appropriation			**1,447,486**		1,223,647
APPROPRIATIONS					
Transferred to General Reserve			**48,124**		37,379
Proposed Dividend @ Rs.2.20 per Equity Share (Previous Year Rs.2/- per Equity Share)			**137,912**		125,374
Provision for Dividend Tax on above (Including write back of Rs.726/- Thousand being dividend tax for previous year)			**22,179**		21,307
Proposed Special One time Dividend Rs.Nil (Previous Year@ Rs.1/-) per Equity Share			–		62,687
Provision for Dividend Tax on above			–		10,654
Balance carried to Balance Sheet			**1,239,271**		966,246
			1,447,486		1,223,647
Significant Accounting Policies	16				
Notes to Accounts	17				
Earnings Per Share					
Weighted average number of shares			**62,687,190**		62,687,190
Face value Rs.2/- (Previous Year Rs.2/-) per equity share					
Basic and Diluted Earnings per Share including Extraordinary & Exceptional Items			**7.68**		5.96
Basic and Diluted Earnings per Share excluding Extraordinary Items			**7.19**		5.96
Basic and Diluted Earnings per Share excluding Extraordinary & Exceptional Items			**5.60**		5.96

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

For S.V. Ghatalia & Associates
Firm Registration No. 103162W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai
January 28, 2011

Suresh Gupta
Chairman & Managing Director

Parag Vyavahare
Chief Financial Officer

M.K. Srinivasan
Chief Executive Officer & Executive Director

Jukka Moisio
K.C. Narang
P.V. Narayanan
Ramesh K Dhir
Directors

CASH FLOW STATEMENT

For the year ended 31st December 2010

(Rs. in Thousands)

		2010	2009
A.	**Cash Flow from Operating Activities**		
	Net Profit before Taxation, Exceptional & Extraordinary Items	**462,698**	495,749
	Adjustments for		
	Depreciation	**323,967**	311,467
	Unrealised Foreign Exchange Loss/(Gain)-Net	**4,510**	(7,558)
	Interest Income	**(1,359)**	(1,290)
	Dividend Income	**(16,245)**	(12,929)
	Financial Expenses (Except Bank Charges)	**151**	3,168
	Provision for Doubtful Debts - Written back	–	(566)
	Baddebts written off	**1,954**	–
	(Profit)/Loss on Sale of Investments	**13**	–
	Fixed Assets Written Off / Provided	**15,192**	14,561
	Other Write Offs/Provisions	**379**	668
	Profit on Sale of Assets (Net)	**(1,127)**	(10,589)
	Operating Profit before Changes in Working Capital	**790,133**	792,681
	Adjustments for (Increase)/Decrease in		
	Trade Receivables	**(217,831)**	(31,647)
	Inventories	**(132,775)**	(138,078)
	Loans and Advances	**(3,184)**	(8,631)
	Adjustments for Increase / (Decrease) in		
	Trade Payables	**127,632**	195,338
	Other Current Liabilities	**(129,410)**	(47,349)
	Cash Generated from Operations	**434,565**	762,314
	Direct Taxes Paid (Net of Refunds Received)	**(133,952)**	(94,721)
	Cash Flow before Exceptional & Extraordinary Items	**300,613**	667,593
	Exceptional Item (Refer schedule 17 note 24 b)	**(17,004)**	–
	Cash Flow after Exceptional, but before Extraordinary Items	**283,609**	667,593
	Extraordinary Items (Refer schedule 17 note 25)	**30,527**	–
	Net Cash from Operating Activities	**314,136**	667,593
B.	**Cash Flow from Investing Activities**		
	Purchase of Fixed Assets	**(102,329)**	(271,449)
	Proceeds from Sale of Fixed Assets (Refer schedule 17 note 24 a)	**154,981**	10,891
	Proceeds from Advance Received Against Sale of Land	–	27,500
	Purchase of Investments	**(1,210,807)**	(1,314,135)
	Sale of Investments	**1,210,794**	1,317,246
	Dividend Received	**16,244**	12,929
	Interest Received	**1,354**	3,928
	Net Cash from Investing Activities	**70,237**	(213,090)

CASH FLOW STATEMENT (Contd.)

For the year ended 31st December 2010

(Rs. in Thousands)

		2010	2009
C.	**Cash Flow from Financing Activities**		
	Repayment of Buyers credit	–	(269,992)
	Repayment of Bank Borrowings	**(14,042)**	11,189
	Interest Paid	**(151)**	(6,423)
	Dividends Paid (Including Dividend Tax thereon)	**(219,144)**	(131,607)
	Net Cash Used in Financing Activities	**(233,337)**	(396,833)
	Net Increase in Cash and Cash Equivalents	**151,036**	57,670
	Cash and Cash Equivalents at the Beginning of the Year	**350,753**	293,083
	Cash and Cash Equivalents at the Close of the Year	**501,789**	350,753
	Cash and Cash Equivalents Comprise:		
	Cash on Hand	**2,199**	1,573
	Cheques on Hand	**17,317**	150
	Balances in Current Accounts with Scheduled Banks	**76,968**	31,567
	Balances in Deposit Accounts with Scheduled Banks	**7,550**	3,950
	Balances in Unpaid Dividend Bank Accounts *	**4,413**	3,534
	Current Investments	**394,431**	310,309
	Unrealised Loss/ (Gain) on Foreign Currency Cash and Cash Equivalents	**(1,089)**	(330)
		501,789	350,753

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

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 for the purpose of Cash Flow Statements comprise of Cash at Bank and in Hnad and short term investments with an original maturity of three months or less.

As per our report of even date attached.
For S.V. Ghatalia & Associates
Firm Registration No. 103162W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai
January 28, 2011

Suresh Gupta
Chairman & Managing Director

Parag Vyavahare
Chief Financial Officer

M.K. Srinivasan
Chief Executive Officer & Executive Director

Jukka Moisio
K.C. Narang
P.V. Narayanan
Ramesh K Dhir
Directors

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

(Rs. In Thousands)

	2010		2009	
SCHEDULE 1 - SHARE CAPITAL				
AUTHORISED CAPITAL				
150,000,000 (Previous Year 150,000,000) Equity shares of Rs.2/- each	300,000		300,000	
700,000 (Previous Year 700,000) 12% Redeemable Cumulative Preference Shares of Rs.100/- each	70,000		70,000	
300,000 (Previous Year 300,000) Unclassified Shares of Rs.100/- each	30,000		30,000	
		400,000		400,000
		400,000		400,000
ISSUED SUBSCRIBED AND PAID-UP CAPITAL				
62,687,190 (Previous Year: 62,687,190) Equity Shares of Rs.2/- each fully paid-up.	125,374		125,374	
Add : Amount Received on 1,449 (Previous Year 1,449) forfeited Shares.	9	125,383	9	125,383
TOTAL		125,383		125,383
Paid up Share capital includes 7,525,000 (Previous year 7,525,000) Bonus Shares of Rs.2/- each issued by capitalisation of reserves Paid up Share capital includes 36,934,100 (Previous year 36,934,100) Shares of Rs.2/-each held by holding company Huhtavefa B.V.				
SCHEDULE 2 - RESERVES AND SURPLUS				
SECURITIES PREMIUM ACCOUNT		793,632		793,632
REVALUATION RESERVE				
Balance as per last Balance sheet		27,576		27,576
CAPITAL REDEMPTION RESERVE		70,000		70,000
GENERAL RESERVE				
Balance as per last Balance sheet	632,626		595,247	
Add: Transferred from Profit and Loss Account	48,124	680,750	37,379	632,626
PROFIT AND LOSS ACCOUNT		1,239,271		966,246
TOTAL		2,811,229		2,490,080
SCHEDULE 3 - SECURED LOANS				
LOANS FROM BANKS AND FINANCIAL INSTITUTIONS				
Working Capital Loans from Banks (Refer Schedule 17 Note 1)				
Cash Credit Balances		–		14,042
TOTAL		–		14,042
SCHEDULE 4 - UNSECURED LOANS				
Sales Tax Deferred Loan (Refer Schedule 17 Note 16) (Amount due within one year Rs.3,857/- Thousand Previous year Rs.Nil.)		225,309		225,309
TOTAL		225,309		225,309

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

SCHEDULE 5 – FIXED ASSETS

(Rs.in Thousands)

Description	GROSS BLOCK				ACCUMULATED DEPRECIATION / AMORTISATION				NET BLOCK	
	Original Cost As At 01.01.2010	Additions During The Year	Deletions During the year	**Original Cost As At 31.12.2010**	**Opening Balance As At 01.01.2010**	On Deletions During The Year	**Charge For The Year**	**Closing Balance As At 31.12.2010**	**Balance As At 31.12.2010**	Balance As At 31.12.2009
TANGIBLE ASSETS										
Land – Freehold (Refer Note 3)	52,265	–	–	**52,265**	**–**	–	**–**	**–**	**52,265**	52,265
– Leasehold	25,945	–	–	**25,945**	**1,242**	–	**288**	**1,530**	**24,415**	24,703
Buildings (Refer note 1)	623,568	5,376	22,196	**606,748**	**237,769**	19,689	**37,890**	**255,970**	**350,778**	385,799
Machinery (Refer note 2)	3,515,135	85,561	216,693	**3,384,003**	**2,163,449**	198,078	**241,003**	**2,206,374**	**1,177,629**	1,351,686
Computers	79,998	4,254	8,382	**75,870**	**47,959**	8,145	**12,727**	**52,541**	**23,329**	32,039
Motor Vehicles	16,870	9,597	7,251	**19,216**	**11,450**	6,485	**3,058**	**8,023**	**11,193**	5,420
Furniture,Fixtures,Office Equipments & Technical Library	97,716	1,436	4,823	**94,329**	**54,682**	4,517	**7,404**	**57,569**	**36,760**	43,034
INTANGIBLE ASSETS										
Non compete fees	20,000	–	–	**20,000**	**20,000**	–	**–**	**20,000**	**–**	–
Computer Softwares	114,577	879	681	**114,775**	**21,680**	680	**21,376**	**42,376**	**72,399**	92,897
Club Membership	–	4,412	–	**4,412**	**–**	–	**221**	**221**	**4,191**	–
Grand Total	**4,546,074**	**111,515**	**260,026**	**4,397,563**	**2,558,231**	**237,594**	**323,967**	**2,644,604**	**1,752,959**	**1,987,843**
Previous Year	3,993,922	673,122	120,970	**4,546,074**	**2,357,332**	110,568	**311,467**	**2,558,231**	**1,987,843**	

	As At 31st December 2010		As At 31st December 2009	
	Original Cost	**Written Down Value**	**Original Cost**	**Written Down Value**
1. Buildings include				
a. Buildings on leasehold land	**124,892**		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**	**6,880**	30,083	12,777
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**	**786**	1,360	926

3. Freehold land at Thane was revalued on 31.07.1985, based on independent valuation report.

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

(Rs. In Thousands)

	Face Value Rs	2010 Nos	2010	2009 Nos	2009
SCHEDULE 6 – INVESTMENTS (AT COST)					
LONG TERM INVESTMENTS – TRADE					
GOVERNMENT SECURITIES – 6 Year National Savings Certificates –Series VIII			**50**		50
			50		50
CURRENT INVESTMENTS–NON TRADE– UNQUOTED					
UNITS OF MUTUAL FUNDS:					
– HDFC Cash Management Fund - Treasury Advantage - Wholesale Daily Dividend Reinvest (6,117,490 Units purchased and 7,825,351 Units sold during the year)	10	**2,314,971**	**23,223**	4,022,832	40,355
– ICICI Prudential Flexible Income Premium Plan (1,154,221 Units purchased and 662,032 Units sold during the year)	100	**492,189**	**52,042**	–	–
– Birla Sun Life Savings Fund - Institutional Daily Dividend Reinvest (5,733,162 Units purchased and 9,493,544 Units sold during the year)	10	**2,511,306**	**25,130**	6,271,688	62,760
– Reliance Medium Term fund - Daily Dividend Reinvest (4,482,615 Units purchased and 6,726,758 Units sold during the year)	10	**245,550**	**4,198**	2,489,694	42,563
– Tata Floater Fund - Daily Dividend (14,123,712 Units purchased and 12,056,591 Units sold during the year)	10	**3,607,358**	**36,202**	1,540,237	15,457
– IDFC Money Manager Fund Term Plan - Super Institutional Plan C - Daily Dividend (45,960 Units purchased and 5,172,970 units sold during the year)	10	–	–	5,127,010	51,278
– ICICI Prudential Ultra Short Term Plan Premium Plus - Daily Dividend Reinvest (35,835 Units purchased and 6,285,763 units sold during the year)	10	–	–	6,249,928	62,630
– UTI Treasury Advantage Fund - Institutional Plan - Daily Dividend Reinvest (51,260 Units purchased and 66,248 Units sold during the year)	1,000	**20,271**	**20,276**	35,259	35,266
– HDFC Cash Management Fund - Savings Plan - Daily Div Reinvest (6,621,729 units purchased and 1,880,504 units sold during the year)	10	**4,741,225**	**50,430**	–	–
– Birla Cash Manager Institutional Premium- Daily Dividend Reinvestment (1,001,271 units purchased during the year)	10	**1,001,271**	**10,016**	–	–
– BSL Quarterly Interval - Series 4 - Dividend payout (2,000,000 Units purchased during the year)	10	**2,000,000**	**20,000**	–	–

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

(Rs. In Thousands)

	Face Value Rs	2010 Nos	2010	2009 Nos	2009
– ICICI Prudential Interval Fund II Quarterly Interval Plan F Institutional Dividend (2,054,875 units purchased during the year)	10	**2,054,875**	**20,549**	–	–
– Tata Fixed Income Portfolio Fund Scheme A3 Institutional Monthly Dividend (4,071,213 units purchased during the year)	10	**4,071,213**	**40,712**	–	–
– UTI Fixed Interval Fund-Series II - Quarterly Intitutional Plan VI - Institutional - Dividend (2,055,307 units purchased during the year)	10	**2,055,307**	**20,553**	–	–
– Reliance Quarterly Interval Fund - Series II - IP - Dividend Plan (3,038,831 units purchased and 999,570 units sold during the year)	10	**2,039,261**	**20,401**	–	–
– Reliance Quarterly Interval Fund - Series III - IP - Dividend Plan (2,027,626 units purchased during the year)	10	**2,027,626**	**20,289**	–	–
– Birla Sunlife Short Term FMP Series 3 Dividend payout (2,024,935 units purchased during the year)	10	**2,024,935**	**20,249**	–	–
– UTI Short Term Income Fund Institutional Income Option - Dividend Reinvest (997,240 units purchased during the year)	10	**997,240**	**10,161**	–	–
			394,431		310,309
TOTAL			**394,481**		310,359

	2010	2009
Aggregate Value of Unquoted Investments	**50**	50
Aggregate Value of Mutual Fund Units	**394,431**	310,309
	394,481	310,359
Net Asset Value (NAV) of Mutual fund Units	**395,304**	310,309

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

(Rs. In Thousands)

		2010		2009	
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	**5,489,842**	**55,006**	10,982,832	110,042
– HDFC Cash Management Fund - Savings Plan - Daily Div Reinvest	10	–	–	15,045,385	160,029
– ICICI Pru Institutional Liquid Plan - Super Insti Daily Div Reinvest	100	**1,299,881**	**130,017**	9,013,833	90,148
– IDFC Cash Fund - Inst Plan B - Daily Div Reinvest	10	–	–	7,089,274	75,016
– Reliance Liquid Fund - Teasury Plan - Inst - Daily Dividend	10	**4,252,250**	**65,006**	5,571,730	85,176
– Tata Liquid Fund Super High Investment Plan - Daily Div Reinvest	1,000	**125,637**	**140,025**	112,235	125,088
– UTI Liquid Cash Plan Inst - Daily Div Reinvest	1,000	**49,052**	**50,005**	49,050	50,005
– HDFC FMP 90D Jun 2010 - Div Series XIII - Div Payout	10	**2,000,000**	**20,000**	–	–
– HDFC FMP 100D Aug 2010 (2) - Div Series XIV - Div Payout	10	**2,000,000**	**20,000**	–	–
– Reliance Fixed Horizon Fund - XV Series 1- Div payout	10	**2,000,000**	**20,000**	–	–
– BSL Floating Rate Fund - LT- Inst- Weekly Div Reinvest	10	**2,023,842**	**20,264**	–	–
			520,323		695,504

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

(Rs. In Thousands)

	2010		2009	
SCHEDULE 7 - CURRENT ASSETS,LOANS AND ADVANCES				
INVENTORIES				
Raw Materials		**352,510**		360,666
Goods in Transit - Raw Materials		**124,440**		70,571
Stores and Spares		**45,046**		39,034
Loose Tools		**94,465**		77,530
Work in Process		**215,673**		147,051
Finished Goods		**59,934**		64,442
TOTAL		**892,068**		759,294
SUNDRY DEBTORS (Unsecured)				
Debts Outstanding for more than Six Months				
Considered Good	–		2,268	
Considered Doubtful	**14,299**		15,881	
		14,299		18,149
Other Debts				
Considered Good	**1,188,299**		969,713	
Considered Doubtful	–		245	
		1,188,299		969,958
		1,202,598		988,107
Less:Provision for Doubtful Debts		**14,299**		16,126
TOTAL		**1,188,299**		971,981
(Refer Schedule 17 Note 19 for debts due from Companies under the same management)				
CASH AND BANK BALANCES				
Cash on Hand		**2,199**		1,573
Cheques on Hand		**17,317**		150
Balances with Scheduled Banks:				
Current Accounts		**76,968**		31,567
Fixed Deposit Accounts		**7,550**		3,950
Unpaid Dividend Accounts		**4,413**		3,534
TOTAL		**108,447**		40,774
OTHER CURRENT ASSETS (Unsecured, Considered Good)				
Claims Recoverable		**96,146**		77,768
Interest Accrued on Investments and Deposits		**41**		35
Others		**26,979**		32,087
TOTAL		**123,166**		109,890
LOANS AND ADVANCES (Unsecured, Considered Good)				
Advances Recoverable in Cash or in Kind or for Value to be Received		**3,548**		4,899
Loans/ Advances to Staff		**5,004**		6,214
Advances to Suppliers		**8,484**		17,917
Prepaid Expenses		**15,987**		14,122
Balances with Customs, Port Trust, etc		**133,784**		140,142
Deposits		**30,748**		28,757
TOTAL		**197,555**		212,051
(Refer Schedule 17 Note 20 for amounts due from Companies under the same management)				
GRAND TOTAL		**2,509,535**		2,093,990

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

(Rs. In Thousands)

	2010	2009
SCHEDULE 8 - CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors		
- Micro,Small and Medium Enterprises (Refer Schedule 17 Note 18)	**2,297**	1,973
- Others	**938,737**	812,740
Advances from Customers	**21,598**	14,617
Advance received against Sale of Land	**–**	50,000
Unclaimed Dividend *	**4,413**	3,534
Unclaimed Matured Debentures *	**37**	64
Unclaimed Interest on Matured Debentures *	**–**	3
Other Liabilities	**282,030**	362,311
TOTAL	**1,249,112**	1,245,242
* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.		
PROVISIONS		
Proposed Dividend	**137,912**	188,061
Dividend Tax	**22,905**	31,961
Provision for Taxation - Net of Advance Tax Paid	**26,932**	11,696
Provision for Employee Benefits	**39,474**	38,375
TOTAL	**227,223**	270,093
GRAND TOTAL	**1,476,335**	1,515,335

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

For the year ended 31st December 2010

(Rs. In Thousands)

	2010	2010	2009	2009
SCHEDULE 9 - SALES				
Gross Sales		**7,703,343**		6,262,307
Less:Rebates and Discounts		**90,034**		82,661
		7,613,309		6,179,646
Less: Excise Duty & Sales Tax		**573,209**		402,723
Net Sales		**7,040,100**		5,776,923
SCHEDULE 10 - OTHER INCOME				
Rent		**314**		408
Profit on Sale of Fixed Assets (Net)		**1,127**		10,589
Dividend Income - from Mutual Funds (Non Trade)		**16,245**		12,929
Doubtful Debts Provision Written Back (Net of debts written off)		**–**		566
Sales & Purchase Tax		**3,148**		–
Interest Received on Deposits (Includes tax deducted at source - Rs.155/- Thousand , Previous Year Rs.145/- Thousand)		**1,359**		1,290
Interest Income on Income Tax Refunds		**–**		10,796
Miscellaneous Income		**61,025**		54,536
TOTAL		**83,218**		91,114
SCHEDULE 11 - MATERIAL COSTS				
Raw Materials and Packing Materials Consumed		**4,972,276**		3,804,242
Stores, Spares and Other Materials Consumed		**57,434**		48,832
(Increase)/Decrease in Stocks				
Closing Stock				
Finished Goods	**59,934**		64,442	
Work in Process	**215,673**		147,051	
	275,607		211,493	
Less:Opening Stock				
Finished Goods	**64,442**		75,336	
Work in Process	**147,051**		112,210	
	211,493		187,546	
		(64,114)		(23,947)
Excise Duty on Increase/(Decrease) in Finished Goods Stock				
Excise Duty on Closing Finished Goods Stock	**4,291**		4,358	
Less: Excise Duty on Opening Finished Goods Stock	**4,358**		8,064	
		(67)		(3,706)
TOTAL		**4,965,529**		3,825,421
SCHEDULE 12 - MANUFACTURING AND OPERATING EXPENSES				
Power and Fuel		**216,241**		199,947
Repairs - Plant and Machinery		**81,607**		85,266
- Building		**8,270**		12,140
- Others		**15,784**		17,532
Other Manufacturing Expenses		**125,939**		101,876
TOTAL		**447,841**		416,761

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

For the year ended 31st December 2010

(Rs. In Thousands)

		2010		2009
SCHEDULE 13 - PERSONNEL EXPENSES				
Salaries, Wages and Bonus		500,092		429,928
Contribution to Provident and Other Funds (Refer Schedule 17 Note 23)		34,563		14,584
Staff Welfare Expenses		56,352		48,822
(For Director's Remuneration Refer Schedule 17 Note 2)				
TOTAL		591,007		493,334
SCHEDULE 14 - ADMINISTRATION AND SALES EXPENSES				
Rent		3,437		3,838
Rates and Taxes		9,715		7,762
Travelling and Conveyance		36,761		30,894
Directors Travelling Expenses		2,581		2,134
Legal and Professional Charges		42,288		31,206
Communication Costs		13,740		16,127
Payment to Auditor - as Auditor				
- Statutory Audit	2,931		3,367	
- Reimbursement of Expenses	123		150	
- Certification work	100		50	
		3,154		3,567
Directors Fees		420		360
Insurance		13,349		9,910
Donation		227		2,438
Printing and Stationery		6,766		8,766
Commission on Sales - Others		10,900		14,527
Freight and Forwarding Expenses		140,128		110,909
Sale/ Purchase Tax		–		17,383
Doubtful Debts Provided / Written Off		1,954		–
Loss on Sale of Investments		13		–
Fixed Assets Provided / Written Off		15,192		14,561
Other Write Offs / Provisions		379		668
Miscellaneous Expenses		53,341		54,236
TOTAL		354,345		329,286
SCHEDULE 15 - FINANCIAL EXPENSES				
Bank Charges/Commission		5,819		8,207
Interest				
- To Banks	40		2,875	
- To Others	111		294	
		151		3,169
TOTAL		5,970		11,376

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

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 and relevant provisions of the Companies Act, 1956 to the extent applicable.The accounting policies have been consistently followed by the company.

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 Fixed assets are stated at cost (or revalued amounts as the case may be) less accumulated depreciation & impairement losses, if any.

Cost of fixed assets comprises of purchase price, duties, levies and any directly attributable cost of bringing each asset to its working condition for the intended use.

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%

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

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.

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

Intangible Assets

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

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

Club fees paid are amortised over a period of 10 years.

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 & excise duty wherever applicable.

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 is recognised to the extent it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. It is recognised when significant risks and rewards of ownership of goods have passed to the buyer.

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.

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

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.

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 benefit 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 benefit 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.

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

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.

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.

XIV. EARNINGS PER SHARE (EPS)

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

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

SCHEDULE 17– NOTES TO THE ACCOUNTS **(Rs.in Thousands)**

1 SECURED LOANS

Working Capital Facility taken from Banks are secured by hypothecation of inventories & book–debts.

2 a) DIRECTORS' REMUNERATION

	For The Year Ended 31 December 2010	For The Year Ended 31 December 2009
Salary, Allowances and Perquisites	**34,019**	24,372
Contribution to Provident Fund	**1,498**	1,200
Commission to Non Executive Directors	**3,085**	2,520
	38,602	28,092

Note:

i) 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.

ii) Chairman and Managing Director, Chief Executive Officer & Executive Director and 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 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 recepient of grants under share ownership plan is entitled to receive shares at nil cost respectively.The schemes detailed above are assessed,managed and administered by the ultimate holding company and there is no cost charged to the Company. The charge taken by Huhtamaki Oyj in its accounts for the year ended 31st December 2010 for these options and shares is Rs.7,193/- Thousand (Previous year Rs.11,214/- Thousand)

iii) The above remuneration does not include the remuneration of the Chairman and Managing Director of the Company of Rs.11,812/- Thousand (Previous year Rs.4,196/- Thousand) which is received from Huhtamaki Oyj, the ultimate parent company,for his role as Executive Vice President ('EVP') - Flexibles Packaging Global, Huhtamaki Oyj.

b) 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 2010		For The Year Ended 31 December 2009
Profit before Taxation and Extraordinary Items		**585,507**		495,749
Add : Remuneration to Directors	**38,602**		28,092	
Wealth Tax	**365**		673	
		38,967		28,765
		624,474		524,514
Less: Capital Profit on sale of fixed assets	**135,810**		597	
		135,810		597
Net Profit to be considered for managerial remuneration		**488,664**		523,917
Maximum Managerial Remuneration payable as per above profit:				
To Working Directors @ 10% P.A.		**48,866**		52,392
To Non-Executive Directors @ 1 % P.A.		**4,887**		5,239
		53,753		57,631
Commission provided for Non-Executive Directors		**3,085**		2,520
		3,085		2,520

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.

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

3 a) Provision for taxes is based on the results for the year ended 31 December 2010 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 2010 to 31 March 2011, being the tax year of the Company.

		As at 31 December 2010	As at 31 December 2009
b)	Break up of Deferred Tax Liability (Net)		
	Deferred Tax Asset arising on account of timing differences in:		
	- Provision for doubtful debts	**4,750**	5,481
	- Provision for retirement benefits	**12,812**	12,416
	- Effect of expenditure debited to Profit & Loss account but allowed for Tax purposes in following years	**13,127**	10,433
		30,689	28,330
	Deferred Tax Liability arising on account of timing differences in:		
	- Depreciation	**83,328**	96,089
	Deferred Tax Liability (Net)	**52,639**	67,759

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.

Total Capital employed in the business and as such in the segment. **3,214,560** 2,922,573

Secondary segments for the Company are geographic, namely domestic and exports.

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

Revenue from geographic segments is based on the domicile of customers.

	For The Year Ended 31 December 2010	For The Year Ended 31 December 2009
Net Sales to External Domestic Customers	**5,844,225**	4,442,710
Net Sales to External Export Customers	**1,195,875**	1,334,213
Total Net Sales to External Customers	**7,040,100**	5,776,923
Debtors outstanding in respect of export segment as at the year end	**198,273**	217,704

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
	Huhtamki South Africa Ltd., South Africa
	Huhtamaki (Thailand) Ltd., Thailand

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

c)	Key Managerial Personnel	Mr. Suresh Gupta *Chairman and Managing Director* Mr. M. K. Srinivasan *Chief Executrive Officer and Executive Director* (w.e.f. 25th March 2010) Mr. C. N. Murthy *Executive Director and Chief Operating Officer* (Till 8th December 2010)
d)	Relatives of Key Managerial Personnel	
	Mr. Suresh Gupta	Mrs. Kumkum Gupta–Wife, Ms. Ratna Gupta–Daughter, Ms. Shivani Gupta–Daughter,
	Mr. C.N. Murthy	Mrs. Jayanthi Murthy–Wife

e) Details of transactions with related parties that have taken place during the year :

	31 December 2010	31 December 2009
1) Ultimate Parent Company		
a) Software and Expense Reimbursements Charge	**1,951**	3,324
b) Remuneration paid by Huhtamaki Oyj to Mr. Suresh Gupta as EVP - Flexibles Packaging Global, Huhtamaki Oyj.	**16,009**	–
(Including Rs.4,196/- Thousand pertaining to 2009 received in 2010)		
2) Holding Company		
Dividend Paid		
- Huhtavefa B.V., Netherlands	**110,802**	66,481
3) Fellow Subsidiaries		
Purchase of Goods		
- Huhtamaki Deutschland Gmbh and Co.KG., Germany	**326**	–
- Huhtamaki New Zealand Ltd., New Zealand.	**70**	–
- Huhtamaki (Thailand) Limited., Thailand	–	1,191
Sale of Goods		
- Huhtamaki New Zealand Ltd., New Zealand.	**2,833**	10,825
- Huhtamaki South Africa Ltd., South Africa	**1,949**	1,202
- Huhtamaki Australia Ltd., Australia	**25,868**	22,949
Commission Expenses on Sales		
- Huhtamaki South Africa Ltd., South Africa	**1,529**	1,305
Expense Reimbursements - Charge		
- Huhtamaki (Thailannd) Ltd., Thailand.	–	191
- Huhtamaki (Vietnam) Ltd., Vietnam.	–	912
- Huhtamaki Deutschland Gmbh and Co. KG., Germany	–	30
Expense Reimbursements - Recovery		
- Huhtamaki New Zealand Ltd., New Zealand.	**325**	306
- Huhtamaki Deutschland Gmbh and Co.KG., Germany	–	98
- Huhtamaki (Vietnam) Ltd., Vietnam	–	30
Balances due to		
- Huhtamaki Oyj., Finland	**463**	3,746
- Huhtamaki Deutschland Gmbh and Co.KG., Germany	**51**	–
- Huhtamaki (Vietnam) Ltd., Vietnam.	–	880
Balances due from		
- Huhtamaki New Zealand Ltd., New Zealand.	**569**	591
- Huhtamaki Australia Ltd., Australia	**12,333**	5,850

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

(Rs.in Thousands)

		For The Year Ended 31 December 2010		For The Year Ended 31 December 2009	
4)	Payments to Key Managerial Personnel and their Relatives				
	Remuneration Paid to Key Managerial Personnel				
	Mr. Suresh Gupta, Chairman and Managing Director	**20,752**		18,877	
	Mr. M.K.Srinivasan, Chief Executive Officer and Executive Director	**5,950**		–	
	Mr. C.N.Murthy, Executive Director and Chief Operating Officer	**8,815**		6,695	
			35,517		25,572
	Dividend Paid to Key Managerial Personnel and Their Relatives				
	Mr. Suresh Gupta	**3,543**		2,126	
	Mrs.Kumkum Gupta	**753**		452	
	Ms Ratna Gupta	**604**		362	
	Ms Shivani Gupta	**601**		361	
	Mrs.Jayanthi Murthy	**12**		7	
	Mr. M.K.Srinivasan	**2**		–	
			5,515		3,308

6 **LEASES**

	For The Year Ended 31 December 2010	For The Year Ended 31 December 2009
Assets obtained on lease		
Company has taken office facilities and residential facilities under cancellable and non cancellable operating lease agreements.		
Company renews such leases in the normal course of business.		
Total rental expenses under cancellable operating leases	**3,916**	5,814
Above includes rent for guest houses classified under miscellaneous expenses	**1,146**	817
Above includes rent for guest houses capitalised to capital work in progress	–	2,104
Total rental expenses under non-cancellable operating leases	**675**	945
Minimum payments due not later than 1 year	–	675

7 **CONTINGENT LIABILITIES**

				For The Year Ended 31 December 2010	For The Year Ended 31 December 2009
i)	Excise Duty				
	a	Matters in Appeal	- Duty	**498,157**	497,382
			- Penalties	**7,924**	7,148
	b	Show cause notices	- Duty	**259,674**	225,242
			- Penalties	–	1,179
ii)	Service Tax				
	a	Show cause notices	- Service Tax	**9,788**	4,065
			- Penalties	–	88
	b	Matters in Appeal	- Service Tax	**3,060**	4,143
			- Penalties	**685**	136
iii)	Sales Tax demands in appeal			**34,742**	22,998

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
As at 31st December 2010

(Rs.in Thousands)

		For The Year Ended 31 December 2010	For The Year Ended 31 December 2009
iv)	Claims against the company not acknowledged as debts Note for (i) to (iv): Future cash outflows / uncertainties, if any, in respect of the above are determinable only on receipt of judgements / decisions pending with various forums / authorities.	**12,144**	12,144
v)	Bank guarantees issued by bankers on behalf of the Company	**17,567**	17,685
vi)	Contracts remaining to be executed on capital account and not provided for (net of advances)	**177,764**	75,732
vii)	Letters of Credit issued by banks on behalf of the company for import of goods	**67,831**	36,559

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 2010	For The Year Ended 31 December 2009
Operating Expenses		
Repairs and Stores Consumed	**332**	515
Personnel Expenses		
Salaries,Wages and Bonus	**4,024**	3,934
Contribution to PF and Other funds	**219**	201
Staff welfare Expenses	**418**	363
Other Expenditure		
Product Development Expenses	**706**	1,758
Conveyance,Electricity,Printing and Stationery, Travelling,Car and Vehicle Expenses,Society Charges etc.	**261**	221
Miscellaneous Expenses	**66**	57
Depreciation	**1,780**	1,786
Total	**7,806**	8,835

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 2010 Tonnes**	31 December 2009 Tonnes
1	Installed Capacity* * Licencing has been abolished vide press note 9 dated 2nd August 1991 and notification no.S.C.477 (E) dated 25th July 1991,issued by the Government of India.		
2	Installed Capacity **		
	a. Laminates and Converted, Coated / Uncoated Paper and Films	**35,590.000**	37,590.000
	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 2010

(Rs.in Thousands)

Description	31 December 2010 Tonnes	31 December 2009 Tonnes
3 Production		
a. Laminates and Converted,Coated / Uncoated Paper and Films @	**28,052.204**	23,982.308
b. Cartons	**4,947.906**	4,632.438
c. Metalised Films $	**604.784**	112.646
d. Jobwork - Metalised Films $	–	1.415
e. Polyethylene Films #	**4,802.818**	5,041.934
	38,407.712	33,770.741

@ Includes captive consumption Nil MT (Previous year 7.229 MT)

$ Utilised for captive consumption

Utilised for captive consumption. Production does not include jobwork production.

10 TURNOVER AND STOCKS OF GOODS MANUFACTURED

	For The Year ended 31 December 2010 Tonnes	For The Year ended 31 December 2010 Value	For The Year ended 31 December 2009 Tonnes	For The Year ended 31 December 2009 Value
a. Turnover (Net Sales)				
a. Laminates and Converted,Coated / Uncoated Paper and Films	**28,119.776**	**6,728,131**	24,031.929	5,519,371
b. Cartons	**4,936.389**	**385,877**	4,693.801	322,595
c. Others	–	**16,126**	–	17,618
	33,056.165	**7,130,134**	28,725.730	5,859,584
Less: Rebates and Discounts		**90,034**		82,661
	33,056.165	**7,040,100**	28,725.730	5,776,923

	As at 31 December 2010 Tonnes	As at 31 December 2010 Value	As at 31 December 2009 Tonnes	As at 31 December 2009 Value
b. Opening 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
	507.321	**64,442**	516.277	75,336

	As at 31 December 2010 Tonnes	As at 31 December 2010 Value	As at 31 December 2009 Tonnes	As at 31 December 2009 Value
c. Closing Stock				
a. Laminates and Converted,Coated / Uncoated Paper and Films	**237.345**	**44,757**	304.917	45,805
b. Cartons	**18.432**	**1,169**	6.915	507
c. Metalised Films	–	–	0.125	27
d. Polyethylene Films	**142.856**	**14,008**	195.364	18,103
	398.633	**59,934**	507.321	64,442

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 2010

(Rs.in Thousands)

11 RAW MATERIALS AND PACKING MATERIALS CONSUMED

		For The Year ended 31 December 2010		For The Year ended 31 December 2009	
		Tonnes	**Value**	Tonnes	Value
a.	Paper	**3,886.067**	**193,316**	3,575.213	176,042
b.	Paper Board	**4,908.118**	**143,887**	4,134.959	104,054
c.	Films	**18,506.750**	**2,541,808**	15,870.259	1,973,301
d.	Inks,Adhesives and Solvents	**9,440.774**	**1,041,490**	8,183.871	853,494
e.	Polyethylene Granules	**9,450.995**	**787,887**	7,512.230	583,735
f.	Others *	**–**	**263,888**	–	113,616
		46,192.704	**4,972,276**	39,276.532	3,804,242

* It is not practicable to furnish quantitative information in view of the large number of items which defer in size and nature, each being less than 10% in value of the total.

12 CIF VALUE OF IMPORTS

		For TheYear Ended 31 December 2010	For TheYear Ended 31 December 2009
a.	Raw Materials	**984,591**	982,165
b.	Stores, Spares-Parts and Other Materials	**21,187**	18,471
c.	Capital Goods	**27,003**	18,825

13 CONSUMPTION OF RAW MATERIALS, PACKING MATERIALS, STORES AND SPARES

		For TheYear Ended 31 December 2010		For TheYear Ended 31 December 2009	
		Percentage	**Value**	Percentage	Value
a.	Imported	**22.05%**	**1,108,800**	25.93%	999,210
b.	Indigenous	**77.95%**	**3,920,910**	74.07%	2,853,864
		100.00%	**5,029,710**	100.00%	3,853,074

14 EARNINGS IN FOREIGN CURRENCY (On accrual basis)

		For TheYear Ended 31 December 2010	For TheYear Ended 31 December 2009
a.	F.O.B. Value of Exports	**1,088,748**	1,235,785
b.	Others	**24,148**	26,741

15 EXPENDITURE IN FOREIGN CURRENCY (On payment basis)

		For TheYear Ended 31 December 2010	For TheYear Ended 31 December 2009
a.	Travelling Expenses	**4,407**	3,631
b.	Export agency Commission	**15,260**	10,231
c.	Technician Fees - (Commissioning charges of M/c)	**–**	15,673
d.	Interest Expenses on Buyers Credit / Loans	**–**	6,097
e.	Service charges paid for Technical services availed	**5,765**	2,722
f.	Royalty	**1,169**	1,134
g.	Others	**5,334**	777

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 2010

(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 2010	31 December 2009
a.	Dividend for the year	**2009**	2008
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	**110,802**	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 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 2010	31 December 2009
a.	Dividend for the year	**2009**	2008
b.	Number of Non-resident Shareholders	**210**	142
c.	Equity Shares held by Non-resident Shareholders	**1,234,238**	5,548,461
d.	Gross Amount of Dividend	**3,703**	9,987

18 DISCLOSURE OF THE AMOUNTS DUE TO THE THE MICRO, SMALL AND MEDIUM ENTERPRISES

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

		31 December 2010	31 December 2009
i)	The principal amount and the interest due thereon remaining unpaid to any Micro/ Small supplier		
	- Principal amount	**2,297**	1,973
	- Interest there on	**378**	284
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.	**94**	179
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	**378**	284

19 SUNDRY DEBTORS INCLUDE AMOUNTS DUE FROM COMPANIES UNDER THE SAME MANAGEMENT

	31 December 2010	31 December 2009
Huhtamaki Australia Ltd., Australia	**12,333**	5,850
Huhtamaki New Zealand Ltd. New Zealand	**569**	591

20 LOANS & ADVANCES INCLUDE AMOUNTS DUE FROM COMPANIES UNDER THE SAME MANAGEMENT

	31 December 2010		31 December 2009	
	Outstanding	**Max. Due at any time during the year**	Outstanding	Max. Due at any time during the year
Huhtamaki Vietnam Ltd, Vietnam	–	–	–	30
Huhtamaki New Zealand Ltd., New Zealand	–	**325**	–	306
Huhtamaki Deutschland Gmbh & Co.KG., Germany	–	–	–	98

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

(Rs.in Thousands)

21 During the year, revenue expenses incurred for the projects that have been capitalised are Rs Nil (Previous Year Rs. 24,533/-). Out of the same, amount lying in capital work in progress is Rs Nil (Previous year Rs Nil).

22 **DISCLOSURE OF DERIVATIVE INSTRUMENTS**

		Currency	As at 31 December 2010 Foreign Currency Amt. in Thousands	As at 31 December 2009 Foreign Currency Amt. in Thousands
(i)	**Derivative Instruments Outstanding**			
	Forward Exchange contracts for the foreign exchange exposures of receivables on account of export of goods & services.	USD	**2,100**	2,100
		EUR	**150**	125
	Forward Exchange contracts for the foreign exchange exposures for payments to be made against imports and repayment of buyers credit.	USD	–	62
(ii)	**Foreign Exchange Exposures**			
	Foreign Exchange exposures not covered by a derivative contract for payments to be received on account of Export of Goods	USD	**2,496**	2,614
		EUR	**58**	123
		GBP	**13**	7
	Foreign Exchange exposures not covered by a derivative contract for payments to be made against revenue imports & capital imports creditors.	USD	**3,238**	3,423
		EUR	**18**	31
		SFR	**14**	–
		JPY	–	832
(iii)	**Derivatives taken to Cover Forecast Exposures**			
	Forward Exchange contracts taken for the forecast exports receivables on account of export of goods & services.	USD	**5,100**	8,700
		EUR	**750**	1,125
	Forward Exchange contracts taken for the forecast revenue imports.	USD	**70**	–
		EUR	**1,507**	–
(iv)	Foreign Exchange gains/ (losses) include 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.		**Rs.in Thousands**	Rs.in Thousands
			(4,477)	(71)

23 **DISCLOSURE PURSUANT TO ACCOUNTING STANDARD - 15 (REVISED) ‘ EMPLOYEE BENEFITS’**

(i) Effective 1 January,2007 the Company has adopted accounting standard 15 (revised 2005) “Employee Benefits”

The Company has classified the various benefits provided to employees as under.

(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. **25,942** 22,655

(iii) **Defined Benefit Plans**

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

I **Gratuity Plan**

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

II **Leave Plan**

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

III **Long Service Award**

Long Service Award benefit is payable to eligible employees on completion of 25 years of service. The following table summarises the components of the net benefit expense recognised in the profit & loss account and the funded status and amount recognised in the Balance sheet for the respective plans

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

(iii) Defined Benefit Plans **(Rs. In Thousands)**

		Gratuity		Leave Encashment		Pension Plan		Long Service Award	
		2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
I.	**Change in Benefit Obligation**								
	Opening defined benefit obligation	92,624	102,677	26,765	31,884	970	1,173	5,123	6,310
	Cost of Benefit increase	–	–	–	–	–			
	Interest cost	7,426	6,367	2,180	1,990	69	71	418	409
	Current Service Cost	8,908	8,316	5,637	4,077	–	–	–	–
	Benefit Paid	(7,375)	(9,452)	(1,321)	(2,539)	(150)	(150)	(240)	(33)
	Actuarial (gain)/loss on obligations	(1,228)	(15,284)	(4,468)	(8,646)	16	(124)	(210)	(1,563)
	Closing defined benefit obligation	100,355	92,624	28,794	26,765	905	970	5,091	5,123
II.	**Fair Value of Plan Assets**								
	Fair value of Plan Assets at the beginning of the year	105,763	79,919	–	–	–	–	–	–
	Expected Return on Plan Assets	9,423	7,892	–	–	–	–	–	–
	Contributions	5,242	24,992	1,321	2,539	150	150	240	33
	Benefit Paid	(7,375)	(9,452)	(1,321)	(2,539)	(150)	(150)	(240)	(33)
	Actuarial gain/(loss) on Plan Assets	(2,736)	2,412	–	–	–	–	–	–
	Fair Value of Plan Assets at the end of the year	110,317	105,763	–	–	–	–	–	–
III.	**Actual Return on Plan Assets**								
	Actual Return on Plan Assets	6,686	10,304	–	–	–	–	–	–
	Expected Return on Plan Assets	9,423	7,892	–	–	–	–	–	–
	Actuarial gain/(loss) on Plan Assets	(2,737)	2,412	–	–				
	Actuarial gain/(loss) on obligation	1,228	15,284	4,468	8,646	(16)	124	210	1,563
IV.	**Amount Recognised in the Balance Sheet**								
	Defined benefit obligation	100,355	92,624	28,794	26,765	905	970	5,091	5,123
	Fair Value of Plan Assets	110,317	105,763	–	–	–	–	–	–
	Funded Status	9,962	13,139	(28,794)	(26,765)	(905)	(970)	(5,091)	(5,123)
	Unrecognised Acturial Gain/(Loss)	–	–	–	–	–	–	–	–
	Net Asset/(Liability) Recognised in the Balance Sheet	9,962	13,139	(28,794)	(26,765)	(905)	(970)	(5,091)	(5,123)
V.	**Expenses Recognised in the Profit & Loss Account**								
	Current Service Cost	8,908	8,316	5,637	4,077	–	–	–	–
	Interest Cost	7,426	6,367	2,180	1,990	69	71	418	409
	Expected Return on Plan Assets	(9,423)	(7,892)	–	–	–	–	–	–
	Net Actuarial (Gain)/Loss To Be Recognised	1,509	(17,696)	(4,468)	(8,646)	16	(124)	(210)	(1,563)
	Expense Recognised in P&L	8,420	(10,905)	3,349	(2,579)	85	(52)	207	(1,154)

The Company expects to contribute Rs.11,020/- thousand to gratuity in 2011.

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

	2010	2009
Discount Rate	**8.40%**	8.35%
Rate of Return on Plan Assets	**8.00%**	9.00%
Salary Escalation	**7.25%**	7.25%
Employee Turnover	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.

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

Particulars	**Gratuity**	
	As on 31st Dec.10	As on 31st Dec.09
Investments in Gratuity Fund Trust	**110,317** **100.00%**	105,763 100.00%

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

As at 31st December 2010

Amounts for the current & previous periods are as follows: **(Rs. In Thousands)**

	Gratuity			
Particulars	**2010**	**2009**	**2008**	**2007**
Defined benefit obligation	100,355	92,624	102,677	81,894
Plan assets	110,317	105,763	79,919	73,088
Excess of defined benefit obligation over fair value of plan assets.	(9,962)	(13,139)	22,759	8,806
	Leave Encashment			
Particulars	**2010**	**2009**	**2008**	**2007**
Defined benefit obligation	28,794	26,765	31,884	29,500
Plan assets	–	–	–	–
Excess of defined benefit obligation over fair value of plan assets.	28,794	26,765	31,884	29,500
	Pension			
Particulars	**2010**	**2009**	**2008**	**2007**
Defined benefit obligation	905	970	1,173	1,033
Plan assets	–	–	–	–
Excess of defined benefit obligation over fair value of plan assets.	905	970	1,173	1,033
	Long Service Award			
Particulars	**2010**	**2009**	**2008**	**2007**
Defined benefit obligation	5,091	5,123	6,310	4,538
Plan assets	–	–	–	–
Excess of defined benefit obligation over fair value of plan assets.	5,091	5,123	6,310	4,538

24 EXCEPTIONAL ITEMS COMPRISE OF :

a. Income of Rs.139,813/- Thousand being net gain realised on sale of Nagpur Factory Assets (Current Tax includes Rs. 28,600/- Thousand related to the said gain).

b. Expenses of Rs. 17,004/- Thousand incurred during the year on Voluntary Retirement Scheme (VRS) at Hyderabad Plant.

25 EXTRAORDINARY ITEMS COMPRISE OF :

a. The Company has reversed balance provision amounting to Rs.27,949/- Thousand (Net of Rs.Nil Tax) created in earlier year towards repairs of certain machineries damaged by flood in 2005, as the same is no longer required.

b. Against an insurance claim for fire at Thane plant during the year an advance payment of Rs. 10,000/- Thousand has been received pending final settlement.

A surplus of Rs. 2,578/- Thousand net of Income Tax of Rs. 2,912/- Thousand, cost of repairs & book value of damaged assets has been recognised in Year 2010.

26 Since the Company Secretary has resigned with effect from 30th November 2010 and the Company is still in the process of appointing a new Company Secretary as required under section 383A of the Companies Act 1956, the financial statements have not been signed by a Company Secretary as required by section 215 of the Companies Act, 1956.

27 The figures of the previous year were audited by a firm of Chartered Accountants other than S.V.Ghatalia & Associates.

28 Previous year's figures are appropriately reclassified to conform with current year's classification.

As per our report of even date attached.
For S.V. Ghatalia & Associates
Firm Registration No. 103162W
Chartered Accountants

per Sudhir Soni
Partner
Membership No. 41870

Mumbai
January 28, 2011

Suresh Gupta
Chairman & Managing Director

Parag Vyavahare
Chief Financial Officer

M.K. Srinivasan
Chief Executive Officer & Executive Director

Jukka Moisio
K.C. Narang
P.V. Narayanan
Ramesh K Dhir
Directors

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

As at 31 December 2010

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 :

I	**REGISTRATION DETAILS**	
	Registration No.	**145537**
	State Code	**11**
	Balance Sheet Date	**31st December, 2010**
		(Rs.in Thousands)
II	**CAPITAL RAISED DURING THE YEAR ENDED 31ST DECEMBER 2010**	
	Public Issue	–
	Rights Issue	–
	Bonus Issue	–
	Private Placement	–
	Others–Preferential Issue	–
III	**POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS AS AT 31ST DECEMBER 2010**	
	Total Liabilities	**3,214,560**
	Total Assets	**3,214,560**
	Sources of Funds	
	Paid–up Capital	**125,383**
	Reserves & Surplus	**2,811,229**
	Unsecured Loans	**225,309**
	Deferred Tax Liability (Net)	**52,639**
		3,214,560
	Application of Funds	
	Net Fixed Assets (Incl.Capital Work–in–Progress)	**1,786,879**
	Investments	**394,481**
	Net Current Assets	**1,033,200**
		3,214,560
IV	**PERFORMANCE OF THE COMPANY FOR THE YEAR ENDED 31ST DECEMBER 2010**	
	i) Turnover (Net Sales & Other Income)	**7,123,318**
	ii) Total Expenditure	**6,660,620**
	iii) Profit before Tax	**585,507**
	iv) Profit after Tax	**481,240**
	v) Earning Per Share (Rs.)	**7.68**
	vi) Dividend Rate %	**110%**

V GENERIC NAME OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY

(as per monetary terms)

Item Code No.

ITC Code	**Product Description**
3921 90 96	Printed Polyester / Met Pet / Polyethylene Laminates
3921 90 99	Shrink Sleeves
3920 69 12	Printed Polyester / Paper


Silvassa Plant

Rudrapur Plant

Thane Plant


Hyderabad Plant

Corporate Head Quarter - THE PAPER PRODUCTS LTD.

LBS Marg, Majiwade, Thane (W) - 400 601, Maharashtra. Tel: +91 22 21735551 / 5591 Fax: +91 22 21735599 / 5650

CUSTOMER SUPPORT OFFICES

BANGALORE
#91, West Park Road, 17th Cross, Malleswaram
Bangalore - 560055, Karnataka.
Tel: +91 80 23568979 / 23342873 Fax: +91 80 23342872

CHENNAI
Premise No. 16, 8th Main Road, Vijaynagar, Velachari
Chennai - 600042, Tamil Nadu
Telefax: +91 44 22592461

HYDERABAD
139 & 148, Sri Venkateshwara Co-op. Indl. Estate
Bollarum - 502325, Andhra Pradesh.
Tel: +91 8458 279628 / 279616 Fax: +91 8458 279464

KOLKATA
5th Floor, Laha Paint House, 7 Chittaranjan Avenue
Kolkata - 700072, West Bengal.
Tel: +91 33 22372812 / 22348241 Fax; +91 33 22255654

NEW DELHI
508/510, Ansal Chamber II, 6 Bhikaji Cama Palace
New Delhi - 110066.
Tel: +91 11 26194795 / 26195641 Fax: +91 11 26194389

MANUFACTURING LOCATIONS

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

SILVASSA
Survey No. 33/1, At Post Umerkoi,Via Silvassa
U.T. of Dadra & Nagar Haveli - 396230.
Tel: +91 9725025351 Fax: +91 260 2681003

HYDERABAD
139 & 148, Sri Venkateshwara Co-op. Indl. Estate
Bollarum - 502325, Andhra Pradesh.
Tel: +91 8458 279628 / 279616 Fax: +91 8458 279464

RUDRAPUR
Plot No. 70-33, Sector 4, IIE Pantanagar, Rudrapur
Udhamsingh Nagar - 263153, Uttarakhand.
Tel: +91 5944 250183 /84 / 85 Fax: +91 5944 250186

R&D - THANE
LBS Marg, Majiwade, Thane (West) - 400601, Maharashtra.
Tel: +91 22 21735551 / 21735591
Fax: +91 22 21735599 / 21735650

स्वधर्ममपि चावेक्ष्य न विकम्पितुमर्हसि।

Looking at your own duty you ought not to waver.