

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 53rd Annual Report alongwith the audited statements of accounts for the year ended 31<sup>st</sup> December, 2002.

### PERFORMANCE DURING THE YEAR

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

	(Rupees in Million)	
	Year ended Year ended	
	31 <sup>st</sup> Dec. 2002	31 <sup>st</sup> Dec. 2001
Gross Turnover	<b>3758.9</b>	3266.0
Net Sales Turnover	<b>3221.9</b>	2789.2
Profit before Tax	<b>357.7</b>	191.1
Less: Provision for Tax	<b>101.0</b>	26.9
Provision for Deferred Tax	<b>5.2</b>	12.5
Profit after Tax	<b>251.5</b>	151.7
Add: balance of profit for earlier years	<b>93.4</b>	82.8
Profit available for appropriation	<b>344.9</b>	234.5
Transfer to General Reserve	<b>150.0</b>	90.0
Dividend & Tax on Preference Shares	-	8.0
Proposed Dividend on Equity Shares	<b>62.7</b>	43.1
Balance Carried forward	<b>132.2</b>	93.4

During the year under review, the gross turnover was Rs. 3758.9 million as compared to Rs. 3266.0 million in the previous year and the net sales turnover was Rs. 3221.9 million as compared to Rs. 2789.2 million in the previous year. Profit before tax was Rs. 357.7 million as compared to Rs. 191.1 million in the previous year. After providing for income tax of Rs. 106.2 million, Profit after tax was Rs. 251.5 million. Further after transferring an amount of Rs. 150.0 million to General Reserve the surplus available was Rs. 194.9 million including surplus brought forward of Rs. 93.4 million. Earning per Equity Share (EPS) was Rs. 20.06.

### CORPORATE GOVERNANCE

Necessary measures have been adopted to comply with the requirements of the Listing Agreement with stock exchanges wherein the company's shares are listed. A separate report on Corporate Governance measures adopted by the Company forms part of this report.

A Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

### DIVIDEND

Your Directors recommend the payment of dividend on Equity Shares at 50%, on the Equity Capital for the year ended 31<sup>st</sup> December, 2002. The said Equity dividend will absorb a sum of Rs. 62.7 million. The dividend distribution tax as per the Finance Act 2003 on the above dividend will absorb a sum of Rs.8.0 million which will be provided for in accounts for the year 2003.

### HUHTAMAKI SHAREHOLDING

Huhtavefa B.V.(A Huhtamaki group company) acquired additional 992,727 equity shares of the Company through inter-se-transfer amongst promoters, thus increasing its holding from 51% to 58.92% in the total paid up equity capital of the Company.

### NON CONVERTIBLE DEBENTURES

Your Directors confirm that the funds raised in the earlier years by issue of Non Convertible Debentures have been utilised for the purposes for which the funds were raised.

### FIXED DEPOSITS

Out of Fixed Deposits as on 31<sup>st</sup> December,2002 totalling to Rs. 4.31 million from public and shareholders, 16 matured deposits aggregating to Rs.0.56 million had not been claimed. Since then 6 of the said deposits aggregating to Rs. 0.34 million have been claimed, paid and or renewed.

### 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 (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and forms a part of this report.

Also information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules,1975 is annexed to this report.

### DIRECTORS

With a sense of deep sorrow we inform you of the sad demise of our Chairman Mr. Suresh Talwar on April 9, 2003. Mr. Suresh Talwar, after his education in USA, joined PPL in 1969. Over the years he was loved by one and all for his human qualities of caring and belonging. His vision was to see PPL be the best in India, be international, and be recognized globally as a world class packaging company. Today, PPL is not only the leader in India but is a well respected member of the global Huhtamaki group. The memory of his human qualities and vision will serve PPL as a guiding force.

Mr. Suresh Gupta and Mr. H.L. Chopra retire by rotation and being eligible offer themselves for re-appointment. Necessary

resolutions for their re-appointment form part of the Notice convening the Annual General Meeting.

During the year Mr. H.L. Chopra was re-appointed as Director Technical for the period of one year up to 30<sup>th</sup> June, 2003. The Directors at their meeting held on 29<sup>th</sup> April, 2003 have re-appointed him as Director - Technical for a further period of 1 year from 1<sup>st</sup> July, 2003 to 30<sup>th</sup> June, 2004 on the same terms and conditions. The terms are contained in the notice convening the ensuing Annual General Meeting.

Mr. K.C. Narang has been appointed as Non-Executive Chairman of the Board w.e.f. 29<sup>th</sup> April, 2003.

Mr. Vibhu Talwar was appointed as an Additional Director of the Company on 29<sup>th</sup> April, 2003. Pursuant to section 260 of the Companies Act, 1956 and Article 122 of the Articles of Association of the Company Mr. Vibhu Talwar holds office only upto the ensuing Annual General Meeting. Notice has been received from a member of the Company proposing the candidature of Mr. Vibhu Talwar, for the office of Director at the ensuing Annual General Meeting.

## MANAGEMENT REVIEW AND OUTLOOK

The Management Review and Outlook is attached to the Annual Report for the year ended 31<sup>st</sup> December, 2002.

## DIRECTORS' RESPONSIBILITY

The Board of Directors hereby confirm that:

- i) In the preparation of the annual accounts for the year ended 31<sup>st</sup> December, 2002 the applicable accounting standards have been followed and there are no material departures.
- ii) Accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year ended 31<sup>st</sup> December, 2002 and of the profit or loss of the company for the year ended 31<sup>st</sup> December, 2002.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) Annual accounts for the year ended 31<sup>st</sup> December, 2002 have been prepared on a going concern basis.

## AUDITORS' REPORT

The Auditors have qualified their report in respect of certain demands of excise duty by the authorities. Note 7(1) of the Schedule 18 states the company's position. Subsequent to finalisation of accounts the CEGAT has remanded the case for disputed excise duty demand of Rs. 22 million to the commissioner. Qualification regarding accounting of inter unit sales requires no clarification, as the same has no impact on the operational results of the year.

## AUDITORS

M/s. BSR & Co., Chartered Accountants, the Company's statutory auditors hold office until the conclusion of the ensuing Annual General Meeting. The Company has been informed by them that if appointed their appointment would be within the prescribed limit under section 224 (1-B) of the Companies Act, 1956. Your Directors recommend the appointment of M/s. BSR & Co., Chartered Accountants, as the statutory auditors of the Company at the ensuing Annual General Meeting to hold office until the conclusion of next Annual General Meeting of the company on such remuneration and other terms and conditions as may be agreed upon by the Board of Directors.

## INDUSTRIAL RELATIONS

Relations with the work force at all the units continued to be cordial.

Your Directors wish to express their grateful appreciation for the assistance and co-operation received from Financial Institutions, Banks, Government Authorities and Shareholders during the year under review. Your Directors also wish to place on record their appreciation for the services rendered by our people at all levels in the Company and for their contribution towards the success of the organisation.

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

Place: Mumbai  
Date: 15<sup>th</sup> May, 2003

**K. C. NARANG**  
Chairman

**ANNEXURE TO DIRECTORS' REPORT**

**ANNEXURE - I**

**Particulars as required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975**

**A. Persons employed throughout the year and were in receipt of remuneration in aggregate of not less than Rs. 200,000/- p.m.**

- Name (A) Designation/Nature of duties (B) Remuneration Received Rupees (C) Qualifications (D) Age/Years (E) Experience including experience in previous concern, if any, Years (F) Date of commencement of employment (G) Last employment held with designation
- Shri. Suresh Gupta (A) Managing Director & President (B) 6,256,823/- (C) B.A. (Hons). MBA (D) 50 (E) 28 (F) 27.01.1988 (G) Almana Group, Doha-Qatar 'Executive Director'
- Shri. C.N. Murthy (A) Sr. Vice President - Operations (B) 2,417,149/- (C) B.Tech in Mechanical Engineering (D) 52 (E) 30 (F) 02.01.1995 (G) I T C Ltd. Branch Manager - PPD
- Shri. M.K. Srinivasan (A) Sr. Vice President - Finance (B) 2,506,196/- (C) M.Com. A.I.C.W.A. (D) 46 (E) 24 (F) 20.02.1993 (G) Montari Industries Ltd., 'Financial Controller'

**B. Persons employed for part of the year and were in receipt of remuneration at a rate of not less than Rs. 200,000/- p.m.**

None

Notes: "Remuneration Received" includes salary, commission, actual expenditure for provision of other benefits, house rent allowance, medical expenses, leave travel expenses, reimbursement of gas, electricity and water charges, contribution to provident fund and other perquisites calculated in accordance with the provisions of Income Tax Act, 1961 and the rules thereunder as applicable.

**ANNEXURE - II**

**Information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo pursuant to Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of Director's report.**

**A. CONSERVATION OF ENERGY**

In Thane Plant, out-dated cooling towers were replaced with induced draft, counterflow and energy efficient cooling towers. Replaced aged chilling plants with modern, energy efficient, maintenance free package type units. Reduced the heat load on air-conditioners with improved room insulation. Up-graded the power distribution panels and cables with improved insulation materials and treatment, reduced the power consumption of continuous running motors. In Silvassa Plant, cooling towers were up-graded. Heat load on thermopacs reduced by improved insulation of system pipelines. Heat load on air-conditioners reduced by efficient insulation of ceilings.

In Hyderabad Plant, power and maintenance intensive reciprocating air compressors were replaced with energy efficient, centralized rotary air compressor for one section of machines during 2001, after experiencing the savings

on account of the replacement, similar improvements extended to the next section, thereby replacing all reciprocating air-compressors. Saved power on account of change of heat source for pre-heater of furnace oil, from electrical coils to thermic fluid. Variable speed frequency drive and sensitive temperature controllers introduced for the motor and heater respectively enabled efficient process control at reduced power consumption. Factory lighting circuit modified to accommodate energy efficient lamps, in phases.

**B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

The Company has its Research and Development Centre, which is recognised by the Department of Science and Technology, Government of India.

Innovations have been achieved during the year in the

fields of flexibles, specialised cartons and labels to provide new packaging concepts and solutions, cost reduction, brand protection from counterfeits, enhanced aesthetics and improved shelf life.

A specialised laminate for liquid chocolate developed and commercialised earlier was further modified to provide high moisture barrier required to extend the shelf life of the product. This was achieved through specialised coating technology and the sealant layer modification. Significant laminate cost reduction was achieved through gauge reduction, especially in foil-based structures. A semi-rigid laminate was developed and commercialised for one application. More applications are being added for the same. Other innovations in the flexibles category also include, high moisture and high light barrier laminate for X-Ray films, high moisture barrier laminate for oils, easy tear laminate for coffee packaging achieved through speciality sealant layer, amongst many more.

Offset printed metallised cartons, reverse printed-reverse metallised liners, and matt- finish metallised cartons for specialised aesthetics are a few of them. Speciality cartons were also developed which had unique shapes, superior embossed finish, and windows for product display.

Anti-duplication solutions were provided through customised holographics. A new application process was developed to transfer image from labels onto cups with handles.

PPL has been awarded one World Star, one Asia Star, six India Star awards during the year along with the only International Hologram Manufacturers Association (IHMA) Award for India during the year.

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

a) Capital	Nil
b) Recurring	Rs.5.450 million
c) Total	Rs.5.450 million

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

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Foreign exchange earnings from the exports of the Company's products & services amounted to Rs.329.585 million.
2. The outflow of foreign exchange during the year is disclosed in the notes to the accounts forming part of the Balance Sheet.