

## MANAGEMENT REVIEW & OUTLOOK

### INTRODUCTION

*"linger a moment, to enjoy the fruit of honest labour ....."*

Y2002 has been a great year ! A healthy net sales growth of 15.5%, an excellent 87% growth in PBT, and EPS increasing to Rs.20.06 from Rs.11.46 the previous year.

Interestingly, these results were achieved against a backdrop of an overall flat market for the top-end segment of FMCG companies, and generally difficult business conditions for consumer packaging. Last year's report mentioned our focus on learnings in key areas of accelerating innovation and new market development, while improving cost efficiency and quality of processes. Y2002 is a result of our team success from these learnings, enabling us to overcome obstacles and surpass the limitations of the business environment.

It gives me great pleasure to report that these efforts did not go unnoticed by Huhtamaki group head quarters, and the Group Executive Committee honoured PPL with the singular award of global "Company of the Year 2002".

*"..... then move on !" .... "for he who gets hurt is he who has stalled, for the times they are a-changin".*

During recent years business environments are characterized by becoming increasingly difficult and relentlessly throwing up new unexpected challenges. It is not enough to overcome a difficult year because it is very likely that the bar will be suddenly raised the next year. The latest global problem of "Iraq war" and impact on oil prices with inflation up the petrochemical chain, began a sharp upward movement in raw material prices from late 2002 onwards, and impacted on 1<sup>st</sup> Qr 2003. The problem was accentuated by cartel pricing in polyester films. The economic environment has also not helped the large FMCG sector during the start of 2003 and as per reports their overall sales position is generally flat during the first quarter. Against this backdrop we continued with our unfazed focus on key areas, with net sales growing very well by 22% in 1<sup>st</sup> Qr 03 over previous year. Unfortunately, the unexpectedly high increase in raw material prices impacted margins, resulting in a flat PBT in 1<sup>st</sup> Qr 03. While we gain confidence from the healthy top line growth against the run of the market, our task is to push in our key focus areas for margin recovery. We have plans to achieve this objective during the second half of the year.

*"and the elements so mixed in him that nature might stand up and say to all the world 'this was a man'....."*

A person, with upfront charismatic human qualities of sharing and caring, and, of strong emotions balanced with a pronounced sense of humour and light hearted mischief, and, with a great interest in the basic printing and conversion technologies and the psychologies of the consumer packaging business, and, with a passion for PPL, its people, and future .... a brief portrait of Chairman of PPL, Suresh Talwar, popularly known as "ST", who passed away on 9<sup>th</sup> April '03. We are deeply saddened for we loved ST, but we take strength from the memory of his qualities and the faith he had in PPL.

The next few paragraphs will detail what happened in our business in Y2002, and touch upon the outlook for Y2003 and beyond.

### OPERATIONS REVIEW

*"The time has come", the walrus said, "to talk of many things — of shoes, and ships and sealing wax, of cabbages and kings. And why the sea is (not) boiling hot, and whether pigs (can) have wings."*

#### Sales Revenues and Market Commentary

Y2002 Gross sales were at Rs.3759 mn compared to Rs.3266 mn in Y2001. Net Sales grew healthily by 15.5% to Rs. 3222 mn in Y2002 from Rs.2789 mn the previous year.

Excluding inter-unit sales, net external sales to customers grew very well by 19% to Rs.2989 mn from Rs.2512 mn the previous year. Within external sales, the mainline Flexibles and Labelling materials which form the bulk of our consumer packaging business, increased an already dominant market share of the top-end segment of the market with sales revenue growth of 21.4%. The small specialized cartons range suffered a break in sales growth, primarily due to the sharp drop in demand from the packaged tea sector, resulting in a drop in sales of 6.9%. Sales of our flexibles, labelling and specialized cartons mentioned include the contribution and support from our in-house packaging machines division who design specialized equipment for our customers packing lines. The remaining small proportion of about 2% of our external sales, mainly comprises traditional poly coated paper packaging, which sales dropped by 12%.

The above businesses include exports which grew very well by 36% to Rs.363 mn from Rs.266 mn the previous year. But first the domestic market, and comments on exports thereafter.

As mentioned in the introduction to this review, the sales of our principal domestic customer base, comprising virtually the entire listing of leading FMCG companies in India, taken overall were generally flat during Y2002. However, our own net external sales in the domestic market grew by 17%. And within these, domestic sales of our core flexibles and labelling range grew by 19.1%.

This domestic core business comprises a vast range of custom-designed packaging material structures and forms for a large diversified range of branded products, including personal care and wash like shampoos, hair oils, skin care, face creams, talcums, soaps; household care like detergents and cleaners; foods, snacks and sauces; beverages including tea, coffee, cold drinks, soft drink concentrates, milk additives and malted formulations; dairy products including dried milk powders and infant formulations; chocolates and confectionery; bakery products including biscuits; edible oils; healthcare products and pharmaceuticals, individual packings of engineering and auto parts, electronic components; agricultural products like seeds, pesticides; stationery items; and the list of applications goes on and on.

In terms of tonnage of flexibles and labelling materials the growth was faster than revenue growth, with tonnage sales increasing excellently by 21.5% in Y2002 over the previous year. This also means that sales value realization per ton was lower by 2% in Y2002 compared to previous year. However, as can be seen from the earlier description of the wide variety of products, any attempt to analyze volume and value of these sales based on a simple unit of tonnage, is a bit like putting mangoes, bananas and custard apples in the same basket. Still the fact remains that overall the price realized per ton reduced. Interestingly, despite this reduction the value addition margin actually improved as % of sale value — as will be discussed in the later chapter in this report. And, the tonnage volume sales jumped impressively. Now follows the explanation for these inter-related events against the backdrop of the flat sales of the leading FMCG segment.

Previous annual reports have talked about the focus on creativity, particularly the PPL program termed NASP (New Applications, Structures and Products/Processes), and how this program has been widely adopted throughout our team, with team members at various levels taking it up as a personal mission. NASP is an important component of the “culture” of PPL.

The first NASP objective is to create new business through finding new applications and markets for existing structures and technology processes. The second objective is to introduce new packaging products and structures and technology processes not only for new applications and markets, but also to offer new technically superior solutions or solutions which value add to the brand being packaged, or, importantly, solutions which offer cost advantage. Hence, the NASP exercise creates new business, but as importantly, it also protects or even improves existing business share from a customer by creating improved packaging solutions, or improving cost competitiveness. It should also be mentioned that the search for new applications has gained us new non FMCG markets like engineering and electronic components and others mentioned earlier.

We map the sales of NASP products introduced into the market not earlier than 2 years prior to the year of report, and call these “NASP sales”. During Y2002 the % of NASP sales increased to just under 30% of total domestic sales, as compared to 25% the previous year.

A critical component of strategy for top line growth focused on price competitiveness in the context of customer needs, customer demands (as differentiated from needs), and the competition and industry situation prevailing in the market.

To start with the situation in the consumer packaging industry, last year’s report on business outlook focused on the poor financial health of the majority of the players in the organised sector, the “bailout” packages from lending institutions, and these players accepting business at “any price” to keep factories running. Focus was also given to the unilateral exercise of buying power by some large customers to force buying prices down to totally unremunerative levels, basically a short-sighted approach because it would put a brake to much needed technical advancement in the packaging industry. This scenario was fully representative of what happened in Y2002, particularly with the overall insipid growth in the large FMCG sector. It is clear that in many categories of FMCG, (with a few exceptions), the giant multinationals have lost ground to the emergence of fast footed smaller and regional players. The latter have a refreshingly modern entrepreneurial approach and are innovative and consumer focused. While they do have a hard nosed approach to buying, they are simultaneously keen to adopt innovations and have products in their range which match or surpass the quality of leading brands. While individual volumes are still relatively small, we have been fortunate in bringing in a few of these high growth companies as our valued customers.

However, the large majority of the leading FMCG brands, i.e. the large volumes, are with the giant companies, most of whom have been purely focused on unilaterally bringing down their buying prices. The new mantra we have heard is “cost reduction will not be compromised for the sake of quality or innovation”. This mantra has a dangerously different slant to the old ones of “good value” or “value for money”. Fortunately, there are still many customers who believe in the latter mantras and still look for quality upgradation and innovation. We believe that the new mantra will be around for some time but not for the long term. Having said this, we were convinced that in existing products the global market is in an age of deflation, and hence it was

imperative that we align our selling prices accordingly. Hence, wherever possible depending on the design, we reduced prices. The extent of reduction varied widely depending on the material structure. But the combined effect of these reductions and the off-setting impact of NASP sales, was a reduction of 2% in our per tonne sales realization.

Another key focus area for PPL has been to improve all facets of our customer response and service. Y2002 saw us succeed in dramatically bringing down our lead time in number of days taken between order receipt and delivery by over 25%. Today our delivery times are much shorter than that prevailing in the highly developed western world. Overall, we are determined to follow a philosophy of continuous improvement in the quality of our goods and service, and in Y2003 all three plants, Thane, Silvassa and Hyderabad will be ISO compliant to the new and progressive 2000 standard.

The successful result of all the actions above was to surpass the limitations of the adverse market environment, and achieve an improvement in domestic market share with sales revenues increasing by 19.1% of our core flexibles and labelling materials.

As mentioned in last year's report, our focus in exports is to concentrate on select quality conscious and demanding customers for sales of those specialized packaging materials where we have a technology edge, backed by rapid response and service. A satisfied customer base giving regular repeat business, expansion to additional country locations of multinational customers, and gaining of new customers in markets being serviced, combined to generate sales revenue growth of 36%. In tonnage terms the volume growth was similar at 35%.

Looking at net sales revenues in terms of manufacturing locations — Thana plant sales increased by 17.9%, Silvassa plant increased by 10.2%, Hyderabad plant by 21.1%, and the small Nagpur plant decreased by 12%.

## **Other Income**

During Y2002 Other Income was Rs.19 mn, (Rs.20 mn the previous year). Foreign exchange gain contributed about Rs.3.2 mn, profit on sale of assets about Rs.1.1 mn, and the remaining Rs.14.7 mn was primarily from sale of scrap.

## **Value Addition**

During Y2002 value addition (VA) improved dramatically to Rs.1150.3 mn representing 35.7% of net sales, from Rs.952.7 mn representing 34.2% of net sales the previous year, i.e. VA margin improved by 1.5% of net sales. Interestingly this happened despite reduction in selling prices, and, increasing raw material input prices. The selling price reduction was discussed in the portion on market commentary, and now we look at raw material inputs.

In last year's report in the business outlook commentary we focused on cartelisation and imposition of anti-dumping duties on imports being used by manufacturers of raw materials to push up their selling prices unilaterally. The increase in oil prices with resultant inflation up the petro-chemical chain gave the polyester film cartel another excuse to jump their selling prices far in excess of numbers which could be warranted by the inflation in oil pricing. With anti-dumping duty also having been brought against BOPP imports, the BOPP film leading manufacturer also attempted to lead a similar price jump policy. Meantime, all other raw material inputs like polythene resins and solvents in any case began moving up due to the oil push inflation later in the second half of the year. In this environment our vigorous efforts in buying negotiations, development of supplier partnerships and alternative source development, could limit but not eliminate the raw material price inflation. So how did we get improvement in VA?

In the market commentary we discussed our NASP program which by its very nature delivers a value added result.

Then, the overall "quality" of our export sales has relatively protected export margins so far. The strong export growth has therefore contributed to our overall VA margin.

Last year's report mentioned the strategy of exiting from businesses where price cuts had made the business unviable. Y2002 carried on the effort in a detailed slow and steady item-wise manner. We also continued the effort to improve processes and control wastage.

The off-setting of selling price reductions and firming up of raw material costs was achieved, firstly, as a result of NASP efforts. Secondly, as a result of the growth in exports. Thirdly, as a result of removal of a few loss making items. Fourthly, as a result of improvement in processes leading to a marginal reduction in overall wastage. These results more than off-set the adverse forces and achieved a VA margin improvement of 1.5%.

## **Expenditure**

*"cost and productivity can be two sides of the same coin ..."*

*"so I spent a bit more of my hard earned money, but I got a lot more for it..."*

Y2002 was another successful year on cost efficiency, and costs were controlled without sacrificing the quality of our processes. Total expenses, after raw material input costs and before depreciation and financial expenses, in Y2002 were Rs. 590 mn or 18.3% of net sales, as against Rs.541 mn or 19.4% of net sales the previous year. To analyse key elements—

**Power and fuel** expenses, despite high inflation in tariffs and unit costs, were controlled to Rs.100 mn or 3.1% of net sales, as against Rs.95 mn or 3.4% of net sales the previous year. Successfully implemented energy conservation measures limited expense increase to 5.4%, which represents increase in tariffs, while production volumes had jumped.

**Personnel** expenses increased by 5.6% to Rs.228 mn or 7.1% of net sales, as against Rs.216 mn or 7.8% of net sales the previous year.

**Administration and Sales** expenses increased by 10.6% to Rs.187 mn or 5.8% of sales, compared to Rs.169 mn or 6.1% of sales the previous year. Under this expense head the items of expense which mainly contributed to increase was **selling & distribution** expenses which increased by 30% to Rs.60 mn or 1.9% of sales compared to Rs.46 mn or 1.7% of the previous year. The reason was the inflation in per ton costs of freight, both domestic and export, combined with the overall volume growth and the higher proportion of exports in the volume. **Administration** expenses were limited to Rs.127 mn or 3.9% of sales compared to Rs.123 mn or 4.4% of sales the previous year.

## Depreciation

Depreciation for Y2002 was Rs.198 mn, an increase of 3.7% over Rs.191 mn the previous year. Details of capital expenditure are given later in this review.

## Financial Expenses

Net financial expenses decreased by 48% to Rs.24 mn from Rs.46 mn the previous year. During the current year through normal repayments and prepayments long term borrowings reduced by Rs.213.7 mn. Working Capital borrowings were minimal throughout the year and were NIL at the year end.

## PBT, Tax, PAT, Cash Profit

**Profit before tax** for Y2002 was Rs.358 mn as against Rs.191 mn in Y2001

**Tax liability** has been provided at Rs.101 mn and **deferred tax liability** provided at Rs.5 mn.

**Net Profit after tax** for Y2002 was Rs.251 mn as against Rs.152 mn for Y2001.

**Cash Profit** i.e Profit after tax but before depreciation was Rs.450 mn against Rs.343 mn the previous year.

## Earnings Per Share

Earnings per share increased to Rs.20.06 per share from Rs.11.46 during the previous year. Cash earnings per share increased to Rs.35.87 per share from Rs.26.71 during the previous year.

## Dividend

The dividend on equity shares has been proposed at 50% (Rs.5.00 per share), as against the previous year at 35% (Rs.3.50 per share). This will absorb Rs.62.7 mn, and an additional amount of Rs.8.0 mn towards dividend distribution tax as enacted by Finance Act, 2003.

## Share Capital

There were no changes in Equity Share Capital during the year.

## Reserves & Surplus

After maintaining a balance of Rs.136.7 mn in Profit & Loss account a sum of Rs.150 mn has been transferred to general reserve. A sum of Rs.64 mn has been credited back to general reserve on reduction of deferred tax liability in respect of tax holiday units as per Accounting Standard's interpretation issued by ICAI on AS22 Accounting for Taxes on Income.

**Book value per share** stands increased to Rs.129.62 from Rs.109.13 last year.

## Borrowings

The long term borrowings reduced to Rs.92 mn on 31<sup>st</sup> Dec '02 from Rs.283 mn on 31<sup>st</sup> Dec '01, primarily due to scheduled repayment of debentures and prepayment of 14.5% debentures of Rs.150 mn. The short-term borrowings for working capital reduced to NIL from Rs.0.9 mn.

The company's total debt equity ratio (including short term debt & excluding revaluation reserve) as on 31<sup>st</sup> Dec '02 reduced to 0.06:1 from 0.21:1 at the close of previous year.

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

During Y2002 the company added Rs.47 mn to its Gross Block. The additions being mainly normal maintenance capex across the three plants. This included Plant and Machinery (Rs.31 mn) and Building (Rs.4 mn). The gross block increased to Rs.2259 mn and net block to Rs.1079 mn. Capital work in progress as at 31<sup>st</sup> Dec '02 was at Rs.199 mn compared to Rs.6 mn as at 31<sup>st</sup> Dec '01, mainly on account of expansion projects at Thane Plant and Silvassa Plant.

The above capital expenditure was funded out of internal accruals.

### **Trade Investments**

During the year investments aggregating to Rs.1.5 mn were redeemed since IDBI exercised the call option and fresh investment of Rs.3.1 mn was done in ICICI Safety Bonds.

### **Inventory**

Efforts at improving working capital did result in a reduced total inventory level of Rs.285 mn as at 31 Dec. '02, lower by 1.4% than the previous year level of Rs.289 mn.

### **Debtors**

Sundry debtors as at 31<sup>st</sup> December 2002 were at Rs.582 mn (net of provision for bad and doubtful debts) vis a vis Rs.503 mn during the previous year. The average collection period of external sales decreased to 60 days as against 61 days in the previous year. A total provision of Rs.23 mn towards doubtful debts is available in the accounts.

### **Loans & Advances**

Loans & Advances as at 31<sup>st</sup> December 2002 remained at Rs.78 mn vis-à-vis 31 December 2001.

### **Cash Flow From Operations**

During the current year PPL generated cash flow from operations of Rs.550 mn as compared to Rs.520 mn during the previous year.

### **Return on Capital employed**

With an EBIT of Rs.378 mn and an average capital employed of Rs.1684 mn the ROCE is 22.4%.

### **Return on Net Worth**

With a Profit after Tax of Rs.251 mn and an average Net Worth of Rs.1464 mn the RONW is 17.2%.

### **BUSINESS OUTLOOK**

*" the leader is the most vulnerable ....we can only hope leadership experience generated wisdom, particularly a healthy dose of paranoia..."*

At the time of writing this report we have completed our 1<sup>st</sup> Qr 03, and this chapter can appropriately begin with a brief on the quarter results, followed by a detailed commentary on the outlook and plans including investments.

### **First Quarter Y2003 (unaudited)**

Gross sales were at Rs.1007.5 mn as against Rs.832.4 mn in first quarter Y2002. Net Sales at Rs.868.3 mn grew excellently by 22% over previous year figure of Rs.712.2 mn. The growth was mainly due to increase in market share, continued success of the NASP program and new market development.

An unexpectedly high increase in raw material prices impacted value addition margin. Rising oil prices due to the "Iraq war" with inflation up the petrochemical chain began a sharp upward movement in polymer prices, solvents and others in late 2002 impacting on 1<sup>st</sup> Qr 2003. The polyester film cartel used this as an excuse to begin jumping prices from 1<sup>st</sup> Oct.'02, far in excess of that warranted by the oil led inflation, and by 1<sup>st</sup> Qr '03 the price increase in these films was 30%. As a result value addition was Rs.284.9 mn or 32.8% of net sales as against Rs.255.6 mn or 35.9% of net sales in 1<sup>st</sup> Qr previous year.

Profit before tax was at Rs.76.1 mn, a marginal increase over previous year figure of Rs.75.5 mn.

Tax provisioning was much higher at Rs.24.4 mn for current taxes and Rs.1.0 mn for deferred taxes, as against Rs.15.3 mn for current and Rs.1.6 mn for deferred taxes the previous year. As a result, Profit after tax was Rs.50.7 mn as against Rs.58.6 mn the previous year.

## **Business Environment and Outlook**

As the leader in consumer packaging with a major market share of the class “A” segment, PPL’s business outlook is naturally affected by the health and buying behaviour of the leaders in the FMCG sector, by the state of the consumer economy, and the acceptance and demand for our range of flexible consumer packaging materials. Other factors are raw material input costs and competition and industry structure. But, in the end, the most important factor moulding our business outlook is our own action i.e. what we are planning and doing to improve our working and to effectively meet projected changes and challenges in our markets.

Starting with the first factor i.e. the health of the leading FMCG players. Based on profits in the overall segment the health is very good, specially when compared to general Indian industry profit ratios or international FMCG standards. The same cannot be said in terms of organic growth, which, with a few exceptions, has been insipid for the last three years. However, there are clear signs emerging that leading FMCG’s are slowly focusing back on top line growth to recover ground lost to smaller and regional players. While one traditional way is by dropping consumer prices, another is to innovate, to offer genuine added value, to clearly differentiate a leading brand’s better value. The need for innovation in packaging then dovetails with our NASP program. Having said this, it is also clear that deflation in existing products is here to stay.

Coming to the consumer economy, learned observers have correctly lamented on the lack of encouragement from our policy makers to the natural growth emerging from the fundamentals in the economy, the basic entrepreneurship of our people and the aspirations of the Indian consumer. Having said this, the simple fact is that the growth in consumer demand has not been insignificant, though it may have been far below potential. Market feedback at a national level indicates that overall demand growth for the entire branded FMCG sector has touched double digits during the last two years. It seems there is a degree of growth in the consumer economy which is happening independent of our pedestrian economic policy and independent of sluggish economic indicators. Basically, the Indian consumer has developed aspirations and will not be denied. And anecdotal evidence is there for all to see in the fast expanding range of products and brands available in increasing shops and upgraded stores throughout cities, towns and villages. Growth in overall FMCG demand is virtually inevitable, and the exercise is really on how to participate in the growth.

Now coming to the demand for custom designed flexible consumer packaging. Based on our own market and industry information sources, as well as from the suppliers to our industry, the overall growth in national volume in Y2002 was in the region of 12% - 13%, faster than the growth of the user sector. Flexible consumer packaging has both cost and technical advantages over other traditional packaging forms. Speed to market is also faster. And easily satisfies the need to introduce a wider range of pack sizes including small unit single serves of a particular brand. An increasingly fussy consumer is also satisfied by the quality of the “look” of modern labelling and flexible consumer packaging. And, as mentioned earlier in this report the range of applications is rapidly expanding, even beyond FMCG. Hence the outlook on overall demand growth is positive.

Now, to the outlook on raw material prices, which increased to unexpectedly high levels by end of first quarter of 2003. The softening of oil prices is certainly expected to result in a roll back of polymer prices, and we have seen the start of softening in polythenes in early April ‘03. However, there is considerable uncertainty about oil prices and any negative event in the world can escalate prices. We hope for the best. On print films pricing, particularly polyester films there is little scope for any further price-hike, and the real danger of a shift away from polyester may even encourage softening. Hence it looks that the highest level in the pricing of the raw material basket was reached end March ‘03, and it will not go higher but may come down slightly, hopefully providing a little relief to the second half of 2003.

Touching on competition and industry structure, this report earlier mentioned the poor financial health of many flexible packaging players in the organized sector, and without much needed consolidation happening, the industry is largely fragmented without an organized structure and a voice to interface with associated sectors, both suppliers and customers. Further, the lack of remunerative pricing has deprived most of the players of much needed investments in modernization technologies. Importantly, essential investments in hygiene, safety and good environmental practice are not executed. An industry supplying critical products and services to the consumer goods and healthcare sectors is being dangerously weakened. Meantime we will have to continue to operate in an environment where prices are being quoted unviably.

The commentary above hopefully gives a clear picture of the current business environment — a clear positive on overall demand outlook, and some worries related to top line growth amongst some of our large customers, pressure on selling prices, and high level of raw material pricing though with some hope of softening.

In this somewhat uncertain environment we are firmly and confidently moving forward, focused on key areas of accelerating our NASP program and new market development, while improving cost efficiency, quality of processes and customer services.

A word on exports, which grew very well during Y2002. The current year 2003 has also started well for exports with 25% growth in the first quarter compared to same quarter previous year. Sluggish markets abroad have encouraged competition to enter our markets and obtain volumes through lower pricing. The strengthening Rupee has also made it a bit difficult. But the goodwill earned is holding us in good stead. Our plan is to develop exports in a solid and steady manner through 2003-4.

## **Investments & Growth**

Earlier in this report it is mentioned that capital work in progress as on 31<sup>st</sup> Dec.'02 was at Rs.199 mn. These projects, commercialized in April '03, included an increase in Silvassa Plant production capacity by 50% through installation of a new latest technology printing line and associated equipment, and installation of specialized equipment for manufacturing hologram based packaging materials at our Thane plant. Both these installations add unique new technologies to our packaging portfolio and strengthen our NASP program.

During recent months we have been seriously considering the possibility of investment for inorganic growth and have held some discussions related to a few possible alternatives, but could not arrive at a conclusion. We shall continue to explore opportunities with care and caution.

Meantime our capex budget for Y2003, mainly for normal replacements and a few items of modernization, totals Rs.140 mn. However, by the fourth quarter, depending on the then market situation, we will be considering investment in a significant new technology plus some capacity augmentation at a total capex of about Rs.300 mn.

## **Our People**

It is appropriate to repeat our philosophy which has firmly been "It is people who face and overcome challenges. Their approach, knowledge, commitment and actions are what finally delivers. 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".

In last year's report we had mentioned the need to learn more about how to further improve individual training, enhance individual roles and contribution to overall team effort, enhance individual and team commitment, and bring about an even greater sense of satisfaction, personal growth, reward, security and sense of ownership. We need to put added focus on this goal during Y2003.

PPL people have always had regular global exposure due to technology visits, and similar regular travel, and frequent visits by various foreign collaborators. But, as a member of Huhtamaki group, global interaction has increased with the addition of intra group discussions and meetings. This active interaction with people from Huhtamaki group companies has been an interesting experience for our people due to the close exposure to a wide range of cultures, different knowledge bases and different ways of analyzing things. Some of our managers have attended advanced leadership courses along with others in the Group. And in Y2003 one of our senior managers is being deputed to an international assignment for 3 years to a group company in Australia. These interactions will increase and add their own learning benefits.

## **Finally**

We do live in uncertain times.

However, we have a positive outlook on top line growth for the full year 2003, though at a lower growth level than the exceptionally high figure in the first quarter. We are cautious about the bottom line, and hope that input price softening in the second half of Y2003 will help bring about improvement in PBT.

We expect to close the Year 2003 with a strong market position, an enhanced portfolio of technologies, and poised for taking advantage of the growth opportunities of Y2004.

April 2003

**Suresh Gupta**  
Managing Director & President