

SCHEDULE 18 - NOTES FORMING PART OF THE ACCOUNTS

1 SECURED LOANS

- a) 1,028,182 14% Debentures of Rs.50 each are secured by a first charge on a Residential Flat at Thane and on the movable and immovable properties (other than book-debts) situate at the Company's Silvassa plant subject to a prior charge on stocks in favour of the Company's Bankers for financing its Working Capital Requirements.
- b) Working Capital Loans from Banks are secured by hypothecation of inventories, book-debts and bills.

2 a) DIRECTORS' REMUNERATION

	31st December 2002	(Rs.in Thousands) 31st December 2001
Salary, Allowances & Perquisites	6,603	5,309
Pension	750	480
Contribution to Provident Fund	423	352
	<u>7,776</u>	<u>6,141</u>

Note: Provision for gratuity which is based on actuarial valuation done on an overall company basis is excluded from above.

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

	31st December 2002	(Rs.in Thousands) 31st December 2001
Profit before Taxation	357,684	191,073
Add: Provision for diminution in value of Investments	-	1,657
Directors fees	136	24
Remuneration to Working Directors	7,026	5,661
Remuneration to Non-working Directors	725	-
	<u>7,887</u>	<u>7,342</u>
	365,571	198,415
Less: Capital Profit on sale of fixed assets	138	4,824
Profit on sale of Investments	33	17
Write back of provision for Doubtful debts	1,853	2,536
	<u>2,024</u>	<u>7,377</u>
Net Profit	<u>363,547</u>	<u>191,038</u>
Managerial Remuneration payable as per above profit:		
To Working Directors @ 10% P.A.	36,355	19,104
To Non-Working Directors @ 1% P.A.	3,635	1,910
	<u>39,990</u>	<u>21,014</u>
Commission provided for		
-Non-Working Directors - Subject to Central Government Approval (Application made to Central Government on 26th July,2002)	725	-
	<u>725</u>	<u>-</u>

The Company depreciates its fixed assets as enumerated in Schedule 17 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 value has been considered as deduction for the Computation of Managerial Remuneration above.

- 3 a) Provision for taxes is net of write back of previous year's provision of Rs.NIL (Previous Year Rs.6,575 Thousands)
- b) Provision for taxes is based on the results for the year ended 31st December 2002 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 ending 1st April 2002 to 31st March 2003, being the tax year of the Company.

	31st December 2002	(Rs.in Thousands) 31st December 2001
Details of Deferred Tax Asset		
Arising on account of timing differences in :		
- Provision for doubtful debts	8,466	8,885
- Provision for retirement benefits	4,944	2,893
- Deferment of VRS expenses	930	101
- Long term capital loss	—	144
	14,340	12,023
Details of Deferred Tax Liability		
Arising on account of timing differences in :		
- Depreciation	89,324	145,496
Deferred Tax Liability (Net)	74,984	133,473

4 SEGMENTAL REPORTING

The company's sole business segment is Consumer Packaging & all activities of the company are incidental to this sole business segment. Given this fact & that the company services its domestic & export markets from India only, the financial statements reflect the information required by AS-17 for the sole business segment of Consumer Packaging. 100% of the business assets of the Company are situated in India.

Total Capital employed in the business and as such in the segment is Rs.1,791,878 Thousands (Previous Year Rs.1,785,767 Thousands) Secondary segments for the Company are geographic, namely domestic & exports.

	31st December 2002	(Rs.in Thousands) 31st December 2001
Net Sales to External Domestic Customers	2,626,426	2,246,502
Net Sales to External Export Customers	362,433	265,093
Total Net Sales to External Customers	2,988,859	2,511,595
Net Sales to Inter Unit Domestic Customers	233,014	277,593
Total Company Net Sales	3,221,873	2,789,188

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

5 RELATED PARTY TRANSACTIONS

a) Related party where control exists :

- | | |
|--|-----------------------------|
| 1. Ultimate Parent Company | Huhtamaki Oyj., Finland |
| 2. Holding Company | Huhtavefa B.V., Netherlands |
| 3. Subsidiary (Divested on 29th January, 2002) | PPL Feedback Packaging Ltd |

b) Other Related Parties with whom transactions have taken place during the year :

Fellow Subsidiary	Huhtamaki Ronsberg, Germany
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c) Employees' Benefit Plans where there is significant influence	The Paper Products Ltd. Employees Gratuity Fund
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d) Key Managerial Personnel	Mr. Suresh Gupta Managing Director & President Mr. H. L Chopra Director - Technical
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e) Relatives of Key Managerial Personnel	Brig.V.P.Gupta, Mrs.Manmohini Gupta, Mrs.Kumkum Gupta, Ms.Ratna Gupta, Ms.Shivani Gupta, Mrs.Nimmi Chopra, Mrs.Mitali Johari, Mrs.Ritu Puri.
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f) The Company has entered into following transactions with the related parties :

		(Rs.in Thousands)	
	Nature of Transactions	31st December 2002	31st December 2001
Ultimate Parent Company	Training & Software Fees Paid	1,163	–
	Discount Received	(63)	–
Holding Company	Dividend Paid	22,379	22,379
Fellow Subsidiary	Purchase of Goods	7	–
Subsidiary	Technical Service Fees Received	–	(883)
Key Managerial Personnel & their relatives	Remuneration Paid	7,026	5,661
	Dividend Paid	1,319	1,319
	Interest Paid	91	88
	Deposits Received and Outstanding as on	730	730
Employees' Benefit Plans	Contribution for Gratuity	7,091	8,315
	Outstanding Amount Payable/ (Receivable) as on	5,591	(1,998)

6 LEASES

a) Assets obtained on lease

- i) Company has taken office facilities & residential facilities under cancellable operating lease agreements. Company renews such leases in the normal course of its business. Total rental expenses under cancellable operating lease was Rs.3,825 Thousands (Previous Year Rs.3,906 Thousands).
- ii) Further, the Company has taken vehicles and equipments on lease prior to 01.04.2001 under non-cancellable lease agreements. Total rentals payable for unexpired period of lease are Rs.8,824 Thousands (Previous Year Rs.17,848 Thousands)

b) Assets given on lease

- i) Company has given certain land under operating lease agreements. Company renews such leases in the normal course of its business. Total rental income under such operating leases was Rs.54 Thousands (Previous Year Rs.54 Thousands)
- ii) Company has given packaging & related machines to customers under operating lease terms. These machines which are manufactured by company are capitalized in the books of accounts at the direct cost of manufacturing. Initial direct costs (other than direct cost of manufacturing) incurred specifically to earn revenues from operating leases are recognized as expenses in the statement of profit & loss in the year in which they are incurred. Original cost of such machines given on lease is Rs.2,661 Thousands (Previous Year Rs.3,895 Thousands). Depreciation on the same for the year is Rs.381 Thousands (Previous Year Rs.328 Thousands). Accumulated depreciation as on 31.12.2002 is Rs.648 Thousands (Previous Year Rs.426 Thousands) & Rental income credited to profit & loss account for current Year is Rs.649 Thousands (Previous Year Rs.962 Thousands)

7 CONTINGENT LIABILITIES

i) Excise Duty

- a) (i) The CEGAT has confirmed the demand of Rs.4,336 Thousands and a penalty of Rs.1,000 Thousands vide their order dated 6th February, 2002. The company has filed an appeal against same before Supreme Court.
- (ii) Commissioner has confirmed the demand of Rs.22,012 Thousands and penalty of Rs.10,000 Thousands vide his order dated 9th November, 2001. The company has filed an appeal against same before CEGAT. In view of the contentions raised and submissions made by the company, and based on the opinion of the legal advisors that the company is likely to succeed in the matter, the company has not provided for these liabilities.
- b) Matters pending in appeal Rs.7,225 Thousands (Previous Year Rs.905 Thousands). The Company has deposited an amount of Rs.349 Thousands as directed by assessing authorities.
- c) Matters in respect of Classification disputes Rs.5,698 Thousands (Previous Year Rs.1,752 Thousands).
- d) Other Show cause notices Rs.1,398 Thousands (Previous Year Rs. 4,319 Thousands).

		(Rs.in Thousands)	
		31st December 2002	31st December 2001
ii) Sales Tax demands in appeal		2,746	19,622
iii) Claims against the Company not acknowledged as debts		1,591	2,242
iv) Counter guarantees issued to bankers for issuance of guarantees on behalf of the Company		43,512	51,581

v) Contracts remaining to be executed on capital account and not provided for (net of advances)	691	13,823
vi) Bonds executed in favour of excise/customs authorities	113,485	168,806
vii) Corporate guarantee given to Union Bank of India which had provided working capital facilities to the Company's subsidiary, PPL Feedback Packaging Ltd.	-	6,000
viii) Cheques discounted with Banks	-	1,010

8 RESEARCH & DEVELOPMENT EXPENSES

The details of research & development expenses incurred and included under various heads in Profit & Loss Account are as follows:

	For The Year ended 31st December 2002	(Rs.in Thousands) For The Year ended 31st December 2001
Operating Expenses		
Repairs & Stores Consumed	403	207
Personnel Expenses		
Salaries, Wages & Bonus	1,469	1,413
Contribution to PF & Other funds	231	183
Staff Welfare Expenses	242	194
Other Expenditure		
Product Development Expenses	1,783	1,295
Conveyance, Electricity, Printing & Stationery, Travelling, Car & Vehicle Expenses, Society Charges etc.	660	591
Miscellaneous Expenses	353	483
Depreciation	309	371
Total	<u>5,450</u>	<u>4,737</u>

This information is given pursuant to the recognition granted to the Company's Research & Development Centre by the Department of Scientific & Industrial Research, Ministry of Science & Technology, Government of India, vide their letter No.TUD/4D/RD/963/84-84 dt.06.01.1984.

9 PARTICULARS IN RESPECT OF GOODS MANUFACTURED

Description	31st December 2002 Tonnes	31st December 2001 Tonnes
1 Installed Capacity *		
a. Laminates & Converted, Coated / Uncoated Paper & Films	17,990.000	17,990.000
b. Cartons	4,000.000	4,000.000
c. Metalised Films	1,000.000	1,000.000
d. Polyethylene Films	1,800.000	1,800.000
* Installed capacities are as certified by the management and have not been verified by the auditors, as this is a technical matter.		
2 Production		
a. Laminates & Converted, Coated / Uncoated Paper & Films	14,103.529	11,604.212
b. Cartons	2,881.618	2,817.301
c. Metalised Films *	676.762	848.916
d. Jobwork - Metalised Films	34.240	137.466
e. Polyethylene Films *	1,757.615	1,725.269
f. Jobwork- Others	194.109	267.268
	<u>19,647.873</u>	<u>17,400.432</u>

* Includes for captive consumption

10 TURNOVER AND STOCKS OF GOODS MANUFACTURED AND TRADED

	31st December 2002		(Rs.in Thousands) 31st December 2001	
	Tonnes	Value	Tonnes	Value
a. Turnover (Net Sales)				
a. Laminates & Converted, Coated / Uncoated Paper & Films	14,044.900	2,819,533	11,568.154	2,338,142
b. Cartons	2,897.058	195,339	2,817.314	209,753
c. Metalised Films *	683.840	104,348	842.234	138,821
d. Jobwork - Metalised Films	34.240	1,533	137.466	5,352
e. Polyethylene Films *	1,787.629	115,028	1,716.147	129,482
f. Jobwork- Others	194.109	2,211	267.268	3,405
g. Others	–	20,352	–	13,519
	<u>19,641.776</u>	<u>3,258,344</u>	<u>17,348.583</u>	<u>2,838,474</u>
Less: Rebates & Discounts		36,471		49,286
	<u>19,641.776</u>	<u>3,221,873</u>	<u>17,348.583</u>	<u>2,789,188</u>

* Includes for captive consumption

b. Opening Stock				
a. Laminates & Converted, Coated / Uncoated Paper & Films	122.758	23,910	86.700	17,278
b. Cartons	32.007	2,805	32.020	2,370
c. Metalised Films	7.808	2,666	1.126	199
d. Polyethylene Films	49.110	3,001	39.988	3,019
	<u>211.683</u>	<u>32,382</u>	<u>159.834</u>	<u>22,866</u>
c. Closing Stock				
a. Laminates & Converted, Coated / Uncoated Paper & Films	181.387	21,205	122.758	23,910
b. Cartons	16.567	900	32.007	2,805
c. Metalised Films	0.730	112	7.808	2,666
d. Polyethylene Films	19.096	1,297	49.110	3,001
	<u>217.780</u>	<u>23,514</u>	<u>211.683</u>	<u>32,382</u>

11 RAW MATERIALS AND PACKING MATERIALS CONSUMED

a. Paper	4,041.553	170,046	4,379.328	194,239
b. Paper Board	3,114.007	72,123	2,931.140	65,553
c. Films	10,399.013	1,087,892	8,703.550	934,164
d. Inks, Adhesives and Solvents	5,516.060	474,685	4,972.004	436,416
e. Polyethylene Granules	3,011.991	134,704	2,485.055	120,236
f. Others	–	98,286	–	91,159
	<u>26,082.624</u>	<u>2,037,736</u>	<u>23,471.077</u>	<u>1,841,767</u>

12 CIF VALUE OF IMPORTS

	31st December 2002	31st December 2001
a. Raw Materials	170,944	135,211
b. Stores, Spares-parts & other materials	13,135	12,971
c. Capital Goods	108,334	30,209

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

	(Rs.in Thousands)			
	Percentage	Value	Percentage	Value
a. Imported	11.99%	246,568	10.50%	195,158
b. Indigenous	88.01%	1,809,594	89.50%	1,663,132
	<u>100.00%</u>	<u>2,056,162</u>	<u>100.00%</u>	<u>1,858,290</u>

14 EARNINGS IN FOREIGN CURRENCY

a. F.O.B. Value of Exports	319,934	237,316
b. Service Charges Earned	9,651	8,888

15 EXPENDITURE IN FOREIGN CURRENCY (On payment basis)

a. Royalty Expenses	3,610	2,282
b. Travelling Expenses	5,199	2,419
c. Export Agency Commission	2,739	2,201
d. Periodicals and Subscriptions	7	68
e. Technician Fees	1,262	-
f. Others	1,748	1,541

- 16 a) The Company has availed of unsecured interest free sales tax deferred loan of Rs.70,996 Thousands from the Government of Andhra Pradesh for its Hyderabad (Bollaram) factory, in accordance with their sales tax deferral scheme.

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

- b) In October 1998, the company acquired the Hyderabad Plant from APR Ltd through an asset buyout deal.

To comply with the Andhra Pradesh Sales Tax deferrment Scheme, the Company took over a sales tax deferred loan of Rs.6,318 Thousands from APR Ltd. As a compensation the company was given 195 IDBI deep discount bonds having issue price of Rs.526 Thousands and a fair value of Rs.1,541 Thousands. These bonds on due date for repayment of this loan were to yield a maturity value of Rs 9,750 Thousands which after meeting the estimated income tax liability would have fully funded the sales tax loan liability. The investment in IDBI bonds valued at Rs.1,541 Thousands was shown as long term investment, the sales tax loan under unsecured loans and the differential of Rs. 4,776 Thousands under other current assets being the unearned interest component which is being accrued over the tenure of the bonds.

Consequent to the exercise of call option on these bonds by IDBI the above deep discount bonds have been redeemed in March,2002. The Board decided to continue to invest in deep discount bonds to fund this liability. Accordingly it has invested an amount of Rs.3,111 Thousands in ICICI deep discount bonds. The unearned interest of Rs.1,925 Thousands as on 31st December,2002 reflects current estimated yield on this investment.

- 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:

	31st December 2002	31st December 2001
a. Number of Non-resident Shareholder	1	1
b. Equity Shares held by Non-resident Shareholder	6,394,093	6,394,093
c. Gross Amount of Dividend Remitted (Rs.in Thousands)	22,379	22,379

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

	31st December 2002	31st December 2001
a. Number of Non-resident Shareholders	31	35
b. Equity Shares held by Non-resident Shareholders	710,289	211,971
c. Gross Amount of Dividend (Rs.in Thousands)	2,486	742

- 18 On 29th January 2002 the Company divested its entire shareholding of 51 % in it's subsidiary PPL Feedback Packaging Ltd. Management has not considered consolidation of accounts of the Subsidiary with that of the Company as the estimated impact on the accounts attributable to the operations of the Subsidiary upto the period ended 29th January,2002 is not significant.

- 19 Due to Voluntary retirement scheme the company has incurred extra ordinary expenses on account of :

	(Rs.in Thousands)	
	31st December 2002	31st December 2001
Gratuity	-	1,178
Leave Encashment	-	778
Exgratia	-	1,668
	<u>-</u>	<u>3,624</u>

- 20 Small Scale Industrial Undertakings to whom dues are outstanding for more than 30 days are as follows :

(As identified by the management)

Able Moulders	Bombay Chemicals	Durga Precision Engineering Works	Indrayani Paper Products Pvt. Ltd.
Air Control Corporation	Bombay Thinner & Solvents	Everest Blocks	Jyoti Traders
Amardeo Plastic Industries	Bharati Fire Engineers	Explosionproof Electrical Control	K.D. Joshi
Aditya Lamination	Cores & Containers Pvt. Ltd.	Evershine Offset	Kolns Industries
Ajit Engineering Company	Convertech Equipment P. Ltd.	Expert Industries	Kabra Tapes
Aakash Packaging Industries	Choudhary Packers	Gewa Engineers	Leelavati Engineers
Aakash Plastopack Pvt.Ltd.	Clearex Films	G.N.Engineering Works	Laser Dot Limited
Anand Polyrotex	Dalbir Engineers	Hemendra Metal Industries	Lathia Rubber Mfg. Co. Pvt.Ltd.
Ajimal Rubber Coats	Dipti Corrugating Industries P.Ltd.	Hotmelt Packaging Pvt.Ltd.	Lesertec

Multifilms Plastics Pvt. Ltd.	Polyinks Limited	Sainath Packaging Products	Shrikant Wood Works
MSS Engineering Works	Pack Field	Sigma Seals	Shreyas Engineering
Manish Packaging Pvt. Ltd.	Premco Plastics	Star Knives & Saws	Syed Paper Cores
Mahendra Thermo Electricals	Printex	Selvans Metal Industries	Shanti Patra Plastics Pvt. Ltd.
Maharashtra Wood Works	Quality Printers	Specialty Polyfilms (I) Pvt.Ltd.	Shreenath Packaging
Numex Blocks (I) Pvt. Ltd.	Reducon Industries	SMC Pneumatics (India) Pvt.Ltd.	Silva Printing & Packaging
National Adhesives & Polymers	Royal Precision Engineering Works	Shree Ram Packaging Industries	Saitaja Packing Company
Om Engineers	Rohan Industries	Sai Shakti Engineering Co.	Tarun Engineering Works
Plascap Industries	Strategi Automation Solutions P. Ltd.	Stay On Papers Pvt. Ltd.	Tidland Web Accessories Pvt. Ltd.
Pepperl+Fuchs (I) Ltd.	Shilp Containers Pvt. Ltd	Star Controls	Tej Control Systems Pvt. Ltd.
Pace Equipment (P) Ltd.	S M Engg. Works	Sri Sairam Packaging	Thermo Shell Industries
Powermaster Industrial Equipments P. Ltd.	Sav-ex Seal Pvt.Ltd.	Sri Surya Enterprises	Unitech Marketing Pvt. Ltd.
	SDBP Composition	Selvel Conveyors	Wudtools
		Shivam Engineers	Zenith Die Makers Pvt. Ltd.

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

Signatures to Schedules 1 to 18

	SURESH TALWAR <i>Chairman</i>	SURESH GUPTA <i>Managing Director & President</i>	H. L. CHOPRA K. C. NARANG VIBHU TALWAR TONY COMBE ARUNKUMAR R.GANDHI P.V.NARAYANAN RAMESH K.DHIR <i>Directors</i>
Mumbai 28th January, 2003	M. K. SRINIVASAN <i>Sr.Vice President Finance</i>	MANOJ J. MALHOTRA <i>Company Secretary</i>	