HUHTAMAKI-PPL

The Paper Products Ltd.

PPL - THE POWER OF FLEXIBLE PACKAGING

63rd ANNUAL REPORT 2012

Specialised Pouches

Personal Care

Product Portfolio

Package Protection & Decoration Technologies

Specialised Cartons

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman & Managing Director	Mr. Suresh Gupta
	Mr. Arunkumar Gandhi
	Mr. P. V. Narayanan
	Mr. Jukka Moisio
	Mr. Johann Sippel
(Alternate to Mr. Jukka Moisio)	Mr. Timo Salonen
	Mr. R. K. Dhir
	Mr. S. K. Palekar
	Mr. Nripjit Singh Chawla
Executive Director	Mr. A. Venkatrangan
Company Secretary & Head - Legal	Mr. Anand Daga

BANKERS

Standard Chartered Bank

The Hongkong and Shanghai Banking Corporation Ltd.

AUDITORS

S.R. Batliboi & Co.
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

OVERVIEW

Board of Directors	02
Financial Performance Indicators	03
Directors' Report	06
Corporate Governance Report	10
Management Discussion & Analysis	26

STANDALONE FINANCIAL STATEMENTS

Auditors Report	30
Balance Sheet	34
Statement of Profit & Loss	35
Cash Flow Statement	36
Notes	38
Statement Pursuant to Section 212	62

CONSOLIDATED FINANCIAL STATEMENTS

Auditors Report	63
Balance Sheet	64
Statement of Profit & Loss	65
Cash Flow Statement	66
Notes	68

BOARD OF DIRECTORS

MR. 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 39 years, including 25 years in the Company. He was appointed as Managing Director since May 1994, and designated as Chairman & Managing Director of the Company w.e.f. 10th March 2010. He also holds position of Executive Vice President, Flexible Packaging Global and a member of the Group Executive Team of Huhtamaki Oyj., the ultimate holding Company.

MR. ARUNKUMAR GANDHI - *DIRECTOR*

Mr. Arunkumar Gandhi is a Fellow Member of the Institute of Chartered Accountants of England & Wales and the Institute of Chartered Accountants of India and an associate member of the Chartered Institute of Taxation, London. He is on the Board of number of various companies of Tata Group in India and abroad. He has been an Independent Director of the Company since March 2002.

MR. P. V. NARAYANAN - *DIRECTOR*

Mr. P. V. Narayanan is a Post-Graduate in Chemistry and holds Diploma in Marketing Management. He has 46 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 membership of Institute of Packaging (F. Inst. Pkg) UK and Chartered Scientist (CS) by the Science Council, UK. He is an advisor of Cognizance Packaging Solutions Pvt. Ltd. Mr. Narayanan is a member of the Board of APEDA (Agricultural & Processed Food Products Export Development Authority), Ministry of Commerce, Government of India. He has been an Independent Director of the Company since March 2002.

MR. 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 40 years working with Peat Marwick, London and a US Multinational with operations in India and overseas. He is a past President and on the Board of Council for Fair Business Practices. He is also a member of Maharashtra State General Committee of the Indian Red Cross Society. He has been an Independent Director of the Company since March 2002.

MR. S. K. PALEKAR - *DIRECTOR*

Mr. S. K. Palekar is B.Sc., M.Sc. (physics) from Mumbai University & MMS (Marketing) from Jamnalal Bajaj Institute of Management Studies. He secured 1st rank both in M.Sc (Physics) & MMS (Marketing). He is currently the Chairperson of Executive Education Centre of S. P. Jain Institute of Management & Research at Mumbai. He brings with him 36 years of experience in all aspects of marketing – like sales, advertising, market research, brand management – and also of general management. He has hands on experience in FMCG, durables & service Industries. He retired as Senior Vice President of Marketing & Knowledge Management from Eureka Forbes Limited; after serving there for over a decade. He has joined as an Independent Director of the Company on 16th March 2011.

MR. NRIPJIT SINGH CHAWLA - *DIRECTOR*

Mr. Nripjit Singh Chawla did his MBA from Indian Institute of Management, Calcutta. He has wide corporate management experience of over 43 years working with ITC Ltd., Korn / Ferry International, Max India Ltd. He is currently acting as Independent Management Consultant to Commercial organizations and NGO's in the areas of Marketing, Business strategy and Business Processes, Education, Tourism and Hospitality, Healthcare, etc. He serves as teaching faculty in many Business Schools and Management Institutes. He has joined as an Independent Director of the Company on 12th March 2013.

MR. JUKKA MOISIO - *DIRECTOR*

Mr. Jukka Moisio holds Masters degree in Science and (Econ) and MBA. He 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 the Board of Directors of the Company w.e.f. 23rd April 2008.

MR. JOHANN SIPPEL - *DIRECTOR*

Mr. Johann Sippel holds post graduate degree of Certified Accounting Specialist (CCI) from Germany. He has over 27 years of experience including 23 years in Huhtamaki Group companies in different roles. He currently holds position of Vice President Finance, Flexible Packaging Global, leading the finance function for this segment of Huhtamaki Oyj since January, 2010. He has Finance & Accounts related expertise.

MR. TIMO SALONEN - *ALTERNATE DIRECTOR TO MR. JUKKA MOISIO*

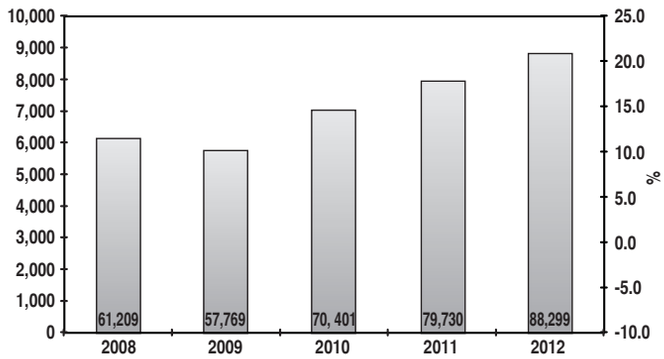
Mr. Timo Salonen holds Masters degree in Science (Econ) and Masters degee in Law. His career at Huhtamaki Oyj started in the year 1991. He is currently the Chief Financial Officer of Huhtamaki Oyj. Prior to joining Huhtamaki Oyj he worked with Partek Corporation (1983-1991), wherein, the last position held by him was of Division Controller, Partek Concrete International, Belgium.

MR. A. VENKATRANGAN - *EXECUTIVE DIRECTOR*

Mr. A. Venkatrangan is Graduate in Commerce and MBA in Finance and Marketing and having a total experience of 32 years, wherein he has worked in Corporate Planning, Costing, MIS, Budget Control, Operations, Internal Audit and Commercial functions at various levels with Murugappa Group and Essar Group. He joined the Company in January, 1999. He was appointed as an Additonal Director of the Company on 4th June 2012 and designated as the Executive Director of the Company w.e.f. 1st July 2012.

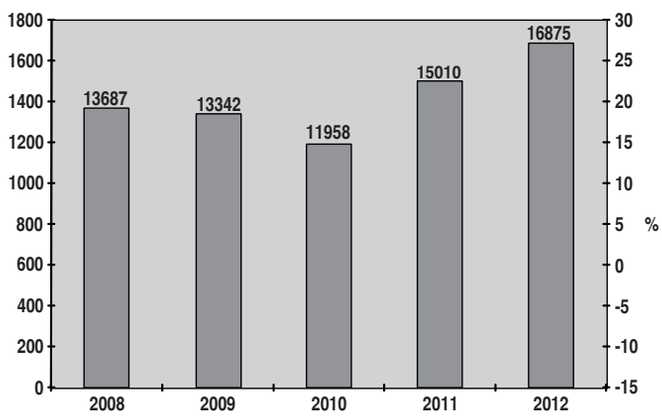
FINANCIAL PERFORMANCE INDICATORS

TURNOVER (₹ in Lacs)



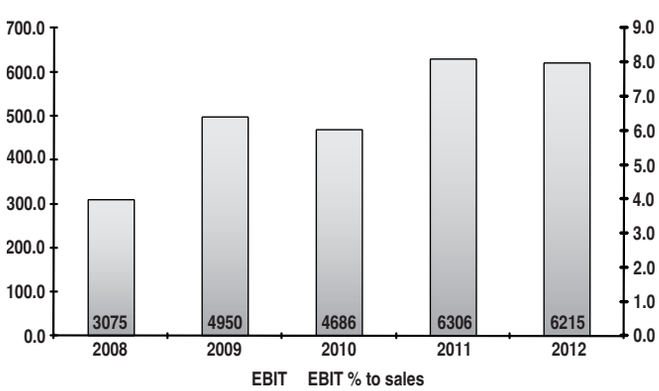
Last Years CAGR : 10.66%

EXPORT TURNOVER (₹ in Lacs)

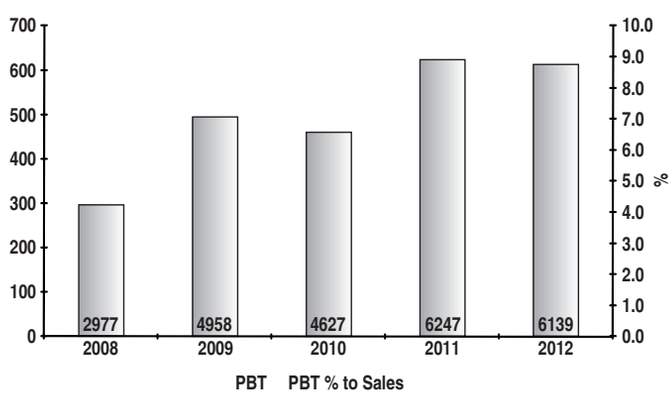


Last 5 Years CAGR : 9.12%

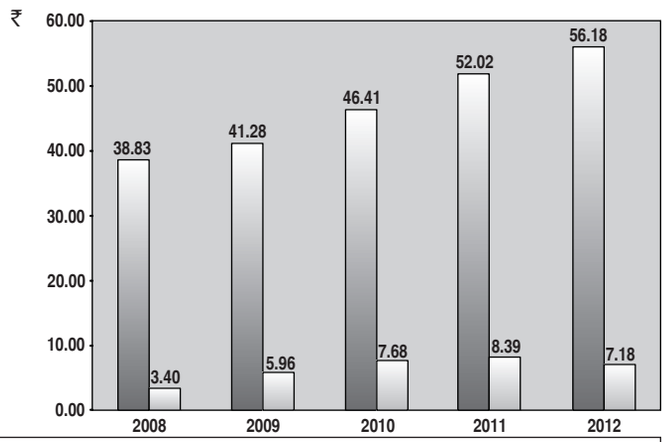
EARNING BEFORE INT & TAX (EBIT) (₹ in Lacs)



PROFIT BEFORE TAX, EXCEPTIONAL & EXTRAORDINARY ITEMS (₹ in Lacs)

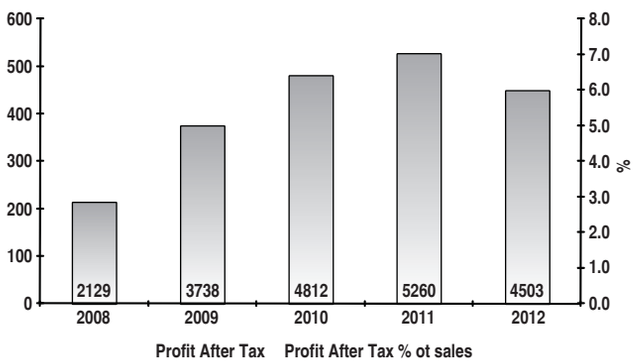


EPS AND BOOK VALUE PER SHARE

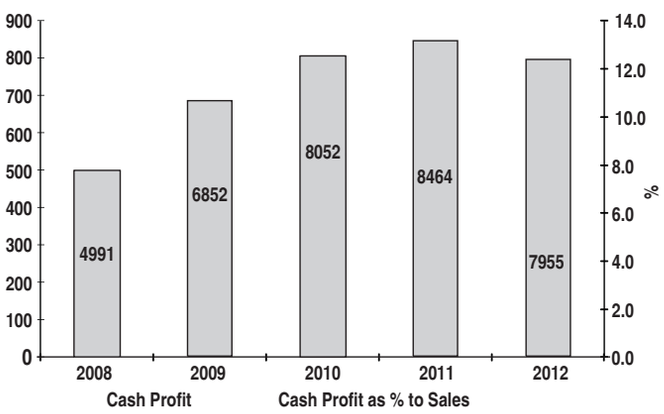


	2008	2009	2010	2011	2012
Book Value (Excluding Revaluation Reserve)	38.83	41.28	46.41	52.02	56.18
EPS	3.40	5.96	7.68	8.39	7.18

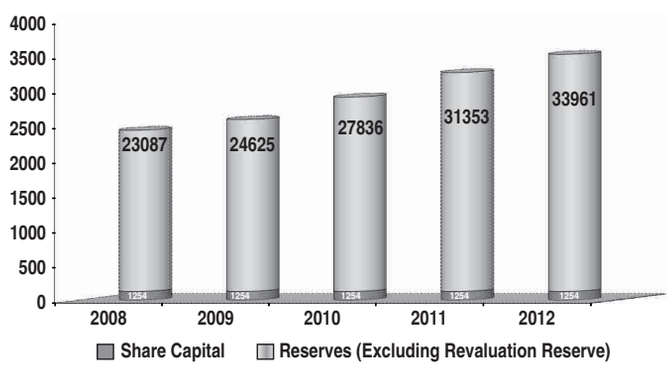
PROFIT AFTER TAX, EXCEPTIONAL & EXTRAORDINARY ITEMS (₹ in Lacs)



CASH PROFIT (₹ in Lacs)



NET WORTH GROWTH (₹ in Lacs)



FINANCIAL HIGHLIGHTS

(₹ in Lacs)

	2012 ^	2011 ^	2010	2009	2008	2007	2006	2005	2004	2003
OPERATING RESULTS										
Net Sales	**88299**	79730	70401	57769	61209	53206	46467	39829	36178	35253
Other Income	**1567**	1426	832	911	1173	1074	1148	966	566	445
EBDIT	**9596**	9455	7927	8186	6090	6768	6650	6437	5689	6154
Depreciation & Amortisation	**3452**	3204	3240	3115	2862	2886	2307	2498	2247	2235
EBIT	**6144**	6251	4687	5071	3228	3882	4343	3939	3442	3919
Profit before Tax	**6139**	6247	4627	4958	2977	3697	4281	3868	3365	3791
Exceptional Items & Extraordinary - Net of Tax	**–**	294	1533	–	–	(318)	1208	(80)	–	–
Provision for Tax	**1636**	1281	1348	1220	848	541	1497	1021	954	1000
Profit after Tax	**4503**	5260	4812	3738	2129	2837	3992	2767	2411	2791
EBDIT to Sales %	**10.87%**	11.86%	11.26%	14.17%	9.95%	12.72%	14.31%	16.16%	15.72%	17.46%
EBIT to Sales %	**6.96%**	7.84%	6.66%	8.78%	5.27%	7.30%	9.35%	9.89%	9.51%	11.12%
PBT to Sales %	**6.95%**	8.20%	8.75%	8.58%	4.86%	6.35%	11.81%	9.51%	9.30%	10.75%
Earning Per Share	**7.18**	8.39	7.68	5.96	3.40	4.53	6.37	4.41	3.85	4.45
Cash Earning Per Share	**12.69**	13.50	12.84	10.93	7.96	9.13	10.05	8.39	7.37	7.89
Equity Dividend %	**130**	120	110	***150	90	90	90	70	60	**150
FINANCIAL POSITION										
Equity Share Capital	**1254**	1254	1254	1254	1254	1254	1254	1254	1254	1254
Reserves & Surplus	**34237**	31629	28112	24901	23363	22573	21131	18424	16698	15142
Shareholders Funds	**35491**	32883	29366	26155	24617	23827	22385	19678	17952	16396
Loan Funds	**2061**	2159	2253	2393	4981	6715	3378	1629	1302	1026
Deferred Tax Liability (Net)	**40**	252	526	677	690	852	839	602	899	962
Net Fixed Assets (Incl. Capital work in Progress)	**17568**	18230	17869	20335	21055	21451	19670	13515	13650	11421
Investments	**9916**	6338	3945	3103	1698	1381	52	825	980	3110
Net Assets (Current & Non Current)	**10108**	10726	10332	5787	7535	8562	6880	7570	5518	3812
Miscellaneous Expenditure	**–**	–	–	–	–	–	–	–	5	42
Capital Employed	**37592**	35294	32146	29225	30288	31394	26602	21910	20153	18385

^ 2011 & 2012 - based on Revised Schedule VI

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

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 63rd Annual Report along with the Audited Statements of Accounts for the year ended December 31, 2012.

PERFORMANCE DURING THE YEAR (STANDALONE)

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

(₹ in Lacs)

	2012	2011
Net Sales	**88299**	79730
Profit before Tax & Extraordinary Items	**6139**	6246
Less: Provision for Current Tax	**1848**	1675
Provision for Deferred Tax	**(212)**	(394)
Extraordinary Items (Net of Tax)	**–**	294
Profit after Tax	**4503**	5259
Add: balance of profit for earlier years	**15383**	12393
Profit available for appropriation	**19886**	17652
Transfer to General Reserve	**450**	526
Proposed Dividend on Equity Shares & Dividend Tax thereon	**1894**	1743
Balance Carried forward	**17542**	15383

During the year under review, the net sales grew by 10.7%. PBT margin dropped marginally to 7.0% from 7.8% primarily due to steep increase in input and energy costs.

After transferring an amount of ₹ 450 Lacs to General Reserve, the balance available for appropriation was ₹ 19436 Lacs including amount brought forward of ₹ 15383 Lacs of previous year. The Earning per Equity Share (EPS) including/excluding extraordinary items was ₹ 7.18.

During the year under review the Company acquired 51% Equity stake in Webtech Labels Pvt. Ltd., at a cost of ₹ 3879 Lacs. Webtech Labels Pvt. Ltd. had a total outstanding debit of ₹ 2617 Lacs as on the date of acquisition. Webtech Lables Pvt. Ltd. is a leader in the Specialized Indian Pressure Sensitive Lables Sector.

DIVIDEND

Your Directors recommend payment of dividend of ₹ 2.60 per equity share i.e. @ 130% on the Equity Capital for the year ended December 31, 2012. The said dividend will absorb ₹ 1894 Lacs 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 December 31, 2012, there was no fixed deposit pending with the Company.

STATUTORY DISCLOSURES

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

DIRECTORS' REPORT (contd.)

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

DIRECTORS

Mr. R. K. Dhir and Mr. S. K. Palekar, retire by rotation at this Annual General Meeting and being eligible have offered themselves for re-appointment.

Mr. M. K. Srinivasan resigned as the CEO & Executive Director of the Company w.e.f June 30, 2012. The Board places on record its appreciation for the services rendered by Mr. M. K. Srinivasan as CEO & Executive Director of the Company.

Mr. K. C. Narang retired as Director of the Company w.e.f March 12, 2013 after serving on the Board for 30 years. The Board places on record its appreciation for the invaluable contribution made during his tenure as Director of the Company.

Mr. A. Venkatrangan was appointed as an Additional Director of the Company w.e.f June 4, 2012. Mr. A. Venkatrangan was appointed as Executive Director of the Company w.e.f July 1, 2012.

Mr. Nripjit Singh Chawla was appointed as an Additional Director of the Company w.e.f March 12, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

i) In the preparation of the annual accounts for the year ended December 31, 2012 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 December 31, 2012 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 December 31, 2012 have been prepared on a going concern basis.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis forms part of this Annual Report for the year ended December 31, 2012.

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.

DIRECTORS' REPORT (contd.)

AUDITORS

M/s. S. R. Batliboi & Co., Chartered Accountants, Statutory Auditors of the Company holds office until the conclusion of the ensuing Annual General Meeting and have furnished a certificate under Section 224 of the Companies Act, 1956 regarding their eligibility for re-appointment. The Board and the Audit Committee have recommended the appointment.

COST AUDITORS

The Board of Directors have appointed M/s. R. Nanabhoy & Co., Cost Accountants for conducting the audit of the cost accounting records maintained by the Company for the products covered under Chapter 48 and Chapter 76 of the Central Excise Tariff Act, for the calendar year 2012. The Cost Audit report for the year 2012 is awaited.

SUBSIDIARY COMPANY

In terms of General Exemption, under Section 212(8) of the Companies Act, 1956, granted by the Ministry of Corporate Affairs vide its circular no. 02/2011 dated February 8, 2011 and in compliance with the conditions enlisted therein, the Audited Statement of Accounts, Auditors' Report thereon and the Reports of the Board of Directors of the Company's subsidiary for the year ended December 31, 2012 have not been annexed. The Annual Accounts and related documents of the Subsidiary company shall be kept open for inspection at the Registered Office of the Company. The Company will also make available these documents upon request by any Member of the Company interested in obtaining the same. However, as directed by the said circular, the financial data of the Subsidiary have been furnished under "Subsidiary Company Particulars" forming part of the Annual Report (refer page no. 62). Further, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountant of India, Consolidated Financial Statements presented by the Company in this Annual Report includes the financial information of its subsidiary.

INDUSTRIAL RELATIONS

The industrial relations during the year under review continued to be cordial. The Directors place on record their sincere appreciation of the services rendered by employees at all levels.

ACKNOWLEDGMENT

Your Board of Directors wish to express its sincere appreciation for the excellent support and co-operation received from Huhtamaki Group, shareholders, customers, vendors, banks and all other business associates.

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

Mumbai
March 12, 2013

SURESH GUPTA
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT
ANNEXURE - 1

A. CONSERVATION OF ENERGY:

Energy costs continue to increase rapidly. Power tariff on an average went up by about 20%. Fuel went up by 52%. These costs were not absorbed by the market. The Company has a well-structured energy management system to initiate, facilitate and sustain energy conservation program throughout the organization. Regular efforts are made to optimize process parameters, modernize plant and machinery and upgrade technology and equipment.

Company has been always conscious of the need for conservation of energy and many measures have been implemented in all plants and offices, including only as examples:

- Maintaining the power factor at unity.
- Reduction of leakages and consumption by proper Air management.
- Use of LED lights in specific office areas.
- Modernisation of the existing machines.
- Setting up a Oil heating system as per process requirement.

B. TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

The Company's Research & Development Center at Thane, recognized by the Department of Science & Technology, Government of India, carries out various R&D activities aimed at providing our customers and their consumers with superior flexible packaging and labeling solutions on a continuous basis.

Key focus areas are knowledge build up and maintaining technology leadership, material up gradation and process development. These are the building blocks of our Nasp (New Applications, Structures, Products / Processes) philosophy. Special attention is given to develop greener solutions on one hand and more cost effective options on the other, through various techniques including source reduction, energy reduction and reduced carbon footprint.

Detailed work is being done on the creative side with reference to graphics and pack shapes, to help our customers to differentiate their products in a crowded market place.

Several new raw materials have been tested to give better barrier and improve the functionality of the laminate.

Your company is working actively on "Green Technologies" like reduction of solvent usage, recovery of spent solvents etc.

The Company has been recognized for its innovative efforts by several packaging organizations and awarded with India Star and World Star awards.

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

a. Capital	₹ Nil
b. Recurring	₹ 84 Lacs
c. Total	₹ 84 Lacs

C. FOREIGN EXCHANGE EARNINGS & OUTGO

a) Foreign exchange earnings from the exports of the Company's products & services amounted to ₹15600 Lacs.

b) The outflow of foreign exchange on account of import of goods and expenses on Travelling, Commission on Exports, Royalty and Technical Service charges amounted to ₹ 14545 Lacs.

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, 2012.

BOARD OF DIRECTORS

The Board of Directors of the Company (hereinafter referred as the Board) comprises of a combination of Executive and Non-Executive Directors. The Board of Directors, as on December 31, 2012 comprised 9 Directors (excluding Alternate Director) of whom two are Executive and seven are Non-Executive Directors with five Directors being Independent. The Chairman of the Board is an Executive Director and more than half of the Board members (excluding Alternate Director) are Independent. The composition of the 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 as on the date of the report and attendance at Board Meetings and the last Annual General Meeting (AGM) held during the year under review is given below:

S. No.	Name of the Director	Category	No. of Board Meetings held during the FY 2012 / Tenure	No. of Board Meetings attended	Attendance at Last AGM
1	Mr. Suresh Gupta Chairman & Managing Director	Executive	7	4	Yes
2	Mr. A. Venkatrangan # Executive Director	Executive	4	4	N.A
3	Mr. K. C. Narang ^	Non-Executive, Independent	7	7	Yes
4	Mr. Jukka Moisio*	Non-Executive	7	3	Yes
5	Mr. Johann Sippel *	Non-Executive	7	4	Yes
6	Mr. Arunkumar R. Gandhi	Non-Executive, Independent	7	5	Yes
7	Mr. P.V. Narayanan	Non-Executive, Independent	7	7	Yes
8	Mr. Ramesh Kumar Dhir	Non-Executive, Independent	7	7	Yes
9	Mr. S. K. Palekar	Non-Executive, Independent	7	7	Yes
10	Mr. M. K. Srinivasan @	Executive	4	3	Yes
11	Mr. Timo Salonen* (Alternate to Mr. Jukka Moisio)	Non-Executive	7	0	No
12	Mr. Nripjit Singh Chawla ~	Non-Executive Independent	N.A	N.A	N.A

* Nominated as Directors by the foreign promoters.

Mr. A. Venkatrangan was appointed as an Additional Director w.e.f June 4, 2012 and was subsequently appointed as the Executive Director of the Company w.e.f. July 1, 2012.

^ Mr. K. C. Narang retired as Director of the Company w.e.f March 12, 2013.

@ Mr. M. K. Srinivasan ceased to be CEO & Executive Director of the Company w.e.f June 30, 2012.

~ Mr. Nripjit Singh Chawla was appointed as an Additional Director w. e. f. March 12, 2013.

CORPORATE GOVERNANCE (contd.)

During the year 2012, Seven Board Meetings were held on January 31, 2012, March 21, 2012, May 4, 2012, June 22, 2012, July 27, 2012, October 30, 2012 and November 9, 2012 with time gap not exceeding 4 months between two such meetings and the Annual General Meeting was held on May 4, 2012.

Apart from physical meetings, the Board also considered and approved certain matters by circular resolutions, which were noted at the next Board Meeting.

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

Name of the Director	As on December 31, 2012			
	Other Directorship(s)[1]	Committee positions in other Companies (excluding PPL)[2]		
		Member	Chairman	Total
Mr. Suresh Gupta	1	Nil	Nil	Nil
Mr. A. Venkatrangan	1	Nil	Nil	Nil
Mr. K. C. Narang	Nil	Nil	Nil	Nil
Mr. Jukka Moisio	Nil	Nil	Nil	Nil
Mr. Johann Sippel	Nil	Nil	Nil	Nil
Mr. Arunkumar R. Gandhi	11	3	2	5
Mr. P. V. Narayanan	1	Nil	Nil	Nil
Mr. Ramesh K. Dhir	Nil	Nil	Nil	Nil
Mr. S. K. Palekar	2	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.

Relationship between Directors inter-se:

There are no inter-se relationships amongst the Directors.

COMMITTEES OF THE BOARD:

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

CORPORATE GOVERNANCE (contd.)

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 2012, five Audit Committee meetings were held on January 31, 2012, March 21, 2012, May 4, 2012, July 27, 2012 and October 30, 2012. The time gap between two consecutive meetings of the Audit Committee was not more than four months.

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 2012
Mr. K. C. Narang,^ Chairman	B. A., LLB., FCA	5/5
Mr. Arunkumar R. Gandhi	FCA (India) and FCA (England & Wales)	4/5
Mr. P. V. Narayanan	Post Graduate in Chemistry	5/5

^ Mr. K. C. Narang ceased to be the Chairman of the Audit Committee w.e.f March 12, 2013 consequent to retirement from the Board. Mr. S. K. Palekar was appointed as the member of Audit Committee on March 12, 2013.

(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.
- Review of Management discussion and analysis of financial condition and results of operations.
- 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, if any,
  - h. The going concern assumption,
  - i. Related party transactions.
- Reviewing with the management, external and internal auditors the adequacy and compliance of internal control systems.
- Reviewing Company's financial and risk management policies.
- Reviewing the internal audit function and reports and major findings of the internal auditors.
- Pre-Audit and Post-Audit discussion with the Statutory Auditors to ascertain any area of concern.

The Chairman of the Committee was present at the Annual General Meeting of the Company held in 2012 for addressing the shareholders queries, if any.

The CMD, CEO, CMO, CFO, the Statutory Auditors and the Internal Auditors are invited by the Committee to attend the meetings. Operating managers are also invited to attend as and when it is required.

CORPORATE GOVERNANCE (contd.)

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.

(iii) The Committee relies on the expertise and knowledge of the management, Internal Auditors and independent Statutory Auditors in carrying out its responsibilities. It also uses external expertise, if required. Management is responsible for the preparation, presentation and integrity of the Company's financial reporting principles. Management is also responsible for internal control over financial reporting and all procedures are designed to ensure compliance with Accounting Standards, applicable laws and regulations as well as for objectively reviewing and evaluating the adequacy, effectiveness and quality of the Company's system of internal control.

M/s. S. R. Batliboi & Co., Chartered Accountants, are the Company's independent Statutory Auditors. They are responsible for performing an independent audit of the financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in India.

b) Shareholders/Investors Grievance Committee:

The Committee comprises of two Non–Executive Directors. During the Year 2012, one Shareholders/Investors Grievance Committee meeting was held on March 21, 2012 in which both the Directors were present.

The composition of the Committee is given hereunder:

Name of the Director	Designation
Mr. K. C. Narang^	Chairman
Mr. Ramesh K. Dhir	Member

^ Mr. K. C. Narang ceased to be the Chairman of the Shareholders/Investors Grievance Committee of the Company w.e.f March 12, 2013 consequent to retirement from the Board. Mr. S. K. Palekar was appointed as the Member of the Shareholders/Investors Grievance Committee on March 12, 2013.

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.

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 registrar and share transfer agent of the Company address general queries of the shareholders to their satisfaction.

Details of investors' complaints received during 2012:

Nature of Complaint	Received	Replied/resolved	Pending	Remarks
Non-receipt of Dividend	34	34	–	–
Non-receipt of share Certificate after transfer/ Exchange/Sub divided/cosolidated/Annual Report	7	7	–	–
Total	**41**	**41**	–	–

CORPORATE GOVERNANCE (contd.)

c) Remuneration Committee:

With a view to review and recommend to the Board the remuneration payable to the Executive Directors from time to time, a Remuneration Committee of the Board was constituted which comprises of three Independent Directors. The Members of the Committee are as under:

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

^ Mr. K. C. Narang ceases to be the member of the Remuneration Committee of the Company w.e.f March 12, 2013 consequent to retirement from the Board. Mr. Nripjit Singh Chawla was appointed as the Member of the Remuneration Committee on March 12, 2013.

The meetings of the Remuneration Committee were held on January 31, 2012, May 4, 2012 and June 22, 2012, in which all the three Directors were present.

The remuneration paid to Mr. Suresh Gupta, Chairman & Managing Director, and Mr. M. K. Srinivasan, Chief Executive Officer & Executive Director and Mr. A. Venkatrangan, Executive Director for the year 2012 is as under:

(Amount in ₹)

Name of the Directors	Salary	HRA	Perquisites	Commission	Total
Mr. Suresh Gupta	10,587,912	5,352,204	2,782,047	-	18,722,163
Mr. M. K. Srinivasan*	5,279,028	990,000	516,693	-	6,785,721
Mr. A. Venkatrangan (for the period July 1, 2012 to December 31, 2012)	3,867,945	-	879,893	-	4,747,838

* includes remuneration till June 30, 2012.

Notes:

1. Perquisites includes 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 ₹ 1,332,479/- paid to Mr. Suresh Gupta and ₹ 1,908,078/- paid to Mr. M. K. Srinivasan 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, and Executive 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, 2012 for these options and shares is ₹ 12,668,234/- (previous year ₹ 8,604,838/-)
5. The above remuneration of Mr. Suresh Gupta, Chairman & Managing Director of the Company does not include ₹ 9,303,590/- (Previous Year ₹ 14,055,522/-), paid by Huhtamaki Oyj, the parent company, for his role as Executive Vice President, Flexibles Global Packaging, Huhtamaki Oyj.

CORPORATE GOVERNANCE (contd.)

6. Details of service contracts, notice period and severance fees of the Executive Directors:

	Mr. Suresh Gupta	Mr. A. Venkatrangan
Date of contract	6th July, 1999 (renewed and modified on 22nd June 2001, 24th June 2004, 27th April 2007, 3rd March 2010 & 4th May, 2012)	27th July, 2012
Notice Period	90 days	90 days
Severance fees	i. Salary and other emoluments for a period of 90 days in lieu of notice. and ii. Base salary for a period equal to one month's base salary for every year of completed service.	Salary and other emoluments for a period of 90 days in lieu of notice.

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 2012 are as follows:

(Amount in ₹)

Names of the Directors	Board Meetings	Committee Meetings	Total
Mr. K. C. Narang	105,000	120,000	225,000
Mr. Arunkumar R. Gandhi	75,000	105,000	180,000
Mr. P. V. Narayanan	105,000	75,000	180,000
Mr. Ramesh K. Dhir	105,000	45,000	150,000
Mr. S. K. Palekar	105,000	---	105,000
Total	**495,000**	**345,000**	**840,000**

The Commission payable to the Non–Executive Independent Directors for the year 2012 is as follows:

(Amount in ₹)

Names of the Directors	Commission (₹)
Mr. K. C. Narang	11,45,000
Mr. P. V. Narayanan	6,95,000
Mr. Arunkumar R. Gandhi	10,95,000
Mr. Ramesh K. Dhir	5,50,000
Mr. S. K. Palekar	5,50,000
Total	**40,35,000**

Commission payable to each of the Independent Directors as authorized by the Members at 62nd Annual General Meeting held on May 4, 2012, 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.

None of the Non-Executive Directors (except Mr. K. C. Narang, who holds 1,50,000 equity shares in his personal capacity) are holding shares in the Company. The Company has not granted any stock options to its Directors.

CORPORATE GOVERNANCE (contd.)

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. A. Venkatrangan, Executive Director and Mr. Johann Sippel, Director.

Mr. M. K. Srinivasan ceased to be the member of the Committee after stepping down as Director of the Company w.e.f June 30, 2012.

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 law.

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.

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 are set out in Note 36 forming part of the accounts. These transactions are not likely to have any conflict with the Company's interest.

All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board, and interested Directors neither participate in the discussion, nor do they vote on such matters.

CEO / CFO Certification

Mr. Suresh Gupta, Chairman & Managing Director, Mr. A. Venkatrangan, 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 February 6, 2013. 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, 2012. 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. R. K. Dhir and Mr. S. K. Palekar being longest in office shall retire by rotation, and being eligible have offered themselves for re-appointment.

Mr. A. Venkatrangan and Mr. Nripjit Singh Chawla were appointed as Additional Directors of the Company on June 4, 2012 and March 12, 2013 respectively. They hold office upto the date of the ensuing Annual General Meeting. A notice has been received from a member proposing appointment of Mr. A. Venkatrangan and Mr. Nripjit Singh Chawla as Directors of the Company.

CORPORATE GOVERNANCE (contd.)

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

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 40 years working with Peat Marwick, London and a US Multinational with operations in India and overseas. He is a past President and on the Board of Council for Fair Business Practices. He is also a member of Maharashtra State General Committee of the Indian Red Cross Society.

Mr. S. K. Palekar is B.Sc., M.Sc. (physics) from Mumbai University & MMS (Marketing) from Jamnalal Bajaj Institute of Management Studies. He secured 1st rank both in M.Sc (Physics) & MMS (Marketing). He is currently the Chairperson of Executive Education Centre of S. P. Jain Institute of Management & Research at Mumbai. He brings with him 35 years of experience in all aspects of marketing – like sales, advertising, market research, brand management – and also of general management. He has hands on experience in FMCG, durables & service Industries. He retired as Senior Vice President of Marketing & Knowledge Management from Eureka Forbes Limited; after serving there for over a decade.

Mr. A. Venkatrangan is a Graduate in Commerce and MBA in Finance and Marketing and is having a total experience of 32 years, wherein he has worked in Corporate Planning, Costing, MIS, Budget Control, Operations, Internal Audit and Commercial functions at various levels with Murugappa Group and Essar Group. He joined the Company in January, 1999. Mr. A. Venkatrangan is currently holding the position of Vice President – Global Sourcing and Commercial Strategy - Huhtamaki Flexible Packaging Global.

Mr. Nripjit Singh Chawla did his MBA from Indian Institute of Management, Calcutta. He has extensive management experience of over 40 years working with ITC Ltd., Korn/Ferry International and Max India Ltd. where he was the founding Managing Director of the Healthcare business. He is currently practising as an independent management consultant and has advised commercial organizations, multilateral agencies and non-profit organisations in the areas of marketing, business strategy, and organisation structuring. He has also done executive coaching. His clients have included organisations in a variety of industries including tourism, hospitality, healthcare and real estate. He has served as a visiting faculty member in many business schools including the India School of Business, Hyderabad, IIM Ahmedabad, etc. He has joined as an Independent Director of the Company on March 12, 2013.

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.

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 is the Compliance Officer for the purpose of these Regulations.

CORPORATE GOVERNANCE (contd.)

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
2009	27.04.2010	4.00 PM	Rama Watumull Auditorium, Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai – 400 020	NIL
2010	27.04.2011	4.00 PM	- Do -	NIL
2011	04.05.2012	4.00 PM	- Do -	NIL

GENERAL SHAREHOLDER INFORMATION

Details of ensuing Annual General Meeting

Day & Date	Time	Venue
Tuesday, May 7, 2013	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, 2013	May 7, 2013 (Tuesday)
June, 2013	August 7, 2013 (Wednesday)
September, 2013	November 13, 2013 (Wednesday)
December, 2013	Second week of February, 2014

CORPORATE GOVERNANCE (contd.)

Book Closure Date

Pursuant to Section 154 of the Companies Act, 1956, the Register of Members will remain closed from April 25, 2013 to May 7, 2013 (both days inclusive).

Dividend Payment Date

Dividend at the rate of ₹ 2.60/- 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 Wednesday, May 15, 2013:

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 Wednesday, April 24, 2013; and

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 Wednesday, April 24, 2013.

Dividend History of the Company

Year	AGM Date	Divident Rate ₹ (%)
2009	27.04.2010	₹ 3.00/-* (150%)
2010	27.04.2011	₹ 2.20/- (110%)
2011	04.05.2012	₹ 2.40/- (120%)

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

Listing of Shares on Stock Exchanges

The Company's shares are listed 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, 2013 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.

Auditor's Certificate on Corporate Governance

As required under Clause 49 of the Listing Agreement, the Auditor's Certificate regarding the compliance of provisions of the Corporate Governance norms is attached with this report.

CORPORATE GOVERNANCE (contd.)

STOCK DATA

The table herein below gives the monthly high and low prices and volume of the Company's shares traded at the Bombay Stock Exchange Limited (BSE) and National Stock Exchange (NSE) during the period from January 2012 to December 2012.

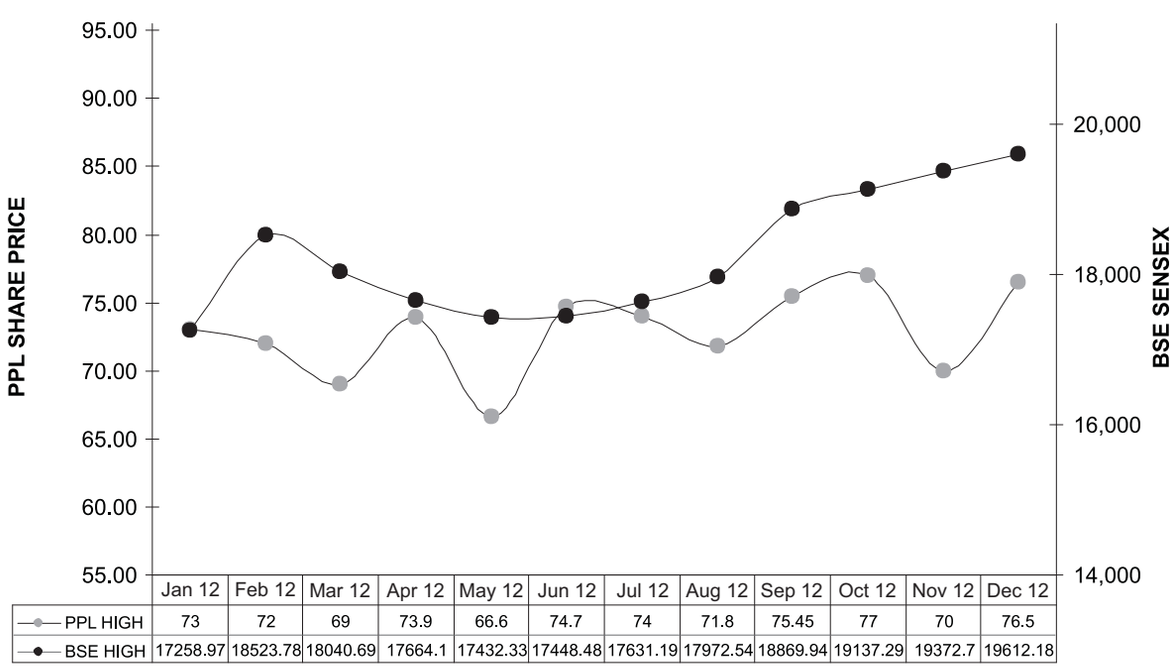
Month & Year	BSE			NSE		
	High (₹/share)	Low (₹/share)	Volume (No. of Shares)	High (₹/share)	Low (₹/share)	Volume (No. of Shares)
January 2012	73.00	58.90	1,514,081	74.00	58.80	3,075,680
February 2012	72.00	65.50	1,065,537	74.15	65.60	1,989,449
March 2012	69.00	63.50	495,097	68.50	63.15	1,012,830
April 2012	73.90	63.70	1,165,272	73.60	63.60	3,106,031
May 2012	66.60	58.55	393,485	66.50	58.20	794,794
June 2012	74.70	58.00	610,489	71.50	58.05	1,499,513
July 2012	74.00	63.75	516,162	75.00	63.85	888,062
August 2012	71.80	64.15	309,687	71.90	64.05	632,481
September 2012	75.45	68.05	392,554	73.95	67.75	670,215
October 2012	77.00	67.80	356,954	76.50	68.05	753,250
November 2012	70.00	65.25	140,679	72.40	65.10	363,518
December 2012	76.50	68.45	392,324	76.50	67.20	895,083

Note:

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

   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



CORPORATE GOVERNANCE (contd.)

DISTRIBUTION OF SHAREHOLDINGS

Following is the distribution pattern of shareholding of the Company as on December 31, 2012:

Distribution of shareholding by ownership:

Sr. No.	Category	No. of Shareholders*	No. of Shares	% of Total Holding
1.	Indian Promotors	10	1,833,987	2.93
2.	Foreign Promotors – Huhtavefa B.V.	1	38,095,166	60.77
3.	Foreign Institutional Investors	7	66,250	0.11
4.	NRI's & OCB's	232	412,466	0.66
5.	Bodies Corporate	547	3,707,337	5.91
6.	Banks/ Financial Institutions	5	30,324	0.05
7.	Insurance Companies	1	227,745	0.36
8.	Mutual Funds	8	3,785,315	6.04
9.	Resident Individuals	14225	14,515,093	23.15
10.	Trust	2	13,507	0.02
	Total	**15038**	**62,687,190**	**100.00**

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

Distribution of shareholding by number of shares held:

No. of Equity Shares Held	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares
Up to – 500	10994	73.11	1,844,614	2.94
501 – 1000	1685	11.20	1,405,437	2.24
1001 – 2000	1042	6.93	1,619,014	2.58
2001 – 3000	426	2.83	1,099,811	1.75
3001 – 4000	183	1.22	657,671	1.05
4001 – 5000	192	1.28	909,070	1.45
5001 - 10000	277	1.84	2,030,785	3.24
10001 and above	239	1.59	53,120,788	84.75
Total	**15038**	**100.00**	**62,687,190**	**100.00**

Following is the List of Top Ten Shareholders (other than Promoters) of the Company as on December 31, 2012:

Sr. No.	Name of Shareholder	No. of Shares Held	% of Total Shareholding
1	HDFC Trustee Company Ltd. A/c HDFC MID	3,330,525	5.31
2	Shree Capital Services Limited	896,147	1.43
3	UTI - Mid Cap Fund	366,700	0.58
4	Rajasthan Global Securities Limited	285,534	0.46
5	The New India Assurance Company Ltd.	227,745	0.36
6	Newa Investments Pvt. Ltd.	185,605	0.30
7	LRSD Global Holdings Private Limited	127,959	0.20
8	Didu Investments Pvt Ltd	127,285	0.20
9	Nbi Industrial Finance Co Ltd	122,850	0.20
10	Vidushi Agro Private Limited	101,000	0.16
	Total	**5,771,350**	**9.20**

CORPORATE GOVERNANCE (contd.)

PLEDGE OF SHARES

No pledge has been created over the Equity Shares held by the Promoters and/or Promoter Group Shareholders as on December 31, 2012.

DEMATERIALISATION OF SHARES

At present, 97.73% of the Company's shares are held in electronic form and the Company's shares can only be traded in compulsory demat segment in the stock exchanges where it is listed.

The table herein below gives the break up of shares in physical and demat form as at December 31, 2012 :

No. of Shares in physical segment	1,419,993	2.27%
No. of Shares in demat segment	61,267,197	97.73%
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. Anand Daga, Company Secretary & Head – Legal 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

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

6th February 2013

To

The Board of Directors

The Paper Products Ltd.

We hereby certify that in the preparation of the accounts for the year ended December 31, 2012,

(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 deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposes to take to rectify these deficiencies.

(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	**A. Venkatrangan**	**Parag Vyavahare**
Chairman & Managing Director	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 December 31, 2012.

For **The Paper Products Limited**

Mumbai
6th February 2013

Suresh Gupta
Chairman & Managing Director

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

To

The Member 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 31st December 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliances 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.

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. R. BATLIBOI & CO.**
Firm registration number: 301003E
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

Mumbai
12th March, 2013

MANAGEMENT DISCUSSION & ANALYSIS

MARKET

The overall consumer Flexible Packaging market has been growing at a reasonable rate. This trend is expected to continue in the medium term.

Major drivers for growth in flexible packaging for India include:

- Favourable shift in demographics.
- Growing demands for consumer goods. Indian Consumer's increased expectations and demand for ever increasing choice and variety.
- Thrust on food processing and food safety.
- Retail push.
- Growth in rural demand.

OPPORTUNITY

We see the growth rates of 12-15% CAGR providing sufficient opportunities for further growth.

- The new Food Safety and Standards regulations are expected to demand increased performance from packaging formats especially on safety and shelf life.
- Indian housewife is getting used to and is now appreciating the convenience of packaged foods.
- International retailers are seriously considering establishing bases in India with FDI being allowed in multi brand retail as well.
- Technological and service capability to meet increasing demands of our customers.

RISKS AND CONCERNS

- Inflation – especially energy costs - leading to increase in the cost of raw materials and other inputs as well as negatively impacting consumer demand.
- Inadequate infrastructure - especially power – leading to increased use of captive power resulting in increased cost of manufacturing.
- Our customers - FMCG producers – shifting suppliers purely on price considerations and this trend can intensity further.

OUR RESPONSE

Your Company continues to make judicious and need based investments in emerging technologies and capacities to exploit the opportunities and mitigate risks. Your Company strives for continuous improvements in operations, safety and hygiene standards, supply chain and working capital management. Your Company seeks profitable growth through innovation and value engineering.

NASP

NASP (New Applications, Structures, Products and Processes) continues to be the PPL's flagship programme to counter competitive pressures.

PPL was supported in its NASP efforts by the global innovations team of the parent company. We are working on numerous projects with customers with a global footprint with active help and support from the Global NPD team of Huhtamaki Flexibles.

Your Company also explores avenues for growth through acquisitions. In November, 2012, the Company acquired 51% share in the equity of Webtech Labels Pvt. Ltd, a leader in the Indian Pressure Sensitive Label sector. Webtech is leader in high-end pressure sensitive labels and has annual sales of approximately ₹ 7500 Lacs.

MANAGEMENT DISCUSSION & ANALYSIS (contd.)

OPERATIONS

Improved machine health through preventive maintenance and 'supplier' quality improvements were made key focus areas. Employee training, including training of new recruits, is now more intensive. All existing quality certifications like ISO, BRC – IoP and HACCP continue to be in place.

CAPEX

The Capex spend at end 2011 and early 2012 along with line balancing undertaken helped in increasing throughputs resulting in better servicing of customers. Peak season loads were handled with comfort. Both formal and informal interactions with other Huhtamaki units serve as an important learning resource.

HEALTHY, SAFETY AND ENVIRONMENT

The Huhtamaki Group as well as PPL place a very high premium on safety. Ensuring a high level of awareness of safety and diligently following safety practices are important focus areas across the Company.

The Company insists on equipment coming with maximum inbuilt safety features.

The philosophy - 'Safety is an attitude to be practiced in all facets of our working' is adhered to.

Proactive workplace monitoring, noise monitoring and health checkups continued. All statutory requirement have been complied with.

AWARDS

During 2012, the Company continues to maintain its strong record of winning awards for packaging excellence. 2012 was no exception. Your Company won, in total 12 India Star and World Star awards.

PEOPLE

We continue to parctice and reinforce our philosophy that "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".

Flexible Packaging is tailor-made for each product and needs close understanding of our customer's packing lines, their markets and their consumers. This necessitates that we have a team that understands technology, is creative and has a service orientation; not an easy ask.

Thoughtful hiring, intensive induction and continuous inputs and exposure ensure nurturing of strong teams. This task has always been challenging but more so over the last few years with heightened activity in our industry. In response, we have increased our efforts on strengthening our team; offer more exciting opportunities and are now focussing on building leaders for future.

Number of employees as at December 31, 2012 were at 1502 compared to 1485 at the end of 2011.

INTERNAL CONTROLS

The Company has adequate Internal Control systems in place to ensure proper accounting, compliance with statutes, reliable MIS and safeguard its assets. Internal Audit is performed by a reputed external firm specializing in Internal Audit to foster independence. All plants and functions are reviewed periodically. Reports are regularly reviewed by the Audit Committee. Scope and coverage of Audit are varied and enlarged as the situation demands.

MANAGEMENT DISCUSSION & ANALYSIS (contd.)

RISK MANAGEMENT REVIEW

Political uncertainties continue and reforms that give a thrust to business as it exists are yet to be seen. Some major risks are as follows --

- Competitive pressures affecting top and bottomline
- Weak currency
- Volatility in price of Raw Materials, fuel cost and transport cost
- Supply of uninterrupted power
- Attrition of personnel

The Board undertakes a periodic review of risks.

FINANCIAL OVERVIEW

(A) Results of Operations

Sales

Net Sales for 2012 were ₹ 88299 Lacs against ₹ 79730 Lacs for 2011 – a growth of 10.7%. Volume growth registered was 5.9% while price increase averaged 4.6%.

Other Income

Other Income (Operating and non-operating) increased to ₹ 1567 Lacs from ₹ 1426 Lacs for the previous year. It includes ₹ 570 Lacs of dividend income besides scrap sales of ₹ 741 Lacs.

Raw Material

Raw material costs rose from 69.9% of net sales in 2011 to 70.2% of net sales in 2012. Almost all input costs went up. Only a part of the increases could be passed on to customers because of customer resistance and competition.

Other Input Costs

Steep increases in power and fuel rates, non-availability of power in a few states like AP and Uttarakhand, rising freight rates and weakening of the rupee pushed up other manufacturing costs steeply. Many customers, riding on the success of their reverse auction efforts forced packaging manufacturers to absorb these costs.

Profit before Taxation

Profit before tax and extraordinary income was ₹ 6139 Lacs in 2012 against ₹ 6246 Lacs for 2011.

Power and fuel costs remain a challenge. Though power backups helped reduce downtime, cost of self generated power which was already high threatens to go up further with the recent steep increase in price of bulk diesel and the declared creeping increases.

Provision for Taxation

Provision for taxation for the year is ₹ 1636 Lacs (including deferred tax). The effective tax rate for the year is 26.7%.

(B) Financial Position

Reserves and Surplus

Reserves and Surplus increased by ₹ 2609 Lacs after providing for dividend (including tax thereon) amounting to ₹ 1894 Lacs for the year 2012.

MANAGEMENT DISCUSSION & ANALYSIS (contd.)

Fixed Assets

Addition to fixed assets amounted to ₹ 3205 Lacs of which Plant and Machinery was ₹ 2289 Lacs and Buildings ₹ 722 Lacs primarily for Rudrapur expansion which went on stream in Q1-2012.

Net working Capital

As at December 31, 2012, Net Working Capital is ₹ 14942 Lacs against ₹ 15275 Lacs as at December 31, 2011.

Inventories

Inventories dropped slightly to ₹ 8317 Lacs at the end of 2012 against ₹ 8437 Lacs at the end of 2011. Inventories at the end of 2012 represents 34 days of sale value.

Sundry Debtors

Sundry Debtors rose to ₹ 13809 Lacs against ₹ 12485 Lacs at the end of 2011. Debtors at the end of 2012 represents 57 days of sale value.

Cash and Bank Balances

Cash and bank balances at the end of the year amounted to ₹1468 Lacs against ₹ 2227 Lacs at the end of 2011.

Trade investments

Temporary surplus funds were invested judiciously in Money Market Mutual Funds during the year. Income earned as dividends during the year amounted to ₹ 570 Lacs. Value of Investments at the end of the year was ₹ 6038 Lacs.

Loans and Advances

Loans and Advances of ₹ 1804 Lacs at the year-end largely comprise balances and deposits with excise and VAT authorities and Prepaid Expenses.

Current Liabilities

Sundry Creditors for raw materials and packing materials at the end of 2012 amount to ₹ 11712 Lacs while other liabilities stood at ₹ 1945 Lacs. Trade creditors at the end of 2012 represents 49 days sales.

Provisions

Provisions of ₹ 2946 Lacs at end 2012 mainly include provision for payment of dividend and tax thereon of ₹ 1894 Lacs and provision for employee benefits of ₹ 489 Lacs.

Return on Capital Employed

Return on Capital Employed was 16.4% for 2012 against 18.3% for 2011.

FINALLY

PPL has judiciously expanded and grown over the years. We believe our stakeholders view us as a steadily growing solid, sensitive, competent and responsible “partner in progress”. We look forward to both organic and inorganic growth.

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, 2012 and also the Statement of Profit and Loss 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.

   iv. In our opinion, the Balance Sheet, Statement of Profit and Loss 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, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2012 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, 2012;

      b) in the case of the Statement of Profit and Loss, 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.R. BATLIBOI & CO.**
Firm registration number: 301003E
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

Mumbai
6 February 2013

ANNEXURE TO THE AUDITORS' REPORT

Annexure 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 disposal of a substantial part 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 nature of its business.

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

(iii) (a) According to the information and explanations given to us, 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. Accordingly, the provisions of clause 4 (iii) (a) to (d) of the Order are not applicable to the Company and hence not commented upon.

(b) According to the information and explanations given to us, 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. Accordingly, the provisions of clause 4(iii) (e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(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, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

(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 and exceeding the 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) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) The Company is 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.

(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 material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

ANNEXURE TO THE AUDITORS' REPORT (contd.)

(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 ₹ in Lacs
Income Tax Act, 1961	Tax and Interest	2001-2002	High Court of Mumbai	51.08
State and Central Sales Tax Acts	Tax	1997-98, 2001-02, 2005-2006	Joint Commissioner of Sales Tax (Appeals)	86.42
	Tax	2008-2009	Assistant Commissioner of Sales Tax	62.22
	Tax	2003-2005	Deputy Commissioner of Sales Tax	26.80
Finance Act, 1994 – Service Tax	Tax and Penalty	2002-2010	Custom, Excise and Service Tax Appellate Tribunal	117.76
	Tax and Penalty	2006-2012	Commissioner Appeals	12.23
Central Excise Act, 1944	Tax	1998-2004	Supreme Court	1,346.94
	Tax	2005-2009	Assistant Commissioner of Central Excise	504.83
	Tax and Penalty	1998-2000	The Commissioner of Central Excise	5.47
	Tax and Penalty	1997-99, 2004-05	Commissioner Appeals	4.86
	Tax and Penalty	1989-90, 1996-2010	Custom, Excise and Service Tax Appellate Tribunal	3,299.27
	Tax	2011-2012	Joint Secretary (Revision application unit), Govt. of India	64.47

(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, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced before 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.

ANNEXURE TO THE AUDITORS' REPORT (contd.)

(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 Companies Act, 1956.

(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 year.

For **S.R. BATLIBOI & CO.**
Firm registration number: 301003E
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

Mumbai
6 February 2013

BALANCE SHEET

As at 31st December 2012

(₹ in Lacs)

	Notes	31 December 2012	31 December 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	**1,253.83**	1,253.83
Reserves and Surplus	3	**34,237.44**	31,628.94
		35,491.27	32,882.77
Non-Current Liabilities			
Long - Term Borrowings	4	**2,061.47**	2,159.24
Deferred Tax Liability (Net)	5	**40.34**	252.13
Long Term Provisions	6	**113.08**	79.17
		2,214.89	2,490.54
Current Liabilities			
Trade Payables	7	**11,711.89**	11,442.10
Other Current Liabilities	8	**1,945.33**	2,090.39
Short Term Provisions	9	**2,833.27**	2,919.34
		16,490.49	16,451.83
TOTAL		**54,196.65**	51,825.14
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	10	**16,661.98**	16,751.27
Intangible Assets	10	**461.75**	641.36
Capital Work in Progress		**443.81**	814.35
Intangible Assets under Development		**–**	23.69
Non-Current Investments	11	**3,879.13**	0.50
Long Term Loans & Advances	12	**1,026.40**	1,576.24
Other Non Current Assets	13	**291.27**	290.91
		22,764.34	20,098.32
Current Assets			
Current Investments	14	**6,037.88**	6,337.17
Inventories	15	**8,317.17**	8,437.34
Trade Receivables	16	**13,809.19**	12,484.86
Cash and Cash Balances	17	**1,467.94**	2,227.49
Short Term Loans & Advances	18	**777.69**	1,064.61
Other Current Assets	19	**1,022.44**	1,175.35
		31,432.31	31,726.82
TOTAL		**54,196.65**	51,825.14
Significant Accounting Policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date

For S.R.Batliboi & Co.

Firm Registration No. 301003E
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

Mumbai
6 February 2013

For and on behalf of the Board of Directors

Suresh Gupta
Chairman & Managing Director

A.Venkatrangan
Executive Director

Parag Vyavahare
Chief Financial Officer

Johann Sippel
K.C. Narang
P.V.Narayanan
R.K. Dhir
S.K. Palekar
Directors

Anand Daga
Company Secretary & Head Legal

STATEMENT OF PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2012

(₹ in Lacs)

	Notes	31 December 2012	31 December 2011
INCOME			
Revenue from Operations	20	**95,052.08**	85,140.41
Less : Excise Duty		**6,011.85**	4,823.90
Revenue from Operations (Net)		**89,040.23**	80,316.51
Other Income	21	**825.68**	839.27
Total Revenue		**89,865.91**	81,155.78
EXPENSES			
Raw Materials and Components Consumed	22	**61,538.48**	55,651.67
Changes in Inventories of Finished Goods and Work-in-Process	23	**439.05**	91.70
Employee Benefit Expenses	24	**7,005.29**	6,392.97
Finance Cost	25	**5.47**	4.04
Depreciation and Amortisation Expenses	26	**3,451.85**	3,204.56
Other Expenses	27	**11,286.79**	9,564.38
Total Expenses		**83,726.93**	74,909.32
Profit Before Extraordinary Items and Tax		**6,138.98**	6,246.46
Extraordinary Income (Net of Tax) (Refer note 42)		–	294.17
Profit before Tax		**6,138.98**	6,540.63
Tax Expenses			
Current Tax		**1,903.60**	1,738.73
Excess Provision for earlier years written back		**(55.60)**	(63.73)
Deferred Tax		**(211.79)**	(394.26)
Profit for the period		**4,502.77**	5,259.89
Earnings per Equity Share including Extraordinary Items (Nominal Value - ₹2 (Previous Year - ₹2))	28		
1. Basic		**7.18**	8.39
2. Diluted		**7.18**	8.39
Earnings per equity share excluding Extraordinary Items			
1. Basic		**7.18**	7.92
2. Diluted		**7.18**	7.92
Significant Accounting Policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date

For S.R.Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

Mumbai
6 February 2013

For and on behalf of the Board of Directors

Suresh Gupta
Chairman & Managing Director

A.Venkatrangan
Executive Director

Parag Vyavahare
Chief Financial Officer

Anand Daga
Company Secretary & Head Legal

Johann Sippel
K.C. Narang
P.V.Narayanan
R.K. Dhir
S.K. Palekar
} Directors

CASH FLOW STATEMENT

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012	31 December 2011
A.	**Cash Flow from Operating Activities**		
	Net Profit before Tax & Extraordinary Items	**6,138.98**	6,246.46
	Adjustments for		
	Depreciation	**3,451.85**	3,204.56
	Unrealised Foreign Exchange Loss/(Gain)-Net	**198.86**	156.41
	Interest Income	**(11.43)**	(12.72)
	Dividend Income	**(569.65)**	(421.92)
	Financial Expenses	**5.47**	4.04
	Provision for doubtful debts made / (written back)	**51.56**	(1.28)
	(Profit)/Loss on Sale of Investments	**(0.85)**	(0.77)
	Fixed Assets written Off / (written back)	**15.28**	(59.52)
	Provision for Sales Tax made/ (written back)	**75.73**	(38.97)
	Other Write Offs/Provisions	**–**	11.21
	Profit on Sale of Assets (Net)	**(5.82)**	(166.85)
	Operating Profit before Changes in Working Capital	**9,349.98**	8,920.65
	Adjustments for (Increase)/Decrease in		
	Trade Receivables	**(1,519.82)**	(539.56)
	Inventories	**120.17**	483.35
	Loans and Advances	**276.03**	151.25
	Other Current Assets	**152.55**	(128.21)
	Adjustments for Increase / (Decrease) in		
	Trade Payables	**281.65**	917.10
	Other Current Liabilities	**(62.72)**	37.93
	Provisions	**(280.08)**	(54.03)
	Cash Generated from Operations	**8,317.76**	9,788.48
	Direct Taxes Paid (Net of Refunds Received)	**(1,926.76)**	(1,740.06)
	Cash Flow before Extraordinary Items	**6,391.00**	8,048.42
	Extraordinary Items (Refer Note 42)	**–**	435.17
	Net Cash from Operating Activities	**6,391.00**	8,483.59
B.	**Cash Flow from Investing Activities**		
	Purchase of Fixed Assets	**(2,346.50)**	(3,951.38)
	Proceeds from Sale of Fixed Assets	**12.53**	208.03
	Purchase of Investments	**(27,878.12)**	(21,429.33)
	Acquisition of Subsidiary	**(3,879.13)**	–
	Sale of Investments	**28,178.77**	19,037.24
	Dividend Received	**569.65**	421.92
	Interest Received	**11.76**	12.55
	Net Cash used in Investing Activities	**(5,331.04)**	(5,700.97)

CASH FLOW STATEMENT (Contd.)

For the year ended 31st December 2012

(₹ in Lacs)

	31 December 2012	31 December 2011
C. Cash Flow from Financing Activities		
Repayment of Sales Tax Deferral Loan	**(55.26)**	(38.58)
Interest Paid	**(5.47)**	(4.04)
Dividends Paid (Including Dividend Tax thereon)	**(1,742.47)**	(1,602.41)
Net Cash Used in Financing Activities	**(1,803.20)**	(1,645.03)
Net Increase in Cash and Cash Equivalents	**(743.24)**	1,137.59
Cash and Cash Equivalents at the Beginning of the Year	**2,211.18**	1,073.59
Cash and Cash Equivalents at the Close of the Year	**1,467.94**	2,211.18
Cash and Cash Equivalents Comprise:		
Cash on Hand	**13.05**	17.66
Cheques on Hand	**18.07**	32.69
Balances in Current Accounts with Scheduled Banks	**1,237.67**	2,127.32
Balances in Deposit Accounts with Scheduled Banks	**148.50**	5.25
Balances in Unpaid Dividend Bank Accounts *	**50.65**	44.57
Unrealised Loss/(Gain) on Foreign Currency Cash and Cash Equivalents	**–**	(16.31)
	1,467.94	2,211.18

* 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 Hand and short term investments with an original maturity of three months or less.

As per our report of even date

For S.R.Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

Mumbai
6 February 2013

For and on behalf of the Board of Directors

Suresh Gupta
Chairman & Managing Director

A.Venkatrangan
Executive Director

Parag Vyavahare
Chief Financial Officer

Johann Sippel
K.C. Narang
P.V.Narayanan
R.K. Dhir
S.K. Palekar
} Directors

Anand Daga
Company Secretary & Head Legal

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

1. 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 (as amended) 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.

2. Presentation and disclosure of Financial Statements

During the year ended on 31 December 2012, the revised schedule VI notified under the Companies Act,1956, has become applicable to the company,for preparation and presentation of its Financial statements, the adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of Financial statements. However, it has significant impact on presentation and disclosure made in the Financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year .

3. 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.

4. Fixed Assets

- Fixed assets are stated at cost (or revalued amounts as the case may be) less accumulated depreciation & impairment 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.
- 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.
- 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.
- 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.
- Capital work-in-progress includes the cost of fixed assets that are not ready to use at the balance sheet date.

5. Depreciation

a. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

Assets	Method of Depreciation	Rate
Computers	Straight Line Method	25.00%
Motor Vehicles	Straight Line Method	19.00%
General Furniture	Straight Line Method	9.50%
Office and Other Equipments	Straight Line Method	19.00%
Cellphones and Photocopiers	Straight Line Method	31.67%
Airconditioning Equipment used in manufacturing process	Straight Line Method	10.34%
Administrative Buildings	Written Down Value Method	10.00%
Electrical Fittings	Straight Line Method	10.34%

Depreciation on 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,viz 99 years.

b. 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.

Corporate club membership fees paid are amortised over the period of use,viz 10 years.

Non compete fees paid are amortised over the period of restriction,viz 3 years.

6. Foreign Currency Transactions

- 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.
- 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.
- Non-monetary foreign currency items are carried at cost.
- 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.
- 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. Gain on Mark to Market valuation is ignored.

7. Inventories

- Inventories are valued at lower of cost and net realisable value.
- The cost of manufactured inventories is the direct cost of manufacture plus appropriate allocated overheads & excise duty wherever applicable. Cost is determined on Weighted Average Method.
- The cost of bought out inventory is computed using the Weighted Average Method .
- The cost of loose tools is amortised over its estimated useful life.

8. Revenue Recognition

- 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

- Gross sales are inclusive of Excise Duty.
- Sales are net of returns & discounts.
- Sales returns are accounted for in the year of return.
- Dividend income is recognised when the right to receive dividend is unconditional at the balance sheet date.
- Interest on investments is accounted on a time proportion basis taking into account the amounts invested and the rate of interest.

9. Retirements Benefits

a. 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.

b. 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.

c. 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.

d. 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.

10. 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.

11. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

12. Taxation

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

13. 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.

14. Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use.In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.After impairment, depreciation is provided on their revised carrying amount of the asset over its remaining useful life.

15. 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.

16. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012		31 December 2011	
2	**SHARE CAPITAL**				
	AUTHORISED CAPITAL				
	150,000,000 (Previous Year 150,000,000) Equity shares of ₹2/- each	**3,000.00**		3,000.00	
	700,000 (Previous Year 700,000) 12% Redeemable Cumulative Preference Shares of ₹100/- each	**700.00**		700.00	
	300,000 (Previous Year 300,000) Unclassified Shares of ₹100/- each	**300.00**		300.00	
			4,000.00		4,000.00
			4,000.00		4,000.00
	ISSUED SUBSCRIBED AND PAID-UP CAPITAL				
	62,687,190 (Previous Year: 62,687,190) Equity Shares of ₹2/- each fully paid-up.	**1,253.74**		1,253.74	
	Add : Amount Received on 1,449 (Previous Year 1,449) forfeited Shares.	**0.09**	**1,253.83**	0.09	1,253.83
	TOTAL		**1,253.83**		1,253.83

a Reconciliation of the shares outstanding at the beginning & at the end of the reporting period

	31 December 2012		31 December 2011	
	Nos.	**₹ in Lacs**	**Nos.**	**₹ in Lacs**
At the beginning of the period	**62,687,190**	**1,253.74**	62,687,190	1,253.74
Outstanding at the end of the period	**62,687,190**	**1,253.74**	62,687,190	1,253.74

b Terms /rights attached to equity shares.

The company has only one class of equity shares having a par value of ₹2/- per share.Each holder of equity share is entitled to one vote per share.The company declares and pays dividend in Indian Rupees.The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31st December 2012,the amount of per share dividend recognised as distributions to equity shareholders was ₹ 2.60 (31 December 2011 : ₹ 2.40)

In the event of liquidation of the Company,the holders of equity shares will be entitled to receive remaining assets of the Company,after distribution of all Preferential amounts.The distribution will be in proportion to the number of equity shares held by the share holders.

c Shares held by holding company

Out of equity shares issued by the company,shares held by its holding company are as follows :

	31 December 2012		31 December 2011	
	Nos.	**₹ in Lacs**	**Nos.**	**₹ in Lacs**
Huhtavefa B.V., Netherlands,The Holding Company	**38,095,166**	**761.90**	38,095,166	761.90

d Details of Shareholders holding more than 5% shares in the company

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

	31 December 2012 Nos.	31 December 2012 % holding in the class	31 December 2011 Nos.	31 December 2011 % holding in the class
Equity Shares of ₹2/- each fully paid up.				
Huhtavefa B.V., Netherlands,The Holding Company.	**38,095,166**	**60.77%**	38,095,166	60.77%
HDFC Trustee Company Limited	**3,330,525**	**5.31%**	–	–

As per the records of the company,including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

		31 December 2012		31 December 2011	
3	**RESERVES AND SURPLUS**				
	Capital Redemption Reserve		**700.00**		700.00
	Securities Premium Account		**7,936.32**		7,936.32
	Revaluation Reserve		**275.77**		275.77
	General Reserve				
	Balance as per last Balance sheet	**7,333.47**		6,807.48	
	Add: Amount Transferred from Surplus balance in the statement of Profit and Loss	**450.28**	**7,783.75**	525.99	7,333.47
	Surplus in the statement of Profit & loss				
	Balance as per last financial statement	**15,383.38**		12,392.71	
	Profit for the year	**4,502.77**		5,259.89	
	Less : Appropriations				
	Proposed Final Equity Dividend	**(1,629.87)**		(1,504.49)	
	(Amount per share ₹2.60 (31 Dec 2011 ₹2.40))				
	Tax on Proposed Equity Dividend	**(264.40)**		(238.74)	
	Transferred to General Reserve	**(450.28)**		(525.99)	
	Net Surplus in the Statement of Profit & Loss		**17,541.60**		15,383.38
	Total Reserves and Surplus		**34,237.44**		31,628.94

		31 December 2012	31 December 2011
4	**LONG - TERM BORROWINGS**		
	Sales Tax Deferment Loan (Unsecured)	**2,061.47**	2,159.24
		2,061.47	2,159.24

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. The above amount is repayable after 14 years from the date of availment of the loan. The loan is repayable annualy on 1st April with 1st instalment due on 1st April 2011 and last one being due on 1st April 2021

The scheduled maturity of long term borrowings is summarised below.

In the next one year (disclosed in note 8 being current maturities of long term borrowings)	**97.77**	55.26
In the second year	**140.41**	97.77
In the 3rd to 5th year	**729.04**	581.24
After 5 years	**1,192.02**	1,480.23

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012	31 December 2011
5	**DEFERRED TAX LIABILITY (NET)**		
	Deferred Tax Liability arising on account of timing differences in :		
	-Depreciation	**362.83**	609.17
		362.83	609.17
	Deferred Tax Asset arising on account of timing differences in :		
	-Provision for doubtful debts	**58.03**	45.98
	-Provision for retirement benefits	**145.93**	136.42
	-Expenditure debited to Profit & Loss account but allowed for Tax purposes in following years	**118.53**	174.64
		322.49	357.04
	Deferred Tax Liability (Net)	**40.34**	252.13

		31 December 2012	31 December 2011
6	**LONG TERM PROVISIONS**		
	Provision for Employee Benefits (Refer note 38)	**113.08**	79.17
		113.08	79.17

		31 December 2012	31 December 2011
7	**TRADE PAYABLES**		
	Trade Payables (Refer note 31 for details of dues to Micro and Small Enterprises.)	**11,711.89**	11,442.10
		11,711.89	11,442.10

		31 December 2012	31 December 2011
8	**OTHER CURRENT LIABILITIES**		
	Unclaimed dividend *	**50.66**	44.57
	Advance from Customers	**90.53**	244.51
	Employee Benefits Payable	**914.48**	919.82
	Employee Statutory Liabilities Payable	**64.56**	54.89
	Taxes Payable	**274.42**	192.90
	TDS Payable	**61.03**	61.71
	Creditors for Capital Goods	**369.63**	494.48
	Current Maturity of Long Term Borrowings (Refer note 4)	**97.77**	55.26
	Others	**22.25**	22.25
		1,945.33	2,090.39

* There is no amount due and outstanding to be credited to Investor Education & Protection Fund.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012	31 December 2011
9	**SHORT TERM PROVISIONS**		
	Provision for Income Tax (Net of Advance Tax)	**245.93**	290.65
	Provision for Fringe Benefit Tax (Net of Advance Tax)	**–**	5.40
	Provision for Employee Benefits (Refer note 38)	**375.99**	361.06
	Provision for Mark to Market losses on derivative contracts	**50.51**	308.43
	Provision for Litigations	**266.57**	205.24
	Proposed Equity dividend	**1,629.87**	1,504.49
	Provision for Tax on Proposed Equity Dividend	**264.40**	244.07
		2,833.27	2,919.34
	Provision for Litigations		
	At the beginning of the year	**205.24**	236.90
	Arising during the year	**84.33**	13.95
	Unused amount reversed/utilised during the year	**(23.00)**	(45.61)
	At the end of the year	**266.57**	205.24

Provision for Litigation represents provision made by the company in respect of disputed Indirect Tax matters.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

10 . FIXED ASSETS

(₹ in Lacs)

Description	GROSS BLOCK				ACCUMULATED DEPRECIATION / AMORTISATION				NET BLOCK	
	Original Cost As At 01-01-2012	Additions During The Year	Deletions During The Year	**Original Cost As At 31-12-2012**	**Opening Balance As At 01-01-2012**	On Deletions During The Year	**Charge For The Year**	**Closing Balance As At 31-12-2012**	**Balance As At 31-12-2012**	Balance As At 31-12-2011
TANGIBLE ASSETS										
Land - Freehold	**522.66**	–	–	**522.66**	**–**	–	**–**	**–**	**522.66**	522.66
- Leasehold	**259.45**	–	–	**259.45**	**18.18**	–	**2.88**	**21.06**	**238.39**	241.27
Buildings	**6,205.30**	721.94	0.27	**6,926.97**	**2,862.83**	0.14	**393.35**	**3,256.04**	**3,670.93**	3,342.47
Machinery	**36,421.34**	2,288.92	164.76	**38,545.50**	**24,357.74**	148.64	**2,621.76**	**26,830.86**	**11,714.64**	12,063.60
Computers	**772.25**	64.25	17.58	**818.92**	**618.60**	17.27	**87.68**	**689.01**	**129.91**	153.65
Motor Vehicles	**190.84**	13.29	18.86	**185.27**	**102.10**	13.79	**26.79**	**115.10**	**70.17**	88.74
Furniture & Fixtures	**722.68**	14.96	9.37	**728.27**	**429.24**	9.03	**48.17**	**468.38**	**259.89**	293.44
Office Equipments	**241.80**	29.46	4.10	**267.16**	**196.36**	4.10	**19.51**	**211.77**	**55.39**	45.44
Sub Total	**45,336.32**	3,132.82	214.94	**48,254.20**	**28,585.05**	192.97	**3,200.14**	**31,592.22**	**16,661.98**	16,751.27
INTANGIBLE ASSETS										
Non Compete Fees	**275.00**	–	–	**275.00**	**218.75**	–	**25.00**	**243.75**	**31.25**	56.25
Computer Softwares	**1,164.83**	72.10	–	**1,236.93**	**627.79**	–	**221.20**	**848.99**	**387.94**	537.04
Club Membership	**55.15**	–	–	**55.15**	**7.08**	–	**5.51**	**12.59**	**42.56**	48.07
Sub Total	**1,494.98**	72.10	–	**1,567.08**	**853.62**	–	**251.71**	**1,105.33**	**461.75**	641.36
Grand Total	**46,831.30**	3,204.92	214.94	**49,821.28**	**29,438.67**	192.97	**3,451.85**	**32,697.55**	**17,123.73**	17,392.63
PREVIOUS YEAR	**43,975.63**	**3,117.30**	**261.63**	**46,831.30**	**26,446.04**	**211.93**	**3,204.56**	**29,438.67**	**17,392.63**	**–**

	As At 31st December 2012		As At 31st December 2011	
	Original Cost	**Written Down Value**	**Original Cost**	**Written Down Value**
1 Buildings include				
a. Buildings on leasehold land	**1,970.87**	–	1,248.92	–
b. Ownership flats in Co-operative Societies on freehold land	**212.62**	–	212.62	–
c. Ownership flats in Co-operative Societies on leasehold land	**61.78**	–	61.78	–
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.	**300.83**	–	300.83	9.83
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	**13.60**	5.04	13.60	6.45

3 Freehold land at Thane was revalued on 31.07.1985 based on independent valuer's report.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012	31 December 2011
11	**NON-CURRENT INVESTMENTS**		
	Non Trade (Valued at cost unless stated otherwise)		
	Government Securities - 6 Year National Savings Certificates - Series VIII	–	0.50
	Trade Investments (valued at cost unless stated otherwise)		
	Unquoted Equity instruments		
	Investment in Subsidiary		
	10,408 Equity Shares of ₹10/-each fully paid in Webtech Labels Private Limited	**3,879.13**	–
		3,879.13	0.50

		31 December 2012	31 December 2011
12	**LONG TERM LOANS & ADVANCES**		
	Capital Advances		
	Unsecured,considered good	**156.54**	745.58
	Security Deposit		
	Unsecured,considered good	**204.21**	243.82
	Advances recoverable in Cash or in Kind		
	Unsecured considered good	**35.13**	35.13
	Other loans & advances (Unsecured considered good)		
	Advance Income Tax (Net of Provision)	**78.42**	69.77
	Advance Fringe Benefit Tax (Net of Provision)	**21.01**	1.02
	Loans/Advances to Staff	**19.06**	19.69
	Prepaid Expenses	**3.38**	23.40
	Balances with Customs, Excise & Sales Tax Authorities etc.	**508.65**	437.83
		1,026.40	1,576.24

		31 December 2012	31 December 2011
13	**OTHER NON-CURRENT ASSETS**		
	Unsecured,considered good unless stated otherwise.		
	Non - Current bank balances being Deposits with original maturity of more than 12 months	**0.73**	0.37
	Others		
	Export Rebate Receivables	**290.54**	290.54
		291.27	290.91

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		Face Value	31 December 2012 Nos.	31 December 2012 ₹ in Lacs	31 December 2011 Nos.	31 December 2011 ₹ in Lacs
14	**CURRENT INVESTMENTS (valued at lower of cost & fair value,unless stated otherwise)**					
	UNITS OF MUTUAL FUNDS-QUOTED					
	Reliance Medium Term fund - Daily Dividend Plan	10	**1,833,273**	**313.66**	–	–
	UTI Short Term Income Fund Institutional Plan	10	**4,275,491**	**464.85**	–	–
	Templeton India Ultra Short Bond Fund-Super I P	10	**7,370,675**	**738.21**	–	–
	DWS Ultra Short Term Fund- IP-Daily Dividend	10	**9,310,415**	**932.71**	–	–
	Tata Floater Fund - Daily Dividend	10	**–**	**–**	1,659,174	166.50
	Sundaram Ultra Short Term Fund Super Institutional	10	**11,287,726**	**1,132.95**	–	–
	Birla Sun Life Dynamic Bond Fund-Retail-Quarterly Dividend Reinvestment	10	**2,615,838**	**300.00**	–	–
	Birla Sun Life Short Term Fund-Monthly Dividend Reinvestment	10	**2,596,431**	**302.35**	–	–
	BSL Quarterly Interval - Series 4 - Dividend payout	10	**–**	**–**	2,000,000	200.00
	ICICI Prudential Interval Fund II Quarterly Interval Plan F Institutional	10	**–**	**–**	4,092,162	409.22
	ICICI Prudential Short Term Plan -DDR Fortnightly	10	**2,523,476**	**302.29**	–	–
	Templeton India Low Duration Fund- MDR	10	**5,263,623**	**545.59**	–	–
	SBI Short term Debt Fund - Weekly Dividend	10	**2,875,511**	**302.83**	–	–
	JPMorgon India Treasuary Fund Super Inst.-DDR	10	**7,018,770**	**702.44**	–	–
	ICICI Prudential Interval Fund II Qtrly Interval Plan D Institutional Dividend	10	**–**	**–**	2,833,960	283.40
	Tata Fixed Income Portfolio Fund Scheme B3 Institutional Qtrly Dividend	10	**–**	**–**	4,998,301	500.00
	UTI Fixed Income Interval Fund-Qtrly Plan SeriesIII-IDP	10	**–**	**–**	11,067,400	1,107.08
	DS BlackRock FMP-Series 21-3M-DPO	10	**–**	**–**	3,000,000	300.00
	Birla Sunlife Short Term FMP Series 27- Dividend payout	10	**–**	**–**	8,048,720	804.87
	HDFC FMP 92 D December 2011 (2)-DIV-Series XIX	10	**–**	**–**	4,000,000	400.00
	DS BlackRock FMP -Series 22-3M-DPO	10	**–**	**–**	2,036,983	203.70
	Templeton Floating Rate Income Fund - Super Institutional - DDR	10	**–**	**–**	5,051,450	506.19
	Kotak Flexi Debt Fund - Institutional - DDR	10	**–**	**–**	8,161,098	820.09
	UTI-Floating Rate Fund-Short Term Plan-IP-DDR	1,000	**–**	**–**	13,168	131.78
	Templeton India Utra Short Bond Fund-Super I P	10	**–**	**–**	5,037,527	504.34
	TOTAL			**6,037.88**		6,337.17
	Net Asset Value (NAV) of Mutual Fund Units			**6,041.06**		6,344.51

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012	31 December 2011
15	**INVENTORIES (Valued at lower of cost and net realizable value)**		
	Raw Materials and Components [includes in transit ₹224.81Lacs (31 Dec 2011 ₹150.37 Lacs)]	**4,497.25**	4,236.81
	Work in Process	**1,360.71**	1,998.34
	Finished Goods	**903.13**	674.88
	Stores & Spares	**573.12**	502.21
	Loose Tools	**982.96**	1,025.10
		8,317.17	8,437.34

		31 December 2012	31 December 2011
16	**TRADE RECEIVABLES (Current)**		
	Trade Receivables (Unsecured)		
	Outstanding for more than Six Months from the date they are due for payment.		
	Considered Good	**30.94**	–
	Considered Doubtful	**171.97**	139.36
		202.91	139.36
	Less : Provision for Doubtful Receivables	**171.97**	139.36
		30.94	–
	Other Receivables		
	Considered Good	**13,778.25**	12,484.86
	Considered Doubtful	**6.88**	2.35
		13,785.13	12,487.21
	Less : Provision for Doubtful Receivables	**6.88**	2.35
		13,778.25	12,484.86
	TOTAL	**13,809.19**	12,484.86

		31 December 2012	31 December 2011
17	**CASH AND BANK BALANCES**		
	Cash and Cash Equivalents		
	Balances with Banks		
	On Current Accounts	**1,237.67**	2,127.32
	On Unpaid Dividend Accounts	**50.65**	44.57
	Deposits with original maturity of less than three months	**148.50**	–
	Cheques on Hand	**18.07**	32.69
	Cash on Hand	**13.05**	17.66
	Other Bank Balances		
	Deposits with original maturity of more than twelve months	**–**	0.25
	Deposits with original maturity of more than three months but less than twelve months	**–**	5.00
		1,467.94	2,227.49

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012	31 December 2011
18	**SHORT TERM LOANS & ADVANCES**		
	Security Deposit		
	Unsecured,Considered good	**28.50**	42.68
	Advances recoverable in Cash or in Kind		
	Unsecured considered good	**155.49**	29.30
	Loans & advances to Related Parties (Refer note 36)		
	Unsecured considered good	**2.91**	–
	Other loans & advances (Unsecured considered good)		
	Loans/Advances to Staff	**47.75**	44.11
	Prepaid Expenses	**180.87**	173.94
	Balances with Customs, Excise & Sales Tax Authorities etc	**362.17**	774.58
		777.69	1,064.61

		31 December 2012	31 December 2011
19	**OTHER CURRENT ASSETS**		
	Unsecured,considered good unless stated otherwise.		
	Un-amortised premium on forward contract	**27.67**	25.13
	DEPB Licences available	**8.46**	164.41
	Others		
	Claims recoverable	**224.81**	457.83
	Export Rebate Receivables	**681.14**	467.75
	Interest Accrued on Investments	**0.26**	0.59
	Others	**80.10**	59.64
		1,022.44	1,175.35

		31 December 2012	31 December 2011
20	**REVENUE FROM OPERATIONS**		
	Revenue from Operations		
	Sale of Products		
	Finished Goods	**94,311.17**	84,553.96
	Less : Excise Duty on Sales	**6,011.85**	4,823.90
		88,299.32	79,730.06
	Other Operating Revenue		
	Scrap Sales	**740.91**	586.45
	Revenue from Operations (Net)	**89,040.23**	80,316.51
	Details of Products sold		
	Finished goods sold		
	a. Laminates and Converted,Coated / Uncoated Paper and Films	**84,780.38**	75,239.67
	b. Cartons	**3,056.34**	3,604.06
	c. Others	**462.60**	886.33
		88,299.32	79,730.06

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012	31 December 2011
21	**OTHER INCOME**		
	Interest Income on		
	Bank Deposits	**1.88**	2.90
	Others	**9.55**	9.82
	Dividend Income on Current Investments	**569.65**	421.92
	Net gain on sale of Current Investments	**0.85**	0.77
	Other non-operating income		
	Rent	**3.76**	3.76
	Profit on Sale of Fixed Assets (Net)	**5.82**	166.85
	Doubtful Debts Provision Written Back	**–**	1.28
	Provision for Sales Tax Written back	**–**	38.97
	Fixed Assets Provision Written Back (Net)	**–**	59.52
	Foreign Exchange Gain (Net)	**–**	57.97
	Insurance claim Received	**44.08**	–
	Other Non Operating Income (net of expenses)	**190.09**	75.51
		825.68	839.27

		31 December 2012	31 December 2011
22	**COST OF RAW MATERIALS AND COMPONENTS CONSUMED**		
	Inventory at the beginning of the year	**4,236.81**	4,769.50
	Add : Purchases	**61,798.92**	55,118.98
		66,035.73	59,888.48
	Less : Inventory at the end of the year	**4,497.25**	4,236.81
	Cost of Raw Materials and Components Consumed	**61,538.48**	55,651.67
	Details of Raw Materials and Components Consumed		
	Paper	**2,359.19**	2,158.30
	Paper Board	**981.87**	1,171.05
	Films	**29,651.02**	26,600.33
	Inks, Adhesives and Solvents	**15,361.46**	13,114.04
	Polyethylene Granules	**9,787.56**	7,127.62
	Others	**3,397.38**	5,480.33
		61,538.48	55,651.67

		31 December 2012	31 December 2011
23	**CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROCESS**		
	Inventories at the end of the year		
	Work in Process	**1,360.71**	1,998.34
	Finished Goods	**903.13**	674.88
		2,263.84	2,673.22
	Inventories at the beginning of the year		
	Work in Process	**1,998.34**	2,156.73
	Finished Goods	**674.88**	599.34
		2,673.22	2,756.07

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

	31 December 2012		31 December 2011	
Changes in Inventories of Finished Goods and Work-in-Process		**409.38**		82.85
Excise Duty on Changes in Inventories of Finished Goods and Work-in-Process				
Excise Duty on Closing Finished Goods Inventory	**81.43**		51.76	
Less: Excise Duty on Opening Finished Goods Inventory	**51.76**	**29.67**	42.91	8.85
		439.05		91.70

		31 December 2012	31 December 2011
24	**EMPLOYEE BENEFIT EXPENSES**		
	Salaries,Wages and Bonus	**5,987.05**	5,341.61
	Contribution to Provident and Other Fund	**343.36**	392.56
	Staff welfare Expenses	**674.88**	658.80
		7,005.29	6,392.97

		31 December 2012	31 December 2011
25	**FINANCE COST**		
	Interest		
	- To Banks	**0.33**	0.22
	- To Others	**5.14**	3.82
		5.47	4.04

		31 December 2012	31 December 2011
26	**DEPRECIATION AND AMORTISATION EXPENSES**		
	Depreciation of Tangible Assets	**3,200.14**	2,976.91
	Amortisation of Intangible Assets	**251.71**	227.65
		3,451.85	3,204.56

		31 December 2012	31 December 2011
27	**OTHER EXPENSES**		
	Consumption of Stores and Consumables	**684.15**	624.30
	Power and Fuel	**3,259.38**	2,430.92
	Repairs to Building	**164.23**	108.80
	Repairs to Machinery	**1,109.14**	1,009.32
	Other Repairs	**169.57**	153.18
	Sub contracting Expenses	**870.25**	860.03
	Insurance	**181.50**	165.90
	Rent	**35.67**	53.95
	Rates and Taxes	**127.93**	96.73
	Travelling and Conveyance	**520.29**	492.66
	Legal and Professional Charges *	**631.04**	501.69
	Commission-Directors	**45.34**	36.96
	Communication Costs	**130.52**	133.26

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

	31 December 2012	31 December 2011
Payment to Auditor (Refer note 27.1)	**42.52**	37.18
Donation	**10.35**	1.35
Printing and Stationery	**78.24**	71.30
Commission on Sales - Others	**165.60**	163.33
Freight and Forwarding Expenses	**1,430.57**	1,396.41
Other Write Offs / Provisions	**–**	11.21
Fixed Assets Written Off	**15.28**	–
Bank Charges	**70.53**	55.43
Provision for Sales Tax	**75.73**	–
Provision for Doubtful Debts	**51.56**	–
Foreign Exchange Loss (Net)	**139.77**	–
Miscellaneous Expenses	**1,277.63**	1,160.47
	11,286.79	9,564.38

* Includes ₹80.74 lacs being professional fees incurred on acquisition of Subsidiary-M/s Webtech Labels Pvt.Ltd.

	31 December 2012	31 December 2011
27.1 PAYMENT TO AUDITORS :		
Auditor's Remuneration		
Audit Fees	**38.71**	34.30
In other capacity		
Certification Fees	**2.27**	1.42
Reimbursement of Expenses	**1.54**	1.46
	42.52	37.18

	31 December 2012	31 December 2011
28 EARNINGS PER SHARE (EPS)		
Profit after Tax Excluding Extraordinary Items	**4,502.77**	4,965.72
Profit after Tax Including Extraordinary Items	**4,502.77**	5,259.89
Weighted average number of Equity shares	**62,687,190**	62,687,190
Basic and Diluted Earnings per Equity share Excluding Extraordinary Items	**7.18**	7.92
Basic and Diluted Earnings per Equity share Including Extraordinary Items	**7.18**	8.39
Nominal Value of Share (₹)	**2**	2

	31 December 2012	31 December 2011
29 NET DIVIDEND REMITTED IN FOREIGN CURRENCY		
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:		
a. Dividend for the year	**2011**	2010
b. Number of Non-resident Shareholder	**1**	1
c. Equity Shares held by Non-resident Shareholder	**38,095,166**	36,934,100
d. Gross Amount of Dividend Remitted	**914.28**	812.55

b) Except at point no.29 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012	31 December 2011
	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:-		
a.	Dividend for the year	**2011**	2010
b.	Number of Non-resident Shareholders	**262**	258
c.	Equity Shares held by Non-resident Shareholders	**423,875**	1,730,987
d.	Gross Amount of Dividend	**10.17**	38.08

		31 December 2012	31 December 2011
30	**CONTINGENT LIABILITIES**		
a)	Excise Duty		
	Matters in Appeal - Duty	**5,099.57**	5,013.67
	- Penalties	**125.58**	125.58
	Show cause notices - Duty	**3,221.53**	2,948.66
	- Penalties	**–**	0.09
b)	Service Tax		
	Show cause notices - Service Tax	**34.47**	108.89
	Matters in Appeal - Service Tax	**74.81**	21.05
	- Penalties	**55.87**	0.70
c)	Sales Tax demands in appeal	**117.24**	208.94
d)	Income Tax demands in appeal	**–**	54.94
e)	Claims against the company not acknowledged as debts	**120.83**	120.83
	Note for (a) to (e): Future cash outflows / uncertainties, if any, in respect of the above are determinable only on receipt of judgements / decisions pending with various forums / authorities.		
f)	Bank guarantees issued by bankers on behalf of the Company	**228.01**	148.62
g)	Contracts remaining to be executed on capital account and not provided for (net of advances)	**323.04**	961.47
h)	Letters of Credit issued by banks on behalf of the company for import of goods	**982.72**	816.15

i) The company has obtained EPCG Licences issued under and subject to conditions in Chapter 5 of the foreign trade Policy 2004-2009.These Licences entitle the company to import Capital goods at concessional rates of Customs duty and accordingly duty concession obtained is Rs 418.54 Lacs (Previous year Rs 383.15 Lacs).In accordance with the terms of the EPCG Licence the company has an export obligation of Rs 3,348.34 Lacs (Previous year Rs 3,288.32 Lacs) to be discharged over a period of 8 years.As at the year end the company has discharged export obligation of approximate value of Rs 1,376.03 Lacs (Previous year Rs 862.24 Lacs)

		31 December 2012	31 December 2011
31	**DISCLOSURE OF AMOUNTS DUE TO THE MICRO, SMALL AND MEDIUM ENTERPRISES (ON THE BASIS OF THE INFORMATION & RECORDS AVAILABLE WITH THE MANAGEMENT.)**		
a)	The principal amount and the interest due there on remaining unpaid to any Micro/Small supplier		
	- Principal amount	**59.09**	35.06
	- Interest there on	**10.85**	6.42
b)	The interest paid by the buyer as above, along with the amount of payments made beyond the appointed date during each accounting year.	**–**	–
c)	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	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012	31 December 2011
d)	The amount of interest accrued and remaining unpaid at the end of each accounting year.	**4.43**	2.64
e)	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	**10.85**	6.42

		Currency	31 December 2012 Foreign Currency in Lacs	31 December 2011 Foreign Currency in Lacs
32	**DISCLOSURE OF DERIVATIVE INSTRUMENTS**			
(i)	**Derivative Instruments Outstanding**			
	Forward Exchange contracts for the foreign exchange exposures of receivables on account of export of goods & services.	**USD**	**13.00**	12.00
		EUR	**–**	3.00
	Forward Exchange contracts for the foreign exchange exposures for payments to be made against imports.	**USD**	**–**	0.44
(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**	**48.29**	36.94
		EUR	**0.39**	3.64
		GBP	**–**	0.06
	Foreign Exchange exposures not covered by a derivative contract for payments to be made against revenue imports & capital imports creditors.	**USD**	**30.31**	23.68
		EUR	**1.97**	2.37
		JPY	**23.97**	5.62
		GBP	**0.17**	0.03
		SFR	**0.10**	0.12
	Balance in EEFC account	**USD**	**–**	1.28
(iii)	**Derivatives taken to Cover Forecast Exposures**			
	Forward Exchange contracts taken for the forecast exports receivables on account of export of goods & services.	**USD**	**35.00**	26.00
		EUR	**–**	7.00
	Forward Exchange contracts taken for the forecast revenue imports.	**USD**	**–**	0.23
		EUR	**–**	2.43
		SFR	**–**	0.25
		JPY	**236.10**	–
iv)	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.		**27.39**	207.66

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012	31 December 2011
33	**VALUE OF IMPORTS CALCULATED ON CIF BASIS**		
	a. Raw Materials	**12,524.16**	8,791.77
	b. Stores, Spares-Parts and Other Materials	**280.91**	268.86
	c. Capital Goods	**1,272.30**	1,549.77

		31 December 2012	31 December 2011
34	**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.		
	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.		
	Net Sales to External Domestic Customers	**71,424.60**	64,719.94
	Net Sales to External Export Customers	**16,874.72**	15,010.12
	Total Net Sales to External Customers	**88,299.32**	79,730.06
	Debtors outstanding in respect of export segment as at the year end	**3,193.54**	2,640.47

		31 December 2012	31 December 2011
35	**EARNINGS IN FOREIGN CURRENCY**		
	a. F.O.B. Value of Exports	**15,110.80**	13,795.66
	b. Others	**489.58**	313.60

36 RELATED PARTY TRANSACTIONS

a)	Related party where control exists :	
	Ultimate Parent Company	Huhtamaki Oyj., Finland
	Holding Company	Huhtavefa B.V., Netherlands
b)	Subsidiary Company	Webtech Labels Private Limited
c)	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 Pty Ltd., South Africa
		Huhtamaki (Thailand) Ltd., Thailand
d)	Key Managerial Personnel	Mr. Suresh Gupta: Chairman and Managing Director
		Mr. M.K.Srinivasan: Chief Executive Officer and Executive Director(till 30th June 2012)
		Mr.A.Venkatrangan:Executive Director(w.e.f.4th June 12)
e)	Relatives of Key Managerial Personnel	
	Mr. Suresh Gupta	Mrs.Kumkum Gupta-Wife, Ms.Ratna Gupta-Daughter, Ms.Shivani Gupta-Daughter

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012		31 December 2011	
f)	Details of transactions with related parties that have taken place during the year :				
1)	Ultimate Parent Company				
	a) Software and Expense Reimbursements Charge		**31.59**		55.73
	b) Remuneration paid by Huhtamaki Oyj to Mr.Suresh Gupta as EVP- Flexibles Packaging Global, Huhtamaki Oyj.		**93.04**		140.56
2)	Holding Company				
	Dividend Paid				
	- Huhtavefa B.V., Netherlands		**914.28**		812.55
3)	Subsidiary Company				
	Expense Reimbursements - Recovery		**2.91**		–
4)	Fellow Subsidiaries				
	Purchase of Goods				
	- Huhtamaki Deutschland Gmbh and Co.KG., Germany		**2.99**		5.29
	- Huhtamaki New Zealand Ltd., New Zealand.		**–**		3.67
	- Huhtamaki South Africa Pty Ltd., South Africa		**–**		1.56
	Sale of Goods				
	- Huhtamaki New Zealand Ltd., New Zealand		**525.44**		7.15
	- Huhtamaki (Thailand) Ltd, Thailand		**46.39**		–
	- Huhtamaki Australia Ltd., Australia (net of discounts)		**408.03**		1,092.14
	Commission Expenses on Sales				
	- Huhtamaki South Africa Ltd., South Africa		**73.84**		25.65
	Expense Reimbursements - Charge				
	- Huhtamaki Deutschland Gmbh and Co.KG., Germany		**–**		64.10
	- Huhtamaki (Thailand) Ltd, Thailand		–		0.34
	- Huhtamaki New Zealand Ltd., New Zealand.		**5.72**		0.52
	- Huhtamaki Australia Ltd., Australia		**49.77**		0.67
	Balances due to				
	- Huhtamaki Oyj., Finland		**23.73**		–
	- Huhtamaki South Africa Pty Ltd., South Africa		**46.25**		1.56
	- Huhtamaki Deutschland Gmbh and Co.KG., Germany		**–**		64.10
	Balances due from				
	- Huhtamaki New Zealand Ltd., New Zealand.		**32.91**		7.76
	- Huhtamaki Australia Ltd., Australia		**119.43**		177.57
	- Webtech Labels Private Limited		**2.91**		–
5)	Payments to Key Managerial Personnel and their Relatives				
	Remuneration Paid to Key Managerial Personnel				
	Mr. Suresh Gupta, Chairman and Managing Director	**187.22**		206.54	
	Mr. M.K.Srinivasan, Chief Executive Officer and Executive Director	**67.86**		101.49	
	Mr.A.Venkatrangan,Executive Director	**47.48**	**302.56**	–	308.03

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

	31 December 2012		31 December 2011	
Dividend Paid to Key Managerial Personnel and Their Relatives				
Mr. Suresh Gupta	**28.35**		25.99	
Mrs.Kumkum Gupta	**6.03**		5.52	
Ms Ratna Gupta	**4.83**		4.43	
Ms Shivani Gupta	**4.81**		4.41	
Mr.A.Venkatrangan	**0.12**	**44.14**	–	40.35

	31 December 2012		31 December 2011	
	% of Consumption	₹ in Lacs	% of Consumption	₹ in Lacs
37 CONSUMPTION OF RAW MATERIALS,PACKING MATERIALS & STORES & SPARES CONSUMED				
Imported	22.14%	13,774.42	19.70%	11,084.93
Indigenous	77.86%	48,448.21	80.30%	45,191.04
	100.00%	**62,222.63**	**100.00%**	**56,275.97**

	31 December 2012	31 December 2011

38 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 various benefits 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.	**298.87**	269.38

(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 group 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 who leave after completion of 20 years of service.(31 December 2011 - 25 years)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		Gratuity - Funded		Leave Encashment - Non Funded		Pension Plan - Non Funded		Long Service Award- Non Funded	
		2012	2011	**2012**	**2011**	**2012**	**2011**	**2012**	2011
I.	**Change in Benefit Obligation**								
	Opening defined benefit obligation	**1,125.95**	1,003.55	**306.53**	287.94	**8.00**	9.05	**62.17**	50.91
	Interest cost	**92.27**	81.33	**24.72**	22.74	**0.62**	0.66	**5.25**	4.26
	Current Service Cost	**106.05**	95.70	**53.13**	53.37	**–**	–	**–**	–
	Benefit Paid	**(80.83)**	(70.66)	**(31.51)**	(34.52)	**(1.50)**	(1.50)	**(0.92)**	(0.40)
	Actuarial (gain)/loss on obligations	**30.93**	16.02	**(15.06)**	(23.00)	**0.11**	(0.21)	**19.16**	7.40
	Closing defined benefit obligation	**1,274.36**	**1,125.95**	**337.81**	**306.53**	**7.23**	**8.00**	**85.65**	**62.17**
II.	**Fair Value of Plan Assets**								
	Fair value of Plan Assets at the beginning of the year	**1,125.95**	1,103.17	**–**	–	**–**	–	**–**	–
	Expected Return on Plan Assets	**100.04**	93.05	**–**	–	**–**	–	**–**	–
	Contributions	**52.02**	31.78	**–**	–	**–**	–	**–**	–
	Benefit Paid	**(80.83)**	(70.66)	**–**	–	**–**	–	**–**	–
	Actuarial gain/(loss) on Plan Assets	**77.19**	(31.40)	**–**	–	**–**	–	**–**	–
	Fair Value of Plan Assets at the end of the year	**1,274.36**	1,125.95	**–**	–	**–**	–	**–**	–
III.	**Actual Return on Plan Assets**								
	Actual Return on Plan Assets	**177.23**	61.65	**–**	–	**–**	–	**–**	–
	Expected Return on Plan Assets	**100.04**	93.05	**–**	–	**–**	–	–	–
	Actuarial gain/(loss) on Plan Assets	**77.19**	(31.40)	**–**	–	**–**	–	**–**	–
	Actuarial gain/(loss) on obligation	**(30.93)**	(16.02)	**15.06**	23.00	**(0.11)**	0.21	**(19.16)**	(7.40)
IV.	**Amount Recognised in the Balance Sheet**								
	Defined benefit obligation	**1,274.36**	1,125.95	**337.81**	306.53	**7.23**	8.00	**85.65**	62.17
	Fair Value of Plan Assets	**1,274.36**	1,125.95	**–**	–	**–**	–	**–**	–
	Funded Status	**–**	–	**(337.81)**	(306.53)	**(7.23)**	(8.00)	**(85.65)**	(62.17)
	Unrecognised Acturial Gain/(Loss)	–	–	–	–	–	–	–	–
	Net Asset/(Liability) Recognised in the Balance Sheet	–	–	(337.81)	(306.53)	(7.23)	(8.00)	(85.65)	(62.17)
V.	**Expenses Recognised in the Profit & Loss Account**								
	Current Service Cost	**106.05**	95.70	**53.13**	53.37	**–**	–	**–**	–
	Interest Cost	**92.27**	81.33	**24.72**	22.74	**0.62**	0.66	**5.25**	4.26
	Expected Return on Plan Assets	**(100.04)**	(93.05)	**–**	–	**–**	–	**–**	–
	Net Actuarial (Gain)/Loss To Be Recognised	**(46.26)**	47.42	**(15.06)**	(23.00)	**0.11**	(0.21)	**19.16**	7.40
	Expense Recognised in P&L	**52.02**	131.40	**62.78**	53.11	**0.72**	0.45	**24.40**	11.66

The Company expects to contribute ₹ Nil to Gratuity in 2013

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

	2012	2011
Discount Rate	**8.30%**	8.50%
Rate of Return on Plan Assets	**9.00%**	8.00%
Salary Escalation	**7.25%**	7.25%
Employee Turnover	**Years**	%
	0-2	12 %
	3-4	5%
	5-9	2.5%
	10 & Above	1%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

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	
	31-Dec-12	31-Dec-11
Investments in The Paper Products Ltd Employees Gratuity Fund Trust	**1,274.36**	1,125.95
	100.00%	100.00%

Amounts for the current and previous periods are as follows.

	Gratuity				
Particulars	**2012**	2011	2010	2009	2008
Defined benefit obligation	**1,274.36**	1,125.95	1,003.55	926.24	1,026.77
Plan assets	**1,274.36**	1,125.95	1,103.17	1,057.63	799.19
Excess of defined benefit obligation over fair value of plan assets.	**–**	–	(99.62)	(131.39)	227.59
Experience Adjustment on plan assets	**(77.19)**	(42.43)	–	–	–
Experience Adjustment on plan liabilities	**30.93**	(11.48)	–	–	–
	Leave Encashment				
Particulars	**2012**	2011	2010	2009	2008
Defined benefit obligation	**337.81**	306.53	287.94	267.65	318.84
Plan assets	**–**	–	–	–	–
Excess of defined benefit obligation over fair value of plan assets.	**337.81**	306.5 3	287.94	267.6 5	318.84
		Pension			
Particulars	**2012**	2011	2010	2009	2008
Defined benefit obligation	**7.23**	8.00	9.05	9.70	11.73
Plan assets	**–**	–	–	–	–
Excess of defined benefit obligation over fair value of plan assets.	**7.23**	8.00	9.05	9.70	11.73
	Long Service Award				
Particulars	**2012**	2011	2010	2009	2008
Defined benefit obligation	**85.65**	62.17	50.91	51.23	63.10
Plan assets	**–**	–	–	–	–
Excess of defined benefit obligation over fair value of plan assets.	**85.65**	62.17	50.91	51.23	63.10

39 LEASES

The Company has taken certain Office Premises and residential facilities under Operating Lease arrangements.

All the lease agreements are cancellable and there are no restrictions imposed by lease arrangements.

There are no sub leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31st December 2012	31st December 2011
40	**EXPENDITURE IN FOREIGN CURRENCY**		
	a. Travelling Expenses	**68.54**	59.37
	b. Export agency Commission	**162.02**	121.92
	c. Service charges paid for Technical services availed	**39.09**	112.75
	d. Royalty	**19.94**	16.85
	e. Others	**178.03**	126.25

		31 December 2012	31 December 2011
41	**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:		
	Operating Expenses		
	Repairs and Stores Consumed	**3.91**	4.96
	Personnel Expenses		
	Salaries,Wages and Bonus	**22.70**	21.63
	Contribution to PF and Other funds	**1.18**	0.83
	Staff welfare Expenses	**1.95**	2.53
	Other Expenditure		
	Product Development Expenses	**30.92**	26.78
	Conveyance,Electricity,Printing and Stationery, Travelling,Car and Vehicle Expenses, Insurance,Professional fees, etc.	**5.63**	23.81
	Miscellaneous Expenses	**0.27**	2.58
	Depreciation	**17.55**	17.80
	Total	**84.11**	100.92

42 EXTRAORDINARY ITEM IN THE PREVIOUS YEAR COMPRISE OF :

Insurance claim of Fire at Thane Plant was settled, resulting in surplus of ₹ 294.17 Lacs (Net of Income Tax of ₹ 141 Lacs)

43 Till the year ended 31 December 2011, the Company was using pre-revised schedule VI to the Companies Act, 1956 for preparation & presentation of its Financial statements.
During the year ended 31 December 2012 the revised schedule VI notified under the Companies Act, 1956 has become applicable. The Company has reclassified the previous year figures to comform this year's classification.

As per our report of even date

For S.R.Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

Mumbai
6 February 2013

For and on behalf of the Board of Directors

Suresh Gupta
Chairman & Managing Director

A.Venkatrangan
Executive Director

Parag Vyavahare
Chief Financial Officer

Johann Sippel
K.C. Narang
P.V.Narayanan
R.K. Dhir
S.K. Palekar
} Directors

Anand Daga
Company Secretary & Head Legal

STATEMENT PURSUANT TO SECTION 212 (8) OF THE COMPANIES ACT,1956 RELATING TO SUBSIDIARY COMPANY

In accordance with the General Circular No: 2/2011 dated 8 February 2011,issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, the Statement of Profit and Loss and other documents of the subsidiary are not being attached with the Annual Accounts of the Company.This Annual Report contains Consolidated Financial Statement of the Company and its subsidiary in accordance with the relevant Accounting Standards and the same has been duly audited by Statutory Auditors.The annual Accounts of the subsidiary company and related information will be made available to the shareholders of the Company and its subsidiary company on request and will also be kept open for inspection by the shareholders at the Registered Office of the Company and the subsidiary.

(₹ In Lacs)

Name of Subsidiary Company	Issued & Subscribed Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit/ (Loss) before Tax	Provision for Tax	Profit/ (Loss) After Tax	Proposed Dividend
WEBTECH LABELS PRIVATE LIMITED*	2.04	3,776.72	8,118.95	4,340.19	0.03	1,018.50	33.95	24.63	9.31	–

*Details provided are for operation of subsidiary for period 9th November 2012 to 31st Decemeber 2012.

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors

The Paper Products Limited

We have audited the attached consolidated balance sheet of The Paper Products Limited Group, as at 31 December 2012, and also the consolidated statement of profit and loss and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of The Paper Products Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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.

We report that the consolidated financial statements have been prepared by The Paper Products Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated balance sheet, of the state of affairs of The Paper Products Limited Group as at 31 December 2012;

(b) in the case of the consolidated statement of profit and loss, of the profit for the year ended on that date; and

(c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

Mumbai
6 February 2013

CONSOLIDATED BALANCE SHEET

As at 31st December 2012

(₹ in Lacs)

	Notes	31 December 2012
EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	2	**1,253.83**
Reserves and Surplus	3	**34,242.19**
		35,496.02
Minority Interest		**1,851.61**
Non-Current Liabilities		
Long - Term borrowings	4	**3,426.35**
Deferred Tax Liability (Net)	5	**67.77**
Long Term Provisions	6	**151.79**
		3,645.91
Current Liabilities		
Short - Term Borrowings	7	**1,406.20**
Trade Payables	8	**12,824.58**
Other Current Liabilities	9	**2,321.08**
Short Term Provisions	10	**2,844.87**
		19,396.73
TOTAL		**60,390.27**
ASSETS		
Non-Current Assets		
Fixed Assets		
Tangible Assets	11	**20,084.54**
Intangible Assets	11	**2,256.36**
Capital Work in Progress		**446.80**
Goodwill On Consolidation		**1,956.73**
Non-Current Investments	12	**0.03**
Long Term Loans & Advances	13	**1,154.80**
Other Non Current Assets	14	**351.56**
		26,250.82
Current Assets		
Current Investments	15	**6,037.88**
Inventories	16	**8,861.84**
Trade Receivables	17	**15,887.02**
Cash and Cash Balances	18	**1,475.94**
Short Term Loans & Advances	19	**854.13**
Other Current Assets	20	**1,022.64**
		34,139.45
TOTAL		**60,390.27**
Significant Accounting Policies	1	

The accompanying notes are an integral part of financial statements

As per our report of even date

For S.R. Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

Mumbai
6 February 2013

For and on behalf of the Board of Directors

Suresh Gupta
Chairman & Managing Director

A.Venkatrangan
Executive Director

Parag Vyavahare
Chief Financial Officer

Johann Sippel
K.C. Narang
P.V.Narayanan
R.K. Dhir
S.K. Palekar
Directors

Anand Daga
Company Secretary & Head Legal

CONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT

For the year ended 31st December 2012

(₹ in Lacs)

	Notes	31 December 2012
INCOME		
Revenue from Operations	21	**96,156.74**
Less: Excise Duty		**6,098.01**
Revenue from Operations (Net)		**90,058.73**
Other Income	22	**825.87**
Total Revenue		**90,884.60**
EXPENSES		
Cost of Raw Material and Components Consumed	23	**62,123.58**
Changes in Inventories of Finished goods and Work-in-Process	24	**367.10**
Employee Benefit Expenses	25	**7,098.32**
Finance Cost	26	**59.06**
Depreciation and Amortisation Expenses	27	**3,565.28**
Other Expenses	28	**11,498.34**
Total Expenses		**84,711.68**
Profit Before Tax		**6,172.92**
Tax Expenses		
Current Tax		**1,911.17**
Excess Provision for earlier years written back		**(55.60)**
Deferred Tax		**(187.16)**
MAT Credit entitlement		**(7.57)**
Profit for the period		**4,512.08**
Share of Minority Interest		**4.56**
Profit After Minority Interest		**4,507.52**
Earnings per Equity Share (Nominal Value-₹2)	29	
1. Basic		**7.19**
2. Diluted		**7.19**
Significant Accounting Policies	1	

The accompanying notes are an integral part of financial statements

As per our report of even date

For S.R.Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

Mumbai
6 February 2013

For and on behalf of the Board of Directors

Suresh Gupta
Chairman & Managing Director

A.Venkatrangan
Executive Director

Parag Vyavahare
Chief Financial Officer

Johann Sippel
K.C. Narang
P.V.Narayanan
R.K. Dhir
S.K. Palekar
Directors

Anand Daga
Company Secretary & Head Legal

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012
A.	**Cash Flow from Operating Activities**	
	Net Profit before Tax	**6,172.92**
	Adjustments for	
	Depreciation	**3,565.28**
	Unrealised Foreign Exchange Loss/(Gain)-Net	**198.86**
	Interest Income	**(11.63)**
	Dividend Income	**(569.65)**
	Financial Expenses	**59.06**
	Provision for doubtful debts made / (written back)	**51.56**
	(Profit)/Loss on Sale of Investments	**(0.85)**
	Fixed Assets written Off / (written back)	**15.28**
	Provision for Sales Tax made/ (written back)	**75.73**
	Profit on Sale of Assets (Net)	**(5.82)**
	Operating Profit before Changes in Working Capital	**9,550.74**
	Adjustments for (Increase)/Decrease in	
	Trade Receivables	**(1,635.55)**
	Inventories	**(34.22)**
	Loans and Advances	**457.02**
	Other Current Assets	**92.55**
	Adjustments for Increase / (Decrease) in	
	Trade Payables	**72.08**
	Other Current Liabilities	**(5.73)**
	Provisions	**(273.68)**
	Cash Generated from Operations	**8,223.21**
	Direct Taxes Paid (Net of Refunds Received)	**(1,954.19)**
	Cash Flow from Operating Activities	**6,269.02**
B.	**Cash Flow from Investing Activities**	
	Purchase of Fixed Assets	**(2,409.27)**
	Proceeds from Sale of Fixed Assets	**12.53**
	Purchase of Investments	**(27,878.15)**
	Expenditure on Acquisition of Subsidiary	**(111.75)**
	Purchase of Business from Webtech Industries Private Limited	**(3,767.33)**
	Sale of Investments	**28,178.77**
	Dividend Received	**569.65**
	Interest Received	**11.76**
	Net Cash used in Investing Activities	**(5,393.79)**

CONSOLIDATED CASH FLOW STATEMENT (Contd.)

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012
C.	**Cash Flow from Financing Activities**	
	Repayment of Deferred Sales Tax Loan	**(55.26)**
	Repayment of Term Loan from Bank	**(38.65)**
	Proceeds from Short Term Borrowing	**262.08**
	Interest Paid	**(54.28)**
	Dividends Paid (Including Dividend Tax thereon)	**(1,742.47)**
	Net Cash Used in Financing Activities	**(1,628.58)**
	Net Increase in Cash and Cash Equivalents	**(753.35)**
	Cash and Cash Equivalents at the Beginning of the Year	**2,229.29**
	Cash and Cash Equivalents at the Close of the Year	**1,475.94**
	Cash and Cash Equivalents Comprise:	
	Cash on Hand	**14.73**
	Cheques on Hand	**18.07**
	Balances in Current Accounts with Scheduled Banks	**1,243.98**
	Balances in Deposit Accounts with Scheduled Banks	**148.50**
	Balances in Unpaid Dividend Bank Accounts *	**50.66**
		1,475.94

* 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 Hand and short term investments with an original maturity of three months or less.

As per our report of even date

For S.R.Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

Mumbai
6 February 2013

For and on behalf of the Board of Directors

Suresh Gupta
Chairman & Managing Director

A.Venkatrangan
Executive Director

Parag Vyavahare
Chief Financial Officer

Johann Sippel
K.C. Narang
P.V.Narayanan
R.K. Dhir
S.K. Palekar
Directors

Anand Daga
Company Secretary & Head Legal

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A . GROUP INFORMATION

Subsidiary considered in this Consolidated Financial Statement-

Name of the Company	Country of Incorporation	% of Ownership at 31st Dec 2012
Webtech Labels Private Limited	India	51%

The financial statements of subsidiary considered in consolidated accounts are drawn upto the same date i.e. 31 December 2012.

B . PRINCIPLES OF CONSOLIDATION

The consolidated financial statements relate to The Paper Products Limited ('the company') and its subsidiary company (hereinafter referred as ”the Group”) .The consolidated financial statements have been prepared on the following basis.

- The financial statements of the Company and its subsidiary company have been consolidated on line-by-line basis by adding together the book values of like items of assets,liabilities,income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21-"Consolidated Financial Statements” as notified by Companies (Accounting Standards) Rules 2006 (as amended).
- The difference between the cost of investement in the subsidiary and the company's share of equity on the date of acquisition of shares in the subsidiary is recognised in the financial statement as Goodwill or Capital Reserve as the case may be.
- Minority Interest's share of net profit of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the company.
- Minority Interest's share of net assets of Consolidated subsidiary is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the company's shareholders.
- The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the company's seperate financial statements.

C. OTHER SIGNIFICANT ACCOUNTING POLICIES

a. 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 (as amended) 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 Group.

b. 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.

c. Fixed Assets

- Fixed assets are stated at cost (or revalued amounts as the case may be) less accumulated depreciation & impairment 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.
- 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.
- 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.
- 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.
- Capital work-in-progress includes the cost of fixed assets that are not ready to use at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

d. Intangibles

Intangible Assets acquired seperately are measured on intial recognition at cost. Following, intial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

e. Depreciation

i. 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.

Assets	Method of Depreciation	Rate
Computers	Straight Line Method	25.00%
Motor Vehicles	Straight Line Method	19.00%
General Furniture	Straight Line Method	9.50%
Office and Other Equipments	Straight Line Method	19.00%
Cellphones and Photocopiers	Straight Line Method	31.67%
Airconditioning Equipment used in manufacturing process	Straight Line Method	10.34%
Administrative Buildings	Written Down Value Method	10.00%
Electrical Fittings	Straight Line Method	10.34%

Depreciation on 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,viz 99 years.

ii. 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.

Goodwill is amortised over a period of 10 years

Corporate club membership fees paid are amortised over the period of use, viz 10 years.

Non compete fees paid are amortised over the period of restriction, viz 3/5 years.

f. Goodwill on Consolidation

Goodwill arising on Conslidation is valued at cost, and provision is made for impairment if applicable.

g. Foreign Currency Transactions

- 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.
- 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.
- Non-monetary foreign currency items are carried at cost.
- 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.
- 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. Gain on Mark to Market valuation is ignored.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

h. Inventories

- Inventories are valued at lower of cost and net realisable value.
- The cost of manufactured inventories is the direct cost of manufacture plus appropriate allocated overheads & excise duty wherever applicable. Cost is determined on Weighted Average Method.
- The cost of bought out inventory is computed using the Weighted Average Method .
- The cost of loose tools is amortised over its estimated useful life.

i. Revenue Recognition

- Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. It is recognised when significant risks and rewards of ownership of goods have passed to the buyer.
- Gross sales are inclusive of Excise Duty.
- Sales are net of returns and discounts
- Sales returns are accounted for in the year of return.
- Dividend income is recognised when the right to receive dividend is unconditional at the balance sheet date.
- Interest on investments is accounted on a time proportion basis taking into account the amounts invested and the rate of interest.

j. Retirements Benefits

i. 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.

ii. Defined Benefit Plans :

The Group's gratuity benefit scheme is a defined benefit plan. The Group'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 Group, 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.

iii. 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.

iv. Other Short Term Employment Benefits:

Group 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.

k. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

l. 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.

m. Taxation

Income tax expense comprises current income tax (i.e. amount of tax for the period determined in accordance with the income tax law) 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 and deferred tax liabilities are offset at entity level, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws.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.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The individual entity recognizes MAT credit available as an asset only to the extent that there is convincing evidence that it will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which individual entity recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as “MAT Credit Entitlement.” The individual entity reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent the individual entity does not have convincing evidence that it will pay normal tax during the specified period.

n. 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.

o. Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset’s net selling price and value in use.In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. After impairment, depreciation is provided on their revised carrying amount of the asset over its remaining useful life.

p. Provisions and Contingent Liabilities

The Group 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.

q. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

			31 December 2012
2	**SHARE CAPITAL**		
	AUTHORISED CAPITAL		
	150,000,000 Equity shares of ₹2/- each	3,000.00	
	700,000 12% Redeemable Cumulative Preference Shares of ₹100/- each	700.00	
	300,000 Unclassified Shares of ₹100/- each	300.00	4,000.00
			4,000.00
	ISSUED SUBSCRIBED AND PAID-UP CAPITAL		
	62,687,190 Equity Shares of ₹2/- each fully paid-up	1,253.74	
	Add : Amount Received on 1,449 forfeited Shares.	0.09	1,253.83
	TOTAL		1,253.83

a **Reconciliation of the shares outstanding at the beginning & at the end of the reporting period.**

	Nos.	31 December 2012 ₹ in Lacs
At the beginning of the period	62,687,190	1,253.74
Outstanding at the end of the period	62,687,190	1,253.74

b **Terms /rights attached to equity shares.**

The company has only one class of equity shares having a par value of ₹2/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31st December 2012, the amount of per share dividend recognised as distributions to equity shareholders was ₹2.60

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all Preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

c **Shares held by holding company**

	Nos.	₹ in Lacs
Out of equity shares issued by the company,shares held by its holding company are as follows :		
Huhtavefa B.V., Netherlands,The Holding Company	38,095,166	761.90

d **Details of Shareholders holding more than 5% shares in the company.**

	Nos.	% holding in the class
Equity shares of ₹2/- each fully paid up.		
Huhtavefa B.V., Netherlands,The Holding Company.	38,095,166	60.77%
HDFC Trustee Company Limited	3,330,525	5.31%

As per the records of the company,including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

			31 December 2012
3	**RESERVES AND SURPLUS**		
	Capital Redemption Reserve		700.00
	Securities Premium Account		7,936.32
	Revaluation Reserve		275.77
	General Reserve		
	Opening Balance	7,333.47	
	Add: Amount Transferred from Surplus balance in the statement of Profit and Loss	450.28	7,783.75
	Surplus in the Statement of Profit & loss		
	Opening Balance	15,383.39	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012
	Profit for the period	4,507.52
	Less : Appropriations	
	Proposed Final Equity Dividend (Amount per share ₹2.60)	(1,629.87)
	Tax on Proposed Equity Dividend	(264.41)
	Transferred to General Reserve	(450.28)
	Net Surplus in the Statement of Profit & Loss	17,546.35
	Total Reserves & Surplus	34,242.19

		31 December 2012
4	**LONG - TERM BORROWINGS**	
	Sales Tax Deferment Loan (Unsecured)	2,061.47
	Indian Rupee loan from a bank (secured)	1,364.88
		3,426.35

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. The above amount is repayable after 14 years from the date of availment of the loan. The loan is repayable annualy on 1st April with 1st instalment due on 1st April 2011 and last one being due on 1st April 2021.

Indian rupee loan from bank carries interest @ Prime Lending Rate (PLR) less 5% p. a., The loan is repayable in 60 monthly installments of ₹ 36.43 lacs each along with interest, from the date of loan, viz., 29 October 2012. The loan is secured by hypothecation of Machinery of Webtech Labels Pvt Ltd.

The scheduled maturity of long term borrowings is summarised below.	Indian Rupee Loan	Sales Tax Loan
"In the next one year (Disclosed in Note 9 being current maturities of long term borrowings)"	255.92	97.77
In the second year	288.52	140.41
In the 3rd to 5th year	1,076.36	729.04
After 5 years	–	1,192.02

		31 December 2012
5	**DEFERRED TAX LIABILITY (NET)**	
	Deferred Tax Liability arising on account of timing differences in :	
	-Depreciation	401.21
		401.21
	Deferred Tax Asset arising on account of timing differences in :	
	-Unabsorbed losses	10.95
	-Provision for doubtful debts	58.03
	-Provision for retirement benefits	145.93
	-Effect of expenditure debited to Profit & Loss account but allowed for Tax purposes in following years	118.53
		333.44
	Deferred Tax Liability (Net)	67.77

		31 December 2012
6	**LONG TERM PROVISIONS**	
	Provision for Employee Benefits (Refer note 38)	151.79
		151.79

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012
7	**SHORT TERM BORROWINGS**	
	Cash Credit from Banks (secured)	1,051.90
	Other Unsecured Loan	354.30
		1,406.20

Cash credit from banks is secured against hypothecation of stock and book debts of Webtech Labels Pvt Ltd. The cash credit carries interest @ PLR less 5% p.a.
Other unsecured loan carries interest @ 9% p.a., the loan is repayable on demand.

		31 December 2012
8	**TRADE PAYABLES**	
	Trade Payables (Refer note 32 for details of dues to Micro,Small and Medium Enterprises.)	12,824.58
		12,824.58

		31 December 2012
9	**OTHER CURRENT LIABILITIES**	
	Unclaimed dividend*	50.66
	Advance from Customers	90.53
	Employee Benefits payable	987.29
	Employee Statutory Liabilities payable	70.64
	Taxes payable	302.38
	TDS Payable	68.77
	Creditors for capital goods	370.11
	Current maturity of Long Term Borrowings (Refer note 4)	353.69
	Interest accrued and due on Borrowings	4.78
	Others	22.23
		2,321.08

* There is no amount due and outstanding to be credited to Investor Education & Protection Fund.

		31 December 2012
10	**SHORT TERM PROVISIONS**	
	Provision for Income Tax (Net of Advance Tax)	245.93
	Provision for Employee Benefits (Refer note 38)	387.59
	Provision for Mark to Market losses on derivative contracts	50.50
	Provision for Litigations	266.57
	Proposed Equity dividend	1,629.87
	Provision for Tax on Proposed Equity Dividend	264.41
		2,844.87
	Provision for Litigations	
	Opening Balance	205.24
	Arising during the period	84.33
	Unused amount reversed/utilised during the period	(23.00)
	At the end of the year	266.57

Provision for Litigation represents provision made by the company in respect of disputed Indirect Tax matters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

Note 11 - FIXED ASSETS

(₹ in Lacs)

	GROSS BLOCK				ACCUMULATED DEPRECIATION / AMORTISATION						NET BLOCK
Description	**Original Cost as at 01-01-2012**	Cost of Acquisition During the year*	Additions During the Year	Deletions During the year	**Original Cost as at 31-12-2012**	**Opening Balance as at 01-01-2012**	**Depreciation On Acquisition***	**On Deletions During The Year**	**Charge for the Year**	**Closing Balance at 31/12/2012**	**Balance as at 31/12/2012**
TANGIBLE ASSETS											
Land - Freehold	**522.66**	–	–	–	522.66	–	–	–	–	–	**522.66**
- Leasehold	**259.45**	–	–	–	259.45	18.18	–	–	2.88	21.06	**238.39**
Buildings	**6,205.30**	–	721.94	0.27	6,926.97	2,862.83	–	0.14	393.35	3,256.04	**3,670.93**
Machinery	**36,421.34**	3,355.01	2,294.61	164.76	41,906.20	24,357.74	13.64	148.64	2,687.46	26,910.20	**14,996.00**
Computers	**772.25**	23.80	64.70	17.58	843.17	618.60	0.81	17.27	91.59	693.73	**149.44**
Motor vehicles	**190.84**	13.78	13.29	18.86	199.05	102.10	0.27	13.78	28.11	116.70	**82.35**
Furniture & fixtures	**722.68**	99.57	16.61	9.37	829.49	429.24	1.39	9.03	54.88	476.48	**353.01**
Office Equipments	**241.79**	20.16	29.46	4.10	287.31	196.36	0.65	4.09	22.63	215.55	**71.76**
Sub Total	**45,336.31**	3,512.32	3,140.61	214.94	**51,774.30**	**28,585.05**	16.76	192.95	**3,280.90**	**31,689.76**	**20,084.54**
INTANGIBLE ASSETS											
Non compete Fees	**275.00**	414.00	–	–	689.00	218.75	2.50	–	37.02	258.27	**430.73**
Computer Softwares	**1,164.83**	–	72.60	–	1,237.43	627.79	–	–	221.23	849.02	**388.41**
Club Membership	**55.15**	–	–	–	55.15	7.08	–	–	5.52	12.60	**42.55**
Goodwill	–	1,419.56	–	–	1,419.56	–	4.28	–	20.61	24.89	**1,394.67**
Sub Total	**1,494.98**	1,833.56	72.60	–	**3,401.14**	**853.62**	6.78	–	**284.38**	**1,144.78**	**2,256.36**
Grand Total	**46,831.29**	**5,345.88**	**3,213.21**	**214.94**	**55,175.44**	**29,438.67**	**23.54**	**192.95**	**3,565.28**	**32,834.54**	**22,340.90**

		As At 31st December 2012	
		Original Cost	**WDV**
1	Buildings include		
	a. Buildings on leasehold land	**1,970.87**	–
	b. Ownership flats in Co-operative Societies on freehold land	**212.62**	–
	c. Ownership flats in Co-operative Societies on leasehold land	**61.78**	–
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.	**300.83**	–
	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	**13.60**	5.04

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

*Represents Cost of assets & accumulated depreciation on assets in hands of subsidiary- Webtech Labels Pvt Ltd as on 9 November 2012, i.e. the date of acquiring control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012
12	**NON-CURRENT INVESTMENTS**	
	NON TRADE (Valued at cost unless stated otherwise)	
	Unquoted Equity Instruments	
	100 Equity shares of ₹ 25/- each fully paid up in Shamrao Vithal Co-op Bank Ltd	**0.03**
		0.03

		31 December 2012
13	**LONG TERM LOANS & ADVANCES**	
	Capital Advances	
	Unsecured,Considered good	**208.50**
	Security Deposit	
	Unsecured,Considered good	**253.21**
	Advances recoverable in Cash or in Kind	
	Unsecured considered good	**35.13**
	Other loans & advances (Unsecured considered good)	
	Advance Income Tax (Net of Provision)	**98.28**
	Advance Fringe Benefit Tax (Net of Provision)	**21.01**
	MAT Credit entitlement	**7.57**
	Loans/Advances to Staff	**19.06**
	Prepaid Expenses	**3.38**
	Balances with Excise, Customs and Port Trust, etc	**508.66**
		1,154.80

		31 December 2012
14	**OTHER NON-CURRENT ASSETS**	
	Unsecured,considered good unless stated otherwise.	
	Margin Money deposit	**60.00**
	Other Deposit	**0.28**
	Non - Current bank balances being Deposits with original maturity of more than 12 months	**0.74**
	Export Rebate Receivables	**290.54**
		351.56

Margin money deposits with a carrying amount of ₹ 60 lacs are subject to first charge to secure letter of credits issued by bank on behalf of Webtech Labels Pvt Ltd

				31 December 2012
15	**CURRENT INVESTMENTS (valued at lower of cost & fair value,unless stated otherwise)**			
		Face Value	**Nos.**	**₹ in Lacs**
	UNITS OF MUTUAL FUNDS-QUOTED			
	Reliance Medium Term fund - Daily Dividend Reinvest	10	**1,833,273**	**313.66**
	UTI Short Term Income Fund Institutional Plan	10	**4,275,491**	**464.85**
	Templeton India Ultra Short Bond Fund-Super I P	10	**7,370,675**	**738.21**
	DWS Ultra Short Term Fund- IP-Daily Dividend	10	**9,310,415**	**932.71**
	Sundaram Ultra Short Term Fund Super Institutional	10	**11,287,726**	**1,132.95**
	Birla Sun Life Dynamic Bind Fund-Retail-Quarterly Dividend Reinvestment	10	**2,615,838**	**300.00**
	Birla Sun Life Short Term Fund-Monthly Dividend Reinvestment	10	**2,596,431**	**302.35**
	ICICI Prudential Short Term Plan -DDR Fortnightly	10	**2,523,476**	**302.29**
	Templeton India Low Duration Fund- MDR	10	**5,263,623**	**545.59**
	SBI Short term Debt Fund - Weekly Dividend	10	**2,875,511**	**302.83**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

			31 December 2012
JPMorgon India Treasuary Fund Super Inst.-DDR	10	**7,018,770**	**702.44**
TOTAL			**6,037.88**
Net Asset Value (NAV) of Mutual fund Units			**6,041.06**

		31 December 2012
16	**INVENTORIES (Valued at lower of cost and net realizable value)**	
	Raw Materials and Components [includes in transit ₹224.81Lacs]	**4,969.96**
	Work in Process	**1,432.66**
	Finished Goods	**903.13**
	Stores & Spares	**573.13**
	Loose Tools	**982.96**
		8,861.84

		31 December 2012
17	**TRADE RECEIVABLES**	
	Trade Receivables (Unsecured)	
	Outstanding for more than Six Months from the date they are due for payment.	
	Considered Good	**30.93**
	Considered Doubtful	**205.20**
		236.13
	Less:Provision for Doubtful Receivables	**205.20**
		30.93
	Other Receivables	
	Considered Good	**15,856.09**
	Considered Doubtful	**6.88**
		15,862.97
	Less:Provision for Doubtful Receivables	**6.88**
		15,856.09
		15,887.02

		31 December 2012
18	**CASH AND BANK BALANCES**	
	Cash and Cash Equivalents	
	Balances with Banks	
	On Current Accounts	**1,243.98**
	On Unpaid Dividend Accounts	**50.66**
	Deposits with original maturity of less than three months	**148.50**
	Cheques on Hand	**18.07**
	Cash on Hand	**14.73**
		1,475.94

		31 December 2012
19	**SHORT TERM LOANS & ADVANCES**	
	Security Deposit	
	Unsecured,Considered good	**28.50**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

	31 December 2012
Unsecured considered good	191.30
Other loans & advances (Unsecured considered good)	
Loans/Advances to Staff	56.84
Prepaid Expenses	197.07
Balances with Excise, Customs and Port Trust, etc	380.42
	854.13

		31 December 2012
20	**OTHER CURRENT ASSETS**	
	Unsecured,considered good unless stated otherwise.	
	Un-amortised premium on forward contract	27.67
	DEPB Licences available	8.46
	Others	
	Claims recoverable	224.80
	Export Rebate Receivables	681.15
	Interest Accrued on Investments & Fixed Deposits	0.46
	Others	80.10
		1,022.64

		31 December 2012
21	**REVENUE FROM OPERATIONS**	
	Revenue from operations	
	Sale of Finished Goods	95,415.43
	Less : Excise Duty on Sales	6,098.01
		89,317.42
	Other operating Revenue	
	Scrap Sales	741.31
	Revenue from Operations (net)	90,058.73

		31 December 2012
22	**OTHER INCOME**	
	Interest Income on	
	Bank Deposits	2.08
	Others	9.55
	Dividend Income on Current Investments	569.65
	Net gain on sale of Current Investments	0.85
	Other non-operating income	
	Rent	3.76
	Profit on Sale of Fixed Assets (Net)	5.82
	Insurance claim Received	44.08
	Other Non Operating Income (net of expenses)	190.08
		825.87

		31 December 2012
23	**COST OF RAW MATERIALS AND COMPONENTS CONSUMED**	
	Opening Inventory	4,236.81
	Add : Purchases	62,856.73
		67,093.54

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

	31 December 2012
Less : Closing Inventory	4,969.96
Cost of raw material and components consumed	62,123.58

		31 December 2012	
24	**CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROCESS**		
	Inventories at the end of the year		
	Work in Process		1,432.66
	Finished Goods		903.13
			2,335.79
	Inventories at the beginning of the year		
	Work in Process		1,998.34
	Finished Goods		674.88
			2,673.22
	Changes in Inventories of Finished Goods and Work-in-Process		337.43
	Excise Duty on Changes in Inventories of Finished Goods and Work-in-Process		
	Excise Duty on Closing Finished Goods Stock	81.43	
	Less: Excise Duty on Opening Finished Goods Stock	51.76	29.67
			367.10

		31 December 2012
25	**EMPLOYEE BENEFIT EXPENSE**	
	Salaries,Wages and Bonus	6,067.48
	Contribution to Provident and Other Fund	347.15
	Staff welfare Expenses	683.69
		7,098.32

		31 December 2012
26	**FINANCE COST**	
	Interest	
	- To Banks	41.40
	- To Others	9.61
	Bank Charges	8.05
		59.06

		31 December 2012
27	**DEPRECIATION AND AMORTISATION EXPENSES**	
	Depreciation of Tangible Assets	3,280.90
	Amortisation of Intangible Assets	284.38
		3,565.28

		31 December 2012
28	**OTHER EXPENSES**	
	Consumption of Stores and Consumables	693.92
	Power and Fuel	3,291.92
	Repairs to Building	166.11
	Repairs to Machinery	1,157.85
	Other Repairs	171.84
	Sub contracting Expenses	888.49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

	31 December 2012
Rent	50.74
Rates and Taxes	128.02
Travelling and Conveyance	520.29
Legal and Professional Charges *	671.37
Commission-Directors	45.34
Communication Costs	130.51
Payment to Auditor	48.52
Donation	10.35
Printing and Stationery	78.24
Freight and Forwarding Expenses	1,447.50
Commission on sales - other	165.60
Fixed Assets Written Off	15.28
Bank chrges	70.53
Provision for Sales Tax	75.73
Provision for Doubtful Debts	51.56
Foreign Exchange (Gain)/Loss (Net)	139.25
Miscellaneous Expenses	1,296.46
	11,498.34

* Includes Rs 80.75 Lacs being professional fees incurred on acquistion of subsidiary, Webtech Labels Private Limited.

		31 December 2012
29	**EARNINGS PER SHARE (EPS)**	
	Profit after Tax as per statement of Profit and Loss attributable to Equity Shareholders	4,507.52
	Weighted average number of shares	62,687,190
	Basic and Diluted Earnings per share(In ₹)	7.19

30 On November 9, 2012 the company ('PPL') subscribed to 10,408 Equity Shares,₹10 each of Webtech Labels Pvt Ltd ('WLPL') at a premium of ₹36,187 per share, thereby acquiring a controlling stake of 51%.

			31 December 2012
31	**CONTINGENT LIABILITIES**		
	a)	Excise Duty	
		Matters in Appeal - Duty	5,099.57
		- Penalties	125.58
		Show cause notices - Duty	3,221.53
	b)	Service Tax	
		Show cause notices - Service Tax	34.47
		Matters in Appeal - Service Tax	74.81
		- Penalties	55.87
	c)	Sales Tax demands in appeal	117.24
	d)	Claims against the company not acknowledged as debts	120.83
		Note for (a) to (d): Future cash outflows / uncertainties, if any, in respect of the above are determinable only on receipt of judgements / decisions pending with various forums / authorities.	
	e)	Bank guarantees issued by bankers on behalf of the Group	228.01
	f)	Contracts remaining to be executed on capital account and not provided for (net of advances)	1,047.12
	g)	Letters of Credit issued by banks on behalf of the group for import of goods	982.72

The group has obtained EPCG Licences issued under and subject to conditions in Chapter 5 of the foreign trade Policy 2004-2009.These Licences entitle the company to import Capital goods at concessional rates of Customs duty and accordingly duty concession obtained is ₹ 418.54 Lacs .In accordance with the terms of the EPCG Licence the company has an export obligation of ₹ 3,348.34 Lacs to be discharged over a period of 8 years.As at the year end the company has discharged export obligation of approximate value of ₹ 1,376.03 Lacs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

		31 December 2012
32	**DISCLOSURE OF THE AMOUNTS DUE TO THE THE MICRO, SMALL AND MEDIUM ENTERPRISES**	
	(On the basis of the information & records available with the Management.)	
	The principal amount and the interest due there on remaining unpaid to any Micro/Small supplier	
	- Principal amount	59.09
	- Interest there on	10.85
	The interest paid by the buyer as above, along with the amount of payments made beyond the appointed date during each accounting year.	–
	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	–
	The amount of interest accrued and remaining unpaid at the end of each accounting year.	4.43
	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	10.85

			31 December 2012
33	**DISCLOSURE OF DERIVATIVE INSTRUMENTS**		
(i)	Derivative Instruments Outstanding		
	Forward Exchange contracts for the foreign exchange exposures of receivables on account of export of goods & services.	USD	13.00
(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	48.29
		EUR	0.39
	Foreign Exchange exposures not covered by a derivative contract for payments to be made against revenue imports & capital imports creditors.	USD	30.31
		EUR	1.97
		JPY	23.97
		GBP	0.17
		SFR	0.10
(iii)	Derivatives taken to Cover Forecast Exposures		
	Forward Exchange contracts taken for the forecast exports receivables on account of export of goods & services.	USD	35.00
	Forward Exchange contracts taken for the forecast revenue imports.	JPY	236.10
(iv)	Mark to market valuation loss on account of forward exchange contracts for payments to be made against revenue imports & transactions pursuant to the ICAI announcement of 29th March 2008 on Accounting for Derivatives.	₹	27.39

		31 December 2012
34	**SEGMENT REPORTING**	
	The Group's sole business segment is consumer packaging and all activities of the group are incidental to this sole business segment. Given this fact and that the group 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.	
	Secondary segments for the group are geographic, namely domestic and exports.	
	The entire business assets of the group are situated in India.	
	Revenue from geographic segments is based on the domicile of customers.	
	Net Sales to External Domestic Customers	72,442.70
	Net Sales to External Export Customers	16,874.72
	Total Net Sales to External Customers	89,317.42
	Debtors outstanding in respect of export segment as at the year end	3,193.54

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

			31 December 2012	
35	**RELATED PARTY TRANSACTIONS**			
a)	Related party where control exists :			
	Ultimate Parent group	Huhtamaki Oyj., Finland		
	Holding group	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 Pty Ltd., South Africa Huhtamaki (Thailand) Ltd., Thailand		
c)	Key Managerial Personnel	Mr. Suresh Gupta : Chairman and Managing Director Mr. M.K.Srinivasan : Chief Executrive Officer and Executive Director (till 30th June 2012) Mr.A.Venkatrangan : Executive Director (w.e.f.4th June 2012)		
d)	Relatives of Key Managerial Personnel			
	Mr. Suresh Gupta	Mrs.Kumkum Gupta-Wife, Ms. Ratna Gupta- Daughter, Ms.Shivani Gupta-Daughter		
e)	Details of transactions with related parties that have taken place during the year :			
1)	Ultimate Parent Group			
	a) Software and Expense Reimbursements Charge			**31.59**
	b) Remuneration paid by Huhtamaki Oyj to Mr. Suresh Gupta as EVP - Flexibles Packaging Global, Huhtamaki Oyj.			**93.04**
2)	Holding Group			
	Dividend Paid			
	- Huhtavefa B.V., Netherlands			**914.28**
3)	Fellow Subsidiaries			
	Purchase of Goods			
	- Huhtamaki Deutschland Gmbh and Co.KG., Germany			**2.99**
	Sale of Goods			
	- Huhtamaki New Zealand Ltd., New Zealand.			**525.44**
	- Huhtamaki (Thailand) Ltd, Thailand			**46.39**
	- Huhtamaki Australia Ltd., Australia (net of discounts)			**408.03**
	Commission Expenses on Sales			
	- Huhtamaki South Africa Ltd., South Africa			**73.84**
	Expense Reimbursements - Charge			
	- Huhtamaki New Zealand Ltd., New Zealand.			**5.72**
	- Huhtamaki Australia Ltd., Australia			**49.77**
4)	Payments to Key Managerial Personnel and their Relatives			
	Remuneration Paid to Key Managerial Personnel			
	Mr. Suresh Gupta		**187.22**	
	Mr. M.K.Srinivasan		**67.86**	
	Mr.A.Venkatrangan		**47.47**	**302.55**
	Dividend Paid to Key Managerial Personnel and Their Relatives			
	Mr. Suresh Gupta		**28.35**	
	Mrs.Kumkum Gupta		**6.03**	
	Ms Ratna Gupta		**4.83**	
	Ms Shivani Gupta		**4.81**	
	Mr.A.Venkatrangan		**0.12**	**44.14**
	Outstanding balances as on December 31, 2012			
	Balances due to			
	- Huhtamaki Oyj., Finland			**23.73**
	- Huhtamaki South Africa Pty Ltd., South Africa			**46.25**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2012

(₹ in Lacs)

	31 December 2012
Balances due from	
- Huhtamaki New Zealand Ltd., New Zealand.	**32.91**
- Huhtamaki Australia Ltd., Australia	**119.43**

36 LEASES

Assets obtained on lease

The Group has taken certain Office ,Factory Premises & residential facilities under Operating Lease arrangements. All the lease agreements are cancellable and there are no restrictions imposed by lease arrangements. There are no sub leases.

	31 December 2012
37 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:	
Operating Expenses	
Repairs and Stores Consumed	**3.91**
Personnel Expenses	
Salaries,Wages and Bonus	**22.70**
Contribution to PF and Other funds	**1.18**
Staff welfare Expenses	**1.95**
Other Expenditure	
Product Development Expenses	**30.92**
Conveyance,Electricity,Printing and Stationery,Travelling,Car and Vehicle Expenses, Insurance,Professional fees, etc.	**5.63**
Miscellaneous Expenses	**0.27**
Depreciation	**17.55**
Total	**84.11**

	31 December 2012
38 DISCLOSURE PURSUANT TO ACCOUNTING STANDARD - 15 (REVISED) ' EMPLOYEE BENEFITS'	
(i) Defined Contribution Plans	
Amount recognised as an expense and included in "Personnel costs" for Provident Fund & ESIC contributions in the Profit and Loss account.	**305.04**

(ii) Defined Benefit Plans

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

I Gratuity Plan

Gratuity is payable to all eligible employees of the group 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 who leave after completion of 20 years of service.

39 The Remuneration payable by subsidiary to its managing director for the period ended on 31 December 2012 has exceeded the limit prescribed under the Companies Act, 1956, by ₹ 14.66 lacs. The Subsidiary has filed an application

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December 2012

(₹ In Lacs)

	31 December 2012

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.

	Gratuity - Funded	Leave Encashment - Non Funded	Pension Plan - Non Funded	Long Service Award - Non Funded
I. Change in Benefit Obligation				
Opening defined benefit obligation	1,125.95	306.53	8.00	62.17
Interest cost	92.89	24.72	0.62	5.25
Current Service Cost	108.46	53.13	–	–
Benefit Paid	(81.27)	(31.51)	(1.50)	(0.92)
Obligation taken over on acquisition of business (Refer Note 35)	43.92	–	–	–
Actuarial (gain)/loss on obligations	26.23	(15.06)	0.11	19.16
Closing defined benefit obligation	1,316.18	337.81	7.23	85.65
II. Fair Value of Plan Assets				
Fair value of Plan Assets at the beginning of the year	1,125.95	–	–	–
Expected Return on Plan Assets	100.04	–	–	–
Contributions	52.02	31.51	–	–
Benefit Paid	(80.83)	(31.51)	–	–
Actuarial gain/(loss) on Plan Assets	77.19	–	–	–
Fair Value of Plan Assets at the end of the year	1,274.36	–	–	–
III. Actual Return on Plan Assets				
Actual Return on Plan Assets	177.23	–	–	–
Expected Return on Plan Assets	100.04	–	–	–
Actuarial gain/(loss) on Plan Assets	77.19	–		
Actuarial gain/(loss) on obligation	(26.23)	15.06	(0.11)	(19.16)
IV. Amount Recognised in the Balance Sheet				
Defined benefit obligation	1,316.18	337.81	7.23	85.65
Fair Value of Plan Assets	1,274.36	–	–	–
Funded Status	(41.82)	(337.81)	(7.23)	(85.65)
Unrecognised Acturial Gain/(Loss)	–	–	–	–
Net Asset/(Liability) Recognised in the Balance Sheet	(41.82)	(337.81)	(7.23)	(85.65)
V. Expenses Recognised in the Profit & Loss Account				
Current Service Cost	108.46	53.13	–	–
Interest Cost	92.89	24.72	0.62	5.25
Expected Return on Plan Assets	(100.04)	–	–	–
Net Actuarial (Gain)/Loss To Be Recognised	(50.95)	(15.06)	0.11	19.16
Expense Recognised in P&L	50.36	62.78	0.72	24.40

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31st December 2012

(₹ In Lacs)

		31 December 2012
The principal assumptions used in determining benefit obligations for the Company's plans are shown below.		
Discount Rate	8.30 - 8.40%	
Rate of Return on Plan Assets	9.00%	
Salary Escalation	7% to 8%	
	Years	**%**
	0-2	12%
Employee Turnover	3-4	5%
	5-9	2.5%
	10 & Above	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**
Investments in The Paper Products Ltd Employees Gratuity Fund Trust	1,274.36
	100.00%

with the Central Government for approval of the remuneration to be paid to the Managing Director in excess to the limits prescribed by the Companies Act, 1956.

40 This year being the first year of preparation of consolidated financial statement comparitive figures are not presented as per transitional provisions of AS 21.

As per our report of even date

For S.R.Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

per Vijay Maniar
Partner
Membership No.: 36738

6 February 2013
Mumbai

For and on behalf of the Board of Directors

Suresh Gupta
Chairman & Managing Director

A.Venkatrangan
Executive Director

Parag Vyavahare
Chief Financial Officer

Anand Daga
Company Secretary & Head Legal

Johann Sippel
K.C. Narang
P.V.Narayanan
R.K. Dhir
S.K. Palekar
Directors

NOTES

The Paper Products Ltd.

Regd. Office : Regent Chambers, 13th Floor, Nariman Point, Mumbai – 400 021.

E-COMMUNICATION REGISTRATION FORM

Dear Shareholder,

The Ministry of Corporate Affairs vide its Circular Nos. 17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 commenced the 'Green Initiative in Corporate Governance' thereby allowing paperless compliances by Companies through electronic mode. Further, in line with recent circular ref no. CIR/CFD/DIL/2011 dated 05.10.2011 issued by the Securities and Exchange Board of India (SEBI) and consequent changes in the listing agreement, Companies can send Annual Report in electronic mode to shareholders who have registered their email addresses for the purpose.

It is a welcome move for the society at large, as this will reduce paper consumption to a great extent and allow shareholders to contribute towards a Greener Environment. This is a golden opportunity for every shareholder of The Paper Products Ltd. to contribute to the Corporate Social Responsibility initiative of the Company.

We therefore invite all our shareholders to contribute to the cause by filling up the form given below to receive communication from the Company in electronic mode.

Let's be part of this 'Green Initiative'!

Please note that as a member of the Company you will be entitled to receive all such communication in physical form, upon request.

Best Regards,

Anand Daga
Company Secretary & Head - Legal

E-COMMUNICATION REGISTRATION FORM

Folio No. / DP ID & Client ID: _____

Name of 1st Registered Holder: _____

Name of Joint Holder(s): _____

Registered Address: _____

_____

_____

E-mail ID (to be registered): _____

I/we shareholder(s) of The Paper Products Ltd. agree to receive communication from the Company in electronic mode. Please register my above e-mail id in your records for sending communication through e-mail.

Date:_____ Signature:_____

Note: Shareholder(s) are requested to keep the Company informed as and when there is any change in the e-mail address.

THANE

SILVASSA

HYDERABAD

RUDRAPUR

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 28345420 / 421

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

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

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

ज्ञानाग्नि सर्वकर्माणी....!

The Fire of Knowledge should be in all Actions.