



Kuantum Papers Ltd

15th Annual Report
2011-2012





Kuantum Papers Ltd

BOARD OF DIRECTORS

Jagesh K Khaitan	Chairman & Managing Director
Justice (Rtd) S S Sodhi	
D C Mehandru	
U K Khaitan	
Yashovardhan Saboo	
D S Sandhawalia	
Ashutosh Khaitan	
Pavan Khaitan	Managing Director

SENIOR EXECUTIVES

Roshan Garg	President (Finance)
Somesh Jawa	President (Marketing)
Hari Prasad Rao I	Vice President (Technical)
Col (Rtd) Manohar Singh	Vice President (HR & Admn)

COMPANY SECRETARY

Vivek Trehan

STATUTORY AUDITORS

M/s B S R & Co.
Chartered Accountants
Chandigarh

COST AUDITORS

M/s R.J. Goel & Co.
Cost Accountants
Delhi

PRINCIPAL BANKERS

State Bank of Patiala
State Bank of India
Punjab National Bank
State Bank of Bikaner and Jaipur

REGISTERED OFFICE & WORKS

Paper Mill
Saila Khurd 144529
Distt Hoshiarpur Punjab

CORPORATE OFFICE

SCO 18-19 First Floor
Sector 8-C Madhya Marg
Chandigarh 160 009

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NOTICE

NOTICE is hereby given that the 15th Annual General Meeting of the members of Kuantum Papers Limited will be held at Paper Mill, Saila Khurd, Distt. Hoshiarpur on Tuesday, the 10th July 2012 at 11.30 am to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2012 and the Statement of Profit & Loss for the year ended on that date together with the reports of the Auditors and Directors thereon.
2. To declare dividend on the Preference Shares.
3. To appoint a Director in place of Justice S.S.Sodhi(Retd), who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri D.S.Sandhawalia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications, the following resolution as SPECIAL RESOLUTION:
"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 & 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and subject to such other approvals, if and as may be required, the consent and approval of the Company be and is hereby accorded to the reappointment of Shri Pavan Khaitan as Managing Director of the Company w.e.f. 1st April, 2012 for a period of Three years on the remuneration and other terms & conditions, as set out in the Explanatory Statement annexed hereto.
RESOLVED FURTHER that pursuant to Section 198 and all other applicable provisions of the Companies Act, 1956, the remuneration by way of salary and perquisites as set out in the annexed Explanatory Statement be paid as minimum remuneration to Shri Pavan Khaitan or such minimum remuneration as permissible in Schedule XIII to the Companies Act, 1956 notwithstanding that in any financial year of the Company during his tenure as Managing Director, the Company has made no profits or profits are inadequate.
RESOLVED FURTHER that the Board of Directors/Remuneration Committee be and are hereby authorised to alter or vary the terms of appointment of Shri Pavan Khaitan, including relating to remuneration, as it may, at its discretion, deem fit from time to time, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) or any amendments made thereto.
7. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION:
"RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) of the Companies Act, 1956 to the Board of Directors/Finance Committee of Directors of the Company to mortgage and/or charge all the immovable and movable properties of the Company wheresoever situate, present or future and the whole or substantially the whole of the undertaking of the Company together with the power to enter upon and take possession of certain assets of the Company in certain events of default in favour of Punjab National Bank (PNB) and State Bank of Patiala (SBOP) to secure the Term Loan/Corporate Loan and/or other borrowings lent and advanced by them to the Company aggregating to Rs. 9760 lacs (i.e. working capital of Rs. 5760 lacs and Term Loan of Rs. 4000 lacs) together with interest, additional interest, compound interest, liquidated damages/penal interest, premia on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company to secure the said financial assistance/borrowings availed/to be availed by the Company from PNB and SBOP.
RESOLVED FURTHER that the mortgage/charges created/to be created and/or all agreements/documents executed/to be executed and all acts done or to be done in terms of the above resolution by and with the authority of the Board of Directors or Committee(s) thereof, be and are hereby confirmed and ratified.
RESOLVED FURTHER that the Board of Directors/Finance Committee of Directors be and is hereby authorized to make or accept any amendment, modification, change or alterations as may be required from time to time in connection with the creation of aforesaid mortgages/charges in favour of PNB and SBOP.
RESOLVED FURTHER that the Board of Directors/ Finance Committee of Directors of the Company be and is hereby authorized to finalise the documents to secure the facilities/borrowings as aforesaid and to do all such things, deeds, matters as may be necessary, desirable and expedient for giving effect to the above resolution."
8. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION:
Resolved that pursuant to the provisions of section 97 of the Companies Act, 1956, and other applicable provisions, if any, the Authorised share capital of the Company be and is hereby increased from is Rs. 20,00,00,000/- divided into 1,75,00,000 Equity Shares of Rs. 10/- (Rupees ten only) each and 25,00,000/- Redeemable Preference Shares of Rs. 10/- (Rupees ten only) each to Rs. 35,00,00,000/- divided into 2,50,00,000 Equity Shares of Rs. 10/- (Rupees ten only) each and 1,00,00,000 Redeemable Preference Shares of Rs. 10/- (Rupees ten only) each.
Further Resolved that the existing Clause V of the Memorandum of Association of the Company as to share capital be and is hereby deleted and in its place the following Clause V be substituted:



Kuantum Papers Ltd

The Authorised Share Capital of the Company is Rs. 35,00,00,000/- (Rupees Thirty Five Crores only) divided into 2,50,00,000 Equity Shares of Rs. 10/- (Rupees ten only) each and 1,00,00,000 Redeemable Preference Shares of Rs. 10/- (Rupees ten only) each with the rights, privileges and conditions attaching thereto as are provided by the regulations of the Company for time being with the power to increase and reduce the capital and to divide the shares in the capital for the time being into several classes and to attach thereof respectively preferential, deferred, qualified or special rights privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such a manner as may for the time being be provided by the regulations of the Company.

Regd. Office

Paper Mill, Saila Khurd-144 529
Distt. Hoshiarpur, Punjab
Dated : May 26, 2012

By Order of the Board
For Kuantum Papers Ltd

Vivek Trehan
Company Secretary

NOTES:

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE DEPOSITED DULY COMPLETED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
3. Information required under Clause 49 IVG(i) of the Listing Agreement (relating to Corporate Governance) with respect to the Directors retiring by rotation and, being eligible, seeking re-appointment is given in the Corporate Governance Report annexed to this Annual Report.
4. The Registers of Members and Share Transfer Books of the Company will remain closed from 30th June 2012 to 9th July 2012 (both days inclusive).
5. The dividend for the year 2011-12 on the preference shares will be paid to those members whose names appear in the Register of Members of the Company as on 10th July 2012.
6. Shareholders of the Company are informed that pursuant to the provisions of Section 205C of the Companies Act, 1956, the amount of dividend which remains unpaid/unclaimed for a period of 7 years would be transferred to the 'Investor Education & Protection Fund' constituted by the Central Govt. Shareholders who have not encashed their dividend warrant(s) for the years 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 are requested to make claim with the Company immediately as no claim shall lie against the Fund or the Company in respect of individual amount once credited to the said Fund.
7. Members holding shares in physical form are requested to intimate immediately to the Registrar & Share Transfer Agent of the Company, **MAS Services Limited**, T-34, 2nd Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020 Ph:- 011-26387281/82/83 Fax:- 011-26387384 quoting registered Folio No. (a) details of their bank account/change in bank account, if any and (b) change in their address, if any, with pin code number.
The share capital of the company is held by 19,081 shareholders, out of which 4,211 shareholders holding 95.73% of the capital, are in dematerialised form and the balance 14,870 holding 4.27% of the capital are in physical form. The shareholders having shares in physical form are requested to dematerialise the shares.
8. In terms of Section 109A of the Companies Act, 1956, the shareholders of the Company may nominate a person on whom the shares held by him/them shall vest in the event of his/their death. Shareholders desirous of availing this facility may submit nomination in Form 2B.
9. Any member requiring further information on the Accounts at the meeting is requested to send the queries in writing to Sr. Vice-President (Finance), by 30th June, 2012.
10. Members are requested to bring their copies of Annual Report at the meeting, as extra copies will not be supplied.
11. In respect of the matters pertaining to Bank details, ECS mandates, nomination, power of attorney, change in name/address etc., the members are requested to approach the Company's Registrars and Share Transfer Agent, in respect of shares held in physical form and the respective Depository Participants, in case of shares held in electronic form. In all correspondence with the Company/Registrar and Share Transfer Agent, members are requested to quote their folio numbers or DP ID and Client ID for physical or electronic holdings respectively.
12. The documents referred to in the proposed resolutions are available for inspection at its Registered Office of the Company between 11.00 a.m. and 2.00 p.m. on all working days, upto the date of the meeting.
13. The members may please note that the name of our Company has been changed to '**Kuantum Papers Limited**' from ABC Paper Limited. FRESH CERTIFICATE OF INCORPORATION dated 30.03.2012 has been issued by Registrar of Companies, Punjab and Chandigarh in this regard.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

In accordance with the provisions of the Companies Act, 1956, the companies can, on their own, appoint and remunerate its managerial personnel (i.e. managing director, whole time director, manager) within the laid-down parameters without going to the Central Government for approval so long as the requirements prescribed in Schedule XIII of the Companies Act, 1956 are fulfilled. The profit making companies



can fix remuneration of its managerial personnel within the ceiling of 5% of its net profit where there is only one managerial personnel and upto 10% of its net profit where the managerial personnel are more than one. In the case of the company which has no profit or the profits are inadequate, graded remuneration has been prescribed in Schedule XIII. It has been decided to fix the remuneration of Sh. Pavan Khaitan, Managing Director under Part II, Section II of Schedule XIII of the Companies Act, 1956.

Accordingly, it is proposed to reappoint Shri Pavan Khaitan as Managing Director of the Company with effect from 1st April, 2012 on the remuneration and other terms and conditions as given hereunder. After approval of the Remuneration Committee/Board, requisite approval of the shareholders is being obtained at Annual General Meeting of the Company in accordance with the provisions of the Companies Act, 1956.

(1) Salary

Name and designation	Salary p.m. (Rs.)	Pay-scale (Rs.)
Shri Pavan Khaitan, Managing Director	2,00,000/-	2,00,000-20,000-3,00,000

(2) Perquisites and allowances

- The Managing Director shall also be entitled to perquisites and allowances like furnished accommodation or house rent allowance in lieu thereof subject to a ceiling of 60% of the salary, house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants' salaries, medical reimbursement for self and dependent family, medical accident/Keyman Insurance, leave travel concession for self and family, club membership subject to maximum of two clubs; such perquisites and allowances will be restricted to an amount equal to their annual salary.
- For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per the Income Tax Rules, wherever applicable. In the absence of such Rules, perquisites and allowances shall be evaluated at actual cost.
- Provision for use of Company's car for official duties and telephone at residence shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling. Personal long distance calls on telephone and use of car for personal purposes shall be billed by the Company.
- Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable as per the Rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

(3) Shri Pavan Khaitan will not be entitled to sitting fee for Attending Meetings of the Board or Committee(s) thereof.

(4) Shri Pavan Khaitan will not be liable to retire by rotation.

The special resolution set out in Item No.6 is intended to obtain approval of the members for the reappointment and payment of remuneration to Shri Pavan Khaitan as Managing Director and the Board recommends the same.

The explanatory statement and the resolution at Item No. 6 of the Notice are and may be treated as an abstract of the terms and memorandum of interest pursuant to the provisions of Section 302 of the Companies Act, 1956.

Shri Pavan Khaitan is interested or concerned in the proposed resolution. Shri Jagesh K Khaitan and Shri Umesh Kumar Khaitan, being related to Shri Pavan Khaitan, may also be deemed to be interested in the said resolution. None of the other Directors of the Company is concerned or interested in the resolution.

Item No. 7

Section 293(1)(a) of the Companies Act, 1956, inter-alia, provides that the Board of Directors of a Public Ltd. Company shall not, except with the consent of the members in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking of the whole of each such undertaking.

Punjab National Bank (PNB) and State Bank of Patiala (SBOP) have sanctioned working capital and Term Loan to the Company aggregating to Rs. 9760 lacs (i.e. working capital of Rs. 5760 lacs and Term Loan of Rs. 4000 lacs).

The creation of mortgage/charge for the above Term loan and working capital to the Company requires approval of the members under section 293(1)(a) of the Companies Act, 1956.

None of the Directors of the Company is concerned or interested in the proposed resolution.

Item No. 8

The Company proposes to infuse long term funds for the purpose of upgradation and modernization of the plant in order to enhance the efficiency and quality of the paper. At present the Authorised share capital of the company is Rs. 20 crores and it is proposed to increase the same to Rs. 35 crores.

Any amendment in the Memorandum of Association requires the approval of the members of the company.

None of the Directors of the Company is concerned or interested in the proposed resolution.

By Order of the Board
For Kuantum Papers Ltd

Regd. Office
Paper Mill, Saila Khurd-144 529
Distt. Hoshiarpur, Punjab
Dated : May 26, 2012

Vivek Trehan
Company Secretary



Kquantum Papers Ltd

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the 15th Annual Report on the business and operations, together with audited statements of Accounts of your Company, for the financial year ended 31st March, 2012.

FINANCIAL HIGHLIGHTS

The summarized financial results of the Company for the year 2011-12 are given hereunder.

	(Rs. in lacs)	(Rs. in lacs)
	2011-12	2010-11
Sales & other income	39854.42	32184.73
Operating Profit	4515.38	4755.71
Interest	2425.03	2265.00
Gross Profit	2090.35	2490.71
Depreciation	1542.33	1464.11
Profit before tax	548.02	1026.60
Provision for		
- Current Tax	(109.65)	(178.79)
- Tax Provision for earlier years	--	(15.09)
- Prior period Deferred Tax Adjustment	--	1083.35
- Deferred Tax charge for the year	(176.26)	(285.40)
- MAT credit entitlement	109.65	200.84
Net Profit after tax	371.76	1831.51
Balance b/f from previous year	2491.96	922.36
Profit available for appropriations	2863.72	2753.87
Appropriations		
- Proposed Dividend on		
(a) Equity shares	--	87.26
(b) Preference Shares @ Rs. 0.70 Per share	5.20	8.71
(c) Tax on dividend	0.87	15.94
(d) Capital Redemption Reserve	50.00	50.00
(e) General Reserve	--	100.00
Balance carried to Balance Sheet	2807.65	2491.96

DIVIDEND

Your Directors have recommended a dividend of Rs. 0.70 per share (previous year Rs. 0.70 per share) on the Redeemable Preference Shares of Rs.10/- each, on the preference share capital for the year ended 31st March, 2012 amounting to Rs. 5.20 lacs and to pay a dividend tax of Rs. 0.87 lacs. No dividend has been recommended on the equity shares to conserve and plough back the resources for the ongoing capex projects.

OPERATIONS

The production of paper during the year under review was 95,383 metric tonnes as against 79,980 metric tonnes in the previous year. Similarly the quantitative figure for the sale of paper was 95,493 metric tonnes as against 80,119 metric tonnes in the previous year.

The figures given in the Financial Highlights for the current year under review show the following trends over the previous year;

Gross sales turnover and other income is up by 23.8% at Rs. 39854.45 lacs, operating profit is down by 5.1% at Rs. 4515.38 Lacs, Profit before Tax is down by 46.6% at Rs. 548.02 Lacs. Net profit after tax stood at Rs. 371.74 Lacs.

The profitability during the year under review has been lower compared to the previous year mainly due to lower sales realizations, higher input costs in terms of fuel and chemical costs, and of imported pulp due to the depreciation in the Indian currency and high interest costs.

In the Finance budget for the year 2012-13, the Govt. has increased the central excise duty applicable to the writing and printing paper from 5% to 6%, and on supplies to the State Textbooks Corporations, from 1% to 2%.

The Mill Expansion Plan has improved the operational performance in terms of production and sales levels, which is visible from the operational performance. The results of enhanced capacity operations will be further visible in the current financial year 2012-13 as your company has further taken initiatives to optimize capacity utilization; is innovating on new specialty products, packaging paper; is undertaking cost reduction initiatives, and modification and up-gradation of pulp mill and paper machines for improving the product quality, as well as making specialty and copier paper; as also installation of equipments for compliance with Corporate Responsibility for Environment Protection (CREP) guidelines prescribed by Ministry of Environment and Forests (MoEF), New Delhi for large scale pulp and paper industry. This entire outlay is at an estimated cost of Rs. 55 crores.

With the complete implementation of the Mill Expansion Plan, the company has become one of the most cost competitive paper mills, as also one of the large paper player in the writing and printing segment. Further innovative initiatives have enabled the mill to manufacture papers of distinctive quality, which will compete with the premium quality of other large paper mills.

Writing & printing paper segment have witnessed high capacity utilizations levels over the past few years due to significant demand growth. This led to large capacity additions in recent years and will drive more additions over the next 18-24 months. Though the growth in the paper demand is likely to absorb these capacity increments, it may not be adequate to absorb all the new capacities in the immediate future, and would create a short term supply surplus. Despite this trend, your company has been able to operate at higher levels of production and sale, and have been able to offset the negatives to a large extent.

Paper and paperboard demand is expected to increase at 7.5-8 per cent CAGR over the next 5 years. However, growth is expected to remain moderate in 2012-13, on the back of a weak macroeconomic environment, unless substantive policy measures are undertaken by the Govt. to boost investment sentiment. The monetary tightening policy that has continued during the year under review by RBI, but unfortunately it has not been able to curb the inflationary pressures, and has not borne desired results. High inflation has been the major dampener in the economy growth. Going forward, the inflation scenario remains challenging and is expected to remain range bound.

The detailed performance of Company's operations for the year ended 31st March, 2012 has been stated in the Management Discussion & Analysis Report which appears as a separate statement in the Annual Report.

FINANCE

(a) Project finance

State Bank of Patiala has sanctioned a Term Loan of Rs. 4000 lacs, for putting up the aforementioned capex projects. Of this, an amount of Rs. 2004.65 lacs has been disbursed during the year under review and the balance will be disbursed in the financial year 2012-13.

(b) Working capital

The enhanced working capital limits amounting to Rs. 5760 lacs (fund based Rs. 2835 lacs & non-fund based Rs. 2925 lacs) have been appraised and sanctioned by the Banks.

(c) Fixed Deposits

As on 31st March, 2012, your Company had Fixed Deposits of Rs. 1963.50 lacs. There were no overdue deposits as on 31st March, 2012 except an unclaimed deposit of Rs. 0.15 lacs due to the demise of the deposit holder, and will be paid on receipt of requisite documents. There was no failure in making repayment of the fixed deposits on maturity, including interest due thereon, in terms of the conditions of your Company's Fixed Deposits Scheme.



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CHANGE IN NAME OF THE COMPANY

Consequent to the approval of the shareholders in the Extraordinary General Meeting of the Company held on 23rd February, 2012, the name of the company has been changed to **Kquantum Papers Limited**. The Registrar of Companies, Punjab and Chandigarh has issued a fresh Certificate of Incorporation under the new name i.e. **Kquantum Papers Limited** on March 30, 2012.

Henceforth, the operations under the name of **Kquantum Papers Limited** will take forward the values, ethics, culture and the legacy of more than three decades.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

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

PERSONNEL

Cordial employee relations were maintained throughout the year in the Company. The Directors express their appreciation for the contribution made by the employees, at all levels, to the operations of the Company during the year.

The particulars of employees as per Section 217(2A) of the Companies Act, 1956 are to be set out in the Annexure, which forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the report and accounts are being sent to all the members of the Company excluding the aforesaid information. This statement shall be made available for inspection to any member during working hours for a period of 21 days before the date of the Annual General Meeting. Any member interested in obtaining such particulars may write to the Sr. Vice President (Finance) & CFO/ Company Secretary at the Registered Office of the Company.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Justice S.S. Sodhi(Rtd) and Sh. D.S. Sandhawalia retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

AUDITORS & AUDITOR'S REPORT

M/s B S R & Co., Chartered Accountants, Statutory Auditors of the company, hold office until the conclusion of ensuing Annual General Meeting and are eligible for reappointment.

The management reply to the auditor's observation contained in the auditor's report at serial no. 4 regarding approval of Central Govt. for excess managerial remuneration of Rs. 29.06 lacs paid to directors is as under:

The managerial remuneration to the whole time directors has been paid as approved by the shareholders pursuant to Part-11, Section-I of Schedule XIII of the Companies Act, 1956. During the year under review, the remuneration paid exceeds the amount payable due to inadequate profits. The company has filed applications with the Ministry of Corporate Affairs u/s 310 of the Act, for approval and the same is awaited. Necessary disclosure has been made in the note 4.11 in the notes to accounts.

The company has received a certificate from the auditors to the effect that their reappointment, if made, would be within the prescribed limit under section 224 (1B) of the Companies Act, 1956 and they are not disqualified for appointment within the meaning of Section 226 of the said Act.

The Notes on Accounts referred to in the Annexure to the Auditor's Report are self-explanatory and do not call for any comments.

COST AUDITORS

M/s R.J. Goel & Co. were appointed as Cost Auditors for conducting the cost audit of the Company for the year ended March 31, 2012 and the actual date of filing the Cost Audit Report for the year ended March 31, 2011 was 22.09.2011 whereas the last date of filing was 29.09.2011.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;



Kuantum Papers Ltd

- (ii) the accounting policies selected and applied are consistent and the 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 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) the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

A Report on Corporate Governance along with a Certificate from the Practicing Company Secretary regarding compliance of the conditions of Corporate Governance pursuant to Clause 49 of the listing agreement with stock exchanges is annexed and forms part of the Annual Report.

ACKNOWLEDGMENT

Your Directors convey their sincere thanks to the various agencies of the Central Government, State Governments, Banks and other concerned agencies for all the assistance and cooperation extended to the Company. The Directors also deeply acknowledge the trust and confidence the vendors, suppliers, dealers, customers, shareholders and investors have placed in the Company. Your Directors also record their appreciation for the dedicated services rendered by the workers, staff and officers of the Company.

For and on behalf of the Board

Place: Chandigarh
Dated: May 26, 2012

Jagesh K Khaitan
Chairman & Managing Director



ANNEXURE

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT

1. CONSERVATION OF ENERGY

- (a) Conservation of Electrical and Thermal Energy is on the top most agenda of the Company and is regularly monitored. Various on-going measures for conservation of energy include (i) use of energy efficient lighting by installing CFLs and better use of natural lighting, (ii) usage of LP steam in place of MP Steam to enhance power generation, (iii) installation of energy efficient pumps in place of old high power consuming pumps, (iv) providing thermal insulation to all steam lines in the plant, (v) installation of VFDs (AC drives) on Boiler FD fans and other equipments, (vi) automation of various processes to avoid manual operations, and (vii) up gradation of 33KV Sub Station to 66KV to reduce transmission & distribution losses. The energy has also been saved on paper machines by optimizing the vacuum pumps and installation of ceramic tops. Further, the Co-generation plant operations have been optimized to get maximum efficiency by buying power through the open access thereby reducing our boiler running hours.
- (b) The Company has devised a system of regular energy audit. Energy conservation is an ongoing process and new areas are continuously identified and suitable investments are made, wherever necessary.
- (c) The adoption of energy conservation measures has helped the Company in reduction of production costs.
- (d) Total energy consumption and energy consumption per unit of Production of paper for the year 2011-12 is given in the table below.

POWER & FUEL CONSUMPTION		2011-12	2010-11
1	ELECTRICITY		
(a)	Purchased		
	Units (lacs KWH)	277.48	204.53
	Total amount (Rs. lacs)	1495.69	1059.73
	Rate/Unit (Rs./KWH)	5.39	5.18
(b)	Own generation		
	Through Steam Turbine/ Generator		
	Units (lacs KWH)	842.85	776.76
	Cost/Unit (Rs./KWH)	3.40	2.86
2	COAL (for Boiler)		
	Quantity (Tonnes)	67368	67736
	Total cost (Rs. lacs)	2840.73	2594.88
	Average rate (Rs.)	4217	3831
3	OTHERS		
(a)	Rice Husk (for Boiler)		
	Quantity (Tonnes)	82627	65391
	Total cost (Rs. lacs)	3451.19	2373.42
	Rate/Unit (Rs. MT)	4177	3630
4	CONSUMPTION/TONNE OF PRODUCTION		
	Production (Tonnes)	95383	79980
	Electricity/Tonnes (KWH)	1175	1227
	Furnace Oil/tonne (KL)	0.003	0.003
	Coal/Tonne (MT)	0.706	0.847
	Others Rice husk (MT)	0.866	0.818