



*Kuantum Papers Ltd*

## 16th Annual Report 2012-2013





## BOARD OF DIRECTORS

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

## SENIOR EXECUTIVES

|                         |                            |
|-------------------------|----------------------------|
| T Kathirvelu            | President                  |
| 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

| CONTENTS                         | Page |
|----------------------------------|------|
| Notice                           | 1    |
| Directors' Report                | 8    |
| Management Discussion & Analysis | 13   |
| Report on Corporate Governance   | 18   |
| Auditors' Report                 | 28   |
| Balance Sheet                    | 32   |
| Statement of Profit & Loss       | 33   |
| Cash Flow Statement              | 34   |
| Notes to Accounts                | 35   |
| Significant Accounting Policies  | 45   |
| Other Notes to Accounts          | 49   |

## **NOTICE**

NOTICE is hereby given that the 16<sup>th</sup> Annual General Meeting of the members of Kuantum Papers Limited will be held at Paper Mill, Saila Khurd, Distt. Hoshiarpur on Friday, the 13<sup>th</sup> September, 2013 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 31<sup>st</sup> March, 2013 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 Shri Umesh Kumar Khaitan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Ashutosh Khaitan, 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, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any other Act if applicable, and subject to the approval of members and Central Government, if required, and subject to all such approvals as may be required, consent of the shareholders of the company be and is hereby accorded to the payment of remuneration by way of salary and perquisites for the financial year 2011-12, as set out in the annexed Explanatory Statement, to Sh. Jagesh K Khaitan, Chairman & Managing Director of the Company, despite inadequacy of profits in the financial year 2011-2012 with the liberty to the Board of Directors including any committee thereof (the "Board") to revise, amend, alter and vary the terms and conditions of his remuneration in such manner as may be permitted in accordance with the provisions of the Companies Act, 1956 and Schedule XIII or any modification thereto and as may be agreed to by and between the Board and Shri Jagesh K Khaitan.

RESOLVED FURTHER THAT all terms and conditions including as to remuneration for residual period of appointment i.e. (from 1.04.2012 to 16.07.2015) of Sh. Jagesh K Khaitan, Chairman & Managing Director of the company as set out in the ordinary resolution No 10 passed by the members of the company in their 13<sup>th</sup> Annual General Meeting held on 24<sup>th</sup> September, 2010 remain unchanged.

RESOLVED FURTHER THAT any one of the Directors or the Company Secretary of the Company be and is hereby authorized to do all necessary acts, deeds and things, which may be usual, expedient or proper to give effect to the above resolution."

7. To consider and if thought fit, to pass with or without modifications, the following resolution as SPECIAL RESOLUTION:  
"RESOLVED THAT in partial modification to the Resolution No. 6 passed by the members at the 15th Annual General Meeting held on July 10, 2012, approving the re-appointment and terms of remuneration of Shri Pavan Khaitan as Managing Director, consent of the members be and is hereby accorded to the revision in the remuneration to pay commission to Shri Pavan Khaitan, in addition to existing salary, perquisites and allowances subject to a ceiling of 50% of the annual salary calculated with reference to the net profit of the Company in a particular financial year, as may be determined by Remuneration committee and the Board of Directors at the end of each financial year subject to the overall ceilings as stipulated in the Sections 198 and 309 of the Companies Act, 1956 and Schedule XIII or any modification thereto, in the year the company has profits, as set out in the explanatory statement annexed, for the period of his tenure of office, with effect from 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2015.

RESOLVED FURTHER THAT all other terms and conditions of appointment of Shri Pavan Khaitan as approved earlier by the Members, shall remain unchanged.

RESOLVED FURTHER THAT any one of the Directors or the Company Secretary of the Company be and is hereby authorized to do all necessary acts, deeds and things, which may be usual, expedient or proper to give 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 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 State Bank of India(SBI) , Punjab National Bank (PNB) and State Bank of Patiala (SBOP) to secure the Corporate Loan and/or other borrowings lent and advanced by them to the Company aggregating to Rs. 9,775 lacs (i.e. Corporate Loan of Rs. 1,200 lacs and working capital of Rs. 8,575 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 SBI, PNB and SBOP.



## **Kuantum Papers Ltd**

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 SBI, 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."

**9. 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 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 to Rs. 55,00,00,000/- divided into 2,50,00,000 Equity Shares of Rs. 10/- (Rupees ten only) each and 3,00,00,000- 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 be and is hereby deleted and in its place the following Clause V be substituted:

The Authorised Share Capital of the Company is Rs. 55,00,00,000/- (Rupees Fifty Five Crores only) divided into 2,50,00,000 Equity Shares of Rs. 10/- (Rupees ten only) each and 3,00,00,000- 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".

**10. To consider and if thought fit, to pass with or without modifications, the following resolution as SPECIAL RESOLUTION:**

"RESOLVED THAT pursuant to the Article 3(b) of the Articles of Association and Section 80 and Section 81(1A) 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 any and as may be required, from time to time, consent of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as the Board and shall include duly constituted committee(s) thereof) to issue Redeemable Preference Shares of Rs. 10/- each for cash at par or at premium (hereinafter referred to as Preference Shares) upto Rs. 30 Crore at such time or times in one or more tranches on such terms and conditions as may be decided by the Board and subject to the following rights:

- The Preference Shares shall carry a fixed preferential dividend to be determined by the Board of Directors/Committee of Directors at the time of issue of the Preference Shares, on the capital for the time being paid-up thereon respectively and shall be redeemable not later than the date determined by the Board of Directors/ Committee of Directors at the time of issue of instruments.
- The said Preference Shares rank for dividend in priority to the equity shares for the time being of the Company.
- The said Preference Shares shall in winding up entitled to rank, as regards repayment of capital and arrears of dividend, whether declared or not, upto the commencement of the winding up, in priority to the equity shares but shall not be entitled to any further participation in profits or assets.
- The voting rights of the persons holding the said shares shall be in accordance with the provisions of section 87 of the Companies Act, 1956.
- The Company shall not create and/or issue in future Preference Shares ranking in priority to the said shares and in the event of the Company creating and/ or issuing Preference Shares in future ranking *pari passu* with the said shares, it would do so only with the consent in writing of the holders of not less than three-fourth of the said shares then outstanding or with the sanction of the special resolution passed at a separate meeting of the holders of the said shares then outstanding.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all acts, matters, deeds and things and to take all steps and give such directions as may be necessary, expedient or desirable and also to settle any question of doubt or difficulties that may arise in such manner and in its absolute discretion as it may deem fit and proper."

By Order of the Board  
**For Kuantum Papers Ltd**

**Regd. Office**  
Paper Mill, Saila Khurd-144 529  
Distt. Hoshiarpur, Punjab  
Dated : August 13, 2013

**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 Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 4<sup>th</sup> September, 2013 to Friday, the 13<sup>th</sup> September, 2013 (both days inclusive).
5. The dividend for the year 2012-13 on the preference shares will be paid to the shareholders on prorata basis.
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 15253 shareholders, out of which 4116 shareholders holding 96.83% of the capital, are in dematerialised form and the balance 11137 shareholders holding 3.17% 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 in whose name 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 President (Finance), by 2<sup>nd</sup> September, 2013.
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.

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

**Item No. 6**

The members had approved the appointment and terms & conditions of Shri Jagesh K Khaitan as Chairman & Managing Director (CMD) of the Company for a period of 5 years with effect from 17<sup>th</sup> July, 2010 at its 13<sup>th</sup> Annual General Meeting of the Company held on 24<sup>th</sup> September, 2010. As per the audited balance sheet for the year ended 31<sup>st</sup> March 2012, the Profits of the Company were inadequate to pay the remuneration in terms of the above resolution. The maximum permissible remuneration to a director (CMD) in case of inadequacy of profits read with the provisions, conditions and limits of Schedule XIII of the Companies Act, 1956 is permissible upto Rs. 48,00,000/- per annum subject to the same approved by the members by a special resolution.

The company has paid a remuneration of Rs. 50,00,589/- for the year ended 31<sup>st</sup> March, 2012 in terms of resolution passed by the shareholders on 24.09.2010 and in view of the maximum remuneration of Rs. 48,00,000/- permissible as per the provisions stated above in case of inadequate profits in a particular year, the excess amount of Rs. 2,00,589/- has been recovered/adjusted from CMD to restrict the remuneration to Rs. 48,00,000/- per annum for the said year. Accordingly, Remuneration Committee has recommended to the Board of the Company to seek approval of the members by way of a special resolution in the forthcoming Annual General Meeting of the Company for payment of remuneration of Rs. 48,00,000/- per annum for financial year 2011-12, pursuant to the provisions of Schedule XIII in case of inadequate profits.

The said Remuneration will be within the overall limit of Part II, Section II (B) of Schedule XIII as well as Section 198 and all other relevant provisions of the Companies Act, 1956.

Your Directors recommend the resolution for approval by the members of the Company.

Shri Jagesh K Khaitan is interested or concerned in the proposed resolution. Shri Umesh Kumar Khaitan and Shri Pavan Khaitan,



## Kuantum Papers Ltd

being related to Shri Jagesh K 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 resolutions.

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

The members are requested to consider and approve the above resolution as Special Resolution.

**Statement containing the information required to be furnished pursuant to Schedule XIII, Part II of the Companies Act, 1956 and forms part of the explanatory statement.**

### I. General Information

1. Nature of Industry: Manufacturing of writing and printing paper
2. Date or expected date of commencement of commercial production: The Company was incorporated on 28<sup>th</sup> May 1997. The commercial production of the unit was started in the year 1980. At that time it was a division of another company and demerged on 1.04.2006 and the business was transferred/vested in the present company.
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable
- 4.

(Rs. in Lacs)

| 1) Financial performance based on given indicators            |                          | Year ending 31.03.2011 | Year ending 31.03.2012 | Year ending 31.03.2013 |
|---|--------------------------|------------------------|------------------------|------------------------|
|   | Sales Turnover (Gross)   | 31,896.76              | 39,429.66              | 44,409.99              |
|   | Capital Employed         | 26,877.43              | 29,176.90              | 31,341.53              |
|   | Net worth                | 8,520.37               | 9,012.31               | 11,086.80              |
|   | Profit before Tax        | 1,026.60               | 548.02                 | 2,126.48               |
|   | Profit after tax         | 1,831.51               | 371.76                 | 1,281.35               |
|   | Dividends(Equity)        | 87.26                  | -                      | -                      |
|   | Preference Dividend      | 8.71                   | 5.20                   | 1.71                   |
| 2) Export performance and net foreign exchange collaborations |                          | Year ending 31.03.2011 | Year ending 31.03.2012 | Year ending 31.03.2013 |
|   | Foreign exchange earning | 112.84                 | 184.87                 | 402.32                 |
|   | Foreign exchange outgo   | 4.41                   | 4.11                   | 12.32                  |
|   | Net position             | 108.43                 | 180.76                 | 390.00                 |
| 3) Foreign Investments or Collaborations, if any              | Not Applicable           |                        |                        |                        |

### Information about the Appointee:

Sh. Jagesh K Khaitan, Chairman & Managing Director

|                       |   |
|-----------------------|---|
| 1) Background Details | <p>Sh. Jagesh Khaitan, aged 66 years, a Graduate with Marketing Management and Strategic Management courses from IIM, Ahmedabad, has been associated with the edible oil industry/paper industry for the last 40 years. Prior to the current post of Chairman &amp; Managing Director, Kuantum Papers Ltd., he was the Vice-Chairman &amp; Managing Director of Amrit Banaspati Co. Ltd., having business interest in edible oil, writing &amp; printing paper and allied products. He remained President of Indian Vanaspati Producers Association (IVPA), a national level body of Vanaspati producers to safeguard interest of the Vanaspati and Refined Oil industry.</p> <p>Shri Khaitan was also an active member of American Oils Chemists' Society, USA and also associated with various trade associations and Chamber of Commerce &amp; Industry and is member of Managing Committee of PHD Chamber of Commerce &amp; Industry.</p> <p>He is also on the Board of Directors of various reputed companies. He has been conferred the honour of "Legend" by Globe Oil India in recognition of his services and contribution to edible</p> |
|-----------------------|---|



|   |  |              |         |                      |         |                    |               |       |         |
|---|--|--------------|---------|----------------------|---------|--------------------|---------------|-------|---------|
|   | oil industry. Also he was the recipient of a prestigious award 'UDYOG RATNA' honored by PHD Chamber of Commerce & Industry given by the then Chief Minister of Punjab, in the year 2005, towards his excellent and dedicated contribution to the State of Punjab through the industry.   |              |         |                      |         |                    |               |       |         |
| 2) Past Remuneration  | <p>Remuneration comprises of salary, perquisites, retirement benefits and commission, the details of which are :</p> <p style="text-align: right;">(Rs. Lacs)</p> <p style="text-align: right;">2010-11 (17.07.2010 to 31.03.2011)</p> <table> <tr> <td>Basic Salary</td><td>: 18.66</td></tr> <tr> <td>PF &amp; Perquisites</td><td>: 14.22</td></tr> <tr> <td>Commission</td><td>: <u>4.94</u></td></tr> <tr> <td>Total</td><td>: 37.82</td></tr> </table> | Basic Salary | : 18.66 | PF & Perquisites     | : 14.22 | Commission         | : <u>4.94</u> | Total | : 37.82 |
| Basic Salary  | : 18.66  |              |         |                      |         |                    |               |       |         |
| PF & Perquisites  | : 14.22  |              |         |                      |         |                    |               |       |         |
| Commission  | : <u>4.94</u>  |              |         |                      |         |                    |               |       |         |
| Total   | : 37.82  |              |         |                      |         |                    |               |       |         |
| 3) Remuneration Proposed  | <p>Remuneration proposed for the year 1st April, 2011 to 31st March, 2012 comprises of salary, HRA, perquisites and commission the details of which are :</p> <p style="text-align: right;">(Rs. Lacs)</p> <table> <tr> <td>Basic Salary</td><td>: 27.67</td></tr> <tr> <td>House Rent Allowance</td><td>: 16.60</td></tr> <tr> <td>Perks &amp; Commission</td><td>: <u>3.73</u></td></tr> <tr> <td>Total</td><td>: 48.00</td></tr> </table>                 | Basic Salary | : 27.67 | House Rent Allowance | : 16.60 | Perks & Commission | : <u>3.73</u> | Total | : 48.00 |
| Basic Salary  | : 27.67  |              |         |                      |         |                    |               |       |         |
| House Rent Allowance  | : 16.60  |              |         |                      |         |                    |               |       |         |
| Perks & Commission  | : <u>3.73</u>  |              |         |                      |         |                    |               |       |         |
| Total   | : 48.00  |              |         |                      |         |                    |               |       |         |
| 4) Comparative remuneration profile with respect to industry size of the company, profile of the position and person      | The proposed remuneration is in line with the current remuneration packages of managerial personnel of companies belonging to similar industries. Further it is commensurate with the qualification and wide experience and in accordance with the highly competitive business scenario requiring recognition and reward for performance and achievement towards meeting objectives of the company.  |              |         |                      |         |                    |               |       |         |
| 5) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. | Only to the extent of his entitlement towards his remuneration and is related to Shri Umesh Kumar Khaitan and Shri Pavan Khaitan.  |              |         |                      |         |                    |               |       |         |

**Other Information:**

|   |  |
|---|--|
| 1) Reasons of loss or inadequate Profit                                       | <p>I) The paper market scenario was not favorable. Cost of inputs/raw material went up considerably. There was a considerable rise in the cost of Fuel such as rice husk, coal etc. Price of chemicals and pulp had also gone up considerably as also the Power cost.</p> <p>II) The depreciation of INR had affected the cost of pulp, a major input, as the company imports pulp from various countries to meet its part of the input requirements.</p> <p>III) In the last few years there had been a steep rise in the capacities whereas the demand has not increased resulting supply being exceeding the demand, and decline in prices of paper.</p> <p>IV) Due to expansion in the production capacity, the company has taken loans/financial assistance from banks and the interest burden has also increased, thus, affecting the profitability of the Company.</p> <p>V) Labour cost has also enhanced for last few years.</p> <p>Due to the above factors the profits achieved for the year ending 31 March 2012 were inadequate to pay the remuneration as approved by the members in the AGM held on 24.09.2010.</p> |
| 2) Steps taken or proposed to be taken for improvement                        | Management has taken all necessary and adequate steps to improve the profitability of the company which are now fructifying.   |
| 3) Expected increase in the productivity and profits in the measureable terms | An improvement has taken place in the demand of the product. Consequent to the enhancement in the productivity and increasing demand, the profits of the company have been improving.  |



## Kvantum Papers Ltd

### Item No. 7

The Members of the Company at the 15th Annual General Meeting held on July 10, 2012 approved the re-appointment and terms including remuneration of Shri Pavan Khaitan as Managing Director for a period of three years w.e.f. April 1, 2012.

It is proposed pursuant to the recommendation of Remuneration Committee and Board of Directors, to give commission to Shri Pavan Khaitan in addition to the existing salary, perquisites and allowances, subject to a ceiling of 50% of the annual salary calculated with reference to the net profit of the Company in a particular financial year as may be determined by the Board of Directors at the end of each financial year subject to the overall ceilings as stipulated in the Sections 198 and 309 of the Companies Act, 1956, in the year the company has profits. Based on the audited accounts of the Company for the financial year 2012-13, the remuneration of the Wholtime Directors are well within the ceiling of 10% of the net profit for the year 2012-13. This is being proposed in view of the adequate profits achieved by the Company for the year 2012-13.

The detail of salary, perquisites and allowances along with proposed commission is given hereunder:

#### (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) Commission

The Managing Director shall be entitled to commission in addition to the salary, perquisites and allowances, as mentioned above, subject to a ceiling of 50% of the annual salary calculated with reference to the net profit of the Company in a particular financial year as may be determined by the Board of Directors at the end of each financial year subject to the overall ceilings as stipulated in the Sections 198 and 309 of the Companies Act, 1956.

(4) Shri Pavan Khaitan will not be entitled to sitting fee for attending meetings of the Board or Committee(s) thereof.

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

All other terms and conditions of the re-appointment will remain unchanged. The increased remuneration will be subject to the overall limits as provided under Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956.

The Directors of the Company on recommendation made by the Remuneration Committee have approved the proposal of revision in the remuneration, subject to the approval of the members.

Your Directors recommend the resolution for approval by the members of the Company.

The resolution at Item No. 7 of the Notice alongwith explanatory statement thereto may be treated as 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 this resolution.

The members are requested to consider and approve the above resolution as Special Resolution.





**Item No. 8**

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.

State Bank of India(SBI) has sanctioned Corporate Loan and Punjab National Bank (PNB) & State Bank of Patiala (SBOP) have sanctioned working capital to the Company aggregating to Rs. 9,775 lacs (i.e. Corporate Loan of Rs. 1,200 lacs and working capital of Rs. 8,575 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. 9**

The Company proposes to induct long term funds in order to enhance the operations, efficiency and quality of the product. At present the Authorised share capital of the company is Rs. 35 crores and it is proposed to increase the same to Rs. 55 crores to generate long term resources by issuing securities.

Any amendment in the Memorandum of Association requires the approval of the members of the company and the Board recommends the same.

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

**Item No. 10**

In order to optimize the capital structure and to induct long term funds in order to enhance the operations, efficiency and quality of the product, it is proposed to issue Redeemable Preference Shares. Issue of Preference Shares will help optimize the capital structure of the Company and improve the financial parameters of the company.

The Members are requested to authorize the Board including any Committee of the Board, to issue and allot Preference Shares upto Rs. 30 Crores in one or more tranches.

The special resolution set out in Item No. 10 is intended to obtain approval of the members and the Board recommends the same.

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 : August 13, 2013

**Vivek Trehan**  
Company Secretary



## DIRECTORS' REPORT

### To the Members,

Your Directors take pleasure in presenting the 16<sup>th</sup> Annual Report on the business and operations, together with audited statements of Accounts of your Company, for the financial year ended 31<sup>st</sup> March, 2013.

### FINANCIAL HIGHLIGHTS

The summarized financial results of the Company for the year 2012-13 are given hereunder.

|  | <b>(Rs. in lacs)</b> |                |
|--|----------------------|----------------|
|  | <b>2012-13</b>       | <b>2011-12</b> |
| Sales & other income                       | <b>44,797.55</b>     | 39,814.71      |
| Operating Profit                           | <b>6,045.83</b>      | 4,515.38       |
| Interest                                   | <b>2,349.42</b>      | 2,425.03       |
| Gross Profit                               | <b>3,696.41</b>      | 2,090.35       |
| Depreciation                               | <b>1,569.93</b>      | 1,542.33       |
| Profit before tax                          | <b>2,126.48</b>      | 548.02         |
| Provision for                              |                      |                |
| - Current Tax                              | <b>(425.46)</b>      | (109.65)       |
| - Deferred Tax charge for the year         | <b>(845.13)</b>      | (176.26)       |
| - MAT credit entitlement                   | <b>425.46</b>        | 109.65         |
| Net Profit after tax                       | <b>1,281.35</b>      | 371.76         |
| Balance b/f from previous year             | <b>2,807.65</b>      | 2,491.96       |
| Profit available for appropriations        | <b>4,089.00</b>      | 2,863.72       |
| <b>Appropriations:-</b>                    |                      |                |
| Proposed Dividend on                       |                      |                |
| (a) Equity shares                          | --                   | --             |
| (b) Preference Shares @ Rs. 0.70 Per share | 1.71                 | 5.20           |
| (c) Tax on dividend                        | 0.29                 | 0.87           |
| (d) Capital Redemption Reserve             | 50.00                | 50.00          |
| (e) General Reserve                        | --                   | --             |
| Balance carried to Balance Sheet           | <b>4,037.00</b>      | 2,807.65       |

### 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, on pro-rata basis, for the year ended 31<sup>st</sup> March, 2013 amounting to Rs. 1.71 lacs and to pay a dividend tax of Rs. 0.29 lacs. No dividend has been recommended on the equity shares to conserve and plough back the resources for the ongoing and upcoming capex projects.

### OPERATIONS

The production of paper during the year under review was 1,00,218 metric tonnes as against 95,383 metric tonnes in the previous year. The quantitative figure for the sale of paper was the same at 1,00,218 metric tonnes this year, leaving no closing stock, as against 95,493 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 12.51% at Rs. 44,797.55 lacs, operating profit is up by 33.89% at Rs. 6,045.83 Lacs, Profit before Tax is up by 294.17% at Rs. 2,126.48 lacs. Net profit after tax is up by 244.67% and stands at Rs. 1,281.35 lacs.

There has been a significant improvement in the profitability during the year under review compared to the previous year mainly due to improved sales realizations, better product mix, improved quality and launching of new paper products like copier and surface sized paper. This is despite the increase in the input costs in terms of fuel and chemical costs, imported pulp due to the depreciation in the Indian currency and high interest costs.