



***Kuantum Papers Ltd***  
*The Paper Makers*

## **19th Annual Report 2015-2016**



## BOARD OF DIRECTORS

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

## SENIOR EXECUTIVES

R K Tandon Sr President (Works)  
Roshan Garg President (Finance)  
Somesh Jawa President (Marketing)  
M A Ansari Sr Vice President (P&A)  
D K Chawda Sr Vice President (Engineering)  
R P Puri Sr Vice President (Technical)  
A K Bhatia Sr Vice President (Commercial)

## COMPANY SECRETARY

Vivek Trehan

## STATUTORY AUDITORS

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

## COST AUDITORS

M/s R J Goel & Co  
Cost Accountants  
Delhi

## SECRETARIAL AUDITORS

S K Sikka & Associates  
Company Secretaries  
Chandigarh

## INTERNAL AUDITORS

A Gandhi & Associates  
Chartered Accountants  
Panchkula

## BANKERS

Punjab National Bank  
State Bank of India  
State Bank of Patiala  
Axis Bank Ltd  
IndusInd Bank Ltd

## REGISTERED OFFICE & WORKS

Paper Mill  
Saila Khurd 144 529  
Distt Hoshiarpur Punjab

## CORPORATE OFFICE

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

## CIN & CONTACT DETAILS

CIN- L21012PB1997PLC035243  
Ph. : 01884-230241 Fax : 01884-230244  
Email : kuantumcorp@kuantumpapers.com  
Website : www.kuantumpapers.com

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## NOTICE

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of the members of Kquantum Papers Limited will be held at Paper Mill, Salla Khurd-144529, Distt. Hoshiarpur (Punjab) on Wednesday, the 14<sup>th</sup> September 2016 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, 2016 and the Statement of Profit & Loss for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on the Preference and Equity Shares.
3. To appoint a Director in place of Shri Umesh K Khaitan (DIN: 01180359), who retires by rotation and being eligible, offers himself for re-appointment.
4. 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 139 and all other applicable provisions of the Companies Act, 2013 (the “Act”) read with Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Company hereby ratifies the appointment of M/s BSR & Co. LLP, Chartered Accountants (ICAI Firm Registration No. 101248W/W-100022), as the Statutory Auditors of the company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting on such remuneration as may be determined by the Board of Directors.”

## SPECIAL BUSINESS

5. 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 188 and other applicable provisions of the Companies Act, 2013 read with the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the consent of members of the Company be and is hereby accorded for the related party transactions with Esteem Finventures Limited for procurement of agro & other Raw Material, management consultancy services for Analytics Business Intelligence (ABIT) System, office rent and other goods and services by the Company for an amount not exceeding Rs. 100 crores (Rupees One hundred Crore only).

RESOLVED FURTHER that the Board of Directors of the Company and/or a Committee thereof, be and is hereby, authorized to do or cause to be done all such acts, matters, deeds and things and to settle any queries, difficulties, doubts that may arise with regard to any transaction with the related party and execute such agreements, documents and writings and to make such filings, as may be necessary or desirable for the purpose of giving effect to this resolution.”

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

“RESOLVED that in accordance with the provisions of Section 73 and Section 76 and other applicable provisions, if any, of the Companies Act, 2013 (the “Act”) and the rules prescribed thereunder, (including any statutory modification(s) or re-enactment thereof for the time being in force) approval of the shareholders, be and is hereby, accorded to the Board of Directors of the Company to borrow money from public/shareholders by way of Fixed Deposits subject to compliance of all the conditions stated under Section 73(2) and Section 76 of the Act or any other applicable provisions of the Act, if any and subject to maximum limits provided under the Act read with the Companies (Acceptance of Deposits) Rules, 2014.

RESOLVED FURTHER that the Deposits accepted by the Company may be cumulative or non-cumulative, secured or unsecured, as per the scheme framed/approved by the Company and carrying rates of interest for periods varying from one year to three years, which shall not exceed the maximum rate of interest prescribed by the Reserve Bank of India and as specified in the Circular in the form of advertisement inviting deposits to be approved by the Board of Directors of the Company.

RESOLVED FURTHER that the Board of Directors, be and are hereby, authorised to do all such acts, deeds and things as may be necessary to give effect to the above said resolution and to settle any question, difficulty or doubt that may arise in this regard.”

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

“RESOLVED that pursuant to Section 148(3) of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), and other applicable provisions if any, consent of the shareholders be and is hereby accorded for the payment of remuneration of Rs. 1,00,000/- (Rupees One lac only) to M/s R.J. Goel & Co., Cost Accountants, Delhi (Firm Registration No. 000026), who were appointed as

Cost Auditors by the Board of Directors in their meeting held on 26 May 2016 for carrying out Cost Audit of the Company for financial year 2016-17, be and is hereby approved and ratified."

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

**Vivek Trehan**  
Company Secretary

Regd. Office:  
Paper Mill, Saila Khurd  
Distt. Hoshiarpur, Punjab  
Dated: 26 May 2016

#### **NOTES:**

1. Explanatory Statement as required under Section 102(1) of the Companies Act, 2013 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.  

A person can act as a proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. Members holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as a proxy and such person shall not act as a proxy for any other person or shareholder.
3. The Register of Members and Share Transfer Books of the Company will remain closed from the 8 September 2016 to 14 September 2016 (both days inclusive).
4. Shareholders of the Company are informed that pursuant to the provisions of the Companies Act, 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. Accordingly the amount of dividend which remained unpaid/unclaimed for a period of 7 years for the year 2007-08 has already been transferred to the 'Investor Education & Protection Fund' constituted by the Central Government. Shareholders who have not encashed their dividend warrant(s), for the years, 2008-09, 2009-10, 2010-11 and 2014-15 are requested to file 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. Unpaid/unclaimed amount for the year 2008-09 will be transferred to the 'Investor Education & Protection Fund' constituted by the Central Govt. in October 2016. Unpaid dividend, outstanding, for the year 2008-09, as on date, is Rs. 5,07,638.- (Rupees Five Lac seven thousand six hundred thirty eight only).
5. 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 14810 shareholders, out of which 4111 shareholders holding 97.18% of the capital are in dematerialised form and the balance 10699 shareholders holding 2.82% of the capital are in physical form. The shareholders having shares in physical form are requested to dematerialize the shares.
6. In terms of Section 72 of the Companies Act, 2013 and the applicable provisions, 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 the requisite nomination form.
7. Any member requiring further information on the Accounts at the meeting is requested to send the queries in writing to President (Finance), atleast one week before the meeting.
8. Members are requested to bring their copies of Annual Report at the meeting, as extra copies will not be supplied.
9. 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 Registrar 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.
10. The documents referred to in the proposed resolutions are available for inspection at the Registered Office of the Company during normal business hours on any working day except Saturdays and Sundays, upto the date of the meeting.
11. Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the



Company a certified copy of the Board resolution authorizing their representative to attend and vote on their behalf at the meeting.

12. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
13. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat account. Members holding shares in physical form can submit their PAN to the Company/Registrar.
14. Members who hold shares in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to the Registrar, for consolidation into a single folio.
15. **Members who have not registered their e-mail address so far are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.**
16. The route map of the venue of the meeting is attached with this Annual Report.
17. Additional information, pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of the Director seeking reappointment, is annexed to the notice.
18. **Voting through electronic means:** Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, Company is offering e-voting facility to its members. Detailed procedure is given in the enclosed letter.

### **EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

#### **Item No. 5**

Section 188 of the Companies Act, 2013 read with rules 15 and 16 of Companies (Meetings of Board and its Powers) Rules, 2014 as also Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 lay down procedure for seeking approvals with regard to related party transactions. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 further stipulates that all material related party transactions shall require shareholders' approval.

All related parties shall abstain from voting on the resolution.

Accordingly the Board recommends the resolution for the approval of the Members set out at Item no. 5.

#### **Item No. 6**

Section 73(2) and Section 76 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014, makes it mandatory for the Company to obtain approval of the shareholders before accepting any deposits from the shareholders and/or public by way of Fixed Deposits.

As the conditions and maximum limits for accepting deposits from the Shareholders and/or public has been laid down in the Companies (Acceptance of Deposits) Rules, 2014, approval of the shareholders by way of special resolution, is being obtained for accepting deposits from the shareholders and/or public after complying with all the conditions stated in Section 73(2) and Section 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014, being the Company as the eligible company.

Pursuant to Section 76 read with Companies (Acceptance of Deposits) Rules, 2014, it is therefore necessary for the shareholders to pass a special resolution as set out at Item No. 6 of the Notice.

None of the Directors and/or Key Managerial Personnel of the Company and their relatives are concerned or interested in the resolution.

The Board recommends special resolution for the approval of the Members set out at Item no. 6.

#### **Item No. 7**

Pursuant to section 148(3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company are required to approve and ratify the payment of remuneration of Rs. 1,00,000/- (Rupees One lac only) to the Cost Auditors as approved by the Board of Directors in their meeting held on 26 May 2016 for the Financial Year 2016-17.

None of the Directors and/or Key Managerial Personnel of the Company and their relatives are concerned or interested in the resolution.

The Board recommends the resolution for the approval of the Members set out at Item no. 7.

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

**Vivek Trehan**  
Company Secretary

Regd. Office:  
Paper Mill, Saila Khurd  
Distt. Hoshiarpur, Punjab  
Dated: 26 May 2016

**Details of Director seeking appointment/re-appointment at the 19th Annual General Meeting**

**[Pursuant to Regulation 26(4) and 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings]**

**Profile/expertise of Shri Umesh K Khaitan**

Shri Umesh K Khaitan, aged 67 years, is the managing partner in Khaitan and Khaitan. He has nearly 41 years of legal experience dealing with all aspects of corporate law. He was admitted to the Bar in 1972, and earned his solicitor's degree in the same year. He founded his own firm in 1996, after having spent 24 years as a partner in one of India's leading law firms. His prominent clients have included major players in the pharmaceutical and petrochemical sectors, India's largest brewery, numerous processed food giants, leading hoteliers, infrastructure development corporations, banks and financial institutions as well as leading information technology and telecom companies. In addition to his vast legal practice, Mr. Khaitan has been entrusted with the directorships of many large corporate groups and also with the trusteeship of a few select organizations. Besides this, he is also member of many Professional Bodies and honour societies.

**Disclosure of relationship inter se between directors**

Shri Umesh K Khaitan is the brother of Shri Jagesh K Khaitan and father of Shri Ashutosh Khaitan.

**Other Directorships in Public Companies & membership of committees as on 31 March 2016****Directorship**

1. Sutlej Textiles & Industries Ltd.
2. Aiyer Manis Rubber Estate Ltd.
3. Combine Overseas Ltd.
4. Ghaziabad Investment Ltd.
5. Ferro Alloys Corpn. Ltd
6. Combine Accurate Financial Services India Ltd
7. Cremica Food Industries Ltd

**Committee Membership**

**Audit Committee:** None

**Shareholding in the Company**

Shri Umesh K Khaitan holds 36248 equity shares of the Company.

## DIRECTORS' REPORT

### To the Members,

Your Directors take pleasure in presenting the 19<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 March 2016.

### FINANCIAL HIGHLIGHTS

The summarized financial results of the Company for the financial year 2015-16 are given hereunder.

	2015-16	2014-15
Sales & other income	55,463.55	53,086.75
Operating Profit	6,558.45	6,480.67
Interest	1,914.88	2,028.66
Gross Profit	4,643.57	4,452.01
Depreciation	1,356.22	1,282.73
Profit before tax	3,287.35	3,169.28
Provision for		
- Current Tax	(703.38)	(667.20)
- Deferred Tax charge for the year	(629.24)	(431.18)
- MAT credit entitlement	496.95	432.89
Net Profit after tax	2,451.68	2,503.79
Adjustment on a/c of revised useful life of Fixed Assests	--	57.33
Balance b/f from previous year	9,181.09	7,199.33
Profit available for appropriations	11,632.77	9,645.79
<b>Appropriations:-</b>		
- Proposed Dividend on		
(a) Equity shares @ Re. 1.00 Per share	87.26	87.26
(b) Preference Shares @ Re. 1.00 Per share	300.00	300.00
(c) Tax on dividend	78.84	77.44
Balance carried to Balance Sheet	11,166.68	9,181.09

### DIVIDEND

Your Directors have recommended a dividend of Re. 1.00 (previous year Re. 1.00) per share on the Equity Shares of Rs. 10/- each and Re. 1.00 (previous year Re. 1.00) per share on the Non-cumulative Redeemable Preference Shares of Rs.10/- each, for the year ended 31 March 2016 amounting to Rs. 387.26 lacs and to pay a dividend distribution tax of Rs. 78.84 lacs thereon.

### OPERATIONS

During the year your Company has achieved the highest ever production. The production of paper during the year under review was 1,07,632 metric tonnes, as against 99,550 metric tonnes in the previous year. The quantitative figure for the sale of paper was 1,07,834 metric tonnes this year, leaving a closing stock of 197 metric tonnes, as against the sale of 99,189 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:

For the year under review, the company has recorded satisfactory performance in its working results even in the midst of adverse circumstances emerging from import of paper and subdued sales prices. This performance is due to the improved operational efficiencies, productivity, quality and higher volumes of premium quality paper products like copier and surface sized paper, and despite the increase in input prices of agri- materials. The high volatility in US \$ and consequent high depreciation in the Indian currency and high interest costs have led to the higher costs of imported pulp and other materials which has led to the squeezed margins.

The Company recorded gross sales turnover and other income at Rs. 55,463.55 lacs, up by 4.48%; operating profit at Rs. 6,558.45 lacs, marginally up by 1.20%, Profit before Tax at Rs. 3,287.35 lacs, up by 3.72%. Net profit after tax is marginally down by 2.08% and stands at Rs. 2,451.68 lacs.

In spite of the markets remaining subdued during the year, the initiatives taken by your Company in the recent years in improving productivity and efficiency have led to achieving of the above operational performance. The Company has taken up projects in focused areas for improvement under "KITE" scheme - Improvement Projects (Kuantum, Innovate, Think & Execute) and this has led to improved operational efficiencies, productivity, reduction in operational costs and sizeable savings thereby maintaining the bottom-line.

The results of cost reduction initiatives and operational efficiencies will be more visible in the current financial year 2016-17 as your Company has continued the initiatives to optimize capacity utilization, cost reduction, new products, optimizing production of better margin products and is further undertaking modification and up-gradation of the paper machines and other equipments for improving the product quality and cost reductions.

These initiatives have made your Company not only one of the most cost competitive paper mills, but also as one of the large paper player in the writing and printing segment. Furthermore, continuous research & development have enabled the company to manufacture papers of distinctive prime quality, which is competing with the premium quality of other large paper mills.

Writing & printing paper segment have witnessed optimum capacity utilizations levels over the past few years due to steady demand growth. This led to large capacity additions in recent years and demand is taking its time to absorb these capacity accretions, which is leading to the sluggish sales realizations. Despite this trend, your Company has been able to operate at higher optimum levels of production and sale, and has been able to offset the associated negatives to a large extent. As per CRISIL report, over the next 5 years, the demand growth will slightly outpace the capacity growth, driving up utilization rates slightly.

As per CRISIL Research, in 2015-16, the paper demand increased between 5.5 to 6%. However, CRISIL expects demand to grow by 6.0 to 6.5% in 2016-17 as the industrial activity improves, corporate bills on office stationery increases and a rise in the advertisements due to better economic recovery. Over the long run, CRISIL Research expects demand for paper to grow at about 6.2% CAGR to 18.2 million tonnes in 2019-20. The demand will be driven and supported by greater Government spending on education initiatives, corporate spending on stationery and healthy growth in services sector.

On the supply front, capacity additions are expected to post a steady 5.2% CAGR over the next 5 years compared to 5.4% in the last 5 years. CRISIL expects greater capacity additions that in the coming years in the premium varieties such as coated paper and boards which will account for a major proportion. CRISIL Research further expects profitability of W&P paper and paperboard players to improve in 2016-17 on account of lower raw material cost and improving demand scenario. Further CRISIL expects sales prices to increase marginally in 2016-17 as the paper demand inches up.

As per CRISIL research, demand for W&P paper is projected to grow at a CAGR of about 4.3% in the next 5 years; the segment wise growth is detailed below:

- Within the W&P paper variants, demand for copier paper is expected to grow the fastest, at a 9.5% CAGR as corporate spending on stationery rises.
- demand growth for coated paper is expected to remain healthy at 7.0% CAGR led by an increase in circulation of magazines coupled with increasing use of higher quality paper in print media.
- Demand for creamwove and maplitho paper, which is linked to growth in the education sector, is expected to grow at a steady pace of about 1.8% CAGR in the next 5 years as more new educational institutions are likely to come up in the country, as an outcome of the Indian Government's Right to Education (RTE) initiative. Creamwove continues to be the largest contributor to the W&P paper demand. Additionally, initiatives like Rashtriya Madhyamik Shiksha Abhiyan and Sarva Shiksha Abhiyan will continue to boost the paper demand.

The detailed performance of Company's operations for the year ended 31 March 2016 has been stated in the Management Discussion & Analysis, which appears as a separate statement in the Annual Report.

## **FINANCE**

### **(a) Finance**

The Banks have sanctioned loan of Rs. 10,100 lacs during the year under review for the purchase and up-gradation of plant/machinery, office premises and general corporate purposes including shoring up of working capital and the disbursement is in progress.

### **(b) Working capital**

The working capital requirements amounting to Rs. 9,325.00 lacs (fund based Rs. 4,000.00 lacs and non-fund based Rs. 5,325.00 lacs) have been submitted and are being appraised by the Banks during the year under review.

### **(c) Fixed Deposits**

As on 31 March 2016, your Company had Fixed Deposits of Rs. 3,251.26 lacs. There were no overdue deposits as on 31 March 2016.



The above deposits have been accepted for a period of 1 year to 3 years as per the Fixed deposit Scheme duly approved by the Board in its meeting held on 18 September 2015 pursuant to the compliance of the provisions of Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules 2014.

Details of Deposits:

- (a) Accepted (including renewals) during the year- Rs. 1,821.21 lacs
- (b) Remained unpaid or unclaimed as at the end of the year- Nil

There has been no default in repayment of deposits or payment of interest thereon during the year.

#### **CREDIT RATING**

CARE's (Credit Analysis & Research Limited) has reaffirmed ratings for the Long term and Short term Bank facilities and Fixed Deposits of the company in its review as under:

Facilities	Amount (Rs./Cr)	Rating
Long term Bank Facilities	215.08	CARE BBB (Triple B)
Short term Bank Facilities	53.25	CARE A3+ (A Three Plus)
Fixed Deposits	40.00	CARE BBB (FD) [Triple B (Fixed deposit)]

#### **CHANGE IN THE NATURE OF BUSINESS**

There is no change in the nature of business.

#### **MATERIAL CHANGE**

No material changes and commitments affecting the financial position of the Company have occurred during the year under consideration, or after closure of the financial year till the date of this report.

#### **SUBSIDIARIES/JOINT VENTURES/ASSOCIATES COMPANIES**

Your Company does not have any subsidiary/joint ventures or associate company within the meaning of the Companies Act, 2013.

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Pursuant to Section 135 of the Companies Act, 2013, and the relevant rules, the Board of Directors of your Company has constituted a CSR Committee. The CSR Policy has been framed by the Company which is placed on the Company's website.

In pursuance of the Companies Act, 2013 and in alignment with its vision, the Company through its CSR initiatives will continue to enhance value creation in the society and in the community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community.

Disclosures as per Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 are given in the Annual Report on CSR activities at 'Annexure- A'.

#### **VIGIL MECHANISM**

Section 177(9) of the Companies Act, 2013 and Regulation 22 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Inter alia, provides for a mandatory requirement for all listed companies to establish a mechanism called the 'Whistle Blower Policy' for Directors and employees to report concerns of unethical behavior, actual or suspected, fraud or violation or the Company's code of conduct or ethics policy. In line with this requirement, the Company has framed a "Whistle Blower Policy". The same is placed on the Company's website.

#### **RISK MANAGEMENT COMMITTEE**

In line with the regulatory requirements, the company has framed a 'Risk Management Policy' to identify and assess the key risk areas, monitor and report compliance and effectiveness of the policy and procedure. A Risk Management Committee has also been constituted to oversee the risk management process in the Company.

The Company manages, monitors and reports on the principal risks and uncertainties that can impact its ability to achieve its strategic objectives. The Company's risk management systems and programs comprises of various processes, structures, and guidelines which assist the Company to identify, assess, monitor and manages its risks, including any material changes to its risk

profile. To achieve this, the Company has clearly defined the responsibility and authority of the Company's Management and the Risk Management Committee to oversee and manage the risk management Programs. The company has taken Industrial All Risk Policy to insure its fixed assets and inputs that cover known and unknown risk including fire. Details of the various risks, which can affect the Company's business and the management's perception, are more elaborately given in the 'Management Discussion & Analysis' attached to this Report.

### INTERNAL FINANCIAL CONTROL SYSTEM

Effective and strong internal control systems are developed in the Company for all the major processes to ensure reliability of financial reporting, safeguarding of assets and economical and efficient use of resources as also the compliance of laws, regulations, policies and procedures etc.

The Company's internal control systems are reviewed by M/s A Gandhi & Associates, internal auditors, an independent firm of Chartered Accountants. The Internal Auditor independently evaluates the adequacy of internal controls and reviews major transactions. The Internal Auditors reports directly to the Audit Committee to ensure complete independence.

### RELATED PARTY TRANSACTIONS

All related party transactions are entered at arm's length basis and as per the applicable provisions of the Companies Act, Accounting Standards and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. No material related party transactions have been entered by the Company with Promoters, Directors or Key Managerial Personnel, which had potential conflict with the interest of the Company at large. A statement of all related party transactions is presented before the Audit Committee on a quarterly basis duly certified by the CEO and CFO. The Related Party Transactions Policy as approved by the Board is placed on the Company's website.

The details of the related party disclosures and transactions as prescribed in Form AOC-2 are given in the Note No. 4.4 of the notes on Financial Statements. All the related party transactions are done at arm's length and pertain to the FY 2015-16.

### SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

There are no significant and material orders passed by the Regulators, Courts or Tribunals, which would impact the going concern status of the Company and its operations in future.

### DIRECTORS

In accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company, Sh. Umesh K Khaitan shall retire by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment.

### DECLARATION BY DIRECTORS

The company has received declaration from all the independent Directors under Section 149(7) of the Companies Act, 2013 in respect of meeting the criteria of independence provided under Section 149 (6) of the said Act.

### INDUCTIONS & TRAINING OF BOARD MEMBERS

In terms of Regulation 25(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company shall familiarize the Independent Directors in the following areas:

- Nature of the industry in which the entity operates;
- Business model of the entity;
- Roles, rights, responsibilities of independent directors;

The Independent Directors visit Company's Plant periodically to enable themselves to be conversant with manufacturing operations & processes.

Presentations are made to the Board/Committees of the Board on regular intervals which, inter alia, cover business strategies & reviews, operations, Industry developments, management structure, Nomination & Remuneration policy, quarterly & year to date results, budgets/business plans, review of Internal Audit, risk management framework, etc.

Further as per Regulation 46(2) (i) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 the required details are as follows:

Details of familiarization programmes imparted to independent directors	FY 2015-16	Cumulative till date
Number of programmes attended by independent directors	4	8
Number of hours spent by independent directors in such programmes	6	14