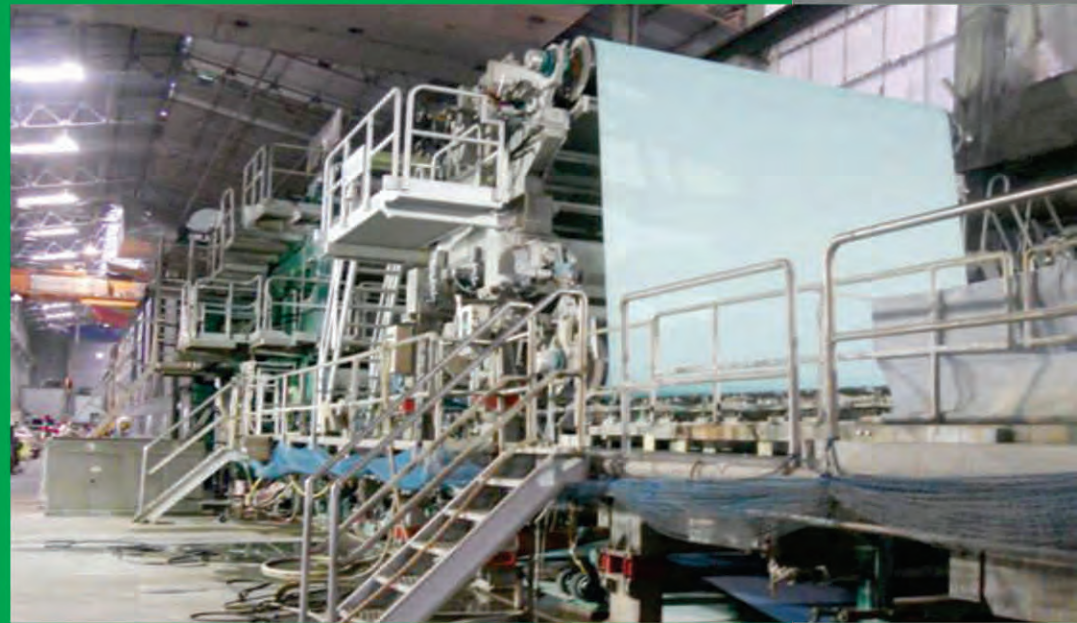




## 25th Annual Report 2021-2022

**Kuantum Papers Ltd**





## BOARD OF DIRECTORS

Jagesh Kumar Khaitan Chairman  
Pavan Khaitan Vice Chairman & Managing Director  
D S Sandhawalia  
Vivek Bihani  
Shireen Sethi  
Bhavdeep Sardana

## SENIOR EXECUTIVES

Sushil Kumar Khetan CEO-Operations  
Roshan Garg Sr. President-Finance & CFO  
Sanjay Khosla Sr. Vice President-Marketing  
Suman Sarkar Sr. Vice President-Finance  
Yogendra Kumar Varshney Sr. Vice President-Plant Operations  
Suresh Kumar Sain Vice President-Finance  
Raj Kumar Rana Vice President-Commercial  
Parvinder Singh Taunque Vice President-Engineering

## COMPANY SECRETARY

Vivek Trehan

## STATUTORY AUDITORS

M/s O P Bagla & Co LLP  
Chartered Accountants  
New Delhi

## 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  
Axis Bank Ltd  
HDFC Bank Ltd  
RBL Bank Ltd  
Yes Bank Ltd  
IndusInd Bank Ltd  
The Federal Bank Ltd

## REGISTERED OFFICE & WORKS

Paper Mill  
Saila Khurd 144 529  
Distt Hoshiarpur Punjab (India)

## CORPORATE OFFICE

W1A FF Tower A Godrej Eternia  
Plot 70 Indl Area 1 Chandigarh 160 002

## CIN & CONTACT DETAILS

CIN- L21012PB1997PLC035243  
Ph. : 01884-502737 Fax : 01884-502700  
Email : kuantumcorp@kuantumpapers.com  
Website : www.kuantumpapers.com

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## DIRECTORS' REPORT

### To the Members,

Your Directors take pleasure in presenting the 25th Annual Report on the business and operations together with audited statements of Accounts of your Company for the financial year ended 31 March 2022.

### FINANCIAL HIGHLIGHTS

The summarized financial results of the Company for the financial year 2021-22 are given hereunder.

	(Rs. in lakhs)	
	2021-22	2020-21
Sales & other income	83,424.85	41,391.79
Operating Profit	12,280.26	3,932.16
Interest	6,894.44	2,774.65
Gross Profit	5,385.82	1,157.51
Depreciation	4,615.40	3,482.90
Profit (loss) before exceptional items and tax	770.42	(2,325.39)
Exceptional items	-	857.59
Profit (loss) after exceptional items	770.42	(3,182.98)
Provision for		
- Current Tax	170.88	-
- Deferred Tax	(742.72)	(1,910.28)
Net Profit (loss) after tax	1,342.26	(1,272.70)
Other comprehensive Income (Expense)	(20.16)	44.19
Total comprehensive Income /(Loss) for the year (Net of Income Tax)	1,322.10	(1,228.51)

### DIVIDEND

The Board has not recommended dividend on the noncumulative Redeemable Preference Shares of Rs. 10/- each fully paid-up and the equity shares of Rs. 1/- each fully paid-up in view of the stipulation as per Resolution Plan approved by the Lenders.

### OPERATIONS

The year under review had continued to witness disruptions in operations due to the unprecedented economic challenges faced by the Indian economy due to Covid-19 prevailing pandemic impacting the demand and material supply distribution chain and networks. During the year under review, despite the challenges faced, the Company achieved a production of 1,51,740 metric tonnes, as against 82,522 metric tonnes in the previous year. The quantitative figure for the sale of paper was 1,51,674 metric tonnes this year leaving 135 metric tonnes as closing stock, as against the sale of 84,183 metric tonnes in the previous year.

The figures given in the Financial statements for the current year under review are as under:

The company recorded a Net sales turnover (net of GST) and including other income stood at Rs. 83,424.85 lacs (Previous Year Rs. 41,391.79 lacs); Operating Profit at Rs. 12,280.26 lacs (Previous Year Rs. 3,932.16 lacs); Profit before Tax at Rs. 770.42 lacs (Previous year Loss Rs. 2,325.39 lacs); and the Net Profit after Tax and other comprehensive income (expense) at Rs. 1,322.10 lacs (Previous year Loss Rs. 1,228.51 lacs).

The detailed performance of Company's operations for the year ended 31 March 2022 has been stated in the Management Discussion & Analysis, which appears as a separate statement in the Annual Report.

## **INDUSTRY STATUS**

Paper Industry is a significant player in the World Economy. Paper usage has been declining in North America and Europe since 2006 while steeply rising in China and other Asian Economies. The four key Paper and Board categories are: Newsprint, Printing and Writing Papers, Paper Boards for packaging applications, Tissue Papers & other Specialty Papers. Packaging grades account for over 55% of consumption, printing and writing grades over 32%, tissue papers 8-10% and others about 3%. Tissue and packaging grades are expected to witness higher growth rates, in future.

The Indian paper industry accounts for about 3.5% of the world's production of paper. The estimated turnover of the industry is INR 70,000 crore and its contribution to the exchequer is around INR 5,000 crore. The industry provides direct employment to 500,000 persons, and indirectly to around 1.5 million.

Most of the paper mills are in existence for a long time and hence present technologies fall in a wide spectrum ranging from oldest to the most modern. The mills use a variety of raw material viz. wood, bamboo, recycled fibre, bagasse, wheat straw and grasses. In terms of share in total production, approximately 21% are based on wood, 71% on recycled fibre and 8% on agro-residues. The geographical spread of the industry, as well as market, is mainly responsible for the regional balance of production and consumption.

The paper Industry holds immense potential for growth in India as the per capita paper consumption in India at around 15 kg, which is way behind the global average of 57 kg. India is the fastest-growing market for paper globally and it presents an exciting scenario; paper consumption is poised for a big leap forward in sync with economic growth. The futuristic view is that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by one kg per capita would lead to an increase in demand of 1 million tonnes.

## **NATIONAL EDUCATION POLICY 2020**

The Government announced the new National Education Policy (the NEP 2020) to focus on providing education that is equitable, accessible, high-quality and affordable. The policy was expected to be implemented from April 2022 academic years, but its implementation was delayed due to spread of covid-19 pandemic and consequently the educational establishments were running online classes. However, now with the significant population having been vaccinated including children, and schools reopened to offline/physical classes, it is expected that the Government will implement the new NEP from April 2023 academic year. The policy acts as a roadmap to revolutionize schooling and higher education in India that will support and foster a lifelong learning culture to maximize the rich talents and resources the country has to offer. The NEP 2020 is a giant leap in a list of initiatives taken by the government in achieving Goal 4 (SDG4) of the 2030. The policy recognises the ever-changing knowledge and employment landscape in our global ecosystem and focuses on curricular and pedagogy reform, aligning it with international standards and making India a vibrant knowledge economy and a nation of thought leaders. The impending changes in the education policy and curriculum are bound to create a huge demand for writing and printing paper to meet the needs of new Indian education system.

## **BAN ON SINGLE USE PLASTIC**

The ban on the use of plastics in a wide variety of applications that has been put in place by the Govt of India with effect from July 01, 2022, will give a big boost to paper production in our country. This is likely to lead to a variety of paper qualities finding its way into the market, filling up the huge gap left behind by the plastic ban.

## **FINANCE**

### **(a) TERM LOANS AND CAPEX PROJECTS**

The members were informed in the last report that the capex projects at a capital outlay of Rs. 444.04 crores towards backward integration and modernization of its pulping facilities, chemical recovery plant and captive power generation plant to enhance its operating efficiencies and production capacity were commissioned and put to use in March 2021 which were proposed to be completed and commissioned in June 2020, but the commissioning was delayed due to Covid-19 prevailing pandemic. The backward integration has enabled the company in sustaining competitiveness in capacity and quality enhancement, cost reduction and improving margins and profitability of the Company. With the economy and business environment showing a positive growth trend, the benefits will be ever more visible in the coming years.

### **(b) WORKING CAPITAL**

Banks have sanctioned/renewed the working capital limits amounting to Rs. 13,625 lacs (fund based Rs. 5,500 lacs, non-fund based Rs. 7,655 lacs and LER/CEL limits of Rs. 470 lacs) during the year under review.

### **(c) FIXED DEPOSITS**

As on 31 March 2022, your Company had Fixed Deposits of Rs. 3,510.82 lacs. There were no overdue deposits as on 31 March 2022.

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 30 June 2021 pursuant to the compliance of the provisions of Companies Act, 2013 read with the Companies (Acceptance of Deposit) Rules 2014.

#### **Details of Deposits:**

(a) Accepted (including renewals) during the year- Rs. 2,333.23 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.

### **RESOLUTION PLAN UNDER RBI CIRCULAR DATED 6 AUGUST 2020 – “RESOLUTION FRAMEWORK FOR COVID-19 RELATED STRESS”**

The members were informed in the last report that the Resolution Plan was approved and implemented by all the Lenders on 19 June 2021. The Resolution Plan inter alia provided for converting the interest on term loans for one year from 1st September 2020 into Funded Interest Term Loan (FITL) with extension of two years moratorium in the payment of principal of term loans. The company has been servicing the interest as and when due and the repayment of principal instalment will commence during the current year 2022-23.

### **EXTERNAL CREDIT RATING**

During the year under review, CARE Ratings Limited (CARE) has reviewed the external credit rating for the Long term, Short term Bank facilities and Fixed Deposits of the company and has reaffirmed the rating with stable outlook (changed from negative outlook) and removing the monitoring from credit watch. The updated facility wise rating is as under:

Facilities	Amount (Rs./Cr)	Rating
Long term Bank Facilities	654.61	CARE BBB (Triple B) (Outlook: Stable)
Short term Bank Facilities	81.25	CARE A3+ (A Three Plus) (Outlook: Stable)
Fixed Deposits	45.00	CARE BBB; Stable [Triple B; Outlook: Stable]

## CHANGE IN THE NATURE OF BUSINESS

There is no change in the nature of business.

## MATERIAL CHANGE

The operations for FY 2021-22 too have been impacted due to the Covid-19 pandemic outbreak, which has impacted the cash flow generation of the company.

## HOLDING/ 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. Kapedome Enterprises Limited is the holding company having 66.51% equity capital of the company.

## CORPORATE SOCIAL RESPONSIBILITY

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

During the year under review, the company has spent an amount of Rs. 102.16 lacs as against the budget of Rs. 101.99 lacs. 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'.

The CSR policy alongwith annual plan and its constitution is placed on the company's website.

## 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", which is placed on the Company's website. No complaint has been received during the year under review.

## RISK MANAGEMENT COMMITTEE

In line with the new 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 this process.

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 these Programs. 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.

The Company's internal control systems are reviewed by an independent firm of Chartered Accountants. The firm independently evaluates the adequacy of internal controls through periodic reviews that cover all the functions and processes through reviewing major transactions. They report directly to the Audit Committee which ensures complete independence.

### **RELATED PARTY TRANSACTIONS**

All related party transactions are entered at arm's length basis and are as per the applicable provisions of the Companies Act, Indian Accounting Standards and the Listing Regulations. The company has entered into transactions towards material procurement with its holding company amounting to Rs. 77.62 lacs (inclusive of GST) and with another company amounting to Rs. 166.73 lacs (inclusive of GST) [Refer Note 40 C to the Financial Statements] which are at arm's length. No materially significant 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. 40 of the notes on Financial Statements. All the related party transactions are done at arm's length and pertain to the FY 2021-22.

### **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.

### **CHANGE IN THE DIRECTORSHIPS**

There is no change in Directorships. Further, in accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company Shri Jagesh Kumar Khaitan shall retire by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment.

### **DECLARATION BY INDEPENDENT DIRECTORS**

The Independent Directors have submitted their disclosures to the Board that they fulfill all the requirements as stipulated in Section 149(6) of the Companies Act, 2013 and the applicable provisions of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 so as to qualify themselves to act as Independent Director under the provisions of the Companies Act, 2013 and SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and the relevant rules.

### **INDUCTIONS & TRAINING OF BOARD MEMBERS**

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

- (a) Nature of the industry in which the entity operates;
- (b) Business model of the entity;
- (c) Roles, rights, responsibilities of independent directors.

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, quarterly and year to date financial results, budgets/business plans, review of Internal Audit and risk management framework.

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

Details of familiarization programmes imparted to independent directors	FY 2021-22	Cumulative till date
Number of programmes attended by independent directors	6	35
Number of hours spent by independent directors in such programmes	8	52

## PERFORMANCE EVALUATION OF THE DIRECTORS AND MEETING OF INDEPENDENT DIRECTORS

Nomination, Remuneration and Evaluation policy has been framed by the Nomination and Remuneration Committee. This Committee has laid down the criteria for performance evaluation of the individual Directors as well as the Board. The framework of performance evaluation of the Directors captures the following points:

- (a) Performance of the directors and key attributes of the Directors that justify his/her extension/continuation on the Board of the Company.
- (b) Participation of the Directors in the Board proceedings and their effectiveness.
- (c) Fulfillment of the independence criteria and their independence from the management as specified in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or enactment thereof for the time being in force) in case of Independent Directors.

The Board adopted a formal mechanism for evaluating its performance as well as of its Committees and individual Directors including the Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the Board's functioning such as composition of the Board and Committees, experience and competencies, performance of specific duties and obligation, governance issues, participation and effectiveness.

During the year under review, a meeting of Independent Directors was held on 30 March 2022. The performance of the Non-Independent Directors and the Board as a whole vis-à-vis the performance of the Chairman of the Company was reviewed by the Independent Directors.

### DISCLOSURES ON BOARD EVALUATION:

- i. Observations of Board Evaluation carried out for the year:

In conformity with the evaluation policy and laid down parameters, the overall contribution of each Director was assessed as satisfactory and appreciable. The suggestions, participation, involvement and constant efforts of each director in the light of the business operations and overall growth and development of the Company was really significant.



ii. Previous year's observations and actions taken:

There were no observations of the Board with regard to the previous year. However, it has been the endeavor of the Board of Directors of the Company to attain the highest level of transparency, accountability and integrity as well as utmost applicable legal and ethical standards in the functioning of the Company with a view to create value that can be sustained continuously for the benefit of its stakeholders.

iii. Proposed actions envisaged:

The Company proposes to hold more trainings, presentations and interactions enabling the Directors to uphold highest standards of integrity & probity and strict adherence of the Companies Act, SEBI (Listing Obligations and Disclosure Requirements) Regulations, and other rules and regulations besides Company's Code of Conduct as also to strive for constructive, effective and value-added deliberations at the meetings as also to consistently strive to implement best corporate governance practices reflecting its strong value system and ethical business conduct.

### **NOMINATION, REMUNERATION AND EVALUATION POLICY**

The Board has on the recommendation of the Nomination and Remuneration Committee, approved a policy for selection, appointment, remuneration and evaluation of Directors, Key Managerial Personnel and Senior Management. Details of the Nomination and Remuneration Committee are given in the Corporate Governance Report. The Nomination, Remuneration and Evaluation Policy as approved by the Board is placed on the Company's website

### **PREVENTION OF SEXUAL HARASSMENT POLICY**

The Company has in place a 'Prevention of Sexual Harassment Policy' pursuant to the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee has been set up to redress complaints received regarding sexual harassment. All employees (Permanent, contractual, temporary, trainees) are covered under this policy. No complaint has been received during the year under review.

### **NUMBER OF MEETINGS OF THE BOARD**

During the year, 5 (Five) Board meetings were convened and held. Details of number of meetings of Board of Directors and committees thereof and the attendance of the Directors in such meetings are provided under the Corporate Governance Report. The intervening gap between the meetings was within the period/extended period prescribed under the Companies Act, 2013.

### **COMPOSITION OF AUDIT COMMITTEE**

The Audit Committee constituted by the Board comprised of three Independent Directors and one Executive Director till 31 March 2022.

During the year, 4 (four) Audit Committee meetings were convened and held. The details of the Audit Committee meetings, attendance of the members and terms of reference are provided in the Corporate Governance Report. The intervening gap between the meetings was within the period/extended period prescribed under the Companies Act, 2013.

### **STATUTORY AUDITORS & AUDITOR'S REPORT**

M/s O P Bagla & Co. LLP, Chartered Accountants, (Firm Registration No. 000018N/N500091), Statutory auditors of the company were appointed for a period of five years by the shareholders of the Company to hold office from the conclusion of the 23rd Annual General till the conclusion of 28th Annual General Meeting.

As required under Section 139 of the Companies Act, 2013, the Company has received a written consent from the Auditors to their continued appointment and also a certificate from them to the effect that their existing appointment is in accordance with the conditions prescribed under the Companies Act, 2013 and rules made thereunder.

The Auditors report for the financial year 2021-22 does not contain any qualification, reservation or adverse remark. The Notes on Accounts referred to in the Annexure to the Statutory Auditor's Report are self-explanatory and do not call for any comments.

### **COST AUDITORS**

M/s R.J. Goel & Co., Delhi were appointed as Cost Auditors for conducting the cost audit of the Company for the year ended 31 March 2022. The Company's Cost Audit Report for the year ended 31 March 2021 was filed on 25.08.2021 (Due date 30.09.2021). The said firm has been appointed as cost auditors of the Company for the financial year 2022-23 as well.

### **SECRETARIAL AUDITORS**

M/s S.K. Sikka & Associates, Company Secretaries were appointed as Secretarial Auditors to conduct Secretarial Audit of the Company and have submitted the Secretarial Audit Report for the year ending 31 March 2022 which is annexed to this Board's Report as Annexure-2.

As per amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in addition to the above-mentioned Secretarial Audit Report, listed company is also required to obtain an Annual Secretarial Compliance Report from a practicing Company Secretary w.r.t. the compliances of all applicable SEBI Regulations, amendments, circulars or guidelines etc. by the Company. Accordingly, the same has been obtained and filed with the concerned Stock Exchanges.

Further pursuant to SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, read with Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) (Amendment) Regulations, 2018, the Company is required to obtain a certificate from Practicing Company Secretary that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority. The said Certificate has been obtained from the M/s S.K. Sikka & Associates, Company Secretaries, which is annexed to this Board's Report as Annexure-3.

Pursuant to Section 204 of the Companies Act, 2013 M/s S.K. Sikka & Associates, Company Secretaries have been appointed as Secretarial Auditors to conduct Secretarial Audit of the Company for the financial year ending 31 March 2023.

### **SHARE CAPITAL**

During the year under review, the Company has not issued any equity shares with differential rights, sweat equity shares or employee stock option.

Provision of money by Company for purchase of its own shares by employees or by trustees for the benefit of employees is not applicable to the Company.

There is no change in the Equity and Preference share capital during the year under review.

Details pertaining to the shares in 'Unclaimed suspense account' in Compliance with the terms of SEBI (LODR) Regulations, 2015 are given in the Report on Corporate Governance annexed with this report.

### **POSTAL BALLOT**

The Company has not conducted any Postal Ballot during the year under review.

### **CORPORATE GOVERNANCE**

A Report on Corporate Governance along with a Certificate from the Practicing Company Secretary