

BOARD OF DIRECTORS

Chairman

Martin Gustav Scherrer

Directors

Biren De**Ravinder Nath****Chandra Sekhar Panigrahi****Martin Sieringhaus****Surinder Kumar Nagpal** (Since 27th January, 2010)**VICE PRESIDENT**

R. Krishna Kumar

COMPANY SECRETARY

C.S. Gugliani

REGISTRAR & TRANSFER AGENT

MCS Limited

F-65, 1st Floor, Okhla Industrial Area Phase - I,
New Delhi - 110020**REGISTERED OFFICE AND MILL**113/114A, Sector 24,
Faridabad -121 005, (Haryana)
Delhi NCR, India**AUDITORS**

S. R. Batliboi & Co., Chartered Accountants

BANKERS

AXIS Bank Limited

HDFC Bank Limited

ICICI Bank Limited

Punjab National Bank

Standard Chartered Bank

State Bank of India

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Chairman's Message

Dear Shareowners,

I am privileged to be communicating with you once again. It has indeed been a year of recovery in many parts of the world, as compared to the last year.

After a tumultuous 2008-09 when the fortunes of many corporate giants and economies suffered serious set-back, 2009-10 has brought about some relief to the worldwide business houses. Positive numbers are trickling in and improved performance is being reported from many parts of the world. This means that worst is probably behind us and we can hope to do only better in coming times.

However, I am glad to inform you that your company has not looked back and it has continued on its path of consistent growth in the current year also. The specific details of growth in sales and profitability of your company are mentioned in the accompanying director's report. I wish to personally thank everyone associated with your company who has helped in delivering such good performance.

India and China have been the main growth drivers of worldwide business and Voith Group understands this all too well. The Indian economy has seen the highest inflow of foreign funds this year due the projected economic growth rate of 8.5%, a far cry from the anticipated growth in developed nations. The inflows have also helped benchmark Indian equity indices to scale near record levels even as many emerging market peers such as China and Russia are still a distance away from their all-time-high levels. In view of this, I anticipate an exciting future and also expect continued growth for your company in coming years with your continued support and good wishes.

I look forward to meet you at the 41st Annual General Meeting of your company.

With best wishes for an enjoyable festive season.

Martin Gustav Scherrer

Chairman

REPORT OF THE BOARD OF DIRECTORS

TO THE MEMBERS,

Your Directors are pleased to present the Forty First Annual Report together with the Audited Accounts of the Company for the year ended 30th September 2010.

FINANCIAL HIGHLIGHTS

	Rs. (In millions)	
	2009-10	2008-09
Sales (Net of Excise Duty)	513.37	471.90
Profit before taxation	128.10	112.13
Provision for taxation	42.39	39.47
Profit after taxation	85.71	72.66
Balance brought forward from the previous year	342.94	299.48
Amount available for Appropriation	428.65	370.61
Appropriations:		
- Dividend	13.18	17.57
- Corporate Dividend Tax	2.19	2.99
- Transferred to General Reserve	8.57	7.11
- Surplus carried to Balance Sheet	404.71	342.94
Total	428.65	370.61

PERFORMANCE REVIEW

Your company has continued on the path of growth by achieving Net Sales of Rs. 513.37 millions, registering an increase of about 9% over the previous year. The profit after tax at Rs. 85.71 millions exhibits a growth of about 18% over the previous year. For a more detailed review of operating performance, members are requested to refer to the 'Management Discussion and Analysis Report' section of this report.

Your Directors expect consistent growth in turnover and profitability in future also, barring unforeseen circumstances.

DIVIDEND

Keeping in view the future capital expenditure planned by the company for upgradation of the existing facilities, it is considered necessary to plough back the profits. Therefore, the Directors are recommending, for your approval, a dividend of Rs. 3/- per equity share of Rs. 10/- each for the year ended on 30th September 2010. This will absorb Rs. 13.18 millions. In addition, Rs. 2.19 millions shall be payable as Corporate Dividend Tax (CDT) thereon (including Surcharge, Education Cess and Secondary & Higher Education Cess).

DIRECTORS

During the year under review, following changes took place in the composition of the Board of Directors of the company:

1. Mr. Surinder Kumar Nagpal was appointed by the board of directors as an additional director of the company on 27th January 2010. He was also inducted as a member of the Audit Committee of the board of directors of the company. His term of office shall be until the conclusion of forthcoming Annual General Meeting. However, company has received notice from a shareholder, together with the requisite fee, proposing Mr. Nagpal's candidature for appointment as a director of the company.
2. Besides the above, Mr. Biren De and Mr. Ravinder Nath are retiring by rotation and being eligible, offer themselves for reappointment.

The necessary details about the directors seeking appointment / reappointment are mentioned below for the consideration of shareholders:

Name of the Director	Mr. Surinder Kumar Nagpal	Mr. Biren De	Mr. Ravinder Nath
Age (years)	74	77	65
Date of Appointment	27 th January 2010	10 th September 1986	24 th October 1998
Expertise in Special Functional Areas	Finance	Engineering	Legal
Qualification	B. Com (H); FCA	B.Sc (Hons.) Mechanical Engineering, ARCST	B. Com (Hons.), LLB, International Law (London)
Directorships held in outside Companies, as on 30/09/2010	Jain Insurance Brokers Pvt. Limited	CSA Associates Private Ltd.	1. Citron Holding Pvt. Ltd. 2. Kanoria Chemicals & Industries Ltd. 3. Rajinder Narain & Co. Consultants Pvt. Ltd. 4. Kadimi Constructions Pvt. Ltd. 5. Somany Ceramics Limited 6. SIPA India Pvt. Ltd. 7. Hero Honda Motors Limited 8. Areva India Pvt. Ltd.
Membership of Committees of other Companies, in which he is a Director, as on 30/09/2010	Nil	Nil	1. Kanoria Chemicals & Industries Limited (Member, Remuneration Committee) 2. Hero Honda Motors Ltd (Member, Remuneration Committee)
No. of Shares held in the Company (including those held by relatives)	Nil	1370	Nil

None of the Director of the Company has any inter-se relationship.

AUDITORS REPORT:

The observations of the auditors are self-explanatory and, therefore, do not call for any further comments.

AUDITORS:

M/s S.R. Batliboi & Co., Chartered Accountants, Gurgaon, who are to retire at the conclusion of ensuing Annual General Meeting have expressed their unwillingness for re-appointment as the statutory auditors of the company. The directors wish to place on record their appreciation of the professional services rendered by them during their association with the company.

Further, company has received a letter from M/s S. R. Batliboi & Associates, Chartered Accountants, having their office at: Golf View Corporate Tower – B, Sector – 42, Sector Road, Gurgaon – 122002, Haryana; indicating their willingness to be appointed as the statutory auditors of the company from the conclusion of forthcoming 41st Annual General Meeting until the conclusion of next Annual General Meeting of the company and confirming that their appointment, if made, will be in compliance with the requirements of Section 224 (1B) of the Companies Act, 1956.

CORPORATE GOVERNANCE:

As required by Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the reports on Management Discussion and Analysis, Corporate Governance as well as the certificate regarding compliance of conditions of Corporate Governance, are annexed and form an integral part of this report.

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

Information required under the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure - I, forming part of this report.

FIXED DEPOSITS:

The Company has neither invited nor accepted any deposits from the public during the period under review. Accordingly, there are no unclaimed or unpaid deposits lying with the Company for the period under review.

PARTICULARS OF EMPLOYEES:

During the year under review, there was no employee in the company whose particulars are required to be disclosed under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required by the Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- 1) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 2) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true & fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for the period;
- 3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and preventing and detecting fraud and other irregularities; and
- 4) The Directors have prepared the annual accounts on a 'going concern' basis.

APPRECIATION:

Your Directors wish to convey their appreciation to all the stakeholders, including all the employees, for their dedicated support, due to which company could achieve, what it has achieved during the year under review.

For and on behalf of the Board of Directors

Biren De

Ravinder Nath

Chandra Sekhar Panigrahi

Surinder Kumar Nagpal

Directors

New Delhi

26th October, 2010

ANNEXURE - I

Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

A. CONSERVATION OF ENERGY

Your Company tries to be on the look-out to conserve the ever increasing demand of energy utilization and tries to implement such processes which would lead to reduction in consumption of energy.

The required data regarding total energy consumed per unit of production is given hereunder in Form A.

FORM A

PART A - Power and Fuel Consumption

Sr. No.	Particulars	2009-10	2008-09
1.	Electricity		
(a)	Purchase units (millions)	1.96	2.08
	Total amount (Rs. in millions)	8.70	9.21
	Rate/unit (Rs.)	4.44	4.45
(b)	Own Generation		
(i)	Through diesel generating units (millions)	0.65	0.51
	Unit per litre of diesel oil	2.94	2.80
	Cost/unit (Rs.)	11.90	12.50
(ii)	Through steam turbine / generator	NIL	NIL
2.	Coal	NIL	NIL
3.	Furnace Oil		
	Quantity (K. Lts.)	293.12	330.78
	Total amount (Rs. in millions)	11.43	11.83
	Average rate (Rs. per litre)	39.01	35.77
4.	Others / Internal generation	NIL	NIL
PART B - Consumption per unit of production			
	Product	Felts	Felts
	Unit	Kgs.	Kgs.
	Electricity	9.95	10.09
	Furnace oil	1.14	1.29

B. TECHNOLOGY ABSORPTION

FORM B

Research and Development (R&D)

As part of Voith Group, your company has always given top most priority to the Research and Development activities to produce better quality products, meeting the expectations of customers and to develop indigenous resources for import substitution.

Expenditure incurred on R&D during the year is given below:

	(Rs. In millions)
(a) Capital	Nil
(b) Recurring	7.70
(c) Total (a+b)	7.70
(d) Total R&D expenditure as a percentage of total turnover	1.50%

Technology Absorption, Adaptation and Innovation

To keep itself abreast with the constantly changing technology, the company regularly reviews its internal processes and tries to upgrade itself to the relevant developments occurring in the market. Your Company has suitably adapted the technology available to it, resulting in improvements in production processes, reduction in levels of pollution and consumption of energy.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Exports during the year were Rs. 23.73 millions. Your Company continues to explore new foreign markets and to enlarge its share in the existing markets.

	(Rs. In millions)
Foreign exchange earnings	25.55
Foreign exchange outgo	98.38

REPORT ON CORPORATE GOVERNANCE

A. MANDATORY DISCLOSURES

1. Company's Philosophy on the code of Corporate Governance

Way back in 1927, Voith had expressed its principles of business conduct as follows: "In the business world one must be ethical, decent and honest. If a contracting party or competitor behaves unfairly, this does not give us a right to deviate from this principle."

Over the years these words have constituted the very core of the value system in Voith Group of Companies, and it continues to guide us the way we conduct business even today. We are confident that by upholding and preserving these values we can look forward to continued success.

The Company is in compliance with the requirements of Corporate Governance under Clause 49 of the listing agreement with the Bombay Stock Exchange Limited (BSE), *excepting the specific area mentioned in following paragraphs.*

2. Board of Directors

As on 30/09/2010, the Board of Directors of the Company consists of six Directors, headed by a Non-executive Chairman. *However, presently there is no Managing Director or CEO in the company and to that extent it is in non-conformity with the requirements of listing agreement.*

The day-to-day management of the company is presently entrusted to the Vice President, Mr. R. Krishna Kumar, an alumnus of BITS, Pilani and IIM, Calcutta.

All statutory and material information is made available to the Board of Directors to ensure adequate disclosures and a transparent decision making process.

During the year ended 30.09.2010, the Board met 6 times, on 26th October and on 3rd December in the year 2009 and on 27th January; on 3rd March; on 27th April and on 31st July in the year 2010.

The Composition of the Board of Directors, Attendance record and details of Directorships of Directors, as on 30/09/2010, are as follows:

Name of Director	Category	Board Meetings attended during the year	Attendance at last AGM held on 03.12.2009	Number of outside directorships held (including Private Limited Companies)		Number of other Committee Memberships	
				Indian Companies	Other Companies	As Chairman	As Member
Mr. Martin Scherrer	Non Executive Director and Nominee of the holding company	1	Present	Nil	Nil	Nil	Nil
Mr. Biren De	Independent & Non-executive Director	5	Present	As Chairman : 0 As Director : 1	Nil	Nil	Nil
Mr. Ravinder Nath	Independent & Non-executive Director	5	Present	As Chairman : 0 As Director : 8	Nil	Nil	02
Mr. Chandra Sekhar Panigrahi	Non-independent & Non-executive Director	6	Present	As Chairman : 0 As Managing Director : 1	Nil	Nil	Nil
Mr. Martin Sieringhaus	Non-independent & Non-executive Director	1	Present	Nil	Nil	Nil	Nil
Mr. Surinder Kumar Nagpal*	Independent & Non-executive Director	4	N. A.	As Chairman : 0 As Director : 1	Nil	Nil	Nil

*Appointed as an Additional Director, with effect from 27th January 2010.

Details of shares of the Company held by the Directors and their relatives as on 30.09.2010:

Name of the Director	Shares held by the Director in the Company	Shares held by Relatives	Total shares held
Mr. Martin Scherrer	NIL	NIL	NIL
Mr. Biren De	1370	NIL	1370
Mr. Ravinder Nath	NIL	NIL	NIL
Mr. Chandra Sekhar Panigrahi	NIL	NIL	NIL
Mr. Martin Sieringhaus	NIL	NIL	NIL
Mr. Surinder Kumar Nagpal	NIL	NIL	NIL

The statutory registers that are required to be kept under various enactments are properly maintained and updated regularly.

3. Committees of the Board

The company has constituted the following three Committees of the Board:

A. Audit Committee

Terms of reference – The Audit Committee provides direction to the audit function in the Company and monitors/reviews the quality of financial management and internal audit. It also oversees the financial reporting process for proper disclosure in the financial statements and recommends appointment, re-appointment and removal of the auditors and about fixing their remuneration. The Committee also reviews the quarterly, half-yearly as well as annual financial statements before the same are submitted to the Board, with particular reference to matters to be included in Directors' Responsibility Statement, changes, if any, in the accounting policies and practices, major accounting entries involving estimates based on exercise of judgment by the management, significant adjustments made in financial statements, compliance with listing and other legal requirements relating to financial statements, disclosure of related party transactions, qualifications, if any, in the draft audit report etc. It also oversees the working of the Internal Audit system, including the internal control mechanism of the Company.

Composition – The Audit Committee of the Board of Directors is presently comprised of three Independent and Non-executive Directors.

Mr. Biren De, a qualified and an experienced engineer is now the Chairman of the Audit Committee.

The composition of the Audit Committee during the year under review, is given below:

Name & Designation of the Member	Category	No. of meetings attended
Mr. Biren De, Chairman	Independent & Non-executive Director	3
Mr. Ravinder Nath, Member	Independent & Non-executive Director	4
Mr. Surinder Kumar Nagpal, Member*	Independent & Non-executive Director	2

*Appointed as a member of the Committee, by the Board of Directors on 27th January 2010.

Mr. C.S. Gugliani, Company Secretary, is the Secretary to the Committee.

Four meetings of the Audit Committee were held during the year as per details given below:

Date of the Meeting	Purpose of the meeting
26 th October, 2009	To review the Audited Financial Results of the company for the period ended on 30 th September 2009
27 th January, 2010	To review the Unaudited Financial Results of the Company for the period ended on 31 st December 2009
27 th April, 2010	To review the Unaudited Financial Results of the Company for the period ended on 31 st March 2010
31 st July, 2010	To review the Unaudited Financial Results of the Company for the period ended on 30 th June 2010

B. Remuneration Committee

Terms of reference – The functions of the Remuneration Committee include making recommendations for grant of remuneration to the Whole time / Managing Director(s) etc., and evaluation of their performance, as also formulating any remuneration policy(s) in relation thereto.

Composition - Presently, Remuneration Committee of the Board of Directors comprises of two Independent and Non-executive Directors. Mr. Biren De, a qualified Engineer, chairs the Committee. *No meeting of the Remuneration Committee took place, as there was no managerial person in the company during the year under review.* The composition of the Remuneration Committee is given below: