

47th Annual Report 2016/17

Voith Paper Fabrics India Limited

Life Cycle Partner of the Paper Industry



Welcome
to the Next
150 Years

BOARD OF DIRECTORS

Chairman

Martin Gustav Scherrer

Managing Director

R. Krishna Kumar

Directors

Biren De

Ravinder Nath

Surinder Kumar Nagpal

Shahana Basu

FINANCE CONTROLLER

Kalyan Dasgupta

COMPANY SECRETARY

C.S. Gugliani

REGISTRAR & TRANSFER AGENT

MCS Share Transfer Agent Limited
F-65, 1st Floor, Okhla Industrial Area, Phase - I,
New Delhi - 110020

REGISTERED OFFICE AND MILL

113/114-A, Sector 24,
Faridabad -121 005, (Haryana)
Delhi NCR, India

AUDITORS

B S R & Co. LLP, Chartered Accountants (Statutory)

Lodha & Co., Chartered Accountants (Internal)

P.C. Jain & Co., Company Secretaries (Secretarial)

BANKERS

AXIS Bank Limited

ICICI Bank Limited

Standard Chartered Bank

State Bank of India

The Hongkong and Shanghai Banking Corporation Limited

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Chairman's Communique

Dear Shareowners,

It gives me immense pleasure to once again connect with you through this 47th Annual Report of your Company pertaining to financial year 2016/17.

I am also delighted to inform you that in January 2017, the Voith Group has completed 150 Years of its existence. We advance key industries to tap global opportunities. Our innovations in engineering across cultural contexts create value and trust for generations.

Against this backdrop, the Voith Group has set its vision to be the "Technology partner for industrial generations" for next 150 years, with following mission in focus:

- Earn customers' loyalty.
- Combine our global strength with local entrepreneurship.
- Inspire the best in our people.
- Strive for excellence in everything we do.

Your company is an integral part of the overall operations of Voith Group in the region and your company has consistently contributed to the growth of business segment to which it belongs. This year's performance has once again reinforced the belief that your company would continue to add to the overall bottom-line and would remain in direct focus of Voith Group.

However, it is common knowledge that the growth in your company's business is a direct consequence of the growth of paper industry in India. The paper industry is an important contributor to the growth & development of Indian economy and with this driving spirit, Indian paper industry continues to upgrade its capacities and technologies, despite huge challenges being currently faced by it in terms of liquidity, cost pressure, environmental concerns, capacity utilization, infrastructure constraints, etc.

India's per capita consumption of paper continues to be low vis-à-vis the developed economies of the world. This situation, combined with increasing population of school going children as well as, increasing trend in literacy rate in India and upward demand in the board & packaging material, provides a good scope of growth in Indian paper industry in future and that would, in turn, provide opportunities of growth for your company too.

I am quite confident that your company would continue to maintain its consistent growth track record in coming years also, backed by 150 years of proven technical competence of Voith Group.

I look forward to meet you at the 47th Annual General Meeting of your company.

Warm regards,

Martin Gustav Scherrer
Chairman



Managing Director's Communique

Dear Shareowners,

We have completed another successful year and I am happy to share with you that during the course of our working, we have generally responded with the right earnest to fulfil the needs of our customers and have tried to create a strong platform for growth in future.

For the year under consideration, your company has clocked 'total revenue' of INR 894.21 Million and 'profit before tax' was INR 270.46 Million.

It gives me immense pleasure to inform you that at the entity level within the whole of Voith Group worldwide, your company has become the first-ever No.1 Operations Excellence (OPEX) site, and we received an award for this achievement at a ceremony held in Germany in the month January 2017, from our Group President & CEO.

Our team has thus earned a legitimate place in 150+ years of history of Voith Group as the first recipient of this category of OPEX award, which is the culmination of untiring efforts put in by entire team of employees working at Faridabad. This also depicts conviction of the whole team to move together in pursuit of 'Excellence', as we move ahead to meet the future.

Also, I feel privileged to inform you that quite recently Voith has made a special connection with almost every Indian household in a very unique manner, in the sense that the paper on which new currency notes have been printed, have been produced on a Voith Paper Machine. It is indeed a matter of great honour for Voith Group to have become a part of every Indian in this way.

The local market conditions during the year under review continued to remain somewhat erratic with direct imports also having some impact on the demand for products of the company. However, Paper mills in India are likely to see a turnaround in the near term, on account of a revival in demand from consumer industries and softening of raw materials prices, including pulp and coal.

Thus, it appears that the worst is probably over for paper manufacturers in India and we firmly believe that coming years would provide us with more opportunities to grow for which we are beginning to prepare ourselves. Though it is impossible to predict the future with 100% accuracy, yet it gives us satisfaction to know that we are continuing on the journey of growth with a positive outlook about the future and with your good wishes would continue delivering the desired results for all stakeholders.

Sincere regards,

R. Krishna Kumar
Managing Director

REPORT OF THE BOARD OF DIRECTORS

Dear Members,

Your Directors are pleased to present before you, the Forty Seventh Annual Report along with the Audited Financial Statements of the Company for the Financial Year ended on 31st March, 2017.

FINANCIAL HIGHLIGHTS

The Company's financial performance, for the year ended March 31, 2017 is summarized below:

	Rs. (In millions)	
	For the year ended	
	31/03/2017	31/03/2016
Revenue	894.21	835.21
Profit before taxation	270.46	235.64
Provisions for taxation	94.63	80.95
Profit after taxation	175.83	154.70
Balance brought forward from the previous year	982.04	864.03
Earnings Per Share (EPS) (In rupees)	40.03	35.22
Balance carried to Balance Sheet	1,157.87	1,018.73

There were no material changes and commitments affecting the financial position of the company, which have occurred since the end of the financial year.

DIVIDEND

The dividend payout for the year under review is in accordance with the Company's policy to build long term shareholder value. It is also linked to long term growth objectives of the Company to be met by internal accruals.

Your Directors, therefore recommend for your approval a dividend @ 40%, i.e., of Rs.4/- per equity share of Rs.10/- each fully paid-up for the year ended 31st March, 2017, aggregating to Rs.17.57 million. In addition, the applicable Corporate Dividend Tax and other taxes, if any, shall also be paid thereon at time of actual payment of dividend.

The dividend, if approved at the Annual General Meeting, would be paid to the eligible members within the stipulated time.

DIRECTORS

Mr. R. Krishna Kumar shall be retiring by rotation at the forthcoming Annual General Meeting (AGM) and being eligible, offers himself for reappointment.

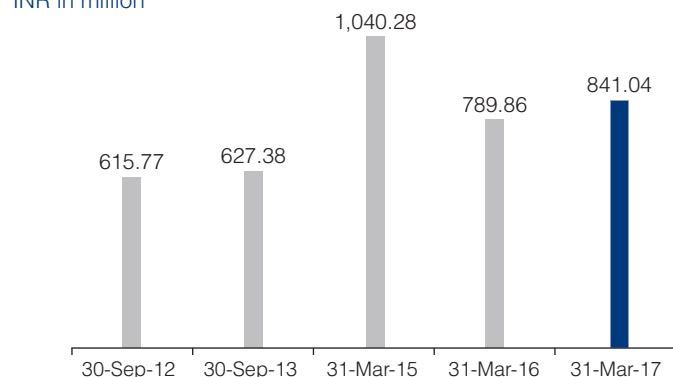
In Compliance with the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (here-in-after referred to as the Listing Regulations), brief resume, expertise and details of other directorships, membership in committees of other companies and shareholding in the Company, of Mr. R. Krishna Kumar, who is proposed to be reappointed as Director are as under:

Name of the Director	Mr. R. Krishna Kumar
DIN	05344619
Age in years	42
Date of Appointment	23 rd July, 2014
Expertise in Special Functional Areas	Engineering and Administration
Qualification	B.E.
Directorships held in other companies in India, as on 31/03/2017	1. Voith Paper Technology (India) Private Limited
Membership of committees of other companies, in which he is a Director, as on 31/03/2017	1. Voith Paper Technology (India) Private Limited (Corporate Social Responsibility Committee)
No. of shares held in the Company (Including those held by relatives)	NIL

PERFORMANCE OVERVIEW

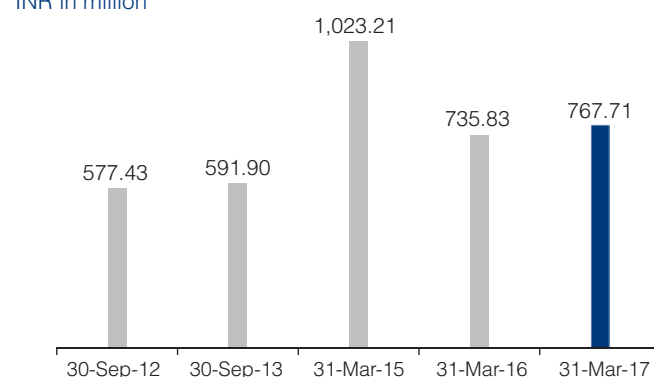
Order Received

INR in million



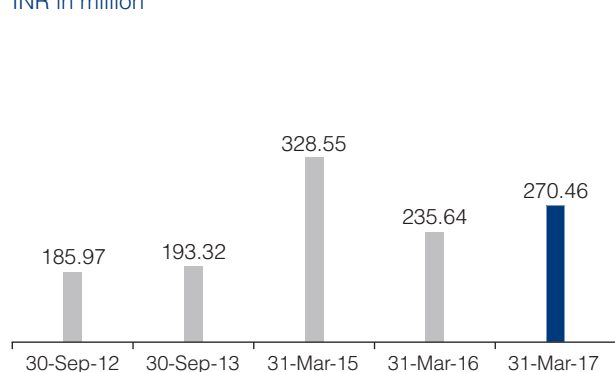
Sales

INR in million



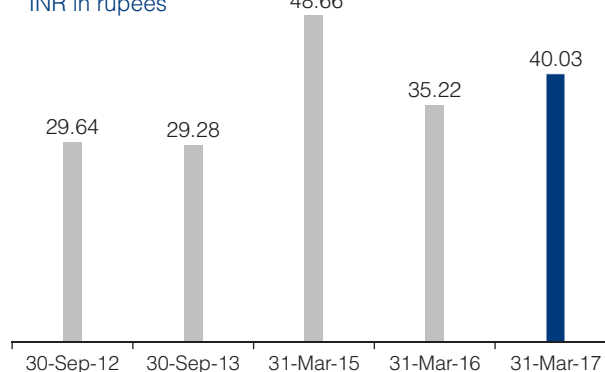
Profit Before Tax

INR in million



Earnings Per Share

INR in rupees



It is evident from the above graphs that your company had continued to progress in the current year also.

TRANSFER TO RESERVES

For the year under review, Company has added the entire available surplus to the brought forward balance in "Statement of Profit and Loss", without making any transfer to the general reserve.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, the Company neither gave any loans or guarantee nor made any investments in terms of provisions of Section 186 of the Companies Act, 2013.

CHANGES IN THE NATURE OF BUSINESS

There is no change in the nature of the business of the Company during the Financial Year 2016/17.

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

There are no significant material orders passed by the Regulators or Courts or Tribunals, which would impact the 'going concern' status of the Company and its future operations. However members' attention is drawn to the details about Contingent Liabilities and Commitments appearing in the Notes forming part of the Financial Statements.

INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

Details of Internal Financial Controls and its adequacy are included in the Management Discussion and Analysis Report, which forms part of this Report.

PARTICULARS OF CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

As per the provisions of Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations), the Company has formulated a Policy on Related Party Transaction to ensure transparency in transactions between the Company and the related parties. The said Policy is available at link of 'Company Policies' on 'Investor Corner' page on the company's website at <https://voith.com/vpf-india-en/investors-corner.html>

During the year under review, there were no material transactions, as defined under the provisions of Listing Regulations, between the company and related parties. All transactions with related parties were carried out in the ordinary course of business at arm's length basis and details of such transactions are mentioned in notes attached to the financial statements, appearing elsewhere in the Annual Report. Also, the Form AOC-2 is attached as Annexure - III, forming part of this report.

AUDITORS' REPORT

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

AUDITORS

- A. **Statutory Auditors** - During the year under review, M/s B S R & Co. LLP, Chartered Accountants (Registration No. 101248W/W-100022) were appointed as Statutory Auditors of the Company for a period of five years i.e., from the conclusion of 45th Annual General Meeting up to the conclusion of 50th Annual General Meeting subject to ratification by members every year.
- B. **Internal Auditors** - During the year under review, M/s Lodha & Co., Chartered Accountants, carried out the internal audit exercise and submitted their report.
- C. **Secretarial Auditors** - During the year under review, M/s P.C. Jain & Co., Company Secretaries, carried out the Secretarial Audit and submitted their report.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Sections 134(3)(c) and 134(5), the Board of Directors, to the best of their knowledge and ability, confirm that:

1. in 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 are 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;
4. the Directors have prepared the Annual Accounts on a 'going concern' basis;
5. the Directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and operating efficiently; and
6. the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

RISK MANAGEMENT

The Board confirms that there exists a structure in the Company to identify, assess, evaluate and mitigate various types of risks w.r.t. the operations of the Company. In view of the Board, none of the elements of any such risks threaten the existence of the Company.

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received necessary declaration from each independent director under Section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independence laid down in Section 149(6) of Companies Act, 2013 and Regulation 16 of the Listing Regulations.

CORPORATE GOVERNANCE

The Board of Directors has laid down a Code of Conduct to be followed by all the Directors and members of Senior Management of your Company. The Board of Directors supports the principles of Corporate Governance and lays strong emphasis on transparency, accountability and integrity.

A Report on Corporate Governance along with required Certificate from a Company Secretary in Practice, pursuant to requirements of the Listing Regulations has been included in this Report separately. In terms of Regulation 17(8) of the Listing Regulations, a Certificate of CEO & CFO is also provided to the Board.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated under Section 134(3)(m) of the Act, read along with Rule 8, of Companies (Accounts) Rules, 2014, is given in Annexure – I.

FIXED DEPOSITS

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

PARTICULARS OF EMPLOYEES

Particulars required to be disclosed in pursuance of the provisions of Section 197, read with rule 5 of Companies (Appointment and Remuneration) Rules, 2014, are given in Annexure – II.

REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

- Outline of CSR Policy including overview of projects or programs undertaken during the year ended 31st March, 2017: Corporate Social Responsibility (CSR) is the integration of business operations & its values in relation to betterment of society. To achieve this integration of interests of all stakeholders, including investors, customers, employees and community, the Company had contributed requisite sums towards fulfilling its CSR obligations, by providing financial aid to some NGOs involved in the field of promoting education, healthcare, eradicating hunger and sanitation, especially for the benefit of those belonging to socially and economically backward strata of society.

The CSR Policy and the report can be accessed at link of 'Company Policies' on 'Investor Corner' page on the company's website at <https://voith.com/vpf-india-en/investors-corner.html>

- Composition: The CSR Committee presently comprises of three directors. Two of whom are Non-executive Directors.

Sr. No.	Name & Designation of the Director in the Committee	Category
1	Mr. Martin Gustav Scherrer, Chairman	Non-executive & Non-Independent Director
2	Mr. Biren De, Member	Non-executive & Independent Director
3	Mr. R. Krishna Kumar, Member	Executive & Non-Independent Director

- Average Net Profit of the Company for the last three financial years is Rs.254,918,949/-
- CSR Expenditure i.e. two percent of Average Net profit for last three financial years is Rs.5,098,379/-.
- Details of CSR spent during the financial year:
 - Total amount to be spent for the financial year: Rs.50.99 lacs.
 - Amount unspent, if any: Not Applicable
 - Manner in which the amount spent during the financial year is detailed below:

(Amount Rs. in Lacs)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr. No.	CSR project or activity identified	Sector in which project is covered	Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs. Sub-heads: (1) Direct expenditure on projects and programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent through implementing agency or direct
1.	Distribution of bags for students in government schools	Promoting Education	Locally	7.00	7.00	7.00	FIA Charitable Society
2.	Distribution of stationery items, etc. to students in government schools	Promoting Education	Locally	1.00	1.00	1.00	Direct
3.	Construction of Community Toilets	Promoting Health Sanitation	Locally	13.00	13.00	13.00	FIA Charitable Society
4.	Clearing of Blocked Sewer Line and repair of pavements	Environment sustenance	Locally	10.00	10.00	10.00	FIA Charitable Society
5.	Renovation of toilet blocks, drinking water facility, etc.	Promoting Health and Sanitation	Locally	9.85	9.85	9.85	FIA Charitable Society

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr. No.	CSR project or activity identified	Sector in which project is covered	Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs. Sub-heads: (1) Direct expenditure on projects and programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent through implementing agency or direct
6.	Mid-day meal for school going students	Eradicating Hunger	PAN India	4.75	4.75	4.75	Akshaya Patra Foundation
7.	Organization of health camps	Promoting Health Care	Locally	3.40	3.40	3.40	HelpAge India
8.	Construction of toilet and arranging drinking water facility	Promoting Health and Sanitation	Locally	2.00	2.00	2.00	Prayas Social Welfare Society (Regd.)
	TOTAL			51.00	51.00	51.00	

6. In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the company shall provide reasons for not spending the amount in its Board Report: Not Applicable
7. A responsibility statement by CSR Committee of the Board: We hereby state that the implementation and monitoring of CSR policy is in compliance with CSR objectives and policy of the Company.

Sd/-
Martin Gustav Scherrer
Chairman of the CSR Committee
(DIN: 02343290)

Sd/-
R. Krishna Kumar
Managing Director
(DIN: 05344619)

ANNUAL EVALUATION BY THE BOARD

As required under the provisions of Section 134(3)(p) of the Companies Act, 2013 and Listing Regulations the Board has carried out an annual evaluation of its own performance, of its Committees and individual directors. The manner in which such performance evaluation was carried out is as under:

The performance evaluation framework is in place to seek the response of Directors on the evaluation of the entire board and individual directors. The Nomination and Remuneration Committee carries out evaluation of Director's performance.

The performance of the Board and Individual Directors was evaluated by the Board seeking input from all Directors. The performance of Committees was evaluated by the Board seeking input from the Committee Members. The Nomination and Remuneration Committee reviews the performance of the Individual Directors. A separate meeting of the Independent Directors was also held to review the performance of non-independent Directors; performance of the Board as a whole and performance of the Chairman of the company, taking into account the views of executive as well as non-executive Directors.

The criteria of evaluation of Board includes mechanism for evaluating its performance and as well as that of its Committees and individual Directors, including the Chairman of the Board based on the criteria laid down by Nomination and Remuneration Committee which includes attendance, contribution at the meetings and otherwise, independent judgement, adherence to Code of Conduct and business ethics, monitoring of regulatory compliance, risk management and review of internal control system, etc.

PREVENTION OF SEXUAL HARASSMENT CASES

As required under the provisions of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 read with rules made thereunder, the company has constituted an "Internal Complaints Committee" which is responsible for redressal of complaints related to sexual harassment.

During the year under review there was no complaint pertaining to sexual harassment.

NUMBER OF MEETINGS OF THE BOARD

During the year under review, five meetings of the Board were convened and held. Details of composition of Board and its committees and of the meetings held, attendance of the Directors and other relevant details are provided in the Corporate Governance Report.

The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and Listing Regulations.

POLICY ON DIRECTOR'S APPOINTMENT AND REMUNERATION

The Board has originally constituted its Remuneration Committee on 31st January, 2002 as part of good corporate governance practice. The current policy is to ensure that appropriate and suitable members are appointed on the Board of the Company and that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors and meets appropriate benchmarks.

The Nomination & Remuneration Committee, at its sole discretion, considers the integrity, qualification, expertise and experience of the person for appointment as a Director and then recommends to the Board of his/her appointment.

REMUNERATION CRITERIA

- Executive Director/Managing Director/Whole-time Director: They shall be paid remuneration comprising of several components (including fixed as well as variable) decided and approved by the Board from time to time on recommendation of the Committee. Such remuneration is determined according to industry standards, experience, laws and regulations, prevailing market conditions and the scale of Company's business relating to the position.
- Other Directors: The Company will remunerate its non-executive Indian directors by way of Sitting Fees for attending meeting of the Board and/or Committee thereof as may be decided by the Board from time to time, subject to the maximum amount as may be prescribed by the Central Government in this regard.

The policy is available on the website of the company at www.voithpaperfabricsindia.com

SECRETARIAL AUDIT

Pursuant to the provisions of section 204 of the Companies Act, 2013 and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the company has appointed M/s P.C. Jain & Co., Company Secretaries to undertake secretarial audit of the company. The report of the secretarial audit is annexed as ANNEXURE – IV. The secretarial audit report does not contain any qualification, observation or other adverse remark, except that the promoter of the Company are not holding shares in dematerialized form as required by Regulation 31 of the Listing Regulations, 2015. The matter has already been informed to the promoter and they are in the process of completing the formalities for opening the required Demat Account.

SUBSIDIARY COMPANIES, JOINT VENTURES OR ASSOCIATE COMPANIES

The Company neither has any subsidiary, joint venture or associate company; nor has any company become or ceased to be its subsidiary, joint venture or associate company, during the year.

EXTRACT OF ANNUAL RETURN

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the Annual Return in the prescribed format is annexed as Annexure-V to the Board's Report.

APPRECIATIONS

Your Directors wish to place on record their appreciation to all the stakeholders for their support and contributions towards achieving the performance of the company. The Board expects to continue to receive their continued support and contribution in future also.

For and on behalf of the Board of Directors

Biren De (DIN: 00011607)
S K Nagpal (DIN: 01171148)
Shahana Basu (DIN: 07137715)
Directors

R. Krishna Kumar (DIN:05344619)
Managing Director

Date : 25th May, 2017
Place : New Delhi