

49th Annual Report 2018/19

Voith Paper Fabrics India Limited

Papermaking. Next Level



BOARD OF DIRECTORS

Chairman

Martin Gustav Scherrer (Until 05/07/2018)

Benno Edmund Morlock (Since 10/11/2018)

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

BNP Paribas

CONTENTS

Chairman's Communique	2
Managing Director's Communique	3
Report of the Board of Directors	4
Report on Corporate Governance	16
Management Discussion & Analysis Report	27
Auditor's Report	29
Balance Sheet	36
Statement of Profit & Loss	37
Cash Flow Statement	38
Notes	41



Chairman's Communique

Dear Shareowners,

I am excited at the opportunity to communicate with you for the first time since I took over the responsibility as Chairman of your company, last year.

Voith is one of the leading suppliers to the paper industry and is well known as a reliable partner to paper producers, via world-class technology, service and quality. Through improvements in manufacturing efficiencies and structural adaptations Voith has remained competitive, despite the challenging market environment.

To this day Voith Paper as a group division is a mainstay of the Voith Group. When the market for graphic papers slumped, we did our homework: adjusted capacity, reinforced our global presence and fine-tuned and developed our portfolio.

Globally, we can see robust growth in the hygiene paper sector. This market has an annual volume of 37 million tons and is growing yearly by 3.5 percent. Our machines for board and packaging papers are also in great demand. Many manufacturers are switching to produce packaging papers with the machines they have which used to produce graphic paper up to now.

With a more balanced market now in place, Voith can ensure that the ongoing focus remains on the customer; the development of innovative products and solutions; service expertise and support; and ongoing improvement, enabling us to continue to deliver the value that our customers expect. We believe that 'Paper' is the future! It is a sustainable product, is ideal for the circular economy, comes from renewable resources and its ecological footprint during production is becoming ever smaller because the industry has a watchful eye on the costs of power, water and raw materials. Young people especially recognize the advantages of paper in comparison to fossil-based alternatives and consumer goods manufacturers and retailers are also beginning to open their doors. Now it will all depend, for example, on substituting polyethylene coatings on cups and packaging with bio-based, compostable barrier layers.

As we plan and work towards making our business more innovative, by reinventing the way we operate, I seek your continued support and encouragement to take the company to the next level of success.

With best wishes for a promising future, together, I look forward to meet you at the forthcoming Annual General Meeting of your company!

Warm regards,

Benno Edmund Morlock
Chairman



Managing Director's Communique

Dear Shareowners,

I am pleased to inform you that we have completed yet another successful year and for the year under review, your Company has achieved total revenue of INR 1,120.29 million, whereas 'profit before tax' for the current year was INR 324.76 million, marking an increase of 16.15% and 17.51% respectively, over previous year. I would like to explicitly thank everyone associated with the company who has helped in delivering such performance.

Your company continues to work relentlessly on the areas of excellence, efficiency and reliability. After bringing about noticeable improvements in Operational Excellence (OPEX) on the shop-floor, we are on the path to extend the excellence drive in the entire supply chain in coming years – for which work has already begun.

At Voith, 'safety' is the top most priority and the local managements of all companies and every operating unit closely monitors the implementation of 'safety measures' to remain accident free. I am happy to report that your company continues to be a 'zero accident' operating unit for over 10 years.

I am quite confident that, barring unforeseen circumstances, we shall continue on the path of growth in future also, as your company remains the 'preferred business partner' due to better quality products being manufactured by it, coupled with the efficient and effective 'after-sales support' being provided to its customers. Further, with the ongoing expansion project, we expect to have improved range and quality in products as well as enhanced revenue realization, in coming years.

With this expansion, your company will become the only full range paper machine clothing supplier in the Indian sub-continent.

In the recent past, India has emerged as a vibrant economy and is amongst some of the top few economies where growth is happening at a reasonably good pace. However, India still remains a largely under-penetrated market in paper industry, as despite the sustained growth witnessed by the local industry, the per capita paper consumption in India stands at a little over 13 kg, well below the global average of 57 kg. We expect that this gap between the local and global consumption of paper, would reduce in coming years, providing potential of growth for your company.

I look forward to meet you at the 49th Annual General Meeting of your company with the sincere belief that the management would continue to enjoy the patronage of all its stakeholders in coming years as well.

Warm regards,

R. Krishna Kumar
Managing Director

BOARD'S REPORT

Dear Members,

Your directors are pleased to present before you, the Forty Ninth Annual Report along with the Audited Financial Statements of the Company for the Financial Year ended on 31st March, 2019.

FINANCIAL HIGHLIGHTS

The Company's financial performance, for the year ended March 31, 2019 is summarized below:

	(INR in millions)	
	For the year ended	
	31/03/2019	31/03/2018
Revenue from operations	1,120.29	964.53
Profit before taxation	324.76	276.37
Tax expense	93.81	95.22
Total comprehensive income for the year	230.99	183.32
Earnings Per Share (EPS) (In rupees)	52.58	41.24

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 Company endeavours to make dividend payout in such a way so that it results in capital appreciation for shareholders and also that the long term growth objectives of the Company can be met through internal accruals as and when the need arises.

Accordingly, the Directors are recommending for your approval payment of dividend @ 50%, i.e., of Rs.5/- per equity share of Rs.10/- each fully paid-up, for the year ended 31st March, 2019, aggregating to Rs.21.96 million. In addition, the applicable Corporate Dividend Tax and other taxes, if any, shall also be paid thereon at the 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

During the year under review, the holding company withdrew the nomination of Mr. Martin Gustav Scherrer as the Chairman of the Board of Directors of the Company, effective from the close of business hours of 5th July, 2018 and appointed Mr. Benno Edmund Morlock as the new Chairman of the Board of Directors of the Company effective from 6th July, 2018 or such later date from which he acquires his Director Identification Number (DIN) and completing other procedural formalities in this regard.

Accordingly, Mr. Morlock was inducted as a member of the Board and the Chairman of the Board of Directors, effective from 10th November, 2018 not liable to retire by rotation; and was also inducted on some of Board's Committees as Chairman/Member – details whereof are appearing elsewhere in this annual report.

The Board wishes to place on record its appreciation for the valuable contributions made by Mr. Scherrer during his association with the company as the Chairman of the Board.

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

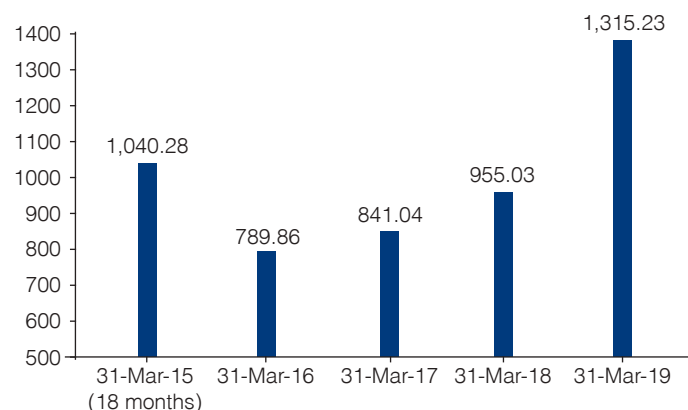
In Compliance with the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (here-in-after referred to as 'Listing Regulations'), brief resume, expertise and details of other directorships, membership in committees of other companies 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	44 years
Date of Appointment	23rd July, 2014
Expertise in Special Functional Areas	Engineering and Administration
Qualification	B.E.
Directorships held in other companies in India, as on 31/03/2019	Voith Paper Technology (India) Private Limited Voith Digital Solutions India Private Limited
Membership of committees of other companies, in which he is a Director, as on 31/03/2019	CSR Committee – Voith Paper Technology (India) Private Limited
No. of shares held in the Company (Including those held by relatives)	NIL

PERFORMANCE OVERVIEW

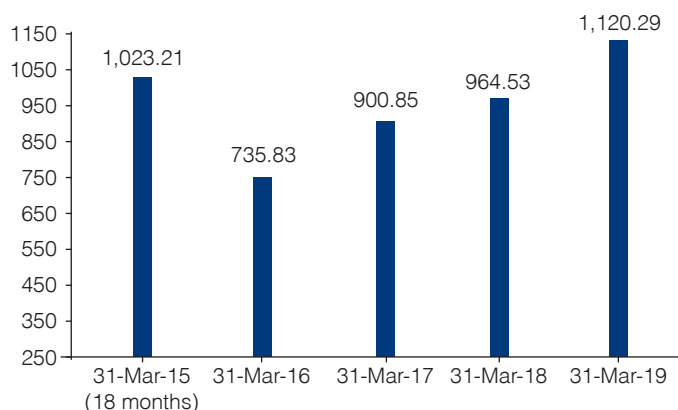
Order Received

■ INR in million



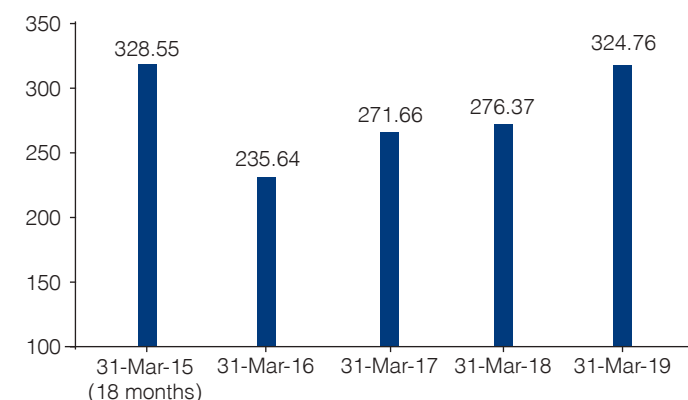
Sales/Revenue

■ INR in million



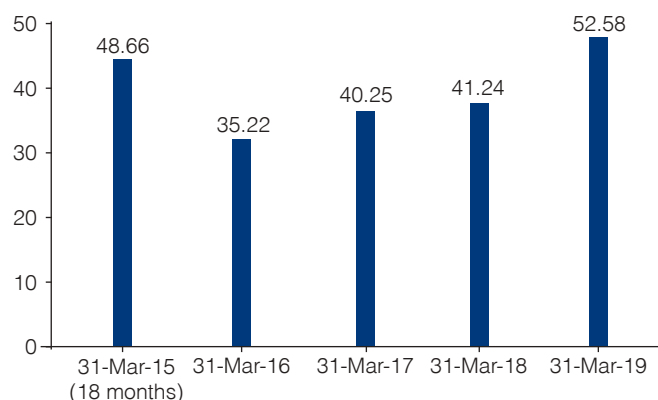
Profit Before Tax

■ INR in million



Earnings Per Share

■ INR in million



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 2018/19.

CAPACITY ENHANCEMENT

The Company is in the process of its capacity enhancement by around 30% over next 2 years. In the first phase, construction of building is almost complete and installation of the machinery is presently underway. The Production is likely to commence in the current financial year. This will help us to improve quality, productivity and customer satisfaction in coming years.

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 CONTRACT AND ARRANGEMENTS WITH RELATED PARTIES

As per the provisions of Companies Act, 2013 and Regulation 23 of '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 http://voith.com/ind-en/Voith-Paper-Fabrics-India-Limited_Investors-Corner.htm

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 arms length basis and details of such transactions are mentioned in notes attached to the financial statements, appearing elsewhere in the Annual Report. Further, Form AOC-2 containing the necessary disclosure in this regard is attached as Annexure – I and forms an integral 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, carried out the Statutory Audit exercise and submitted their report.
- 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 Section 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 risk 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 they meet 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 – II.

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 of Managerial Personnel) Rules, 2014, are given in Annexure – III.

REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

- Outline of CSR Policy including overview of projects or programs undertaken during the year ended 31st March, 2019: 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, animal welfare, environment sustainability, 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 http://voith.com/ind-en/Voith-Paper-Fabrics-India-Limited_Investors-Corner.htm

- 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. Benno Edmund Morlock, 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

*Effective from 10th November, 2018

- Average Net Profit of the Company for the last three financial years is Rs.260,896,761/-
- CSR Expenditure i.e. two percent of Average Net profit for last three financial years is Rs.5,217,935/-.
- Details of CSR spent during the financial year:
 - Total amount to be spent for the financial year: Rs.52.18 lakhs.
 - Amount unspent, if any: Not Applicable
 - Manner in which the amount spent during the financial year is detailed below:

(Amount INR in Lakhs)

(1) Sr. No.	(2) CSR project or activity identified	(3) Sector in which project is covered	(4) Projects or programs (1) Local Area or other (2) Specify the state and district where projects or programs were undertaken	(5) Amount outlay (budget), projects or programs wise	(6) Amount spent on the projects or programs. Sub-heads: 1) Direct expenditure on projects and programs 2) Overheads	(7) Cumulative expenditure up to the reporting period	(8) Amount spent through implementing agency or direct
1.	Organisation of health camps	Promoting Health Care	Locally (Faridabad, Haryana)	15.00	15.00 (Direct)	15.00	Help Age India
2.	Setting up solar power plant for generation of clean energy.	Promoting Environment Sustenance	Locally (Faridabad, Haryana)	7.86	7.86 (Direct)	7.86	Direct
3.	Renovation of shed, etc., for animals	Animal welfare	Locally (Faridabad, Haryana)	4.50	4.50 (Direct)	4.50	People for Animals Trust
4.	Mid-day meal for school going students	Eradicating Hunger	Vrindavan, Uttar Pradesh	11.00	11.00 (Direct)	11.00	The Akshaya Patra Foundation

(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 were undertaken	Amount outlay (budget), projects 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
5.	Distribution of bags for school going children in educational & other charitable organizations; Renovation and providing infrastructural & other facilities, to educational & other institutes / organizations; and work related to environmental sustainability, ecological balance, animal welfare, etc.	Promoting Education & Environment Sustenance	Locally (Faridabad, Haryana)	13.82	13.82 (Direct)	13.82	FIA Charitable Society
	TOTAL			52.18	52.18	52.18	

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/-
Benno Edmund Morlock
Chairman of the CSR Committee
(DIN: 08276536)

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

ANNUAL EVALUATION BY THE BOARD

The Board has carried out the annual evaluation of its own performance, of each of its Committee and of all individual Directors, as required under the provisions of Section 134(3)(p) of the Companies Act, 2013 and the applicable provisions of Listing Regulations. The manner in which such performance evaluation exercise was carried out is given below:

The Nomination and Remuneration Committee (NRC) carries out the evaluation process at initial stage, followed by evaluation by Board. The performance evaluation framework is in place to seek the response of each Director on the evaluation of the entire Board and Individual Directors, on defined parameters.

The criteria of evaluation of Board as well as that of its each Committee; and individual Directors, including the Chairman of the Board; as defined by NRC in this regard, includes attendance and contribution of each Director at the meetings or otherwise, independent judgment, adherence to code of conduct and business ethics, monitoring of regulatory compliance, risk management and review of internal control system, etc.

The performance of the Board and Individual Directors was also evaluated by the Board seeking inputs from all Directors on aforesaid parameters. The performance of Committees was evaluated by the Board seeking inputs from concerned Committee Members. 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.

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