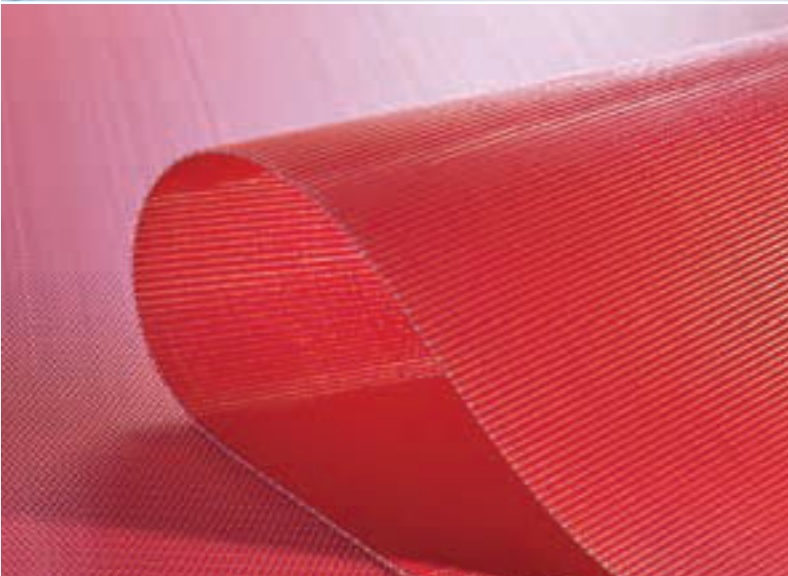


## 50<sup>th</sup> Annual Report 2019/20

### Voith Paper Fabrics India Limited

Papermaking. Next Level



## BOARD OF DIRECTORS

### Chairman

Benno Edmund Morlock

### Managing Director

R. Krishna Kumar

### Directors

Biren De (Ceased, with effect from 30/07/2020)

Ravinder Nath

Surinder Kumar Nagpal

Shahana Basu

Deepti Gupta (Appointed w.e.f. 30/07/2020)

## FINANCE CONTROLLER

Kalyan Dasgupta

## COMPANY SECRETARY

C.S. Gugliani

## REGISTRAR & TRANSFER AGENT

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

## CONTENTS

Chairman's Communique	2
Managing Director's Communique	3
Report of the Board of Directors	4
Report on Corporate Governance	20
Management Discussion & Analysis Report	31
Business Responsibility Report	33
Auditor's Report	39
Balance Sheet	46
Statement of Profit & Loss	47
Cash Flow Statement	48
Statement of Changes in equity	50
Notes	51

## 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)

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

Lodha & Co., Chartered Accountants (Internal)

## BANKERS

AXIS Bank Limited

ICICI Bank Limited

Standard Chartered Bank

State Bank of India

The Hongkong and Shanghai Banking Corporation Limited

BNP Paribas



## Chairman's Communique

Dear Shareowners,

I believe that all of you are safe and healthy together with your respective families, as the past few months have been very challenging due to the coronavirus pandemic. This has caused great uncertainty all over the globe for each and every one of us. So far, we have already lost more than a month's operations to the pandemic in the current fiscal 2020/21 and are moving ahead with caution in order to mitigate its' impact in the coming months.

At Voith, 'safety' of our employees continues to be the top most priority and the local management of your company closely monitors the implementation of 'safety measures' to remain accident free. I am happy to report that your company has maintained a 'zero injury frequency rate' in its operations for more than 11 years in a row, which is quite commendable. We remain committed to provide our employees a safe and secure work environment and expect them to observe prudent behaviour at work, to achieve this goal.

I am glad to inform you that the performance of your company has not only remained stable but also registered reasonable growth in the year 2019/20, despite the closure of its operations for about last 10 days of the year, due to lockdown imposed in the region owing to the pandemic. I would like to express my appreciation and thank everyone associated with the company who contributed in delivering such a performance.

The global demand for paper continues to show a growing trend with the increasing focus on education, e-commerce and hygiene coupled with anticipated economic growth – which is a good sign for the future of your company as well.

To continue profitable growth, we intend to put in place systems to be valued as a differentiator amongst our customers - providing sustainable and efficient papermaking solutions from single source. Voith Group is committed to strengthen its role in the circular economy of sustainable technologies and to become carbon neutral in the near future.

I look forward to your continued patronage to successfully move ahead in future, by preparing ourselves to be vigilant about the needs of our customers and to be able to meet their expectations by bringing about the desired solutions.

Lastly, I wish to thank all stakeholders of the company for their continuing support that enabled your company to perform reasonably well and look forward to virtually meet you at the forthcoming Annual General Meeting of your company in accordance with the local legal provisions announced by the regulators for the purpose.

Warm regards,

**Benno Edmund Morlock**  
Chairman



## Managing Director's Communique

Dear Shareowners,

At the outset, I feel honoured and pleased to share with all of you that, as at 31st March, 2020, your company had earned itself a place in the list of 'Top 1000 Companies' listed on BSE, on the basis of market capitalization. I presume this must have also resulted in significant capital appreciation at your hands too.

Further, we can look back at the year gone by with satisfaction as during the year under review, your company has achieved total revenue of INR 1,176.08 Million and 'profit before tax and exceptional items' for the year INR 342.20 Million; as against total revenue of INR 1,120.29 Million and 'profit before tax and exceptional items' of INR 324.76 Million in the last year, registering a growth of about five percent over prior year's performance, despite the onset of pandemic towards end of the financial year.

The performance would have been even better if we had not lost about 10 days of operations towards the close of financial year under review, due to imposition of lockdown in the region on account of COVID-19. Further, during the current year 2020/21, your company lost more than a months' operations due to complete closure of all non-essential economic activities. Also, owing to the prevailing lockdown situation, our customers as well lost considerable amount of their production capacity.

However, your Company obtained the permission to resume operations partially towards the end of initial lockdown phase and was able to resume normal operations towards end of May 2020. Hence, in the current fiscal, this effect on operations can have an adverse impact in the short term but we are quite optimistic about our long term future. There could be also some delay in implementation of our planned projects due to ongoing travel restrictions. We are hopeful that in the near term we will be tiding over this pandemic induced adversity and will reach the pre-lockdown levels by the end of current fiscal.

I am pleased to share with you that our project for Forming Fabrics manufacturing has commenced as per schedule and our products are being highly appreciated by our customers. With this project implementation, we have become the only solution provider in India offering the complete range of paper machine clothing to Indian Paper Industry, thus going a big way towards "Atmanirbhar Bharat".

Our longstanding relationship with all our customers and contributions from our committed team of professionals instils in us a confidence that the company would be able to set up a strong platform for stable growth in future. I have no doubt that with your continued support in this tough time also, your company will successfully face all future challenges and emerge stronger in the coming years.

I look forward to your active participation at the Fiftieth Annual General Meeting which, under the prevailing situation, is being convened in virtual mode.

With best wishes for everyone, to stay safe and stay healthy!

Warm regards,

R. Krishna Kumar  
Managing Director

## BOARD'S REPORT

Dear Members,

Your directors are pleased to present before you, the Fiftieth Annual Report along with the Audited Financial Statements of the Company for the Financial Year ended on 31<sup>st</sup> March, 2020.

## FINANCIAL HIGHLIGHTS

The Company's financial performance, for the year ended March 31, 2020 is summarized below:

	(INR in millions)	
	For the year ended	
	31/03/2020	31/03/2019
Revenue from operations	1,176.08	1,120.29
Profit before taxation	333.67	324.76
Tax expense	88.25	93.81
Total comprehensive income for the year	242.87	231.00
Earnings Per Share (EPS) (In rupees)	55.90	52.58

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

However, the operations of the company remained suspended for about 10 days due to lockdown in the region towards the end of financial year, yet the overall loss of production was not significant. Also, certain orders which were planned for dispatch during the last week of March 2020 could not be arranged to be delivered to customers and to that extent company's sales, as well as the profits were somewhat adversely impacted, during the financial year under review.

The operations could resume partially in the current year 2020/21, only in the last week of April 2020 and were normalized in May 2020. Also, our customers i.e., the paper mills across the country could not resume normal production even during May and June 2020 due to shortage of labour, inadequate transportation, low raw material availability, etc. This may impact the year 2020/21 by about 15% of the planned sales.

### 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 31<sup>st</sup> March, 2020, aggregating to Rs.21.96 million. The dividend, if approved at the Annual General Meeting, would be paid to the eligible members, subject to TDS at applicable rates, within the stipulated time.

### DIRECTORS

During the year under review there was no change in the composition of Board of Directors of the Company. However, Board of Directors have approved to change the designation/position of two directors, effective from 1<sup>st</sup> April, 2020 subject to approval of shareholders, as follows:

1. The designation/position of Ms. Shahana Basu was changed from that of a Non-executive Woman Director to an Independent Woman Director; and
2. The designation/position of Mr. Ravinder Nath was changed from that of an Independent Director to a Non-executive Director.

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

Also, Mr. Biren De resigned from the directorship of the company from 30<sup>th</sup> July, 2020. The Board placed on record its appreciation for the contributions made by him during his long association with the company.

Further, based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors have inducted, subject to approval of shareholders at the ensuing Annual General Meeting (AGM), Dr. Deepti Gupta as an Independent Woman Director with effect from 30<sup>th</sup> July, 2020, to bring more diversity on the Board. She is a 'First Class First' Post Graduate in Textile & Clothing, with a Doctorate in Textile Technology from IIT Delhi and is currently a Professor in the department of Textile & Fibre Engineering at IIT Delhi.

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 directors who are proposed to be appointed and/or reappointed/ redesignated, are as under:

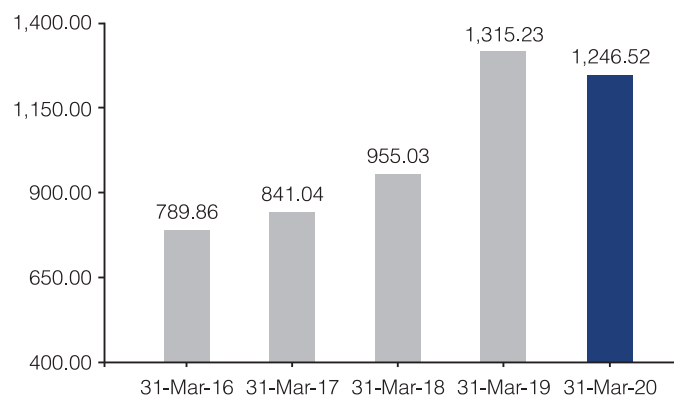
Name of the Director	Mr. R. Krishna Kumar	Ms. Shahana Basu	Mr. Ravinder Nath	Dr. Deepti Gupta
DIN	05344619	07137715	00062186	08481203
Age in years	45 years	51 years	75 years	54 years
Date of initial Appointment in the Company	23 <sup>rd</sup> July, 2014	6 <sup>th</sup> February, 2016	24 <sup>th</sup> October, 1998	30 <sup>th</sup> July, 2020
Expertise in Special Functional Areas	Engineering and Administration	Legal	Legal	Textile Chemical Processing & Product Development.
Qualification	B.E.	Law Graduate and Post Graduate in Sociology & Political Science.	B.Com (Hons.) LLB, International Law, London	PhD in Textile Technology
Directorships held in other companies in India, as on 31/03/2020	1. Voith Paper Technology (India) Private Limited; 2. Voith Digital Solutions India Private Limited	1. DCM Nouvelle Limited	1. Kanoria Chemicals & Industries Limited 2. Somany Ceramics Limited 3. Kadimi Construction Private Limited 4. Knowcross Solutions Pvt. Ltd. 5. Geeztek Solutions Pvt. Ltd. 6. LEGO India Private Limited 7. Jay Dee Ess Leasing Company Private Limited	1. Globallogic India Private Limited 2. Globallogic Technologies Private Limited
Membership of committees of other companies, in which s/he is a Director, as on 31/03/2020	CSR Committee – Voith Paper Technology (India) Private Limited	None	NRC – Kanoria Chemicals Limited CSR Committee – Somany Ceramics Limited	CSR Committee - Globallogic India Private Limited and Globallogic Technologies Private Limited
No. of shares held in the Company (Including those held by relatives)	Nil	Nil	Nil	Nil

*None of the Directors of the Company have any inter-se relationship with each other.*

## PERFORMANCE OVERVIEW

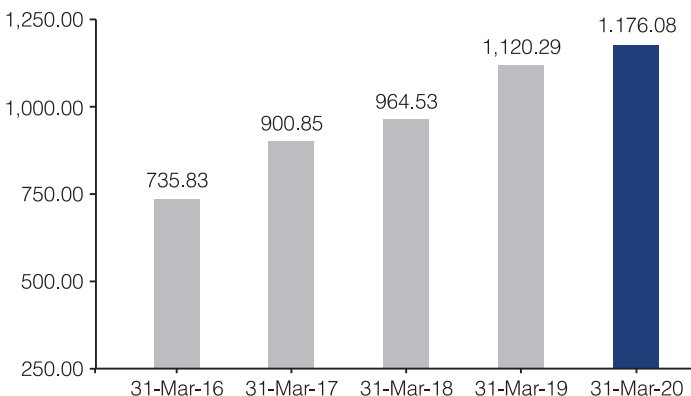
### Order Received

■ INR in million



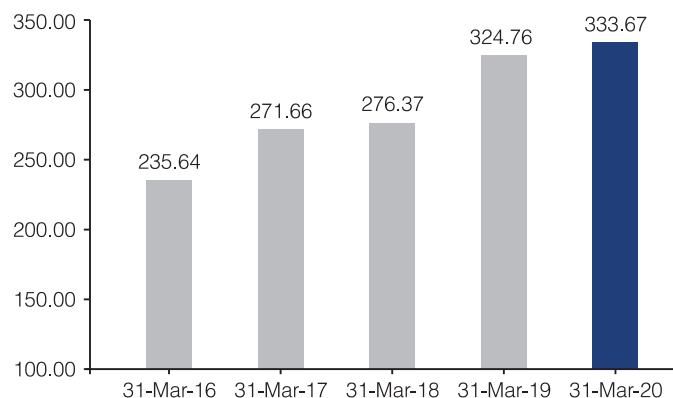
### Sales/Revenue

■ INR in million



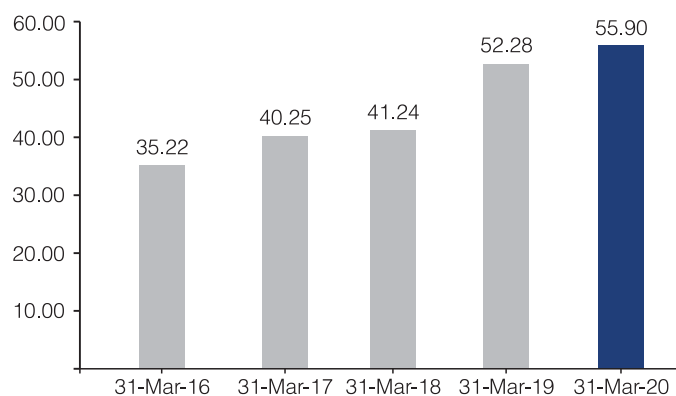
#### Profit Before Tax

■ INR in million



#### Earnings Per Share

■ INR



### 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 2019/20.

### CAPACITY ENHANCEMENT

The Company is in the process of its capacity enhancement. In first phase, the installation of machineries is almost complete and the Production has also commenced partially during the year under review. We expect that this will help us to improve quality, productivity and customer satisfaction in the years to come.

### 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](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

As regards the observation of Statutory Auditor in relation to the appearance of name of one of the director in the list of disqualified directors on MCA website, the Board noted that the concerned director is in disagreement with the list hosted on MCA website and has already made representation to the Registrar of Companies. Meanwhile, the said director has already tendered his resignation and ceases to be a director of the Company.



## 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 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 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.

## BUSINESS RESPONSIBILITY REPORT

Pursuant to regulation 34(2)(f) of the Listing Regulation, the Business Responsibility Report (BRR) in the prescribed format has been included in this Report separately and is being made available at the website of the company also.

## 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, 2020: 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 including special education, healthcare, environment sustainability, and eradicating hunger - 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](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

- Average Net Profit of the Company for the last three financial years is Rs.293,086,822/-
- CSR Expenditure i.e. two percent of Average Net profit for last three financial years is Rs.5,861,736/-.
- Details of CSR spent during the financial year
  - Total amount to be spent for the financial year: Rs.58.62 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)	18.00	18.00 (Direct)	18.00	HelpAge India
2.	Mid-day meal for school going students	Eradicating Hunger	New Delhi	18.00	18.00 (Direct)	18.00	The Akshaya Patra Foundation
3.	Organising Art & Cultural programmes By handicapped children	Art and culture	New Delhi	5.00	5.00 (Direct)	5.00	Impresario India
4.	Distribution of cotton bags for environment sustainability	Environment Sustenance	Locally (Faridabad, Haryana)	4.42	4.42 (Direct)	4.42	Direct
5.	Mini Science Centre & Life skill training with science and mathematics models and also distribution of school bags, etc.	Promoting Education	Locally (Faridabad, Haryana)	13.20	13.20 (Direct)	13.20	World Vision India
	<b>TOTAL</b>			<b>58.62</b>	<b>58.62</b>	<b>58.62</b>	

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)  
3<sup>rd</sup> July, 2020

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 complaints related to sexual harassment. The necessary disclosure in terms of requirements of Listing Regulations in this regard is given below:

- a) Number of complaints filed during the financial year – Nil
- b) Number of complaints disposed of during the financial year – Nil
- c) Number of complaints pending as on end of financial year – Nil

## NUMBER OF MEETINGS OF THE BOARD

During the year under review, five meetings 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 31<sup>st</sup> 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 remunerates its non-executive Indian directors by way of Sitting Fees for attending meetings of the Board and/or any 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 at 'Company Policies' link on 'Investors Corner' page at company's website at [http://voith.com/ind-en/Voith-Paper-Fabrics-India-Limited\\_Investors-Corner.htm](http://voith.com/ind-en/Voith-Paper-Fabrics-India-Limited_Investors-Corner.htm)