

45th Annual Report 2015

Voith Paper Fabrics India Limited

Life Cycle Partner of the Paper Industry



BOARD OF DIRECTORS

Chairman

Martin Gustav Scherrer

Managing Director

R. Krishna Kumar

Directors

Biren De

Ravinder Nath

Surinder Kumar Nagpal

Patricia Annette Sargeant

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

S. R. Batliboi & Co. LLP, Chartered Accountants

BANKERS

AXIS Bank Limited

ICICI Bank Limited

Standard Chartered Bank

State Bank of India

The Hongkong and Shanghai Banking Corporation Limited

CONTENTS

Chairman's Communique	2
Managing Director's Communique	3
Report of the Board of Directors	4
Report on Corporate Governance	11
Management Discussion & Analysis Report	19
Auditor's Report	21
Balance Sheet	24
Statement of Profit & Loss	25
Cash Flow Statement	26
Notes	28

Chairman's Communique



Dear Shareowners,

I am happy to communicate with you once again as we have recently concluded the extended current year (eighteen months) in order to align the annual financial closing of your company as per the requirements of Companies Act, 2013.

According to the International Monetary Fund (IMF), world economy grew 3.4 per cent last year, roughly at its long-term average rate, which disappointed many who expected faster expansion because output is still recovering from the effects of the 2008-09 global financial crisis and faster-growing emerging economies now account for more than half of the world economy. Also, as per a recent observation by the IMF chief, the world's current economic performance is, "just not good enough".

There is a varied picture in the large emerging economies of China and India, which are the world's largest and third-largest economies, measured by purchasing power parity. China's economic prospects are slowing as the government attempts to rebalance activity from public investment towards higher domestic consumption. By contrast, India is enjoying the fruits of cheap oil and energy, which reduces import costs, the trade deficit and government borrowing. India remains a bright spot among the emerging market economies, although the pace of reforms and the durability of growth remain significant elements of concern.

Further, as per a market research report on Pulp and Paper Chemicals, Asia-Pacific ranks as the fastest growing market with a CAGR of 3.8% over the analysis period. Expanding population, steady economic growth, increased urbanization & industrialization, rising infrastructure development, and growing production and consumption of paper represent key growth drivers in the region. This is a good sign for your company, as its progress is directly linked to the progress of paper industry in the region.

Voith Group remains committed to provide adequate resources to its Indian companies to meet the opportunities that may emerge in future. During the eighteen months period under review, some capital expenditure has already been incurred to purchase, as well as to refurbish the existing machines & equipment in your company which is likely to improve the efficiency and quality of products being manufactured in coming years with the support of all concerned. Your company would be grateful to all its stakeholders for their continued support in future also.

I look forward to meet you at the forthcoming annual general meeting of the company.

Martin Gustav Scherrer

Chairman



Managing Director's Communique

Dear Shareowners,

I am excited at the opportunity to communicate with you for the first time since I took up the responsibility as Managing Director of your company in August 2014.

I feel delighted to inform you that for the current year (18 months) ended 31st March, 2015, your company achieved the sales value of Rs.1023 million, as against Rs.592 million for the last year (12 months) ended 30th September, 2013. Profit before tax for the current year was Rs.329 million as compared to Rs.193 million for the last year. Though the numbers are truly incomparable, yet it can be inferred that trend on these parameters continue to be on the right path.

Quality, efficiency & reliability are some of the key attributes a customer associates with the products of Voith Group. Over the years, we have been constantly striving not only to maintain but also to improve the standards of quality, efficiency and reliability in all areas of our operations, to become the preferred business partner of our customers. During the year under review, the company had taken up some process improvements on the shop-floor, such as implementation of 'lean management principles', '5-S' and 'Shop Floor Management' to further strengthen the operational excellence in the company.

Your company considers its human resource as its most valuable asset, as people are the key creators of value for any organization. Your company strives to thrive under the prevailing economic scenario, with a healthy blend of youth and experience in its work-force and is quite confident of taking up any challenge the future may reveal.

The IMF in its recent publication of World Economic Outlook has raised India's growth projections to 7.5% for 2015 and 2016. The upward revision in growth estimates has been due to benefits that are expected to accrue from recent policy reforms, and a consequent pickup in investment, and lower oil prices. According to the latest estimates, India's growth is expected to surpass that of China in 2015. We do hope that the sentiments in Indian Paper Industry will also improve based on this overall economic scenario.

I am sure that the revival of the economy coupled with our operational excellence will result in further all-round success in the years to come.

I am also grateful to all of you for your wholehearted support which propels us to carry on with our job tirelessly. I look forward to meeting you at the forthcoming Annual General Meeting of the Company.

Warm regards,

R. Krishna Kumar
Managing Director

REPORT OF THE BOARD OF DIRECTORS

Dear Members,

Your Directors have pleasure in presenting the Forty Fifth Annual Report together with the Audited Financial Statements of the Company.

THE COMPANIES ACT, 2013

The Ministry of Corporate Affairs (MCA) has partly notified the Companies Act, 2013 in tranches in September 2013 and March 2014 with majority of the sections as well as rules being notified in March 2014.

The Companies Act, 1956 continues to be in force to the extent of corresponding provisions of the Companies Act, 2013 which are yet to be notified. MCA *vide* its Circular No. 08/2014 dated April 4, 2014 has clarified that financial statements and documents annexed thereto, auditor's report and board's report in respect of financial year that have commenced earlier than April 1, 2014 shall be governed by provisions of Companies Act, 1956. Accordingly, your Company's Financial Statements, Auditor's Report and Board's Report and attachments thereto have been prepared in accordance with provision of Companies Act, 1956. With respect to other provisions of the Companies Act, 2013, appropriate references have been made in this report to the extent these provisions have become applicable effective April 1, 2014.

Your Company has been regular in keeping pace with the fast changes introduced by the Companies Act, 2013 and initiated necessary actions accordingly. Some of the important initiatives taken by your Company are as under:

- Re/constitution of the Committees of the Board;
- Designation of KMPs;
- Establishment of Vigil Mechanism;
- Recommendation for the appointment of the Independent Directors, not liable to retire by rotation, who satisfy the criteria enumerated in Companies Act, 2013; and
- Providing E-Voting facility to members.

DISCLOSURE IN BOARD'S REPORT

Information required to be disclosed as per Section(s) 186, 188, 197(12) etc. of the Companies Act, 2013 read with relevant rules framed thereunder is not provided, as the Board's Report has been prepared in accordance with the provisions of Companies Act, 1956.

CHANGE IN FINANCIAL YEAR

To align the financial year of the company with the provisions of Companies Act, 2013, the current financial year of the Company was extended by six months, with the approval of appropriate authorities. Accordingly, the audited financial statements for the current financial year have been prepared for a period of eighteen months beginning on October 1, 2013 and ending on March 31, 2015.

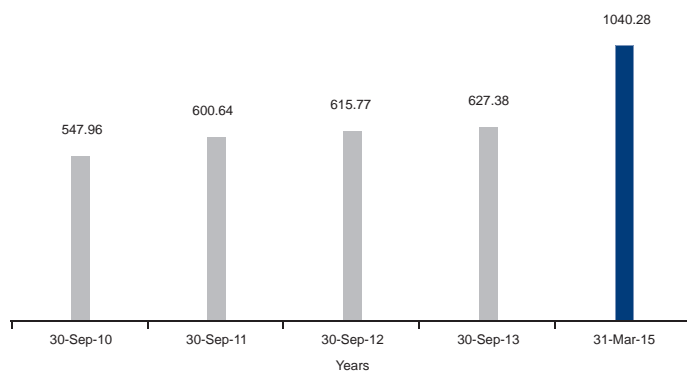
FINANCIAL HIGHLIGHTS

	Rs. (In millions)	
	For the year ended	
	31/03/2015 (18 months)	30/09/2013 (12 months)
Sales (Net of Excise Duty)	1023.21	591.90
Profit before taxation	328.55	193.32
Provisions for taxation	114.80	64.71
Profit after taxation	213.75	128.60
Balance brought forward from the previous year	695.37	595.05
Amount available for Appropriation	909.12	723.65
Appropriations:		
- Dividend	19.77	13.18
- Corporate Dividend Tax	3.95	2.24
- Transferred to General Reserve	21.37	12.86
- Surplus carried to Balance Sheet	864.03	695.37
Total	909.12	723.65

PERFORMANCE OVERVIEW

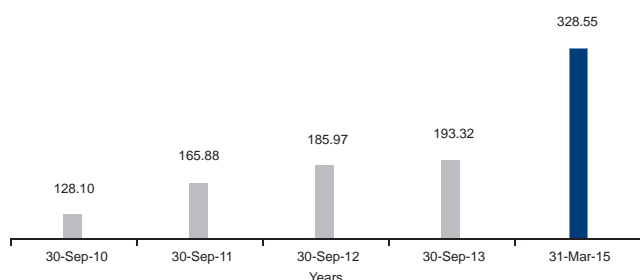
Orders Received

INR in million



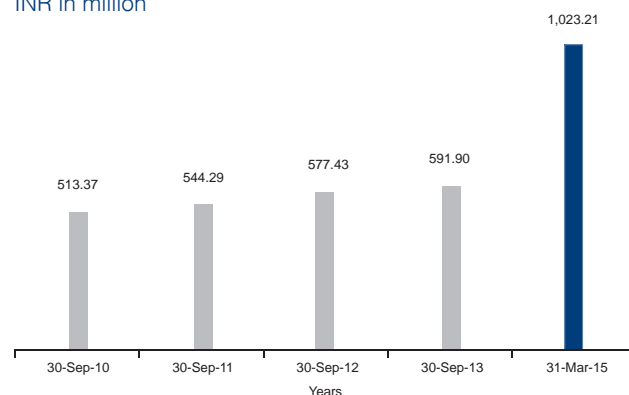
Profit Before Tax

INR in million



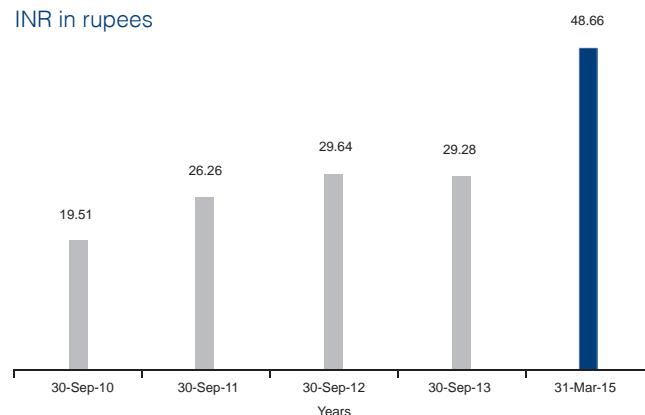
Sales

INR in million



Earnings Per Share

INR in rupees



It is evident from the above graphs; that your company has progressed, during the current period ended 31st March, 2015. It has achieved a net aggregate Sales of Rs.1023.21 million and Profit Before Tax of Rs.328.55 million, for the current 18 months period ended 31/03/2015.

Barring unforeseen circumstances, the directors of your company expect continued growth in turnover and profitability in future also.

DIVIDEND

The company continues to evaluate and manage its dividend policy to build long term shareholder value. Your Directors are pleased to recommend for your approval a dividend of Rs.4.50/- per equity share of Rs.10/- each fully paid-up for the period ended 31st March, 2015. The dividend, if approved will be paid to the eligible members within the stipulated time.

This will absorb Rs.19.77 millions. In addition, Rs. 3.95 millions shall be payable as corporate dividend tax.

DIRECTORS

During the period under review, Directors, Mr. Chandra Sekhar Panigrahi and Mr. Markus Johann Mader resigned from the Board with effect from 23rd July, 2014 and 6th August, 2014, respectively. The Board places on record their appreciation and gratitude for their guidance and contribution during their association with the Company.

On the recommendation of Nomination and Remuneration Committee, at the Board Meeting held on 23rd July, 2014, Mr. R. Krishna Kumar was appointed as an Additional Director with immediate effect and as the Managing Director of the Company, effective from 1st August, 2014 for an initial term of 5 years.

As Additional Director, Mr. R. Krishna Kumar holds office up to the date of forthcoming Annual General Meeting and is eligible for appointment as a Director & Managing Director.

The Board has also appointed Ms. Patricia Annette Sargeant as an Additional Director, at its meeting held on 5th November, 2014. She too holds office up to the date of ensuing Annual General Meeting and is eligible for appointment as a Director.

Further, in terms of section 149 read with section 152 of the Companies Act 2013, an independent director is now not required to retire by rotation, and may be appointed on the Board of the Company for maximum two terms of up to five years each. Accordingly, it is proposed to

appoint the existing independent, non-executive directors namely, Mr. Biren De, Mr. Ravinder Nath and Mr. Surinder Kumar Nagpal, for an initial term of five years, effective from 1st March, 2015. All these Independent directors have confirmed their independence in terms of the requirements of Companies Act, 2013.

The company has received separate notice(s) together with the requisite amount, as per the provisions of section 160 of the Companies Act, 2013, for the appointment of aforesaid directors on the Board of the Company.

In Compliance with requirements of Clause 49 VIII (E) of Listing Agreement, brief resume, expertise and details of other directorships, membership in committees of other companies and shareholding in the Company of persons proposed to be appointed as Directors are as under:

Name of the Director	Mr. Biren De	Mr. Ravinder Nath	Mr. Surinder Kumar Nagpal	Mr. R. Krishna Kumar	Ms. Patricia Annette Sargeant
DIN	00011607	00062186	01171148	05344619	06977204
Age in years	81	70	78	39	43
Date of Appointment	10 th September 1986	24 th October 1998	27 th January, 2010	23 rd July 2014	5 th November 2014
Expertise in Special Functional Areas	Engineering	Legal	Finance	Engineering and Administration	Technical and Marketing
Qualification	B.Sc (Hons.) Mechanical Engineering, ARCT	B.Com (Hons.) LLB, International Law, London	B.Com (H) ; FCA	B.E.	B.A.Sc., Business Management
Directorships held in other companies in India, as on 31/03/2015	None	<ol style="list-style-type: none"> 1. Somany Ceramics Limited 2. Kanoria Chemicals & Industries Limited 3. Hero MotoCorp Limited 4. Kadimi Construction Private Limited 5. Agora Developers Private Limited 6. Citron Holdings Private Limited 7. Knowcross Solutions Private Limited 8. Geeztek Solutions Private Limited 9. LEGO India Private Limited 10. Sean John India Private Limited 	<ol style="list-style-type: none"> 1. Oracle Credit Limited 2. Shivkamal Impex Limited 	<ol style="list-style-type: none"> 1. Voith Paper Technology (India) Private Limited 	None
Membership of Committees of other companies, in which he is a Director, as on 31/03/2015	None	<ol style="list-style-type: none"> 1. Kanoria Chemicals & Industries Limited 2. Hero MotoCorp Limited 3. Somany Ceramics Limited 	<ol style="list-style-type: none"> 1. Oracle Credit Limited 2. Shivkamal Impex Limited 	<ol style="list-style-type: none"> 1. Voith Paper Technology (India) Private Limited 	None
No. of Shares held in the Company (Including those held by relatives)	1370	NIL	NIL	NIL	NIL

None of the Directors of the Company has any inter-se personal relationship.

AUDITORS REPORT

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

AUDITORS

- A. Statutory Auditors** – M/s. S. R. Batliboi & Co. LLP, Chartered Accountants, (Registration No. 301003E) holds office until the conclusion of ensuing Annual General Meeting (AGM) and have expressed their unwillingness to be reappointed as the Statutory Auditors of the Company.

Further, your Company has received a written consent and a certificate from M/s BSR & Co. LLP, Chartered Accountants (Registration No. 101248W/W-100022) to the effect that their appointment, if made, would satisfy the criteria provided in sections 139 and 141 of the Companies Act, 2013 read with Companies (Audit & Auditors) Rules 2014.

Hence, the Audit Committee and the Board hereby recommends the appointment of M/s BSR & Co. LLP, Chartered Accountants (Registration No. 101248W/W-100022) as Statutory Auditors of the Company for a period of five years i.e., from the conclusion of the 45th Annual General Meeting up to the conclusion of 50th Annual General Meeting subject to ratification by Members every year.

- B. Cost Auditors** – During the year under review, M/s Balaji & Associates, Cost Accountants, (Firm Registration No. 0112) were appointed as the Cost Auditors of the Company, in accordance with the requirements of The Companies (Cost Accounting Records) Rules, 2011. The Cost Audit Report for the 18 months period ended 31st March, 2015, shall be submitted within the time stipulated in the aforesaid rules.

Further, as per the MCA Notification dated 31/12/2014 your company is no longer required to maintain cost records and/or to carry out Cost Audit exercise in future.

- C. Internal Auditors** – During the year under review, M/s Lodha & Co., Chartered Accountants, New Delhi carried out the internal audit exercise and submitted their report.

- D. Secretarial Auditors** – The Company did not appoint any Secretarial Auditor for the period under review. The Company proposes to get the Secretarial Audit done in the current year and shall make the necessary disclosures in the next Annual Report.

CORPORATE GOVERNANCE:

Your Company has ensured continued compliance of Corporate Governance requirements during the period under review. Your Company lays strong emphasis on transparency, disclosure and independent supervision to increase various stakeholders' value.

As required by Clause 49 of the Listing Agreement with the BSE Limited (BSE), 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.

Further, the company regularly submits the quarterly corporate governance compliance report to the BSE and also uploads the same on its website.

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

Information required to be disclosed under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure - I, forming an integral 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

Details of the employee 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, are attached in Annexure – II; and form an integral part of this report.

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 place on record their appreciation to all the stakeholders for their unstinted support and significant contributions towards the growth of the company. The Board of Directors expects to receive the similar support and contribution from everyone in future also.

For and on behalf of the Board of Directors.

Date: 27th April, 2015
Place: New Delhi

Biren De
Ravinder Nath
Surinder Kumar Nagpal
(Directors)

R. Krishna Kumar
(Managing Director)

ANNEXURE I

Information required in pursuance of section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

Your Company carries out its operations in an environmental friendly manner and is on the look-out for different ways & means to reduce the consumption of energy in its operations. Fuel & electricity consumption in different stages of production processes were monitored regularly and suitable corrective actions were taken wherever possible. Some of the energy conservation measures taken during year and consequent advantages are given below:

- 1) Sodium vapor lamps replaced by LED high bay lights in more areas. LED requires less maintenance and life is approximately 10 Years.
- 2) Conventional Tube Lights were also replaced by LED lights in shop-floor as well as administrative block.
- 3) Started purchasing of power through IEX for energy cost saving.

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

A. CONSERVATION OF ENERGY

FORM A

PART A- Power and Fuel Consumption

Sr. No.	Particulars	Year ended 31/03/2015 (18 months)	Year ended 30/09/2013 (12 months)
1.	Electricity		
(a)	Purchased units (millions)	4.34	2.60
	Total amount (Rs. in millions)	34.62	17.08
	Rate/unit (Rs.)	7.98	6.57
(b)	Own Generation		
(i)	Through diesel generating units (millions)	0.07	0.30
	Unit per litre of diesel oil	2.91	3.27
	Cost/unit (Rs.)	20.52	14.76
(ii)	Through steam turbine / generator	Nil	Nil
2.	Coal	Nil	Nil
3.	Purchased Fuel Consumed		
(i)	Furnace Oil		
	Quantity (K. Lts.)	-	0.66
	Total amount (Rs. in millions)	-	0.04
	Average rate (Rs. per litre)		54.74
(ii)	Pipe Natural Gas		
	Quantity (1000 cubic meters)	487.55	271.00
	Total amount (Rs. in millions)	21.31	10.42
	Average rate (Rs. per cubic meter)	43.71	38.44

PART B - CONSUMPTION PER UNIT OF PRODUCTION

Product	Felts	Felts
Unit	Kgs.	Kgs.
Electricity (units)	8.57	10.15
Furnace oil (liters)	Nil	Nil
Pipe Natural Gas (cubic meter)	0.95	0.95