

## 46<sup>th</sup> Annual Report 2016

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 (up to 05/11/2015)

Shahana Basu (from 06/02/2016)

## 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)

Satyender Kumar & Associates, 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,

I feel glad to address you at the end of yet another financial year of your company and feel satisfied to convey that we continue to make steady progress together.

World over, the Voith Group follows tenure of 'October to September' as its period of yearly evaluation and in that sense, the Group is just half-way through its journey of 2015-16. Whereas in the Indian context and as per requirements of local laws of India, your company has completed another year of working and results are before you for consideration.

Newsprint, food packaging paper, bank notes or facial tissue paper: the medium of paper accompanies people all over the world in their everyday lives and Voith paper machines produce almost every paper grade on all continents of the earth.

For all paper grades, Voith provides paper production lines that are optimally coordinated with the regional and individual needs of customers. Targeted rebuilds and modernization measures from Voith enable the optimization of the overall machine performance. For many years together with our customers, we have been successfully developing solutions that meet the increasing demands for paper products and are at the same time both ecological and economically efficient.

Currently, India is amongst one of the leading growing economies in the world and with the revival of sentiments and pick-up in industrial activity, a recovery of private investment is expected to further strengthen growth in India. This is expected to further boost the demand for the products of your company and we look forward to your continued support to meet this opportunity.

I am obliged to all the stakeholders for their unflinching support which forms an indispensable part of journey of Voith in India and look forward to meet you at the forty-sixth Annual General Meeting of your company.

Warm regards,

**Martin Gustav Scherrer**  
Chairman



## Managing Director's Communique

Dear Shareowners,

It's the end of another financial year and I feel privileged communicating with you once again in the capacity of Managing Director of your company. I am pleased to inform you that for the current year ended 31st March, 2016, your company has achieved total revenue of INR 835.21 million and 'profit before tax' for the current year was INR 235.64 million.

In the prevailing global market environment, it is a matter of satisfaction that India has been steadily treading the path of growth. Amidst the gloomy landscape of unusual volatility in the international economic environment, India stands as a haven of stability and an outpost of opportunity.

India's economic growth rate is amongst the highest in the world even though on a smaller base. The task is now to sustain the same in an even more difficult and uncertain global environment. Perhaps the underlying anxiety is that the Indian economy is not realizing its fullest potential. Keeping a keen focus on development of infrastructure would provide adequate impetus to the economy, which is likely to have a trickle-down effect on the operations of your company as well.

Customers are becoming more demanding in view of new printing and processing technologies available today and quality has taken a key role. Many paper manufacturers wish to increase machine speed and operating efficiency besides improvement in the quality. The innovative concepts and solutions provided by Voith allow our customers to successfully meet the challenges of the paper industry. With increasing literacy rate and penetration of e-commerce in emerging economies, such as India, demand for paper and board with high print quality is likely to increase.

Also, within the framework of Voith 150+, operational excellence (OPEX) is an important aspect of the Excellence@Voith initiative. All process optimization initiatives in Voith are grouped under the OPEX initiative. All the initiatives follow a common philosophy. Their baseline is: "Becoming better every day". The steps taken by your company under this initiative have started bearing some fruits and I would like to take this opportunity to thank my entire team, which has worked hard towards attaining the desired performance.

I sincerely believe that you would be pleased with the results of your company and we would continue to enjoy your invaluable trust in future also.

Warm regards,

**R. Krishna Kumar**  
Managing Director

## REPORT OF THE BOARD OF DIRECTORS

Dear Members,

Your directors are pleased to present before you, the Forty Sixth Annual Report along with the Audited Financial Statements of the Company for the Financial Year ended on 31<sup>st</sup> March, 2016.

### FINANCIAL HIGHLIGHTS

The Company's financial performance, for the year ended March 31, 2016 is summarized below:

	Rs. (In million)	
	For the year ended <b>31/03/2016</b> <b>(12 months)</b>	31/03/2015 (18 months)
Sales (Net of Excise Duty)	735.83	1023.21
Profit before taxation	235.64	328.55
Provisions for taxation	80.95	114.80
Profit after taxation	154.70	213.75
Balance brought forward from the previous year	864.03	695.37
<b>Amount available for appropriation</b>	<b>1018.73</b>	<b>909.12</b>
<b>Appropriations:</b>		
-Dividend	17.57	19.77
-Corporate Dividend Tax	3.65	3.95
-Transferred to General Reserve	15.47	21.37
-Surplus carried to Balance Sheet	982.04	864.03
<b>Total</b>	<b>1018.73</b>	<b>909.12</b>

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

Accordingly your Directors recommend for your approval a dividend of Rs. 4/- per equity share of Rs. 10/- each fully paid-up for the year ended 31st March, 2016 amounting to Rs. 17.57 million. In addition Rs. 3.65 million shall be payable as Corporate Dividend Tax.

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 office of Ms. Patricia Annette Sargeant stood vacated on 5<sup>th</sup> November, 2015, in accordance with the provisions of Section 167 of the Companies Act, 2013.

Mr. R Krishna Kumar shall be retiring by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

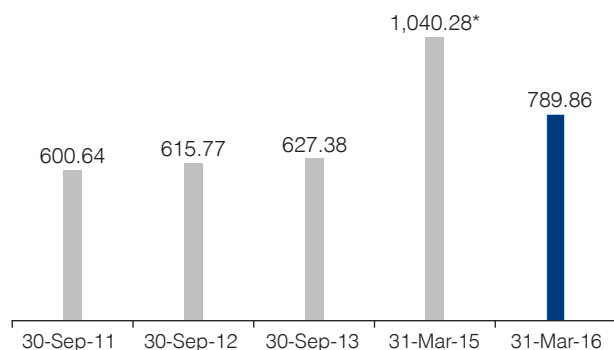
Further, on recommendation of the Nomination & Remuneration Committee, at the Board Meeting held on 6<sup>th</sup> February, 2016, Ms. Shahana Basu was appointed as an Additional Director, who holds office up to the date of the ensuing Annual General Meeting and is eligible for appointment as a Director.

In Compliance with the requirements of Listing Regulations 2015, brief resume, expertise and details of other directorships, membership in committees of other companies and shareholding in the Company, of persons proposed to be re/appointed as Directors are as under:

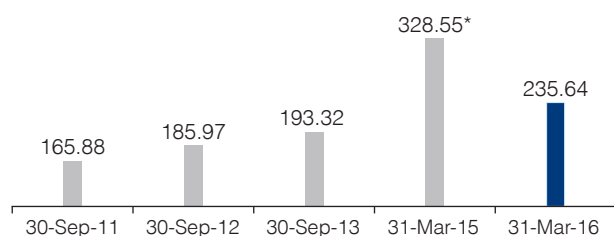
Name of the Director	Mr. R. Krishna Kumar	Ms. Shahana Basu
DIN	05344619	07137715
Age in years	40	47
Date of Appointment	23 <sup>rd</sup> July, 2014	6 <sup>th</sup> February, 2016
Expertise in Special Functional Areas	Engineering and Administration	Legal
Qualification	B.E.	Law Graduate and Post Graduate in Sociology & Political Science.
Directorships held in other companies in India, as on 31/03/2016	Voith Paper Technology (India) Private Limited	None
Membership of committees of other companies, in which he/she is a Director, as on 31/03/2016	Voith Paper Technology (India) Private Limited	None
No. of the shares held in the Company (Including those held by relatives)	NIL	NIL

**PERFORMANCE OVERVIEW****Order Received**

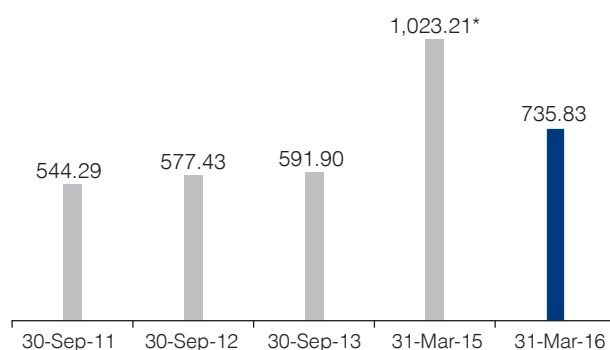
INR in million

**Profit Before Tax**

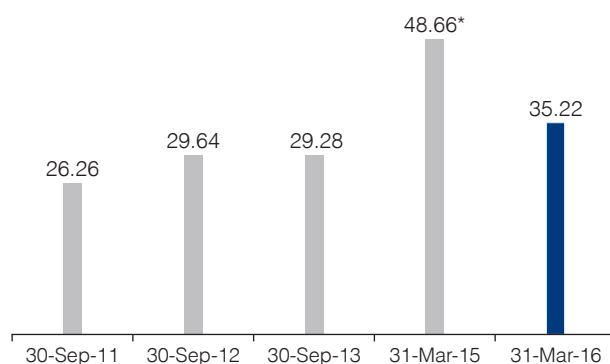
INR in million

**Sales**

INR in million

**Earnings Per Share**

INR in rupees



\*Pertains to 18 months period.

It is evident from the above graphs that your company has continued to progress during current year ended 31<sup>st</sup> March, 2016.

**TRANSFER TO RESERVES**

For the year under review, company has transferred a sum of Rs. 15.47 million to the reserves.

**PARTICULARS OF LOANS, GUARANTEE 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.

**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**

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.

## 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 45<sup>th</sup> Annual General Meeting up to the conclusion of 50<sup>th</sup> 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 Satyender Kumar and Associates, 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 effectively; 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 he/she meets the criteria of independence laid down in Section 149(6) of Companies Act, 2013 and Regulation 16 of the Listing Regulations, 2015.

## 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

1. Outline of CSR Policy including overview of projects or programs undertaken during the year ended 31st March, 2016: 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 aims to put in efforts for protection & sustenance of environment through its policies, operations and actions.

During the year under review, company had contributed the requisite sums towards fulfilling its CSR obligations, by providing financial aid to some NGOs involved in the field of promoting education, healthcare and women empowerment, especially to those belonging to socially and economically backward strata of society as well as towards promotion of health & hygiene. The CSR Policy and the report can be accessed at link of 'Company Policies' on 'Investor Corner' page on the company's website [www.voithpaperfabricsindia.com](http://www.voithpaperfabricsindia.com)



2. 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	Non-executive & Non-Independent Director

3. Average Net Profit of the Company for the last three financial years is Rs.240,631,435/-
4. CSR Expenditure i.e. two percent of Average Net profit for last three financial years is Rs.4,812,629/-.
5. Details of CSR spent during the financial year:
- Total amount to be spent for the financial year: Rs.48.13 lacs.
  - Amount unspent, if any: Not Applicable
  - Manner in which the amount spent during the financial year is detailed below:

(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 was undertaken	(5) Amount outlay (budget) project or programs wise (Rs. in Lacs)	(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 Direct / through implementing agency
1.	Promoting primary and secondary education	Promoting Education	Locally	5.00	5.00	5.00	Prayas Social Welfare Society (Regd.)
2.	Promoting primary and secondary education	Promoting Education	Locally	10.00	10.00	10.00	Bharat Sevashram Sangha
3.	Promoting primary and secondary education	Promoting Education	Locally	5.00	5.00	5.00	Shirdi Sai Baba Temple Society
4.	Empowering Women, setting up homes for orphans	Empowering Women	Locally	10.00	10.00	10.00	Pranab Kanya Sangha
5.	Swachh Bharat	Promoting Sanitation	Locally	4.50	4.50	4.50	FIA Charitable Society
6.	Mental Healthcare	Promoting Health Care	Locally	3.63	3.63	3.63	FIA Charitable Society
7.	Contribution to Prime Minister's National Relief Fund	NA	NA	10.00	10.00	10.00	Direct
	<b>TOTAL</b>			<b>48.13</b>	<b>48.13</b>	<b>48.13</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. Responsibility statement of the CSR Committee of the Board: On behalf of the CSR Committee of the Board, it is hereby stated and confirmed 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 CSR Committee

Sd/-  
R. Krishna Kumar  
Managing Director



## ANNUAL EVALUATION BY THE BOARD

As required under the provisions of Section 134(3)(p) of the Companies Act, 2013 and Listing Regulations, 2015, 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 their response 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, safeguarding of minority shareholders interest, adherence to Code of Conduct and business ethics, monitoring of regulatory compliance, risk management and review of internal control system, etc.

## NUMBER OF MEETINGS OF BOARD

During the year under review, six 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 & Listing Agreement/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, consider the integrity, qualification, expertise and experience of the person for appointment as a Director and then recommend 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 director 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](http://www.voithpaperfabricsindia.com)

## SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Act and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the company has appointed M/s Satyender Kumar & Associates, Company Secretaries to undertake secretarial audit of the company. The report of the secretarial audit is annexed as ANNEXURE – III. The secretarial audit report doesn't contains any qualification, reservation or adverse remarks. However, the observations of the secretarial auditor were noted by the Board and the Company Secretary was advised to ensure due compliances.

## 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-IV 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 receive their continued support and contributions 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 : 7<sup>th</sup> May, 2016  
Place : New Delhi

## ANNEXURE - I

Information required under Section 134 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014:

Your Company carries out its operations in an environment 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 process were monitored regularly and suitable corrective actions were taken wherever possible. The use of alternate source of energy was not mandatory during the year under review. However, the Company is exploring to use available alternate sources of energy in future. Some of the energy conservation measures taken during the 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 some more areas of shop-floor.
3. Street light lamps replaced by street lights on park side roads, that requires less maintenance.
4. Installed a water condensate recovery plant for reuse.
5. Converted LPG to PNG burners and connection in canteen which is more secure & safer as compared to LPG.

### A. CONSERVATION OF ENERGY

#### PART A- Power and Fuel Consumption

Sr. No.	Particulars	For the year ended 31/03/2016 (12 months)	For the year ended 31/03/2015 (18 months)
1.	<b>Electricity</b>		
	(a) Purchased units (million)	2.95	4.34
	Total amount (Rs. in million)	25.01	34.62
	Rate/unit (Rs.)	8.48	7.98
	(b) Own Generation		
	(i) Through diesel generating units (million)	0.08	0.07
	Unit per litre of diesel oil	3.17	2.91
	Cost/unit (Rs.)	16.41	20.52
	(ii) Through steam turbine / generator	NIL	NIL
2.	<b>Coal</b>	NIL	NIL
3.	<b>Purchased Fuel Consumed</b>		
	(i) Furnace Oil		
	Quantity (K. Lts.)	-	-
	Total amount (Rs. in million)	-	-
	Average rate (Rs. per litre)	-	-
	(ii) Pipe Natural Gas		
	Quantity (1000 cubic meters)	330.86	487.55
	Total amount (Rs. in million)	11.39	21.31
	Average rate (Rs. per cubic meter)	34.43	43.71

#### PART B - CONSUMPTION PER UNIT OF PRODUCTION

Product	Felts	Felts
Unit	Kgs.	Kgs.
Electricity (units)	8.41	8.57
Furnace oil (liters)	Nil	Nil
Pipe Natural Gas (cubic meter)	0.92	0.95

Capital Investment made on procuring Energy Conservation Equipment during the year ended on 31st March, 2016 was Rs. 1.57 million.