

48th Annual Report 2017/18

Voith Paper Fabrics India Limited

Life Cycle Partner of the Paper Industry



Welcome to our Golden Jubilee Year

BOARD OF DIRECTORS

Chairman

Martin Gustav Scherrer

Managing Director

R. Krishna Kumar

Directors

Biren De

Ravinder Nath

Surinder Kumar Nagpal

Shahana Basu

FINANCE CONTROLLER

Kalyan Dasgupta

COMPANY SECRETARY

C.S. Gugliani

REGISTRAR & TRANSFER AGENT

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

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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



Chairman's Communique

Dear Members,

It gives me great pleasure to share my thoughts with you at the end of another financial year. Your Company continues its journey of consistent growth and has delivered a satisfactory performance once again. It is a matter of personal satisfaction that your company continues to be amongst the top contributors to the overall performance of business segment to which it belongs in Voith Group of Companies.

Also, as a responsible corporate citizen, your company has carried out some Corporate Social Responsibility (CSR) activities, covering areas such as, promoting education, health-care & sanitation; environment protection; eradicating hunger, etc. and we shall continue to direct our efforts in this direction in future also.

Further, the strong demand of paper products has pushed the Indian paper industry to a new level and the industry appears to be fully geared up to meet the growing demands of future, despite several challenges like – outdated technology, liquidity, cost pressures, deeper penetration of electronic media, etc., being faced by it. Gradually, the focus of paper industry in India is also shifting towards manufacturing more eco-friendly products, keeping in line with the need of the hour and the legislative framework. However, we believe that the industry would be able to overcome the hindrances that it faces and would flourish in future.

With the backing of Voith Group, your company is strategically placed to provide innovative solutions to the customers to meet their specific requirements enabling them in manufacturing paper in an eco-friendly manner. We believe that with our consistent and proven track record of serving the customers satisfactorily, we would continue to enjoy their patronage in future as well, which would in turn, help us perform better in coming years.

I look forward to meet you at the 48th Annual General Meeting of your company.

With best wishes for a promising future, together!

Warm regards,

Martin Gustav Scherrer

Chairman



Managing Director's Communique

Dear Shareowners,

It's the end of another financial year and I feel delighted to inform you that for the year ended 31st March, 2018, your Company has achieved total income of INR 1,050.69 million and 'profit before tax' for the year was INR 276.37 million.

Your Company would be completing 50 years of its existence in the current fiscal. Very few organizations are fortunate to achieve such a rare distinction in its corporate life cycle. The sheer hard work, determination, foresightedness, able leadership and perseverance of employees at all levels have made it possible for the Company to achieve this milestone.

Over the years, we have constantly worked on improving the standards of quality, efficiency and reliability in all areas of our operations and I am glad to inform you that your company has been awarded the top rank for Operational Excellence (OPEX) site for the second consecutive time, within whole of Voith Group of Companies.

In the prevailing global market environment, it is a matter of satisfaction that India is steadily treading the path of growth. Indian economy has experienced healthy GDP growth in past few years and future prospects also look positive too. The paper industry has a crucial role to play for economic growth of the country as paper consumption is considered to be one of the important indices of educational and cultural growth of a nation.

Your Company had always maintained a close and cordial bond with its shareholders, and this is a tradition I am delighted to continue. I take this opportunity to express my sincere gratitude for the support, trust and encouragement you have always rendered to the Company.

Sincere regards,

R. Krishna Kumar
Managing Director

REPORT OF THE BOARD OF DIRECTORS

Dear Members,

Your directors are pleased to present before you, the Forty Eighth Annual Report along with the Audited Financial Statements of the Company for the Financial Year ended on 31st March, 2018.

FINANCIAL HIGHLIGHTS

The Company's financial performance, for the year ended March 31, 2018 is summarized below:

	Rs. (In millions)	
	For the year ended	
	31/03/2018	31/03/2017
Revenue from operations	964.53	900.85
Profit before taxation	276.37	271.66
Provisions for taxation	95.22	94.87
Profit after taxation	183.32	175.37
Earnings Per Share (EPS) (In rupees)	41.24	40.25

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. However, considering the current year as the Golden Jubilee Year, your Directors are pleased to recommend an increase in last year's dividend payout by Rs.5/- per equity share, as a one-time special occasion.

Accordingly, the Directors are recommending for your approval payment of dividend @ 90%, i.e., of Rs. 9/- per equity share of Rs.10/- each fully paid-up for the year ended 31st March, 2018, aggregating to Rs. 39.53 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

Ms. Shahana Basu shall be retiring by rotation at the forthcoming Annual General Meeting (AGM) and being eligible, offers herself for reappointment.

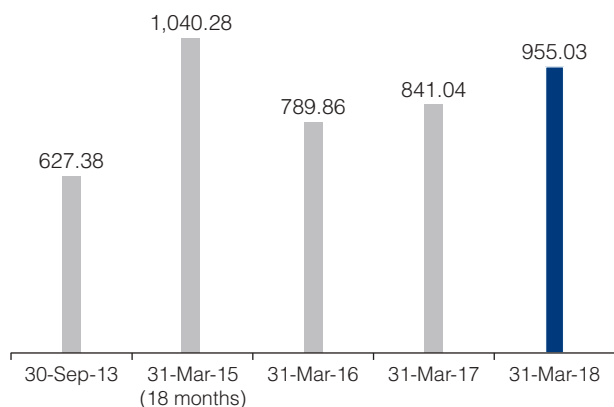
In Compliance with the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (here-in-after referred to as 'Listing Regulations'), brief resume, expertise and details of other directorships, membership in committees of other companies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

Name of the Director	Ms. Shahana Basu
DIN	07137715
Age in years	49 years
Date of initial appointment	6 th February, 2016
Expertise in Special Functional Areas	Legal
Qualification	Graduate in History Honours, Social & Political Science, Sociology and Law.
Directorships held in other companies in India, as on 31/03/2018	NIL
Membership of committees of other companies, in which she is a Director, as on 31/03/2018	NIL
No. of shares held in the Company (Including those held by relatives)	NIL

PERFORMANCE OVERVIEW

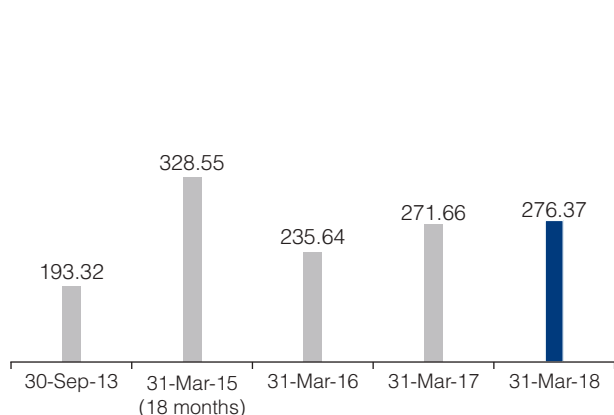
Order Received

INR in million



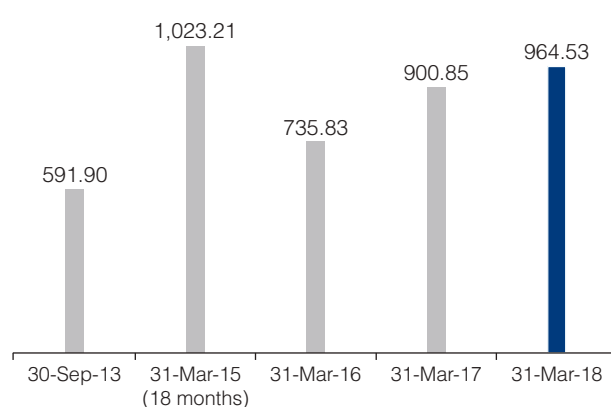
Profit Before Tax

INR in million



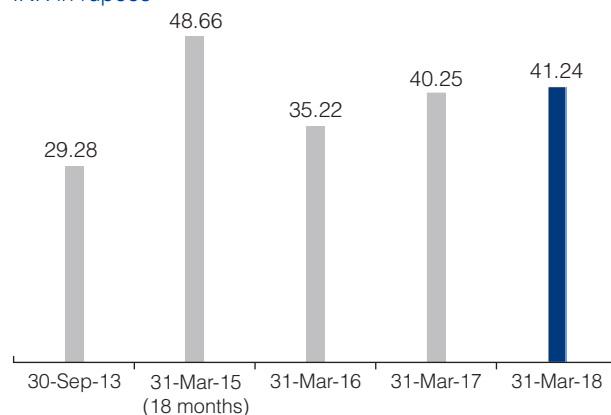
Sales/Revenue

INR in million



Earnings Per Share

INR in rupees



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 2017/18.

CAPACITY ENHANCEMENT

The Company is in the process of its capacity enhancement by around 30% over next 3 years. In the first phase, construction of building for installation of the machinery is underway and the Production is likely to commence in next 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.

PARTICULRS 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 – III and forms an integral part to 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, the appointment of M/s B S R & Co. LLP, Chartered Accountants (Registration No. 101248W/W-100022), to continue to act as the Statutory Auditors of the Company up to the conclusion of 50th Annual General Meeting (AGM) was ratified by the members at the 47th AGM. The Board recommends for the necessary ratification by members, for continuation of their appointment as Statutory Auditors up to the conclusion of 50th AGM of the Company, at the forthcoming AGM also.
- B. **Internal Auditors** - During the year under review, M/s Lodha & Co., Chartered Accountants, carried out the internal audit exercise and submitted their report.
- C. **Secretarial Auditors** - During the year under review, M/s P.C. Jain & Co., Company Secretaries, carried out the Secretarial Audit and submitted their report.

DIRECTOR'S RESPONSIBILITY STATEMENT

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

1. in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and are prudent so as to give a true & fair view of the state of affairs of the Company at the end of the Financial Year and of the profits of the Company for the period;
3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities;
4. the Directors have prepared the Annual Accounts on a 'going concern' basis;
5. the Directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and operating efficiently; and
6. the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

RISK MANAGEMENT

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

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received necessary declaration from each independent director under Section 149(7) of the Companies Act, 2013, that 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 – 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 of Managerial Personnel) Rules, 2014, are given in Annexure – II.

REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

- Outline of CSR Policy including overview of projects or programs undertaken during the year ended 31st March, 2018:** Corporate Social Responsibility (CSR) is the integration of business operations & its values in relation to betterment of society. To achieve this integration of interests of all stakeholders, including investors, customers, employees and community, the company had contributed requisite sums towards fulfilling its CSR obligations, by providing financial aid to some NGOs involved in the field of promoting education, healthcare, eradicating hunger and sanitation, especially for the benefit of those belonging to socially and economically backward strata of society.

The CSR Policy and the report can be accessed at link of 'Company Policies' on 'Investor Corner' page on the company's website at 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. Martin Gustav Scherrer, Chairman	Non-executive & Non-Independent Director
2	Mr. Biren De, Member	Non-executive & Independent Director
3	Mr. R. Krishna Kumar, Member	Executive & Non-Independent Director

- Average Net Profit of the Company for the last three financial years is Rs.282,662,251/-
- CSR Expenditure i.e. two percent of Average Net profit for last three financial years is Rs.5,653,245/-.
- Details of CSR spent during the financial year:
 - Total amount to be spent for the financial year: Rs.56.54 lakhs.
 - Amount unspent, if any: Not Applicable
 - Manner in which the amount spent during the financial year is detailed below:

(Amount Rs. 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)	7.50	7.50 (Direct)	7.50	HelpAge India
2.	Providing Exercise Table, Chair, Almirah etc. at a Centre for Autistic Children.	Promoting Health Care and Education.	Dehradun, Uttarakhand.	1.00	1.00 (Direct)	1.00	Nav Prerna Foundation
3.	Renovation of boundary wall, etc. & Setting up of R.O. water plant at their centre	Promoting Education and Women Empowerment	Locally	4.70	4.70 (Direct)	4.70	Pranab Kanya Sangha
4.	EEG Machine for a Mental Health Care Centre	Promoting Health Care	Locally	3.25	3.25 (Direct)	3.25	FIA Charitable Society
5.	Mid-day meal for school going students	Eradicating Hunger	Vrindavan, Uttar Pradesh	4.75	4.75 (Direct)	4.75	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
6.	Computers etc. for Students	Promoting Education	Locally	5.00	5.00 (Direct)	5.00	Prayas Social Welfare Society (Regd.)
7.	Renovation of toilets & providing infrastructure & other facilities, to educational institutes including institutes for differently abled, skill development centres, government schools etc. and work related to development & maintenance of Environment Sustainability	Promoting Education & Environment Sustenance	Locally	30.34	30.34 (Direct)	30.34	FIA Charitable Society
	TOTAL			56.54	56.54	56.54	

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

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

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

ANNUAL EVALUATION BY THE BOARD

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.

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

NUMBER OF MEETINGS OF THE BOARD

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

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

POLICY ON DIRECTOR'S APPOINTMENT AND REMUNERATION

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

The Nomination and 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

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the company has appointed M/s P.C. Jain & Co., Company Secretaries to undertake the Secretarial Audit of the company. The report of the secretarial audit is annexed as ANNEXURE – IV.

The Secretarial Audit Report does not contain any qualification, observation or other adverse remarks, except that the promoters of the Company were not holding shares in dematerialized form as at 31st March, 2018.

However, the promoters are in the process of opening necessary demat account with a depository participant and it is expected that the process of dematerialization of their shares would be completed within the current fiscal.

SUBSIDIARY COMPANIES, JOINT VENTURE OR ASSOCIATE COMPANIES

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

EXTRACT OF ANNUAL RETURN

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

Further, as required under the provisions of Section 92(3) of the Companies Act, 2013, a copy of the relevant Annual Return would be made available at 'Investor Relations' link on the 'Investors Corner' page of company's website at http://voith.com/ind-en/Voith-Paper-Fabrics-India-Limited_Investors-Corner.htm

APPRECIATIONS

The Board wishes to place on record its appreciation for the untiring efforts & contributions of all the employees of the Company and for the trust & support of all other stakeholders associated with the company. The Board expects to continue to receive the same in future also.

For and on behalf of the Board of Directors

Biren De (DIN: 00011607)
Ravinder Nath (DIN: 00062186)
S K Nagpal (DIN: 01171148)
Shahana Basu (DIN: 07137715)

Directors

R. Krishna Kumar (DIN:05344619)
Managing Director

Date : 4th May, 2018
Place : New Delhi