



VOITH
Engineered reliability.

Voith Paper Fabrics India Limited

A NEW IDENTITY, A NEW ZEAL...

39th Annual Report 2008



Notice of 39th Annual General Meeting

NOTICE

Notice is hereby given that the Thirty Ninth Annual General Meeting of the members of Voith Paper Fabrics India Limited {formerly known as Porritts and Spencer (Asia) Limited} will be held on Thursday, 4th December 2008 at 3.30 p.m. at Magpie Tourist Complex of Haryana Tourism Corporation Limited, Sector-16A, Mathura Road, Faridabad - 121002, Haryana, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 30th September 2008 and the Balance Sheet as at that date together with the reports of the Board of Directors & Auditors thereon.
2. To declare a dividend.
3. To appoint a director in place of Mr. Biren De, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. Ravinder Nath, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

Registered Office :
113/114A, Sector-24,
Faridabad - 121005 (Haryana)

By Order of the Board
for **VOITH PAPER FABRICS INDIA LIMITED**

Place : New Delhi
Date : 24th October, 2008

C.S. Gugliani
Company Secretary

NOTES

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON A POLL ONLY) INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- 2) Members/Proxies for members should bring the duly filled in attendance slip with them for attending the meeting. Members/Proxies for members holding shares in dematerialized form should bring their latest statement of account issued by their Depository Participant, for attending the meeting.
- 3) Members are requested to dematerialize the shares held in physical form to avoid inconvenience as the Company's shares are under compulsory demat trading.
- 4) The details of the shareholding of Directors, who are proposed to be re-appointed at the 39th Annual General Meeting of the Company, are as follows:-

Name of the Director	Shares of the Company held in own name	Shares of the Company held by relatives	Shares of the Company held by / for any other person on a beneficial basis	Aggregate share-holding in the Company
Mr. Biren De	1370	NIL	NIL	1370
Mr. Ravinder Nath	NIL	NIL	NIL	NIL

-
- 5) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 11th November 2008 to Thursday, 04th December 2008 (both days inclusive) in terms of the provisions of Section 154 of the Companies Act, 1956.
 - 6) The Dividend, as recommended by the Board of Directors, if declared at the meeting, would be paid to those members whose name appears in the register of members as on Thursday, 4th December 2008. In respect of shares held in dematerialized form, the dividend will be payable to the beneficial owners of shares as at the end of the business hours on Monday, 10th November 2008, as per details furnished by the depositories for this purpose.
 - 7) Pursuant to the provisions of Section 205A of the Companies Act, 1956 the dividend for the financial year 2000-2001, which remains unpaid/unclaimed for a period of seven years shall be transferred to the Investor Education & Protection Fund (IEPF), this year. Shareholders who have not so far encashed the dividend warrants for the financial year 2000-2001 and onwards are requested to make their claim to the Company immediately. It may also be noted that once the unclaimed/unpaid dividend is transferred to the IEPF; no claim shall lie in respect thereof.
 - 8) For the convenience of the shareholders, format of request for updation of members' records, ECS Mandate Form and Nomination Form are enclosed as Annexure. Those members who wish to get their account updated are requested to fill-up the forms and send the same to the Company or its Registrar & Transfer Agent, MCS Limited for taking appropriate action in regard thereto. **For shares held in dematerialized form, these details must be sent to the concerned Depository Participant and not to the Company.**
 - 9) In order to render better and efficient services, we request you to consolidate the multiple folios existing in the same names and in identical order. Please note that consolidation of folios does not amount to transfer of shares and therefore, no stamp duty is payable on it. In case you wish to consolidate your folios, kindly forward your request along with the relevant share certificates to the Company or its Registrar and Transfer Agent, MCS Limited.
 - 10) Members desiring any information as regards the Accounts are requested to write to the Company Secretary so that it reaches the Company at least 10 days before the date of the Annual General Meeting.
 - 11) Members are requested to kindly bring duly filled and signed attendance slip and their own copy of the Annual Report to the Meeting.
 - 12) Briefcase, Bag(s), Carry Bag(s), Helmets(s), Eatables, Drinks, etc. will not be allowed inside the Meeting Hall.
 - 13) Please note that no gift shall be distributed at the Annual General Meeting.

Registered Office :
113/114A, Sector-24,
Faridabad - 121005 (Haryana)

By Order of the Board
for **VOITH PAPER FABRICS INDIA LIMITED**

Place : New Delhi
Date : 24th October, 2008

C.S. Gugliani
Company Secretary

BOARD OF DIRECTORS

Chairman

Martin Gustav Scherrer (since 2nd October, 2008)

Bertram Staudenmaier (till 1st October, 2008)

Directors

Chandrakant Kahandas Thanawala

Biren De

Ravinder Nath

Managing Director

Manoj Kumar Kapoor

COMPANY SECRETARY

C.S. Gugliani

AUDITORS

S. R. Batliboi & Co., Chartered Accountants,
New Delhi

BANKERS

Standard Chartered Bank, New Delhi
ICICI Bank Limited, Faridabad
AXIS Bank Limited, Faridabad
HDFC Bank Limited, Faridabad

REGISTRAR & TRANSFER AGENT

MCS Limited
Sri Venkatesh Bhavan,
W-40, Okhla Industrial Area Phase - II,
New Delhi-110020

REGISTERED OFFICE AND MILL

113/114A, Sector 24,
Faridabad-121 005, Haryana (INDIA)

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Dear Shareowners,

I am delighted at the opportunity to communicate with you all for the very first time since I assumed this office.

You will be pleased to know that your Company has now become a full-fledged Voith Company upon the change in its name last year and customers are now able to directly identify your Company as part of the Voith Group.

With annual turnover of Euro 5 billions and a global team of 40,000 employees operating from over 270 locations worldwide, the Voith Group is one of the largest family-owned business houses in Europe. It has set many new standards in the paper, energy and services industries.

The Voith Group remains highly conscious of emerging trends in the economic environment that impact the industries we are active in. We have always been proactive in our approach and have continued to strategically invest in initiatives like product research & development and contemporary manufacturing technology that enable us to best serve customers.

We have been witness to growing economic uncertainty in the past few weeks and some of the events have shaken up the financial world. In step with the world, the Indian government too has taken steps to combat potentially difficult situations. Your Company is well poised and fully competent not only to face possible challenges but also to address any opportunities that may emerge. We continue to reinvigorate our work culture, enriching it with sharing ideas and encouraging team work.

I would like to sincerely thank you for your trust and confidence in our journey so far and grateful for your continued patronage. I am looking forward to welcome you all at the 39th Annual General Meeting of the Company.

Kind Regards,

Martin Gustav Scherrer

Chairman

Dear Shareholders,

This year, your Company has completed 40 years of its existence. As we look back, the journey has been quite eventful and we have gained enriching experiences through these decades. I am also pleased to inform you that over the years your Company has been able to consistently maintain its position as the market leader in the industry segments we compete in. Your Directors and the management team are committed to do their very best to ensure continued market leadership going forward too.

The most significant event of the year gone by has been your Company's new identity that came into effect from 29th November 2007 when our name was changed to Voith Paper Fabrics India Limited. This symbolizes our association with the Voith Group, which has over 140 years of success and rich heritage and it is world renowned for providing solutions with engineered reliability.

Quality and delivery expectations have continued to rise among customers and in order to meet and exceed these expectations, we have already installed three upgraded looms and also commenced the process of modernization of your Company's manufacturing facility at Faridabad. We are also inspired by and now held to the high global standards of customer commitment of the Voith Group.

Our people have put in relentless efforts in pursuit of goals and objectives with highest levels of energy and enthusiasm and their spirit, dedication and commitment have inspired our industry leading performance. We have renewed our focus on comprehensive talent management and development and we continue to systematically invest in the very foundation of our success - our people.

Your Company follows the highest standards of professionalism and is committed to deliver value to all its stakeholders. Your Company is focused on the present with an eye on the future.

With four decades of experience and your continued patronage, we are well poised to scale new heights of excellence in all areas.

Warm regards,

Manoj Kumar Kapoor

Managing Director

DIRECTORS' REPORT**TO THE MEMBERS,**

Your Directors are pleased to present the Thirty-Ninth Annual Report together with the Annual Accounts of the Company for the year ended on 30th September, 2008.

OPERATIONS REVIEW

	Rs. in millions	
	2007-08	2006-07
Sales (net of excise duty)	410.35	451.19
Profit before taxation	106.18	141.41
Provisions for taxation	38.27	40.95
Profit after taxation	67.91	100.46
Balance b/f from previous year	253.77	178.77
Amount available for appropriation	321.68	279.23
Appropriations		
Dividend	13.18	13.18
Corporate Dividend Tax	2.24	2.24
Transferred to General Reserve	6.78	10.04
Surplus carried to Balance Sheet	299.48	253.77
Total	321.68	279.23

During the year under review, the operations and performance of the Company were affected due to certain industrial constraints and also relocation of some equipment.

DIVIDEND:

Your Directors are pleased to recommend, for your approval, a dividend of Rs. 3/- per Equity Share of Rs. 10/- each for the year ended on 30th September 2008. This will absorb Rs. 13.18 millions. In addition, Rs. 2.24 millions shall be paid as Corporate Dividend Tax thereon (including Surcharge, Education Cess and Secondary & Higher Education Cess).

DIRECTORS:

In terms of the provisions contained in the Articles of Association of your Company, VF Auslandsbeteiligungen GmbH, Germany, has withdrawn the nomination of Mr. Bertram Staudenmaier from the Office of Director and Chairman of the Company and has nominated Mr. Martin Gustav Scherrer as the Director and Chairman of the Board of Directors of your Company with effect from 02nd October 2008.

Your Directors place on record their appreciation for the contributions made by Mr. Bertram Staudenmaier during his tenure.

Mr. Biren De and Mr. Ravinder Nath, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

The details of Directors of the Company seeking re-appointment are as follows:

Name of Director	MR. BIREN DE	MR. RAVINDER NATH
Age(Years)	75	63
Date of Appointment	10.09.1986	24.10.1998
Expertise in Special Functional areas	Engineering	Legal
Qualification	B.Sc (Hons.) Mechanical Engineering, ARCST	B.Com (Hons.), L.L.B, International Law (London)
Directorships held in outside Companies, as on 30.09.2008	CSA Associates Private Limited	<ul style="list-style-type: none"> • Altana Pharma Private Limited • Citron Holding Private Limited • Kadimi Constructions Private Limited • Kanoria Chemicals & Industries Limited • Rajinder Narain & Co. Consultants Private Ltd. • Somany Ceramics Limited • Zydus Nycomed Healthcare Private Limited
Membership of Committees of other Companies, in which he is a Director, as on 30.09.2008	NIL	Kanoria Chemicals & Industries Limited (Member - Remuneration Committee)
No. of Shares held in the Company (including those held by relatives)	1370	NIL

None of the Directors of the Company have any inter - se relationship.

AUDITORS' REPORT:

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

AUDITORS:

M/s S.R.Batliboi & Co., Chartered Accountants, the present auditors, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Your Company has received a certificate from them stating that the re-appointment, if made, will be in conformity with the limits specified under Section 224(1B) of the Companies Act, 1956.

CHANGE IN NAME OF THE COMPANY:

The name of your Company has changed from "Porritts & Spencer (Asia) Limited" to "Voith Paper Fabrics India Limited" with effect from 29th November 2007 pursuant to a fresh certificate of incorporation issued by the Registrar of Companies in this regard.

CORPORATE GOVERNANCE:

As required by Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, 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.

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

Information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure I, forming 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:

As required by Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the name and other particulars of the concerned employee(s) are set out in Annexure II of this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required by 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 judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state affairs of the Company at the end of the financial year and of the profit 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 preventing and detecting frauds and other irregularities; and
4. The Directors have prepared the annual accounts on a 'going concern' basis.

APPRECIATION:

Your Directors gratefully acknowledge the continued support of the Company's customers, shareholders, suppliers, bankers, and the state and central governments. Your Directors also take this opportunity to express their appreciation to all employees, who continue to display professionalism and commitment.

For and on behalf of the Board

C. K. Thanawala

Biren De

R. Nath

Directors

Manoj Kumar Kapoor

Managing Director

Place : New Delhi

Date : 24th October, 2008

ANNEXURE I

Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

A. CONSERVATION OF ENERGY

Your Company is proactive in taking adequate steps for making optimum use of available energy resources. The objective of conservation of energy is achieved primarily by reviewing and implementing improved procedures in process cycle and by using energy efficient equipment. Resources are adequately deployed to meet these objectives.

The management of your Company had availed the services of an independent agency to carry out an exercise of Energy Audit at the Mill. The recommendations of the Energy Auditor are periodically reviewed and are under implementation in phases. These are likely to result in further conservation of energy in coming years.

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

FORM A

Part A – Power and Fuel Consumption

	2007-2008	2006-2007
1. Electricity		
(a) Purchase units (millions)	1.50	1.38
Total amount (Rs. in millions)	6.23	6.14
Rate/unit (Rs.)	4.15	4.44
(b) Own Generation		
(i) Through diesel generating units (millions)	0.76	0.69
Unit per litre of diesel oil	3.04	2.99
Cost/unit (Rs.)	12.70	10.27
(ii) Through steam turbine/generator	NIL	NIL
2. Coal	NIL	NIL
3. Furnace Oil		
Quantity (K. Lts.)	272.71	245.38
Total amount (Rs. in millions)	9.28	7.12
Average rate (Rs. Per litre)	34.01	29.30
4. Others/Internal generation	NIL	NIL

Part B – Consumption per unit of production

Product	Felts	Felts
Unit	Kgs.	Kgs.
Electricity	12.36	9.04
Furnace oil	1.83	1.07

B. TECHNOLOGY ABSORPTION**FORM B****Research & Development (R&D)**

Areas of concentration of regular Research and Development activities carried on by the Company have been as follows:-

- Quality upgradation of the products for total customer satisfaction;
- Introduction of new designs to meet the expectations of quality conscious market;
- Development of indigenous sources for import substitution.

Expenditure incurred on R&D during the year is given below:

	(Rs. in millions)
a) Capital	0.11
b) Recurring	5.90
c) Total (a+b)	6.01
d) Total R&D expenditure as a percentage of total turnover	<u>1.46%</u>

Technology Absorption, Adaptation & Innovation

Your Company has recently entered into an agreement with a Group Company which would allow us to exchange ideas and innovations in creating new designs and to further upgrade the quality of our products.

Your Company has adapted the technology resulting in improvements in production processes, reduction in levels of pollution and consumption of energy. To keep pace with continual advances in technology, the Company regularly reviews and tries to upgrade and modernise the equipment in alignment with the pertinent developments as they occur.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Exports during the year were Rs.28.75 millions. Your Company continues to explore new foreign markets and to enlarge its share in the existing markets.

	(Rs. in millions)
Foreign exchange earnings	30.10
Foreign exchange outgo	121.04

ANNEXURE II

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors Report for the year ended 30th September 2008:

Name	Age (years) as on 30.09.2008	Designation, Date of Commencement of employment, and Experience in years	Nature of Duties	Remuneration (Rs.)	Qualifications	Last Employment held
Mr. Manoj Kumar Kapoor	43	Managing Director 28 th July, 1992* 24 years	Day-to-day management of affairs of the Company	55,60,205/-	B.Com (Hons.), LLB, FCS, LMIMA, LMICA	Jaypee Hotels Limited Assistant Company Secretary

*Mr. Manoj Kumar Kapoor joined the Company on 28.07.1992, as Company Secretary and he became the Executive Director w.e.f. 01.02.2002. He was appointed as Managing Director of the Company with effect from 10.04.2004 for a period of five years.

NOTES :

1. The remuneration includes salary, allowances, medical benefits, Company's contribution to Provident Fund, Superannuation Fund and value of other perquisites.
2. The nature of employment is contractual.

REPORT ON CORPORATE GOVERNANCE

A. MANDATORY DISCLOSURES

1. Company's Philosophy on the code of Corporate Governance

As part of the Voith group, the Company's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical and transparent governance practices. It is our constant endeavour to achieve utmost customer satisfaction while striving for sustainable growth and value creation for all stakeholders.

The Company is in full compliance with the requirements of Corporate Governance under Clause 49 of the listing agreement with the Bombay Stock Exchange Limited. Like any other business process, Corporate Governance initiatives in Voith Paper Fabrics India Limited are also taken up with absolute seriousness and total commitment.

2. Board of Directors

The Board of Directors of the Company consists of five Directors, headed by a Non-executive Chairman. The day-to-day management of the Company is conducted by the Managing Director subject to the supervision and control of the Board of Directors of the Company.

All statutory and material information is made available to the Board of Directors to ensure adequate disclosures and a transparent decision making process.

During the year ended 30.09.2008, the Board met 5 times, on 23rd October and 21st November in the year 2007 and on 31st January, 18th April and 18th July in the year 2008.

The Composition of the Board of Directors, Attendance record and details of Directorships of Directors for the period ended 30.09.2008 are as follows:

Name of Director	Category	Board Meetings attended during the year	Attendance at last AGM held on 22.11.2007	Number of outside Directorships held (including Private Limited companies)		Number of other Committee Memberships	
				Indian Companies	Other Companies	As Chairman	As Member
Mr. Bertram Staudenmaier*	Non Executive Director and Nominee of the Holding Company	1	Present	Nil	Nil	Nil	Nil
Mr. C.K. Thanawala	Independent & Non-executive Director	5	Present	As Chairman: 0 As Director: 15	Nil	04	Nil
Mr. Biren De	Independent & Non-executive Director	5	Present	As Chairman: 0 As Director: 01	Nil	Nil	Nil
Mr. Ravinder Nath	Independent & Non-executive Director	5	Present	As Chairman: 0 As Director: 07	Nil	Nil	01
Mr. Manoj Kumar Kapoor	Executive Director designated as Managing Director	5	Present	Nil	Nil	Nil	Nil

* In terms of the provisions contained in the Articles of Association of your Company, VF Auslandsbeteiligungen GmbH, Germany, has withdrawn the nomination of Mr. Bertram Staudenmaier from the Office of Director and Chairman of the Company and has nominated Mr. Martin Gustav Scherrer as the Director and Chairman of the Board of Directors of your Company with effect from 02nd October 2008.

None of the directors of the Company have any inter-se relationship.

Details of shares of the Company held by the Directors and their relatives as on 30.09.2008:

Name of the Director	Shares held by the Director in the Company	Shares held by Relatives	Total Shares held
Mr. Bertram Staudenmaier	NIL	NIL	NIL
Mr. C.K.Thanawala	448	3136	3584
Mr. Biren De	1370	NIL	1370
Mr. Ravinder Nath	NIL	NIL	NIL
Mr. Manoj Kumar Kapoor	20	04	24

The statutory registers that are required to be kept under the various enactments are properly maintained and updated on periodical basis.

3. Committees of the Board

The Company has constituted following three Committees of the Board:

(i) Audit Committee

Terms of reference - The Audit Committee provides direction to the statutory & internal audit functions in the Company and monitors/ reviews the quality of financial management and internal audit & controls. It also oversees the financial reporting process for proper disclosure in the financial statements and recommends appointment, re-appointment and removal of the auditors and about fixing their remuneration and scope of audit. The Committee also reviews the periodical financial statements before the same are submitted to the Board, with particular reference to matters as required in terms of Clause 49 of the Listing Agreement.

Composition - The Audit Committee of the Board of Directors is comprised of three Independent and Non-executive Directors. The Committee is chaired by Mr. C. K. Thanawala, a qualified AMBIM & ACWA from the United Kingdom. Mr. Biren De and Mr. Ravinder Nath are the other members of this Committee.

Four meetings of the Audit Committee were held during the year as per details given below:

Date of the Meeting	Purpose of the meeting
23rd October, 2007	To review the Audited Financial Results for the period ended on 30th September 2007.
31st January, 2008	To review the Audited Financial Results of the Company for the period ended on 31st December 2007.
18th April, 2008	To review the Audited Financial Results of the Company for the period ended on 31st March 2008.
18th July, 2008	To review the Audited Financial Results of the Company for the period ended on 30th June 2008.

These four meetings were attended by all the constituents of the Audit Committee.

Mr. C.S. Gugliani, Company Secretary, is the Secretary to the Committee.

(ii) Remuneration Committee

Terms of reference - The functions of the Remuneration Committee include approval of the matters relating to terms and conditions of employment of managerial personnel of the Company, covering recommendations for grant of remuneration to the Whole time/ Managing Director(s), and evaluation of their performance, besides formulating remuneration policy(s) in relation thereto, etc.

Composition - The Remuneration Committee of the Board of Directors comprises of three Independent and Non-executive Directors. Mr. Biren De, a qualified Engineer, chairs the Committee. Mr. C.K. Thanawala and Mr. Ravinder Nath are other members of this Committee. Four meetings of the Remuneration Committee were held during the year, on 23rd October in the year 2007 and on 31st January, 18th April and 18th July in the year 2008, which were attended by all the members.

Remuneration policy - The Managing Director is paid remuneration as approved by the Board of Directors on the recommendation of the Remuneration Committee. The remuneration is decided considering various factors such as qualification, experience, expertise, and capability of the appointee, remuneration prevailing in the industry, financial position of the Company, etc.

The following payments are made to the Non-executive Directors (except the Nominee of VF Auslandsbeteiligungen GmbH):

1. Sitting Fees @ Rs.5,000/- (Rupees Five Thousand Only) is paid to them for attending each meeting of the Board of Directors and/ or its Committees.
2. Commission @ 0.5% (half per cent) of the net profits of the Company during the year from 01.10.2007 to 30.09.2008.

The following are the details of the remuneration (including perquisites and retirement benefits) paid/ payable to the Managing Director, Mr. Manoj Kumar Kapoor, during the year ended on September 30, 2008.

Particulars	Amount (Rs.)
Salary & Allowances	36,02,868
Contribution to Provident & Other Funds	13,87,851
Value of other perquisites (actual and / or as evaluated under the Income Tax Rules)	5,69,486
Total	55,60,205

Note: Liability of Gratuity not ascertainable since it is funded through Group Gratuity scheme of LIC.

The Details of Sitting Fees paid to the Independent Directors during the year are as follows:

Name of the Director	Sitting Fees (in Rs.) paid for attending meetings of				Total Sitting Fees paid (Rs.)
	Board of Directors	Audit Committee	Remuneration Committee	Investor Grievances Committee	
Mr. C. K. Thanawala	25,000	20,000	20,000	-	65,000
Mr. Biren De	25,000	20,000	20,000	-	65,000
Mr. Ravinder Nath	25,000	20,000	20,000	20,000	65,000

The Details of Commission paid / payable to the Independent and Non-executive Directors during the year are as follows:

Name of Director	Total Commission paid / payable (Rs.)
Mr. C.K. Thanawala	1,85,340
Mr. Biren De	1,85,340
Mr. Ravinder Nath	1,85,340

(iii) Investor Grievances Committee

Terms of reference - The functions of the Investor Grievances Committee include overseeing the allotment/ approvals & rejection of transfer/ transmission of shares, issue of duplicate share certificates, review and redressal of the investors' complaints and compliance of listing requirements including dematerialization and/ or rematerialization of securities.

Composition - The Investor Grievances Committee comprises of two Directors, one Independent and Non-executive Director besides the Managing Director, Mr. Manoj Kumar Kapoor. The Independent & Non-executive Director, Mr. Ravinder Nath, an advocate by profession, chairs the meetings of the Committee. Four meetings of the Investor Grievances Committee were held during the year, on 23rd October 2007, 31st January 2008 and 18th April 2008 and 18th July 2008, which were attended by both the members.

Mr. C.S. Gugliani, Company Secretary, is the Compliance Officer.

Details of Share Transfers and other Investor complaints received & disposed off during the year are as follows:

Particulars	Share Transfers	Other Complaints
No. of complaints pending as on 01.10.2007	NIL	NIL
No. of cases received during the period 01.10.2007 to 30.09.2008	31	5
No. of cases disposed off during the period 01.10.2007 to 30.09.2008	31	5
No. of cases pending as on 30.09.2008	NIL	NIL

4. General Body Meetings

Details pertaining to last three Annual General Meetings of your Company are given below:

Year (AGM)	Venue	Day & Date	Time
2007 (38 th)	Magpie Tourist Complex of Haryana Tourism Corporation Limited Sector 16A, Mathura Road, Faridabad	Thursday, 22.11.2007	11:30 a.m.
2006 (37 th)	Magpie Tourist Complex of Haryana Tourism Corporation Limited Sector 16A, Mathura Road, Faridabad	Wednesday, 06.12.2006	11:30 a.m.
2005 (36 th)	Magpie Tourist Complex of Haryana Tourism Corporation Limited Sector 16A, Mathura Road, Faridabad	Friday, 02.12.2005	10:30 a.m.

Special Resolutions:

The following Special Resolutions were passed at the last three Annual General Meetings:

Year (AGM)	Matters for which Special Resolutions were passed
2007 (38 th)	1. Appointment of Selling Agents of the Company in Pakistan and Bangladesh. 2. Change in name of the Company
2006 (37 th)	None
2005 (36 th)	1. Payment of Commission to Non-Executive Directors of the Company

Special Resolution through Postal Ballot:

There was no item during the year under review that was required to be passed through the process of Postal Ballot. The requirement of Postal Ballot shall be complied with, wherever applicable, as required by law. As on date, there is no Special Resolution proposed to be passed through Postal Ballot.

5. Disclosures:

During the year ended 30th September 2008, there has been no materially significant transaction entered by the Company with any party, which is considered to have potential conflict with the interest of the Company at large.

There has not been any non-compliance, and no penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or any such other statutory authority, on any matter relating to the capital markets, during the last three years.

The Company has not yet put in place the Whistle Blower Policy. However, no person has been denied access to the Audit Committee of the Board of Directors of the Company.

The Company has fully complied with the Mandatory Requirements of Clause 49 of the Listing Agreement.

Disclosures of Accounting Treatment:

While preparation of the Financial Statements, the Accounting Standards, issued by The Institute of Chartered Accountants of India (ICAI), have been strictly followed and there is no deviation in any respect.

6. Means of Communication:

The financial results of the Company are normally published in The Economic Times, Financial Express, Jansatta and Navbharat Times. The financial results are also displayed on the Company's website and can be accessed through the following URL:

www.voithpaperfabricsindia.com

The Company also complies with the requirements of Clause 51 of the Listing Agreement with respect to EDIFAR (Electronic Data Information Filing and Retrieval) filing. Accordingly, the relevant information is also available on the website www.sebledifar.nic.in maintained by SEBI / NIC in this regard.

Your Company believes that all the stakeholders should have access to adequate information about the Company. All information, which could have a material bearing on the share prices, is released at the earliest. The Company keeps on updating its website to provide comprehensive relevant information.

7. General Shareholder Information:

Annual General Meeting:

Day & Date	Time	Venue
Thursday, 4 th December, 2008	3:30 p.m.	Magpie Tourist Complex of Haryana Tourism Corporation Limited, Sector-16A, Mathura Road, Faridabad

Financial Calendar :

1st October 2008 to 30th September 2009

Taking on record / publication of Quarterly results (tentative) for the Quarter ending

Results for Quarter I (01.10.2008 to 31.12.2008): in January 2009

Results for Quarter II (01.01.2009 to 31.03.2009): in April 2009

Results for Quarter III (01.04.2009 to 30.06.2009): in July 2009

Results for Quarter IV (01.07.2009 to 30.09.2009): in October 2009

Book Closure and Dividend Payment Date:

Book closure: From Tuesday, 11th November 2008 to Thursday, 04th December 2008 (both days inclusive)

Dividend payment date: within 30 days from the date of declaration of Dividend.

Listing on Stock Exchange:

The Equity Shares of the Company are listed on The Bombay Stock Exchange Limited, Mumbai (BSE), under 'S' group in the BSE INDONEXT Segment.

The Company confirms that it has paid annual listing fees, to the Bombay Stock Exchange Limited, for the year 2008-2009.

Stock Code:

The Bombay Stock Exchange Limited, Mumbai (BSE) : 522122

ISIN No. for NSDL/CDSL : INE 285C01015

Market Price Information:

The monthly high and low closing prices of the shares traded during the year ended 30th September, 2008 on The Bombay Stock Exchange Limited, Mumbai are given below:

Month	High (Rs.)	Low (Rs.)
October, 2007	225.00	192.65
November, 2007	220.00	192.65
December, 2007	285.00	198.00
January, 2008	263.95	152.00
February, 2008	200.00	153.65
March, 2008	179.40	122.60
April, 2008	161.00	133.00
May, 2008	144.70	121.10
June, 2008	136.00	102.30
July, 2008	129.00	102.10
August, 2008	130.90	101.15
September, 2008	154.40	93.50

Source: BSE website

Registrar & Transfer Agent:

MCS Limited

Sri Venkatesh Bhavan,

W-40, Okhla Industrial Area Phase-II, New Delhi-110020, Phone: +91-11-41406149-51, Fax: +91-11-41709881, E-mail: admin@mcsdel.com

Members may address their queries to MCS Limited at the address mentioned above.

Share Transfer System:

MCS Limited handles the investor services of the Company.

As per the requirement of SEBI guidelines, the Company's shares are to be traded only in dematerialized form.

Physical share transfers are registered within a period of 30 days from the date of receipt, if the documents are found correct and valid in all respects.

Information on Shareholding:

(A) Shareholding Pattern of the Company as on 30th September, 2008

Category code	Category of Shareholder	No. of Share-holders	Total No. of Shares	No. of shares held in dematerialised form	Total shareholding as a percentage of total number of shares	
(A)	Shareholding of Promoter and Promoter group				As a % of (A+B)	As a % of (A+B+C)
	(1) Indian					
	(a) Individuals/HUF	–	–	–	0.000%	0.000%
	(b) Central/State Government(s)	–	–	–	0.000%	0.000%
	(c) Bodies Corporate	–	–	–	0.000%	0.000%
	(d) Financial Institutions/ Banks	–	–	–	0.000%	0.000%
	(e) Any Other (specify)	–	–	–	0.000%	0.000%
	Sub Total (A)(1)	–	–	–	0.000%	0.000%
	(2) Foreign					
	(a) Individuals (Non-Resident Individuals/ Foreign Individuals)	–	–	–	0.000%	0.000%
	(b) Bodies Corporate	1	3,252,418	–	74.044%	74.044%
	(c) Institutions	–	–	–	0.000%	0.000%
	(d) Any Other (specify)	–	–	–	0.000%	0.000%
	Sub Total (A)(2)	1	3,252,418	–	74.044%	74.044%
	Total Shareholding of Promoter & Promoters Group (A)=(A)(1)+(A)(2)	1	3,252,418	–	74.044%	74.044%
(B)	Public shareholding					
	(1) Institutions					
	(a) Mutual Funds/UTI	–	–	–	0.000%	0.000%
	(b) Financial Institutions / Banks	5	706	352	0.016%	0.016%
	(c) Central/State Government(s)	–	–	–	0.000%	0.000%
	(d) Venture Capital Funds	–	–	–	0.000%	0.000%
	(e) Insurance Companies	2	63,147	63,072	1.438%	1.438%
	(f) Foreign Institutional Investors	–	–	–	0.000%	0.000%
	(g) Foreign Venture Capital Investors	–	–	–	0.000%	0.000%
	(h) Any Other (specify)	–	–	–	0.000%	0.000%
	Sub Total (B)(1)	7	63,853	63,424	1.454%	1.454%
	(2) Non institutions					
	(a) Bodies Corporate	140	112,323	105,067	2.557%	2.557%
	(b) Individuals					
	i. Individual shareholders holding nominal share Capital up to Rs.1 Lakh	3857	842,123	608,426	19.172%	19.172%
	ii. Individual Shareholders holding nominal share capital in excess of Rs.1 lakh	6	97,753	97,753	2.225%	2.225%
	(c) NRIs	39	24,089	20,343	0.548%	0.548%
	Sub-Total (B)(2)	4042	1,076,288	831,589	24.503%	24.503%
	Total Public shareholding (B)=(B)(1)+(B)(2)	4049	1,140,141	895,013	25.996%	25.996%
	TOTAL (A)+(B)	4050	4,392,559	895,013	100.000%	100.000%
(C)	Shares held by Custodians and against which Depository Receipts have been issued	–	–	–	0.000%	0.000%
	Grand Total (A+B+C)	4050	4,392,559	895,013	100.000%	100.000%

(B) Shareholders with more than one percent holding as on 30th September, 2008

Sl. No.	Name of the shareholder	No. of shares held	% of shares held
A.	VF Auslandsbeteiligungen GmbH, Germany	32,52,418	74.04
B.	The Oriental Insurance Company Ltd.	63,072	1.436

(C) Distribution of shareholding as on 30th September, 2008

No. of shares held (Range)	No. of shareholders	No. of shares	% to total shares
1 - 500	3638	408703	9.3044
501 - 1000	240	172565	3.9286
1001 - 2000	109	151695	3.4535
2001 - 3000	21	50356	1.1464
3001 - 4000	8	27067	0.6162
4001 - 5000	14	63601	1.4479
5001 - 10000	10	70670	1.6089
10001 - 50000	8	132412	3.0145
50001 - 100000	1	63072	1.4359
100001 and above	1	3252418	74.0438
Total	4050	4392559	100.0000

Dematerialization of Shares:

The Company's shares are available for trading in the depository systems of both the National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL).

8,95,013 equity shares of the Company, forming 20.38% of total shareholding and representing 78.5% of the public shareholding, stand dematerialized as on 30th September 2008.

Liquidity of Shares:

The Equity shares of the Company are included for trading in the 'S' Group of the BSE INDONEXT Segment at the Bombay Stock Exchange Limited, Mumbai (BSE).

Further, in terms of SEBI circular no. D&CC/fittc/cir-16/2002 dated December 31, 2002, a Secretarial Audit is being conducted on a Quarterly basis by a firm of Company Secretaries, for the purpose of, inter alia, reconciliation of the total admitted equity share capital with the depositories and in the physical form with the total issued/paid up equity share capital of the Company.

Certificates issued in this regard are placed before the Board of Directors and forwarded to the Bombay Stock Exchange Limited, where the equity shares of the Company are listed.

Outstanding ADR's / GDR's / Warrants or other Convertible Instruments:

Till date your Company has not issued any ADR/GDR/Warrant or any other convertible instrument.

Plant Location:

113/114A, Sector-24, Faridabad -121005, Haryana

Address for Correspondence:

The Company Secretary,
Voith Paper Fabrics India Limited
113/114A, Sector-24, Faridabad- 121005, Haryana
Phone : 0129-2233721-22, 4292200 Fax : 0129-2232072
E-mail : voithfabrics.faridabad@voith.com

Further, in terms of Clause 47(f) of the Listing Agreement, your Company has a dedicated e-mail ID, i.e. investorcare.vffa@voith.com, at which the investors can send their queries, suggestions, register complaints and grievances.

CEO & CFO Certification:

The Board confirms that the CEO & CFO have placed before it a certificate relating to the financial statements, regularly.

Code of Conduct:

The Company has formulated a Code of Conduct for its Board of Directors and members of the Senior Management. The Code of Conduct is available on the website of the Company.

Declaration by the Managing Director

It is hereby declared that in terms of the requirements of Clause 49 of the Listing Agreement, the Code of Conduct for the Board of Directors and the members of Senior Management of the Company is available for reference of public at large, on the website of the Company www.voithpaperfabricsindia.com

Further, the Company has also obtained affirmation from each individual member of the Board of Directors and the Senior Management confirming that none of them has violated the conditions of the said Code of Conduct.

For Voith Paper Fabrics India Limited

Manoj Kumar Kapoor
Managing Director

B. ADOPTION OF NON-MANDATORY REQUIREMENTS:

1. The corporate office of the Company does not bear the expenses of the office of the Chairman, as he is stationed outside India.
2. Presently, the Company does not have a limit on the tenure of Independent Directors.
3. The details regarding the Remuneration Committee are available in the preceding pages.
4. The Company's Quarterly results and other material information are published in leading daily English newspapers and local language newspapers and are also displayed on the Company's website besides being available for public viewing at website of SEBI on the EDIFAR link. Therefore, the half yearly results including summary of the significant events are not separately sent to the shareholders of the Company.
5. The Company does not have any qualifications from the Auditors in its Financial Statements.
6. The Company has not yet put in place a structure to provide trainings to its Board members and/ or to evaluate their performance.
7. The Company has not yet formulated any Whistle Blower Policy.

Compliance Certificate:

The Company has obtained a certificate from a Company Secretary in practice regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and the same is reproduced below:

Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement

To

The Members of **Voith Paper Fabrics India Limited**

113/114-A, Sector-24, Faridabad-121005 (Haryana)

I have reviewed the implementation of Corporate Governance procedures by M/s. Voith Paper Fabrics India Limited (Formerly Known as Porritts & Spencer (Asia) Limited) during the year ended 30th September, 2008 with the relevant records and documents maintained by the Company furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The Compliances of conditions of Corporate Governance is the responsibility of the management, our examination was limited to a review of procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

I further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency of effectiveness with which the management has conducted the affairs of the Company.

On the basis of my review and according to the information and explanation to me, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement(s) with the stock exchange(s) have been complied with in all material respect by the company and that no investor grievance(s) is/are pending for a period exceeding one month against the company as per the records maintained by the Investor Grievances Committee.

For M. BANGIA & ASSOCIATES

Company Secretaries

Place : New Delhi

Date : 24th October, 2008

Manoj Bangia

Proprietor

C. P. No. : 3655

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENTS:

Voith Paper Fabrics India Limited [formerly Porritts & Spencer (Asia) Limited], is a part of the Voith Group, Germany. The Company is mainly engaged in the manufacture and sale of Industrial Felts which are used in pulp paper, paperboard, fibre-cement, textiles and hotel industries etc. The Company is the single largest Indian manufacturer of the entire range of paper machine clothing and enjoys the major stake of the market share in this industry in India.

Your Company is a source of high-performance fabrics which help the Paper Industry to enhance the quality of its products in terms of parameters like sheet smoothness, printability for graphics paper, softness and absorbency for tissue, strength for packaging grades and overall machine efficiency. Simultaneously, the products of your Company help the Paper Mills to boost their production volumes and deliver superior quality of paper in the market.

OUR STRENGTHS:

Your Company continues to be the market leader in the industry segment. The Company is the only Indian manufacturer producing the entire range of paper machine clothing. The Company's products enjoy very high standing in the market due to constant enhancement in quality and efficient after sales services, provided by a dedicated and experienced technical support team.

During the year under review, your Company has augmented its manufacturing facilities by importing some equipment which shall result in increased production and superior quality of products for the customers.

Further, as part of the Voith Group, your Company has access to the latest technological developments, thereby having an edge over the competitors. Our innovative fabric designs help the papermakers to apply the best machine clothing solutions to improve sheet properties and their profitability.

OUR WEAKNESSES:

The major consumers of the Company's products are the Paper Industry and the Fibre-cement Industry. Therefore, the prospects of the Company are mainly dependent on the growth of these two industries.

Further, a major part of the raw materials is imported and is subject to the policies of the Government, in force from time to time, and fluctuations in the rate of exchange.

OPPORTUNITIES:

The pulp & paper industry in India has a tremendous growth potential. Many existing papermakers are in the process of expanding their production capacities and some new players have also indicated their intention to set up paper mills in India, which can be a good opportunity for your Company, as it shall result in increased demand for the products of your Company in future.

Your Company is already catering to the overseas customers and trying to explore further opportunities abroad.

THREATS:

Due to opening up of the Indian Economy, duties on imports have been rationalized in a phased manner in the past. This has resulted in more and more new entrants in the business segment, which may adversely affect the market share of your Company in coming times. However, we have tried to prepare ourselves to withstand any such situation without much problem.

Further, the volatility in value of the Rupee vis-à-vis other foreign currencies may impact the imports as well as the exports made by your Company.

SEGMENT WISE REPORTING:

The Company is mainly engaged in the manufacture and sale of Industrial Felts. Accordingly, there is no separate reportable segment as per Accounting Standard -17 issued by the Institute of Chartered Accountants of India.

OUTLOOK:

Global paper industry has shown an upward trend and accordingly the Indian paper Industry has also started looking up. India's per capita consumption of paper is around 7 kgs. as compared to 30 kgs. in the Asia Pacific Region and the world average of per capita paper consumption of 55 kgs. With the initiatives taken by the Government to focus on providing education to every child, it is expected that there would be an increase in the literacy rate and with the growth of the economy, an increase in the per capita consumption of paper is expected in future.

The demand for upstream market of paper products, like, tissue paper, tea bags, filter paper, light weight coated paper, medical grade coated paper, etc., is gradually picking up. These developments are expected to give fillip to the paper industry and in turn to your Company also.

Your Company is well poised and confident of exploiting this opportunity and aims to become the most reliable and preferred paper machine clothing supplier to the customers.

RISKS & CONCERNS:

The Company has a risk management committee which considers the present and future risks, based on the past experiences. The committee tries to remain vigilant about all prospective risks and takes adequate preventive actions for the same accordingly.

Your Company also follows the norms of ISO-14001 and OHSAS-18001 and sincerely tries to provide a risk free working environment to its employees by making available adequate personal & equipment safety gears to them, at the same time ensuring that the environment also does not get unduly polluted and parameters remain under the prescribed norms.

INTERNAL CONTROL SYSTEMS & ADEQUACY:

The Company has appointed M/s Lodha & Co., Chartered Accountants, New Delhi, as its internal auditors and they periodically test the efficacy of the internal control systems. As per their report, the Company has adequate internal control systems commensurate with its size. The Audit Committee of its Board of Directors, comprising of Independent Directors, also reviews the internal control systems and their adequacy at regular intervals.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

During the year under review, the operations and performance of the Company were affected due to certain industrial constraints and relocation of some equipment.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT:

Your Company views its human capital as a key differentiator to gain competitive advantage. A blend of youth and experience has created a multi-skilled team that has imparted flexibility to the organization to capitalize on the opportunities and deliver value to all stakeholders.

The industrial relations in the Company have generally remained healthy, cordial and harmonious.

There were 173 permanent employees on the rolls of the Company as on 30.09.2008.

CAUTIONARY STATEMENT:

Statements in this report describing the current industry structure, outlook, opportunities, etc. may be treated as "forward looking statements" within the meaning of applicable securities laws and regulations. The same are based on certain assumptions and expectations of future events. The actual results may substantially differ from those expressed or implied. The actual outcome would depend on the exact global political, economic and social situation in the coming year. Further, government regulations, tax structure, demand & supply conditions, cost of raw materials & their availability and other related/ incidental factors can also have a bearing on the above statements.

AUDITORS' REPORT

TO THE MEMBERS OF VOITH PAPER FABRICS INDIA LIMITED

1. We have audited the attached Balance Sheet of Voith Paper Fabrics India Limited (formerly known as Porritts & Spencer (Asia) Limited) as at September 30, 2008 and also the Profit and Loss account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit & loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit & loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on September 30, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at September 30, 2008;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **S. R. Batliboi & Co.**
Chartered Accountants

per **Rajiv Goyal**
Partner

Membership No.: 94549

Date : 24th October, 2008

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

Re: Voith Paper Fabrics India Limited (formerly known as Porritts & Spencer (Asia) Limited)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) *There was no substantial disposal of fixed assets during the year.*
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses 4 (iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) (herein referred to as the Order), are not applicable.
- (e) As informed, the Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clause 4 (v) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) Undisputed statutory dues including provident fund, employees' state insurance, investor education and protection fund, income-tax, sales-tax, service tax, wealth-tax, custom duty, excise duty, cess have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues of income tax, sales-tax, investor education and protection fund, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute are given below:

Name of the statute	Nature of dues	Amount demanded by Authority (Rs.)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Penalty & Interest	2,285,281	2002-03	Central Excise Tribunal
Textile Committee Act, 1962	Cess	325,391	1998-2007	Textile Committee Cess Tribunal

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year. Accordingly, paragraph 4(xi) of the Order is not applicable
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S. R. Batliboi & Co.**
Chartered Accountants

per **Rajiv Goyal**
Partner

Membership No.: 94549

Date: 24th October, 2008

BALANCE SHEET AS AT SEPTEMBER 30, 2008

	SCHEDULES	AS AT	
		SEPTEMBER 30, 2008	SEPTEMBER 30, 2007
		AMOUNT Rs.	AMOUNT Rs.
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	43,925,590	43,925,590
b) Reserves & Surplus	2	791,880,943	739,383,874
2. Deferred Tax Liabilities (Net)	3	15,277,302	11,791,504
TOTAL		851,083,835	795,100,968
II. APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	4	557,843,367	526,745,234
Less : Accumulated Depreciation		288,435,240	260,752,757
Net Block		269,408,127	265,992,477
b) Capital Work-in-Progress		28,313,141	250,000
[including capital advances Rs. 997,279 (Previous year - Rs. 250,000)]			266,242,477
2. Current Assets, Loans and Advances			
a) Inventories	5	95,161,347	104,730,049
b) Sundry Debtors	6	81,218,590	70,260,962
c) Cash and Bank Balances	7	381,326,251	384,551,818
d) Other Current Assets	8	14,492,786	14,448,132
e) Loans and Advances	9	53,247,802	26,086,712
Sub-Total (A)		625,446,776	600,077,673
Less: Current Liabilities and Provisions			
Current Liabilities	10	42,819,668	37,989,458
Provisions	11	29,264,541	33,229,724
Sub-Total (B)		72,084,209	71,219,182
Net Current Assets (A - B)		553,362,567	528,858,491
TOTAL		851,083,835	795,100,968
III. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	19		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date.

For **S. R. Batliboi & Co.**
Chartered Accountants

per **Rajiv Goyal**
Partner
Membership No. 94549

Place : New Delhi
Dated : 24th October, 2008

For and on behalf of the Board of Directors of
Voith Paper Fabrics India Limited

C.K. Thanawala
Director

Manoj Kumar Kapoor
Managing Director

Biren De
Director

R. Nath
Director

C. S. Gugliani
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2008

	SCHEDULES	FOR THE YEAR ENDED SEPTEMBER 30, 2008 AMOUNT Rs.	FOR THE YEAR ENDED SEPTEMBER 30, 2007 AMOUNT Rs.
I. INCOME			
Turnover			
Sales (gross)		442,488,233	486,645,407
Less : Excise duty (Refer Note 11 of Schedule 19)		<u>32,142,377</u>	<u>35,455,299</u>
Other income	12	45,122,459	28,893,494
TOTAL		<u>455,468,315</u>	<u>480,083,602</u>
II. EXPENDITURE			
Raw materials consumed	13	103,302,832	111,407,864
(Increase)/decrease in inventories	14	5,067,689	903,768
Personnel expenses	15	83,922,557	78,692,228
Other Manufacturing, Administrative, Selling and Distribution Expenses	16	127,376,707	117,151,798
Depreciation		28,920,819	29,675,106
Finance expenses	17	698,557	838,793
TOTAL		<u>349,289,161</u>	<u>338,669,557</u>
Profit for the year before tax		106,179,154	141,414,045
Provision for tax			
Corporate Tax			
– for Current Year		32,653,072	50,000,000
– for Previous Years		–	(11,556,425)
Deferred Tax expense		3,485,798	364,244
Fringe Benefit Tax		2,077,991	2,100,000
Wealth Tax		48,000	48,000
Total tax expense for the period		<u>38,264,861</u>	<u>40,955,819</u>
Profit for the year after tax		67,914,293	100,458,226
Balance Brought Forward		253,769,747	178,774,568
PROFIT AVAILABLE FOR APPROPRIATION		<u>321,684,040</u>	<u>279,232,794</u>
Appropriations:			
Proposed dividend		13,177,677	13,177,677
Tax on dividend		2,239,547	2,239,547
Transfer to General Reserve		6,788,835	10,045,823
Surplus carried to Balance Sheet		<u>299,477,981</u>	<u>253,769,747</u>
Earnings per share (EPS)	18	15.46	22.87
Basic and diluted [Nominal value of share Rs.10, (Previous year Rs.10)]			
III. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	19		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date.

For **S. R. Batliboi & Co.**
Chartered Accountants

per **Rajiv Goyal**
Partner
Membership No. 94549

Place : New Delhi
Dated : 24th October, 2008

For and on behalf of the Board of Directors of
Voith Paper Fabrics India Limited

C.K. Thanawala
Director

Manoj Kumar Kapoor
Managing Director

Biren De
Director

R. Nath
Director

C. S. Gugliani
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2008

	FOR THE YEAR ENDED SEPTEMBER 30, 2008 AMOUNT Rs.	FOR THE YEAR ENDED SEPTEMBER 30, 2007 AMOUNT Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax for the year	106,179,154	141,414,045
Adjustments for:		
Depreciation	28,920,819	29,675,106
Loss on disposal of fixed assets	24,383	116,348
Interest income	(36,272,818)	(26,914,767)
Interest paid	120	41,070
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	98,851,658	144,331,802
Movements in working capital :		
Decrease/(Increase) in sundry debtors	(10,957,628)	19,308,022
Decrease/(Increase) in inventories	9,568,702	7,251,331
Decrease/(Increase) in loans and advances	(7,610,700)	10,656,280
(Decrease)/Increase in current liabilities and provisions	2,023,829	(1,886,886)
Net cash from operating activities	91,875,861	179,660,549
Direct Taxes Paid (net of refunds)	(55,349,751)	(50,983,718)
NET CASH INFLOW FROM OPERATING ACTIVITIES	36,526,110	128,676,831
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(60,425,751)	(39,835,632)
Sale Proceeds of fixed assets	1,758	110,052
Interest received	36,228,164	21,419,554
Movement in fixed deposits with Banks	9,112,707	(95,623,706)
NET CASH USED IN INVESTING ACTIVITIES	(15,083,122)	(113,929,732)

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2008

	FOR THE YEAR ENDED SEPTEMBER 30, 2008 AMOUNT Rs.	FOR THE YEAR ENDED SEPTEMBER 30, 2007 AMOUNT Rs.
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	(13,316,181)	(12,993,563)
Tax on dividend paid	(2,239,547)	(1,848,169)
Interest paid	(120)	(41,070)
NET CASH USED IN FINANCING ACTIVITIES	(15,555,848)	(14,882,802)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	5,887,140	(135,703)
Cash and cash equivalents at the beginning of the period	14,581,999	14,717,702
Cash and cash equivalents at the end of the period	20,469,139	14,581,999

Cash and cash equivalents included in the Cash Flow Statement comprise the following Balance Sheet amounts :

	AS AT SEPTEMBER 30, 2008 AMOUNT (Rs.)	AS AT SEPTEMBER 30, 2007 AMOUNT (Rs.)
Cash and cheques on hand	1,357,567	32,584
With scheduled banks :		
– on Current Accounts	17,119,745	12,268,575
– on EEFC Account	730,504	881,013
– On Unclaimed Dividend Accounts	1,261,323	1,399,827

Note: The above Cash Flow Statement has been prepared under the "Indirect Method" as stated in Accounting Standard 3 on the Cash Flow Statement.

As per our report of even date.

For **S. R. Batliboi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors of
Voith Paper Fabrics India Limited

per **Rajiv Goyal**
Partner
Membership No. 94549

C.K. Thanawala
Director

Biren De
Director

R. Nath
Director

Place : New Delhi
Dated : 24th October, 2008

Manoj Kumar Kapoor
Managing Director

C. S. Gugliani
Company Secretary

SCHEDULES

Schedules 1 to 19 annexed to and forming part of the accounts

	AS AT SEPTEMBER 30, 2008 AMOUNT Rs.	AS AT SEPTEMBER 30, 2007 AMOUNT Rs.
SCHEDULE 1 - SHARE CAPITAL		
AUTHORISED		
25,000,000 (Previous year 25,000,000) equity shares of Rs. 10 each	<u>250,000,000</u>	250,000,000
	<u>250,000,000</u>	<u>250,000,000</u>
ISSUED AND SUBSCRIBED		
4,392,559 (Previous year 4,392,559) equity shares of Rs.10 each fully paid	<u>43,925,590</u>	43,925,590
	<u>43,925,590</u>	<u>43,925,590</u>

NOTES

- (a) 3,252,418 (PY - 3,252,418) equity shares of Rs.10 each are held as fully paid by Holding Company, VF Auslandsbeteiligungen GmbH.
- (b) 580,482 (PY - 580,482) equity shares of Rs. 10 each were allotted as fully paid pursuant to a contract for consideration other than cash in earlier years.
- (c) 3,412,077 (PY- 3,412,077) equity shares of Rs.10 each were allotted as fully paid by way of bonus shares by capitalisation of Reserves in earlier years.

	AS AT SEPTEMBER 30, 2008 AMOUNT Rs.	AS AT SEPTEMBER 30, 2007 AMOUNT Rs.
SCHEDULE 2 - RESERVES AND SURPLUS		
GENERAL RESERVE		
Balance as per last account	485,614,127	475,568,304
Add: Transfer from Profit and Loss Account	6,788,835	10,045,823
	<u>492,402,962</u>	<u>485,614,127</u>
Profit and Loss Account	299,477,981	253,769,747
	<u>791,880,943</u>	<u>739,383,874</u>

SCHEDULE 3 - DEFERRED TAX LIABILITIES

Deferred Tax Liabilities

Differences in depreciation and other differences in block of fixed assets as per tax books and financial books

20,939,167

19,034,184

Gross Deferred Tax Liabilities

20,939,167

19,034,184

Deferred Tax Assets

Effect of expenditure debited to profit and loss account in the current period/earlier periods but allowed for tax purposes in following years

4,451,796

5,588,612

Provision for doubtful debts and advances

1,210,069

1,654,068

Gross Deferred Tax Assets

5,661,865

7,242,680

Net Deferred Tax Liabilities

15,277,302

11,791,504

SCHEDULE 4 - FIXED ASSETS

	GROSS BLOCK			ACCUMULATED DEPRECIATION / AMORTISATION				NET BLOCK		
	As at Oct 1, 2007	Additions during the year	Deductions during the year	As at Sep 30, 2008	As at Oct 1, 2007	For the Year	On deductions	As at Sep 30, 2008	As at Sep 30, 2008	As at Sep 30, 2007
	(Amount in Rs.)									
Freehold land	1,809,080	-	-	1,809,080	-	-	-	-	1,809,080	1,809,080
Buildings	93,334,257	-	-	93,334,257	18,027,990	3,252,782	-	21,280,772	72,053,485	75,306,267
Plant and Machinery	390,391,437	29,727,801	61,250	420,057,988	222,822,278	22,055,867	60,317	244,817,828	175,240,160	167,569,159
Furniture and Fittings *	30,835,934	2,634,809	1,203,227	32,267,516	16,571,185	2,626,592	1,178,019	18,019,758	14,247,758	14,264,749
Vehicles	10,374,526	-	-	10,374,526	3,331,304	985,578	-	4,316,882	6,057,644	7,043,222
Total	526,745,234	32,362,610	1,264,477	557,843,367	260,752,757	28,920,819	1,238,336	288,435,240	269,408,127	265,992,477
Previous Year	384,601,613	144,024,172	1,880,551	526,745,234	232,731,802	29,675,106	1,654,151	260,752,757	265,992,477	151,869,811

Note:

Additions to plant and machinery includes Rs.Nil (Previous year Rs.1,878,559) on account of foreign exchange fluctuation.

*Includes office equipment - Gross Block Rs 26,856,899 (Previous year Rs.25,947,743) and Net Block Rs.11,528,946 (Previous year Rs.11,600,356)

	AS AT SEPTEMBER 30, 2008 AMOUNT Rs.	AS AT SEPTEMBER 30, 2007 AMOUNT Rs.
SCHEDULE 5 - INVENTORIES		
Stores and Spare Parts	13,773,647	11,551,168
Raw Materials [including stock in transit Rs. 1,985,832 (Previous year Rs. 6,580,081)]	37,933,616	41,794,709
Work-in- Progress	22,907,925	15,482,408
Finished Goods	20,546,159	35,901,764
	<u>95,161,347</u>	<u>104,730,049</u>
SCHEDULE 6 - SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured considered good	1,664,714	1,677,905
Unsecured considered doubtful	2,611,784	3,791,610
Other debts		
Unsecured considered good	79,553,876	68,583,057
	<u>83,830,374</u>	<u>74,052,572</u>
Less: Provision for doubtful debts	2,611,784	3,791,610
	<u>81,218,590</u>	<u>70,260,962</u>
[[Included in Sundry Debtors are: Dues from companies under the same management "Voith Fabris Ipoh Sdn Bhd (IPOH) Rs. 1,237,615 (Previous Year-Rs.234,137) Voith Paper Fabrics (VFIS) Asia Pacific Rs. 922,159) (Previous Year - Nil)"]		
SCHEDULE 7 - CASH AND BANK BALANCES		
Cash on hand	3,124	32,584
Cheque in hand	1,854,443	-
Balances with scheduled banks		
On current accounts	17,119,745	12,268,575
On EEFC accounts	730,504	881,013
On Unclaimed dividend accounts	1,261,323	1,399,827
On Deposit accounts(*)	360,857,112	369,969,819
	<u>381,326,251</u>	<u>384,551,818</u>
* includes Rs. 1,230,413 (Previous year Rs.1,348,159) pledged with various banks for overdraft facilities/bank guarantees.		
SCHEDULE 8 - OTHER CURRENT ASSETS		
Interest accrued on deposits	14,492,786	14,448,132
	<u>14,492,786</u>	<u>14,448,132</u>

	AS AT SEPTEMBER 30, 2008 AMOUNT Rs.	AS AT SEPTEMBER 30, 2007 AMOUNT Rs.
SCHEDULE 9 - LOANS AND ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	9,569,363	9,345,000
Balance with excise authorities	10,719,430	2,812,647
Security Deposits	2,657,612	3,178,058
Advance tax (net of provisions)	30,301,397	10,751,007
Unsecured, considered doubtful		
Advances recoverable in cash or in kind or for value to be received	948,291	1,074,727
	<u>54,196,093</u>	<u>27,161,439</u>
Less: Provision for doubtful loans and advances	948,291	1,074,727
	<u>53,247,802</u>	<u>26,086,712</u>
SCHEDULE 10 - CURRENT LIABILITIES		
Sundry creditors		
(a) total outstanding dues of Micro and Small Enterprises (Refer Note 14 of Schedule 19)	441,189	59,330
(b) total outstanding dues other than Micro and Small Enterprises	32,079,906	21,350,074
Advance from customers	5,363,133	7,665,373
Investor Education and Protection Fund shall be credited by following amounts (as and when due):		
Unclaimed dividend	1,261,323	1,399,827
Other liabilities	3,674,117	7,514,854
	<u>42,819,668</u>	<u>37,989,458</u>
SCHEDULE 11 - PROVISIONS		
Income tax (net of advance tax)	240,805	565,094
Fringe benefit tax (net of advance tax)	15,476	687,485
Wealth tax	48,000	72,000
Gratuity	810,500	751,732
Leave compensation	1,428,880	1,353,254
Long service award	1,545,459	2,105,000
Other retirement benefits	1,655,969	1,874,000
Warranties	7,776,837	8,456,960
Contingencies	325,391	1,946,975
Proposed dividend	13,177,677	13,177,677
Tax on proposed dividend	2,239,547	2,239,547
	<u>29,264,541</u>	<u>33,229,724</u>

	FOR THE YEAR ENDED SEPTEMBER 30, 2008 AMOUNT Rs.	FOR THE YEAR ENDED SEPTEMBER 30, 2007 AMOUNT Rs.
SCHEDULE 12 - OTHER INCOME		
Interest		
Bank deposits (Gross, tax deducted at source Rs. 5,314,330, Previous year Rs. 4,411,076)	36,252,789	25,289,506
Others - on income tax refund (Gross, tax deducted at source Rs.nil; Previous year Rs.nil)	20,029	1,625,261
Commission income	1,955,616	541,435
Export incentive - duty drawback	224,380	462,422
Provisions no longer required	1,966,516	414,244
Miscellaneous income	5,903,129	560,626
	<u>45,122,459</u>	<u>28,893,494</u>
SCHEDULE 13 - RAW MATERIALS CONSUMED		
As at October 1, 2007	41,794,709	48,965,209
Add: Purchases	99,441,739	104,237,364
Less: As at September 30, 2008	37,933,616	41,794,709
	<u>103,902,832</u>	<u>111,407,864</u>
SCHEDULE 14 - (INCREASE)/DECREASE IN INVENTORIES		
Opening stock		
Finished goods	35,901,764	39,879,725
Work in progress	15,482,408	13,128,542
	<u>51,384,172</u>	<u>53,008,267</u>
Closing stock		
Finished goods	20,546,159	35,901,764
Work in progress	22,907,925	15,482,408
	<u>43,454,084</u>	<u>51,384,172</u>
Increase / (decrease) in excise duty on inventories (refer note 11 of schedule 19)	<u>(2,662,399)</u>	<u>(720,327)</u>
	<u>5,067,689</u>	<u>903,768</u>
SCHEDULE 15 - PERSONNEL EXPENSES		
Salary, wages and bonus	70,555,295	66,721,992
Contribution to provident and other funds	5,377,966	4,579,335
Gratuity	2,204,273	2,132,023
Workmen and staff welfare expenses	5,785,023	5,258,878
	<u>83,922,557</u>	<u>78,692,228</u>



**FOR THE YEAR ENDED
SEPTEMBER 30, 2008
AMOUNT Rs.**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2007
AMOUNT Rs.**

SCHEDULE 16 - OPERATING & OTHER EXPENSES

Rent	1,998,000	2,175,000
Rates and taxes	386,845	2,145,079
Insurance (net of recoveries Rs.113,642 Previous year Rs.126,789)	1,459,834	2,469,030
Legal and professional charges (refer Note 8 of schedule 19)	7,964,248	6,453,209
Travelling and conveyance expenses	5,185,439	6,229,050
Stores and spare parts consumed	14,696,117	16,798,939
Power and fuel	24,564,318	22,376,602
Repair and maintenance		
machinery	24,670,289	16,775,644
building	3,475,476	6,455,417
others	9,257,644	4,344,467
Foreign exchange fluctuations [net of gain of Rs.2,378,761, (Previous year Rs.938,848)]	3,589,816	765,113
Commission to sole selling agent	1,230,937	1,318,554
Freight outwards	2,353,014	2,125,508
Directors' fees	215,000	195,000
Loss on sale/discard of fixed assets [Net of gain Rs. Nil, (Previous Year- Rs.5,482)]	24,383	116,348
Business promotion expenses	4,613,955	2,962,417
Provision for doubtful debts & advances	-	1,515,561
Irrecoverable balances written off	949,110	248,414
Warranty expense	5,378,474	9,533,512
Miscellaneous expenses	15,363,808	12,148,934
	127,376,707	117,151,798

SCHEDULE 17 - FINANCIAL EXPENSES

Interest - other than banks	120	41,070
Bank charges	698,437	797,723
	698,557	838,793

SCHEDULE 18 - EARNING PER SHARE (EPS)

Net profit as per profit and loss account	67,914,293	100,458,226
Weighted average number of equity shares in calculating basic and diluted EPS	4,392,559	4,392,559
Earning per share: Basic and diluted [Nominal value of shares Rs. 10 (Previous Year: Rs. 10)]	15.46	22.87

SCHEDULE 19: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. Nature of Operations

Voith Paper Fabrics India Limited ('the Company'), is a subsidiary of VF Auslandsbeteiligungen GmbH which holds 74.04% paid up equity share capital of the Company. The Company is mainly in the business of manufacturing and selling of paper machine clothing for pulp, paper and board industry. During the year, the name of the Company was changed to Voith Paper Fabrics India Limited from Porritts & Spencer(Asia) Limited.

2. Statement of Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects in respects with the Notified accounting standard by Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Changes in Accounting Policies

(i) Change in the treatment of foreign exchange fluctuation in case of liabilities for fixed assets:-

Till the previous year, the Company used to adjust the value of fixed assets to account for the foreign exchange fluctuation on liabilities incurred to acquire the fixed assets from outside India. In the Current year, "the company has adopted Accounting Standard 11 notified under Companies (Accounting Standards) Rules, 2006. Accordingly, the Company has adjusted the foreign exchange fluctuation on liabilities incurred to acquire the fixed assets from outside India in the profit & loss account. Had the Company used the earlier method to account for the foreign exchange fluctuation, the profit for the year before tax and capital work in progress as on year-end date would have been higher by Rs.3,723,055 and corresponding profit after tax would have been higher by Rs 2,457,216.

(ii) Till the previous year, the Company was providing for entire leave encashment liability based on actuarial valuation. In Current year, the Company has adopted the Accounting Standard 15 (Revised) which is mandatory from accounting year starting from December 7, 2006. Accordingly, short term compensated absences are provided for based on estimates and long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method. This change is not having material impact on the profit for the current year.

(d) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any . Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use.

Leasehold improvements represent expenses incurred towards civil works, interior furnishings etc. of the leasehold premises.

Capital work-in-progress includes Capital advances and pre-operative expenses that represent direct costs and other expenses incidental to the acquisition/construction of assets.

(e) Impairment

- (i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- (ii) After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.
- (iii) A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(f) Depreciation

Depreciation on Fixed Assets is provided on Straight Line Method at the rates computed based on estimated useful life which are equal to corresponding rates prescribed in Schedule XIV to the Companies Act, 1956 except for Stretcher Cylinder and 3 looms capitalized during the year (included under Plant & Machinery) where life is assessed shorter of four years and ten years, respectively, (instead of 13.45 years as ascertained using Schedule XIV rates).

For significant modifications capitalized, depreciation is charged over the remaining life out of the originally assessed useful life of such assets. Machinery spares which can be used only in connection with an item of fixed assets and whose use as per technical assessment is expected to be irregular are capitalised and are depreciated over the residual useful life of the respective assets.

Leasehold improvements (included under Buildings) are amortised over the primary lease period or useful life, whichever is earlier.

(g) Inventories

Inventories are valued as follows:

Stores & Spare parts	Lower of cost and net realizable value. Cost is determined on First in First Out (FIFO) basis.
Raw materials	Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on weighted average basis.
Work-in-process and finished goods	Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(h) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured on the following basis:

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arisen during the year.

Commission

Revenue Commission is recognised as per agreed terms and as and when these services are rendered.

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

(i) Foreign currency translation

- (i) Initial Recognition : Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) Conversion : Foreign currency monetary items are reported using the closing rate. Non-Monetary items which are carried in term of historical cost denominated in Foreign Currency are reported using the exchange rate at the date of the transaction.
- (iii) Exchange Differences : Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise. Exchange differences arising in respect of fixed assets acquired from outside India before accounting period commencing on or after December 7, 2006 are capitalized as a part of fixed asset.

(j) Retirement and other Employee Benefits

- (i) A retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.
- (ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The liability so provided is represented substantially by creation of a separate fund.
- (iii) Short term compensated absences are provided for on based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.
- (iv) Long Term Service award and Other Retirement Benefit is provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.
- (v) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.
- (vi) A retirement benefit in the form of Superannuation Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective fund.

(k) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit & Loss Account on a basis, which reflect the time pattern of such payment appropriately.

(l) Income Taxes

Tax expense comprises fringe benefit, current and deferred taxes. Fringe benefit tax and Current income tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the company has carry forward of unabsorbed depreciation and tax losses, entire deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

At each balance sheet date the Company re-assessed unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

(m) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(n) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(o) Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Segment Information

(a) Primary Segment

The Company is engaged in the business of manufacturing and selling of paper machine clothing for pulp, paper and board industry. The entire operation is governed by the same set of risk and returns and hence, the same has been considered as representing a single primary segment. The said treatment is in accordance with the guiding principles enunciated in the Accounting Standard 17 on Segment Reporting.

(b) Geographical Segments:

The following is the distribution of the Company's consolidated sales by geographical market, regardless of where the goods were produced:

	Year Ended September 30, 2008	Year ended September 30, 2007
	Rs.	Rs.
Domestic Market	385,217,368	423,383,615
Overseas Markets	25,128,488	27,806,493
Total	<u>410,345,856</u>	<u>451,190,108</u>

The following table shows the carrying value of debtors as per geographical market:-

	Year Ended September 30, 2008	Year ended September 30, 2007
	Rs.	Rs.
Domestic Market	78,395,418	73,257,478
Overseas Markets	5,434,956	795,094
Total	<u>83,830,374</u>	<u>74,052,572</u>

The Company has common fixed assets for producing goods/providing services to domestic as well as overseas market. Hence separate figures for fixed assets/ addition to fixed assets have not been furnished.

4. Related Party Disclosure:-

a. List of related parties :

(A) Holding companies

VF Auslandsbeteiligungen GmbH
J.M. Voith Akitengesellschaft*
*holds 100% Equity of
VF Auslandsbeteiligungen GmbH

**No transactions during the year

(B) Fellow Subsidiaries (having transactions)

Voith Fabrics Ipoh Sdn Bhd (IPOH)
Voith Fabrics Syn Strand (Syn. Strand)**
Voith Fabrics Blackburn Ltd(VFBL)
Voith Fabrics Stubbins (Stubbins)
Voith Fabrics Wilson (Wilson)**
Voith Fabrics-VOIS
Voith Fabrics Frankenmarkt GMBH
Voith Fabrics France**
Voith Fabrics-PFULLINGEN (VFPL)**
Voith Seimens Hydro Private Limited-VSID**
Voith Fabrics Appleton
Voith Fabrics (VFWS) US Sales
Voith Paper Fabrics (VFIS) Asia Pacific

* *No transactions during the year

(C) Key Management Personnel

Manoj Kumar Kapoor (Managing Director)

b. Transactions with Related Parties :

i) Transactions with Key Management personnel.

Managerial Remuneration

Manoj Kumar Kapoor*

Year end Balances (Receivable) / Payable

Manoj Kumar Kapoor

**For the year ended
September 30, 2008**

5,560,205

**As at
September 30, 2008**

-

**For the year ended
September 30, 2007**

7,365,739

**As at
September 30, 2007**

159,805

ii) Transactions with Holding Company

Payment of Dividend

VF Auslandsbeteiligungen GmbH

**For the year ended
September 30, 2008**

9,757,254

**For the year ended
September 30, 2007**

9,757,254

iii) Transactions with Fellow Subsidiary

Nature of Transactions

Commission Income

Voith Fabrics Ipoh Sdn Bhd (IPOH)

Voith Paper Fabrics (VFIS) Asia Pacific

Purchase of Raw Materials, Stores & Spares

Voith Fabrics Ipoh Sdn Bhd (IPOH)

Voith Fabrics Stubbins (Stubbins)

Voith Fabrics Frankenmarkt GMBH

Voith Fabrics Syn Strand (Syn. Strand)

Purchase of Fixed Assets

Voith Fabrics Blackburn Ltd(VFBL)

Voith Fabrics Appleton

Telephone & Telex Services-

Voith Fabrics-VOIS

Voith Fabrics-PFULLINGEN (VFPL)

Misc. Expenses

Voith Seimens Hydro Private Limited-VSID

Voith Fabrics (VFWS) US Sales

**For the year ended
September 30, 2008**

1,355,616

1,209,678

13,123,418

1,637,445

-

-

25,565,588

545,104

1,489,245

-

-

59,604

**For the year ended
September 30, 2007**

541,435

-

1,052,729

1,565,620

770,855

608,794

-

-

358,673

475,437

328,735

-

iv) Year end balances

Nature of Balances

Trade Payable

Voith Fabrics Ipoh Sdn Bhd (IPOH)

Voith Fabrics Stubbins (Stubbins)

Voith Fabrics-VOIS

As at Sep 30, 2008

1,239,310

777,090

686,869

As at Sep 30, 2007

-

-

76,956

Nature of Balances	As at Sep 30, 2008	As at Sep 30, 2007
Voith Seimens Hydro Private Limited-VSID	-	328,735
Voith Fabrics Syn Strand (Syn. Strand)	-	597,968
Voith Fabrics Frankenmarkt GMBH	-	768,069
Voith Fabrics-PFULLINGEN (VFPL)	-	426,468
Voith Fabrics Blackburn Ltd(VFBL)	5,012,967	-
Voith Fabrics (VFWS) US Sales	59,604	-
Receivables		
Voith Fabrics Ipoh Sdn Bhd (IPOH)	1,237,615	234,137
Voith Paper Fabrics (VFIS) Asia Pacific	922,159	-

Notes:

- No amount has been provided as doubtful debts or advances/written off or written back in the period in respect of debts due from/to above related parties.
- Transactions above exclude the supply of accounting software to the Company without any cost to the Company.
- *Excluding Contribution to Gratuity being the amount which is actuarially determined for the Company as a whole and therefore, is not separately available.

	As at September 30, 2008 Rs.	As at September 30, 2007 Rs.
5. Capital Commitments (not provided for)		
Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of capital advance of Rs.9,97,279 (Previous year Rs.2,50,000)]	2,654,489	884,200
Total	2,654,489	884,200
6. Contingent Liabilities not provided for		
(a) Claims against the Company not acknowledged as debts*	2,986,803	2,287,317
(b) Income Tax Demand**	525,570	-

* The claims against the Company comprises of:-

- Order from Excise department for interest of Rs.2,285,281 on Cervat Wrongly taken and reversed later on. The Company had filed an appeal with the Custom, Excise and Service Tax Appellate Tribunal against the said order whereby the stay was granted.
- Show cause notices for deposition of VAT @8% instead of 10% as Dryer Felts are general goods taxable @ 10% amounting to Rs.701,522.

** It represents the amount of demand raised by the assessing officer in its assessment for assessment year 2005-06 on account of certain disallowances and the Company had filed an appeal with the Commissioner (Appeals) - Income Tax against the said order.

The Company has been advised by its Counsel that it is possible, but not probable, the action will succeed and accordingly no provision for any liability has been made in these financial statements.

7. Particulars of Un-hedged Foreign Currency Exposure

Particulars	As at September 30, 2008	Particulars	As at September 30, 2007
Sundry creditors		Sundry creditors	
Foreign currency		Foreign currency	
USD 27,545.62 (Closing rate of 1\$ =47.16)	1,298,914	USD 14,994 (Closing rate of 1\$ =39.88)	5,97,960
Euro 83,917.02 (Closing rate of 1 Euro=67.69)	5,679,924	Euro 22,336 (Closing rate of 1Euro=56.92)	1,271,365
GBP 9,323.85 (Closing rate of 1 GBP=85.48)	797,003		
Advances to suppliers			
GBP 11,685.26 (Closing rate of 1GBP=84.5425)	987,901		
Sundry Debtors		Sundry Debtors	
USD 116,960.50 (Closing rate of 1\$ =46.80)	5,473,751	USD 12,512 (Closing rate of 1\$=39.58)	495,224
Advance from Customers		Advance from Customers	
USD 582 (Closing rate of 1\$ =47.1550)	27,444	USD 10,089 (Closing rate of 1\$=39.88)	402,349
Cash & Cash Equivalent		Cash & Cash Equivalent	
EEFC Account USD 15,609.05 (Closing rate of 1\$=46.80)	730,504	EEFC Account USD 22,259 (Closing rate of 1\$ =39.58)	881,013

8. Auditors' Remuneration *
(included in legal & professional charges)

Particulars	FOR THE YEAR ENDED SEPTEMBER 30, 2008 (Rs.)	FOR THE YEAR ENDED SEPTEMBER 30, 2007 (Rs.)
As Auditor (including tax audit fee of Rs. 250,000/-, Previous Year - Rs. 200,000/-)	1,400,000	950,000
Other services	500,000	410,000
Out-of-pocket expenses	188,210	94,970
Total	2,088,210	1,454,970

*excluding service tax of Rs. 269,407 (Previous year Rs. 178,225)

	FOR THE YEAR ENDED SEPTEMBER 30, 2008 (Rs.)	FOR THE YEAR ENDED SEPTEMBER 30, 2007 (Rs.)
9. Supplementary Statutory Information		
(a) Directors' remuneration*		
Salary and allowances	3,602,868	5,183,573
Contribution to Provident and other funds	1,387,851	1,210,950
Value of other Perquisites (actual and/ or as evaluated under the Income Tax Rules)	569,486	971,216
Commission	556,020	756,233
Directors' sitting fees	215,000	195,000
Total	6,331,225	8,316,972
As the future liability for gratuity is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Managing Director is not ascertainable and therefore, is not included above.		
(b) Computation of net profit under Section 349 of the Companies Act, 1956 for calculation of commission payable to directors		
Profit before tax as per Profit and Loss Account	106,179,154	14,414,045
Add :		
Directors' Remuneration	6,116,225	8,121,972
Directors Sitting Fees	215,000	195,000
Loss/(Profit) on Sale of Fixed Assets as per Section 349 of the Companies Act, 1956	24,383	116,348
Provision for Doubtful Debts and Advances written back	(1,306,262)	1,515,561
	111,228,500	151,362,926
Less:		
Profit/(Loss) on sales of Fixed Assets (net)	(24,383)	(116,348)
Net profit as per Section 349 of the Companies Act, 1956	111,204,117	151,246,578
Commission to Managing Director	-	-
Commission to Non Executive Directors	556,020	756,233
(c) Value of imports (C.I.F) (on accrual basis)		
(i) Raw Materials	73,714,801	70,444,334
(ii) Stores & Spare parts	8,119,896	5,482,257
(iii) Capital Goods	33,656,118	11,764,651
Total	115,490,815	87,691,242

	FOR THE YEAR ENDED SEPTEMBER 30, 2008 (Rs.)	FOR THE YEAR ENDED SEPTEMBER 30, 2007 (Rs.)
(d) Expenditure in foreign currency (on accrual basis)		
(i) Travelling	1,319,537	978,036
(ii) Commission	1,230,937	1,318,554
(iii) Telephone & Telex Services	1,013,807	834,110
Total	3,564,281	3,130,700
(e) Earnings in foreign currency (on accrual basis)		
(i) Exports of Goods (F.O.B), [including export to Nepal amounting to Rs. 3,267,672 (Previous year Rs. 2,136,388)]	28,746,299	26,728,718
(ii) Commission	1,355,616	541,535
Total	30,101,915	27,270,253
(f) Dividend remitted during the year in foreign currency		
Number of Non-resident Shareholders	1	1
Number of shares held	3,252,418	3,252,418
Year to which dividend relates	Year Ended September '07	Year Ended September '06
Amount of Dividend (Rs.)	9,757,254	9,757,254

10. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part-II of Schedule VI to the Companies Act, 1956.

(a) Licensed Capacity, Installed Capacity and Actual Production.

Class of Goods	Licensed capacity		Installed capacity Single shift p.a.		Actual Production*	
	Lbs. '000		Quantity (Tonnes)		Quantity (Tonnes)	
	2008	2007	2008	2007	2008	2007
a) Wet Felts	350	350	-	-	-	-
b) Dry Felts, Mesh Dryer and Wires	200	200	310	310	193.07	229.80
c) Asbestos Cement Felts	100	100	-	-	-	-
d) Paper machine and Ancillary Equipment Clothing	10	10	-	-	-	-
e) Paper Printing, Processing Coating and Converting Machine Clothing	200	200	-	-	-	-
f) Calendar and Controlled Compressing Machine Clothing	100	100	-	-	-	-
Total (Equivalent to 436 Tonnes)	<u>960</u>	<u>960</u>	<u>310</u>	<u>310</u>	<u>193.07</u>	<u>229.80</u>
g) All types of Filter Clothing of natural fibres and synthetics in woven and non-woven varieties	1500	1500	-	-	-	-
h) Miscellaneous Industrial Clothing	100	100	-	-	-	-
Total (Equivalent to 725 Tonnes)	<u>1600</u>	<u>1600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes:-

- Licensed & installed capacity is as certified by the Board of Directors.
- * Net of felts scrapped 5.11 (Previous year Nil)
- As the installed capacity relating to item (a) to (f) is common, it is not possible to give relevant details for each class of goods. Therefore, the particulars relating to Production has been given in total.

(b) Details of finished goods

Particulars	UOM	Quantity		Value (Rs.)	
		2008	2007	2008	2007
Opening Stock	Tonnes	36.90	41.50	35,901,764	39,879,725
Sales	Tonnes	210.62	234.40	410,345,856	451,190,108
Closing Stock	Tonnes	19.35	36.90	20,546,159	35,901,764

Note:-

Since, it is not possible to provide product wise details for each class of goods. Therefore, the particulars relating to Opening Stocks, Sales and Closing Stocks have been given in total.

(c) Consumption of raw materials

Particulars	Unit	For The Year Ended September 30, 2008		For The Year Ended September 30, 2007	
		Qty.	Rs.	Qty.	Rs.
Synthetic	Tonnes	172.43	60,458,189	209.29	72,984,597
Nylon Filament	Tonnes	78.53	25,367,911	85.63	26,237,433
Semi-finished Fabrics	Sq. Meter	17,692.96	17,174,302	8,792.76	11,609,066
Others			282,430		576,768
Total			103,302,832		111,407,864

(d) Imported and indigenous raw materials, components and spare parts consumed

	For The Year ended September 30, 2008		For The Year ended September 30, 2007	
	Percentage	Amount	Percentage	Amount
(i) Raw Materials				
(a) Imported	74.67	77,136,225	77.85	86,727,665
(b) Indigenous	25.33	26,166,607	22.15	24,680,199
	100.00	103,302,832	100.00	111,407,864
(ii) Stores and Spares Parts (including machinery repairs)				
(a) Indigenous	79.05	11,618,035	40.66	11,556,114
(b) Imported	20.95	3,078,082	59.34	16,863,038
	100.00	14,696,117	100.00	28,419,152

11. In accordance with para 10 of Accounting Standard- 9 Revenue Recognition notified under the Companies (Accounting Standard) Rules, 2006, excise duty on sales amounting to Rs.32,142,377 (Previous year Rs. 35,455,299) has been reduced from sales in profit & loss account and excise duty on decrease in stock amounting to Rs. 2,862,399 (Previous year - decrease in stock - Rs. 720,327) has been considered as income (Previous year as income) in Schedule 14 of the financial statements.

12. Operating Lease

For assets taken on Lease

- (a) The Company has taken residential premises under operating lease agreements. These are generally not 'non-cancelable' and renewable by mutual consent on mutually agreed terms.
- (b) The aggregate lease rentals payable are charged as rent in Schedule 16.

13. Movement of provisions

Amount (In Rs.)

Particulars	Warranty Claims		Contingencies		Total	
	2008	2007	2008	2007	2008	2007
Opening Balance Provision	8,456,960	8,250,920	1,946,975	1,696,134	10,403,935	9,947,054
Additions during the year	5,378,474	9,533,512	-	250,841	5,378,474	9,784,353
Amount utilized during the year	6,058,597	9,327,472	1,501,026	-	7,559,623	9,327,472
Unused amount reversed during the year	-	-	120,558	-	120,558	-
Closing Balance of Provision	7,776,837	8,456,960	325,391	1,946,975	8,102,228	10,403,935

14. Details of dues to Micro and Small Enterprises

Pursuant to the amendment of Schedule VI of the Companies Act, 1956, regarding disclosure of amount due to creditors which are Micro and Small Enterprises, the Company has not received intimation regarding the status from some of suppliers hence disclosures, if any, relating to amounts unpaid as at the year end along with interest paid/payables to them as required under the said act have been given to the extent of information available. The Company generally makes payments to all its suppliers within the agreed credit period (generally less than 45 days) and thus the Management is confident that the liability of interest under this Act, if any, would not be material. The disclosure required under Micro, Small and Medium Enterprise Development Act, 2006 are as follows:

	Amount (In Rs.)	
	2008	2007
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year.	441,189	59,330
The amount of interest paid by the buyer in terms of Section 16, of the Micro, Small and Medium Enterprises Development Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
The amount of interest due and payable for the period of delay in making payments (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

15. The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the Profit and Loss Account and the funded status and amounts recognized in the Balance Sheet for the respective plans.

Profit and Loss Account

Net employee benefit expense (recognized in Employee Cost)

	Retirement Benefits	Gratuity
	Sept. 30, 2008	Sept. 30, 2008
Current service cost	(219,373)	953,188
Interest cost on benefit obligation	74,382	2,004,355
Expected return on plan assets	-	(2,275,854)
Net actuarial gain recognized in the year on account of return on plan assets	-	-
Net actuarial (gain)/ loss recognized in the year	(73,387)	1,522,584
Net benefit expense	(218,378)	2,204,273
Actual return on plan assets		-

Balance Sheet

Details of Provision for retirement benefits, leave encashment benefits and gratuity

	Retirement Benefits	Gratuity	Long Service Award
	Sept. 30, 2008	Sept. 30, 2008	Sept. 30, 2008
Defined benefit obligation	(1,655,969)	263,81,288	(1,545,459)
Fair value of plan assets	-	255,70,788	-
	(1,655,969)	(810,500)	(1,545,459)
Less: Unrecognized past service cost	-	-	-
Plan (liability)	(1,655,969)	(810,500)	(1,545,459)

The Company expects to contribute
Rs.1,655,969 during the year 2008-09.

Changes in the present value of the defined benefit obligation are as follows:

	Retirement Benefits	Gratuity
	Sept. 30, 2008	Sept. 30, 2008
Opening defined benefit obligation	1,874,347	24,355,839
Interest cost	74,382	2,004,355
Current service cost	30,015	953,188
Actual return on plan assets	-	-
Benefits paid	-	(2,366,947)
Actuarial (gain)/losses on obligation	(322,775)	1,434,853
Closing defined benefit obligation	1,655,969	26,381,288

Changes in the fair value of plan assets are as follows:

	Gratuity Sept. 30, 2008
Opening fair value of plan assets	23,604,107
Expected return	2,275,854
Contributions by employer	2,163,536
Benefits paid	(2,366,947)
Actuarial (gain)/ losses	(105,762)
Closing fair value of plan assets	25,570,788

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Gratuity Sept. 30, 2008 %
Investments with insurer	98.35%
Cash and bank balance with the insurer	1.65%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to the improved debt market scenario.

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	Retirement Benefits Sept. 30, 2008 %	Gratuity Sept. 30, 2008 %	Long Service Award Sept. 30, 2008 %
Discount rate	8.00	8.00	8.00
Expected rate of return on plan assets	-	8.50	-
Increase in compensation cost	5.50	5.50	5.50
Employee turnover			
up to 30 years	3	3	3
above 30 years but up to 44 years	2	2	2
above 44 years	1	1	1

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current year regarding defined contribution plan are as follows:

Defined Contribution Plan:	Provident fund Sep 30, 2008	Superannuation fund Sep 30, 2008
Charged to Profit and Loss Account	2,517,541	1,608,171

Note: The current year being the first year of adoption of Accounting Standards - 15 (Revised 2005) by the Company, the previous year's comparative figures have not been furnished.

16. Previous year's figures have been regrouped/ reclassified wherever considered necessary to conform to current year's classification.

As per our report of even date.

Signature to Schedule 1 to 19

For **S. R. Batliboi & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

per **Rajiv Goyal**
Partner
Membership No. 94549

C.K. Thanawala
Director

Biren De
Director

R. Nath
Director

Place : New Delhi
Dated : 24th October, 2008

Manoj Kumar Kapoor
Managing Director

C. S. Gugliani
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**(1) REGISTRATION DETAILS**

Registration No. - State Code:

CIN

Balance Sheet Date:
Date Month Year

(2) CAPITAL RAISED DURING THE YEAR: (Amount in Rs. Thousand)

Public Issue: Rights Issue:

Bonus Issue: Private Placement/Others:

(3) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS: (Amount in Rs. Thousand)

Total Liabilities: Total Assets:

SOURCES OF FUNDS:

Paid-Up Capital: Reserves & Surplus:

Secured Loans: Unsecured Loans:

Deferred Tax Liabilities (Net):

APPLICATION OF FUNDS:

Net Fixed Assets: Investments:

Net Current Assets: Misc. Expenditure:

(4) PERFORMANCE OF COMPANY: (Amount in Rs. Thousand)

Turnover: Total Expenditure:

Profit before Tax: Profit after tax:

Earning Per Share in Rs. Dividend Rate (%):

(5) GENERIC NAMES OF THE THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (As per monetary terms)

Item Code No.

(ITC Code)

Product Description

PROXY

Voith Paper Fabrics India Limited

Registered Office : 113/114A, Sector 24, Faridabad - 121 005, Haryana.

Folio No(s) :
No. of shares held :

Client ID No.:

DP ID No.:

I/We
of being a member/members
of Voith Paper Fabrics India Limited hereby appoint
or failing him
..... of

as my/our proxy to vote for me/us and on my /our behalf at the 39th Annual General Meeting of the Company to be held on Thursday, 4th December 2008 at 3.30 p.m. at Magpie Tourist Complex of Haryana Tourism Corporation Limited, Sector-16A, Mathura Road, Faridabad - 121002, Haryana, and at any adjournment thereof.

Signed this day of2008.

Signature

Affix
Revenue
Stamp of
Appropriate
Value

- Note :
- (i) The proxy form duly signed across the revenue stamp should reach the Company's Registered Office at least 48 hours before the time of the meeting.
 - (ii) The Company reserves the right to ask for identification of the proxy.
 - (iii) A proxy cannot speak at the meeting or vote on show of hands.

ATTENDANCE SLIP

Voith Paper Fabrics India Limited

Registered Office : 113/114A, Sector 24, Faridabad - 121 005, Haryana.

Folio No(s) :
No. of shares held :

Client ID No.:

DP ID No.:

Please complete this attendance slip and hand it over at the entrance of the meeting hall. Joint shareholders may obtain additional slip on request.

NAME AND ADDRESS OF THE SHAREHOLDER :
.....
.....
.....

I hereby record my presence at the 39th Annual General Meeting of the Company held on Thursday, 4th December 2008 at 3.30 p.m. at Magpie Tourist Complex of Haryana Tourism Corporation Limited, Sector-16A, Mathura Road, Faridabad - 121002, Haryana.

SIGNATURE OF THE SHAREHOLDER/PROXY*

*Strike out whichever is not applicable



Voith Paper Fabrics India Limited

(Formerly Porritts & Spencer (Asia) Limited)

Registered Office :

113/114 A, Sector-24, Faridabad - 121005, Haryana, India

Phone : 91-129-4292200, Fax : 2232072

E-mail : voithfabrics.faridabad@voith.com

Website : <http://www.voithpaperfabricsindia.com>

