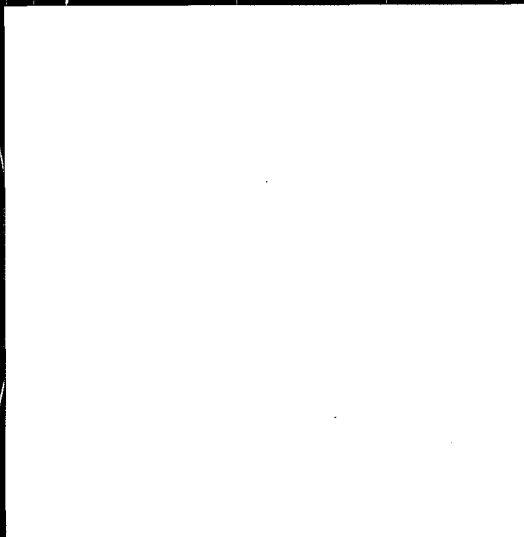


VOITH

40th Annual Report for the Financial Year 2008/2009
Voith Paper Fabrics India Limited - Partner of the Paper Industry

09



NOTICE

Notice is hereby given that the Fortieth Annual General Meeting of the members of Voith Paper Fabrics India Limited will be held on Thursday, 3rd December 2009 at 3.30 p.m. at Magpie Tourist Complex of Haryana Tourism Corporation Limited, Sector 16-A, Mathura Road, Faridabad - 121002, Haryana, to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 30th September 2009 and Profit & Loss Account for the year ended on that date together with the reports of the Board of Directors & Auditors thereon.
2. To declare dividend.
3. To re-appoint Mr. Biren De as a Director who retires by rotation and being eligible offers himself for re-appointment.
4. To re-appoint Mr. Ravinder Nath as a Director who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors, M/s S. R. Batliboi & Co to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as An Ordinary Resolution:
"To appoint Mr. Chandra Sekhar Panigrahi as a Director whose term of office shall be subject to retirement by rotation."
7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as An Ordinary Resolution:
"To appoint Mr. Martin Sieringhaus as a Director whose term of office shall be subject to retirement by rotation."

Registered Office :

113/114A, Sector-24,
Faridabad - 121005 (Haryana).
Delhi NCR. India

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

Place : New Delhi

Date : 26th October, 2009

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 ATLEAST 48 HOURS BEFORE THE TIME OF MEETING.
- 2) Members/ Proxies for members should bring the duly filled in Attendance Slip along with their copy of the Annual Report to the meeting with them. Members/ Proxies for members holding shares in dematerialized form should bring their latest statement of account with the concerned Depository Participant, for attending the meeting.
- 3) The details of the shareholding of Directors who are proposed to be appointed at the Fortieth 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
Mr. Chandra Sekhar Panigrahi	NIL	NIL	NIL	NIL
Mr. Martin Sieringhaus	NIL	NIL	NIL	NIL

BOARD OF DIRECTORS

Chairman

Martin Gustav Scherrer

Directors

Biren De**Ravinder Nath****Chandra Sekhar Panigrahi** (since 26th March, 2009)**Martin Sieringhaus** (since 26th October, 2009)**Chandrakant Kahandas Thanawala** (till 30th June, 2009)**Robert Patrick Burke** (from 26th March, 2009 to 26th October, 2009)

Managing Director

Manoj Kumar Kapoor (till 26th March, 2009)**COMPANY SECRETARY**

C. S. Gugliani

AUDITORS

S. R. Batliboi & Co., Chartered Accountants

BANKERS

Standard Chartered Bank, New Delhi

ICICI Bank Limited, Faridabad

AXIS Bank Limited, Faridabad

HDFC Bank Limited, Faridabad

REGISTRAR & TRANSFER AGENT

MCS Limited

F-65, 1st Floor, Okhla Industrial Area Phase - I,

New Delhi-110020

REGISTERED OFFICE AND MILL

113/114A, Sector 24,

Faridabad-121 005, (Haryana)

Delhi NCR. India

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Chairman's Message

Dear Shareowners,

It gives me immense pleasure to communicate with you all, as we plan to meet once again in December 2009.

The year gone by has been a year of few ups and lots of downs throughout the world. The economies across the globe stumbled to find a foothold under the pressure of recessionary trends. This, coupled with the reported decline in governance standards in numerous companies in different parts of world, indicates that a strong will is needed on the part of managements across the globe to abstain from succumbing to the temptation of showing to the world a brighter picture than it is in reality.

However, I am glad to note that your company has actually performed well in its 40th year and reported good numbers, reasonably exceeding the performance of last year's sales and profits. This has been largely made possible due to a strong paper industry in the Indian subcontinent and we fully understand the crucial role the Indian paper market will play in the long run. We are quite hopeful that your company would continue to do well also in coming years.

In view of this backdrop, Voith Group has recently begun the consolidation process of its different business ventures in India in a manner which would bring it closer to the goal of becoming "One Voith Paper" from customers' point of view. Further, Voith has also established Voith Paper India as a separate Regional Organisation, within the overall Voith Group and it would remain in direct focus of Voith in coming times.

I also look forward to your continued support and trust, as in the past, and look forward to meeting you at the 40th Annual General Meeting of the Company.

Kind regards,

Martin Gustav Scherrer

Chairman

DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors are pleased to present the Fortieth Annual Report together with the Audited Accounts of the Company for the year ended 30th September 2009.

OPERATIONS REVIEW

	Rs. in millions	
	2008-09	2007-08
Sales (Net of Excise Duty)	471.90	410.35
Profit before taxation	112.13	106.18
Provisions for taxation	39.47	38.27
Profit after taxation	72.66	67.91
Balance brought forward from the previous year	299.48	253.77
Amount available for Appropriation	370.61	321.68
Appropriations:		
– Dividend	17.57	13.18
– Corporate Dividend Tax	2.99	2.24
– Transferred to General Reserve	7.11	6.78
– Surplus carried to Balance Sheet	342.94	299.48
Total	370.61	321.68

PERFORMANCE

During the year under review, your company has achieved Sales of Rs. 471.90 millions, registering an increase of about 15% over the previous year, despite the waves of recession sweeping across the globe last year.

The profit after tax at Rs.72.66 millions exhibits a growth of about 7% over the previous year.

Barring unforeseen events and occurrences, your Directors expect continuous growth in turnover and profitability in future also.

DIVIDEND

Your Directors are pleased to recommend, for your approval, a dividend of Rs.4/- per Equity Share of Rs.10/- each for the year ended on 30th September 2009. This will absorb Rs.17.57 millions. In addition, Rs.2.99 million shall be payable as Corporate Dividend Tax (CDT) thereon (including Surcharge, Education Cess and Secondary & Higher Education Cess).

DIRECTORS:

During the year under review, following changes took place in the composition of the Board of Directors of the company:

1. Mr. Chandra Sekhar Panigrahi and Mr. Robert Patrick Burke were co-opted as the additional directors of the company on 26th March 2009, by the Board of Directors. Further, Mr. Martin Sieringhaus has also been co-opted as an additional director of the company on 26th October 2009. Their term of office shall be until the conclusion of forthcoming Annual General Meeting. Mr. Robert Patrick Burke has, however resigned and ceases to be a director of the company with effect from 26th October 2009.
2. Mr. Manoj Kumar Kapoor, resigned from the position of the Managing Director and also ceased to be a Director of the company, with effect from 26th March 2009. The Board places on record the appreciation for the consistent growth achieved by the company during his tenure as the Executive / Managing Director of the company.

3. The independent director and Chairman of the Audit Committee, Mr. C.K. Thanawala passed away on 30th June 2009. The Board places on record its appreciation for the invaluable contributions made by Mr. Thanawala during his long association of more than 35 years with the company.
4. Mr. Panigrahi and Mr. Sieringhaus have expressed their willingness to continue as a Director of the Company. Company has also received notices from a shareholder, together with the requisite fee in this regard, proposing the candidature of Mr. Panigrahi and Mr. Sieringhaus for appointment as a director of the company. The necessary details about them are mentioned here-in-below for the consideration of shareholders:

Name of the Director	Mr. Chandra Sekhar Panigrahi	Mr. Martin Sieringhaus
Age (years)	63	36
Date of Appointment	26th March 2009	26th October 2009
Expertise in Special Functional Areas	Overall Supervision	Finance
Qualification	Graduate Engineer (Mechanical)	Industrial Engineer and Accounting
Directorships held in outside Companies, as on 30/09/2009	None	None
Membership of Committees of other Companies, in which he is a Director, as on 30/09/2009	None	None
No. of Shares held in the Company (Including those held by Relatives)	Nil	Nil
Relationship with the other Directors	None	None

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 30.09.2009	CSA Associates Private Limited	1. Citron Holding Pvt. Ltd. 2. Kanoria Chemicals & Industries Ltd. 3. Rajinder Narain & Co. Consultants Pvt. Ltd. 4. Kadimi Constructions Pvt. Ltd. 5. Somany Ceramics Limited 6. SIPA India Pvt. Ltd. 7. Bonanza Biotech Limited 8. Design Auto Systems Limited 9. Areva India Pvt. Ltd.
Membership of Committees of other Companies, in which he is a Director, as on 30.09.2009	NIL	Kanoria Chemicals & Industries Limited (Member - Remuneration Committee)

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, New Delhi, 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.

CORPORATE GOVERNANCE:

As required by Clause 49 of the Listing Agreement with the Bombay Stock Exchange, 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 (Disclosures 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 the provisions of Section 217 (2A) for the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the name and other particulars of the concerned employee are set out in Annexure II of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required by the Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- 1) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 2) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true & fair view of the state of affairs of the Company at the end of the Financial Year and of the profits of the Company for the period;
- 3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and preventing and detecting fraud and other irregularities; and
- 4) The Directors have prepared the annual accounts on a 'going concern' basis.

APPRECIATION:

Your Directors wish to express their gratitude for the continuous and wholehearted support of the Company's Customers, Shareholders, Suppliers, Bankers and the State and Central Governments, other associates and all the employees, without which the Company would not have made a stable progress in this globally turbulent time.

For and on behalf of the Board

Biren De
Ravinder Nath
Chandra Sekhar Panigrahi
Directors

New Delhi
26th October, 2009

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 continues to remain conscious of conserving energy resources and is in the process of implementation of the measures to reduce the consumption of energy. The objective is being achieved by continued review and implementation of improved processes and techniques and by using energy efficient equipment. Resources are adequately deployed to meet these objectives.

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**

Sr. Particulars No.	2008-2009	2007-2008
1. Electricity		
(a) Purchase units (millions)	2.08	1.50
Total amount (Rs. in millions)	9.21	6.23
Rate/unit (Rs.)	4.45	4.15
(b) Own Generation		
(i) Through diesel generating units (millions)	0.51	0.76
Unit per litre of diesel oil	2.80	3.04
Cost/unit (Rs.)	12.50	12.70
(ii) Through steam turbine/generator	NIL	NIL
2. Coal	NIL	NIL
3. Furnace Oil		
Quantity (K. Lts.)	330.78	272.71
Total amount (Rs. in millions)	11.83	9.28
Average rate (Rs. Per litre)	35.77	34.01
4. Others/Internal generation	NIL	NIL

Part B – Consumption per unit of production

Product	Felts	Felts
Unit	Kgs.	Kgs.
Electricity	10.09	12.36
Furnace oil	1.29	1.83

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 quality upgradation of the products for total customer satisfaction, introduction of new designs to meet the expectations of quality conscious market and development of indigenous sources for import substitution.

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

(Rs. in millions)

- a) Capital
b) Recurring
c) Total (a+b)
d) Total R&D expenditure as a percentage of total turnover

NIL
6.89
6.89
1.46%

Technology Absorption, Adaptation & Innovation

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 itself to the pertinent developments as they occur.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Exports during the year were Rs. 21.52 millions. Your Company continues to explore new foreign markets and to enlarge its share in the existing markets.

(Rs. in millions)

Foreign exchange earnings	25.26
Foreign exchange outgo	119.33

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 2009:

Name	Age (years) as on 30.09.2009	Designation, Date of Commencement of employment, and Experience in years	Remuneration (Rs.)	Qualifications	Last Employment held
Mr. Manoj Kumar Kapoor	44	Managing Director 28 th July, 1992* (25)	30,78,921/-	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. He resigned from the position of Managing Director and also ceased to be a director of the company with effect from 26th March 2009.

NOTES :

- The remuneration includes salary, allowances, medical benefits, and Company's contribution to Provident Fund, Superannuation Fund and value of other perquisites, net of amount received back from the Managing Director during the year.
- The nature of employment was contractual.

REPORT ON CORPORATE GOVERNANCE

A. MANDATORY DISCLOSURES

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

The Company's philosophy on Corporate Governance is based on the premise of fair, ethical and transparent governance practices, followed globally at the Voith Group even without any statutory compulsion. Corporate Governance in your Company is about following the good governance practices, so as to result in consistent value creation for all the 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 Association Limited (BSE), except in the specific areas mentioned in following paragraphs.

2. Board of Directors

As on 30/09/2009, the Board of Directors of the Company consists of five Directors, headed by a Non-executive Chairman. Until 26th March 2009, day-to-day management of the Company was looked after by the Managing Director subject to the supervision and control of the Board of Directors of the Company. Presently, there is no Managing Director or CEO in the company and to that extent it is in non-conformity with the requirements of listing agreement. Further, due to demise of Mr. C.K. Thanawala - an independent director and the Chairman of Audit Committee, the composition of the Board of Directors & Audit Committee is also not in conformity with the requirements of clause 49 of the listing agreement. The Board is on the look-out of suitable candidates to fill these positions to meet the requirements of clause 49 of the listing agreement in this regard.

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 30.09.2009, the Board met 6 times, on 24th October and on 4th December in the year 2008 and on 22nd January; on 26th March; on 28th April and on 25th July in the year 2009.

The Composition of the Board of Directors, Attendance record and details of Directorships of Directors, as on 30/09/2009, are as follows:

Name of Director	Category	Board Meetings attended during the year	Attendance at last AGM held on 04.12.2008	Number of outside Directorships held (including Private Limited companies)		Number of other Committee Memberships	
				Indian Companies	Other Companies	As Chairman	As Member
Mr. Martin Scherrer	Non Executive Director and Nominee of VF Auslandsbeteiligungen GmbH	3	Present	Nil	Nil	Nil	Nil
Mr. Robert Patrick Burke	Non-independent & Non-executive Director	2	N.A.	Nil	Nil	Nil	Nil
Mr. Chandra Sekhar Panigrahi	Non-independent & Non-executive Director	3	N.A.	Nil	Nil	Nil	Nil
Mr. Biren De	Independent & Non-executive Director	6	Present	As Chairman: 0 As. Director: 01	Nil	Nil	Nil
Mr. Ravinder Nath	Independent & Non-executive Director	5	Present	As Chairman: 0 As. Director: 09	Nil	Nil	01
Mr. Manoj Kumar Kapoor*	Managing Director	3	Present	N.A.	N.A.	N.A.	N.A.
Mr. C. K. Thanawala**	Independent & Non-executive Director	5	Present	N.A.	N.A.	N.A.	N.A.

* Mr. Manoj Kumar Kapoor resigned from the position of Managing Director and also ceases to be a director of the company with effect from 26th March 2009.

** Mr. C. K. Thanawala passed away on 30th June 2009 and consequently ceases to be a director of the company since then.

Details of shares of the Company held by the Directors and their relatives as on 30.09.2009:

Name of the Director	Shares held by the Director in the Company	Shares held by Relatives	Total Shares held
Mr. Martin Scherrer	NIL	NIL	NIL
Mr. Robert Patrick Burke	NIL	NIL	NIL
Mr. Chandra Sekhar Panigrahi	NIL	NIL	NIL
Mr. Biren De	1370	NIL	1370
Mr. Ravinder Nath	NIL	NIL	NIL

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

3. Committees of the Board

The Company has constituted the following three Committees of the Board:

A. Audit Committee

Terms of reference - The Audit Committee provides direction to the audit function in the Company and monitors/reviews the quality of financial management and internal audit. 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. The Committee also reviews the quarterly, half-yearly as well as annual financial statements before the same are submitted to the Board, with particular reference to matters to be included in Directors' Responsibility Statement, changes, if any, in the accounting policies and practices, major accounting entries involving estimates based on exercise of judgment by the management, significant adjustments made in financial statements, compliance with listing and other legal requirements relating to financial statements, disclosure of related party transactions, qualifications, if any, in the draft audit report etc. It also oversees the working of the Internal Audit system, including the internal control mechanism of the Company.

Composition - The Audit Committee of the Board of Directors is presently comprised of two Independent and Non-executive Directors.

The Chairman of the committee, Mr. C. K. Thanawala passed away on 30th June 2009 and the Board of Directors is yet to find a suitable person as his replacement. Since July 2009, Mr. Biren De, a qualified and an experienced engineer has been chairing the meetings of Audit Committee.

The composition of the Audit Committee during the year under review, is given below.

Name & Designation of the Member	Category	No. of meetings attended
Mr. C.K. Thanawala, Chairman (till 30/06/2009)	Independent & Non-executive Director	3
Mr. Biren De, Member	Independent & Non-executive Director	4
Mr. Ravinder Nath, Member	Independent & Non-executive Director	3

Presently, the Board of Directors is on the look-out for some suitable candidate to fill the position of Chairman of the Audit Committee, in place of Mr. C. K. Thanawala and to that extent the company is in non-conformity with the requirements of clause 49 of the listing agreement.

Mr. C.S. Gugliani, Company Secretary, is the Secretary to the 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
24th October, 2008	To review the Audited Financial Results of the company for the period ended on 30th September 2008.
22nd January, 2009	To review the Audited Financial Results of the Company for the period ended on 31st December 2008.
28th April, 2009	To review the Audited Financial Results of the Company for the period ended on 31st March 2009.
25th July, 2009	To review the Audited Financial Results of the Company for the period ended on 30th June 2009.

B. Remuneration Committee

Terms of reference - The functions of the Remuneration Committee include making recommendations for grant of remuneration to the Whole time/ Managing Director(s) etc., and evaluation of their performance, as also forming any remuneration policy(s) in relation thereto.

Composition - The Remuneration Committee of the Board of Directors is presently comprises of two Independent and Non-executive Directors. Mr. Biren De, a qualified Engineer, chairs the Committee Meetings. Three meetings of the Remuneration Committee were held during the year, on 24th October in the year 2008 and on 22nd January & 28th April in the year 2009. The composition of the Remuneration Committee is given below:

Name & Designation of the Member	Category	No. of meetings attended
Mr. Biren De, Chairman	Independent & Non-executive Director	3
Mr. Ravinder Nath, Member	Independent & Non-executive Director	2
Mr. C.K.Thanawala, Member*	Independent & Non-executive Director	3

* Mr. C. K. Thanawala passed away on 30th June 2009 and consequently ceases to be a director of the company since then.

Remuneration policy - The Managing Director was paid remuneration as approved by the Board of Directors on the recommendation of the Remuneration Committee. The remuneration is fixed 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 being made to the Non-executive Directors (except the Nominee of VF Auslandsbeteiligungen GmbH):

1. Sitting Fees, which is paid to them for attending the meetings 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 01.10.2008 to 30.09.2009.

The following are the details of the remuneration (including perquisites, bonus/ commission and retirement benefits) paid/ payable to the Managing Director during the year ended on September 30, 2009.

Details of remuneration paid to Mr. Manoj Kumar Kapoor - the Managing Director:

Particulars	Amount (Rs.)
Basic Salary	29,19,355
Allowances & Perquisites	29,21,340
Contribution to Provident & Other Funds	7,88,226
Total	66,28,921
Less: Amount received back	35,50,000
Net Amount Paid	30,78,921

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

The Details of Sitting Fees paid to the Non-executive Directors during the year for attending the meetings of the Board of Directors and/or committees thereof 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	15,000	15,000	—	55,000
Mr. Biren De	30,000	20,000	15,000	—	65,000
Mr. Ravinder Nath	25,000	15,000	10,000	10,000	60,000
Mr. C. S. Panigrahi	10,000	—	—	—	10,000

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

Name of Director	Total Gross Commission paid / payable (Rs.)
Mr. C. K. Thanawala	103,388
Mr. Biren De	236,347
Mr. Ravinder Nath	236,347

C. 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 of securities on the stock exchanges including dematerialization and/ or rematerialization of securities.

Composition - The Investor Grievances Committee presently comprises of two Directors, one Independent & Non-executive Director and one Non-independent & Non-executive Director. The Independent & Non-executive Director, Mr. Ravinder Nath, an advocate by profession, chairs the meetings of the Committee. Two meetings of the Investor Grievances Committee were held during the year, on 24th October 2008 and 22nd January 2009.

The composition of the Investor Grievances Committee is given below.

Name & Designation of the Member	Category	No. of meetings attended
Mr. Ravinder Nath, Chairman	Independent & Non-executive Director	2
Mr. Chandra Sekhar Panigrahi, Member	Non-independent & Non-executive Director	Nil
Mr. Manoj Kumar Kapoor, Member	Managing Director	2
Mr. Chandrakant Kahandas Thanawala, Member	Independent & Non-executive Director	Nil

Mr. Manoj Kumar Kapoor resigned from the position of Managing Director and also ceased to be a director of the Company w.e.f. 26th March, 2009. Mr. C. K. Thanawala was inducted as a member of the committee by the Board at its meeting held on 28th April, 2009. However he passed away on 30th June, 2009 and ceased to be a director of the Company.

Subsequently, the Board reconstituted the committee by inducting Mr. C. S. Panigrahi as a member, at its meeting held on 25th July, 2009.

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 and Other Complaints
No. of complaints pending as on 01.10.2008	NIL
No. of complaints received during the period 01.10.2008 to 30.09.2009	26
No. of complaints disposed off during the period 01.10.2008 to 30.09.2009	25
No. of complaints pending as on 30.09.2009	1

There was no valid request for transfer of shares pending as on 30th September, 2009.

4. General Body Meetings

Year (AGM)	Venue	Day & Date	Time
2008 (39 th)	Magpie Tourist Complex of Haryana Tourism Corporation Limited Sector 16A, Mathura Road, Faridabad	Thursday, 04.12.2008	3:30 p.m.
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.

Special Resolutions:

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

Year (AGM)	Matters for which Special Resolutions were passed
2008 (39 th)	None
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

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 2009, 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, as revised/ amended by the BSE vide its letter ref. No. CRD/GEN/2006/7 dated 06.11.2006 pursuant to SEBI circular no. SEBI/CFD/DIL/CG/1/2006/12/10 dated 29.10.2006, except in relation to the composition of the Board of Directors & the Audit Committee, as already explained in foregoing paragraphs. Further, after the resignation of Mr. Manoj Kumar Kapoor as Managing Director, there is no CEO in the company and thus the required certificate in the Annual Report has been signed by a Director.

Disclosures of Accounting Treatment:

While preparation of the Financial Statements, the Accounting Standards, issued by The Institute of Chartered Accountants of India (ICAI), have generally been followed.

6. Means of Communication:

The financial results and other notices of the Company are normally published in The Economic Times / Financial Express and Jansatta / Navbharat Times. The financial results are also displayed on the Company's website www.voithpaperfabricsindia.com

The Company also complies with the requirements of Clause 51 of the Listing Agreement with respect to Electronic Data Information Filing and Retrieval (EDIFAR) filing.

The relevant information is also available at the website www.sebiedifar.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, 3 rd December, 2009	3:30 p.m.	Magpie Tourist Complex of Haryana Tourism Corporation Limited, Sector-16A, Mathura Road, Faridabad

Financial Calendar :

1st October 2009 to 30th September 2010

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

Results for Quarter I (01.10.2009 to 31.12.2009): in January 2010

Results for Quarter II (01.01.2010 to 31.03.2010): in April 2010

Results for Quarter III (01.04.2010 to 30.06.2010): in July 2010

Results for Quarter IV (01.07.2010 to 30.09.2010): in October 2010

Book Closure and Dividend Payment Date:

Book closure: Saturday, 7th November 2009 to Thursday, 3rd December 2009 (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 2009-2010.

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, 2009 on The Bombay Stock Exchange Limited, Mumbai are given below:

Month	High (Rs.)	Low (Rs.)
October, 2008	143.90	71.05
November, 2008	102.35	76.50
December, 2008	104.40	68.60
January, 2009	98.30	74.40
February, 2009	97.80	67.65
March, 2009	98.40	70.40
April, 2009	95.00	71.10
May, 2009	135.00	84.00
June, 2009	165.00	105.30
July, 2009	135.40	101.00
August, 2009	142.50	102.85
September, 2009	144.65	112.10

Source: BSE website

Registrar & Transfer Agent:

MCS Limited

F-65, First Floor, Okhla Industrial Area Phase - I, New Delhi -110020

Phone: +91-11- 41406149-51, Fax : +91-11- 41709881, E-mail: mcsdel@vsnl.com, 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, 2009

Category code	Category of Shareholder	No. of Shareholders	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	Nil	Nil	Nil	N.A.	N.A.
	(b) Central/State Government(s)	Nil	Nil	Nil	N.A.	N.A.
	(c) Bodies Corporate	Nil	Nil	Nil	N.A.	N.A.
	(d) Financial Institutions/ Banks	Nil	Nil	Nil	N.A.	N.A.
	(e) Any Other (specify)	Nil	Nil	Nil	N.A.	N.A.
	Sub Total (A)(1)	Nil	Nil	Nil	N.A.	N.A.
	(2) Foreign					
	(a) Individuals (Non-Resident Individuals/ Foreign Individuals)	Nil	Nil	Nil	N.A.	N.A.
	(b) Bodies Corporate	1	3,252,418	Nil	74.044%	74.044%
	(c) Institutions	Nil	Nil	Nil	N.A.	N.A.
	(d) Any Other (specify)	Nil	Nil	Nil	N.A.	N.A.
	Sub Total (A)(2)	1	3,252,418	Nil	74.044%	74.044%
	Total Shareholding of Promoter & Promoters Group (A)=(A)(1)+(A)(2)	1	3,252,418	Nil	74.044%	74.044%
(B)	Public shareholding					
	(1) Institutions					
	(a) Mutual Funds/UTI	Nil	Nil	Nil	N.A.	N.A.
	(b) Financial Institutions / Banks	5	706	432	0.0161%	0.0161%
	(c) Central/State Government(s)	Nil	Nil	Nil	N.A.	N.A.
	(d) Venture Capital Funds	Nil	Nil	Nil	N.A.	N.A.
	(e) Insurance Companies	2	63,147	63,072	1.437%	1.437%
	(f) Foreign Institutional Investors	Nil	Nil	Nil	N.A.	N.A.
	(g) Foreign Venture Capital Investors	Nil	Nil	Nil	N.A.	N.A.
	(h) Any Other (specify)	Nil	Nil	Nil	N.A.	N.A.
	Sub Total (B)(1)	7	63,853	63,504	1.453%	1.453%
	(2) Non institutions					
	(a) Bodies Corporate	137	102,281	95,473	2.328%	2.328%
	(b) Individuals					
	i. Individual shareholders holding nominal share Capital up to Rs.1 Lakh	3765	849,745	627,017	19.345%	19.345%
	ii. Individual Shareholders holding nominal share capital in excess of Rs.1 lakh	5	98,308	98,308	2.238%	2.238%
	NRIs	39	24,854	21,108	0.566%	0.566%
	(c) Any Other (Specify) - Trusts	1	1,100	1,100	0.025%	0.025%
	Sub-Total (B)(2)	3947	1,076,288	843,006	24.502%	24.502%
	Total Public shareholding (B)=(B)(1)+(B)(2)	3954	1,140,141	906,510	25.956%	25.956%
	TOTAL (A)+(B)	3955	4,392,559	906,510	100.000%	100.000%
(C)	Shares held by Custodians and against which Depository Receipts have been issued	Nil	Nil	Nil	N.A.	N.A.
	Grand Total (A+B+C)	3955	4,392,559	906,510	100.000%	100.000%

(B) Shareholders with more than one percent holding as on 30th September, 2009

Sl. No.	Name of the shareholder	No. of shares held	% of shares held
A.	VF Auslandsbeteiligungen GmbH, Germany	3,252,418	74.044%
B.	The Oriental Insurance Company Limited	63,072	1.436%

(C) Distribution of shareholding as on 30th September, 2009

No. of shares held (Range)	No. of shareholders	No. of shares	% to total shares
1 - 500	3543	399,893	9.104%
501 - 1000	246	178,209	4.057%
1001 - 2000	100	138,187	3.146%
2001 - 3000	21	49,794	1.134%
3001 - 4000	11	36,570	0.832%
4001 - 5000	14	63,028	1.435%
5001 - 10000	11	78,421	1.785%
10001 - 50000	7	132,967	3.027%
50001 - 100000	1	63,072	1.436%
100001 and above	1	3,252,418	74.044%
Total	3955	4,392,559	100.000%

Dematerialization of Shares:

The Company's shares are available for trading in the depository systems of both the NSDL and the CDSL.

906,510 equity shares of the Company, forming 20.64% of total shareholding, stand dematerialized as on 30th September 2009.

Liquidity of Shares:

The Equity shares of the Company have been included 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 31st, 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 instruments.

Plant Location:

113/114-A, Sector-24, Faridabad -121005 (Haryana). Delhi NCR. India.

Address for Correspondence:

The Company Secretary,
 Voith Paper Fabrics India Limited
 113/114A, Sector-24, Faridabad- 121005 (Haryana). Delhi NCR. India.
 Phone : 0129-2233721 (5 Lines), 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, prior to the resignation of Mr. Manoj Kumar Kapoor with effect from 26th March, 2009 from the position of the Managing Director. Therefore, the relevant annual certificate is only signed by the CFO, as there is no CEO in the company in terms of clause 49 of the Listing Agreement.

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 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

C. S. Panigrahi
 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 as on 30th September 2009.
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.

The Indian Economy has opened up significantly in the last decade and the duties on imports are being rationalized. Further, the volatility of the Indian Rupee against the US dollar in the recent past is showing an alarming trend for the Indian exports and has made the imports cheaper.

In view of the above, the Company may be faced with increased foreign competition in the Indian market. However, we are hopeful that we would be able to meet any such eventuality without much problem.

SEGMENT WISE REPORTING:

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

OUTLOOK:

With increasing population and the diversified usage of paper, growth in global paper industry is likely to continue in coming years and it is expected to give enhanced effect on the Indian paper industry also. India's current per capita consumption of paper is around 8 kg. and with the keen focus of the Government to provide education to every child, it is expected that there would be an increase in literacy rate and growth in the per capita consumption of paper.

Further, due to enhanced awareness & consciousness, more and more items are now coming in market in tetra-packs. This is likely to give a boost to the packaging industry and would create additional demand in packing & board paper. Besides this, demand for upstream market of paper products, like, tissue paper, tea bags, filter paper, light weight coated paper, medical grade coated paper, etc., is also picking up. These developments are expected to give an impetus to the industry and in turn to your Company.

RISKS & CONCERNS:

The Company has a risk management committee which considers the present and future risks, keeping in mind the past experience. This committee tries to perceive all prospective risks and considers preventive maintenance steps to use the resources like men, machine & money so that the business continuity does not get adversely affected in any situation.

INTERNAL CONTROL SYSTEMS & ADEQUACY:

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 systems at regular intervals.

Moreover, the Company has appointed M/s Lodha & Co., Chartered Accountants, New Delhi, as its internal auditors and they periodically test the efficacy of the prevailing internal control systems.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

Better sales & profits, have been made possible due to operational efficiency brought about through controlled inventory levels, better debt realizations and other cost reduction measures, which have resulted in improved Return on Capital Employed (ROCE).

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT:

Human capital is a key differentiator in competitive era. Your company has successfully blended youth and experience and created a multi-faceted team capable to face any challenge and to create & capitalize on the opportunities and enhance value for all stakeholders.

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

There were 157 permanent employees on the rolls of the Company as on 30.09.2009

CAUTIONARY STATEMENT:

Statements in this report describing the current industry structure, outlook, opportunities etc. reflect the estimation and opinion of the Company. The same are based on assumptions and expectations of future events. The actual results may substantially vary from the same as they mainly depend on the global political, economic and social conditions. Further, Government regulations, tax structure, demand & supply situation, cost of raw materials & their availability, volatility in foreign exchange rates, etc. and other related 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 as at September 30, 2009 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 paragraph 4 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 purpose 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 and 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 and 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, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - 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;
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at September 30, 2009;
 - (ii) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (iii) 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

Place : New Delhi

Date : 26th October, 2009per **Rajiv Goyal**

Partner

Membership No.: 94549

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

Re: Voith Paper Fabrics India Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified 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 loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) (hereinafter referred to as Order), are not applicable.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4 (iii) (f) and (g) of the Order are not applicable.
- (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 and services. 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, paragraph 4 (v) (a) and (b) of the Order are not applicable.
- (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 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, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs 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, there are no dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, other than the following:

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	1,612,323	2002-03	Central Excise Tribunal
Income Tax Act, 1961	Income Tax	578,705	2006-07	Commissioner of Income Tax (Appeals), Faridabad

- (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 our examination of documents and records, 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 Order 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 Order 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 banks 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 have been raised on short-term basis.
- (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

Place: New Delhi
Date: 26th October, 2009

BALANCE SHEET AS AT SEPTEMBER 30, 2009

	SCHEDULES	AS AT SEPTEMBER 30, 2009 AMOUNT (Rs.)	AS AT SEPTEMBER 30, 2008 AMOUNT (Rs.)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	1	43,925,590	43,925,590
b) Reserves & Surplus	2	842,453,739	791,880,943
2. Deferred Tax Liabilities (Net)	3	13,629,835	15,277,302
TOTAL		900,009,164	851,083,835
II. APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block		580,535,468	557,843,367
Less : Accumulated Depreciation		309,202,900	288,435,240
Net Block		271,332,568	269,408,127
b) Capital Work-in-Progress		—	28,313,141
		271,332,568	297,721,268
2. Current Assets, Loans and Advances			
a) Inventories	5	126,781,951	95,161,347
b) Sundry Debtors	6	100,897,535	81,218,590
c) Cash and Bank Balances	7	412,179,243	381,326,251
d) Other Current Assets	8	25,006,129	14,492,786
e) Loans and Advances	9	50,339,969	53,247,802
(A)		715,204,827	625,446,776
Less: Current Liabilities and Provisions			
Current Liabilities	10	48,989,229	42,819,668
Provisions	11	37,539,002	29,264,541
(B)		86,528,231	72,084,209
Net Current Assets (A - B)		628,676,596	553,362,567
TOTAL		900,009,164	851,083,835
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 : 26th October, 2009

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

Biren De
Director

R. Nath
Director

C. S. Panigrahi
Director

C. S. Gugliani
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2009

	SCHEDULES	FOR THE YEAR ENDED SEPTEMBER 30, 2009 AMOUNT (Rs.)	FOR THE YEAR ENDED SEPTEMBER 30, 2008 AMOUNT (Rs.)
I. INCOME			
Turnover (Gross)			
Sale of Goods		499,073,839	442,488,233
Less : Excise Duty on Sales (Refer Note 11 of Schedule 19)		27,176,161	32,142,377
Other Income	12	44,182,568	410,345,856
TOTAL		516,080,246	455,468,315
II. EXPENDITURE			
Raw Material Consumed	13	129,686,013	103,302,832
(Increase)/Decrease in Inventories	14	(13,486,018)	5,067,688
Personnel Expenses	15	100,646,105	83,922,557
Operating & Other Expenses	16	155,842,177	127,376,708
Depreciation/ Amortization		30,390,105	28,920,819
Financial Expenses	17	871,505	698,557
TOTAL		403,949,887	349,289,161
Profit Before Tax and Prior Period Items		112,130,359	106,179,154
Provision for Tax			
Current Tax		39,149,113	32,653,072
Deferred Tax Charge/ (Credit)		(858,689)	3,485,798
Fringe Benefit Tax		1,131,000	2,077,991
Wealth Tax		48,000	48,000
Total Tax Expense		39,469,424	38,264,861
Profit After Tax and Before Prior Period Items		72,660,935	67,914,293
Prior Period Items			
Gratuity Expense (Net of Deferred Tax Credit of Rs.788,778 (Previous Year - nil))		1,531,841	—
Net Profit		71,129,094	67,914,293
Balance Brought Forward from Previous Year		299,477,981	253,769,747
Profit Available for Appropriation		370,607,075	321,684,040
Appropriations:			
Proposed Dividend		17,570,236	13,177,677
Tax on Dividend		2,986,062	2,239,547
Transfer to General Reserve		7,112,909	6,788,835
Surplus Carried to Balance Sheet		342,937,868	299,477,981
Earnings Per Share (EPS)	18		
Basic and Diluted, Computed on the Basis of Earnings Before Prior Period Item (Nominal Value of Share Rs.10, (Previous Year Rs.10)) (Rs.)		16.54	15.46
Basic and Diluted, Computed on the Basis of Earnings After Prior Period Item (Nominal Value of Share Rs.10, (Previous Year Rs.10)) (Rs.)		16.19	15.46
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 : 26th October, 2009

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

Biren De
Director

R. Nath
Director

C. S. Panigrahi
Director

C. S. Gugliani
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2009

	FOR THE YEAR ENDED SEPTEMBER 30, 2009 AMOUNT (Rs.)	FOR THE YEAR ENDED SEPTEMBER 30, 2008 AMOUNT (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation, and prior period items	112,130,359	106,179,154
Adjustments for:		
Depreciation	30,390,105	28,920,819
Loss on disposal of fixed assets (net)	2,150,255	24,383
Unrealised foreign exchange loss/(gain) (net)	270,076	—
Interest income	(36,571,827)	(36,272,818)
Interest paid	106,783	120
Operating profit before working capital changes	108,475,751	98,851,658
Movements in working capital :		
Decrease/(Increase) in sundry debtors	(19,636,256)	(10,957,628)
Decrease/(Increase) in inventories	(31,620,604)	9,568,702
Decrease/(Increase) in loans and advances and other current assets	5,270,256	(7,610,700)
(Decrease)/ Increase in current liabilities and provisions	8,387,097	2,023,829
Net cash from operating activities	70,876,244	91,875,861
Direct Taxes Paid (net of refunds)	(42,362,189)	(55,349,751)
Cash flow before prior period items	28,514,055	36,526,110
Prior period items	(2,320,619)	—
Net Cash flow from operating activities	26,193,436	36,526,110
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(8,509,995)	(60,425,751)
Sale Proceeds of fixed assets	2,358,335	1,758
Interest received	26,258,132	36,228,164
Movement in fixed deposits with Banks	(33,407,302)	9,112,707
Net cash from investing activities	(13,300,830)	(15,083,122)

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2009

	FOR THE YEAR ENDED SEPTEMBER 30, 2009 AMOUNT (Rs.)	FOR THE YEAR ENDED SEPTEMBER 30, 2008 AMOUNT (Rs.)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	(13,100,586)	(13,316,181)
Tax on dividend paid	(2,239,547)	(2,239,547)
Interest paid	(106,783)	(120)
Net cash used in financing activities	(15,446,916)	(15,555,848)
Net increase in cash and cash equivalents (A + B + C)	(2,554,310)	5,887,140
Cash and cash equivalents at the beginning of the year	20,469,139	14,581,999
Cash and cash equivalents at the end of the year	17,914,829	20,469,139

Components of Cash and Cash Equivalents

	AS AT SEPTEMBER 30, 2009 AMOUNT (Rs.)	AS AT SEPTEMBER 30, 2008 AMOUNT (Rs.)
Cash and cheques on hand	3,560,239	1,357,567
With scheduled banks :		
– on Current Accounts	13,016,176	17,119,745
– on EEFC Account	–	730,504
– on Unclaimed Dividend Accounts*	1,338,414	1,261,323
– on deposit accounts	394,264,414	360,857,112
Cash & Bank Balance as per Schedule 7	412,179,243	381,326,251
Less: Fixed deposits not considered as cash equivalents	394,264,414	360,857,112
Cash & cash equivalents in Cash Flow Statement	17,914,829	20,469,139

* These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

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

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

Place : New Delhi
Dated : 26th October, 2009

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

Biren De
Director

R. Nath
Director

C. S. Panigrahi
Director

C. S. Gugliani
Company Secretary

SCHEDULES

Schedules annexed to and forming part of the Financial Statements.

	AS AT SEPTEMBER 30, 2009 AMOUNT (Rs.)	AS AT SEPTEMBER 30, 2008 AMOUNT (Rs.)
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SCHEDULE 1 - SHARE CAPITAL

AUTHORISED

25,000,000 (Previous year 25,000,000)
equity shares of Rs. 10 each

250,000,000

250,000,000

250,000,000

250,000,000

ISSUED AND SUBSCRIBED

4,392,559 (Previous year 4,392,559)
equity shares of Rs.10 each fully paid

43,925,590

43,925,590

43,925,590

43,925,590

NOTES

- 3,252,418 (Previous Year - 3,252,418) equity shares of Rs.10 each are held as fully paid by Holding Company, VF Auslandsbeteiligungen GmbH.
- 580,482 (Previous Year - 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.
- 3,412,077 (Previous Year - 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, 2009 AMOUNT (Rs.)	AS AT SEPTEMBER 30, 2008 AMOUNT (Rs.)
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SCHEDULE 2 - RESERVES AND SURPLUS**GENERAL RESERVE**

Balance as per last account	492,402,962	485,614,127
Add: Transferred from profit and loss account	7,112,909	6,788,835
	<u>499,515,871</u>	<u>492,402,962</u>
Profit and Loss Account	<u>342,937,868</u>	<u>299,477,981</u>
	<u>842,453,739</u>	<u>791,880,943</u>

SCHEDULE 3 - DEFERRED TAX LIABILITIES (NET)**Deferred Tax Liabilities**

Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	20,632,268	20,939,167
Gross Deferred Tax Liabilities	<u>20,632,268</u>	<u>20,939,167</u>

Deferred Tax Assets

Effect of expenditure debited to profit and loss account in the current year/earlier years but allowed for tax purposes in following years	5,398,496	4,451,796
Provision for doubtful debts and advances	1,603,937	1,210,069
Gross Deferred Tax Assets	<u>7,002,433</u>	<u>5,661,865</u>
Net Deferred Tax Liabilities	<u>13,629,835</u>	<u>15,277,302</u>

SCHEDULE 4 - FIXED ASSETS

	GROSS BLOCK				ACCUMULATED DEPRECIATION / AMORTISATION				NET BLOCK	
	As at Oct 1, 2008	Additions during the year	Deductions during the year	As at Sep 30, 2009	As at Oct 1, 2009	For the Year	On Deductions Adjustments	As at Sep 30, 2009	As at Sep 30, 2009	As at Sep 30, 2008
(Amount in Rs.)										
Freehold Land	1,809,080	—	—	1,809,080	—	—	—	—	1,809,080	1,809,080
Buildings	93,334,257	—	150,000	93,184,257	21,280,772	3,247,697	39,411	24,489,058	68,695,199	72,053,485
Plant and Machinery	420,057,988	35,795,053	696,123	455,156,918	244,817,828	24,100,286	497,701	268,420,413	186,736,505	175,240,160
Furniture and Fittings *	32,267,516	687,040	5,811,230	27,143,326	18,019,758	2,302,098	4,745,976	15,575,880	11,567,446	14,247,758
Vehicles	10,374,526	341,043	7,473,682	3,241,887	4,316,882	740,024	4,339,357	717,549	2,524,338	6,057,644
Total	557,843,367	36,823,136	14,131,035	580,535,468	288,435,240	30,390,105	9,622,445	309,202,900	271,332,568	269,408,127
Previous Year	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
Capital Work in Progress									—	28,313,141
(including capital advances Rs.Nil (Previous year - Rs. 997,279))										

Note:

*Includes office equipment - Gross Block Rs 22,346,882 (Previous year Rs.26,856,899) and Net Block Rs.9,413,156 (Previous year Rs.11,528,946)

	AS AT SEPTEMBER 30, 2009 AMOUNT (Rs.)	AS AT SEPTEMBER 30, 2008 AMOUNT (Rs.)
SCHEDULE 5: INVENTORIES (AT LOWER OF COST AND NET REALISABLE VALUE)		
Raw materials (including stock in transit Rs.3,023,791, Previous year Rs. 1,985,832)	62,359,279	37,933,616
Stores and spare parts	10,176,650	13,773,647
Work-in- progress	15,709,603	22,907,925
Finished goods	38,536,419	20,546,159
	<u>126,781,951</u>	<u>95,161,347</u>
SCHEDULE 6 - SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	1,468,397	1,664,714
Unsecured, considered doubtful	3,715,202	2,611,784
Other debts		
Unsecured, considered good	99,429,138	79,553,876
	<u>104,612,737</u>	<u>83,830,374</u>
Less: Provision for doubtful debts	3,715,202	2,611,784
	<u>100,897,535</u>	<u>81,218,590</u>
(Included in sundry debtors are: dues from companies under the same management Voith Paper Fabris Ipoh Sdn Bhd (IPOH) Rs 3,493,156 (Previous year - Rs.1,237,615) Voith Paper Fabrics (VFIS) Rs. 177,424 (Previous year - Rs.922,159) Voith Paper Holding (VPT) Hed. Rs. 775,853 (Previous year Nil)		
SCHEDULE 7 - CASH AND BANK BALANCES		
Cash on hand	10,239	3,124
Balances with scheduled banks:		
On current accounts [including cheques in hand Rs.3,550,000 (Previous year 1,354,443)]	16,566,176	18,474,188
On EEFC accounts	—	730,504
On unclaimed dividend accounts	1,338,414	1,261,323
On deposit accounts (*)	394,264,414	360,857,112
	<u>412,179,243</u>	<u>381,326,251</u>
* includes Rs.3,808,656 (previous year Rs.1,230,413) pledged with various banks for overdraft facilities/bank guarantees.		
SCHEDULE 8 - OTHER CURRENT ASSETS		
Interest accrued on deposits	24,806,481	14,492,786
Pre-paid gratuity	199,648	—
	<u>25,006,129</u>	<u>14,492,786</u>

	AS AT SEPTEMBER 30, 2009 AMOUNT (Rs.)	AS AT SEPTEMBER 30, 2008 AMOUNT (Rs.)
SCHEDULE 9 - LOANS AND ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	5,971,031	9,569,363
Balances with custom, excise etc.	9,162,858	10,719,430
Security deposits	2,342,612	2,657,612
Advance tax (net of provision)	32,863,468	30,301,397
Unsecured, considered doubtful		
Advances recoverable in cash or in kind or for value to be received	1,003,647	948,291
	51,343,616	54,196,093
Less: Provision for advances recoverable in cash or in kind or for value to be received	1,003,647	948,291
	50,339,969	53,247,802
SCHEDULE 10 - CURRENT LIABILITIES		
Sundry creditors		
(a) Total outstanding dues of micro and small enterprises (Refer note 14 of schedule 19)	489,864	441,189
(b) Total outstanding dues of creditors other than micro and small enterprises	35,207,511	32,079,906
Advance from customers	4,827,157	5,363,133
Investor education and protection fund shall be credited by following amounts (as and when due)		
– Unclaimed dividend	1,338,414	1,261,323
Other liabilities	7,126,283	3,674,117
	48,989,229	42,819,668
SCHEDULE 11 - PROVISIONS		
Provision for taxation (net of advance tax)	808,276	240,805
Fringe benefit tax (net of advance tax)	–	15,476
Wealth tax	24,000	48,000
Gratuity	–	810,500
Leave encashment	3,957,810	1,428,880
Long service award	477,551	1,545,459
Other retirement benefits	1,559,259	1,655,969
Warranties	8,844,440	7,776,837
Contingencies	1,311,368	325,391
Proposed dividend	17,570,236	13,177,677
Tax on proposed dividend	2,986,062	2,239,547
	37,539,002	29,264,541

	FOR THE YEAR ENDED SEPTEMBER 30, 2009 AMOUNT (Rs.)	FOR THE YEAR ENDED SEPTEMBER 30, 2008 AMOUNT (Rs.)
SCHEDULE 12 - OTHER INCOME		
Interest		
Bank deposits (Gross, tax deducted at source Rs. 5,024,755, Previous year Rs. 5,314,330)	34,962,814	36,252,789
Others - on income tax refund (Gross, tax deducted at source Rs.nil; Previous year Rs.nil)	1,609,013	20,029
Commission income	3,736,677	1,355,616
Export incentive - duty drawback	333,227	224,380
Liabilities/ provisions no longer required, written back	1,127,628	1,966,516
Foreign exchange fluctuations (net of loss of Rs.2,849,081 (Previous year Rs.nil))	16,623	—
Miscellaneous income	2,396,586	5,303,129
	<u>44,182,568</u>	<u>45,122,459</u>
SCHEDULE 13 - RAW MATERIALS CONSUMED		
Inventories as at September 30, 2008	37,933,616	41,794,709
Add: Purchases	154,111,676	99,441,739
Less: Inventories as at September 30, 2009	62,359,279	37,933,616
	<u>129,686,013</u>	<u>103,302,832</u>
SCHEDULE 14 - (INCREASE)/DECREASE IN INVENTORIES		
Inventories as at September 30, 2008		
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>
Closing stock		
Finished goods	38,536,419	20,546,159
Work in progress	15,709,603	22,907,925
	<u>54,246,022</u>	<u>43,454,084</u>
Increase/(Decrease) in excise duty on inventories (refer note 11 of schedule 19)	2,694,080	(2,862,399)
	<u>(13,486,018)</u>	<u>5,067,688</u>
SCHEDULE 15 - PERSONNEL EXPENSES		
Salary, wages and bonus	80,717,822	70,555,295
Contribution to provident and other funds	7,231,590	5,377,966
Gratuity expenses and other retirement benefits expense	7,730,571	2,204,273
Workmen and staff welfare expenses	4,966,122	5,785,023
	<u>100,646,105</u>	<u>83,922,557</u>

	FOR THE YEAR ENDED SEPTEMBER 30, 2009 AMOUNT (Rs.)	FOR THE YEAR ENDED SEPTEMBER 30, 2008 AMOUNT (Rs.)
SCHEDULE 16 - OPERATING & OTHER EXPENSES		
Rent	1,299,000	1,998,000
Rates and taxes	3,877,773	386,845
Insurance (net of recoveries Rs.145,220 Previous year Rs.113,642)	1,027,520	1,459,834
Legal and professional fees (refer Note 8 of schedule 19)	9,927,329	7,964,248
Travelling and conveyance	5,517,630	5,185,439
Consumption of stores and spare parts	18,462,996	14,696,117
Power and fuel	26,652,389	24,564,318
Repair and maintenance		
plant & machinery	22,509,987	24,670,289
building	5,472,104	3,475,476
others	10,112,674	9,257,644
Foreign exchange fluctuations (net of gain of Rs. Nil, Previous year Rs.2,378,761)	–	3,589,816
Commission to sole selling agent	1,155,450	1,230,937
Freight and forwarding charges	2,738,065	2,353,014
Directors' sitting fees	190,000	215,000
Loss on sale/discard of fixed assets (net of gain Rs. 26,610, Previous year Nil)	2,150,255	24,383
Business promotion expenses	566,001	4,613,955
Provision for doubtful debts & advances	2,342,787	–
Bad debts written off	187,635	949,110
Warranty expense	9,507,405	5,378,474
Technical know how fees	18,665,093	–
Miscellaneous expenses	13,480,084	15,363,809
	155,842,177	127,376,708
SCHEDULE 17 - FINANCIAL EXPENSES		
Interest - other than banks	106,783	120
Bank charges	764,722	698,437
	871,505	698,557
SCHEDULE 18 - EARNING PER SHARE (EPS)		
Net profit as per profit and loss account before prior period item	72,660,935	67,914,293
Net profit as per profit and loss account after prior period item	71,129,094	67,914,293
Weighted average number of equity shares in calculating basic and diluted EPS	4,392,559	4,392,559
Earning per share - basic and diluted, computed on the basis of earnings before prior period item (nominal value of share Rs.10, (previous year Rs.10)) (Rs.)	16.54	15.46
Earning per share - basic and diluted, computed on the basis of earnings after prior period item (nominal value of share Rs.10, (previous year Rs.10)) (Rs.)	16.19	15.46

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.

2. Statement of Significant Accounting Policies**(a) Basis of preparation**

The financial statements have been prepared to comply in all material respects, in respect with the Notified accounting standard by Companies (Accounting Standard) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and 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. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed Assets

Fixed assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Leasehold improvements represent expenses incurred towards civil work, 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.

(d) 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.

(e) Depreciation

Depreciation 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 earlier years and a pretacker and a loom 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 year or useful life, whichever is earlier.

(f) Inventories

Inventories are valued as follows:

Raw materials, stores and spare parts	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 of raw material is determined on weighted average basis. Cost of stores and spare parts is determined on First in First Out (FIFO) 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. Cost is determined on weighted average basis.

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.

(g) 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.

Income from services

Commission income 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.

(h) Foreign Currency Translation**Foreign Currency Transaction****(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 a 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.

(i) Retirement and other Employee Benefits

(i) Short term compensated absences are provided for, 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.

(ii) Long service award and other retirement benefit are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

(iii) 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.

(iv) Retirement benefits 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.

(v) Retirement benefits 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.

(vi) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(j) 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.

(k) Income Taxes

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

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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against

current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. 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. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they 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.

(l) Earnings per share

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

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

(m) 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.

(n) 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:

Particulars	Year Ended September 30, 2009 (Rs.)	Year ended September 30, 2008 (Rs.)
Domestic Market	450,379,819	385,217,368
Overseas Markets	21,517,859	25,128,488
Total	471,897,678	410,345,856

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

Particulars	Year Ended September 30, 2009 Rs.	Year ended September 30, 2008 Rs.
Domestic Market	98,270,778	78,395,418
Overseas Markets	6,341,959	5,434,956
Total	104,612,737	83,830,374

The Company has common fixed assets located in domestic market 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 Paper Fabrics Ipoh Sdn Bhd (IPOH)
Voith Paper Fabrics Syn Strand (Syn. Strand)
Voith Paper Fabrics Blackburn Ltd (VFBL) **
Voith Paper Fabrics Stubbins (Stubbins)
Voith IT Solution GmbH, VOIS
Voith Paper Fabrics Frankenmarkt GmbH
Voith Paper Fabrics (VFIS) Asia Pacific
Voith Paper Fabrics (VFWS) US Sales**
Voith AG, (VZ) Heidenheim
Voith Paper Fabrics GmbH & Co. KG
Voith Paper Fabrics Appleton**
Voith Paper Holding (VPT) Heidenheim

* **No transactions during the year

(C) Key Management Personnel

Manoj Kumar Kapoor (Managing Director)
(till 9th April, 2009)

b. Transactions with Related Parties :
i) Transactions with Key Management personnel.
Managerial Remuneration*

For the year ended
September 30, 2009
(Rs.)

For the year ended
September 30, 2008
(Rs.)

Manoj Kumar Kapoor

3,078,921

5,560,205

ii) Transactions with Holding Company
Payment of Dividend

For the year ended
September 30, 2009
(Rs.)

For the year ended
September 30, 2008
(Rs.)

VF Auslandsbeteiligungen GmbH

9,757,254

9,757,254

iii) Transactions with Fellow Subsidiary
Nature of Transactions

For the year ended
September 30, 2009
(Rs.)

For the year ended
September 30, 2008
(Rs.)

Commission Income

Voith Paper Fabrics Ipoh Sdn Bhd (IPOH)

3,736,677

1,355,616

Sale of Goods

Voith Paper Fabrics (VFIS) Asia Pacific

265,250

1,209,678

Purchase of Raw Materials, Stores & Spares

Voith Paper Fabrics Ipoh Sdn Bhd (IPOH)

18,119,740

13,123,418

Voith Paper Fabrics Stubbins (Stubbins)

8,211,116

1,637,445

Voith Paper Fabrics Frankenmarkt GmbH

1,244,952

—

Voith Paper Fabrics Syn Strand (Syn. Strand)

1,863,395

—

Purchase of Fixed Assets

Voith Paper Fabrics Blackburn Ltd (VFBL)

—

25,565,588

Voith Fabrics Appelton

—

545,104

Telephone, Telex Services & IT Services

Voith IT Solution GmbH, VOIS

497,371

1,489,245

Voith AG, (VZ) Heidenheim

574,823

—

Voith Paper Fabrics GmbH & Co. KG.

766,877

—

Technical Knowhow Fees

Voith Paper Fabrics GmbH & Co. KG

18,665,093

—

Reimbursement of Expenses by the Company

Voith Paper Holding (VPT) Heidenheim

2,155,777

—

Reimbursement of Expenses to the Company

Voith Paper Fabrics (VFWS) US Sales

—

59,604

iv) Year end balances

Nature of Balances	As at Sep 30, 2009 (Rs.)	As at Sep 30, 2008 (Rs.)
Trade Payable		
Voith Paper Fabrics Ipoh Sdn Bhd (IPOH)	220,675	1,239,310
Voith Paper Fabrics Stubbins (Stubbins)	1,591,262	777,090
Voith IT Solution GmbH, VOIS	—	686,869
Voith Paper Fabrics Blackburn Ltd. (VFBL)	—	5,012,967
Voith Paper Fabrics (VFWS) US Sales	—	59,604
Voith Paper Fabrics GmbH & Co. KG	9,067,245	—
Voith Paper Fabrics Syn Strand (VFSU)	800,400	—
Trade Receivables		
Voith Paper Fabrics Ipoh Sdn Bhd (IPOH)	3,493,156	1,237,615
Voith Paper Fabrics (VFIS) Asia Pacific	177,424	922,159
Voith Paper Holding (VPT) Heidenheim	775,853	—

Notes:

- No amount has been provided as doubtful debts or advances/written off or written back in the year in respect of debts due from/to above related parties.
- Transactions above exclude the supply of accounting software to the Company by its holding 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, 2009 Rs.	As at September 30, 2008 Rs.
5. Capital Commitments (not provided for)		
Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of amount paid of Rs. Nil (Previous year Rs.997,279)]	—	2,654,489
Total	—	2,654,489
6. Contingent Liabilities not provided for		
(a) Claims against the Company not acknowledged as debts*	1,675,435	2,986,803
(b) Income Tax Demand**	1,682,980	525,570

* The claims against the Company comprises of:-

- Order from Excise department for penalty of Cenvat 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.

** Income tax demand consists of:

- Rs.525,570 as 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; and
- Rs.1,157,410 as the amount of demand raised by the assessing officer in this assessment for assessment year 2006-07 on account of disallowances which is being contested by the Company. Company has received the order of CIT(A) against it and it will file its appeal in the tribunal.

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, 2009 (Rs.)	Particulars	As at September 30, 2008 (Rs.)
Sundry creditors		Sundry creditors	
Foreign Currency		Foreign Currency	
USD 21,241.43		USD 27,545.62	
(Closing rate of 1\$ =48.07)	1,021,076	(Closing rate of 1\$ =47.16)	1,298,914
Euro 146,566.19		Euro 83,917.02	
(Closing rate of 1 Euro=70.27)	10,299,206	(Closing rate of 1Euro=67.69)	5,679,924
GBP 20,698		GBP 9323.85	
(Closing rate of 1 GBP=76.88)	1,591,262	(Closing rate of 1 GBP=85.48)	797,003
Advances to suppliers	NIL	Advances to suppliers	
		GBP 11,685.26	
		(Closing rate of 1GBP=84.5425)	987,901
Sundry Debtors		Sundry Debtors	
USD 115,791.72		USD 116,960.50	
(Closing rate of 1\$ =48.07)	5,566,108	(Closing rate of 1\$=46.80)	5,473,751
Euro 11041.00			
(Closing rate of 1Eur =70.27)	775,851		
Advance from Customers		Advance from Customers	
USD 582		USD 582	
(Closing rate of 1\$ =48.07)	27,977	(Closing rate of 1\$=47.1550)	27,444
		Cash & Cash Equivalent	
		EEFC Account USD 15,609.05	
		(Closing rate of 1\$ =46.80)	730,504

8. Auditors' Remuneration *

(included in legal & professional charges)

Particulars	FOR THE YEAR ENDED SEPTEMBER 30, 2009 (Rs.)	FOR THE YEAR ENDED SEPTEMBER 30, 2008 (Rs.)
As Auditor	1,750,000	1,900,000
Other services-Certification	125,000	15,000
Out-of-pocket expenses	188,980	188,210
Total	2,063,980	2,103,210

*excluding service tax of Rs.235,653 (Previous year Rs. 269,407)

	FOR THE YEAR ENDED SEPTEMBER 30, 2009 (Rs.)	FOR THE YEAR ENDED SEPTEMBER 30, 2008 (Rs.)
9. Supplementary Statutory Information		
(a) Directors' remuneration*		
Salary and allowances	1,800,747	3,602,868
Contribution to Provident and other funds	788,226	1,387,851
Value of other Perquisites (actual and/ or as evaluated under the Income Tax Rules)	489,948	569,486
Commission to Non-Executive Directors	576,082	556,020
Directors' sitting fees	190,000	215,000
Total	3,845,003	6,331,225
*As the 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 non-executive directors.		
Profit after prior year item and before tax as per Profit and Loss Account	109,809,740	106,179,154
Add :		
Directors' Remuneration	3,655,003	6,116,225
Directors Sitting Fees	190,000	215,000
Depreciation as per books	30,390,105	28,920,819
Loss on Sale of Fixed Assets	2,150,255	24,383
Provision for Doubtful Debts and Advances written back	2,342,787	(1,306,262)
	148,537,890	140,149,319
Less:		
Loss on sales of Fixed Assets as per Section 349 of the Companies Act, 1956	(2,150,255)	(24,383)
Depreciation as per Section 349 of the Companies Act, 1956	(31,171,216)	(28,920,819)
Net profit as per Section 349 of the Companies Act, 1956	115,216,419	111,204,117
Commission to Non-Executive Directors at 0.5 % of the net profits as calculated above	576,082	556,020
(c) Value of imports (C.I.F) (on accrual basis)		
(i) Raw Materials	98,214,489	73,714,801
(ii) Stores & Spare parts	6,190,387	8,119,896
(iii) Capital Goods	763,693	33,656,118
Total	105,168,569	115,490,815

	FOR THE YEAR ENDED SEPTEMBER 30, 2009 (Rs.)	FOR THE YEAR ENDED SEPTEMBER 30, 2008 (Rs.)
(d) Expenditure in foreign currency (on accrual basis)		
(i) Travelling	1,412,659	1,319,537
(ii) Commission	1,155,450	1,230,937
(iii) Telephone, Telex & IT Services	1,839,747	1,013,807
Total	4,407,856	3,564,281
(e) Earnings in foreign currency (on accrual basis)		
(i) Exports of Goods* (F.O.B)	21,517,859	25,128,488
(ii) Commission	3,736,677	1,355,616
Total	25,254,536	26,834,243
*excludes the export to Nepal of Rs. 6,894,609 (Previous year Rs. 3,267,672)		
(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'08	Year Ended September '07
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)	
	2009	2008	2009	2008	2009	2008
Felts for Paper Machines and other Ancillary Equipments	N.A.	N.A.	310	310	256.80	193.07
Total	N.A.	N.A.	310	310	256.80	193.07

Notes:-

1. Installed capacity is as certified by the Board of Directors.
2. * Net of felts scrapped 9.80 (Previous year 5.11)

(b) Details of finished goods

Particulars	UOM	Quantity		Value (Rs.)	
		Sep. 30, 2009	Sep. 30, 2008	Sep. 30, 2009	Sep. 30, 2008
Opening Stock	Tonnes	19.35	36.90	20,546,159	35,901,764
Sales	Tonnes	236.53	210.62	471,897,678	410,345,856
Closing Stock	Tonnes	29.83	19.35	38,536,419	20,546,159

(c) Consumption of raw materials

Particulars	Unit	For The Year Ended September 30, 2009		For The Year Ended September 30, 2008	
		Qty.	Rs.	Qty.	Rs.
Synthetic	Tonnes	139.436	70,370,856	172.43	60,458,189
Nylon Filament	Tonnes	157.203	36,613,560	78.53	25,387,911
Semi-finished Fabrics	Sq. Meter	21247.94	22,557,733	17,692.96	17,174,302
Others			143,864		282,430
Total			129,686,013		103,302,832

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

Particulars	For The Year ended September 30, 2009		For The Year ended September 30, 2008	
	Percentage	Value (Rs.)	Percentage	Value (Rs.)
(i) Raw Materials				
(a) Imported	75.76	98,251,087	74.67	77,136,225
(b) Indigenous	24.24	31,434,936	25.33	26,166,607
	100.00	129,686,013	100.00	103,302,832
(ii) Stores and Spares Parts (including machinery repairs)				
(a) Indigenous	83.93	15,496,526	79.05	11,618,035
(b) Imported	16.07	2,966,470	20.95	3,078,082
	100.00	18,462,996	100.00	14,696,117

11. In accordance with para 10 of Accounting Standard- 9 Revenue Recognition notified under the Companies (Accounting Standard) Rules, 2006 (as amended), excise duty on sales amounting to Rs.27,176,161 (Previous year Rs.32,142,377) has been reduced from sales in profit & loss account and increase/(decrease) in excise duty on closing stock amounting to Rs.2,694,080 (Previous year Rs.2,862,399) has been considered as income/expense 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. There is no escalation clause in the lease agreement. There are no restriction imposed by lease arrangement. There are no sub-leases.
- (b) The aggregate lease rentals payable are charged as rent in Schedule 16.

13. Movement of provisions

(Rs.)

Particulars	Warranty Claims		Contingencies		Total	
	2009	2008	2009	2008	2009	2008
Opening Balance						
Provision as on October 1	7,776,837	8,456,960	325,391	1,946,975	8,102,228	10,403,935
Additions during the year	9,507,405	5,378,474	1,311,368	—	10,818,773	5,378,474
Amount utilized during the year	8,439,802	6,058,597	204,619	1,501,026	8,644,421	7,559,623
Unused amount reversed during the year	—	—	120,772	120,558	120,772	120,558
Closing Balance of Provision as at September, 30	8,844,440	7,776,837	1,311,368	325,391	10,155,808	8,102,228

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 there will be no liability of interest under the MSMED Act. The disclosure required under Micro Small and Medium Enterprise Development Act, 2006 are as follows:

(Rs.)

	Sep. 30, 2009	Sep. 30, 2008
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.	489,864	441,189
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 year 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. Gratuity and other post-employment benefit plans

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 Company has also agreed to provide certain additional benefits to workers. These benefits are unfunded.

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)

	Others Retirement Benefits		Gratuity	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Current service cost	44,047	(219,373)	981,977	953,188
Interest cost on benefit obligation	123,001	74,382	1,786,047	2,004,355
Expected return on plan assets	—	—	(2,440,994)	(2,275,854)
Net actuarial (gain)/ loss recognized in the year on account of return on plan assets	—	—	—	—
Net actuarial (gain)/ loss recognized in the year	61,242	(73,387)	9,495,870	1,522,584
Net benefit expense	228,290	(218,378)	9,822,900	2,204,273
Actual return on plan assets	—	—	—	—

Balance Sheet

Details of Provision for retirement benefits, long service award and gratuity

	Other Retirement Benefits		Gratuity		Long Service Award	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Defined benefit obligation	1,559,259	1,655,969	29,822,462	26,381,288	477,551	1,545,459
Fair value of plan assets	—	—	30,022,110	25,570,788	—	—
Plan asset (liability)	(1,559,259)	(1,655,969)	199,648	(810,500)	(477,551)	(1,545,459)

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

	Other Retirement Benefits		Gratuity	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Opening defined benefit obligation	1,655,969	1,874,347	26,381,288	24,355,839
Interest cost	123,001	74,382	1,786,047	2,004,355
Current service cost	44,047	30,015	981,977	953,188
Benefits paid	(325,000)	—	(10,075,346)	(2,366,947)
Actuarial (gain)/losses on obligation	61,242	(322,775)	10,748,496	1,434,853
Closing defined benefit obligation	1,559,259	1,655,969	29,822,462	26,381,288

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

	Gratuity Sept. 30, 2009	Sept. 30, 2008
Opening fair value of plan assets	25,570,788	23,604,107
Expected return	2,440,994	2,275,854
Contributions by employer	10,833,048	2,163,536
Benefits paid	(10,075,346)	(2,366,947)
Actuarial (gain)/ losses	1,252,626	(105,762)
Closing fair value of plan assets	30,022,110	25,570,788

The Company expects to contribute Rs. 2,100,000 to Gratuity in 2009-10.

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

	Gratuity Sept. 30, 2009	Sept. 30, 2008
	%	%
Investments with insurer	100%	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 stock market scenario.

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

	Other Retirement Benefits		Gratuity		Long Service Award	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
	%	%	%	%	%	%
Discount rate	7.25	8.00	7.25	8.00	7.25	8.00
Expected rate of return on plan assets	—	-	9.00	8.50	—	-
Increase in compensation cost	5.50	5.50	5.50	5.50	5.50	5.50
Employee turnover						
up to 30 years	3	3	3	3	3	3
above 30 years but up to 44 years	2	2	2	2	2	2
above 44 years	1	1	1	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		Superannuation fund	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Charged to Profit and Loss Account	2,600,695	2,517,541	1,387,921	1,608,171

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 of
Voith Paper Fabrics India Limited

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

Biren De
Director

R. Nath
Director

C. S. Panigrahi
Director

Place : New Delhi
Dated : 26th October, 2009

C. S. Gugliani
Company Secretary

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

Registration No.

H	-	4	8	9	5
---	---	---	---	---	---

 State Code:

0	5
---	---

CIN

L	7	4	8	9	9	H	R	1	9	6	8	P	L	C	0	0	4	8	9	5
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Balance Sheet Date:

3	0
---	---

0	9
---	---

2	0	0	9
---	---	---	---

Date Month Year

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

Public Issue:

N	I	L
---	---	---

 Rights Issue :

N	I	L
---	---	---

Bonus Issue:

N	I	L
---	---	---

 Private Placement/Others :

N	I	L
---	---	---

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

Total Liabilities:

9	0	0	0	0	9
---	---	---	---	---	---

 Total Assets:

9	0	0	0	0	9
---	---	---	---	---	---

SOURCES OF FUNDS:

Paid-Up Capital:

4	3	9	2	6
---	---	---	---	---

 Reserves & Surplus:

8	4	2	4	5	3
---	---	---	---	---	---

Secured Loans:

N	I	L
---	---	---

 Unsecured Loans:

N	I	L
---	---	---

Deferred Tax Liabilities (Net):

1	3	6	2	9
---	---	---	---	---

APPLICATION OF FUNDS:

Net Fixed Assets:

2	7	1	3	3	3
---	---	---	---	---	---

 Investments:

0	0
---	---

Net Current Assets:

6	3	3	8	1	6
---	---	---	---	---	---

 Misc. Expenditure:

N	I	L
---	---	---

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

Turnover:

5	1	6	0	8	0
---	---	---	---	---	---

 Total Expenditure:

4	0	3	9	5	0
---	---	---	---	---	---

Profit before Tax:

1	1	2	1	3	0
---	---	---	---	---	---

 Profit after tax:

7	2	6	6	1
---	---	---	---	---

Earning Per Share in Rs.

1	6	.	1	9
---	---	---	---	---

 Dividend Rate (%) :

4	0
---	---

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

Item Code No.
(ITC Code)

5	9	1	1	2	0	.	0	0
---	---	---	---	---	---	---	---	---

Product Description

F	E	L	T	S
---	---	---	---	---

PROXY**Voith Paper Fabrics India Limited**

Registered Office : 113/114A, Sector 24, Faridabad - 121 005 (Haryana). Delhi NCR. India

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 40th Annual General Meeting of the Company to be held on Thursday, 3rd December 2009 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 of 2009.

Signature

Affix Revenue Stamp of Appropriate Value
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- 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). Delhi NCR. India

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 40th Annual General Meeting of the Company held on Thursday, 3rd December 2009 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

Registered Office: 113/114A, Sector 24

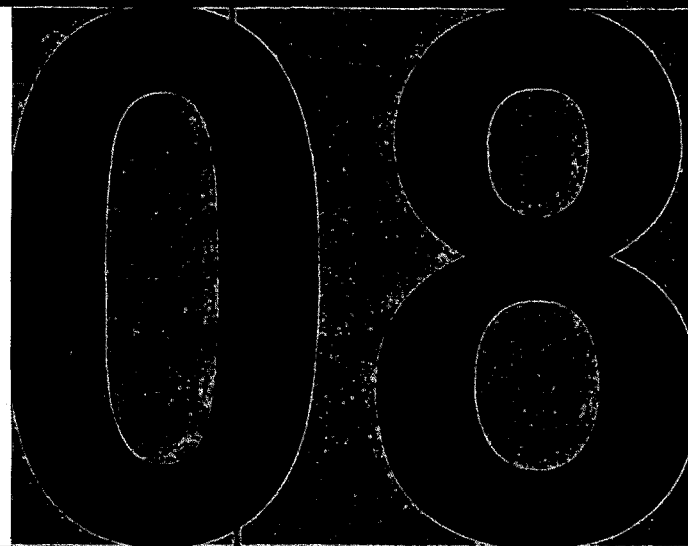
Faridabad - 121005 (Haryana), Delhi NCR. India

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Fax: + 91 129 2232072

Website: www.voithpaperfabricsindia.com

email: voithfabrics.faridabad@voith.com



VOITH
Engineered reliability.