# VOITH

42<sup>nd</sup> Annual Report 2010 / 2011 Voith Paper Fabrics India Limited Life Cycle Partner of the Paper Industry



# NOTICE

Notice is hereby given that the Forty Second Annual General Meeting of the members of Voith Paper Fabrics India Limited will be held on Thursday, 8th December 2011 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**

- To consider and adopt the Audited Balance Sheet as at 30th September 2011 and Profit & Loss Account for the year ended on that date together with the reports of the Board of Directors & Auditors thereon.
- To declare dividend. 2.
- 3. To re-appoint Mr. Chandra Sekhar Panigrahi as a Director who retires by rotation and being eligible offers himself for re-appointment.
- To re-appoint Mr. Martin Sieringhaus as a Director who retires by rotation and being eligible offers himself for re-appointment. 4.
- To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT M/s S. R. Batliboi & Co., Chartered Accountants (Registration No. 301003E) having their office at: Golf View Corporate Tower – B, Sector – 42, Sector Road, Gurgaon – 122002, Haryana; be and are hereby appointed as statutory auditors of the company to hold that office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the company, in place of M/s S. R. Batliboi & Associates, Chartered Accountants, at a remuneration as may be mutually decided by the Board of Directors in negotiation with the said M/s S. R. Batliboi & Co."

#### **SPECIAL BUSINESS**

To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 31 of the Companies Act, 1956 and / or other applicable provisions of law; if any, the Articles of Association of the company be altered / amended as follows:

The words "VPT Auslandsbeteiligungen GmbH", wherever they appear in the Articles of Association, be replaced with the words "VP Auslandsbeteiligungen GmbH"."

#### Registered Office:

113/114-A, Sector - 24,

By order of the Board

Faridabad - 121005 (Haryana).

Delhi NCR. India.

Place: New Delhi

C.S. Gugliani

For Voith Paper Fabrics India Limited

Date: 3rd November, 2011

Company Secretary

#### **NOTES**

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON A POLL ONLY) INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS OF THE MEETING.
- Corporate members are requested to send a duly certified copy of the resolution passed by their board of directors authorizing their representatives to attend and vote at the Annual General Meeting.
- 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.
- The details of the shareholding of Directors who are proposed to be reappointed at the Forty Second 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. Chandra Sekhar Panigrahi	NIL	NIL	NIL	NIL
Mr. Martin Sieringhaus	NIL	NIL	NIL	NIL

- 5) The Register of members and Share Transfer Books of the company will remain closed from Saturday, 26/11/2011 to Thursday, 08/12/2011 (both days inclusive) in terms of the provision of Section 154 of the Companies Act, 1956.
- 6) The Dividend as recommended by the Board of Directors, if declared at the meeting, would be paid to those members whose name appears in the Register of members as on Thursday, 8th December 2011. In respect of shares held in dematerialized mode, the dividend would be paid to the beneficial owners of shares as at end of the business hours on Friday, 25th November 2011, as per details furnished by the Depositories for this purpose.
- 7) In accordance with Circular issued by SEBI that the NECS facility should mandatorily be used by Companies for distribution of dividend to its members, your Company has sent the required forms and details to all the members on various occasions. Those members, who have not yet sent the duly filled in NECS form to avail the benefits of this facility, are once again requested to send the same at the earliest.
- 8) Members holding shares in physical form are requested to promptly notify the change in their respective address and / or their NECS / bank details to the Registrar & Share Transfer Agent (RTA), MCS Limited, New Delhi.
- 9) **Members holding shares in electronic / dematerialized mode** are requested to notify the change, if any, in their respective address and / or their NECS / bank details, to their respective Depository Participant (DP) and not to the company or its RTA.
- 10) Members are requested to note that the equity shares of the company are compulsorily traded in dematerialized form. Members are therefore advised to immediately dematerialize their shareholding to avoid any inconvenience in future.
- 11) In order to render better and efficient service, we request you to consolidate the multiple folios existing in the same names and in identical order. Please note that consolidation of folios does not amount to transfer of shares and therefore, no stamp duty will be payable for the same. In case you wish to consolidate your folios, kindly forward your request along with the relevant share certificates to the Company or its RTA, MCS Limited.
- 12) Pursuant to the provisions of Section 205A of the Companies Act, 1956, dividend for the Financial Year 2002-03 that remained unpaid / unclaimed for a period of seven years has already been transferred to the Investor Education & Protection Fund (IEPF). Shareholders who have not so far encashed the dividend warrants for the year 2003 04 onwards, are requested to make their claims to the company immediately. It may be noted that once the unclaimed / unpaid dividend is transferred to the IEPF; no claim shall lie in respect thereof.
- 13) Members are requested to kindly bring their own copy of the Annual Report to the Meeting, as the Annual Report will not be distributed at the meeting.
- 14) Briefcase, Bag(s), Carry Bag(s), Helmets, Eatables, Drinks, etc. will not be allowed inside the Meeting Hall.
- 15) Members may kindly note that no 'Gifts' will be distributed at the Annual General Meeting.
- 16) Members / Proxy coming to attend the Annual General Meeting are requested to carry their original photo ID (passport/driving license/voter's card/PAN card) proof with them for the purpose of verification at the venue.
- 17) Members wishing to seek further information or clarification on the Annual Accounts or operations of the Company at the meeting are requested to send their queries atleast 10 days before the date of meeting addressed to the Company Secretary at the registered office of the company.
- 18) Members must always mention their Folio / DP-ID & Client ID Number in all correspondence with the company or its RTA.

**Registered Office:** 

By order of the Board

113/114-A, Sector – 24,

For Voith Paper Fabrics India Limited

Faridabad – 121005 (Haryana).

Delhi NCR, India.

Place: New Delhi

C.S. Gugliani

Date: 3rd November, 2011

Company Secretary

EXPLANATORY STATEMENT PURSUANTTO SECTION 173(2) OF THE COMPANIES ACT, 1956

**ITEM NO.5** 

M/s S. R. Batliboi & Associates, Chartered Accountants, who were to retire at the conclusion of 42<sup>nd</sup> Annual General Meeting, have expressed

their unwillingness for reappointment as statutory auditors of the company at this Annual General Meeting.

The company has received a letter from M/s S. R. Batliboi & Co., Chartered Accountants having their office at: Golf View Corporate Tower – B, Sector – 42, Sector Road, Gurgaon – 122002. Haryana; conveying their willingness to act as the statutory auditors of the company in place of the retiring auditors M/s S. R. Batliboi & Associates, from the conclusion of the 42<sup>nd</sup> Annual General Meeting until the conclusion of next Annual

General Meeting of the company. The said M/s S. R. Batliboi & Co., has also given its consent and confirmed its eligibility in terms of the provisions

of section 224(1B) of the Companies Act, 1956.

The Board of Directors recommends the special resolution for the approval of shareholders.

None of the Director is in any way interested or concerned in the terms & conditions of appointment of the statutory auditors.

**ITEM NO.6** 

During the year under review, the holding company - "VPT Auslandsbeteiligungen GmbH" has changed its name to "VP Auslandsbeteiligungen GmbH" and consequently the Articles of Association are proposed to be altered / amended to reflect the new name of the holding company.

The Board of Directors recommends the special resolution for the approval of shareholders.

None of the Directors is in any way concerned or interested in the said change to the Articles of Association of the Company.

**Registered Office:** 

By order of the Board

113/114-A, Sector - 24,

For Voith Paper Fabrics India Limited

Faridabad - 121005 (Haryana).

Delhi NCR. India.

Place: New Delhi

C.S. Gugliani

Date: 3rd November, 2011

Company Secretary

## **BOARD OF DIRECTORS**

Chairman

**Martin Gustav Scherrer** 

Directors

Biren De

Ravinder Nath

Chandra Sekhar Panigrahi
Martin Sieringhaus

**Surinder Kumar Nagpal** 

## **VICE PRESIDENT**

R. Krishna Kumar

## **COMPANY SECRETARY**

C.S. Gugliani

## REGISTRAR & TRANSFER AGENT

MCS Limited F-65, Ist Floor, Okhla Industrial Area Phase - I, New Delhi - 110020

## REGISTERED OFFICE AND MILL

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

## **AUDITORS**

S. R. Batliboi & Associates, Chartered Accountants

# **BANKERS**

**AXIS Bank Limited** 

**HDFC Bank Limited** 

**ICICI Bank Limited** 

Punjab National Bank

Standard Chartered Bank

State Bank of India

The Hongkong and Shanghai Banking Corporation Ltd.

## **CONTENTS**

Chairman's Message	1
Report of the Board of Directors	 2
Report on Corporate Governance	 7
Management Discussion & Analysis Report	 15
Auditor's Report	 17
Balance Sheet	 20
Profit & Loss Account	 21
Cash Flow Statement	 22
Schedules	 24
Balance Sheet Abstract	44

Chairman's Message

Dear Shareowners,

I am delighted to be communicating with you once again and hope that you would be pleased with the performance of your company as reported in the accompanying annual report.

At Voith, 'safety' of its employees is the top most priority and the local management of your company closely monitors the implementation of 'safety measures' to remain accident free. I am happy to report that your company continues to be a 'zero accident' operating unit.

As a responsible corporate citizen, we believe it is our duty to provide a clean work atmosphere to our workforce. For this we continue to maintain a large green belt area within your company premises situated in Faridabad. The greenery inside the plant has been acknowledged and appreciated on various occasions by local authorities as well as the dignitaries visiting the plant.

I am glad to inform you that your company continues on its path of consistent growth in the current year also and I would like to explicitly thank everyone associated with the company who has helped in delivering such a good performance.

The overall global economic scenario continues to remain uncertain in most parts of the world since the onset of economic downturn in 2008/09. However, it appeared to have improved marginally in 2009/10 and 2010/11. It was heartening to know that China and India were the main growth drivers of financial recovery during that period, which enabled the world to slowly rise out of the worst global crisis experienced since the Great Depression.

Indian and Chinese economies passed the financial stress test with flying colours and also provided overall impetus to the world for quicker recovery. However, in the recent past the global economic situation has again started showing signs of slowdown. Increasing fiscal deficits; rising debts and unemployment continue to threaten the pace of economic recovery in many parts of the world. India and China registered enviable rates of growth during last couple of years propelled mainly on the basis of increased domestic demand, rather than exports to the developed world. This is of significant importance in view of the economic situation looming at large globally.

With the objective of tapping immense market potential of Indian subcontinent, your board of directors undertook the exercise of altering the object clause of the Memorandum of Association of your company through postal ballot, to successfully seize such an opportunity as and when it arises.

I am confident that we shall continue to grow as we move forward with valuable patronage from all concerned.

I look forward to meet you at the 42nd Annual General Meeting of your company.

With best wishes for a promising future, together!

Martin Gustav Scherrer Chairman

1

# REPORT OF THE BOARD OF DIRECTORS

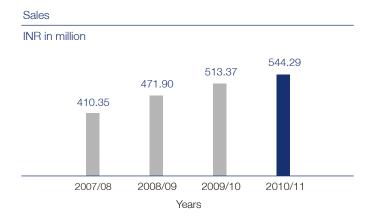
#### Dear Members,

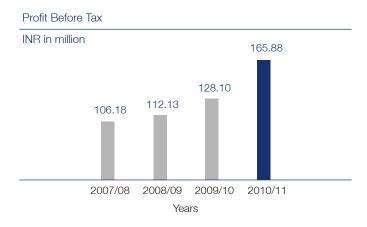
The Directors of your Company are pleased to present the Forty Second Annual Report together with the Audited Accounts of the Company for the year ended 30th September 2011.

## **FINANCIAL HIGHLIGHTS**

		Rs. (In millions)
	2010/11	2009/10
Sales (Net of Excise Duty)	544.29	513.37
Profit before taxation	165.88	128.10
Provisions for taxation	50.55	42.39
Profit after taxation	115.39	85.71
Balance brought forward from the previous year	404.71	342.94
Amount available for Appropriation	520.04	428.65
Appropriations:		
- Dividend	13.18	13.18
- Corporate Dividend Tax	2.14	2.19
- Transferred to General Reserve	11.53	8.57
- Surplus carried to Balance Sheet	493.19	404.71
Total	520.04	428.65

## PERFORMANCE OVERVIEW





As is evident from the above graphs, your company continues to grow and it has achieved Net Sales of Rs. 544.29 millions during the year under review, registering an increase of about 6% over the previous year. The profit before tax at Rs. 165.88 millions exhibits a growth of about 29.50% over the previous year. For a more detailed review of operating performance, members are requested to refer to the 'Management Discussion and Analysis Report' section of this report.

The Directors of your Company expect consistent growth in turnover and profitability in future also, barring unforeseen events and occurrences.

## DIVIDEND

The Directors are recommending for your approval, a dividend of Rs.3/- per equity share of Rs.10/- each for the year ended on 30th September 2011. This will absorb Rs.13.18 millions. In addition, Rs.2.14 millions shall be payable as corporate dividend tax (including surcharge, education cess and secondary & higher education cess) thereon.

#### **DIRECTORS**

Directors, Mr. Chandra Sekhar Panigrahi and Mr. Martin Sieringhaus, shall be retiring by rotation at the 42nd Annual General Meeting and being eligible, offer themselves for reappointment.

The necessary details about the directors seeking reappointment are mentioned below for the consideration of shareholders:

Name of the Director	Mr. Chandra Sekhar Panigrahi	Mr. Martin Sieringhaus
Age (years)	65	38
Date of Appointment	26th March 2009	26th October 2009
Expertise in Special Functional Areas	Engineering & General Management	Finance
Qualification	Graduate Engineer (Mechanical)	Industrial Engineer and Accounting.
Directorships held in outside Companies, as on 30/09/2011	Voith Paper Technology (India) Pvt. Ltd. Flow Link Systems Private Limited	None
Membership of Committees of other Companies, in which he is a Director, as on 30/09/2011	None	None
No. of Shares held in the Company (Including those held by Relatives)	Nil	Nil

None of the Directors 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 & Associates, Chartered Accountants, Gurgaon, who are to retire at the conclusion of ensuing Annual General Meeting have expressed their unwillingness for re-appointment as the statutory auditors of the company. The directors wish to place on record their appreciation of the professional services rendered by them during their association with the company.

Further, company has received a letter from M/s S. R. Batliboi & Co., Chartered Accountants, (Registration No. 301003E) having their office at: Golf View Corporate Tower - B, Sector - 42, Sector Road, Gurgaon - 122002, Haryana; indicating their willingness to be appointed as the statutory auditors of the company from the conclusion of forthcoming 42<sup>nd</sup> Annual General Meeting until the conclusion of next Annual General Meeting of the company and confirming that their appointment, if made, will be in compliance with the requirements of Section 224 (1B) of the Companies Act, 1956.

Accordingly, the Audit Committee and the Board of Directors recommend for appointing the aforesaid M/s S. R. Batliboi & Co., as the statutory auditors by the shareholders of the company.

#### **CORPORATE GOVERNANCE**

The Company endeavours to maintain high standards of Corporate Governance in letter as well as spirit. As required by Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited (BSE), the reports on Management Discussion and Analysis, Corporate Governance as well as the Certificate regarding compliance of conditions of corporate governance, are annexed and form an integral part of this report.

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

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

During the year under review, there was no employee in the company whose particulars are required to be disclosed under the provisions of Section 217(2A) for the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended.

#### **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**

Place: New Delhi

Your Directors wish to place on record their appreciation to all the stakeholders, including all the employees, attached with the company for their dedicated support, which has enabled the company to continue to grow during the year under review.

For and on behalf of the Board of Directors

Biren De

Chandra Sekhar Panigrahi

Surinder Kumar Nagpal

Date: 3<sup>rd</sup> November, 2011 (Directors)

# **ANNEXURE - I**

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

#### A. CONSERVATION OF ENERGY

Your Company tries to be on the look-out to conserve the ever increasing demand of energy utilization and tries to implement such processes which would lead to reduction in consumption of energy.

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

## FORM A

## PART A- Power and Fuel Consumption

Sr. No.	Part	iculars	2010/11	2009/10
1.	Elec	etricity		
	(a)	Purchase units (millions)	2.30	2.05
		Total amount (Rs. in millions)	12.90	9.46
		Rate/unit (Rs.)	5.60	4.62
	(b)	Own Generation		
		(i) Through diesel generating units (millions)	0.57	0.65
		Unit per litre of diesel oil	2.96	2.94
		Cost/unit (Rs.)	12.30	11.11
		(ii) Through steam turbine / generator	NIL	NIL
2	Pur	chased Fuel Consumed		
	(i)	Furnace Oil		
		Quantity (K. Lts.)	295.21	292.46
		Total amount (Rs. in millions)	14.15	11.44
		Average rate (Rs. per litre)	47.93	39.10
	(ii)	Pipe Natural Gas		
		Quantity (1000 M3)	7.09	-
		Total amount (Rs. in millions)	0.20	-
		Average rate (Rs. per M3)	27.65	-
PART B	-Cons	sumption Per Unit of Production		
Product			Felts	Felts
Unit			Kgs.	Kgs.
Electricity	/		10.19	10.53
Furnace	lic		1.05	1.14

## **B. TECHNOLOGY ABSORPTION**

## **FORM B**

## **Research and Development**

Research & Development (R & D) activities are considered as the foundation for producing better quality products that meet the expectations of customers and for developing indigenous resources for import substitution.

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

(Rs. In millions)

(a) Capital	0.76
(b) Recurring	15.19
(c) Total (a + b)	15.95
(d) Total R & D expenditure as a percentage of total turnover	2.59%

## **Technology Absorption, Adaptation and Innovation**

The company regularly reviews its internal processes and tries to keep itself abreast with the relevant developments occurring in the market. Your Company has suitably adapted the technology available to it, resulting in improvements in production processes, reduction in levels of pollution and consumption of energy.

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Exports during the year were Rs. 31.52 millions. Your Company continues to explore new foreign markets and to enlarge its share in the existing markets.

(Rs. In millions)

•	Foreign exchange earnings	40.13
•	Foreign exchange outgo	132.15

## **REPORT ON CORPORATE GOVERNANCE**

## A. MANDATORY DISCLOSURES

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

The company continues to be guided by the following principle laid down by the Voith Group way back in 1927, for conducting business even in present modern time, i.e. "In the business world one must be ethical, decent and honest. If a contracting party or competitor behaves unfairly, this does not give us a right to deviate from this principle."

The above principle was laid down long before the concept of Corporate Governance saw the light of the day. We are confident that by upholding and preserving these values we can look forward to continued success in coming years as well. Over the years, these words have been ingrained in the very core of value system prevailing in Voith Group.

The Company is in compliance with the requirements of Corporate Governance under Clause 49 of the listing agreement with the Bombay Stock Exchange Limited (BSE), subject to such exceptions in the specific area as mentioned in following paragraphs.

#### 2. Board of Directors

As on 30/09/2011, the Board of Directors of the company comprised of six Directors, headed by a Non-executive Chairman. However, 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.

The day-to-day management of the company is presently entrusted to the Vice President, Mr. R. Krishna Kumar, an alumnus of BITS, Pilani and IIM, Calcutta.

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 30th September, 2011, the Board met 5 times as per following details:

- On 26th October & 2nd December in the year 2010; and
- On 11th February; 28th April & 28th July in the year 2011.

The Composition of the Board of Directors, their attendance record and details of outside directorships, as on 30/09/2011, are as follows:

Name of Director	Category	Board Meetings attended during the year	Attendance at last AGM held on 02/12/2010	No. of outside Directorships held (including Private Limited Companies)		No. of other Committee Memberships	
		ille yeal		Indian Companies	Other Companies	As Chairman	As Member
Mr. Martin Gustav Scherrer (Chairman of the Board)	Non-executive Director (Nominee of the holding company)	1	Present	Nil	Nil	Nil	Nil
Mr. Biren De	Independent & non-executive Director	4	Present	As Chairman: 0 As. Director: 01	Nil	Nil	Nil
Mr. Ravinder Nath	Independent & non-executive Director	4	Present	As Chairman: 0 As. Director: 06	Nil	Nil	02
Mr. Chandra Sekhar Panigrahi	Non-independent & non-executive Director	5	Present	As Chairman: 0 As Director: 02	Nil	Nil	Nil
Mr. Martin Sieringhaus	Non-independent & non-executive Director	1	Present	Nil	Nil	Nil	Nil
Mr. Surinder Kumar Nagpal	Independent & non-executive Director	5	Present	As Chairman: 0 As. Director: 01	Nil	Nil	Nil

## Details of shares of the Company held by the Directors and their relatives as on 30.09.2011:

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. Biren De	1370	NIL	1370
Mr. Ravinder Nath	NIL	NIL	NIL
Mr. Chandra Sekhar Panigrahi	NIL	NIL	NIL
Mr. Martin Sieringhaus	NIL	NIL	NIL
Mr. Surinder Kumar Nagpal	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 three Independent and Non-executive Directors.

Mr. Biren De, an engineer by profession and the longest serving member on the board, is the Chairman of Audit Committee.

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

Name & Designation of the Director in the Committee	Category	No. of meetings attended
Mr. Biren De, Chairman	Independent & non-executive Director	3
Mr. Ravinder Nath, Member	Independent & non-executive Director	3
Mr. Surinder Kumar Nagpal, Member	Independent & non-executive Director	4

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 following details:

Date of the Meeting	Purpose of the meeting
26th October, 2010	To review the Audited Financial Results of the company for the period ended on 30th September 2010
11th February, 2011	To review the Unaudited Financial Results of the Company for the period ended on 31st December 2010.
28th April, 2011	To review the Unaudited Financial Results of the Company for the period ended on 31st March 2011
28th July, 2011	To review the Unaudited Financial Results of the Company for the period ended on 30th June 2011

## **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 formulating any remuneration policy in relation thereto.

**Composition** - Presently, remuneration committee of the Board of Directors comprises of two Independent and non-executive Directors. Mr. Biren De, chairs the Committee.

No meeting of the remuneration committee took place, as there was no managerial person in the company during the year under review. The composition of the remuneration committee is given below:

Name & Designation of the Director in the Committee	Category	Number of meetings attended
Mr. Biren De, Chairman	Independent & non-executive Director	N.A.
Mr. Ravinder Nath, Member	Independent & non-executive Director	N.A.

**Remuneration Policy** – The remuneration of 'managerial person', if and when appointed, would be approved by the Board of Directors, considering various factors such as qualification, experience, expertise, and capability of the appointee, remuneration prevailing in the industry, financial position of the Company, etc. and by complying with the prevailing procedural requirements at that time.

Details of Payments made to Non-executive Directors – The Non-executive Directors of Indian origin were paid only the 'Sitting Fee' (@ Rs.10,000/- for each meeting), as per following details, for attending the meetings of the Board and / or its Committees, during the year ended 30th September, 2011:

Name of the Director	Sitting Fees (in Rs.) Paid for attending meetings of				Total
	Board of Audit Directors Committee		Remuneration Committee	Investor Grievances Committee	Sitting fees paid (Rs.)
Mr. Biren De	40,000	30,000	-	-	70,000
Mr. Ravinder Nath	40,000	30,000	-	30,000	100,000
Mr. C. S. Panigrahi	50,000	-	-	30,000	80,000
Mr. S. K. Nagpal	50,000	40,000	-	-	90,000

No Director was paid any other remuneration for the year under review.

## 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, etc.

**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.

Three meetings of the Investor Grievances Committee were held during the year as per following details:

- · On 26th October in the year 2010; and
- On 11th February & 28th July in the year 2011.

The composition of the Investor Grievances Committee is given below.

Name & Designation of the Director in the Committee	Category	Number of meetings attended
Mr. Ravinder Nath, Chairman	Independent & Non-executive Director	3
Mr. Chandra Sekhar Panigrahi, Member	Non-independent & Non-executive Director	3

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

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

Particulars	Share Transfers	Other Complaints
Number of complaints pending as on 01/10/2010	Nil	Nil
Number of complaints received during the period from 01/10/2010 to 30/09/2011	Nil	5
Number of complaints disposed off during the period from 01/10/2010 to 30/09/2011	Nil	5
Number of complaints pending as on 30/09/2011	Nil	Nil

There is no valid request for transfer of shares pending as on 30th September, 2011.

## 4. General Body Meetings

Year (AGM)	Venue	Day & Date	Time
2010 (41st) Magpie Tourist Complex of Haryana Tourism Corporation Ltd. Sector 16A, Mathura Road, Faridabad		Thursday, 02/12/2010	3:30 p.m.
2009 (40th) Magpie Tourist Complex of Haryana Tourism Corporation Ltd. Sector 16A, Mathura Road, Faridabad		Thursday, 03/12/2009	3:30 p.m.
2008 (39th)	Magpie Tourist Complex of Haryana Tourism Corporation Ltd. Sector 16A, Mathura Road, Faridabad	Thursday, 04/12/2008	3:30 p.m.

## **SPECIAL RESOLUTIONS:**

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

Year (AGM)	Matter for which Special Resolution was passed
2010 (41st)	Appointment of New Statutory Auditors; and Alteration in the Articles of Association
2009 (40th)	None
2008 (39th)	None

#### SPECIAL RESOLUTION THROUGH POSTAL BALLOT:

In accordance with the provisions of section/s 17, 192A and other applicable provisions of the Companies Act, 1956, read with the Companies (passing of the resolution by postal ballot) Rules, 2011, company carried out the Postal Ballot exercise to alter the Object Clause of its Memorandum of Association and to empower the Board of Directors to start new business activity.

The despatch of relevant documents to the shareholders under 'Registered Post' was completed on 22nd September, 2011 and the last date to receive back the Postal Ballot Form in a self-addressed postage prepaid envelope was fixed as 25th October, 2011.

Mr. Deepak Bansal, Practising Company Secretary of M/s Deepak Bansal & Associates, Company Secretaries, New Delhi, was appointed as the Scrutinizer to conduct the Postal Ballot exercise in a fair and transparent manner.

As per report of the Scrutinizer, details of Postal Ballot Forms received are as under:

Particulars	Valid	Invalid	Total
Ballot Forms Received	173	14	187
Votes Polled	3314475	7160	3321635
Valid Votes Polled in 'Favour' of the Resolution			
Valid Votes Polled 'Against' the Resolution			150
Percentage of Valid Votes in 'Favour' of the Resolution			
Percentage of Valid Votes 'Against' the Resolution			00.005%

Thus, the Special Resolution is declared to have been duly approved and passed by the shareholders of the company, with the requisite majority, on 3rd November 2011. The result of the aforesaid Postal Ballot exercise would be published in an English as well as Hindi newspaper in accordance with the statutory requirements in this regard. The result would also be displayed on the Website & Notice Board of the Company and it would be communicated to the Bombay Stock Exchange Limited (BSE) as well, where the shares of the Company are listed.

None of the resolution proposed to be passed at the ensuing Annual General Meeting needs to be passed by Postal Ballot in terms of the provisions of Section 192A of the Companies Act, 1956 read with the Companies (passing of the resolution by postal ballot) Rules, 2011.

#### 5. Disclosures

During the year ended 30th September 2011, 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 complied with the Mandatory Requirements of Clause 49 of the Listing Agreement, as revised / amended, from time-to-time, except for the appointment of CEO.

Since there is no CEO in the company, thus the required certificate, in relation to the financial statements of the company was periodically placed before the Board of Directors under the signatures of only the CFO, affirming the conformance with the requirements of Clause 49(V) of the Listing Agreement.

## **Disclosures of Accounting Treatment**

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

## 6. Means of Communication

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 to the concerned stock exchange in accordance with the requirements of listing agreement.

The financial results and other communications of the Company were normally published in 'The Hindu Business Line' and 'Rashtriya Sahara'. The financial results are also displayed on the Company's website www.voithpaperfabricsindia.com The Company also keeps on updating its website with other relevant information, as and when required.

Besides the communication sent to shareholders for postal ballot exercise as mentioned in foregoing paragraph, during the year under review, the Company had sent communications to the shareholders seeking their consent to receive all communications in future via e-mail through electronic mode.

Further, the Company had so far also sent two reminder letters to the shareholders whose shares are lying unclaimed / undelivered with the Company, in pursuance of the relevant notifications / circulars issued by the SEBI / BSE in this regard. The company shall be sending the third and final reminder to the concerned shareholders for such unclaimed / undelivered shares. Thereafter, the company shall transfer all such shares into one folio in the name of "Unclaimed Suspense Account" and shall arrange to get such shares dematerialised with one of the depository participant, in its own name, purely on behalf of the allottees who are eventually entitled to receive such shares. The shareholders may kindly take note that the voting rights on such shares shall remain frozen till the shares are reclaimed by the rightful owners.

## 7. General Shareholder Information

## **Annual General Meeting:**

Day & Date	Time	Venue
Thursday, 8th December 2011	3:30 p.m.	Magpie Tourist Complex of Haryana Tourism Corporation Ltd. Sector 16A, Mathura Road, Faridabad

Financial Calendar: 1st October 2011 to 30th September 2012

#### Taking on record / publication of quarterly results (tentative):

Results for Quarter I (1st October, 2011 to 31st December, 2011): in January / February 2012

Results for Quarter II (1st January, 2012 to 31st March, 2012): in April / May 2012

Results for Quarter III (1st April, 2012 to 30th June, 2012): in July / August 2012

Results for Quarter IV (1st July, 2012 to 30th September, 2012): in October / November 2012

## **Book Closure and Dividend Payment Date:**

Book closure:

From Saturday, 26th November, 2011 to Thursday, 8th December, 2011 (both days inclusive).

Dividend payment date:

Barring unforeseen circumstances, the dividend would be paid / dispatched to the eligible shareholders by 28th December, 2011.

## 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 2011/2012.

## Stock Code:

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

ISIN No. for NSDL/CDSL: INE 285C01015

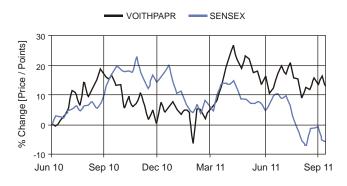
## **Market Price Information:**

The monthly high and low closing prices of the shares traded during the year ended 30th September, 2011 on The Bombay Stock Exchange Limited, Mumbai are given below:

Month	High (Rs.)	Low (Rs.)
October, 2010	227.00	186.00
November, 2010	220.00	192.00
December, 2010	216.00	185.00
January, 2011	218.95	186.05
February, 2011	212.00	154.45
March, 2011	222.00	166.00
April, 2011	252.00	211.00
May, 2011	263.00	210.50
June, 2011	228.90	202.10
July, 2011	233.00	212.00
August, 2011	240.00	200.00
September, 2011	225.00	206.00

Source: BSE website

## Share Price vis-à-vis BSE Sensex Movement:



## 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: 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 and also share transfer related work in respect of shares held in physical form. Such 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.

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

## Information on Shareholding:

## 1) Shareholding Pattern of the Company as on 30th September, 2011

Category code	Category of Shareholder / Member	Total No. of Members	Total No. of shares	No. of Shares held in dematerialized form	Total shareh a percentag number of	e of total
					As a % of (A+B)	As a % of (A+B+C)
(A)	Shareholding of Promoter				(2112)	(111210)
	and Promoter group					
	(1) Indian	Nil	Nil	Nil	N.A.	N.A.
	Sub Total (A)(1)	Nil	Nil	Nil	N.A.	N.A.
	(2) Foreign					
	Bodies Corporate	1	3,252,418	Nil	74.044%	74.044%
	Sub Total (A)(2)	1	3,252,418	Nil	74.044%	74.044%
	Total Shareholding of Promoter &	1	3,252,418	Nil	74.044%	74.044%
	Promoters Group (A)=(A)(1)+(A)(2)					
(B)	Public shareholding					
(-)	(1) Institutions					
	Financial Institutions / Banks	5	706	432	0.016%	0.016%
	Insurance Companies	2	63,147	63,072	1.438%	1.438%
	Sub Total (B)(1)	7	63,853	63,504	1.454%	1.454%
	(2) Non institutions					
	(a) Bodies Corporate	121	92,625	85,817	2.108%	2.108%
	(b) Individuals	0.407	000 670	607.070	18.888%	18.888%
	<ul> <li>i. Individual shareholders holding nominal share capital up to</li> </ul>	3,437	829,673	627,079	18.888%	18.888%
	Rs.1 Lakh					
	ii. Individual Shareholders holding	10	127,245	127,245	2.897%	2.897%
	nominal share capital in excess of					
	Rs.1 Lakh					
	NRIs	45	23,681	19,935	0.539%	0.539%
	(c) An Other (Specif ) - Trusts & Foundation	1 2 614	3,064	3,064	0.070%	0.070% <b>24.502%</b>
	Sub-Total (B)(2) Total Public shareholding (B)=(B)(1)+(B)(2)	3,614 3,621	1,076,288 1,140,141	863,140 926,644	24.502% 25.956%	24.502% 25.956%
	TOTAL (A)+(B)	3,622	4,392,559	926,644	100.000%	100.000%
(C)	Shares held b Custodians and against which	Nil	4,032,333 Nil	Nil	N.A.	N.A.
(-,	Depositor Receipts have been issued		·			
	Grand Total (A+B+C)	3,622	4,392,559	926,644	100.000%	100.000%

## 2) Shareholders with more than one percent holding as on 30th September, 2011

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

## 3) Distribution of shareholding as on 30th September, 2011

No. of Shares held (Range)	No. of Shareholders	% to total Shareholders	No. of Shares	% to total shares
1 - 500	3231	89.205%	360,884	8.216%
501 – 1000	223	6.157%	163,091	3.713%
1001 – 2000	90	2.485%	127,374	2.899%
2001 – 3000	24	0.662%	58,838	1.339%
3001 – 4000	12	0.331%	41,425	0.943%
4001 – 5000	15	0.414%	67,331	1.533%
5001 – 10000	13	0.359%	96,222	2.191%
10001 – 50000	12	0.331%	161,904	3.686%
50001 - 100000	1	0.028%	63,072	1.436%
100001 and above	1	0.028%	3,252,418	74.044%
Total	3622	100.000%	4,392,559	100.000%

#### **Dematerialisation of Shares:**

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

3,252,418 equity shares owned by the holding company are held in physical mode and are not pledged/encumbered in any manner as at 30th September, 2011.

Out of remaining 1,140,141 equity shares; 926,644 equity shares of the Company, forming 21.09% of the total shareholding, stand dematerialized as on 30th September, 2011.

#### 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).

## **Reconciliation of Share Capital Audit Report:**

In accordance with the requirements for a listed company, as stipulated by SEBI, a 'Reconciliation of Share Capital Audit' is conducted on a Quarterly basis by a firm of Company Secretaries, for the purpose of, inter alia, reconciliation and confirmation 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, as listed on the BSE.

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 Any 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, 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 CFO has placed before it a certificate relating to the financial statements regularly. However, the relevant annual certificate is signed only 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

Chandra Sekhar 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, if any, are published in an English newspaper having nation-wide circulation and a local language newspaper. The results are also displayed on the Company's website besides being available for public viewing through the website of BSE. 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 2011.
- 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.
- 8. The Company has not yet allocated any fund for the purpose of meeting out the corporate social responsibility, but it does try to maintain a clean and green work environment within its premises.

#### **Compliance Certificate:**

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

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

То

The Members of Voith Paper Fabrics India Limited 113/114-A, Sector-24 Faridabad-121005 (Haryana)

I have reviewed the implementation of Corporate Governance procedures by M/s. VOITH PAPER FABRICS INDIA LIMITED during the year ended 30th September, 2011 with the relevant records and documents maintained by the Company, furnished to me for my review and the report on Corporate Governance as approved by the Board of Directors.

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

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

On the basis of my review and according to the information and explanation provided to me, it is hereby certified and confirmed:

- That the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with the stock exchange (BSE) have been complied with in all material respect by the company and except the appointment of CEO of the Company, the Board of Directors is in conformity with the requirements of Clause 49 of the Listing Agreement(s); and
- That 'No' investor grievance is pending for a period exceeding one month as per the records maintained by the Company.

FOR M. BANGIA & ASSOCIATES
COMPANY SECRETARIES

COMPANY SECRETARIES

Manoj Bangia Proprietor C. P. No. 3655

## **MANAGEMENT DISCUSSION & ANALYSIS REPORT**

## **INDUSTRY STRUCTURE & DEVELOPMENTS:**

Indian economy is witnessing a slowdown with the inflation much beyond the comfortable trajectory where lead indicators growing lesser than expected, and interest rates inching upward quarter after quarter. However, Paper Industry in India continues to grow to meet the enhanced demand for paper consumption as a result of growth in education sector, increase in number of press publications, growing packaging industry and increasing literacy rate. Increased economic activity is also providing the players an opportunity for growth and expansion.

The key challenges to Paper Industry include high input costs and shortage of raw material; technological factors such as threat from digital media, viz. internet and smart phones, and low rate of paper recycle in the country, besides the policies of central/state governments. However, it is anticipated that the demand for paper consumption would continue to outpace the supply in coming years.

#### **OUR STRENGTHS:**

For more than last 40 years, your company has remained the leader in the industry segment, being the single largest Indian manufacturer supplying entire range of paper machine clothing (industrial felts) for pulp, paper & paperboard, fibre cement and hotel industries in Indian as well as overseas markets in the sub-continent.

The products of your Company continue to enjoy a high degree of acceptance in the market due to their inherent good quality and effective after sales services provided by an efficient technical support team. Your company targets of becoming the most preferred paper machine clothing supplier to its customers.

Your Company continues having an edge over its competitors, due to its affiliation with the Voith Group, which is well known for its "Engineered reliability" in all business segments where they operate. The innovative paper machine clothing manufactured at your Company, continues to assist papermakers apply the best solutions to improve sheet properties and productivity.

The enthusiasm and untiring efforts of employees at all levels have enabled your Company to progress, despite increased competition and economic uncertainty prevailing in different parts of world.

#### **OUR WEAKNESSES:**

As the major consumers of the Company's products are Paper Industry and the Fibre-cement Industry, the prospects of the Company are largely dependent on the growth of these Industries.

Further, a major portion of raw materials used in manufacturing different types of paper machine clothing is imported and is subject to the policies of the Government in force, from time to time.

## THE OPPORTUNITIES:

India is the fastest growing market for paper across the globe and it presents an exciting scenario; paper consumption is poised for a big leap forward in sync with the economic growth and is estimated to touch around 14 million tons by 2015/16. The futuristic view is that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by one kg per capita would lead to an increase in demand of over 1 million tons. As per industry estimate, paper production is likely to grow at a CAGR of 8.4% while paper consumption will grow at a CAGR of 9% till 2012/13 on account of a growing demand for packaging, tissue and specialty grade papers. The import of pulp & paper products is also likely to show a growing trend.

Since, a number of European and US paper mills are shutting down owing to cost and other factors, an attractive export opportunity also exists for Indian paper mills. Besides, Indian paper manufacturers, utilising agriculture-based raw material, possess a sustainable growth opportunity on account of growing environment consciousness. This is likely to result in enhanced demand for products of your company.

## THE THREATS:

In recent months global economic growth has slowed down somewhat. While most projections assume that the cooling off of economic growth will only be temporary and continue to forecast robust global growth in 2011/12 of over 4%, the prospective risk nonetheless outweigh the opportunities more than what was the case few months ago.

Though the Indian economy was not as badly affected by the recession as other economies of world, yet there has been a decrease in the growth rate that India had achieved in last few years. However, the element of uncertainty is not yet completely over in many parts of world and this threat remains a disturbing factor for future of Indian economy as well.

Since, Paper Industry in India is primarily dominated by small and medium size units; and less than a dozen mills account for almost 90% production of newsprint in the country, there is a growing need to modernize the Indian mills, improve productivity and build new capacities, which would in turn result in demand for the products of your company. However, to develop in future, the Indian Paper Industry faces following challenges:

- Enhancing Industry's competitiveness to face global competition
- Economies of scale
- De-fragmentation of industry
- Modernization of mills
- Building new capacities
- Meeting incremental demand of paper

- Productivity/quality improvement
- · Creation of robust raw material base
- · Environmental upgradation and green technologies
- Setting mechanism for collection, sorting, grading and utilisation of recyclable waste paper

Further, Indian Economy has opened up significantly in the last decade and global barriers have since diminished considerably. Also, the volatility in foreign exchange rate continues to be a constant threat to the company.

In view of the above, the Company may be faced with increased foreign competition in the Indian market. However, the company is confident of meeting such threats in a successful manner.

## **SEGMENTWISE 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:**

India's current per capita consumption of paper is considerably low vis-à-vis the developed economies in the world. However, with 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. Also, for the purpose of conservation of environment, government is gradually imposing ban on the use of plastic bags as a means to carry goods from local markets, which is expected to increase the consumption of paper. Thus, with increasing population and the diversified usage of paper, growth in the global as well as Indian Paper Industry is unlikely to slow-down in coming years. Further, due to enhanced awareness & consciousness, more and more items are now coming in market in tetra-packs and paper-wraps. This would also give a boost to the packaging industry and is likely to create additional demand in packaging & board paper. Besides this, demand for various type of upstream paper products is also gaining momentum in Indian market, albeit slowly. These developments are expected to

## **RISK & CONCERNS:**

The present and future risks are regularly reviewed by the management of your company, based on its past experiences. The management tries to perceive all prospective risks and takes suitable preventive measures to adequately safeguard its resources like men, machine & money, so that the business continuity does not get adversely affected under any eventuality.

## **INTERNAL CONTROL SYSTEM & 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 RESPECTTO OPERATIONAL PERFORMANCE:

give a significant boost to the industry and in turn to your company.

During the year under review, sales & profits have grown due to operational efficiency brought about through better utilisation of available resources and proper implementation of business strategies, which resulted in improved Return on Capital Employed (ROCE).

## MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT:

During the year under review, your Company has been able to achieve a good return on capital employed primarily due to its dedicated workforce. Employees at all levels have contributed a lot to bring the performance to these levels and it is expected that your Company shall continue to get their full support in future also. During the year under review, industrial relations have generally remained healthy, cordial and harmonious

There were 124 permanent employees on the rolls of the Company as on 30th September, 2011

#### **RECOGNITIONS**

During the year under review, your Company continued with the following certifications related to quality; environment protection; and occupational health & safety:

- ISO 9001:2008
- EMS 14001:2004
- OHSAS 18001:2007.

Your company expects to continue to keep the above certifications valid. Besides these, your Company is in the process of gradually introducing the concept of 5-S also through its employees at all levels.

## **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 ('the Company') as at September 30, 2011 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 subsection (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit:
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, profit 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, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2011 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;
    - a) in the case of the balance sheet, of the state of affairs of the Company as at September 30, 2011;
    - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

#### For S.R. Batliboi & Associates.

Firm registration number: 101049W

**Chartered Accountants** 

## per Sanjay Vij

Partner

Membership No.: 95169

Place: New Delhi Date: November 3, 2011

# Annexure referred to in paragraph 3 of our report of even date

Re: Voith Paper Fabrics India Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) All fixed assets were physically verified by the management in the current year in accordance with a planned programme of verifying them once in two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
  - (c) There was no disposal of a substantial part 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) According to the information and explanations given to us, the Company had during the previous year granted loan to a company, covered in the register maintained under section 301 of the Companies Act, 1956 which was repaid during the year. The maximum amount involved of which during the year was Rs. 57,728,915.
  - (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
  - (c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest have been regular.
  - (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
  - (e) According to information and explanations given to us, 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, the provisions of clause 4(iii) (f) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (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, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (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 the 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) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
  - Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.
  - (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 material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
  - (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act,1944	Penalty & Interest	1,605,000	2002-03	Central Excise Tribunal
Central Sales Tax Act, 1956	Central Sales Tax	40,713	2004-05	Central Sales Tax Tribunal

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) The Company has not taken any loan from financial institution, bank nor issued any debentures during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds were 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 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 year.

#### For S. R. Batliboi & Associates.

Firm registration number: 101049W

Chartered Accountants

## per Sanjay Vij

Partner

Membership No.: 95169

Place: New Delhi

Date: November 3, 2011

# **BALANCE SHEET AS AT SEPTEMBER 30, 2011**

I. SOURCES OF FUNDS	Schedules	Se	As at ptember 30, 2011 Amount (Rs.)	Sep	As at otember 30, 2010 Amount (Rs.)
1. Shareholders' Funds					
a) Share Capital	1		43,925,590		43,925,590
b) Reserves & Surplus	2		1,012,812,592		912,798,308
2. Deferred Tax Liabilities (Net)	3		8,556,085		12,188,963
TOTAL	3		1,065,294,267		968,912,861
TOTAL			1,003,294,207		900,912,001
II. APPLICATION OF FUNDS					
1. Fixed Assets	4				
a) Gross Block		592,085,630		583,149,036	
Less: Accumulated Depreciation		357,339,739		335,762,843	
Net Block		234,745,891		247,386,193	
b) Capital Work-in-Progress		17,000	234,762,891		247,386,193
2. Current Assets, Loans and Advances					
a) Inventories	5	102,182,453		95,213,173	
b) Sundry Debtors	6	110,345,433		103,045,989	
c) Cash and Bank Balances	7	682,271,938		528,913,451	
d) Other Current Assets	8	37,881,507		24,294,880	
e) Loans and Advances	9	15,716,671		85,147,519	
,	3				
(A) Less: Current Liabilities and Provisions		948,398,002		836,615,012	
	40	74 570 404		77.040.404	
a) Current Liabilities	10	71,576,121		77,948,124	
b) Provisions	11	46,290,505		37,140,220	
(B)		117,866,626		115,088,344	
Net Current Assets (A - B)			830,531,376		721,526,668
TOTAL			1,065,294,267		968,912,861

# III. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO 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 & Associates. Firm Registration Number: 101049W Chartered Accountants

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

per Sanjay Vij Biren De C.S. Panigrahi S.K.Nagpal Partner Director Director Director Director

Place: New Delhi
Date: 3<sup>rd</sup> November 2011

C.S. Gugliani
Company Secretary

# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED SEPTEMBER 30, 2011

I.	INCOME	Schedules		the year ended ember 30, 2011 Amount (Rs.)		For the year ended September 30, 2010 Amount (Rs.)
	Turnover (Gross)					
	Sale of Goods		597,401,363		560,419,412	
	Le : Excise Dut on Sales (Refer Note 10 of Schedule 19)		53,115,182	544,286,181	47,050,798	513,368,614
	Other Income	12		70,711,659		42,063,363
	TOTAL			614,997,840		555,431,977
II.	EXPENDITURE					
	Raw Material Consumed	13		143,882,481		131,142,641
	Decrease/(Increase) in Inventories	14		1,358,203		9,328,206
	Personnel Expenses	15		108,806,568		100,006,990
	Operating & Other Expenses	16		165,342,694		158,620,506
	Depreciation / Amortization			26,490,713		27,342,489
	Financial Expenses	17		3,238,348		893,653
	TOTAL			449,119,007		427,334,485
	Profit Before Tax			165,878,833		128,097,492
	Provision for Tax					
	- Income Tax - current year			58,083,368		44,399,737
	- Income Tax - earlier year			(3,901,367)		(975,758)
	- Deferred Tax (Credit)/Charge			(3,632,878)		(1,440,872)
	- Fringe Benefit Tax for earlier years			-		391,492
	- Wealth Tax					12,000
	Total Tax Expense			50,549,123		42,386,599
	Net Profit			115,329,710		85,710,893
	Balance Brought Forward from Previous Year			404,711,348		342,937,868
	Profit Available for Appropriation			520,041,058		428,648,761
	Appropriations:					
	- Proposed Dividend			13,177,677		13,177,677
	- Tax on Dividend			2,137,749		2,188,647
	- Transfer to General Reserve			11,532,971		8,571,089
	Surplus Carried to Balance Sheet			493,192,661		404,711,348
	Earnings Per Share (EPS) - Basic and Diluted, [Nominal Value of Share Rs.10 (Previous Year Rs.10)] (Rs.)	18		26.26		19.51

# III. SIGNIFICANT ACCOUNTING POLICIES 19 AND NOTES TO ACCOUNTS

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 & Associates.

Firm Registration Number: 101049W

**Chartered Accountants** 

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

per Sanjay VijBiren De<br/>PartnerC.S. Panigrahi<br/>DirectorS.K.Nagpal<br/>DirectorMembership No.: 95169DirectorDirector

Place: New Delhi

Date: 3<sup>™</sup> November 2011

C.S. Gugliani

Company Secretary

# CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2011

			For the year ended September 30, 2011 Amount (Rs.)		For the year ended eptember 30, 2010 Amount (Rs.)
A.	Cash flow from operating activities				
	Net Profit before taxation		165,878,833		128,097,492
	Adjustments for:				
	Depreciation	26,490,713		27,342,489	
	Loss/(gain) on sale/discard of fixed assets (net)	(21,848)		191,240	
	Provision for contigencies	4,479,812		4,413,958	
	Liabilities/ provisions no longer required, written back	(333,316)		(110,259)	
	Provision for doubtful debts and advances	180,859		(873,392)	
	Bad debts written off	393,666		1,130,344	
	Unrealised foreign exchange loss/(gain) (net)	(453,062)		264,206	
	Interest income	(56,354,338)		(37,113,002)	
	Interest paid	2,324,923	(23,292,591)	113,610	(4,640,806)
	Operating profit before working capital changes		142,586,242		123,456,686
	Movements in working capital:				
	Decrease/(Increase) in sundry debtors	(7,532,110)		(3,289,046)	
	Decrease/(Increase) in inventories	(6,969,280)		31,568,778	
	Decrease/(Increase) in loans and advances and other current assets	56,594,618		(53,621,213)	
	(Decrease)/Increase in current liabilities and provisions	(3,316,679)	38,776,549	26,988,927	1,647,446
	Cash generated from operations		181,362,791		125,104,132
	Direct Taxes Paid (net of refunds)		(38,266,719)		(25,581,330)
	Net Cash flow from operating activities		143,096,072		99,522,802
В.	Cash flows from investing activities				
	Purchase of fixed assets		(13,874,067)		(3,619,045)
	Proceeds from sale of fixed assets		28,504		31,691
	Interest received		41,806,890		41,333,415
	Deposits (with maturity more than 3 months) (net)		(151,863,856)		(127,173,989)
	Net cash used in investing activities		(123,902,529)		(89,427,928)

# CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2011

	For the year ended September 30, 2011 Amount (Rs.)	For the year ended September 30, 2010 Amount (Rs.)
C. Cash flows from financing activities	(40.405.040)	(47.404.000)
Dividend Paid	(13,185,342)	(17,434,983)
Tax on dividend paid	(2,188,647)	(2,986,062)
Interest paid	(2,324,923)	(113,610)
Net cash used in financing activities	(17,698,912)	(20,534,655)
Net increase in cash and cash equivalents (A + B + C)	1,494,631	(10,439,781)
Cash and cash equivalents at the beginning of the year	7,475,048	17,914,829
Cash and cash equivalents at the end of the year	8,969,679	7,475,048
Components of Cash and Cash Equivalents		
	As at	As at
	September 30, 2011	September 30, 2010
	Amount (Rs.)	Amount (Rs.)
Cash and cheques on hand	31,130	2,408,457
With scheduled banks :		
- on Current Accounts	7,472,547	3,592,924
- on Unclaimed Dividend Accounts*	1,466,002	1,473,667
- on deposit accounts	673,302,259	521,438,403
Cash & Bank Balance as per Schedule 7	682,271,938	528,913,451
Less: Fixed deposits not considered as cash equivalents	673,302,259	521,438,403
Cash & cash equivalents in Cash Flow Statement	8,969,679	7,475,048

<sup>\*</sup> 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 & Associates. Firm Registration Number: 101049W Chartered Accountants

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

per Sanjay Vij Biren De C.S. Panigrahi S.K.Nagpal Partner Director Director Director Director

Place: New Delhi

Date: 3<sup>rd</sup> November 2011

C.S. Gugliani

Company Secretary

## **SCHEDULES**

As at September 30, 2011 Amount (Rs.) September 30, 2010 Amount (Rs.)

250,000,000 250,000,000

250,000,000

Schedule 1 : Share Capital

# Authorised

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

## Notes:

- (a) 3,252,418 (Previous year 3,252,418) equity shares of Rs.10 each are held as fully paid by Holding Company, VP Auslandsbeteiligungen GmbH (Previous year VPT Auslandsbeteiligungen GmbH).
- (b) 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.
- (c) 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, 2011 Amount (Rs.)	As at September 30, 2010 Amount (Rs.)
Schedule 2: Reserves and Surplus		
General Reserve		
Balance as per last account	508,086,960	499,515,871
Add: Transferred from profit and loss account	11,532,971	8,571,089
	519,619,931	508,086,960
Profit and Loss Account	493,192,661	404,711,348
	1,012,812,592	912,798,308
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	20,600,698	20,935,596
Gross Deferred Tax Liabilities	20,600,698	20,935,596
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	10,738,275	7,469,269
Provision for doubtful debts and advances	1,306,338	1,277,364
Gross Deferred Tax Assets	12,044,613	8,746,633
Net Deferred Tax Liabilities	8,556,085	12,188,963

Description		2.B	Gross Block		Ac	cumulated dep	Accumulated depreciation/amortisation	sation	N	Net Block
	Asat	Additions	Deductions	As at	As at	For the	o	As at	As at	As at
	Oct 1,	During the	<b>During the</b>	Sep 30,	Oct 1,	Year	Deletions/	Sep 30,	Sep 30,	Sep 30,
	2010	Year	Year	2011	2010		Adjustments	2011	2011	2010
										Amount (Rs.)
Freehold Land	1,809,080			1,809,080				•	1,809,080	1,809,080
Buildings	93,474,257	٠	٠	93,474,257	27,730,620	3,247,212	•	30,977,832	62,496,425	65,743,637
Plant and Machiner	456,397,164	11,014,799	983,314	466,428,649	289,556,356	21,159,297	983,314	309,732,339	156,696,310	166,840,808
Office Equipment	22,433,996	2,466,864	3,881,066	21,019,794	14,568,303	1,416,911	3,878,222	12,106,992	8,912,802	7,865,693
Furniture and Fittings	5,077,682	35,800	28,283	5,085,199	2,819,775	292,714	28,283	3,084,206	2,000,993	2,257,907
Vehicles	3,956,857	339,604	27,810	4,268,651	1,087,789	374,579	23,998	1,438,370	2,830,281	2,869,068
Total	583,149,036	13,857,067	4,920,473	592,085,630	335,762,843	26,490,713	4,913,817	357,339,739	234,745,891	247,386,193
Previous Year	580,535,468	3,619,045	1,005,477	583,149,036	309,202,900	27,342,489	782,546	335,762,843	247,386,193	
Capital Work in Progress (Including Capital Advance of Rs. 17,000; Previous Year Nil)	s (Including Capi	tal Advance of R	s. 17,000; Previo	us Year Nil)					17,000	

Septe	As at ember 30, 2011 Amount (Rs.)	As at September 30, 2010 Amount (Rs.)
Schedule 5: Inventories (at lower of cost and net realisable value)		
Raw materials (including stock in transit Rs. 7,986,209; Previous year Rs. nil)	55,365,116	45,361,514
Stores and spare parts	3,838,683	5,448,706
Work-in-progress	15,070,776	13,442,813
Finished goods	27,907,878	30,960,140
	102,182,453	95,213,173
Schedule 6: Sundry Debtors		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	-	927,677
Unsecured, considered doubtful	2,708,132	1,948,513
Other debts		
Unsecured, considered good	110,345,433	102,118,312
Unsecured, considered doubtful	577,884	
	113,631,449	104,994,502
Less: Provision for doubtful debts	3,286,016	1,948,513
	110,345,433	103,045,989
Included in Sundry Debtors are:		
Dues from companies under the same management		
Voith Paper Fabrics Asia Pacific Sdn. Bhd. (VFIS)	811,075	992,135
Voith IT Solution GmbH (VOIS)	169,904	-
Schedule 7: Cash and Bank Balances		
Cash on hand	31,130	56,576
Balances with scheduled banks:		
On current accounts [including cheques in hand Rs. Nil (Previous year Rs. 2,351,881)]	7,472,547	5,944,805
- On unclaimed dividend accounts	1,466,002	1,473,667
- On deposit accounts (*)	673,302,259	521,438,403
	682,271,938	528,913,451
* includes Rs. 6,174,536 (previous year Rs. 3,860,510) pledged with various banks for bank guarantees.		
Schedule 8: Other Current Assets		
Interest accrued on deposits	35,133,516	20,586,068
Pre-paid gratuity	2,747,991	3,708,812
	37,881,507	24,294,880

Septe	As at ember 30, 2011 Amount (Rs.)	As at September 30, 2010 Amount (Rs.)
Schedule 9: Loans and Advances		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	8,301,573	7,193,574
Balances with custom, excise etc.	1,629,331	1,483,613
Sales tax deposit under protest	2,297,219	2,297,219
Security deposits	3,488,548	2,647,147
Advance tax (net of provision)	-	13,797,051
Inter corporate deposit	-	57,728,915
Unsecured, considered doubtful		
Advances recoverable in cash or in kind or for value to be received	500,300	1,035,012
Duty recoverable	-	731,932
Security deposits	240,000	130,000
Less:	16,456,971	87,044,463
Provision for advances recoverable in cash or in kind or for value to be received	500,300	1,035,012
Provision for duty recoverable	-	731,932
Provision for security deposits	240,000	130,000
	15,716,671	85,147,519
Included in Loans and Advances are:		
Dues from companies under same management		
Voith Paper Holding GmbH & Co. KG (VPT)	-	976,328
[Maximum amount outstanding during the year Rs. 976,328 (Previous Year Rs. 1,109,060)] Voith Paper Fabrics (China) Co. Ltd. (VFKU)	-	27,495
[Maximum amount outstanding during the year Rs.27,495 (Previous Year Rs.28,307)]		
Voith Paper Technology (India) Private Limited	-	58,473,112
[Maximum amount outstanding during the year Rs.58,473,112 (Previous Year Rs.60,000,000)]		
Only adults 40. Comment I inhilliding		
Schedule 10: Current Liabilities Sundry creditors		
(a) Total outstanding dues of micro and small enterprises	_	_
(Refer Note 5 of Schedule 19)	_	_
(b) Total outstanding dues of creditors other than micro and small enterprises	55,655,554	61,226,303
Advance from customers	6,266,395	7,505,567
Investor education and protection fund shall be credited by	, , , , , , , , , , , , , , , , , , , ,	,,
following amounts (as and when due)		
- Unclaimed dividend	1,466,002	1,473,667
Other liabilities	8,188,170	7,742,587
	71,576,121	77,948,124
Schedule 11: Provisions		
Provision for taxation (net of advance tax)	2,118,231	-
Wealth tax	12,000	12,000
Leave encashment	6,578,163	4,407,567
Long service award	801,710	606,580
Other retirement benefits	1,074,776	1,284,709
Warranties	10,185,061	9,737,714
Contingencies	10,205,138	5,725,326
Proposed dividend	13,177,677	13,177,677
Tax on proposed dividend	2,137,749	2,188,647
	46,290,505	37,140,220

Schedule 12: Other Income	For the year ended September 30, 2011 Amount (Rs.)	For the year ended September 30, 2010 Amount (Rs.)
Interest		
Bank deposits (Gross, tax deducted at source Rs. 3,010,842; Previous year Rs. 5,096,153)	44,850,612	32,816,106
Others - on income tax refund and intercorporate deposit (Gross, tax deducted at source Rs. 283,438; Previous year Rs. 220,085)	11,503,726	4,296,896
Commission income (includes Rs. 60 lacs relating to earlier year)	8,610,929	1,816,258
Export incentive - duty drawback	-	124,216
Liabilities / provisions no longer required, written back	333,316	110,259
Provision for doubtful debts and advances written back	-	873,392
Foreign exchange fluctuation gain [net of loss of Rs.1,813,509 (Previous year Rs.1,375,975)]	480,594	1,031,507
Profit on sale/discard of fixed assets (net of loss Rs. 6,656; Previous year Nil)	21,848	-
Miscellaneous income (includes Rs. 42 lacs relating to earlier year)	4,910,634	994,729
	70,711,659	42,063,363
Schedule 13: Raw Materials Consumed		
Inventories as at September 30, 2010	45,361,514	62,359,279
Add: Purchases	153,886,083	114,144,876
Less: Inventories as at September 30, 2011	55,365,116	45,361,514
	143,882,481	131,142,641
Schedule 14: Decrease/(Increase) in Inventories* Inventories as at September 30, 2010 Finished goods	30,960,140	38,536,419
Work in progress	13,442,813	15,709,603
	44,402,953	54,246,022
Inventories as at September 30, 2011		
Finished goods	27,907,878	30,960,140
Work in progress	15,070,776	13,442,813
	42,978,654	44,402,953
Increase/(Decrease) in excise duty on inventories (Refer Note 10 of Schedule 19)	66,096	514,863
	1,358,203	9,328,206
*includes inventory written off - Nil (previous year Rs. 6,417,817)		
Schedule 15: Personnel Expenses		
Salary, wages and bonus	91,760,646	83,876,364
Contribution to provident and other funds	4,908,565	4,611,331
Gratuity expenses and other retirement benefits expense	5,278,307	4,535,469
Workmen and staff welfare expenses	6,859,050	6,983,826
	108,806,568	100,006,990

	For the year ended September 30, 2011 Amount (Rs.)	For the year ended September 30, 2010 Amount (Rs.)
Schedule 16: Operating & Other Expenses		
Rent	834,000	9,500
Rates and taxes	3,171,375	4,745,265
Insurance (net of recoveries Rs.208,171; Previous year Rs.182,198)	1,025,934	807,738
Legal and professional fees (Refer Note 12 of Schedule 19)	7,915,539	7,129,541
Travelling and conveyance	7,567,289	6,019,392
Consumption of stores and spare parts	20,356,297	21,373,180
Power and fuel	34,604,755	28,444,861
Repair and maintenance		
plant & machinery	17,038,957	18,351,899
building	2,555,523	4,720,922
others	6,474,602	6,273,047
Commission to sole selling agents	1,609,441	1,314,497
Freight and forwarding charges	4,419,871	3,680,928
Directors' sitting fees	340,000	325,000
Loss on sale/discard of fixed assets	-	191,240
[net of gain Rs. Nil Previous year Rs. 7,690)		
Business promotion expenses	268,515	281,484
Provision for doubtful advances	180,859	-
Provision for contingencies	4,479,812	4,413,958
Bad debts written off	393,666	1,130,344
Warranty expense	10,621,023	10,723,290
Technical know how fees/Royalty	27,181,239	25,829,315
Miscellaneous expenses	14,303,997	12,855,105
	165,342,694	158,620,506
Schedule 17: Financial Expenses		
Interest - other than banks	2,324,923	113,610
Bank charges	913,425	780,043
	3,238,348	893,653
Schedule 18: Earnings per share (EPS)		
Net profit as per profit and loss account	115,329,710	85,710,893
Weighted average number of equity shares in calculating basic and diluted EPS	4,392,559	4,392,559
Earning per share - basic and diluted [nominal value of share Rs.10 (previous year Rs.10)] (Rs.)	26.26	19.51

## Schedule 19: Significant Accounting Policies and Notes to Accounts

## 1. Nature of Operations

Voith Paper Fabrics India Limited ('the Company'), is a subsidiary of VP 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 respects with the accounting standards notified 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.

## (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 using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.
- (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 previous 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

(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) The Provident Fund (where administered by a Trust) is a defined benefit scheme whereby the Company deposits amount determined as a fixed percentage of basic pay to the fund every month. The benefit vests upon commencement of employment. The

interest credited to the accounts of the employees is adjusted on an annual basis to confirm to the interest rate declared by the government for the Employees Provident Fund. The Guidance Note on implementing AS-15, Employee Benefits (revised 2005) states that provident funds set up by employers, which requires interest shortfall to be met by the employer, need to be treated as defined benefit plan. Pending the issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the provident fund liability. There is no deficit in the fund at the year end.

(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 recognized as an expense in the Profit & Loss Account on a basis, which reflect the time pattern of such payment appropriately.

## (k) IncomeTaxes

Tax expense comprises current and deferred tax. 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.

## (I) 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 Yea	r Ended September 30, 2011	Year Ended September 30, 2010
	(Rs.)	(Rs.)
Domestic Market	508,406,941	487,736,413
Overseas Markets	35,879,240	25,632,201
Total	544,286,181	513,368,614
The following table shows the carrying value of debtors (gross Particulars	As on September 30, 2010	
	(Rs.)	
Domestic Market	109,450,948	104,002,367
Overseas Markets	4,180,501	992,135
Total	113,631,449	104,994,502

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

Names of related parties where control exists irrespective of whether transactions have occurred or not.

(A) Holding Company VP Auslandsbeteiligungen GmbH (VPT Auslandsbeteiligungen

GmbH till November 2, 2010)

(B) Ultimate Holding Company Voith Paper Holding GmbH & Co. KG\*

(\*holds 100% Equity of VP Auslandsbeteiligungen GmbH)

Names of other related parties with whom transactions have taken place during the year

(C) Fellow Subsidiary Voith Paper Fabrics Ipoh Sdn Bhd (IPOH)

Voith Paper Fabrics Syn Strand (Syn. Strand) Voith Paper Fabrics Blackburn Ltd (VFBL) Voith Paper Fabrics Stubbins Ltd. (Stubbins)

Voith IT Solution GmbH, (VOIS)

Voith Paper Fabrics Frankenmarkt GmbH

Voith Paper Fabrics Asia Pacific Sdn. Bhd. (VFIS)

Voith AG, Heidenheim (VZ)

Voith Paper Fabrics GmbH & Co. KG Voith Paper Holding GmbH & Co. KG (VPT) Voith Paper Fabrics (China) Co. Ltd.

Voith Paper Fabrics, SA

Voith Paper Technology (India) Private Limited

## b) Transactions with Related Parties:

i) Transaction with Holding Company:

Payment of Dividend Year Ended September 30, 2011 Year Ended September 30, 2010

(Rs.)

VP Auslandsbeteiligungen GmbH 9,757,254 13,009,672

ii)	Transactions with Fellow Subsidiaries			
,	Nature of Transactions	Year Ended September 30, 2011		Year Ended September 30, 2010
			(Rs.)	(Rs.)
	Commission Income			
	Voith Paper Fabrics Asia Pacific Sdn. Bhd. (VFIS)		8,610,929	1,816,258
	Sale of Goods			
	Voith Paper Fabrics Asia Pacific Sdn. Bhd. (VFIS)		1,558,142	1,482,760
	Interest Income			
	Voith Paper Technology (India) Private Limited		2,600,281	2,200,834
	Purchase of Raw Materials, Stores & Spares			
	Voith Paper Fabrics Stubbins Ltd. (Stubbins)		4,624,292	3,260,912
	Voith Paper Fabrics Frankenmarkt GmbH		2,153,838	-
	Voith Paper Fabrics (China) Co. Ltd.		280,829	-
	Voith Paper Fabrics Syn Strand (Syn. Strand)		2,258,904	-
	Voith Paper Fabrics Blackburn Ltd.		-	2,113,069
	Loan Given/(Repayment of Loan):-			
	Voith Paper Technology (India) Private Limited		(57,728,915)	60,000,000
	Telephone, Telex Services & IT Servicies			
	Voith IT Solution GmbH, (VOIS)		2,485,794	2,176,497
	Voith Paper Fabrics GmbH & Co. KG.		-	690,186
	Technical Knowhow Fees			
	Voith Paper Fabrics GmbH & Co. KG		27,181,239	25,829,315
	Reimbursement of Expenses by the Company			
	Voith Paper Holding GmbH & Co. KG (VPT)		-	1,109,060
	Voith Paper Fabrics (China) Co. Ltd. (VFKU)		-	28,307
	Voith Paper Technology (India) Private Limited		-	744,197
	Reimbursement of Expenses to the Company			
	Voith Paper Technology (India) Private Limited		475,595	573,459
	Voith Paper Fabrics, SA (VFGA)		-	41,212
	Voith Paper Fabrics Asia Pacific Sdn. Bhd. (VFIS)		108,633	101,472
	Voith Paper Fabrics Stubbins Ltd. (Stubbins)		162,131	115,256
iii)	Year end balances			
•	Nature of Balances	As at Septe	mber 30,2011	As at September 30, 2010
			(Rs.)	(Rs.)
	Trade Payable			
	Voith Paper Fabrics Asia Pacific Sdn. Bhd. (VFIS)		-	47,833
	Voith Paper Fabrics Stubbins Ltd. (Stubbins)		2,383,216	-
	Voith IT Solution GmbH (VOIS)		-	99,541
	Voith Paper Fabrics GmbH & Co. KG		12,262,516	23,246,384
	Voith Paper Fabrics Syn Strand (Syn Strand)		1,428,143	-
	Voith Paper Technology (India) Private Limited		325,842	62,687
	Voith Paper Fabrics Frankenmarkt GmbH		1,331,343	-

Trada	Receiva	hlaa
irade	Receiva	ibies

Voith Paper Fabrics Asia Pacific Sdn. Bhd. (VFIS)	811,075	992,135
Voith IT Solution GmbH (VOIS)	169,904	-
Loans and Advances Receivable		
Voith Paper Holding GmbH & Co. KG (VPT)	-	976,328
Voith Paper Fabrics (China) Co. Ltd. (VFKU)	-	27,495
Voith Paper Technology (India) Private Limited	-	58,473,112
Interest Receivable		
Voith Paper Technology (India) Private Limited	-	207,823

#### Notes:

- 1. 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.
- 2. Transactions above exclude the supply of accounting software to the Company by its holding Company, without any cost to the Company.

## 5. 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 sent request to creditors to confirm on the status and 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.)
	<b>September 30, 2011</b>	September 30, 2010
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.		
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 apointed 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, untill 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.

## 6. 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 Personnel Expenses)

	Other Re	etirement Benefits	G	ratuity
	September 30, 2011	September 30, 2010	September 30,2011	September 30, 2010
Current service cost	38,900	47,240	1,099,598	1,078,150
Interest cost on benefit obligation	90,333	103,784	2,113,961	1,953,595
Expected return on plan assets	-	-	(3,075,531)	(2,995,861)
Net actuarial (gain)/loss recognized in the year	10,834	(75,574)	5,001,732	4,623,520
Net benefit expense	140,067	75,450	5,139,760	4,659,404
Actual return on plan assets	-	-	(3,085,544)	(2,999,741)

## **Balance Sheet**

Details of Provision for other retirement benefits and gratuity

	Other Re	etirement Benefits	G	Gratuity		
	September 30,2011		·		September 30,2011	September 30, 2010
Defined benefit obligation	1,074,776	1,284,709	30,395,933	29,568,781		
Fair value of plan assets	-	-	33,143,924	33,277,593		
Plan asset (liability)	(1,074,776)	(1,284,709)	2,747,991	3,708,812		

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

	Other Retirement Benefits*  September September 30,2011 30,2010		G	ratuity
			September 30,2011	September 30, 2010
Opening defined benefit obligation	1,284,709	1,559,259	29,568,781	29,822,462
Interest cost	90,333	103,784	2,113,961	1,953,595
Current service cost	38,900	47,240	1,099,598	1,078,150
Benefits paid	(350,000)	(350,000)	(7,388,139)	(7,908,946)
Actuarial (gain)/losses on obligation	10,834	(75,574)	5,001,732	4,623,520
Closing defined benefit obligation	1,074,776	1,284,709	30,395,933	29,568,781

<sup>\*</sup>Other retirement benefits are non funded.

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

Changes in the lan value of plan accordance to the follower.	Gratuity		
	September	September	
	30,2011	30, 2010	
	(Rs.)	(Rs.)	
Opening fair value of plan assets	33,277,593	30,022,110	
Expected return	3,075,531	2,995,861	
Contributions by employer	4,178,939	8,168,568	
Benefits paid	(7,388,139)	(7,908,946)	
Closing fair value of plan assets	33,143,924	33,277,593	

The Company expects to contribute Rs. 5,220,000 to Gratuity in 2011/12

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

		Gratuity
	September	September
	30,2011	30, 2010
	%	%
Investments with insurer	100%	100%
Cash and bank balance with the insurer	-	-

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 Ret	irement Benefits		Gratuity
	September	September	September	September
	30, 2011	30, 2010	30, 2011	30, 2010
	%	%	%	%
Discount rate	8.50	8.00	8.50	8.00
Expected rate of return on plan assets	-	-	9.25	9.25
Increase in compensation cost	8.00	6.00	8.00	6.00
Employee turnover				
up to 30 years	3	3	3	3
above 30 years but up to 44 years	2	2	2	2
above 44 years	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 and previous year are as follows:

		Other Retirement benefits				Gratu	uit	
	September	September	September	September	September	September	September	September
	30,2011	30,2010	30,2009	30,2008	30,2011	30,2010	30,2009	30,2008
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Defined benefit obligation	1,074,776	1,284,709	1,559,259	1,655,969	30,395,933	29.568,781	29,822,462	26,381,288
Plan assets	-	-	-	-	33,143,924	33,277,593	30,022,110	25,570,788
Surplus / (deficit)	(1,074,776)	(1,284,709)	(1,559,259)	(1,655,969)	2,747,991	3,708,812	199,648	(810,500)
Experience adjustments on plan liabilities	23,522	(50,152)	72,011	Not Available	3,190,733	4,887,366	11,017,054	Not Available
Experience adjustments on plan assets	NA	NA	NA	NA	NA	NA	NA	NA

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

	, and an end of the control of the c		
	Defined Contribution Plan:	Superan	nuation fund
		September 30, 2011 (Rs.)	September 30, 2010 (Rs.)
	Charged to Profit and Loss Account	1,153,896	1,035,087
7.	Capital Commitments (not provided for)		
	Particulars	As at September 30, 2011 (Rs.)	As at September 30, 2010 (Rs.)
	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.Nil)]	395,751	6,662,051
	Total	395,751	6,662,051
8.	Contingent Liabilities not provided for		
	S.No. Particulars	As at September 30, 2011 (Rs.)	As at September 30, 2010 (Rs.)
	(a) Claims against the Company not acknowledged as debts*	1,605,000	5,265,527
	(b) Bank guarantees given by the Company	6,697,772	3,860,510

- \* The claims against the Company comprises of:-
- a) Rs.1,605,000 (previous year Rs.1,605,000) in respect 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.
- b) Rs.Nil (previous year Rs. 2,872,952) represents the potential claims by Excise Department towards the amount of Local area development tax leviable on entry of goods in the state of Haryana. (Also refer Note 13)
- c) Rs.Nil (previous year Rs. 787,575) towards non-deposition of service tax in respect of commission received without deposition of service tax. The Company has got favourable order by Additional Commissioner, Service Tax, New Delhi. The department has filed application against the said order with Commissioner of Central Excise (Appeals) which has been rejected during the year being time barred.

## 9. Particulars of unhedged Foreign Currency Exposure.

Particulars	As at	Particulars	As at
Septem	ber 30, 2011	Septem	ber 30, 2010
	(Rs.)		(Rs.)
Trade Payables		Trade Payables	
Foreign currency		Foreign currency	
USD 55,641.90 (Closing rate of 1\$ = Rs. 48.89)	2,720,511	USD 9,019.20 (Closing rate of 1\$ = Rs. 44.97)	405,579
Euro 75,843.30 (Closing rate of 1 Euro= Rs. 65.60)	4,975,320	Euro 78,762.52 (Closing rate of 1 Euro= Rs. 61.40)	4,836,357
GBP 31,294.24 (Closing rate of 1 GBP= Rs. 76.16)	2,383,216	GBP 20.54 (Closing rate of 1 GBP= Rs. 70.86)	1,455
NOK 7,600 (Closing rate of 1 NOK= Rs. 8.33)	63,281	SWK 298,101 (Closing rate of 1 SWK= Rs. 6.68)	1,991,613
Trade Receivables		Trade Receivables	
USD 82,027.70 (Closing rate of 1\$ = Rs. 48.89)	4,010,597	USD 195 (Closing rate of 1\$ = Rs. 44.97)	8,769
		USD 5,469.09 (Closing rate of 1\$ = Rs. 44.97)	245,936
		Euro 28,500 (Closing rate of 1Euro =Rs. 61.40)	1,750,023
Advance from Customers		Advance from Customers	
USD 579 (Closing rate of 1\$ =48.89)	28,309	USD 13,306 (Closing rate of 1\$ = Rs. 44.97)	598,350

- 10. Other income includes interest on income tax refund amounting to Rs. 8,898,413 pertaining to earlier years.
- 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. 53,115,182 (Previous year Rs. 47,050,798) has been reduced from sales in profit & loss account and increase/(decrease) in excise duty on closing stock amounting to Rs. 66,096 (Previous year Rs. 5,14,863) has been considered as income/expense in Schedule 14 of the financial statements.

## 12. Auditors' Remuneration \* (Included in legal & professional charges)

Particulars S As auditor:	Year Ended September 30, 2011 (Rs.)	
Audit fee	1,430,000	1,300,000
Tax audit fee	275,000	250,000
Limited Review	750,000	600,000
Out-of-pocket expenses	103,589	138,396
In other manner:		
Certification	40,000	50,000
Total	2,598,589	2,338,396

### 13. Movement of Provisions:-

						(Rs.)
Movement of Provisions	Warranties#		Contingencies*		Total	
<b>2010/11</b> 2009/10 <b>20</b>		2010/11	2009/10	2010/11	2009/10	
Opening Balance as at October 1, 2010	9,737,714	8,844,440	5,725,326	1,311,368	15,463,040	10,155,808
Additions during the year	10,185,062	9,737,714	4,479,812	4,413,958	14,664,874	14,151,672
Amount utilized during the year	9,737,714	8,844,440	-	-	9,737,714	8,844,440
Closing Balance as at September 30, 2011	10,185,062	9,737,714	10,205,138	5,725,326	20,390,200	15,463,040

<sup>\*</sup>Provision for contingencies amounting to Rs.10,205,138 (previous year - Rs.5,725,326) in Schedule 11 represents the following:

- (a) Tax claims/potential claims made by sales tax department towards differential amount of sale tax applicable on products sold Rs. 5,045,045 (Previous year: Rs.5,045,045)
- (b) Demand from excise department towards interest on cenvat credit wrongly availed Rs.680,281 (Previous year: Rs. 680,281)
- (c) Local area development tax applicability of which is not certain to the Company Rs.4,439,556/- (Previous year: Nil)
- (d) Provision for 1% additional duty on import Rs.40,256/- (Previous year: Nil)

In all these cases, based on legal advice/opinion obtained/on its assessment, management considers probable that economic outflows will occur.

## #Provision for Warranty

A provision is recognized for expected warranty claims on products sold during the year, based on past experience of level of repairs and returns. It is expected that the most of this cost will be incurred in the next financial year and all will have been incurred within one year of the balance sheet date. Assumption used to calculate the provision for warranties were based on current sales level and current information available about returns based on the two year warranty period for all products sold.

## 14. 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 Ibs'000			Installed capacity Quantity (Tonnes)		Actual Production* Quantity (Tonnes)	
	2011	2010	2011	2010	2011	2010	
Felts for Paper Machines and other Ancillary Equipments	N.A.	N.A.	310	310	281.50	256.16	
Total	N.A.	N.A.	310	310	281.50	256.16	

#### Notes:-

- 1. Installed capacity is as certified by the management.
- 2. \* Net of felts scrapped 1.13 (Previous year 1.99)

## (b) Details of finished goods:-

Particulars		Quantity		Value (Rs.)		
	UOM	September	September	September	September	
		30, 2011	30, 2010	30, 2011	30, 2010	
Opening Stock	Tonnes	22.80	29.83	30,960,140	38,536,419	
Sales	Tonnes	280.87	261.20	544,286,181	513,368,614	
Closing Stock	Tonnes	22.30	22.80	27,907,878	30,960,140	

(c) Consumption of raw materi	als
-------------------------------	-----

Particulars	Unit	Year Ended September 30, 2011		•	ear Ended mber 30, 2010
		Qty	• • • • • • • • • • • • • • • • • • • •		Rs.
Synthetic	Tonnes	237.955	84,288,450	218.240	77,217,589
Nylon Filament	Tonnes	129.212	51,141,666	103.529	39,510,360
Semi-finished Fabrics	Sq.Meter	2730	8,452,365	9992	14,414,692
Total			143,882,481		131,142,641

## (d) Imported and indigenous raw materials, and stores and spares consumed.

Particulars		For The Year Ended September 30, 2011		For The Year Ended September 30, 2010	
	Pe	rcentage	Value (Rs.)	Percentage	Value (Rs.)
(i)	RawMaterials				
	(a) Imported	72.10	103,736,599	74.98	98,496,043
	(b) Indigenous	27.90	40,145,882	25.02	32,646,598
	Total	100.00	143,882,481	100.00	131,142,641
(ii)	Stores and Spare parts (including machinery repairs)				
	(a) Indigenous	76.64	15,601,160	83.37	17,819,853
	(b) Imported	23.36	4,755,137	16.63	3,553,327
	Total	100.00	20,356,297	100.00	21,373,180

# (e) Value of imports (C.I.F) (on accrual basis)

	September 30, 2011 (Rs.)	September 30, 2010 (Rs.)
(i) Raw Materials	103,459,472	73,991,826
(ii) Stores & Spare parts	5,971,545	5,897,266
(iii) Capital Goods	6,334,709	-
Total	115,765,726	79,889,092

Year Ended

Year Ended

# (f) Expenditure in foreign currency (on accrual basis)

(i) Travelling	2,530,392	1,296,397
(ii) Commission	1,609,441	1,314,497
(iii) Telephone, Telex & IT Services	2,485,794	2,866,684
Total	6,625,627	5,477,578

# (g) Earnings in foreign currency (on accrual basis)

Particulars	Year Ended September 30, 2011	Year Ended September 30, 2010
	(Rs.)	(Rs.)
(i) Exports of Goods* (F.O.B)	31,516,445	23,730,438
(ii) Commission	8,610,929	1,816,258
Total	40,127,374	25,546,696

<sup>(</sup>h) Dividend remitted during the year in foreign currency (in Euro)

\*excludes the export to Nepal of Rs. 2,930,685 (Previous year Rs. 1,901,763)

Particulars	Year Ended September 30, 2011	Year Ended September 30, 2010
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'10	Year Ended September'09
Amount of Dividend (Rs.)	9,757,254	13,009,672

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

As per report of even date Signature to Schedule 1 to 19

For S.R.Batliboi & Associates Firm Registration No. 101049W Chartered Accountants For and on behalf of Board of Directors

per Sanjay VijBiren DeC.S. PanigrahiS.K. NagpalPartnerDirectorDirectorDirectorMembership No.: 95169

Place: New Delhi
Date: 3<sup>rd</sup> November 2011

C.S. Gugliani
Company Secretary

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

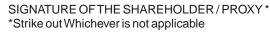
(1)	REGISTRATION DETAILS				
	Registration No.	H - 4 8 9 5	State Cod	e: 0 5	
	CIN	L 7 4 8 9 9 H R 1	9 6 8 P L C 0 0 .	4 8 9 5	
	Balance Sheet Date:	3 0 0 9 2 0 1	1		
		Date Month Year			
(2)	CAPITAL RAISED DURINGTHEYEAR: (Amount in Rs. Thousand)				
	Public Issue:	NIL	Right Issue:	NIL	
	Bonus Issue:	NIL	Private Placement/Other:	NIL	
(3)	POSITION OF MOBILSATION AND DEPLOYMENT OF FUNDS: (Amount in Rs. Thousand)				
	Total Liabilities:	1 0 6 5 2 9 4	Total Assets:	1 0 6 5 2 9 4	
	SOURCES OF FUNDS:				
	Paid-Up Capital:	4 3 9 2 6	Reserves & Surplus:	1 0 1 2 8 1 2	
	Secured Loans:	NIL	Unsecured Loans:	NIL	
	Deferred Tax Liabilities (Net):	8 5 5 6			
	APPLICATION OF FUNDS:				
	Net Fixed Assets:	2 3 4 7 6 3	Investments:	NIL	
	Net Current Assets:	8 3 0 5 3 1	Misc. Expenditure:	NIL	
(4)	PERFORMANCE OF COMPANY: (Amount in Rs.Thousand)				
	Turnover:	6 1 4 9 9 8	Total Expenditure:	4 4 9 1 1 9	
	Profit Before Tax:	1 6 5 8 7 9	Profit After Tax:	1 1 5 3 3 0	
	Earning Per Shares in Rs.	2 6 . 2 6	Dividend Rate (%)	3 0	
(5)	GENERIC NAMES OF THE THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (As monetary terms)			monetary terms)	
	Item Code No. (ITC Code)	5 9 1 1 2 0 . 0 0			
	Product Description	FELTS			

# **PROXY**

# **Voith Paper Fabrics India Limited**

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

Folio No(s).:	Client ID No.:	
No. of shares held :	DP ID No.:	
We		
of	being a member/members	
of Voith Paper Fabrics India Limited hereby appoi	nt	
or failing him		
	of	
on Thursday, 8th December 2011 at 3.30 p.m. a Mathura Road, Faridabad -121002, Haryana, and Signed thisday	of	
	ATTENDANCE SLIP per Fabrics India Limited	
Registered Office : 113/114A,	Sector 24, Faridabad - 121 005, (Haryana). Delhi NCR. India	
Folio No(s).:	Client ID No.:	
No. of shares held :	DP ID No.:	
slip on request.	over at the entrance of the meeting hall. Joint shareholders may obtain additional	
	ual General Meeting of the Company held on Thursday, 8th December 2011, of Haryana Tourism Corporation Limited, Sector - 16A, Mathura Road,	





# Voith Paper Fabrics India Limited

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

Tel. +91 129 2233721, 4292200

Fax +91 129 2232072

www.voithpaperfabricsindia.com email:voithfabrics.faridabad@voith.com

