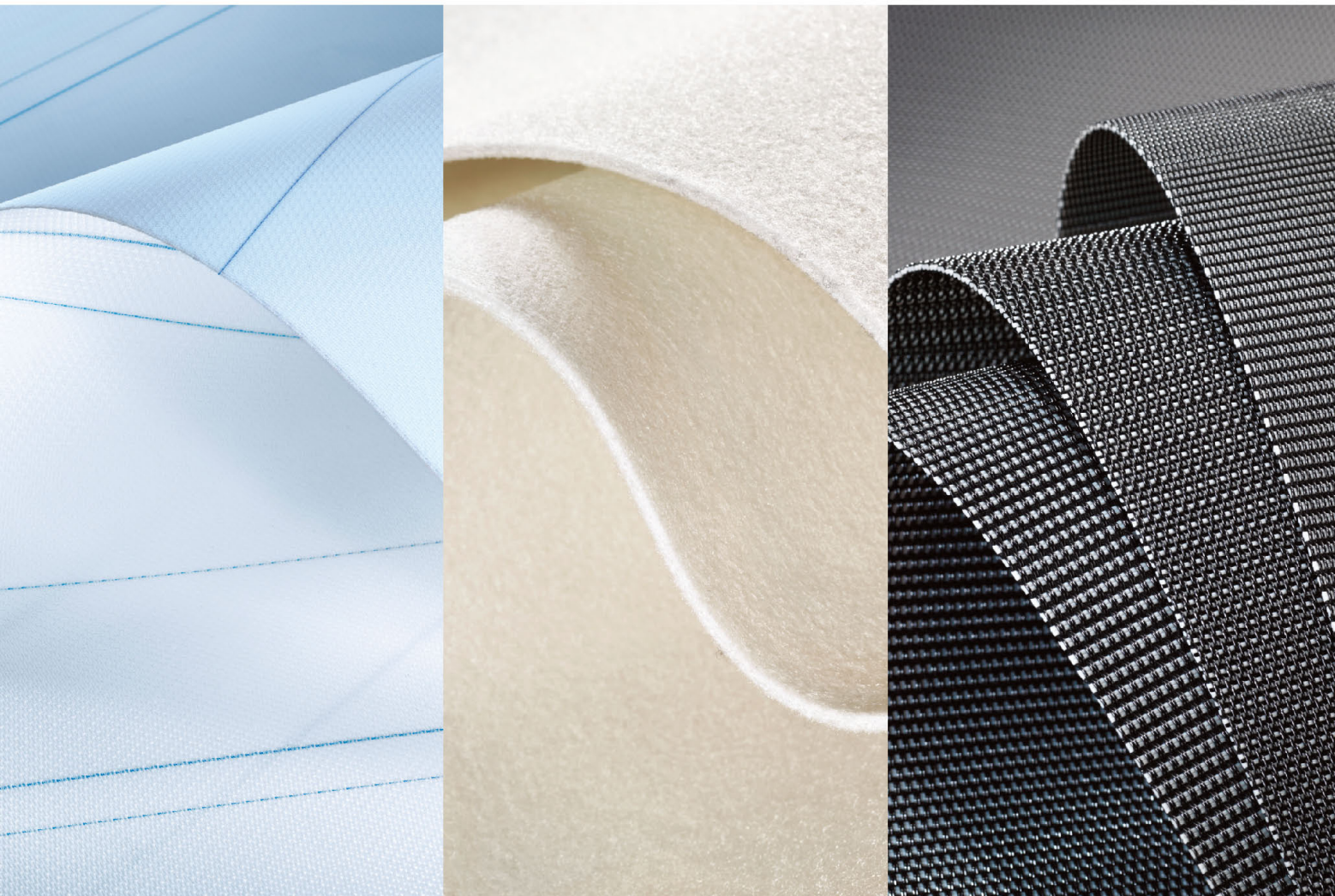


44th Annual Report 2012/13
Voith Paper Fabrics India Limited



Life Cycle Partner of the Paper Industry

NOTICE

Notice is hereby given that the Forty Fourth Annual General Meeting of the members of Voith Paper Fabrics India Limited will be held on Tuesday, 10th December, 2013 at 3.30 p.m. at Magpie Tourist Complex of Haryana Tourism Corporation Limited, Sector 16-A, Mathura Road, Faridabad - 121002, Haryana, to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as at 30th September, 2013 and the Statement of Profit & Loss for the year ended on that date together with the reports of the Board of Directors & Auditors thereon.
2. To declare dividend.
3. To re-appoint Mr. Surinder Kumar Nagpal as a Director who retires by rotation and being eligible offers himself for re-appointment.
4. To re-appoint Mr. Chandra Sekhar Panigrahi as a Director who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s S.R. Batliboi & Co. LLP, Chartered Accountants (Registration No. 301003E), as statutory auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Registered Office:

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

Place: New Delhi

Date: 30th October, 2013

By order of the Board

For Voith Paper Fabrics India Limited

C.S. Gugliani

Company Secretary

Notes:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON A POLL ONLY) INSTEAD OF HIMSELF/HERSELF 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 COMMENCEMENT OF THE MEETING.
- 2) Corporate members are requested to send a duly certified copy of the resolution passed by its Board of Directors authorizing their representatives to attend and vote at the Annual General Meeting.
- 3) Members/Proxies for members should bring the duly filled in Attendance Slip at 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.
- 4) The details of the shareholding of Directors who are proposed to be re-appointed at the Forty Fourth 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. Surinder Kumar Nagpal	NIL	NIL	NIL	NIL
Mr. Chandra Sekhar Panigrahi	NIL	NIL	NIL	NIL

- 5) The Register of members and Share Transfer Books of the company will remain closed from Saturday, 23/11/2013 to Tuesday, 10/12/2013 (both days inclusive).
- 6) The Dividend as recommend 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 Tuesday, 10/12/2013. 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, 22/11/2013, as per details furnished by the Depositories for this purpose.
- 7) In accordance with a Circular issued by SEBI, the NECS facility should mandatorily be used by Companies for distribution of dividend to its members. Accordingly, 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 promptly 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 RTA.**
- 10) Members are requested to note that the equity shares of the Company are compulsorily traded in dematerialized mode. 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 2004-05 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 yet encashed the dividend warrants for the year 2005-06 onwards, are requested to make their claim 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. However, express provisions have been made in the Companies Act, 2013 for reclaiming such transferred amount from the IEPF, when such provisions shall become effective in future.**
- 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/Proxies coming to attend the Annual General Meeting are requested to carry their original photo identity (passport/driving license/voter's card/PAN card) proof with them at the venue. The same may be asked to be produced for the purpose of identity verification.**
- 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.**

BOARD OF DIRECTORS

Chairman

Martin Gustav Scherrer

Directors

Biren De

Ravinder Nath

Chandra Sekhar Panigrahi

Surinder Kumar Nagpal

Markus Johann Mader

PRESIDENT

R. Krishna Kumar

FINANCE CONTROLLER

Kalyan Dasgupta

COMPANY SECRETARY

C.S. Gugliani

REGISTRAR & TRANSFER AGENT

MCS Limited

F-65, 1st Floor, Okhla Industrial Area, Phase - I,
New Delhi - 110020

REGISTERED OFFICE AND MILL

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

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AUDITORS

S. R. Batliboi & Co. LLP, Chartered Accountants

BANKERS

AXIS Bank Limited

HDFC Bank Limited

ICICI Bank Limited

Standard Chartered Bank

State Bank of India

The Hongkong and Shanghai Banking Corporation Limited

Chairman's Communique

Dear Shareowners,

It is my privilege to once again share my thoughts on the performance of your company during the year and its prospects for coming years. The specific details about various parameters concerning operations of your company are spelt out in the accompanying annual report.

During the year under review, the business conditions all across the globe, including for the Indian economy remained tough. The growth rate of GDP in India dipped to 5%, for the fiscal year ended March 2013, the lowest level in a decade. The economic conditions continue to be disturbing, as for the quarter April - June of the year 2013 also, GDP growth has further slipped to 4.4%. However, your company steadily marched on the growth trajectory during the year under review also, albeit at a slow pace. With everyone's support and determination, your company has managed to marginally increase its sales and profit before taxation even in the prevailing difficult business conditions.

The sudden spurt in weakness of Indian rupee vis-à-vis the US Dollar and Euro witnessed in the recent months, has also impacted the company adversely, and significantly increased its foreign exchange liabilities, as major proportion of raw material being used for production is imported. However, the silver lining amongst this uncertain economic scenario is that, the Indian paper industry still appears in the top 12 Global players, with an annual output of more than 13.5 million tonnes and India is poised to emerge as one of the fastest growing market for paper globally. The paper industry in India is also in expansion mode to meet the projected demand of 20 million tonnes by the year 2020.

The Indian Government is consistently concentrating its efforts to provide education to every child, which has also promoted the increased use of paper. Further, with a lot of emphasis being placed on ban of plastic in day-to-day use, it is expected that usage of packaging grade paper will also grow in the years to come. This is a good sign for the Paper Industry and consequentially for your company as well.

I wish to thank all stakeholders of the company for their continued support that enabled your company to perform reasonably well even in these turbulent times and look forward to meet you at the forthcoming annual general meeting of the company.

With the very best wishes, for our continued collaboration in coming years.

Martin Gustav Scherrer

Chairman

REPORT OF THE BOARD OF DIRECTORS

Dear Members,

The Directors of your Company are pleased to present their Forty Fourth Report together with the Audited Accounts of the Company for the year ended 30th September, 2013.

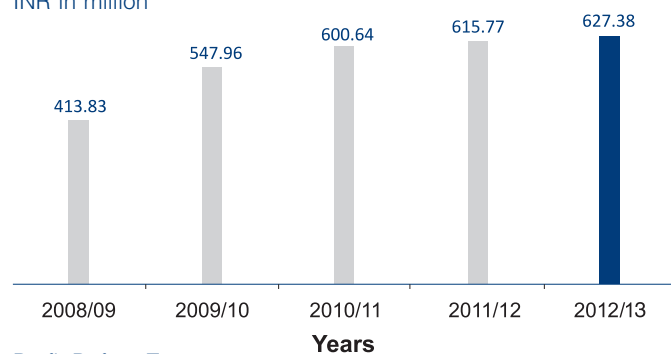
FINANCIAL HIGHLIGHTS

	Rs. (In million)	
	2012/13	2011/12
Sales (Net of Excise Duty)	591.90	577.43
Profit before taxation	193.32	185.97
Provisions for taxation	64.71	55.78
Profit after taxation	128.61	130.19
Balance brought forward from the previous year	595.04	493.19
Amount available for Appropriation	723.65	623.38
Appropriations:		
- Dividend	13.18	13.18
- Corporate Dividend Tax	2.24	2.14
- Transferred to General Reserve	12.86	13.02
- Surplus carried to Balance Sheet	695.37	595.04
Total	723.65	623.38

PERFORMANCE OVERVIEW

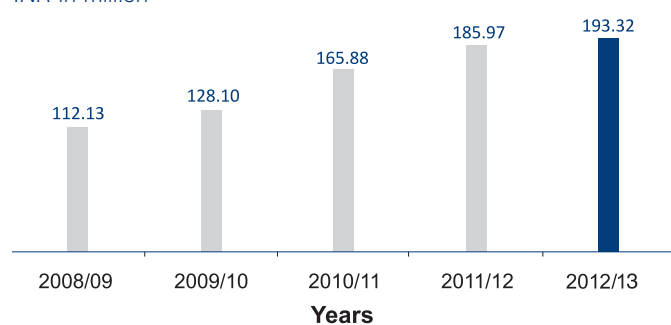
Orders Received

INR in million



Profit Before Tax

INR in million



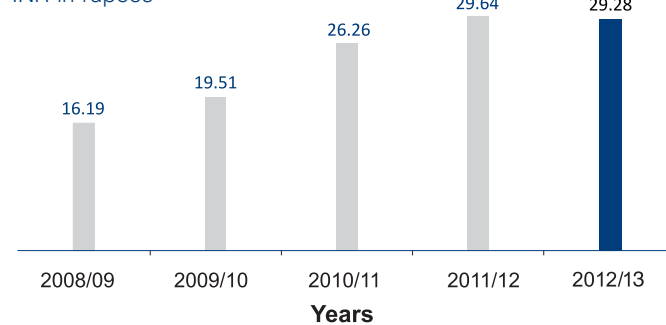
Sales

INR in million



Earnings Per Share

INR in rupees



As can be seen from the above graphs, we feel pleased to mention that your company has steadily grown even during the ongoing challenging economic phase. During the current year ended 30th September, 2013, it was able to achieve net aggregate sales of Rs. 591.90 million, registering an increase of about 2.5% over the previous year and profit before tax at Rs. 193.32 million exhibits a growth of about 3.95% for the same period.

Barring unforeseen circumstances, the directors of your company expect continued growth in turnover and profitability in coming years as well.

DIVIDEND

In view of the prevailing economic conditions, Directors are of the opinion that a consistency in the dividend rate should be maintained and the balance funds should be retained, to internally meet any exigency in future. Accordingly, the Directors are recommending for your approval, a dividend of Rs. 3/- per equity share of Rs.10/- each fully paid-up. This will absorb Rs. 13.18 million. In addition, Rs. 2.24 million shall be payable as corporate dividend tax (including surcharge, education cess and secondary & higher education cess) thereon.

DIRECTORS

The Directors, Mr. Chandra Sekhar Panigrahi and Mr. Surinder Kumar Nagpal shall be retiring by rotation at the forthcoming 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. Surinder Kumar Nagpal
Age in years	67	77
Date of Appointment	26th March, 2009	27th January, 2010
Expertise in Special Functional Areas	Engineering & General Management	Finance
Qualification	Graduate Engineer (Mechanical)	B. Com (H); FCA
Directorships held in other companies in India, as on 30/09/2013	None	Jain Insurance Brokers Private Limited
Membership of Committees of other companies, in which he is a Director, as on 30/09/2013	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

- A) Statutory Auditors**— M/s S. R. Batliboi & Co. LLP, Chartered Accountants, (Registration No. 301003E) who are to retire at the conclusion of ensuing Annual General Meeting have expressed their willingness to be reappointed as the Statutory Auditors of the Company from the conclusion of the 44th Annual General Meeting until the conclusion of next Annual General Meeting of the Company and also confirmed 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 said M/s S. R. Batliboi & Co. LLP, as the Statutory Auditors of the Company for the year 2013/14, by the shareholders of the Company.

- B) Cost Auditors**— During the year under review, M/s Balaji & Associates, Cost Accountants, (Firm Registration No. 0112) were appointed as the Cost Auditors of the Company, in accordance with the requirements of The Companies (Cost Accounting Records) Rules, 2011. The Company shall be submitting its Cost Audit Report for the year ended on 30th September, 2013 within the time stipulated in the aforesaid Rules.

The members may kindly take note, that for the year 2011/12:

- The due date for filing the Cost Audit Compliance Report was 31/03/2013; and
- The actual date of filing the Cost Audit Compliance Report was 04/03/2013.

Further, the Company has also received a letter from the said M/s Balaji & Associates, Cost Accountants confirming their eligibility under section 224 (1B) of the Companies Act, 1956; as well as its independence and arm's length relationship with the Company for appointment as the Cost Auditors of the Company for the year 2013/14.

Accordingly, based on the recommendation of the Audit Committee of the Board, they have been appointed as the Cost Auditors of the Company by the Board of Directors at its meeting held on 30th October, 2013; to carry out the cost audit of the Company for the year 2013/14.

- C) Internal Auditors**— During the year under review, M/s Lodha & Co., Chartered Accountants, New Delhi carried out the internal audit exercise, broadly covering all the departments (including - Legal & Statutory Compliance, Finance, Purchase & Inventory Management, Sales & Debtors and Taxation) of the Company for the year 2012/13 and submitted their report.

CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement with the BSE 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.

Further, the company has been regular in sending the corporate governance compliance report to the BSE on quarterly basis and also uploads the same on its website.

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 year under review. Accordingly, there are no unclaimed or unpaid deposits lying with the Company during the financial year under review.

PARTICULARS OF EMPLOYEES

Details of the employee whose particulars are required to be disclosed under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are attached in Annexure - II; and form an integral part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

APPRECIATION

Your Directors wish to place on record their appreciation for the continued patronage and support of its business partners, investors' fraternity, statutory authorities, bankers; and all the employees for their dedication & commitment. The Board of Directors expect to receive the similar support and contribution from everyone in future also.

For and on behalf of the Board of Directors

Biren De

Ravinder Nath

Chandra Sekhar Panigrahi

Surinder Kumar Nagpal
(Directors)

Place : New Delhi

Date : 30th October, 2013

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 carries out its operations in an environmental friendly manner and is on the look-out for different ways & means to reduce the consumption of energy in its operations. Fuel & electricity consumption in different stages of production processes were monitored regularly and suitable corrective actions were taken wherever possible. Some of the energy conservation measures taken during the year and consequent advantages are given below:

1. Sodium vapor lamps replaced by LED high bay lights in certain areas; which have better life expectancy and require less maintenance.
2. Conventional Tube Lights and CFLs were replaced by LED lights in certain areas, which have low power consumption, besides better life expectancy.

In addition to above mentioned energy saving steps, company is going to purchase power through IEX for energy cost saving.

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.	Particulars	2012-13	2011-12
1.	Electricity		
	(a) Purchased units (millions)	2.60	1.79
	Total amount (Rs. in millions)	17.08	10.90
	Rate/unit (Rs.)	6.57	6.09
	(b) Own Generation		
	(i) Through diesel generating units (millions)	0.30	0.91
	Unit per litre of diesel oil	3.27	3.33
	Cost/unit (Rs.)	14.76	11.68
	(ii) Through steam turbine / generator	NIL	NIL
2.	Coal	NIL	NIL
3.	Purchased Fuel Consumed		
	(i) Furnace Oil		
	Quantity (K. Lts.)	0.66	0.15
	Total amount (Rs. in millions)	0.04	0.01
	Average rate (Rs. per litre)	54.74	54.74
	(ii) Pipe Natural Gas		
	Quantity (1000 cubic meters)	271.00	275.48
	Total amount (Rs. in millions)	10.42	9.44
	Average rate (Rs. per cubic meter)	38.44	34.27

PART B - CONSUMPTION PER UNIT OF PRODUCTION

Product	Felts	Felts
Unit	Kgs.	Kgs.
Electricity (units)	10.15	9.13
Furnace oil (liters)	NIL	NIL
Pipe Natural Gas (cubic meter)	0.95	0.93

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 million)
	2012/13
(a) Capital	1.87
(b) Recurring	17.61
(c) Total (a + b)	19.48
(d) Total R & D expenditure as a percentage of total turnover	3.29%

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 (excluding Nepal) during the year were Rs. 35.58 million. Your Company strives to explore new foreign markets and to enlarge its share in the existing markets.

	(Rs. In million)
	2012/13
• Foreign exchange earnings	43.65
• Foreign exchange outgo	165.71

ANNEXURE - II

Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975; forming part of the report of the Board of Directors of the Company for the year ended 30th September, 2013:

Name of Employee	Age (in Years) as on 30/09/2013	Designation, nature of duties, date of commencement of employment and experience in years	Annual Remuneration (Rs. in Lacs)	Qualifications	Last employment held
R. Krishna Kumar	38	President, having total experience of about 17 years. He is responsible for general management of the affairs of the company and is employed in the company since 01/01/2010.	Gross: 82.84 Net: 54.12	B.E.	Vice President – Voith Paper Technology (India) Limited / Assistant General Manager – Larsen & Toubro Limited.

REPORT ON CORPORATE GOVERNANCE

A. Mandatory Disclosures

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

The Company and all its employees continue to be guided by the principle formed way back in 1927, for doing business within the umbrella of Voith Group, 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"*.

All companies of Voith Group have been following this principle for doing business, long before the concept of 'Corporate Governance' saw the light of day in Indian Corporate world. The Company and its employees carry on the business abiding by the said principle laid down by Voith Group.

The Company is generally in compliance with the requirements of Corporate Governance mentioned under Clause 49 of the listing agreement with the BSE Limited (BSE), *subject to such exceptions in specific areas as mentioned in ensuing paragraphs*.

2. Board of Directors

During the year under review, the Board of Directors of the company comprised of six Directors. The Chairman of the Board - stationed at Germany, is a nominee of the holding company and is a non-executive director.

Presently, there is no executive/whole-time/managing director or CEO in the company and to that extent the requirement of listing agreement is yet to be complied.

The President, Mr. R. Krishna Kumar, an alumnus of BITS, Pilani and IIM, Calcutta has been currently looking after the day-to-day affairs of the Company. Besides, he also looks after the operations of Voith Paper Technology (India) Private Limited, an associate company.

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

During the year ended 30th September, 2013, the Board met 5 times as per following details:

- On 2nd November and on 12th December, in the year 2012; and
- On 11th February; on 2nd May & on 2nd August, in the year 2013.

The details about composition of the Board of Directors, attendance record at Board Meetings & last Annual General Meeting (AGM) and Directorships in other companies, during the year ended on 30/09/2013, are as follows:

Name of Director	Category	Board Meetings attended during the year	Attendance at last AGM held on 12/12/2012	No. of other Directorships held as on 30/09/2013, in Indian companies (including Private Limited Companies)		No. of other Committee Memberships as on 30/09/2013	
				As Chairman	As Director	As Chairman	As Member
Mr. Martin Gustav Scherrer (Chairman of the Board)	Non-executive Director (Nominee of the holding company)	1	Present	Nil	01	Nil	Nil
Mr. Biren De	Non-executive and Independent Director	5	Present	Nil	Nil	Nil	Nil
Mr. Ravinder Nath	Non-executive and Independent Director	3	Present	Nil	12	Nil	02
Mr. Chandra Sekhar Panigrahi	Non-executive and Non-independent Director	4	Present	Nil	Nil	Nil	Nil
Mr. Surinder Kumar Nagpal	Non-executive and Independent Director	5	Present	Nil	01	Nil	Nil
Mr. Markus Johann Mader	Non-executive and Non-independent Director	1	Not Present	Nil	Nil	Nil	Nil

Details of shares of the Company held by the Directors and their relatives as on 30/09/2013:

Name of the Director	Shares held by the Director in the Company	Shares held by Relatives	Total shares held
Mr. Martin Gustav Scherrer	NIL	NIL	NIL
Mr. Biren De	1370	NIL	1370
Mr. Ravinder Nath	NIL	NIL	NIL
Mr. Chandra Sekhar Panigrahi	NIL	NIL	NIL
Mr. Surinder Kumar Nagpal	NIL	NIL	NIL
Mr. Markus Johann Mader	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:

(i). Audit Committee

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

Mr. Biren De, the senior most member on the Board and an Engineer by profession, is the Chairman of Audit Committee. He was present at the 43rd Annual General Meeting of the company.

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	Non-executive & Independent Director	4
Mr. Ravinder Nath, Member	Non-executive & Independent Director	3
Mr. Surinder Kumar Nagpal, Member	Non-executive & Independent Director	4

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

During the year under review, four meetings of the Audit Committee were held, as per details given below:

Date of the Meeting	Purpose of the Meeting
2 nd November, 2012	To review the Audited Financial Results of the Company for the period ended on 30 th September 2012.
11 th February, 2013	To review the Unaudited Financial Results of the Company for the period ended on 31 st December 2012.
2 nd May, 2013	To review the Unaudited Financial Results of the Company for the period ended on 31 st March 2013.
2 nd August, 2013	To review the Unaudited Financial Results of the Company for the period ended on 30 th June 2013.

(ii). 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 with listing requirements for securities of the Company, including dematerialization and/or rematerialization of securities.

Composition - The Committee presently comprises of two Non-executive Directors, one Independent and other a Non-independent Director. The Non-executive & Independent Director, Mr. Ravinder Nath, an Advocate by profession, chairs the meetings of the Committee.

Two meetings of the committee were held during the year - on 11th February 2013 and on 2nd August 2013; which were attended by both the Directors.

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

Details of Investor complaints received & disposed off during the year are as follows:

Particulars	Related to Share Transfers	Other Complaints
Number of complaints pending as on 01/10/2012	Nil	Nil
Number of complaints received during the period from 01/10/2012 to 30/09/2013	Nil	02
Number of complaints disposed off during the period from 01/10/2012 to 30/09/2013	Nil	02
Number of complaints pending as on 30/09/2013	Nil	Nil

There is no valid request for transfer of shares pending as on 30th September, 2013.

(iii). Remuneration Committee

Composition - Presently, the Remuneration Committee of the Board of Directors is comprised of two independent and non-executive Directors, under the Chairmanship of Mr. Biren De, the longest serving member on the Board. The Committee would be reconstituted if & when some managerial person would be considered for appointment in the company.

Remuneration Policy - The managerial person, when appointed, would be paid remuneration as approved by the Board of Directors on the recommendation of the Remuneration Committee. The remuneration of such managerial person would be fixed considering various factors such as qualification, experience, expertise, and capability of the appointee, remuneration prevailing in the industry, financial position of the Company, etc.

The 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	Non-executive & Independent Director	N. A.
Mr. Ravinder Nath, Member	Non-executive & Independent Director	N. A.

No meeting of the remuneration committee took place, as there was no managerial person in the company during the year under review.

Details of Payments made to Non-executive Directors - The Non-executive Directors of Indian origin were paid only the 'Sitting Fee' as per details given below, for attending the meetings of the Board and / or its Committees, during the year ended 30th September, 2013. Sitting fee paid to them is calculated as follows:

- Board Meetings @ Rs.20,000/- per meeting
- Committee Meetings @ Rs.10,000/- per meeting

Name of the Director	Sitting Fees (in Rs.) paid for attending meetings of				Total Sitting fees paid in Rs.
	Board of Directors	Audit Committee	Remuneration Committee	Investor Grievances Committee	
Mr. Biren De	100,000	40,000	-	-	140,000
Mr. Ravinder Nath	60,000	30,000	-	20,000	110,000
Mr. Chandra Sekhar Panigrahi	80,000	-	-	20,000	100,000
Mr. Surinder Kumar Nagpal	100,000	40,000	-	-	140,000

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

4. General Body Meetings:

Year (AGM)	Venue	Day & Date	Time
2012 (43 rd)	Magpie Tourist Complex of Haryana Tourism Corporation Limited Sector 16A, Mathura Road, Faridabad - 121002, Haryana.	Wednesday 12/12/2012	3:30 p.m.
2011 (42 nd)	Magpie Tourist Complex of Haryana Tourism Corporation Limited Sector 16A, Mathura Road, Faridabad - 121002, Haryana.	Thursday 08/12/2011	3:30 p.m.
2010 (41 st)	Magpie Tourist Complex of Haryana Tourism Corporation Limited Sector 16A, Mathura Road, Faridabad - 121002, Haryana.	Thursday, 02/12/2010	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
2012 (43 rd)	Appointment of Sole Selling Agents
2011 (42 nd)	Appointment of New Statutory Auditors; and Alteration in the Articles of Association
2010 (41 st)	Appointment of New Statutory Auditors; and Alteration in the Articles of Association

Special Resolution Through Postal Ballot:

There was no item during the year under review that was required to be passed through the process of postal ballot. Further, there is no special resolution proposed to be passed at the ensuing Annual General Meeting which is required to be approved by the shareholders through 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.

The requirement of postal ballot shall be complied with, wherever applicable, as required by law.

5. Disclosures:

During the year ended 30th September, 2013, 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. The details of all related party transactions are placed before the Audit Committee and the Board of Directors on quarterly & annual basis.

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 almost all the mandatory requirements of clause 49 of the Listing Agreement, as revised/amended, from time-to-time, *except in relation to the composition of the Board of Directors - i.e., appointment of CEO, as already explained in foregoing paragraphs.*

Since there is no CEO in the Company, 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 BSE 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 were 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.

7. Particulars of Unclaimed/Undelivered Shares

The shareholders may kindly take note that Company is in the process to consolidate and transfer the unclaimed / undelivered shares lying with the Company, in one folio in the name of "Unclaimed Suspense Account". Subsequently, in accordance with the provisions of listing agreement in this regard, the Company shall arrange to get such shares dematerialised and credited in its own name with one of the depository participant, purely on behalf of the shareholders who are eventually entitled to receive such shares. It may kindly be noted that the voting rights on such shares shall remain frozen till the shares are reclaimed by the rightful owners.

The details of such unclaimed / undelivered shares are as follows:

Sr. No.	Particulars	No. of Cases	No. of Shares
1	Status as on 01/10/2012	109	11954
2	Total request received during the year, from shareholders for despatch of shares to them	1	186
3	Shares despatched in pursuance of valid requests received from shareholders	1	186
4	Undelivered / unclaimed shares lying with the Company as at 30/09/2013	108	11768

8. General Shareholder Information:

Annual General Meeting:

Day & Date	Time	Venue
Tuesday, 10 th December, 2013	3:30 p.m.	Magpie Tourist Complex of Haryana Tourism Corporation Limited Sector 16-A, Mathura Road, Faridabad - 121002, Haryana.

Financial Calendar (1st October 2013 to 30th September 2014):

Results for the Quarter ending:

- 31st December, 2013 - By 14th February, 2014
- 31st March, 2014 - By 15th May, 2014
- 30th June, 2014 - By 14th August, 2014
- 30th September, 2014 - By 14th November, 2014.

Book Closure and Dividend Payment Date:

Book closure: From Saturday, 23rd November 2013 to Tuesday, 10th December 2013 (both days inclusive).

Dividend payment date: Dividend would either be credited in the account or despatched to all eligible shareholders within thirty days of declaration at the Annual General Meeting.

Further, the amount of unpaid/unclaimed dividend for the year 2004/05 was transferred to the Investor Education and Protection Fund (IEPF), in accordance with the provisions of section 205C of the Companies Act, 1956.

Listing on Stock Exchange:

The Equity Shares of the Company are listed for trading under Group/Index 'B' of the BSE Limited, Mumbai (BSE) and are traded under Periodic Call Auction System (PCAS) of BSE. Company confirms that it has paid the annual listing fees to BSE for the year 2013/2014.

The Company also confirms that it has paid the annual custodial fees, to the National Securities Depository Limited (NSDL) & Central Depository Services (India) Limited (CDSL), for the year 2013/2014.

Stock Code:

BSE Limited (BSE) : 522122
ISIN for NSDL/CDSL : INE 285C01015

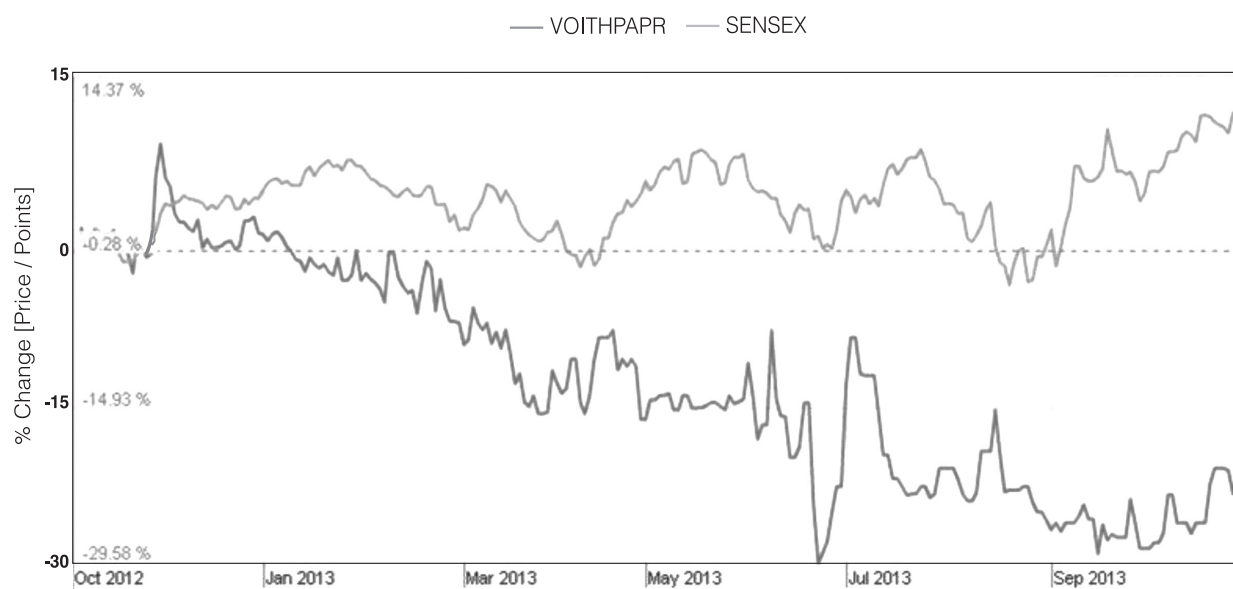
Market Price Information:

The monthly 'high' and 'low' closing prices of the shares traded during the period from October 2012 to September 2013 on BSE are given below:

Month	High (in Rs.)	Low (in Rs.)
October, 2012	329.90	270.10
November, 2012	333.90	282.90
December, 2012	336.45	283.30
January, 2013	304.95	262.50
February, 2013	295.00	269.30
March, 2013	280.00	238.70
April, 2013	298.00	231.50
May, 2013	259.00	243.65
June, 2013	268.00	188.00
July, 2013	266.00	220.00
August, 2013	246.00	215.55
September, 2013	221.90	205.75

Source: BSE website

Share Price vis-à-vis Sensex Movement:



Registrar & Transfer Agent (RTA):

MCS Limited
F-65, First Floor, Okhla Industrial Area Phase - I, New Delhi - 110 020
Phone: 011 - 4140 6149 to 51
Fax : 011 - 4170 9881, E-mail: admin@mcsdel.com

Share Transfer System:

Investors may kindly take note that SEBI has mandated that in case of securities market transactions and off-market / private transactions involving transfer of shares of a listed company in physical mode, it shall be compulsory for the transferee(s) to furnish a copy of the PAN card to the Company / RTA, together with the transfer documents for registering transfer of such shares.

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 the stipulated time prescribed under applicable laws, if the documents are found correct and valid in all respects.

As per the requirement of clause 47(c) of the listing agreement, company has regularly obtained the necessary certificate from a company secretary in practice and submitted the same to BSE Limited on half-yearly basis, confirming due compliance of share transfer related activities by the Company.

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

Information on Shareholding:**(a) Shareholding Pattern of the Company as on 30th September, 2013**

Category code	Category of Shareholder/Member	Total No. of Members	Total No. of shares	No. of Shares held in dematerialized form	Total shareholding as a percentage of total number of shares	
					As a % of (A+B)	As a % of (A+B+C)
(A)	Shareholding of Promoter 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 & Promoters Group (A)=(A)(1)+(A)(2)	1	3,252,418	Nil	74.044%	74.044%
(B)	Public shareholding					
	(1) Institutions					
	Financial Institutions / Banks	5	706	432	0.016%	0.016%
	Insurance Companies	2	51,406	51,331	1.170%	1.170%
	Sub Total (B)(1)	7	52,112	51,763	1.186%	1.186%
	(2) Non institutions					
	(a) Bodies Corporate	96	98,989	92,181	2.254%	2.254%
	(b) Individuals					
	i. Individual shareholders holding nominal share capital up to Rs.1 Lakh	3,208	788,303	606,313	17.946%	17.946%
	ii. Individual Shareholders holding nominal share capital in excess of Rs.1 Lakh	11	181,175	181,175	4.125%	4.125%
	NRIs	44	16,258	12,512	0.370%	0.370%
	(c) Any Other (Specify)					
	- Trusts & Foundation	1	3,304	3,304	0.075%	0.075%
	Sub-Total (B)(2)	3,360	1,088,029	895,485	24.770%	24.770%
	Total Public shareholding (B)=(B)(1)+(B)(2)	3,367	1,140,141	947,248	25.956%	25.956%
	TOTAL (A)+(B)	3,368	4,392,559	947,248	100.000%	100.000%
(C)	Shares held by Custodians and against which Depository Receipts have been issued	Nil	Nil	Nil	N.A.	N.A.
	Grand Total (A+B+C)	3,368	4,392,559	947,248	100.000%	100.000%

(b) Shareholders with more than one percent holding as on 30th September, 2013

Sl. 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	51,331	1.169%

(c) Distribution of shareholding as on 30th September, 2013

No. of Shares held (Range)	No. of Shareholders	% to total Shareholders	No. of Shares	% to total shares
1 - 500	2988	88.717%	320,922	7.306%
501 - 1000	208	6.176%	148,843	3.389%
1001 - 2000	93	2.761%	130,562	2.972%
2001 - 3000	26	0.772%	63,968	1.456%
3001 - 4000	8	0.237%	27,861	0.634%
4001 - 5000	11	0.327%	50,663	1.153%
5001 - 10000	19	0.564%	136,543	3.109%
10001 - 50000	13	0.386%	209,448	4.768%
50001 - 100000	1	0.030%	51,331	1.169%
100001 and above	1	0.030%	3,252,418	74.044%
Total	3368	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.

Out of remaining 1,140,141 equity shares; 947,248 equity shares of the Company, forming 21.56% of the total shareholding, stand dematerialized as on 30th September, 2013.

Liquidity of Shares:

The Equity shares of the Company have been included in the 'B' Group/Index of the BSE Limited, Mumbai (BSE) and are traded under Periodic Call Auction System (PCAS) of 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 BSE, where the equity shares of the Company are listed.

Outstanding ADRs / GDRs / 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 - 429 2200 Fax : 0129 - 223 2072
E-mail : voithfabrics.faridabad@voith.com

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

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 Team. 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 the Senior Management Team 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 Team 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. Status of 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 quarterly financial 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 website of the Company 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.
5. The Company does not have any qualifications from the Auditors in its Financial Statements as on 30th September, 2013.
6. The Company has yet to put in place a structure to provide trainings to its Board members and / or to evaluate their performance.
7. The Company has yet to formulate a Whistle Blower Policy.
8. The Company has not yet allocated any specific fund for the purpose of meeting out the corporate social responsibility. However, during the year under review company has contributed a sum of Rs. 1 lac to FIA Charitable Society, towards construction of a Mental Health Care Center in Faridabad.

Compliance Certificate:

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

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

To

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

I have reviewed the implementation of Corporate Governance procedures by M/s. VOITH PAPER FABRICS INDIA LIMITED for the Accounting Year ended on 30th September, 2013 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 are 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 statements 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; 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

Manoj Bangia
Proprietor
C. P. No. 3655

Place: New Delhi
Dated: 30th October, 2013

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENTS

The paper industry is one of the oldest and the most important industry in terms of socio-economic development of the country. It is one of the rapidly growing industries in India though it accounts for only about 2.5% of the global production of paper. Most of the paper mills are in existence for a long time and hence present technologies fall in a wide spectrum ranging from oldest to the most modern.

The paper industry in India has capacity to produce about 12 million tonnes per annum and some more capacity is coming up. The overall market size is about Rs.60,000 crore and is growing at a steady pace aligned to the GDP growth rate. The size of country's population, demand in the office market and education will continue to drive this sector's growth.

The paper industry has grown well over the last five years. Currently, the country's paper industry is passing through a phase of consolidation due to rising input costs, difficulty in raw material availability and increasing competition from global players. Most of the manufacturing units have converted themselves into integrated paper makers. Now they are in the phase of consolidation of their business and optimizing returns on their investments. The industry has braced quite well to the price increases and is faced with pressure on costs.

OUR STRENGTHS

Being the single largest Indian manufacturer, supplying entire range of paper machine clothing (industrial felts) for pulp, paper & paperboard and fibre cement industries; your company is a clear leader in the Indian market and also having presence in overseas markets of the sub-continent.

Being part of Voith Group, which is famous for its "*Engineered reliability*" in all business segments where they operate, provides your Company an edge over its competitors. We perceive ourselves to be the preferred supplier for majority of our customers as our products enjoy a high level of acceptance in the market due to their inherent good quality and effective after sales support. The innovative paper machine clothing manufactured at your Company, continue to assist papermakers in applying the best solutions to improve paper properties and productivity.

The assiduous efforts of employees at all levels have helped your Company to grow, despite increased competition and prevailing economic uncertainty.

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.

Also, over 75% of the raw materials used to manufacture paper machine clothing are imported and hence input costs increases significantly in the eventuality of adverse fluctuation in rates of rupee vis-à-vis dollar and euro. Further, the industry specific policies framed by government, from time to time, may have an impact on the business environment for the industry as well as the company.

THE OPPORTUNITIES

According to the newly released "India Paper Industry Forecast & Opportunities, 2017" the paper industry in India is expected to grow at the CAGR of around 9.6% during 2012-2017, which will make the revenues of paper industry of India to reach up to USD 11.83 Billion by 2017.

The preparation for general elections in India will provide further fillip to paper demand in 2013/14. Also, the current low per capita consumption of paper in India provides tremendous potential for growth in demand for paper in future.

Even though your company is presently passing through a turbulent period, yet we foresee a better and brighter prospect for the paper industry in India. With more disposable income in the hands of people (especially the young generation), the scene is fast changing in Indian market. People now prefer branded products and similarly there is a preference to buy branded notebooks & files as compared to non-branded one, unlike few years ago. Also, due to increase in retail sector and upcoming Mall culture, people now prefer packed goods. This is expected to result in more demand for good quality writing & printing paper as well as packaging board in Indian market, consequentially leading to overall growth of paper industry and thereby also opening up good opportunities for your company to grow as well.

THE THREATS

The threats to the Company are an indirect off-shoot of the threats that the paper industry in India currently faces. For the paper industry of India, ever increasing costs of inputs, including that of coal, electricity, other fuel and wood, can be considered to be major areas of concern. The industry cannot fully pass on these costs which are already fairly high than global standards, that makes the present environment for the industry as 'financially challenging'. A strong need is felt by the players that Government needs to somehow ensure that input costs remain at viable levels and industry is allowed to set up captive plantations for securing raw material availability and sustained growth.

The paper industry in India also suffers due to use of obsolete technology, as adoption of new technology would require significant capital investments by paper manufacturing companies to effectively tackle competition from global players. The paper mills in India, majority of which are located in remote areas, would also find it an uphill task to hire & retain young talent within their fold as several career options are now available to professionals in metros and other urban areas, due to which they may not like to shift to rural or remote areas.

Further, other than the local competitors who manufacture industrial clothings, direct imports of industrial clothings in domestic market from other Asian countries are also a big threat. However, with the weakening of Indian Rupee vis-à-vis the dollar, this particular threat has recently been diluted to some extent. Anyhow, we remain committed to face such challenging times and expect that none of it would affect the performance of the company in near future in an adverse manner.

SEGMENT WISE REPORTING

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

OUTLOOK

Paper, since time immemorial, has been a medium for propagation of thoughts and ideas and conveying feelings. In spite of the growth in electronic media, it is still the most popular mode of communication in the lettered world. Paper sector has been growing at a steady clip in the last few years across the world and in India too. The industry is cyclical but at this stage the cycle is in favour of paper manufacturers with demand outstripping supply. With increasing literacy and growing demand for packaged products, the industry seems set to see robust demand in the coming years. They will also benefit from using eco-friendly modes of producing paper and from growing emphasis on recycling paper. With increasing propensity for consumption of paper, the companies look set to prosper in the coming years.

Some of the Key Growth Drivers for Paper Industry in India are given below:

- The growing Indian economy will create more demand for paper.
- More offices and more jobs will create higher demand for office/printer paper.
- Focus of government on education will create demand in education sector
- Increasing literacy levels will lead to higher demand
- Increasing circulation/readership of newspapers/periodicals
- Higher prevalence of using packaged products
- Focus on marketing campaigns for products
- Increased demand for paper from hygiene/hospitality sector

However, the focus of paper industry is now shifting towards more eco-friendly products and technology, as the Government of India has established rules and regulations to control the pollution and degradation of forests. These measures taken by the Government are likely to bring about significant changes in the paper industry of India in future.

RISKS & CONCERNS

The present risks and anticipated future risks are reviewed by the management of your company at regular intervals. 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 continues as usual even during difficult situations.

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 review the systems at regular intervals.

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

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

During the year under review, sales & profit before tax have improved mainly due to operational efficiency brought about through better utilisation of available resources and proper implementation of business strategies. The Company has also initiated the exercise of implementing '*Lean Manufacturing Principles*' which is likely to increase the operational efficiency in coming years. However, the Return on Capital Employed (ROCE) has temporarily gone down, due to capital investment made by company during the year under review.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT

The dedicated work-force of the company has been the back-bone for achievement of better profitability during the year under review. Employees at all levels have contributed a lot to bring the performance to current levels and it is expected that your Company shall continue to get their support in future also. During the year under review, industrial relations have generally remained healthy, cordial and harmonious.

There were 105 permanent employees on the rolls of the Company as on 30th September, 2013

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.

CAUTIONARY STATEMENT

Statements in this report describing the current industry structure, outlook, opportunities etc. reflect the estimation and opinion only. Since these are solely based on assumptions and expectations of future events, hence 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.

Independent Auditors' Report

To

The Members of Voith Paper Fabrics India Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Voith Paper Fabrics India Limited ("the Company"), which comprise the Balance Sheet as at September 30, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1 As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2 As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) 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;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors as on September 30, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on September 30, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For S.R. Batliboi & Co. LLP, Chartered Accountants

ICAI Firm Registration Number: 301003E

per Vikas Mehra

Partner

Membership No.: 94421

Place: New Delhi

Date: October 30, 2013

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" 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) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no 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 has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (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)(e) 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 sale of 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) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, related to the manufacturing of paper machine clothing for pulp, paper and board industry, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (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.
- (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 (in Rs.)	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Penalty & Interest	1,605,000	Financial year 2002-03	Central Excise Tribunal
Income Tax Act, 1961	Disallowances of various expenses	6,302,820	Assessment year 2009-10	Commissioner of Income Tax - Appeal
Income Tax Act, 1961	Disallowances of technical know-how fees	10,169,088	Assessment year 2010-11	Commissioner of Income Tax - Appeal

- (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 institutions, banks nor issued any debenture during the year.

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

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E

per Vikas Mehra
Partner
Membership No.: 94421

Place: New Delhi
Date: October 30, 2013

BALANCE SHEET AS AT SEPTEMBER 30, 2013

	Notes	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
EQUITY AND LIABILITIES			
Shareholders' Fund			
Share capital	3	43,925,590	43,925,590
Reserves and surplus	4	1,240,869,083	1,127,684,306
		<u>1,284,794,673</u>	<u>1,171,609,896</u>
Non - current liabilities			
Deferred tax liability (net)	5	3,730,091	6,570,131
Long term provisions	6	9,170,652	11,037,256
		<u>12,900,743</u>	<u>17,607,387</u>
Current liabilities			
Trade payables	7	81,060,552	62,415,870
Other current liabilities	7	36,845,005	24,115,523
Short-term provisions	6	47,313,024	42,483,722
		<u>165,218,581</u>	<u>129,015,115</u>
		<u>1,462,913,997</u>	<u>1,318,232,398</u>
ASSETS			
Non-current assets			
Fixed assets	8		
Tangible assets		187,719,706	209,685,203
Capital work-in-progress		168,001,388	104,352,601
Long term loans and advances	9	26,616,980	7,802,180
Other non-current assets	11	2,628,784	2,479,322
		<u>384,966,858</u>	<u>324,319,306</u>
Current Assets			
Inventories	12	84,630,804	90,114,318
Trade receivables	10	163,713,053	123,968,212
Cash and bank balances	13	798,614,062	714,508,317
Short term loans and advances	9	29,645,420	24,794,579
Other current assets	11	1,343,800	40,527,666
		<u>1,077,947,139</u>	<u>993,913,092</u>
		<u>1,462,913,997</u>	<u>1,318,232,398</u>
Summary of Significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R.Batliboi & Co. LLP
ICAI Firm Registration No. 301003E
Chartered Accountants

per Vikas Mehra
Partner
Membership No. 94421

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

Biren De
Director

R. Nath
Director

C.S.Panigrahi
Director

S.K.Nagpal
Director

C.S. Gugliani
Company Secretary

Kalyan Dasgupta
Finance Controller

Place : New Delhi
Date : October 30, 2013

Place : New Delhi
Date : October 30, 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Notes	For the Year ended September 30, 2013 Rupees	For the Year ended September 30, 2012 Rupees
INCOME			
Revenue from operations (gross)	14	659,599,731	640,126,715
Less : Excise duty		67,704,290	62,692,245
Revenue from operations (net)		591,895,441	577,434,470
Other income	15	84,544,223	85,715,697
Total revenue (I)		676,439,664	663,150,167
EXPENSES			
Cost of raw material consumed	16	155,420,824	156,949,498
Purchase of traded goods	17	5,962,813	-
Decrease in inventories of finished goods and work-in-progress	17	14,345,194	7,967,143
Employee benefits expense	18	110,426,655	118,042,541
Other expenses	19	170,267,235	167,178,012
Depreciation and amortization expenses	20	26,672,329	26,823,469
Finance costs	21	27,549	224,493
Total (II)		483,122,599	477,185,156
Profit before taxes		193,317,065	185,965,011
Current tax		67,555,105	62,322,302
Income tax relating to previous years		-	(4,558,477)
Deferred tax credit		(2,840,040)	(1,985,954)
Total tax expense		64,715,065	55,777,871
Profit after taxes		128,602,000	130,187,140
Earnings per share [Nominal value of shares Rs 10]			
Basic and diluted	22	29.28	29.64
Significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R.Batliboi & Co. LLP
ICAI Firm Registration No. 301003E
Chartered Accountants

per Vikas Mehra
Partner
Membership No. 94421

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

Biren De
Director

R. Nath
Director

C.S.Panigrahi
Director

S.K.Nagpal
Director

C.S. Gugliani
Company Secretary

Kalyan Dasgupta
Finance Controller

Place : New Delhi
Date : October 30, 2013

Place : New Delhi
Date : October 30, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2013

	For the year ended September 30, 2013 Rupees	For the year ended September 30, 2012 Rupees
A. Cash flow from operating activities		
Net Profit before taxation	193,317,065	185,965,011
Adjustments for:		
Depreciation	26,672,329	26,823,469
Gain/(loss) on sale/discard of fixed assets (net)	541,810	(3,392,434)
Provision for contingencies/(written back)	-	(251,994)
Liabilities/ provisions no longer required, written back	(2,657,084)	(947,738)
Provision for doubtful debts written back	(4,886,267)	(2,674,916)
Provision for doubtful debts charged	5,953,915	3,891,753
Provision for doubtful advances charged	1,644,033	-
Bad debts written off	76,344	102,434
Unrealised foreign exchange loss/(gain) (net)	-	118,113
Interest income	(65,126,594)	(64,992,418)
Interest expense	27,549	224,493
Operating profit before working capital changes	155,563,100	144,865,773
Movements in working capital :		
Increase in trade receivables	(40,888,833)	(15,273,488)
Decrease/(increase) in inventories	5,483,514	12,068,135
Decrease/(increase) in loans and advances	(24,667,388)	(8,220,254)
Decrease in other current assets	(41,464)	340,193
Increase/(decrease) in trade payables	18,644,682	2,688,773
Increase/(decrease) in current liabilities	15,320,309	13,473,582
Increase in provisions	(1,235,701)	3,211,571
Cash generated from operations	128,178,219	153,154,285
Direct taxes paid (net of refunds)	(64,100,789)	(62,150,379)
Net Cash flow from operating activities (A)	64,077,430	91,003,906
B. Cash flows from investing activities		
Purchase of fixed assets	(68,918,644)	(107,646,656)
Proceeds from sale of fixed assets	21,215	4,923,708
Interest received	102,063,978	61,839,663
Deposits made	(882,298,656)	(1,033,212,289)
Deposits redeemed	1,298,220,148	1,007,132,575
Net cash used in investing activities (B)	449,088,041	(66,962,999)

CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2013

	For the year ended September 30, 2013 Rupees	For the year ended September 30, 2012 Rupees
C. Cash flows from financing activities		
Dividend paid	(13,111,420)	(13,209,081)
Tax on dividend paid	(2,137,749)	(2,137,749)
Interest paid	(27,549)	(224,493)
Net cash used in financing activities (C)	<u>(15,276,718)</u>	<u>(15,571,323)</u>
 Net increase in cash and cash equivalents (A + B + C)	 497,888,753	 8,469,584
Cash and cash equivalents at the beginning of the year	17,439,263	8,969,679
Cash and cash equivalents at the end of the year	515,328,016	17,439,263

Components of Cash and Cash Equivalents

	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
Cash and cheques on hand	1,975,694	4,182,450
With scheduled banks :		
- on Current accounts/ EEFC accounts	25,851,467	11,822,215
- on Unclaimed dividend accounts*	1,500,855	1,434,598
- on deposit accounts	<u>769,460,481</u>	<u>699,381,973</u>
Cash and bank balance as per note 13	798,788,497	716,821,236
Less: Fixed deposits not considered as cash equivalents	<u>283,460,481</u>	<u>699,381,973</u>
Cash and cash equivalents in Cash Flow Statement	<u>515,328,016</u>	<u>17,439,263</u>

* The company can utilise these balances only towards settlement of these respective unpaid dividend liabilities.

As per our report of even date

For S.R.Batliboi & Co. LLP
ICAI Firm Registration No. 301003E
Chartered Accountants

per Vikas Mehra
Partner
Membership No. 94421

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

Biren De
Director

R. Nath
Director

C.S.Panigrahi
Director

S.K.Nagpal
Director

C.S. Gugliani
Company Secretary

Kalyan Dasgupta
Finance Controller

Place : New Delhi
Date : October 30, 2013

Place : New Delhi
Date : October 30, 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

1. Corporate information

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. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.1 Summary of significant accounting policies

a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

b) Tangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

c) Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on a straight line basis using the rates arrived at based on the useful lives estimated by the management which are equal to the rates prescribed in Schedule XIV to the Companies Act, 1956, except for Stretcher Cylinder, 4 looms and a pre-tacker capitalized during earlier years (included under Plant & Machinery) where a shorter life is assessed i.e. four years for Stretcher Cylinder and ten years for looms and pre-tacker instead of 13.45 years prescribed for these assets in Schedule XIV rates.

For significant modifications capitalized, depreciation is charged over the remaining useful 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 capitalized and are depreciated over the residual useful life of the respective assets.

d) Impairment

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

e) Inventories

Inventories are valued as follows:

Stores and Spare parts

Lower of cost and net realizable value. Cost is determined on First in First Out (FIFO) basis.

Raw materials	Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on weighted average basis.
Work-in-process and finished goods	Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on weighted average basis.
Traded goods	Lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a 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.

f) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:-

Sale of goods

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from the revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Sale of services (Commission)

Commission is recognized as and when these services are rendered and it is probable that economic benefits will flow to the Company as per the terms of the agreement.

Interest

Interest is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in statement of profit and loss.

Export Benefits

Export benefits are accrued when no significant uncertainties as to the amount of consideration that would be derived and as to its ultimate collection exist and all the conditions attached to export benefits have been complied with.

g) Foreign currency translation

Foreign currency transactions and balances

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 transaction.

ii. Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

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 the previous financial statements, are recognized as income or expenses in the year in which they arise.

iv. Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/ liability

The premium or discount arising at the inception of forward exchange contract is amortized and recognized as an expense/ income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contract is also recognized as income or as expense for the period.

h) Retirement and other employee benefits

i. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

ii. Long term service award and other retirement benefit is provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method. Actuarial gains and losses for the defined benefit plans are recognized in full in the period in which they occur in the statement of profit and loss and are not deferred.

- iii. Gratuity liability is a defined benefit obligation and is provided for on the basis of 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. Actuarial gains and losses for the defined benefit plans are recognized in full in the period in which they occur in the statement of profit and loss and are not deferred.
- iv. A retirement benefit in the form of superannuation fund is a defined contribution scheme. The company recognizes contribution payable to the scheme as expenditure, when an employee renders the related service. 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 employee 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 fund set up by employers, which requires interest shortfall to be met by the employer, need to be treated as defined benefit plan. There is no deficit in the fund at the year end.

i) Income taxes

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the income tax-act 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for deductible timing differences 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 realized.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

j) Earnings per share

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

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

k) Provisions

A provision is recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Warranty provisions

Provision for warranty related costs are recognized when the product is sold or service provided. Provision is based on historical experience.

l) Cash and cash equivalents

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

m) Segment reporting

Identification of segments

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

3. Share Capital

	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
Authorised shares (no. in units)		
25,000,000 (Previous year 25,000,000) equity shares of Rs. 10/- each	250,000,000	250,000,000
Issued, subscribed and fully paid-up shares		
4,392,559 (Previous year 4,392,559) equity shares of Rs. 10/- each	43,925,590	43,925,590
a. Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period		
At the beginning of the year:		
4,392,559 (Previous year 4,392,559) equity shares of Rs. 10/- each fully paid	43,925,590	43,925,590
Issued during the year - for cash	-	-
Outstanding at the end of the year	43,925,590	43,925,590

b. Terms / rights attached to equity shares

The Company has only one class of shares referred to as equity shares having a par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

During the year ended September 30, 2013, the amount of per share dividend recognized as distributions to equity shareholders was Rs. 3 (Previous year Rs. 3)

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Shares held by holding company

	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
VP Auslandsbeteiligungen GmbH		
3,252,418 (Previous year 3,252,418) shares of Rs. 10/- each fully paid	32,524,180	32,524,180

d. Name of shareholders holding more than 5% shares in the Company

	As at September 30, 2013		As at September 30, 2012	
	No. of Equity shares	% holding in the class	No. of Equity shares	% holding in the class
VP Auslandsbeteiligungen GmbH	3,252,418	74.04	3,252,418	74.04

As per the records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of equity shares.

4. Reserves and Surplus

	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
General reserve		
Balance as per the last financial statements	532,638,645	519,619,931
Amount transferred from surplus balance in the statement of profit and loss	12,860,200	13,018,714
Closing balance	545,498,845	532,638,645
Surplus in the statement of profit and loss		
Balance as per the last financial statements	595,045,661	493,192,661
Add: Profit for the year	128,602,000	130,187,140
	723,647,661	623,379,801
Less: Appropriations:		
Transfer to general reserve	12,860,200	13,018,714
Proposed dividend	13,177,677	13,177,677
Dividend distribution tax on proposed dividend	2,239,546	2,137,749
Total appropriation	28,277,423	28,334,140
Net Surplus in the statement of profit and loss	695,370,238	595,045,661
	1,240,869,083	1,127,684,306

5. Deferred tax liability (net)

	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
Deferred tax liabilities		
Fixed assets: impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting	20,056,099	21,081,610
Others	-	474,331
Gross deferred tax liability	20,056,099	21,555,941
Deferred tax assets		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purpose on payment basis	7,461,344	7,275,298
Provision for doubtful debts and advances	2,267,237	1,422,364
Provision for warranties	3,733,561	3,554,458
Provision for litigations	2,863,866	2,733,690
Gross deferred tax asset	16,326,008	14,985,810
Net deferred tax liability	3,730,091	6,570,131

6. Provisions

	Non-current		Current	
	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
Provision for Employee benefits				
Provision for gratuity (refer note 23)	-	2,523,007	-	-
Provision for leave encashment	7,879,389	6,731,071	1,856,246	1,203,868
Provision for other retirement benefits	387,770	661,604	39,996	68,240
Provision for long service award	903,493	1,121,574	91,927	114,116
	9,170,652	11,037,256	1,988,169	1,386,224
Other provisions				
Provision for taxation	-	-	10,485,729	6,389,127
Provision for wealth tax	-	-	12,000	12,000
Provision for warranties#	-	-	10,984,289	10,955,331
Provision for contingencies##	-	-	8,425,614	8,425,614
Proposed dividend	-	-	13,177,677	13,177,677
Tax on proposed dividend	-	-	2,239,546	2,137,749
	-	-	45,324,855	41,097,498
	9,170,652	11,037,256	47,313,024	42,483,722

Provision for warranties

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 about returns based on the three year warranty period for all products sold.

Movement during the year	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
At the beginning of the year	10,955,331	10,185,061
Arising during the year	10,984,289	10,955,331
Utilized during the year	(5,489,417)	(9,372,735)
Unused amounts reversed	(5,465,914)	(812,326)
At the end of the year	10,984,289	10,955,331
Current portion	10,984,289	10,955,331
Non-current portion	-	-

Provision for Contingencies

Movement during the year

At the beginning of the year
 Arising during the year
 Utilized during the year
 Unused amounts reversed

At the end of the year

As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
8,425,614	10,205,138
-	-
-	(1,779,524)
-	-
8,425,614	8,425,614

Provision for contingencies represents the following:-

- Potential tax liability estimated through various notices issued by sales tax department towards differential amount of sale tax applicable on products sold - Rs. 3,476,802 (Previous year : Rs. 3,476,802)
- Demand from excise department towards interest on cenvat credit wrongly availed - Rs. 469,000 (Previous year : Rs. 469,000)
- Estimated contingencies in respect of Local area development tax, applicability of which is not certain to the Company - Rs. 4,439,556 (Previous year : Rs. 4,439,556)
- Provision for 1% additional duty on import - Rs. 40,256 (Previous year - Rs. 40,256)

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

7. Other current liabilities

Trade payables (refer note 34 for details of dues to micro and small enterprises)

Other liabilities

Creditors for capital goods
 Unclaimed dividend
 Statutory liabilities
 Advances from customers

As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
81,060,552	62,415,870
20,356,256	9,694,188
1,500,855	1,434,598
9,012,107	3,745,294
5,975,787	9,241,443
36,845,005	24,115,523
117,905,557	86,531,393

8. Fixed assets

	Freehold Land	Buildings	Plant and machinery	Furniture and fixtures	Office Equipments (including Computers)	Vehicles	Total
Gross block as on October 1, 2011	1,809,080	93,474,257	466,428,649	5,085,199	21,019,794	4,268,651	592,085,630
Additions during the year	-	721,995	757,932	154,498	1,659,630	-	3,294,055
Deletions during the year	-	-	28,772,184	-	1,594,160	228,559	30,594,903
Gross block as on September 30, 2012	1,809,080	94,196,252	438,414,397	5,239,697	21,085,264	4,040,092	564,784,782
Additions during the year	-	-	2,685,553	35,526	2,450,634	98,144	5,269,857
Deletions during the year	-	202,447	1,206,061	98,661	1,594,524	68,020	3,169,713
Gross block as on September 30, 2013	1,809,080	93,993,805	439,893,889	5,176,562	21,941,374	4,070,216	566,884,926
Accumulated depreciation as at October 1, 2011	-	30,977,832	309,732,339	3,084,206	12,106,992	1,438,370	357,339,739
Depreciation for the year	-	3,271,038	21,300,809	283,185	1,566,536	401,901	26,823,469
Depreciation on deletions during the year	-	-	27,408,229	-	1,483,498	171,902	29,063,629
Accumulated depreciation as at September 30, 2012	-	34,248,870	303,624,919	3,367,391	12,190,030	1,668,369	355,099,579
Depreciation for the year	-	3,274,154	20,372,349	254,654	2,385,158	386,014	26,672,329
Depreciation on deletions during the year	-	150,202	1,167,751	89,459	1,156,748	42,528	2,606,688
Accumulated depreciation as at September 30, 2013	-	37,372,822	322,829,517	3,532,586	13,418,440	2,011,855	379,165,220
Net block as at September 30, 2012	1,809,080	59,947,382	134,789,478	1,872,306	8,895,234	2,371,723	209,685,203
Net block as at September 30, 2013	1,809,080	56,620,983	117,064,372	1,643,976	8,522,934	2,058,361	187,719,706
Capital work-in-progress as at September 30, 2012							104,352,601
Capital work-in-progress as at September 30, 2013							168,001,388

9. Loans and Advances

	Non-current		Current	
	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
Capital advances				
Unsecured, considered good	20,047,144	-	-	-
	20,047,144	-	-	-
Security deposits				
Unsecured, considered good	2,155,810	2,155,810	2,114,000	1,573,238
Considered doubtful	-	-	-	-
	2,155,810	2,155,810	2,114,000	1,573,238
Loan and advances to related parties (note 25)				
Unsecured, considered good	-	-	3,915,110	-
	-	-	3,915,110	-
Advances recoverable in cash or kind				
Unsecured, considered good	-	-	8,005,808	8,210,310
Considered doubtful	-	425,300	-	-
	-	425,300	8,005,808	8,210,310
Provision for doubtful advances	-	(425,300)	-	-
	-	-	8,005,808	8,210,310
Other loans & advances (Unsecured, considered good)				
Advances income tax	4,414,026	4,414,026	9,299,736	4,243,424
Prepaid expenses	-	-	3,292,493	2,322,972
Balances with government authorities	-	-	2,978,017	1,238,635
Advance to provident fund trust	-	-	-	7,206,000
SVB claim recoverable	1,644,033	1,232,344	40,256	-
	6,058,059	5,646,370	15,610,502	15,011,031
Provision for doubtful SVB claim recoverable	(1,644,033)	-	-	-
	26,616,980	7,802,180	29,645,420	24,794,579

10. Trade receivables

	Non-current		Current	
	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, considered good	-	-	3,912,924	97,364
Doubtful	4,119,720	3,432,091	-	-
	4,119,720	3,432,091	3,912,924	97,364
Provision for doubtful receivables	(4,119,720)	(3,432,091)	-	-
	-	-	3,912,924	97,364
Other receivables				
Unsecured, considered good	-	-	159,800,129	123,870,848
Doubtful	906,552	526,533	-	-
	906,552	526,533	159,800,129	123,870,848
Provision for doubtful receivables	(906,552)	(526,533)	-	-
	-	-	159,800,129	123,870,848
	-	-	163,713,053	123,968,212

11. Other assets

	Non-current		Current	
	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
Unsecured, considered good unless stated otherwise				
Non-current bank balances (note 13)	174,435	2,312,919	-	-
Others				
Interest accrued on fixed deposits	5,087	166,403	1,343,800	38,119,868
Other receivables (refer note 23)	2,449,262	-	-	-
Discount receivable	-	-	-	2,407,798
	<u>2,454,349</u>	<u>166,403</u>	<u>1,343,800</u>	<u>40,527,666</u>
	<u>2,628,784</u>	<u>2,479,322</u>	<u>1,343,800</u>	<u>40,527,666</u>

12. Inventories

	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
Raw materials (including stock in transit Rs. 4,523,942 ; (Previous year Rs. 900,757))	55,030,480	51,041,121
Work-in- progress	13,521,787	15,165,542
Finished goods	7,144,530	19,845,969
Stores and spare parts	8,934,007	4,061,686
	<u>84,630,804</u>	<u>90,114,318</u>

13. Cash and bank balances

	Non-current		Current	
	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
Cash and cash equivalents				
Balances with banks:				
- On current accounts/ EEFC account	-	-	25,851,467	11,822,215
- Deposits with original maturity of less than 3 months	-	-	486,000,000	-
- On unclaimed dividend account	-	-	1,500,855	1,434,598
- Cheques in hand	-	-	1,953,453	4,114,589
Cash on hand	-	-	22,241	67,861
	<u>-</u>	<u>-</u>	<u>515,328,016</u>	<u>17,439,263</u>
Other bank balances				
Deposits with original maturity for more than 12 months	174,435	1,136,547	-	246,143,196
Deposits with original maturity for more than 3 months but less than 12 months	-	-	281,278,432	448,049,170
Margin money deposits	-	1,176,372	2,007,614	2,876,688
	<u>174,435</u>	<u>2,312,919</u>	<u>283,286,046</u>	<u>697,069,054</u>
Amount disclosed under non-current assets (Note 11)	<u>(174,435)</u>	<u>(2,312,919)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>798,614,062</u>	<u>714,508,317</u>

14. Revenue from operations

	For the year ended September 30, 2013 Rupees	For the year ended September 30, 2012 Rupees
Sale of Products		
Manufactured goods (Felts)	648,288,866	637,225,734
Traded goods (Qualiflex)	7,738,080	-
Other Operating Revenue		
Sale of Services	377,600	-
Scrap Sales	3,195,185	2,900,981
Revenue from operations (gross)	659,599,731	640,126,715
Less : Excise Duty [#]	67,704,290	62,692,245
Revenue from operations (net)	591,895,441	577,434,470

[#]Excise duty on sales amounting to Rs. 67,704,290/- (Previous year : Rs. 62,692,245/-) has been reduced from sales in statement of profit and loss account and excise duty on decrease in stock amounting to Rs. 2,110,088 (Previous year : Rs. 1,157,629) has been considered as income in note 15 of financial statement.

Details of Goods Sold

Finished goods sold (Felts)	648,288,866	637,225,734
Traded goods sold (Qualiflex)	7,738,080	-
	656,026,946	637,225,734

15. Other Income

	For the year ended September 30, 2013 Rupees	For the year ended September 30, 2012 Rupees
Interest income on		
Deposits with banks	65,126,594	64,829,901
Others	-	162,517
Commission Income	8,025,280	9,201,350
Export incentive - duty drawback	7,970	91,413
Liabilities/provisions no longer required, written back	2,657,084	947,738
Provision for doubtful debts written back	4,886,267	2,674,916
Provision for contingencies written back	-	251,994
Decrease of excise duty on inventory	2,110,088	1,157,629
Foreign exchange fluctuation gain	-	2,022,839
Profit on sale/discard of fixed assets	-	3,392,434
Miscellaneous income	1,730,940	982,966
	84,544,223	85,715,697

16. Cost of raw material consumed

	For the year ended September 30, 2013 Rupees	For the year ended September 30, 2012 Rupees
Inventory at the beginning of the year	51,041,121	55,365,116
Add: Purchases	159,410,183	152,625,503
	210,451,304	207,990,619
Less: Inventory at the end of the year	55,030,480	51,041,121
Cost of raw material consumed	155,420,824	156,949,498
Details of raw material consumed		
Synthetic	86,647,231	92,406,211
Nylon filament	46,240,351	50,016,317
Fabrics	22,533,242	14,526,970
	155,420,824	156,949,498
Details of inventory		
Synthetic	33,913,982	28,930,666
Nylon Filament	9,838,790	11,822,989
Fabrics	11,277,708	10,287,466
	55,030,480	51,041,121

17. Decrease in inventories

	For the year ended September 30, 2013 Rupees		For the year ended September 30, 2012 Rupees
Inventories at the end of the year			
Work-in-progress	13,521,787		15,165,542
Finished goods	7,144,530		19,845,969
	<u>20,666,317</u>		<u>35,011,511</u>
Inventories at the beginning of the year			
Work-in-progress	15,165,542		15,070,776
Finished goods	19,845,969		27,907,878
	<u>35,011,511</u>		<u>42,978,654</u>
	<u>14,345,194</u>		<u>7,967,143</u>
Details of purchase of traded goods			
Qualiflex	5,962,813		-
Details of inventory			
Work-in-progress			
Felts	13,521,787		15,165,542
Finished goods			
Felts	7,144,530		19,845,969
18. Employee Benefit Expenses			
Salaries, wages and bonus	100,844,397		98,292,032
Contribution to provident and other funds	5,423,226		5,261,636
Gratuity and other retirement benefit expense (note 23)	(942,160)		6,243,129
Staff welfare expenses	5,101,192		8,245,744
	<u>110,426,655</u>		<u>118,042,541</u>
19. Other expenses			
Consumption of stores and spares	23,033,781		23,010,800
Power and fuel	32,448,454		31,542,030
Freight and forwarding charges	4,171,723		4,100,963
Rates and taxes		5,011,098	
Less: Provision utilized	2,302,625	(1,527,350)	3,483,748
Insurance	1,265,745		1,189,106
Repairs and maintenance			
- Plant and machinery	13,131,725		15,726,390
- Buildings	5,559,158		4,193,393
- Others	4,150,845		5,475,461
Foreign exchange fluctuation loss	4,444,572		-
Advertising and sales promotion	363,224		357,259
Sales commission	2,439,263		1,488,761
Travelling and conveyance	7,446,753		6,768,616
Communication costs	4,499,514		5,030,138
Legal and professional fees	6,661,947		5,280,638
Directors' sitting fees	490,000		470,000
Payment to auditor (Refer details below)	2,996,293		3,053,870
Provision for warranties (net of reversals)	5,518,375		10,143,004
Bad debts written off		646,663	
Less : Provision utilized	76,344	(544,229)	102,434
Provision for doubtful debts	5,953,915		3,891,753
Provision for doubtful advances	1,644,033		-
Advances written off		315,000	
Less : Provision utilized	-	(315,000)	-
Loss on sale of fixed asset (net)	541,810		-
Technical know how fees/Royalty	29,121,310		28,830,415
Miscellaneous expenses	12,005,826		13,039,233
	<u>170,267,235</u>		<u>167,178,012</u>
Payment to auditor			
As auditor:			
Audit fee	972,800		972,800
Tax audit fee	275,000		275,000
Limited review	825,000		825,000
In other capacity:			
Other services	700,000		700,000
Reimbursement of expenses	223,493		281,070
	<u>2,996,293</u>		<u>3,053,870</u>

20. Depreciation and amortization expense

	For the year ended September 30, 2013 Rupees	For the year ended September 30, 2012 Rupees
Depreciation on tangible assets	26,672,329	26,823,469
	<u>26,672,329</u>	<u>26,823,469</u>
21. Finance costs		
Interest - other than banks	27,549	224,493
	<u>27,549</u>	<u>224,493</u>
22. Earnings per share (EPS)		
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Net profit for the year	128,602,000	130,187,140
Weighted average number of equity shares in calculating basic and diluted EPS	4,392,559	4,392,559
Earnings per share - Basic and diluted	29.28	29.64

23. 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 of 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 pay Rs 25,000 at retirement to all the workers (Other Retirement Benefit). These benefits are un-funded.

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

Statement of profit and loss**Net employee benefit expense recognized in the employment cost**

	Gratuity		Other Retirement Benefit	
	September 30, 2013 Rupees	September 30, 2012 Rupees	September 30, 2013 Rupees	September 30, 2012 Rupees
Current service cost	1,488,957	1,208,463	22,350	32,370
Interest cost on benefit obligation	2,242,208	2,251,304	48,759	74,982
Expected return on plan assets	(2,329,373)	(2,632,456)	-	-
Net actuarial(gain)/loss recognized in the year	(2,341,874)	5,310,750	(73,187)	(2,284)
Net benefit expense	<u>(940,082)</u>	<u>6,138,061</u>	<u>(2,078)</u>	<u>105,068</u>

Balance sheet**Benefit asset/liability**

Present value of defined benefit obligation	23,889,422	28,981,808	427,766	729,844
Fair value of plan assets	26,338,684	26,458,801	-	-
Plan asset / (liability)	<u>2,449,262</u>	<u>(2,523,007)</u>	<u>(427,766)</u>	<u>(729,844)</u>

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

	Gratuity		Other Retirement Banefit	
	September 30, 2013 Rupees	September 30, 2012 Rupees	September 30, 2013 Rupees	September 30, 2012 Rupees
Opening defined benefit obligation	28,981,808	30,395,933	729,844	1,074,776
Current service cost	1,488,957	1,208,463	22,350	32,370
Interest cost	2,242,208	2,251,304	48,759	74,982
Benefits paid	(6,584,976)	(10,236,937)	(300,000)	(450,000)
Actuarial (gains) / losses	(2,238,575)	5,363,045	(73,187)	(2,284)
Closing defined benefit obligation	23,889,422	28,981,808	427,766	729,844

Changes in fair value of plan assets are as follows:

Opening fair value of plan assets	26,458,801	33,143,924	-	-
Expected return	2,329,373	2,632,456	-	-
Contributions by employer	4,032,187	867,063	-	-
Benefits paid	(6,584,976)	(10,236,937)	-	-
Actuarial gains / (losses)	103,299	52,295	-	-
Closing fair value of plan assets	26,338,684	26,458,801	-	-

The Company expects to contribute Rs. 2,651,000 to gratuity in the next year (Previous year Rs. 1,080,000).

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

	Gratuity	
	September 30 , 2013	September 30, 2012
Investment with insurer	100%	100%

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

Particulars	Gratuity		Other Retirement Banefit	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Discount rate	9.00%	8.25%	9.00%	8.25%
Expected rate of return on assets	9.25%	9.25%	-	-
Employee turnover	Upto 30 years -3% 31- 44 years -2% Above 45 years -1%	Upto 30 years -3% 31- 44 years -2% Above 45 years -1%	Upto 30 years -3% 31- 44 years -2% Above 45 years -1%	Upto 30 years -3% 31- 44 years -2% Above 45 years -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.

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 change in the market scenario.

Amount for the current and previous four periods are as follows:-

	September 30, 2013 Rupees	September 30, 2012 Rupees	September 30, 2011 Rupees	September 30, 2010 Rupees	September 30, 2009 Rupees
Gratuity					
Defined benefit obligation	23,889,422	28,981,808	30,395,933	29,568,781	29,822,462
Plan assets	26,338,684	26,458,801	33,143,924	33,277,593	30,022,110
Surplus/(Deficit)	2,449,262	(2,523,007)	2,747,991	3,708,812	199,648
Experience adjustment on plan liabilities	(1,028,163)	2,135,881	3,190,733	4,887,366	11,017,054
Experience adjustment on plan assets	(103,299)	52,295	-	Not available	Not available
Other retirement benefit					
Defined benefit obligation	427,766	729,844	1,074,776	1,284,709	1,559,259
Experience adjustment on plan liabilities	-	-	23,522	(50,152)	72,011
Super Annuation Plan					
			September 30, 2013 Rupees	September 30, 2012 Rupees	
Charged to Profit and Loss Account			1,931,692	1,504,345	

24. Segment Reporting

(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.

(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	For the year ended September 30, 2013 Rupees	For the year ended September 30, 2012 Rupees
Domestic market	551,363,469	542,951,591
Overseas market	40,531,972	34,482,879
Total	591,895,441	577,434,470

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

Particulars	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
Domestic market	163,807,787	121,931,917
Overseas market	4,931,538	5,994,919
Total	168,739,325	127,926,836

All the assets of the Company except receivables are located in India, therefore, separate figures for fixed assets/additions to fixed assets have not been furnished.

25. Related party disclosures

a. List of related parties :

Names of Related Parties where control exists irrespective of whether transactions have occurred or not:

(A) Holding Company	VP Auslandsbeteiligungen GmbH (formerly VPT Auslandsbeteiligungen GmbH)
(B) Ultimate Holding Company	Voith Paper Holding GmbH & Co. KG (Holds 100% Equity of VP Auslandsbeteiligungen GmbH)

Names of Related Parties with whom transactions have occurred during the year

(A) Fellow subsidiaries

Syn Strand Inc.
 Voith Paper Fabrics Stubbins Limited
 Voith IT Solution GmbH
 Voith Paper Fabrics GmbH
 Voith Paper Fabrics Asia Pacific Sdn Bhd
 Voith Paper Fabrics Ipoh Sdn. Bhd.
 Voith Paper Fabrics GmbH & Co. KG
 Voith Paper Holding (VPT) Heidenheim
 Voith Paper Fabrics (China) Co. Ltd.
 Voith Paper Technology (India) Private Limited
 Voith Hydro Pvt. Ltd.
 Voith Paper Fabrics & Roll Systems GmbH
 Voith GmbH, Heidenheim
 Voith Paper Fabrics SAS
 Voith Turbo Private Limited

b. Transactions with Related Parties :

Nature of Transactions	For the year ended September 30, 2013 Rupees	For the year ended September 30, 2012 Rupees
i. Transaction with Holding Company		
Payment of Dividend	9,757,254	9,757,254
ii. Transaction with Ultimate Holding Company:		
Reimbursement of expenses to Company	-	1,464,397
Royalty	29,121,310	28,830,415
iii. Transactions with Fellow Subsidiaries		
Sale of goods		
Voith Paper Fabrics Asia Pacific Sdn Bhd	2,374,572	3,357,112
Sale of services (Commission income)		
Voith Paper Fabrics Asia Pacific Sdn Bhd	8,025,280	9,201,350
Purchase of raw materials, stores & spares		
Voith Paper Fabrics Ipoh Sdn Bhd	17,677,956	8,256,562
Voith Paper Fabrics GmbH, Frankenmarkt	1,608,313	5,261,470
Syn Strand Inc.	17,133,606	3,719,636
Voith Paper Fabrics Stubbins Limited (Stubbins)	62,203	-
Voith Paper Fabrics SAS	132,279	-
Total	36,614,357	17,237,668
Purchase of Capital Assets		
Voith Paper Fabrics Stubbins Limited	-	31,733,201
Telephone, Telex Services and IT Services		
Voith IT Solution GmbH	3,737,708	3,522,573
Reimbursement of expenses from related parties		
Voith Paper Technology (India) Private Limited	3,915,110	31,750
Voith Paper Fabrics Asia Pacific Sdn Bhd (VFIS)	41,522	-
Voith Paper (VPH) Heidenheim	12,707	-
Total	3,969,339	31,750
Reimbursement of expenses to related parties		
Voith Paper Fabrics Asia Pacific Sdn Bhd (VFIS)	3,179	264,122
Voith Paper Fabrics Stubbins Limited (Stubbins)	10,937	-
Voith Paper Technology (India) Private Limited	52,558	349,075
Voith GmbH, Heidenheim	354,610	1,929,005
Voith Turbo Private Limited	25,383	-
Total	446,667	2,542,202

c. Year end balances

Nature of Balances

Trade Receivables

Voith Paper Fabrics Asia Pacific Sdn Bhd

Total

Trade Payables

Voith Paper Fabrics Ipoh Sdn Bhd

Syn Strand Inc.

Voith Paper Technology (India) Private Limited

Total

Royalty Payable

Voith Paper Fabrics GmbH & Co. KG

Loans and Advances Receivable

Voith Paper Technology (India) Private Limited

	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
Trade Receivables		
Voith Paper Fabrics Asia Pacific Sdn Bhd	3,098,050	3,180,043
Total	3,098,050	3,180,043
Trade Payables		
Voith Paper Fabrics Ipoh Sdn Bhd	4,513,123	900,757
Syn Strand Inc.	9,016,329	1,452,160
Voith Paper Technology (India) Private Limited	-	130,101
Total	11,529,452	2,483,018
Royalty Payable		
Voith Paper Fabrics GmbH & Co. KG	13,742,447	12,810,817
Loans and Advances Receivable		
Voith Paper Technology (India) Private Limited	3,915,110	-

d. Other transactions

During the year ended September 30, 2013, the Company paid a final dividend of Rs. 3 (Previous year Rs. 3) per share on equity shares. For details of shareholding please refer note 3 (c).

26. Particulars of unhedged foreign currency exposure as at the reporting date

	As at September 30, 2013			As at September 30, 2012		
Currency	Foreign Currency	Rate	Amount Rupees	Foreign Currency	Rate	Amount Rupees
Trade Payables						
USD	164,083.00	62.61	10,273,680	46,394.38	52.65	2,442,432
EUR	161,862.00	84.75	13,718,209	143,112.36	67.74	9,694,188
GBP	52,462.40	101.40	5,319,834	312.60	85.01	26,575
NOK	-	-	-	54,695.00	9.19	502,964
SEK	16,390.00	9.75	159,765	15,850.00	8.03	127,252
CAD	-	-	-	765.35	53.50	40,947
Trade Receivables						
USD	78,762.58	62.61	4,931,538	113,874.42	52.65	5,994,919
Discount Receivable						
Euro	-	-	-	35,545.6	67.74	2,407,798
Cash & Cash equivalent						
USD	33,873.05	62.61	2,120,883	523.9	52.65	27,581

27. Capital and other commitments

At September 30, 2013, the Company has capital commitments of Rs. 73,091,493 (Previous year Rs 23,952,685) net of advances.

28. Contingent liabilities

Particulars	As at September 30, 2013 Rupees	As at September 30, 2012 Rupees
(a) Claim against the Company not acknowledged as debts*	1,605,000	2,837,344
(b) Income tax demand**	19,527,915	9,358,788
(c) Bank guarantees given by the Company	5,345,289	6,708,479

*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. The management is hopeful of matter being settled in its favor.
- (b) Rs. Nil (Previous year - Rs. 1,232,344) in respect of duty deposited with custom authorities on account of purchase from related parties.

** Income tax demand consists of:-

- (c) Rs. 10,169,127 as the amount of demand raised by the assessing officer for assessment year 2010-11 on account of disallowance pertaining to technical know-how fees/royalty. The Company has filed an appeal with the Commissioner (Appeals) - Income Tax against the said order;
- (d) Rs. 6,302,822 as the amount of demand raised by the assessing officer for assessment year 2009-10 on account of certain disallowances. The Company has filed an appeal with the Commissioner (Appeals) - Income Tax against the said order;
- (e) Rs. 3,055,966 as the amount of demand raised by the assessing officer for assessment year 2008-09 on account of certain disallowances. The Company has filed an appeal with the Commissioner (Appeals) - Income Tax against said order.

In all of the above cases, the management is confident of a favorable outcome.

29. Value of imports calculated on CIF basis

	For the year ended September 30, 2013 Rupees	For the year ended September 30, 2012 Rupees
Raw material	113,567,339	139,215,460
Stores and spares	2,962,910	2,172,998
Capital goods	31,576,634	90,235,805
Total	148,106,883	231,624,263

30. Expenditure in foreign currency

Travelling	1,300,969	1,435,996
Commission	2,439,263	1,488,761
Telephone, Telex and IT services	3,737,708	3,522,573
Freight	3,179	264,122
Postage	10,937	-
Training cost	354,610	1,929,005
Total	7,846,666	8,640,457

31. Imported and indigenous raw material and spare parts consumed

	% of total consumption	Value (rupees) 30 September, 2013	% of total consumption	Value (rupees) 30 September, 2012
Raw materials				
Imported	74.37	114,064,783	75.84	119,035,446
Indigenously obtained	25.63	41,356,041	24.16	37,914,052
Total	100.00	155,420,824	100.00	156,949,498
Spare parts				
Imported	11.73	2,702,936	24.14	5,555,789
Indigenously obtained	88.27	20,330,845	75.86	17,455,011
Total	100.00	23,033,781	100.00	23,010,800

32. Net dividend remitted in foreign exchange

Year of remittance ending on	September 30, 2013	September 30, 2012
Period to which it relates	October 1, 2011 to September 30, 2012	October 1, 2010 to September 30, 2011
Number of non-resident shareholders	1	1
Number of equity shares held on which dividend was due	3,252,418	3,252,418
Amount remitted (in Rs.)	9,757,254	9,757,254

33. Earnings in foreign currency (accrual basis)

Particulars	For the year ended September 30, 2013 Rupees	For the year ended September 30, 2012 Rupees
FOB value of exports*	35,583,751	32,371,507
Commission	8,025,280	9,201,350
Freight received	41,522	-
Total	43,650,553	41,572,857

*excludes the export to Nepal of Rs. 4,179,132 (Previous year: Rs. 2,219,455)

34. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

	For the year ended September 30, 2013 Rupees	For the year ended September 30, 2012 Rupees
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	-	-
Principal amount due to micro and small enterprises	62,760	-
Interest due on above	-	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	-	-
The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	-	-

35. During the year, the Company has recorded sales commission expense of Rs.2,439,263 in the profit and loss account. The agreements relating to this transaction expired in the month of December 2012. The necessary approval of Central Government confirming renewal of agreements for a period of five years effective from 1st January, 2013, with the selling agents, is yet to be received by the company. The management is of the view that it shall be able to obtain the approval shortly and no significant adjustments are expected from this.

36. Previous year figures have been regrouped/rearranged wherever necessary to confirm to the classification adopted for the current year.

As per our report of even date

For S.R.Batliboi & Co. LLP
ICAI Firm Registration No. 301003E
Chartered Accountants

per Vikas Mehra
Partner
Membership No. 94421

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

Biren De R. Nath C.S.Panigrahi S.K.Nagpal
Director Director Director Director

C.S. Gugliani Kalyan Dasgupta
Company Secretary Finance Controller

Place : New Delhi
Date : October 30, 2013

Place : New Delhi
Date : October 30, 2013

PROXY**Voith Paper Fabrics India Limited**

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

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

Client ID No.:

DP ID No. :

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

as my / our proxy to vote for me / us and on my / our behalf at the 44th Annual General Meeting of the Company, to be held on Tuesday, 10th December 2013, at 3.30 p.m. at Magpie Tourist Complex of Haryana Tourism Corporation Limited, Sector-16A, Mathura Road, Faridabad-121002, Haryana, and at any adjournment thereof.

Signed this day of 2013.

Signature

Affix Revenue Stamp of Appropriate Value
--

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

ATTENDANCE SLIP**Voith Paper Fabrics India Limited**

Registered Office : 113/14A, Sector 24, Faridabad - 121 005, (Haryana), Delhi NCR, India

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

Client ID No.:

DP ID No. :

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

Name and Address of the Shareholder :

.....

.....

.....

I hereby record my presence at the 44th Annual General Meeting of the Company held on Tuesday, 10th December 2013, at 3.30 p.m. at Magpie Tourist Complex of Haryana Tourism Corporation Limited, Sector - 16A, Mathura Road, Faridabad - 121002, Haryana.

Signature of the Shareholder/Proxy*

*Strike out Whichever is not applicable



Voith Paper Fabrics India Limited

Registered Office: 113/114-A, Sector-24

Faridabad 121005 (Haryana)

Delhi NCR, India

Tel. + 91 129 4292200

Fax + 91 129 2232072

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VOITH
Engineered Reliability

Registered Office:
Voith Paper Fabrics India Limited
113/114 A, Sector-24
Faridabad (Haryana)
Delhi NCR / 121 005 / India
Phone +91 129 4292 200
Fax +91 129 2232 072

BSE Limited

Listing Department,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001

Ref.: Stock Code – 522122; Company Code – 2407

Sub: 44th Annual Report for the year 2012/2013

Dear Sir/Madam,

Please find enclosed herewith six copies of the 44th Annual Report (including the relevant Balance Sheet, Statement of Profit & Loss, Reports of the Directors and Auditors, etc.) of the Company for the year ended on 30th September 2013; for your ready reference and records.

Also the details required to be provided in **Form A**, pursuant to the provisions of clause 31(a) of the listing agreement, are given below:


1. Name of the company: **Voith Paper Fabrics India Limited**
2. Annual financial statements for the year ended: **30th September, 2013**
3. Type of Audit observation : **Un-qualified**
4. Frequency of observation : **Not Applicable**

We hope that you would find the same in order and request you to acknowledge the receipt thereof.

Thanking you.

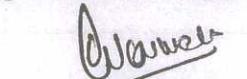
For Voith Paper Fabrics India Limited


Biren De
Audit Committee
Chairman


Kalyan Dasgupta
CFO


C. S. Gugliani
Company Secretary

For S.R. Batliboi & Co. LLP
Registration No. 301003E


Vikas Mehra, Partner
Membership No. 94421

Encl.: As stated.

