KPL/BSE
20.07.2019

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort
**Mumbai – 400 001.**

**Ref: Scrip Code - 532937**
**Scrip ID- KUANTUM**

Sub: Annual Report for the FY 2018-19

Dear Sir,

Pursuant to Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith copy of annual report of the Company for the year 2018-19 being dispatched/sent to the members by the permitted mode(s) for your information, record and for displaying the same on BSE portal.

This is also uploaded on the Company's website www.kuantumpapers.com

Thanking you,

Yours faithfully,
For **Kuantum Papers Ltd**

(Vivek Trehan)
Company Secretary
Encl: a/a

Kuantum Papers Ltd

The Paper Makers

# 22nd Annual Report 2018-2019

Kuantum Papers Ltd
The Paper Makers

| | | |
|---|---|---|
| **BOARD OF DIRECTORS** | Jagesh Kumar Khaitan | Chairman |
| | Pavan Khaitan | Managing Director |
| | Yashovardhan Saboo | |
| | D S Sandhawalia | |
| | Vivek Bihani | |
| | Shireen Sethi | |
| | Bhavdeep Sardana | |
| | D C Mehandru* | |
| | Umesh K Khaitan** | |
| | *Ceased w.e.f. 31.03.2019 | |
| | **Ceased w.e.f. 09.08.2018 | |
| **SENIOR EXECUTIVES** | Roshan Garg | President-Finance & CFO |
| | R P Puri | Associate President-Technical |
| | Col Amarjit Singh (Retd) | Sr. Vice President-Raw Material |
| | Manoj Kumar Aggarwal | Sr. Vice President-Process |
| | Bharat Bansal | Chief Strategy Officer |
| | Suresh Kumar Sain | Vice President-Finance |
| | Sanjay Khosla | Vice President-Marketing |
| | Sanjay Thakur | Vice President-Corporate |
| | Puneet Verma | Vice-President - Human Resource |
| **COMPANY SECRETARY** | Vivek Trehan | |
| **STATUTORY AUDITORS** | M/s B S R & Co. LLP<br>Chartered Accountants<br>Chandigarh | |
| **COST AUDITORS** | M/s R J Goel & Co<br>Cost Accountants<br>Delhi | |
| **SECRETARIAL AUDITORS** | S K Sikka & Associates<br>Company Secretaries<br>Chandigarh | |
| **INTERNAL AUDITORS** | A Gandhi & Associates<br>Chartered Accountants<br>Panchkula | |
| **BANKERS** | Punjab National Bank<br>State Bank of India<br>Axis Bank Ltd<br>HDFC Bank Ltd<br>RBL Bank Ltd<br>Yes Bank Ltd | |
| **REGISTERED OFFICE & WORKS** | Paper Mill<br>Saila Khurd 144 529<br>Distt Hoshiarpur Punjab (India) | |
| **CORPORATE OFFICE** | W1A FF Tower A Godrej Eternia<br>Plot 70 Indl Area 1 Chandigarh 160 002 | |
| **CIN & CONTACT DETAILS** | CIN- L21012PB1997PLC035243<br>Ph. : 01884-502737 Fax : 01884-502700<br>Email : kuantumcorp@kuantumpapers.com<br>Website : www.kuantumpapers.com | |

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## NOTICE

NOTICE is hereby given that the 22nd Annual General Meeting of the members of Kuantum Papers Limited will be held at Paper Mill, Saila Khurd-144529, Distt. Hoshiarpur (Punjab) on Tuesday, the 13th August 2019 at 11.30 am to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements of the Company for the financial year ended 31st March, 2019 together with the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on the Preference and Equity Shares.
3. To appoint a Director in place of Shri D.S. Sandhawalia (DIN 03174394), who retires by rotation and being eligible, offers himself for re-appointment.

### SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION:

   "**RESOLVED** that pursuant to Sections 149, 150, 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or enactment thereof for the time being in force) and Regulation 16(1)(b)of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and pursuant to the recommendation of Nomination & Remuneration Committee and Board of Directors, Shri Bhavdeep Sardana (DIN 03516261), who was appointed as an Additional Director of the Company w.e.f. 20th December, 2018 pursuant to the provisions of Section 161(1) of the Act and who holds office upto the date of this Annual General Meeting and who has submitted a declaration that he meets the criteria for independence as provided in section 149(6) of the Act and Regulation16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and who is eligible for appointment and in respect of whom the Company has received a Notice in writing under section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as Independent Non-Executive Director of the Company, for a period of five years, with effect from 20th December, 2018 to 19th December, 2023 and his term shall not be subject to retirement by rotation.

   **RESOLVED FURTHER** that any one of the Directors or the Company Secretary of the Company be and is hereby authorized to do all necessary acts, deeds and things, which may be usual, expedient or proper to give effect to the above resolution and to file the requisite returns with the Registrar of Companies/MCA under the provisions of the Companies Act, 2013 and to intimate BSE as per listing agreement wherever required."

5. To consider and if thought fit, to pass with or without modifications, the following resolution as SPECIAL RESOLUTION

   "**RESOLVED** that pursuant to the provisions of Section 196, 197, 198 and 203 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Companies Act, 2013 and approval of Central Government, if required, and pursuant to the recommendation of Nomination and Remuneration Committee and the Board, the consent and approval of the members of the Company be and is hereby accorded to the re-appointment of Shri Pavan Khaitan (DIN 00026256) as Managing Director, for a period of five years with effect from 1.04.2019 on the remuneration, commission, perks and other terms & conditions as contained in the draft agreement/draft letter of re-appointment and as set out in the Explanatory Statement annexed hereto.

**RESOLVED FURTHER** that consent of the shareholders of the company be and is hereby accorded for the remuneration and perquisites within the limits as set out in the draft letter of re-appointment/draft agreement be paid and allowed to Shri Pavan Khaitan (DIN 00026256), Managing Director during his tenure as Managing Director of the Company for any financial years as Minimum Remuneration notwithstanding any loss or inadequacy of profits, during such financial year subject to necessary compliance of Schedule V and other applicable provisions of the Companies Act, 2013.

**RESOLVED FURTHER** that the Board of Directors/Nomination and Remuneration Committee be and are hereby authorized to alter or vary the terms of appointment of Shri Pavan Khaitan, including revision of remuneration, as it may, at its discretion, deem fit during his tenure, so as not to exceed the limits specified in Schedule V to the Companies Act, 2013 (including any statutory modification or re-enactment thereof for the time being in force) or any amendments made thereto.

**RESOLVED FURTHER** that any one of the Directors or the Company Secretary of the Company be and is hereby authorized to do all necessary acts, deeds and things, which may be usual, expedient or proper to give effect to the above resolution and to file the requisite returns with the Registrar of Companies/MCA under the provisions of the Companies Act, 2013 and to intimate BSE as per listing agreement wherever required."

6. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION:

   **"RESOLVED** that pursuant to Section 148(3) of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), and other applicable provisions if any, consent of the shareholders be and is hereby accorded for the payment of remuneration of Rs. 1,50,000/- (Rupees One lac fifty thousand only) to M/s R.J. Goel & Co., Cost Accountants, Delhi (Firm Registration No. 000026), who were appointed as Cost Auditors by the Board of Directors in their meeting held on 29th May 2019 for carrying out Cost Audit of the Company for the financial year 2019-20, be and is hereby approved and ratified."

7. To consider and if thought fit, to pass with or without modifications, the following resolution as SPECIAL RESOLUTION:

   **"RESOLVED** that pursuant to Section 185 and all other applicable provisions of the Companies Act, 2013 read with Companies (Amendment) Act, 2017 and Rules made thereunder as amended from time to time, the consent of the Company be and is hereby accorded to authorize the Board of Directors of the Company [hereinafter referred to as the Board, which term shall be deemed to include, unless the context otherwise required, any committee of the Board or any director or officer(s) authorised by the Board to exercise the powers conferred on the Board under this resolution] to advance any loan including any loan represented by a book debt, or give any guarantee or provide any security upto an amount of Rs. 16,79,00,000/- (Rupees Sixteen Crores Seventy Nine Lakhs only) in connection with any loan taken by any person in which any director(s) is/are interested or deemed to be interested, subject to a condition that such loans are utilized by the borrowing company for its principal business activities.

**RESOLVED FURTHER** that for the purpose of giving effect to this resolution, the Board of Directors (or a Committee of the Board thereof constituted for this purpose) be and is hereby authorised to do all acts, deeds and things in its absolute discretion that may be considered necessary, proper and expedient or incidental for the purpose of giving effect to this resolution in the interest of the Company."

By Order of the Board
**For Kuantum Papers Ltd**

**Vivek Trehan**
Company Secretary

Regd. Office:
Paper Mill, Saila Khurd
Distt. Hoshiarpur, Punjab
Dated : 09 July 2019

## NOTES

1. Explanatory Statement as required under Section 102(1) of the Companies Act, 2013 is annexed.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll to vote instead of himself. The proxy need not be a member of the company. A blank form of proxy is enclosed and if intended to be used, it should be deposited duly completed at the Registered Office of the company not less than forty eight hours before the scheduled time of the meeting.

   A person can act as a proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. Members holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as a proxy and such person shall not act as a proxy for any other person or shareholder.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 7 August 2019 to 13 August 2019 (both days inclusive).
4. Shareholders of the Company are informed that pursuant to the provisions of the Companies Act and the relevant rules the amount of dividend which remains unpaid/unclaimed for a period of 7 years is transferred to the 'Investor Education & Protection Fund ( IEPF)' constituted by the Central Govt. Accordingly the amount of dividend which remained unpaid/unclaimed for a period of 7 years for the year 2010-11 has already been transferred to IEPF. Shareholders who have not encashed their dividend warrant(s), for the years 2014-15, 2015-16, 2016-17 and 2017-18 are requested to make claim with the Registrar & Share Transfer Agent of the Company immediately.

   Pursuant to Section 124(6) of the Companies Act, 2013 and the Rules notified thereunder, the shares of those shareholders whose dividend was unclaimed/unpaid for seven years, have been transferred to the demat account of the Investor Education and Protection Fund Authority (IEPF) as per particulars mentioned below:

| Sr. No. | Year | No. of Shares | Nominal value of shares |
|---|---|---|---|
| 1 | 2008-09 | 1,44,537 | 14,45,370 |
| 2 | 2009-10 | 9,275 | 92,750 |
| 3 | 2010-11 | 10,678 | 1,06,780 |

   The Company has also uploaded details of such shareholders on its website www.kuantumpapers.com.
5. Members holding shares in physical form are requested to intimate immediately to the Registrar & Share Transfer Agent of the Company, MAS Services Limited, T-34, 2nd Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020 Ph:- 011-26387281/82/83 Fax:- 011-26387384 quoting registered Folio No. (a) details of their bank account/change in bank account, if any, and (b) change in their address, if any, with pin code number.

   The equity share capital of the company is held by 9352 shareholders, out of which 4808 shareholders holding 98.65% of the capital are in dematerialsed form and the balance 4544 shareholders holding 1.35% of the capital are in physical form. **The shareholders having shares in physical form are requested to dematerialize the shares at the earliest.**
6. In terms of Section 72 of the Companies Act, 2013 and the applicable provisions, the shareholders of the Company may nominate a person in whose name the shares held by him/them shall vest in the event of his/their death. Shareholders desirous of availing this facility may submit the requisite nomination form.
7. Any member requiring further information on the Accounts at the meeting is requested to send the queries in writing to President (Finance) & CFO, atleast one week before the meeting.

8. Members are requested to bring their copies of Annual Report at the meeting, as extra copies will not be supplied.

9. In respect of the matters pertaining to Bank details, ECS mandates, nomination, power of attorney, change in name/address etc., the members are requested to approach the Company's Registrars and Share Transfer Agent, in respect of shares held in physical form and the respective Depository Participants, in case of shares held in electronic form. In all correspondence with the Company/Registrar and Share Transfer Agent, members are requested to quote their folio numbers or DP ID and Client ID for physical or electronic holdings respectively.

10. The documents referred to in the proposed resolutions are available for inspection at its Registered Office of the Company during normal business hours on any working day except Saturdays, upto the date of meeting.

11. Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the Company a certified copy of the Board resolution authorizing their representative to attend and vote on their behalf at the meeting.

12. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

13. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat account. Members holding shares in physical form can submit their PAN to the Company/Registrar.

14. Members who hold shares in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to the Registrar, for consolidation into a single folio.

15. Members who have not registered their e-mail address so far are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.

16. The route map of the venue of the meeting is attached with this Annual report.

17. Additional information, pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of the Directors seeking appointment/re-appointment is annexed to the notice.

18. **Voting through electronic means:** Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 Company is offering e-voting facility to its members. Detailed procedure is given in the enclosed letter.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

**Item no. 4**

The Board of Directors in its meeting held on 20th December 2018 appointed Shri Bhavdeep Sardana (DIN 03516261), as Additional Director of the Company in the capacity of Independent Director pursuant to Section 161 of the Companies Act, 2013. In terms of section 160 of the Companies Act, 2013, the Company has received a notice in writing from member proposing the candidature of Shri Bhavdeep Sardana for appointment as Independent Director as per the provisions of sections 149 and 152 of the Companies Act, 2013. Shri Bhavdeep Sardana has given declarations to the Board of Directors of the Company that he meets the criteria of Independence as required under Section 149 of the Companies Act, 2013. In the opinion of the Board of Directors, he fulfills the conditions specified in the Companies Act, 2013, rules made thereunder and as per Regulation 17 of SEBI (LODR), 2015. The matter regarding appointment of Shri Bhavdeep Sardana was placed before the Nomination and Remuneration Committee as also to the Board, which recommends his appointment as independent director for a period of five years, with effect from 20th December 2018 to 19th December, 2023. He is not disqualified from being appointed as Directors in terms of Section 164 of the Companies Act, 2013. Copy of the draft letter for appointment alongwith the terms and conditions of Shri Bhavdeep Sardana, shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day except Saturdays.

A brief profile of Shri Bhavdeep Sardana, whose appointment is proposed at item no. 4 of the accompanying notice has been given in the annexure attached. This statement may also be regarded as disclosures under Regulation 36 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

Except Shri Bhavdeep Sardana, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the accompanying Notice of the AGM. Shri Bhavdeep Sardana is not related to any Director of the Company.

The Board recommends passing of the Resolution set out at Item No. 4 of the accompanying Notice as ordinary resolution.

**Item no. 5**

Shri Pavan Khaitan (DIN 00026256) was reappointed by the members of the Company, in their meeting held on 8th August 2014 as Managing Director of the Company, for a period of five years with effect from 1.04.2014. As his present term was upto 31.03.2019, pursuant to the recommendation of Nomination and Remuneration Committee and the Board, consent of the members is now being obtained to re-appoint Shri Pavan Khaitan (DIN 00026256) as Managing Director, for a period of five years with effect from 1.04.2019, at a salary given below:

**(1) Salary**

Rs. 12,00,000/- per month in the grade of Rs 12,00,000-1,00,000- 16,00,000

**(2) Perquisites and allowances**

i) The Managing Director shall also be entitled to perquisites and allowances like furnished accommodation or house rent allowance in lieu thereof subject to a ceiling of 60% of the salary, reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants' salaries, medical reimbursement for self and dependent family, medical accident/Keyman Insurance, company maintained car, telephone, leave travel concession for self and family, club membership subject to maximum of two clubs.

ii) For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per the Income-tax Rules, wherever applicable. In the absence of such Rules, perquisites and allowances shall be evaluated at actual cost.

iii) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable as per the Rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

**(3) Commission**

The Managing Director shall be entitled to commission in addition to the salary, perquisites and allowances, as mentioned above alongwith other directors, calculated with reference to the net profit of the Company in a particular financial year as may be determined by the Board of Directors at the end of each financial year subject to the overall ceilings as stipulated in section 197 of the Companies Act, 2013 and the relevant rules.

(4) The total remuneration payable to any one managing director; or whole-time director or manager shall not exceed five per cent of the net profits of the company and if there is more than one such director remuneration shall not exceed ten percent of the net profits to all such directors and manager taken together, as laid down under section 197 and 198 of the Companies Act, 2013.

(5) Shri Pavan Khaitan will not be entitled to sitting fee for attending meetings of the Board or Committee(s) thereof.

(6) Shri Pavan Khaitan shall not be liable to retire by rotation.

The Board of the Company on recommendation made by the Nomination and Remuneration Committee has approved the appointment and remuneration, subject to the approval of the members. Since the Company has immensely benefited during Shri Pavan Khaitan's tenure as Managing Director, the Directors recommend the resolution for his re-appointment as set out at Item No. 5 of the accompanying Notice for approval of the members of the Company.

The resolution at Item No. 5 of the Notice alongwith explanatory statement thereto may be treated as abstract of the terms and memorandum of interest pursuant to the provisions of the Companies Act, 2013.

Shri Pavan Khaitan is interested or concerned in the proposed resolution. Shri Jagesh Kumar Khaitan, being related to Shri Pavan Khaitan, may also be deemed to be interested in the said resolution. None of the other Directors or Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the Resolution set out at item no. 5 of the accompanying Notice.

The Board recommends the resolution for the approval of the Members set out at Item no. 5 as special resolution.

**Item No. 6**

Pursuant to section 148(3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the members of the Company are required to approve and ratify the payment of remuneration of Rs. 1,50,000/- (Rupees One lac fifty thousand only) to the Cost Auditors as approved by the Board of Directors in their meeting held on 29 May 2019 for the Financial Year 2019-20.

None of the Directors or Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the Resolution.

The Board recommends the resolution for the approval of the Members set out at Item no. 6 as ordinary resolution.

**Item No. 7**

The Company is to render support for the business requirements of other companies in the group, from time to time and therefore, the provisions of section 185 of the Companies Act, 2013 authorizes the company to advance any loan including any loan represented by a book debt, or give any guarantee or provide any security in connection with any loan taken by any person in which any director(s) is/are interested or deemed to be interested, provided that a special resolution is passed by the company in general meeting and such loans are utilized by the borrowing company for its principal business activities. However, as per the stipulation imposed by IDFC First Bank Ltd., the Company can provide guarantee against the loan taken by the holding company in which the Directors are interested, for its principal business activities only with the approval of members of the company giving guarantee by way of special resolution. The members may note that Board of Directors has considered the proposal to provide guarantee for a loan of Rs. 16,79,00,000/- (Rupees Sixteen Crores Seventy Nine Lakhs only), only for the purpose of principal business activities of the Holding Company. Hence, in order to enable the company to provide guarantee against the loan availed by the Holding Company in which Directors are interested directly or indirectly, section 185 of the Companies Act requires approval of members by a Special Resolution.

Except Shri Jagesh Kumar Khaitan and Shri Pavan Khaitan who are also the Directors of holding company, none of the other Directors or Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the Resolution.

The Board recommends the resolution for the approval of the Members set out at Item no. 7 as Special resolution.

By Order of the Board
**For Kuantum Papers Ltd**

**Vivek Trehan**
Company Secretary

Regd. Office:
Paper Mill, Saila Khurd
Distt. Hoshiarpur, Punjab
Dated : 09 July 2019

**Annexure**

**Details of Director seeking appointment/re-appointment at the 22nd Annual General Meeting [Pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings]**

| Name of the Director | Pavan Khaitan (DIN: 00026256) | Bhavdeep Sardana (DIN: 03516261) | D.S. Sandhawalia (DIN: 03174394) |
|---|---|---|---|
| **Brief Resume of the Director and nature of his Expertise in specific functional area** | Shri Pavan Khaitan, aged 51 years is a graduate in Commerce from Punjab University and a qualified Chartered Accountant.<br><br>In 1994, he put up a green field project with a capacity of 40 TPD in the edible oil industry in the backward area of Abohar in Punjab.<br><br>Joined Kuantum Papers, as CEO in 1997, which was making 100 TPD of writing and printing paper. Turned around the loss making operation in a period of two years. Undertook various cost cutting measures and implemented new projects in de-bottlenecking to increase efficiency, resulting in increasing the production by 50 % to 150 TPD.<br><br>Focused on quality production and created brand and premium for products.<br><br>Undertook a massive Mill Expansion Plan in 2007, at an outlay of Rs 200 crores, and executed projects to enhance production by doubling capacity of existing machines, with focus on high value quality products. Put up a Chemical Recovery Plant and a 10 MW captive Co-generation Power Plant.<br><br>He has taken several initiatives in the Mill on the cost optimization front and quality enhancement processes which has helped in creating value. Has spearheaded the foray into Specialty Papers bringing a range of high value products to the Co's fold. Branding of paper products in a commoditized paper business has paid rich dividends, as a result of which company has grown strength to strength. | Shri Bhavdeep Sardana, aged 44 years has a Master's Degree in Business Administration from Durham University (UK) and also a Bachelors' in Science (Hons) in Chemistry with Chemical Engineering from Northumbria University, Newcastle Upon Tyne, UK.<br><br>Presently Sr.VP & CEO at The Sukhjit Starch & Chemicals Limited, he is responsible for successfully implementing repeated expansions at various units.<br><br>He leads all B2B sales with Paper, Food & Pharma Majors. Actively engaged with State Govts and Govt of India on policies affecting agro-processing industry and ease of doing business reforms.<br><br>He is also a Director of Sukhjit Mega Food Park & Infra Ltd and is responsible for major diversification by getting the prestigious award of Mega Food Park project from MoFPI, Government of India.<br><br>Has handled multifarious roles in various reputed companies and Associated with various Government, Civic & Social organizations. | Shri D. S. Sandhawalia, aged 56 years graduated in Science from Punjab University, followed by a Degree in Computer Programming from University of London, UK. He has been associated with Corporate entities in designing and implementing a host of customized ERP packages and Management Information System, besides other consultancy work. |

| Name of the Director | Pavan Khaitan (DIN: 00026256) | Bhavdeep Sardana (DIN: 03516261) | D.S. Sandhawalia (DIN: 03174394) |
|---|---|---|---|
| **Relationship with Directors and Key Managerial Personnel** | Son of Shri Jagesh Kumar Khaitan, Chairman | None | None |
| **Board Membership of other companies** | 1. Kapedome Enterprises Limited<br>2. Pinnacle Holdings Private Limited | 1. Sukhjit Mega Food Park & Infra Limited<br>2. Sukhmani Ventures Private Limited<br>3. Magical Medical and Management Education Organisation<br>4. Scott Industries Limited | None |
| **Membership of Committee of the Board** | Member<br>1. Audit Committee - Kuantum Papers Limited<br>2. CSR Committee - Kuantum Papers Limited | Member<br>1. Audit Committee - Kuantum Papers Limited | Chairman<br>1. Stakeholders Relationship Committee - Kuantum Papers Limited<br>Member<br>1. Nomination and Remuneration Committee - Kuantum Papers Limited<br>2. CSR Committee - Kuantum Papers Limited |
| **Number of shares held in the Company** | 26866 Equity Shares | Nil | Nil |

# DIRECTORS' REPORT

**To the Members,**

Your Directors take pleasure in presenting the 22nd Annual Report on the business and operations, together with audited statements of Accounts of the Company, for the financial year ended 31 March 2019.

**FINANCIAL HIGHLIGHTS**

The summarized financial results of the Company for the financial year 2018-19 are given hereunder.

**(Rs. in lacs)**

| | **2018-19** | 2017-18 |
|---|---|---|
| Sales & other income | **80,230.95** | 71,795.72 |
| Operating Profit | **16,439.44** | 15,111.50 |
| Interest | **2,837.97** | 2,458.40 |
| Gross Profit | **13,601.47** | 12,653.10 |
| Depreciation | **2,512.53** | 1,942.00 |
| Profit before tax | **11,088.94** | 10,711.10 |
| Provision for | | |
| - Current Tax | **2,476.08** | 2,410.83 |
| - Deferred Tax charge | **818.98** | 1,011.52 |
| Net Profit after tax | **7,793.88** | 7,288.75 |
| Other comprehensive Income (Expense) | **(11.25)** | (14.63) |
| Total comprehensive Income (Expense) for the year (Net of Income Tax) | **7,782.63** | 7,274.12 |

**DIVIDEND**

Your Directors have proposed a dividend of Rs. 5.00 per share (previous year Rs. 2.50 per share) on the Equity Shares of Rs. 10/- each, and Re. 1.00 per share (previous year Rs. 1.00 per share) on the Non-Cumulative Redeemable Preference Shares of Rs.10/- each, for the financial year ended 31 March 2019 amounting to Rs. 887.67 lacs (previous year Rs. 624.67 lacs) including a dividend distribution tax of Rs. 151.35 lacs (previous year Rs. 106.51 lacs).

**OPERATIONS**

During the year your Company has achieved its highest ever production of paper till date, which was 1,27,756 metric tonnes, as against 1,25,617 metric tonnes, in the previous year. The quantitative figure for the sale of paper was 1,27,390 metric tonnes, this year, leaving 360 metric tonnes, closing stock as against the sale of 1,26,087 metric tonnes, in the previous year.

The company has continued to record a phenomenal performance in its working results. Higher sales realization, improved operational efficiencies, better productivity and product quality, higher volumes of premium quality paper products like specialty and surface sized paper, an enriched product mix coupled with better operating parameters have contributed to the increased revenues as well as profitability.

The figures given in the Financial Highlights for the current year under review show the following trends over the previous year:

The company recorded a Sales Turnover (net of GST) including other income at Rs. 80,230.95 lacs, up by 13.4%; Operating Profit at Rs. 16,439.44 lacs, up by 8.8%; Profit before Tax at Rs. 11,088.94 lacs, up by 3.5% compared to the previous year. Net Profit after Tax is up by 7.0% and stands at Rs. 7,782.63 lacs.

The initiatives taken by your company in the recent years in improving productivity and operational efficiencies have led to achieving the above operational performance. The company has continued to take up projects in focused areas for operational improvement and this has also led to improved operational efficiencies, productivity, reduction in operational costs, and sizeable increase in savings, thereby improving the bottom-line. Your company has also launched an extensive array of branded Specialty Papers, which have been well received in the market. Kuantum now has amongst the largest portfolio of paper products available to a company in India. We sell our products through our wide distribution network by way of dealers located and spread across the country, and maintain a strict policy over collections. We produce entirely against orders collected in advance which is reflected in the extremely low, sometimes even nil, level of finished stock inventory.

The results of cost reduction initiatives and operational efficiencies will continue to be more visible in the current financial year 2019-20 as your company has continued these initiatives to optimize capacity utilization, cost reduction, new product launches, optimizing production of better margin products by further undertaking modification and up-gradation of the paper machines and other equipments for improving the product quality and operations.

These initiatives have made your company not only one of the most cost competitive paper mills, but is also placed amongst the large paper player in the writing and printing segment. Furthermore, continuous research & development has enabled the company to manufacture papers of distinctive prime quality and a broader product mix, which is competing successfully with the premium quality of other large paper mills.

**INDUSTRY STATUS**

Consumption of paper is closely linked to the economic development of a country. In India, though the per capita consumption of paper is low, it is gradually improving with economic growth. Industrial production, expenditure incurred on the print media, government spending on education, population growth and literacy levels are the key contributing factors.

Writing & printing paper segment has witnessed optimum capacity utilizations levels over the past few years due to steady demand growth. Your company has been able to operate at higher optimum levels of production and sale. Despite increasing digitization, CARE expects the overall paper demand growing at a CAGR of 6.7% to touch 20.8 million tonnes in 2020-21. The demand growth is expected to be benefitted and driven by a combination of factors i.e. rising income levels, growing per capita expenditure, rapid urbanization, improved industrial activity and rise in advertisements. The demand will continue to be driven and supported by greater Government thrust and spending on education sector, corporate spending on stationary and healthy growth in services sector.

The industry is classified into four segments, Printing & Writing, Packaging Paper & Board, Specialty Papers & Others, and Newsprint. The Printing and Writing paper segment forms 30% of domestic paper market, Packaging Paper & Board segment accounting for 51% in India and is the largest segment in the industry, Specialty Paper & others is the smallest segment, accounting for only 4% of the industry and the Newsprint segment comprises 15% of the Indian Paper and Paper Products Industry.

The individual segments are expected to grow as follows:

- **Printing and Writing** segment demand is expected to grow at a CAGR of 4.5% and reach 5.8 million tonnes in FY21. The demand is expected to grow on account of pick-up from the education sector with improving literacy rates and universalization of education through legislative steps like Right to Education, Government measures like Sarva Shiksha Abhiyan, Mid-day Meal Schemes, Girl Education Programme, growing enrolment as well as increasing number of schools, colleges and institutions, rising enrolment numbers and increased spending on education by all sections of the society, which is expected to lead to an increased expenditure on textbooks and notebooks.
- **Packaging Paper & Board** segment caters to industries such as FMCG, food & beverage, pharmaceutical, textiles etc. Demand in this segment is expected to grow at a CAGR of 8.5% and reach 11.1 million tonnes in FY21. The growth is expected from factors such as increased urbanization, requirement of better quality packaging of FMCG products marketed through organized retail, E-Commerce, and increasing preference for packaged food.
- **Newsprint segment** - Improving literacy rates, rising circulation and an increasing number of newspapers and magazines is expected to support growth in newsprint demand which is expected to grow at a CAGR of 2.0% and reach 2.7 million tonnes in FY21.
- **Specialty Paper** and others is expected to grow at a CAGR of 15% and reach 1.2 million tonnes in FY21. The main varieties of specialty paper and other papers are tissue paper, decor paper, thermal paper, cigarette paper and business card paper. Their usage has been growing in line with growth in the economy, rise in organised retail penetration and increase in urbanisation.

With the domestic industry growing steadily and at a significantly higher rate compared to the global growth rate, the majority of domestic paper mills, despite high raw material prices, are currently operating at approximately 85% to 90% capacity utilisation level, while the larger companies are operating close to or more than 100% capacity utilisation. Consequently, domestic paper mills have announced capacity expansion plans. Major part of the expansion plans is in the paperboard segment reflecting the increased demand witnessed as well as the higher growth rate anticipated in the segment.

The detailed performance of Company's operations for the year ended 31 March 2019 has been stated in the Management Discussion & Analysis, which appears as a separate statement in the Annual Report.

**FINANCE**

**(a) PROJECTS AND TERM LOANS**

The members were informed in the last report that the company has taken up implementation of Capex projects for modification, up-gradation of paper machines and other equipment and cost reduction initiatives at a project cost of Rs. 192.00 cr and is funded by Term Loans of Rs. 144.00 cr and internal accruals of Rs. 48.00 cr. The Term Loans of Rs. 144.00 cr have been sanctioned by the Banks and disbursement is underway and the projects are expected to be completed and commissioned by December 2018.

Based on further introspection and assessment, scope of few projects was scaled down and a new project for modernisation of existing Chemical Recovery was taken up. Resultantly, the capex project cost was revised to Rs. 200.57 cr. The Term Loans of Rs. 144.00 cr remained unchanged and internal accruals were increased to Rs. 56.57 cr. The capex projects were completed and commissioned as envisaged except modernisation of existing Chemical Recovery which is scheduled to be completed by December 2019.

Further considering the strong fundamentals of the paper Industry and its growth potential, the company has taken up the implementation for expansion and enhancement of the production capacity to 148500 TPA, expanding its agro pulp and hard wood pulp streets, setting up an additional chemical recovery plant and a captive power plant, thereby sustaining competitiveness in capacity and quality enhancement, cost reduction and improving margins and profitability of the Company. The Capex project cost is envisaged at Rs. 444.04 cr, which is proposed to be financed by debt of Rs. 350.00 cr and internal accruals of Rs. 94.04 cr. The sanction and tie up of debt with the banks/financial institutions is under way and is expected to be completed by the end of August 2019. The capex projects are envisaged to be completed and commissioned by June 2020. With the commissioning of these capex projects, the margins of the company will improve significantly.

**(b) WORKING CAPITAL**

Banks have sanctioned the enhanced working capital limits amounting to Rs. 13,155 lacs (fund based Rs. 5,500 lacs, non-fund based Rs. 7,655 lacs) during the year under review.

**(c) FIXED DEPOSITS**

As on 31 March 2019, your Company had Fixed Deposits of Rs. 4,291.20 lacs. There were no overdue deposits as on 31 March 2019.

The above deposits have been accepted for a period of 1 year to 3 years as per the Fixed deposit Scheme duly approved by the Board in its meeting held on 25 May 2018 pursuant to the compliance of the provisions of Companies Act, 2013 read with the Companies (Acceptance of Deposit) Rules 2014.

Details of Deposits:

(a) Accepted (including renewals) during the year- Rs. 2,305.31 lacs

(b) Remained unpaid or unclaimed as at the end of the year- Nil

There has been no default in repayment of deposits or payment of interest thereon during the year.

**EXTERNAL CREDIT RATING**

During the year under review, CARE Ratings Limited (CARE) has reviewed the external credit rating for the Long term, Short term Bank facilities and Fixed Deposits of the company. The facility wise rating is as under:

| Facilities | Amount (Rs./Cr) | Rating |
|---|---|---|
| Long term Bank Facilities | 329.04 | CARE A-; Negative (A minus; Outlook: Negative) |
| Short term Bank Facilities | 71.55 | CARE A2+ (A Two Plus) |
| Fixed Deposits | 45.00 | CARE A-(FD); Negative (A minus (Fixed deposit); Outlook Negative) |

**CHANGE IN THE NATURE OF BUSINESS**

There is no change in the nature of business.

**MATERIAL CHANGE**

No material changes or commitments affecting the financial position of the Company have occurred during the year under consideration, or after closure of the financial year till the date of this report.

**HOLDING/ SUBSIDIARIES/ JOINT VENTURES/ ASSOCIATES COMPANIES**

Your Company does not have any subsidiary/joint ventures or associate company within the meaning of the Companies Act, 2013. Kapedome Enterprises Limited is the holding company of Kuantum Papers Limited having 66.50% equity shares of the company.

## CORPORATE SOCIAL RESPONSIBILITY

Pursuant to Section 135 of the Companies Act, 2013, and the relevant rules, the Board of Directors of your Company has an existent constituted CSR Committee. The CSR Policy has been framed by the Company which is placed on its website.

In pursuance of the Companies Act, 2013 and in alignment with its vision, the Company through its CSR initiatives will continue to enhance value creation in the society and in the community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community.

During the year under review, the company has spent an amount of Rs. 62.27 lacs on the projects covered under CSR activities. Disclosures as per Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 are given in the Annual Report on CSR activities at 'Annexure- A'.

## VIGIL MECHANISM

Section 177(9) of the Companies Act, 2013 and Regulation 22 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Inter alia, provides for a mandatory requirement for all listed companies to establish a mechanism called the 'Whistle Blower Policy' for Directors and employees to report concerns of unethical behavior, actual or suspected, fraud or violation or the Company's code of conduct or ethics policy. In line with this requirement, the Company has framed a “Whistle Blower Policy”, which is placed on the Company's website.

## RISK MANAGEMENT COMMITTEE

In line with the new regulatory requirements, the company has framed a 'Risk Management Policy' to identify and assess the key risk areas, monitor and report compliance and effectiveness of the policy and procedure. A Risk Management Committee has also been constituted to oversee this process.

The Company manages, monitors and reports on the principal risks and uncertainties that can impact its ability to achieve its strategic objectives. The Company's risk management systems and programs comprises of various processes, structures and guidelines which assist the Company to identify, assess, monitor and manages its risks, including any material changes to its risk profile. To achieve this, the Company has clearly defined the responsibility and authority of the Company's Management and the Risk Management Committee to oversee and manage these Programs. The company has taken Industrial All Risk Policy to insure its fixed assets and inputs, that cover known and unknown risk including fire. Details of the various risks, which can affect the Company's business and the management's perception, are more elaborately given in the 'Management Discussion & Analysis' attached to this Report.

## INTERNAL FINANCIAL CONTROL SYSTEM

Effective and strong internal control systems are developed in the Company for all the major processes to ensure reliability of financial reporting, safeguarding of assets and economical and efficient use of resources as also the compliance of laws, regulations, policies and procedures.

The Company's internal control systems are reviewed by M/s A. Gandhi and Associates, internal auditors, an independent firm of Chartered Accountants. The Internal Auditor independently evaluates the adequacy of internal controls through periodic reviews that cover all the functions and processes and through reviewing major transactions. The Internal Auditors reports directly to the Audit Committee to ensure complete independence.

## RELATED PARTY TRANSACTIONS

All related party transactions are entered at arm's length basis and are as per the applicable provisions of the Companies Act, Indian Accounting Standards and the Listing Regulations. No materially significant related party transactions have been entered by the Company with Promoters, Directors or Key Managerial Personnel, which had potential conflict with the interest of the Company at large. A statement of all related party transactions is presented before the Audit Committee on a quarterly basis duly certified by the CEO and CFO. The Related Party Transactions Policy as approved by the Board is placed on the Company's website.

The details of the related party disclosures and transactions as prescribed in Form AOC-2 are given in the Note No. 40 of the notes on Financial Statements. All the related party transactions are done at arms length and pertain to the FY 2018-19.

## SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

There are no significant and material orders passed by the Regulators, Courts or Tribunals, which would impact the going concern status of the Company and its operations in future.

## CHANGE IN THE DIRECTORSHIPS

Pursuant to Regulation 17 (1A) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Shri Darshan Chand Mehandru (DIN: 00308524), Independent Director and Chairman of Audit Committee of the Company, ceased to be the director of the Company on 31st March, 2019.

Shri Umesh Kumar Khaitan has resigned from the directorship of the Company during the year w.e.f. 09.08.2018.

The Directors place on record their appreciation of the valuable advice and guidance given by them during their tenure.

Shri Bhavdeep Sardana was appointed as Independent Director of the Company w.e.f. 20.12.2018, for a period of five years.

Further, in accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company Shri D.S. Sandhawalia shall retire by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment.

**DECLARATION BY INDEPENDENT DIRECTORS**

The Independent Directors have submitted their disclosures to the Board that they fulfill all the requirements as stipulated in Section 149(6) of the Companies Act, 2013 so as to qualify themselves to act as Independent Director under the provisions of the Companies Act, 2013 and the relevant rules.

**INDUCTIONS & TRAINING OF BOARD MEMBERS**

In terms of Regulation 25(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company familiarized the Independent Directors in the following areas:

(a) Nature of the industry in which the entity operates;

(b) Business model of the entity;

(c) Roles, rights, responsibilities of independent directors.

The Independent Directors have visited the Company's Plant during the year to enable themselves to be conversant with manufacturing operations and processes.

Presentations are made to the Board/Committees of the Board on regular intervals which, inter alia, cover business strategies & reviews, operations, Industry developments, management structure, quarterly and year to date financial results, budgets/business plans, review of Internal Audit and risk management framework.

Further as per Regulation 46(2) (i) of SEBI (Listing Obligations & Disclosure Requirements), 2015 the required details are as follows:

| Details of familiarization programmes imparted to independent directors | FY 2018-19 | Cumulative till date |
|---|---|---|
| Number of programmes attended by independent directors | 4 | 21 |
| Number of hours spent by independent directors in such programmes | 6 | 34 |

**PERFORMANCE EVALUATION OF THE DIRECTORS AND MEETING OF INDEPENDENT DIRECTORS**

Nomination, Remuneration and Evaluation policy has been framed by the Nomination and Remuneration Committee. This Committee has laid down the criteria for performance evaluation of the individual Directors as well as the Board. The framework of performance evaluation of the Directors captures the following points:

(a) Performance of the directors and key attributes of the Directors that justify his/her extension/continuation on the Board of the Company.

(b) Participation of the Directors in the Board proceedings and their effectiveness.

(c) Fulfillment of the independence criteria and their independence from the management as specified in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or enactment thereof for the time being in force) in case of Independent Directors.

The Board adopted a formal mechanism for evaluating its performance as well as of its Committees and individual Directors including the Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the Board's functioning such as composition of the Board and Committees, experience and competencies, performance of specific duties and obligation, governance issues, participation and effectiveness.

During the year under review, a meeting of Independent Directors was held on 29 March 2019 wherein the performance of the Non Independent Directors and the Board as a whole vis-à-vis the performance of the Chairman of the Company was reviewed.

**DISCLOSURES ON BOARD EVALUATION:**

i. **Observations of Board Evaluation carried out for the year:**

In conformity with the evaluation policy and laid down parameters, the overall contribution of each Director was assessed as satisfactory and appreciable. The suggestions, participation, involvement and constant efforts of each director in the light of improving business operations and overall growth and development of the Company was really significant.

ii. **Previous year's observations and actions taken:**

There was no observation of the Board with regard to the previous year. However, it has been the endeavor of the Board of Directors of the Company to attain the highest level of transparency, accountability and integrity as well as utmost applicable legal and ethical standards in the functioning of the Company with a view to create value that can be sustained continuously for the benefit of its stakeholders.

iii. **Proposed actions envisaged:**

The Company proposes to hold more trainings, presentations and interactions enabling the Directors to uphold highest standards of integrity & probity and strict adherence of the Companies Act, SEBI (Listing Obligations and Disclosure Requirements) Regulations, and other rules and regulations besides Company's Code of Conduct as also to strive for constructive, effective and value-added deliberations at the meetings as also to consistently strive to implement best corporate governance practices reflecting its strong value system and ethical business conduct.

**NOMINATION, REMUNERATION AND EVALUATION POLICY**

The Board has, on the recommendation of the Nomination and Remuneration Committee, approved a policy for selection, appointment, remuneration and evaluation of Directors, Senior Management and Key Managerial Personnel. Details of the Nomination and Remuneration Committee are given in the Corporate Governance Report. The Nomination, Remuneration and Evaluation Policy as approved by the Board is placed on the Company's website

**PREVENTION OF SEXUAL HARASSMENT POLICY**

The Company has in place a 'Prevention of Sexual Harassment Policy' pursuant to the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee has been set up to redress complaints received regarding sexual harassment. All employees (Permanent, contractual, temporary, trainees) are covered under this policy. No complaint has been received during the year under review.

**NUMBER OF MEETINGS OF THE BOARD**

During the year, 6 (Six) Board meetings were convened and held. Details of number of meetings of Board of Directors and committees thereof and the attendance of the Directors in such meetings are provided under the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

**COMPOSITION OF AUDIT COMMITTEE**

The Audit Committee constituted by the Board comprised of four Independent Directors and two Executive Directors till 31 March 2019. Pursuant to Regulation 17 (1A) inserted vide SEBI notification dated May 09, 2018 in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 Shri Darshan Chand Mehandru (DIN: 00308524), Independent Director of the Company, who was also the Chairman of Audit Committee, ceased to be the director of the Company on 31st March, 2019.

During the year, 4 (four) Audit Committee meetings were convened and held. The details of the Audit Committee meetings, attendance of the members and terms of reference are provided in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

**STATUTORY AUDITORS & AUDITOR'S REPORT**

M/s BSR & Co. LLP, Chartered Accountants, (ICAI Firm Registration No. 101248W/W-100022), Statutory Auditors of the company, were appointed for a period of 5 years by the shareholders in the Annual General Meeting held on 18 September 2015 till the conclusion of 23rd Annual General Meeting to be held in the year 2020.

As per the existing appointment of M/s BSR & Co. LLP, Chartered Accountants, their remaining audit period covers the last year of their appointment up to the conclusion of the next Annual General Meeting to be held in the financial year 2020-21.

As required under Section 139 of the Companies Act, 2013, the Company has obtained a written consent from the Auditors to their continued appointment and also a certificate from them to the effect that their existing appointment is in accordance with the conditions prescribed under the Companies Act, 2013 and rules made thereunder.

**STATUTORY AUDITOR'S REMARKS**

The Auditor's Report to the Members on the Audited Financial Statements of the Company for the year ended 31 March 2019 contains the following qualification (s):

Attention is invited to Note 6 and Note 43 to the financial statements which explains that the Company has given certain unsecured inter-corporate deposits (ICDs) during the year. The outstanding balance of ICDs as at 31 March 2019 amounted to Rs. 1,842.80 lakhs (balance as at 29 May 2019: Rs. 1,479.87 lakhs). In relation to these ICDs, we have not been provided with appropriate basis of selection of the Companies, including an assessment of their credit worthiness. In view of this, we are unable to comment on recoverability of these ICDs and impact, if any on these financial statements including compliance with provisions of Companies Act, 2013, to the extent applicable.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the aforesaid financial statements give the information required by the Companies Act, 2013 (“Act”) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

**STATUTORY AUDITOR'S REMARKS ON THE INTERNAL FINANCIAL CONTROLS RELATING TO THE ABOVE MATTER**

According to the information and explanations given to us and based on our audit, the following material weakness has been identified as at 31 March 2019:

The Company did not have an appropriate internal control system of evaluation for giving inter-corporate deposits, which could potentially result in material misstatements in the Company's loan balances and consequently, the financial statements.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, because of the effects/possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has not maintained adequate internal financial controls with reference to financial statements and such internal financial controls were not operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the “Guidance Note”).

We have considered the material weakness identified and reported above in determining the nature, timing and extent of audit tests applied in our audit of the 31 March 2019 financial statements of the Company, and the material weakness has affected our opinion on the financial statements of the Company and we have issued a qualified opinion on the financial statements.

**MANAGEMENT RESPONSE**

The company had surplus cash flows in the previous financial years and the funds have been kept with the Banks in the shape of fixed deposits. With a view to deploy the funds effectively at higher interest rate than being paid on loans, the company extended Inter Corporate Deposits (ICDs) to six entities amounting to Rs. 2,447.00 lacs after conducting adequate diligence and interaction with the entities particularly with regard to payment of interest and repayment of ICD deposits. ICDs extended to two entities amounting to Rs. 645.00 lacs were received back in full alongwith due interest during the year itself as per the terms. The ICDs of Rs. 1,842.80 lacs extended to four entities outstanding as on 31 March 2019 comprises of principal Rs. 1,802.00 lacs and interest Rs. 40.80 lacs. The company has entered into loan agreements with detailed terms and conditions with the respective entities and has taken security cheques for the full amount towards the repayments of ICDs. The present tenure of these loans after roll over was agreed upto December 31, 2019. The company has received interest on quarterly basis as provided in the loan agreements. These entities have adequate assets to repay the ICDs. Furthermore, an accelerated repayment schedule has also been worked out with these entities to expedite the repayment before the due date to mitigate the concerns with regard to its recoverability so as to complete the same by August end 2019. Pursuant to such efforts, as on date the company has received an amount of Rs. 1,205.80 lacs and is confident to receive the remaining outstanding amount of Rs. 637.00 lacs by August end 2019. As such, the amount of Rs. 1,842.80 lacs outstanding as on 31 March 2019 is fully recoverable.

The management clearly believes that as appropriate system with respect to the internal controls on these ICDs has been followed before placing the same, and that the Company's internal financial controls in respect of assessment of the inter corporate deposits and its recoverability were operating effectively and there is no material weakness in such controls and procedures.

## COST AUDITORS

M/s R.J. Goel & Co., Delhi were appointed as Cost Auditors for conducting the cost audit of the Company for the year ended 31 March 2019. The Company's Cost Audit Report for the year ended 31 March 2018 was filed on 22.08.2018 (Due date 30.09.2018). The said firm has been appointed as cost auditors of the Company for the financial year 2019-20 as well.

## SECRETARIAL AUDITORS

M/s S.K.Sikka & Associates, Company Secretaries had been appointed as Secretarial Auditors to conduct Secretarial Audit of the Company, and have submitted the Secretarial Audit Report for the year ending 31 March 2019 which is annexed to this Board's Report as Annexure-2.

As per amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in addition to the above mentioned Secretarial Audit Report, listed company is also required to obtain an Annual Secretarial Compliance Report from a practicing Company Secretary w.r.t. the compliances of all applicable SEBI Regulations, amendments, circulars or guidelines etc. by the Company. Accordingly, the same has been obtained and filed with the Bombay Stock Exchange.

Further pursuant to SEBI ( Listing Obligations and Disclosures Requirements) Regulations, 2015, read with Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) (Amendment) Regulations, 2018, the Company is required to obtain a certificate from Practicing Company Secretary that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority. The declaration in this regard has been obtained from all the Directors and accordingly the said Certificate has been obtained from the M/s S.K.Sikka & Associates, Company Secretaries, which is annexed to this Board's Report as Annexure-3.

Pursuant to Section 204 of the Companies Act, 2013 M/s S.K.Sikka & Associates, Company Secretaries have been appointed as Secretarial Auditors to conduct Secretarial Audit of the Company for the financial year ending 31 March 2020.

## SHARE CAPITAL

During the year under review, the Company has not issued any equity shares with differential rights, sweat equity shares or employee stock option.

Provision of money by Company for purchase of its own shares by employees or by trustees for the benefit of employees is not applicable to the Company.

There is no change in the Equity and Preference share capital during the year under review.

During the year, the Company has issued 300 unlisted Secured Non-Convertible Redeemable Debentures (NCDs) at a face value of Rs. 10,00,000/- (Rupees ten lakhs only) each aggregating to Rs. 30,00,00,000/- (Rupees Thirty crores only) to UTI Structured Debt Opportunities Fund I on 20th December 2018 after obtaining the necessary approval of shareholders in their meeting held on 03.11.2018. The said NCDs have since already been redeemed before the due date of redemption in the current financial year.

Details pertaining to the shares in **'Unclaimed suspense account'** in Compliance with the terms of SEBI (LODR) Regulations, 2015 are given in the Report on Corporate Governance annexed with this report.

## POSTAL BALLOT

The Company has not conducted any Postal Ballot during the year under review.

## CORPORATE GOVERNANCE

A Report on Corporate Governance along with a Certificate from the Practicing Company Secretary regarding compliance of the conditions of Corporate Governance pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed and forms part of the Annual Report.

## EXTRACT OF THE ANNUAL RETURN

The extract of annual return in form no. MGT-9 would be available at the website of the Company at http:// www.kuantumpapers.com

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

The information relating to conservation of energy, technology absorption and foreign exchange earnings & outgo as required under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is given in Annexure-1 which forms part of this Report. No foreign technology has been availed by the Company.

## PERSONNEL

Relationship with the employees remained cordial throughout the year in the Company. The Directors express their appreciation for the contribution made by the employees at all levels to the operations and in establishing operational efficiencies of the Company during the year under review.

## PARTICULARS OF EMPLOYEES

The information required under section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 is given in the statement annexed herewith as Annexure-4.

The information required pursuant to the provisions of Rule 5(2) & (3) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 requiring particulars of the employees in receipt of remuneration in excess of Rs. 102 lacs per annum if employed throughout the year and Rs. 8.50 lacs if employed for part of the year, is given in the statement annexed herewith as Annexure-4.

## PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013

The Company has extended loan/guarantee under Section 186 of the Companies Act, 2013 the disclosure of which is given at Note No. 6 and 43 forming part of the financial statements.

## DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 134(3) (c) read with Section 134(5) of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015, your Directors state that:

(i) in the preparation of the annual accounts for the year ended 31 March 2019, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures;

(ii) such accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31 March 2019 and of the profit of the company for the year ended on that date;

(iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the annual accounts have been prepared on a going concern basis;

(v) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and

(vi) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

## ACKNOWLEDGMENT

Your Directors convey sincere thanks to the various agencies of the Central and State Governments, Banks and other concerned agencies for all the assistance and cooperation extended to the Company for their continued support. The Directors also deeply appreciate and acknowledge the trust and confidence the vendors, suppliers, dealers, customers, shareholders and investors reposed in the Company. Your Directors also place on record their appreciation for the dedicated services rendered by the workers, staff and officers of the Company.

For and on behalf of the Board

Place : Chandigarh
Dated : 09 July 2019

**Jagesh Kumar Khaitan**
Chairman

**ANNEXURE-A**

## Corporate Social Responsibility (CSR)

[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

   **(i) Vision**

   In pursuance of the Companies Act, 2013 and in alignment with its vision, the Company through its CSR initiatives will continue to enhance value creation in the society and in the community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community. The Company's Vision Statement is to actively contribute to the social and economic development of the communities of the area in which we operate. In doing so, build a better, sustainable way of life for the underprivileged, and raise their overall standard of living. In addition, we are committed to conserving and preserving the environment.

   **(ii) Strategy**

   Though mandated, Kuantum Papers Ltd. takes its social responsibility conscientiously and proactively. Our emphasis has been on environment conservation, reforestation, pollution control, optimum utilization of treated water with recycling with in campus and also by farmers for irrigation purpose.

   We have been spearheading a focused CSR drive targeted at community upliftment and development separately for some years now. Kuantum is now carrying these initiatives forward as part of the CSR program.

   The CSR Committee, in consultation with the Board, provides the strategic direction for the company's external CSR drive, and the thrust areas for the CSR work, alongwith ensuring effective monitoring as well.

   The company's CSR Program is undertaken directly by the Company, as also through a CSR Implementation Partner. The CSR Implementation Partner is selected after a detailed due diligence exercise, which includes evaluation on the basis of its competence, experience, specialization and transparency.

   The policy on Corporate Social Responsibility is available on the website of the Company viz. http:// www.kuantumpapers.com/pdf/KPL_Policy.pdf

2. The Composition of the CSR Committee:

   Mr. Pavan Khaitan, Chairman

   Mr. D.S. Sandhawalia, Member

   Ms. Shireen Sethi, Member

3. Average net profit of the company for last three financial years - Rs. 7,495.18 lacs.

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) - Rs. 150.14 lacs

5. Details of CSR spent during the financial year.

   (a) Total amount spent in financial year 2018-19 - Rs. 62.27 lacs;

   (b) Amount unspent, if any : 87.87 lacs;

(c) Manner in which the amount spent during the financial year is detailed below.

**(Rs. in Lacs)**

| Sr Nr | Project or activity | Sector | Locations | Amount of outlay on projects/ program for FY 2018-19 | Amount spent on the projects or programs in FY 2018-19 | Cumulative expenditure upto the reporting period i.e. 31 March 2019. | Amount spent: Direct or through Implementing Agency during the year |
|---|---|---|---|---|---|---|---|
| 1. | Education | Literacy | Sailakhurd/ Paddi Sura Singh | 15.00 | 12.86 | 59.32 | Direct |
| 2. | Environment protection | Environ ment | Chandigarh | - | - | 4.00 | AIESEC |
| 3. | Providing Health facility | Health | Chandigarh | 10.00 | 1.98 | 7.88 | Direct |
| 4. | Suvidha Centre | Rural Develop ment | Garhshankar | - | - | 4.14 | Direct |
| 5. | Sewerage System | Rural Develop ment | Saila Khurd, Raniala and Bharatpur Jattan | 50.00 | 21.73 | 135.64 | Indo Canadian Village Improvement Trust |
| | | | | 15.00 | 2.16 | 48.30 | Direct |
| 6. | Toilet construction | Rural Develop ment | Saila Khurd/Saila Kalan/Paddi Khuddi/ Bharatpur Jattan | 20.14 | 8.86 | 36.19 | Direct |
| 7. | Sewing Machine | Rural Develop ment | Raniala and Bharatpur Jattan | - | - | 2.56 | Direct |
| 8. | Village Improvement | Rural Develop ment | Vill Kharoudi and others | 20.00 | 2.00 | 2.00 | Vill Kharoudi Life Style Improvement Trust |
| 9. | Developing road/Play ground | Rural Develop ment | Bharatpur Jattan | 20.00 | 12.68 | 19.03 | Direct |
| | **Total** | | | **150.14** | **62.27** | **319.06** | |

6. Details of implementing agency.

   Indo-Canadian Village Improvement Trust (ICVIT) is a partner of Indo-Canadian Friendship Society of British Columbia, Canada. I.C.F.S.B.C is a registered charitable society under the laws of British Columbia and Canada, and was founded in 1976. This NGO has been active in all type of social work in Greater Vancouver area since 1976 and for the past 12 years it has devoted its energies in international rural development in Punjab, India. ICVIT is executing eco friendly affordable sustainable village projects in rural India since 2007, mainly in the state of Punjab. These projects will impact future generations, by improving their living conditions, for years to come. It is a duly registered society under the laws of Government of India.

7. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the reasons for not spending the amount- The implementation of the CSR projects was in progress and the balance unspent amount as mentioned in 5(b) above will be spent in the current financial year.

   The CSR Committee confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

Sd/-
**Pavan Khaitan**
Chairman-CSR Committee

**ANNEXURE-1**

**STATEMENT CONTAINING PARTICULARS PURSUANT TO SECTION 134(3)(m) OF THE COMPANIES ACT, 2013 READ WITH RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014**

## I. CONSERVATION OF ENERGY

Energy conservation is the effort made to reduce consumption of energy by using less of an energy service. This can be achieved either by using energy more efficiently (using less energy for a constant service) or by reducing the amount of service used (for example, by driving less). Energy conservation is a part of the concept of eco-sufficiency. Energy conservation reduces the need for energy services and can result in increased environmental quality, national security, personal financial security and higher savings. It is at the top of the sustainable energy hierarchy. It also lowers energy costs by preventing future resource depletion.

Energy can be conserved by reducing wastage and losses, improving efficiency through technological upgrades and improved operation and maintenance.

In continuation to our earlier efforts, during financial year 2018-19, we have taken number of initiatives as detailed below:

- Paper Machine # 3 & 4 Drives replaced with energy efficent world-Class Technology from ABB India.
- Stoppage of few pumps by redefining the process to make use of gravity flow thereby saving energy
- Many pumps have been replaced with right size energy efficient ones.
- Replacement of old and higher energy consuming light with efficient LED lights.
- Installation of auto day / night On-Off and Motion Sensors.
- Efforts have been made to reduce energy losses by reducing number of bends in pipelines.
- Wherever possible, to reduce the power consumption, VFDs have been installed.
- Energy efficient Screw Presses were installed in ETP

**Total energy consumption and energy consumption per unit of production of paper for the year 2018-19 is given in the table below :**

| **POWER & FUEL CONSUMPTION** | **2018-19** | 2017-18 |
|---|---|---|
| **1. ELECTRICITY** | | |
| **(a) Purchased** | | |
| Units (lacs KWH) | **507.08** | 405.80 |
| Total amount (Rs. lacs) | **3,305.64** | 2,771.14 |
| Rate/Unit (Rs./KWH) | **6.52** | 6.83 |
| **(b) Own generation** | | |
| **Through Diesel Generator** | | |
| Units (lacs KWH) | **-** | - |
| Cost/Unit (Rs./KWH) | **-** | - |
| **Through Steam Turbine / Generator** | | |
| Units (lacs KWH) | **963.48** | 1,044.33 |
| Cost/Unit (Rs. KWH) | **4.11** | 3.62 |
| **2 COAL (for Boiler)** | | |
| Quantity (Tonnes) | **44,557.57** | 31,934 |
| Total cost (Rs. lacs) | **3,289.5** | 1,886.59 |
| Average rate (Rs.) | **7,383** | 5,908 |
| **3. OTHERS** | | |
| **Rice Husk (for Boiler)** | | |
| Quantity (Tonnes) | **1,20,900** | 1,48,572 |
| Total cost (Rs. lacs) | **5,509.1** | 5,777.49 |
| Rate/Unit (Rs. MT) | **4,557** | 3,889 |

| | | | |
|---|---|---|---|
| 4 | **CONSUMPTION/TONNE OF PRODUCTION** | | |
| | Production (Tonnes) | **1,27,754** | 1,25,617 |
| | Electricity/Tonnes (KWH) | **1,151** | 1,154 |
| | Furnace Oil/tonne (KL) | **0.002** | 0.001 |
| | Coal/Tonne (MT) | **0.349** | 0.254 |
| | Others Rice husk (MT) | **0.946** | 1.183 |

## II. TECHNOLOGY ABSORPTION

**Research & Development and Environment**

- Studies conducted on development of various new value added quality speciality papers and some of them Kosmo Parchment (HB & NS), Kosmo Enveloper WS, Kosmo Stiffner (WS & YL), Kosmo Maplitho (NS & WS) are sucessfully commercilized.
- Cost reduction by replacing Sodium Per Carbonate in place of Bleach activator and implemented successfully.
- Binary sizing successfully introduced and optimized dosages with observations of improvement in surface properties and better feel of paper
- Elemental Chlorine Free (ECF) bleaching Sequence installed in Agro street for better pulp and paper properties.
- R&D studies conducted for improvement of Raw Material, Pulp and Paper properties, cost minimization and optimisation/alternate of wet-end additives and chemicals sucessfully.
- New Head box (Dilution Control) installed at Paper Meachine # 3 and Paper Meachine # 4 for better profile controls, quality upgradation and machine runnability.
- Silent Drive installed at Paper Machine # 3 & 4 for better controls and runnability.
- New Centricleaner System (with light weight reject) installed at Paper Machne # 3 for better cleanliness of Paper.
- Synchro Sheeter Installed at Finishing House # 1,2 & 3 for reduction in variations of size and better product quality
- New QCS from ABB installed at Paper Machine # 3 for better controls and reduction in quality variations.
- Three Screw Presses Installed at effluent treatment plant for better management of sludge and being utilized primarily in board manufacturing. The company continues its focus on waste minimization, value addition & product recovery from different waste streams like biogas generation from waste stream of wet washing of agro raw material.

**Quality Certifications the Company owns**

- ISO Certification 9001:2015 (Quality Management System)
- ISO Certification 14001: 2015 (Environmental Management System)
- OHSAS Certification 18001:2007 (Occupation Health & Safety Assessment Series)
- FSC Certification SCS - COC - 04050 (Forest Stewardship Council)

**The expenditure on R & D has been as follows:**

**(Rs. in lacs)**

| | **2018-19** | **2017-18** |
|---|---|---|
| (i) Capital | **3.70** | 8.27 |
| (ii) Recurring | **187.02** | 137.34 |
| (iii) Total | **190.72** | 145.61 |
| (iv) Total R&D expenditure as a percentage of turnover | **0.21** | 0.19 |

**Technology absorption, adaptation and innovation**

The Company has not imported any technology for its products.

## III. FOREIGN EXCHANGE EARNINGS & OUTGO

As per Ind AS these particulars are not required to be given.

For and on behalf of the Board

Place : Chandigarh
Dated : 09 July 2019

**Jagesh Kumar Khaitan**
Chairman

**ANNEXURE-2**

## SECRETARIAL AUDIT REPORT
## FORM NO. MR-3
## FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule No.9 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,
Kuantum Papers Limited

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kuantum Papers Limited (here in after called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of Kuantum Papers Limited's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended 31 March, 2019, complied with the statutory provisions listed here under and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March, 2019 according to the provisions of the following Acts/Laws/Regulations and the amendments thereof, if any:

(1) The Companies Act, 2013 (the Act) and the rules made thereunder;

(2) The Securities Contracts (Regulation) Act,1956 ('SCRA') and the rules made thereunder;

(3) The Depositories Act, 2018 and the Regulations and bye-laws framed thereunder;

(4) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(5) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act,1992 ('SEBI Act'):-

  (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

  (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

  (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

  (d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(6) Apprentices Act, 1961

(7) Employment Exchange (Compulsory Notification of Vacancies) Act, 1959

(8) Industrial Employment (Standing Orders) Act, 1956

(9) Minimum Wages Act, 1948

(10) Payment of Bonus Act, 1965

(11) Payment of Wages Act, 1936

(12) Motor Vehicle Act, 1988

(13) The Water (Prevention & Control of Pollution) Act, 1974

(14) The Water (Prevention & Control of Pollution) Cess Act, 1977

(15) Employees' State Insurance Act, 1948

(16) Employees' Provident Fund & Misc. Provisions Act, 1952

(17) Central Goods and Service Tax Act, 2017

(18) Air (Prevention & Control of Pollution) Act, 1981

(19) Payment of Gratuity Act, 1972

(20) Indian Electricity Act, 1910 & Rules 1956

(21) Indian Boiler Act, 1923

(22) Hazardous Waste (Management & Handling) Rules 1989 under EP Act, 1986

(23) Explosive Act, 1884 and Rules made thereunder

(24) Industrial Development & Regulation Act, 1951

(25) Contract Labour Regulation & Abolition Act, 1971

I have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**I further report that**

As per the requirement of Section 135 of the Companies Act 2013, the Company was required to spend at least two percent of its average net profits for the three immediately preceding financial years, towards its Corporate Social Responsibility expenditure. During the year till 31 March 2019, the Company has spent Rs. 62.27 lacs out of Rs. 150.14 lacs due towards the provisions of Section 135 of the Companies Act, 2013 and Rules framed thereunder.

**I further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provision of the Act.

Adequate notice is given to all the Directors to schedule the Board Meetings. Agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the Board meetings, as represented by management, were taken unanimously.

**I further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period, the Company has issued 300 unlisted Secured Non-Convertible Redeemable Debentures at a face value of Rs. 10,00,000/- (Rupees ten lakhs only) each aggregating to Rs. 30,00,00,000/- (Rupees Thirty crores only) on 20th December, 2018 to UTI Structured Debt Opportunities Fund I after obtaining the necessary approval of shareholders in their meeting held on 03.11.2018.

**I further report that** during the audit period, the Company has taken approval of shareholders in its meeting held on 03.11.2018 delegating the powers to the Board of Directors under section 180 (1)(a) & (c) of the Companies Act, 2013 to sell, lease or otherwise dispose of and/or create mortgage or charge on the whole or substantially the whole of the undertaking and to borrow amount which shall not at any time exceed in the aggregate of Rs. 750 Crores.

**I further report that** during the audit period, there were no instances of:

(i) Public / Rights / Preferential Issue of Shares /Sweat Equity.

(ii) Redemption / Buy-Back of Securities.

(iii) Merger / Amalgamation / Reconstruction etc.

(iv) Foreign Technical Collaborations

For **S.K. SIKKA & ASSOCIATES**
Company Secretaries

**SUSHIL K SIKKA**
Prop.
FCS 4241
CP 3582

Place : Chandigarh
Date : 29 May 2019

To,

The Members
Kuantum Papers Limited

My report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. My responsibility is to express as opinion on these secretarial records based on my audit.
2. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, Rules, Regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **S.K. SIKKA & ASSOCIATES**
Company Secretaries

**SUSHIL K SIKKA**
Prop.
FCS 4241
CP 3582

Place : Chandigarh
Date : 29 May 2019

**ANNEXURE – 3**

# CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

**(Pursuant to Part C of Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 read with regulation 34(3) of the said Listing Regulations).**

To

The Members,
Kuantum Papers Limited

As required by Clause 10(i) of Part C of Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 inserted vide SEBI notification dated 9th May 2018, we certify that none of the Directors on the Board of **Kuantum Papers Limited** have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India/Ministry of Corporate Affairs or any such statutory authority.

For **S.K. SIKKA & ASSOCIATES**
Company Secretaries

**SUSHIL K SIKKA**
Prop.
FCS 4241
CP 3582

Place : Chandigarh
Date : 29 May 2019

**ANNEXURE – 4**

**PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

| S.No. | Requirements of Rule 5(1) | Details |
|---|---|---|
| (i) | The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year | Mr.Jagesh Kumar Khaitan: 86.51 : 1<br>Mr. Pavan Khaitan: 127.83 : 1 |
| (ii) | The percentage of increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial year | Name — As per Payout<br>Mr. Jagesh Kumar Khaitan (Chairman) — 8%<br>Mr. Pavan Khaitan (Managing Director) — 10%<br>Mr. Roshan Garg (CFO) — 13%<br>Mr. Vivek Trehan (Company Secretary) — 19% |
| (iii) | The percentage increase in the median remuneration of employees in the financial year | 11.87% |
| (iv) | The number of permanent employees on the rolls of company | 1236 employees as on 31.3.2019 |
| (v) | Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration; | The average increase in remuneration is 14.25% of all employees. The profit before tax of the company has been higher by 3.5%.<br><br>There are no exceptional circumstances in increase in the managerial remuneration. |
| (vi) | Affirmation that the remuneration is as per the remuneration policy of the company | Remuneration paid during the year is as per the Remuneration Policy of the company. |

**PARTICULARS OF EMPLOYEES PURSUANT TO RULE 5(2) AND 5(3) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

| Name (age in years) | Description | Gross Remuneration Paid (in Rs.) | Qualification | Date of Commencement of employment (experience in years) | Previous employment | Percentage of equity shares held | Whether any such employee is a relative of any director |
|---|---|---|---|---|---|---|---|
| Sh. Jagesh Kumar Khaitan (74 Yrs.) | Chairman | 1,71,28,600 | Graduate with Marketing Management & Strategic Course from IIM, Ahmedabad | 17 July 2010 (Total Exp. 50 Yrs.) | Vice Chairman & Managing Director Amrit Banaspati Co. Ltd. | 3.04% | Father of Sh. Pavan Khaitan and brother of Sh. Umesh K Khaitan |
| Sh. Pavan Khaitan (51 Yrs.) | Managing Director | 2,53,09,026 | Chartered Accountant | 1 April 2007 (Total Exp. 26 Yrs.) | Managing Director, Amrit Banaspati Co. Ltd. | 0.31% | Son of Sh. Jagesh Kumar Khaitan |

# MANAGEMENT DISCUSSION & ANALYSIS

## 1. An overview of the Economy and Business Environment

Global growth is expected to remain at 3.0 per cent in 2019 and 2020, however, the steady pace of expansion in the global economy masks an increase in downside risks that could potentially exacerbate development challenges in many parts of the world, according to the World Economic Situation and Prospects 2019. The global economy is facing a confluence of risks. These risks include an escalation of trade disputes, an abrupt tightening of global financial conditions and turbulent financial markets, intensifying climate risks and volatile currency exchange rates.

Amid high policy uncertainty and weakening prospects for global demand, industrial production decelerated, particularly for capital goods. The slowdown was broad based, notably across advanced economies, except the United States. While a cyclical slowdown in countries thought to be operating above potential was to be expected, the downturn was larger and appeared related to a souring of market sentiment, in part because of trade tensions. Global trade growth has slowed sharply from its peak in late 2017, with US imports from China subject to new US tariffs declining or stalling toward the end of the year.

The outlook for the country is for economic strengthening through higher infrastructure spending and continued reform to financial and monetary policy. With the stable government at Centre for another term and continuation of the initiatives and policies by the Government, such as Make-in-India, Start-up India, Swachh Bharat Abhiyan, Clean Ganga campaign, Smart Cities project, Digital India, Skill India, Housing for All, Rural Electrification schemes and Pradhan Mantri Jan Dhan Yojana' among others is expected to further boost the economic growth, employment/business avenues and investments in the country.

## 2. Industry Structure and Development

World production of paper and paperboard is around 390 million tonnes and is expected to reach 490 million tonnes by 2020. The Indian paper industry accounts for about 3.7% of the world's production of paper. The estimated turnover of the industry is INR 60,000 crore (USD 8.5 billion approximately) and its contribution to the exchequer is more than INR 5,000 crore. The industry provides employment to more than 0.5 million people directly and 1.5 million people indirectly.

India's share in global paper demand, though small is growing as demand in the western nations contracts, while domestic demand in India grows at a steady pace. Globally over 400 million tonnes of paper and paper products are consumed. The world's three largest paper producing countries are China, the United States, and Japan (these three countries account for approximately half of the world's total paper production), while India accounts for a small but growing share of the global market. The global paper and pulp mills industry has contracted slightly, primarily due to the shift to digital media and paperless communication across most developed economies. However, demand in emerging markets has partially offset the decline by driving increased demand for paper used in packaging materials.

Domestic Demand for Paper is expected to continue growing at a robust pace with Packaging Paper & Board and Specialty segments registering the fastest growth rates.

For the Indian paper industry, strong economic growth has been accompanied by equally robust demand for paper. The demand drivers and growth triggers have come from a combination of factors such as rising income levels, growing per capita expenditure, rapid urbanization and a larger proportion of earning population which is expected to lead consumption and there is enormous potential for the paper industry in the country.

India is the fastest growing market for paper globally and it presents an exciting scenario; paper consumption is poised for a big leap forward in sync with the economic growth. The futuristic view is that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by one kg per capita would lead to an increase in demand of 1 million tonnes.

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 mills use a variety of raw material viz. wood, bamboo, recycled fibre, bagasse, wheat straw, rice husk, etc. In terms of share in total production, approximately 25% are based on wood, 58% on recycled fibre and 17% on agro-residues. The geographical spread of the industry as well as market is mainly responsible for regional balance of production and consumption.

The domestic paper industry has continued to witness steady growth and demand in India grew from 9.3 million tonnes in FY 08 to 17.1 million tonnes in FY 18 at a CAGR of 6.3%. In spite of the sustained growth witnessed by the industry, the per capita paper consumption in India stands at a little over 13 kg which is well below the global average of 57 kg and significantly below 203 kg in Japan. This highlights the growth of potential demand in India.

Consumption of paper is closely linked to the economic development of a country. In India, though the per capita consumption of paper is low, it is gradually improving with economic growth. Industrial production, expenditure incurred on the print media, government spending on education, population growth and literacy levels are the key contributing factors.

Writing & printing paper segment has witnessed optimum capacity utilizations levels over the past few years due to steady demand growth. Your company has been able to operate at higher optimum levels of production and sale. Despite increasing digitization, CARE expects that the overall paper demand growing at a CAGR of 6.7% and to touch 20.8 million tonnes in 2020-21. The demand growth is expected to be benefitted and driven by a combination of factors i.e. rising income levels, growing per capita expenditure, rapid urbanization and a larger proportion of earning population, improved industrial activity and rise in the advertisements. The demand will continue to be driven and supported by greater Government thrust and spending on education sector, corporate spending on stationary and healthy growth in services sector.

CARE Ratings expects that the overall paper demand growing at a CAGR of 6.7% is to touch 20.8 million tonnes in 2020-21. The individual segments are expected to grow as follows:

- Printing and Writing segment demand is expected to grow at a CAGR of 4.5% and reach 5.8 million tonnes in FY21. The demand is expected to grow on account of pick-up from the education sector with improving literacy rates and universalization of education through legislative steps like Right to Education, government measures i.e. Sarva Shiksha Abhiyan, mid-day meal schemes, Girl Education Programme (GEP), growing enrolment as well as increasing number of schools, colleges and institutions, rising enrolment numbers and increased spending on education by all sections of the society is expected to lead to an increased expenditure on textbooks, notebooks.
- Packaging paper & board segment caters to industries such as FMCG, food & beverage, pharmaceutical, textiles etc. Demand for Packaging Paper & Board segment is expected to grow at a CAGR of 8.5% and reach 11.1 million tonnes in FY21. The growth is expected from factors such as increased urbanization, requirement of better quality packaging of FMCG products marketed through organized retail, E-Commerce, household appliances, apparels, pharmaceuticals and increasing preference for packaged food etc.
- Improving literacy rates, rising circulation and an increasing number of newspapers and magazines is expected to support growth in newsprint demand which is expected to grow at a CAGR of 2.0% and reach 2.7 million tonnes in FY21.
- Specialty paper and others is expected to grow at a CAGR of 15% and reach 1.2 million tonnes in FY21. The main varieties of specialty paper and other papers are tissue paper, decor paper, thermal paper, cigarette paper and business card paper. Their usage has been growing in line with growth in the economy, rise in organised retail penetration and increase in urbanisation.
- With the domestic industry growing steadily and at a significantly higher rate compared to the global growth rate, the majority of domestic paper mills, despite high raw material prices, are currently operating at approximately 85% to 90% capacity utilisation level, while the larger companies are operating close to or more than 100% capacity utilisation. Consequently, domestic paper mills have announced capacity expansion plans. Major part of the expansion plans is in the paperboard segment reflecting the increased demand witnessed as well as the higher growth rate anticipated in the segment.
- The industry is classified into four segments, Printing & Writing (P&W), Packaging Paper & Board, Specialty Papers & Others, and Newsprint. The Printing and Writing (P&W) paper segment forms 30% of domestic paper market, packaging paper & board segment accounting for 51% in India and is the largest segment in the industry, Specialty paper & others is the smallest segment, accounting for only 4% of the industry and the Newsprint segment comprises 15% of the Indian Paper and paper products Industry.

**3 Opportunities and Threats**

The Indian paper industry is expected to grow at about 6.7% CAGR through 2021 to touch 20.8 million tonnes. As per capita paper consumption in India stands at a little over 13 kg which is well below the global average of 57 kg and significantly below 203 kg in Japan, which highlights an opportunity in terms of potential growth of paper demand in India. The demand will be driven and supported by higher Government spending on education initiatives, corporate spending on stationary and healthy growth in services sector. Inspite of advancement in technology, like the usage of iPads, Galaxy Tabs, Smart Phones, the increased preference for online storage and dissemination of data, the paper industry is poised for a consistent growth in the demand for paper in next few years. Despite the higher level of technology being used in the corporate sector, there has been no decline in the paper consumption. Infact paper demand continues to rise at a modest pace. The envisaged growth in the value-added printing & writing paper segment in India presents an invaluable opportunity and your company plans to leverage it by tapping its institutional strength in its distribution supply chain, cost competitiveness and its premium quality alongwith it's branding.

The company has been one of the most cost competitive paper mills and a large player in the writing and printing segment. The continuous efforts of the company towards cost reduction and technology up-gradation has led to improved product quality, enhanced product mix/range and increased production capacity, higher operational efficiencies and economies of scale. Further these initiatives have also enabled the company to manufacture premium quality paper, such as, coated paper, maplitho paper, specialty paper and premium copier paper, which is placed in the higher value segment, competing with quality of other large paper mills.

Raw material costs account for around 46 per cent of the operating income of mills in the paper industry. Wood and wood based pulp are the main raw materials required for manufacturing W & P paper, especially in the higher end papers such as maplitho and coated paper. India's wood resources are limited; therefore, cost of wood is much higher in global comparison. Since there is conspicuous absence of Government's policies favoring industrial/production plantation, securing future wood supplies will be the Industry's biggest challenge. In line with this increase in production, demand for raw materials will also go up. The different raw materials used to produce paper are - agri-residues, wood/ bamboo pulp, imported pulp and wastepaper (domestic and imported).

Indian paper mills are categorized based on raw materials used by them in the manufacture of paper - wood/forest based mills, agro-based mills and wastepaper based mills. Wood accounts for 30-35% of production, while wastepaper and agri-residues account for 45-50% and 20-22%, respectively. India has a total land area of 3.3 million sq km with forests covering only 0.7 million sq km. About 78% of the total land area is non-forest area. With diminishing forest resources and limitations on enlarging man-made forests, there is scarcity of raw material for paper mills. Moreover, the limited raw material can be put to many alternative uses. To counter the issue of wood deficit, the paper mills gave thrust to initiatives like agro forestry which have now started yielding results.

Over the last few years, imported pulp has accounted for around 10 per cent of domestic production. With increase in growing demand for high quality premium paper, demand for wood is expected to grow in the next few years. With domestic wood supply being inadequate for this growing need, the mills will have to import wood in larger quantities. With Free Trade Agreements, imports are expected to continue challenging the domestic industry.

The alternative source of raw material is wastepaper/recycled paper - domestic and imported. Both together accounted for nearly 40 per cent of the total paper production. In India, however, the system of wastepaper collection is not very well developed in the domestic wastepaper segment. The recovery rate is low and consequently there is lower availability. This leads to domestic mills relying increasingly on imports to meet their demand.

The third alternative source of raw material for the paper industry is agri-residues such as bagasse, wheat and rice straw, wild grass and other such agricultural wastes. Bagasse is the most widely-used agri-residue in the paper industry. However, availability of bagasse has been declining due to its increased use in power generation by sugar industry. Despite agri-residues being seasonal in nature, this is the segment of raw material which your company has mastered processing of, and has therefore gained an edge in the industry.

The changes in Government policies, environment standards and the paperless initiatives taken by the Govt. of India, coupled with Green initiatives in Corporate Governance leading to paperless compliances by the companies, is indicative of a slight threat to the paper industry. Although India does not import any significant quantity of W&P or paperboard, the share of imports over the next few years to remain a key factor, particularly in W&P.

**4. Risks and Management Perception**

The paper industry is labour intensive, power intensive as well as capital intensive and is exposed to several risks i.e. changes in the government policies, environment policies, duties and taxes, technological obsolescence and external economic factors.

Your company adopts a comprehensive and integrated risk appraisal and mitigation process thereof as part of the process in risk management.

The company uses agro waste materials, primarily Kanagrass and Wheat straw, as the basic raw materials to manufacture paper. The availability of these raw materials is seasonal and is mainly dependent on good monsoon. The agro residue material does exist on the ground, but the adequate availability is a constraint as free accessibility is getting limited due to increased capacities of the other paper mills in and around the region. This may not be able to sustain the future material requirements taking into account the increasing needs of premium quality paper. The continuous increase in prices of raw material, imported pulp and other inputs continues to be a matter of great concern for the industry. However, locational advantage of your company's paper mill provides an added access to the major raw material sources and insulates it, to some extent on this front. We have exclusive sources of suppliers connected to your company for the last more than three decades for supply of Agro raw materials, by way of long term contract arrangements.

The paper industry consumes a large amount of energy and water. Energy costs account for about 16-18 per cent of costs. Energy costs vary depending on the fuel used for generating power. The cost of power has increased as a result of inadequate supply and increase in tariff for industrial consumers. The prospect of availability of good quality fuel is diminishing. However, the company has got itself registered with Coal India Limited and has entered into a Fuel Supply Agreement and has been meeting part of its requirements in the co-generation plant through procurement of coal, thus mitigating the cost increase to some extent.

India's wood resources are limited; therefore, cost of wood is much higher in global comparison. In the absence of Government's enabling policies favoring industrial/production plantation, securing future wood supplies is Industry's biggest challenge.

To secure part of wood requirements, your company had developed a social Agro-forestry process by creation of a Nursery at the Mill to grow premium quality clonal plants which has been doing very well. At the Nursery, clonal varieties of fast growing hard wood trees are grown and distributed to farmers for them to plant the hard wood trees in the farmer's land and get the hardwood post the harvest, thereby, positively uplifting the Greening India mission of the Government. Also, this initiative has created major employment in the remote areas in close proximity to the mill thereby, helping rural development. We are also continuing our efforts for growing of plantations by touching base with the farming community and making them aware of the financial benefits attached to social farm forestry.

Cost of raw materials forms the largest cost component in the paper industry, accounting for about 40 per cent of the total cost. Hence, even a slight increase in raw material price distorts the cost structure of the mill.

The company continued its efforts in arriving at a proper raw material mix, cost reductions and product mix optimization. The Chemical Recovery plant, Co-generation plant and other cost reduction measures coupled with variety of distinctive products manufactured with better and improved operational efficiencies has significantly increased its cost competitiveness.

Your company has also framed a 'Risk Management Policy' to identify and assess the key risk areas, monitor and report compliance and effectiveness of the policy and procedure. A Risk Management Committee as per the regulatory requirements has also been constituted to oversee the risk management process in the Company.

**5. Outlook**

Paper plays a key role in the communication and as a packaging material. Demand for the paper is closely linked to the prevalent economy conditions. Paper industry continues to have reasonably bright prospect in India during next 5 years as the demand of paper and paper products grow in line with the GDP growth. Paper continues to enjoy a relatively healthy demand on account of (i) lifecycle of a paper product from manufacture to consumption and disposal is short, as paper is used more in the nature of a consumable and not as a durable (ii) Wide usage, right from an individual to a corporate entity and (iii) no real low cost substitutes for paper.

The Indian paper and paperboard industry has the potential and the capabilities to service the demand in domestic and international market; and also to create huge employment avenues in rural India through agro production and forestry. This will only strengthen if the competitiveness of the value chain is encouraged by the government.

While Writing &Printing paper does not face any major threat from substitutes, the increased preference for online storage and dissemination of data and information could marginally impact the demand growth. However, despite the higher level of technology being used in the corporate sector, there has been no perceptible decline in the paper demand.

Availability of adequate good quality agro raw materials at cost effective prices, higher capital outlay, high interest costs, long gestation period and stringent environment regulations are the major entry barriers for the Greenfield projects.

**6. Company's Financial Performance & Analysis**

During the year your Company has achieved the highest ever production of paper, which was 1,27,756 metric tonnes, as against 1,25,617 metric tonnes in the previous year. The quantitative figure for the sale of paper was 1,27,390 metric tonnes this year leaving 360 metric tonnes closing stock as against the sale of 1,26,087 metric tonnes in the previous year.

The company has continued to record a phenomenal performance in its working results. Higher sales realization, improved operational efficiencies, better productivity and product quality, higher volumes of premium quality paper products like copier and surface sized paper, and enriched product mix coupled with better operating parameters have contributed to the sales as well as profitability.

The company recorded a net sales turnover (net of GST) and including other income, at Rs. 80,230.95 lacs, up by 13.4%; operating profit at Rs. 16,439.44 lacs, up by 8.8%; Profit before Tax at Rs. 11,088.94 lacs, up by 3.5% compared to the previous year. Net profit after tax and other comprehensive income (expense) and is up by 7.0% and stands at Rs. 7,782.63 lacs.

The initiatives taken by your company in the recent years in improving productivity and operational efficiencies have led to achieving the above operational performance. The company has continued to take up projects in focused areas for operational improvement and this has also led to improved operational efficiencies, productivity, reduction in operational costs, and sizeable increase in savings, thereby improving the bottom-line.

The results of cost reduction initiatives and operational efficiencies will continue to be more visible in the current financial year 2019-20 as your company has continued these initiatives to optimize capacity utilization, cost reduction, new products, optimizing production of better margin products by further undertaking modification and up-gradation of the paper machines and other equipments for improving the product quality and operations.

These initiatives have made your company not only one of the most cost competitive paper mills, but is also placed amongst the large paper player in the writing and printing segment. Furthermore, continuous research & development have enabled the company to manufacture papers of distinctive prime quality and broader product mix, which is competing with the premium quality of other large paper mills.

## 7. Internal Control Systems

Your Company has established adequate internal control systems to provide reasonable assurance that the assets are safeguarded and transactions are properly authorized, recorded and correctly reported. During the year under review, your company has implemented SAP to further strengthen the control systems. It is a common practice to lay down a well thought business plan for each year. From the annual business plan, detailed budgets for revenue and capital for each quarter are determined. The actual performance is reviewed in comparison with the budget and deviations, if any, are addressed adequately. The internal control mechanism is well established. The internal control system is supplemented by regular management reviews and periodical reviews by an independent firm of chartered accountants, which evaluate the functioning and quality of internal controls and checks; and provide assurance of its adequacy and effectiveness. The scope of the internal audit covers a wide variety of operational methods and ensures compliance with specified standards with regard to availability and suitability of policies, practices and procedures, extent of adherence, reliability of management information system and authorization procedures including steps for safeguarding of assets. The Reports of internal audit are placed before Audit Committee for review. The audit committee reviews the adequacy of the internal control systems, audit findings and suggestions. The Company's Statutory Auditors regularly interact with the Audit Committee to share their findings and the status of further improvement actions under implementation.

## 8. Human Resources and Industrial Relations

Your company enjoys the support of a committed and well satisfied human capital. Human resources are invaluable assets of the company and the Company's endeavor has always been to retain the best professional and technical talent. The company lays great emphasis on proper management of human resources and skill development and believes that the human resource is the most important ingredient for achieving excellence in performance and for the sustainable growth of the business of the company. These practices enable the company to keep the attrition rate well below the industry average. The management has a process driven approach that invests in training and skill development needs of the employees on a regular basis through succession planning, on the job training and training workshops. Progress made by the company has been possible in no small measures by efforts of the entire team.

Industrial relations were harmonious. Safety welfare and training at all levels of our employees continues to be the areas of major focus for the Company as recognised by the awards bestowed on the company by independent agencies.

## 9. Cautionary Statement

*Statements in this “Management's Discussions and Analysis” are describing the Company's “forward looking statements” within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, raw material availability and prices, cyclical demand, changes in Government regulations, environmental laws, tax regimes, economic developments within India and abroad and other factors such as litigation, industrial relations and other unforeseen events. The Company assumes no responsibility in respect of forward looking statements made herein which may undergo changes in future on the basis of subsequent developments, information or events.*

# REPORT ON CORPORATE GOVERNANCE

## 1. Company's philosophy on Corporate Governance

The principles of Corporate Governance and the Code of Business Conduct & Ethics are the cornerstones of your Company. Your Company has consistently striven to implement best corporate governance practices reflecting its strong value system and ethical business conduct. The Company's philosophy on Corporate Governance envisages attainment of highest level of transparency, accountability and integrity and highest applicable legal and ethical standards in the functioning of the Company with a view to create value that can be sustained continuously for the benefit of its stakeholders and ensuring highest standards of product quality and services to the consumers. All employees are bound by a Code of Conduct that sets forth Company's policies on important issues including our relationship with consumers, shareholders and Government.

## 2. Board of Directors

The Board of Directors consisted of 8 directors, as on 31.03.2019. Shri Darshan Chand Mehandru (DIN: 00308524), Independent Director of the Company ceased to be the director of the Company on 31st March, 2019 upon attaining the age of seventy five years pursuant to Regulation 17 (1A) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Sh. Bhavdeep Sardana was appointed as Independent Director of the Company w.e.f 20.12.2018, for a period of five years. The Board is now comprised of a Chairman, a Managing Director and five non-Executive Directors. Out of five, four non-Executive Directors were independent directors as on 31.03.2019. The Board has a healthy blend of executive and non-executive directors which ensures the desired level of independence in functioning and decision making. All the independent directors are eminent professionals and bring in wealth of expertise and experience for advising the management of the Company.

### (a) Composition of the Board

| Name of Director | Relationship with other Directors | Category | No. of Board Meetings Attended during 2018-19 | | Whether attended the last AGM | No. of directorships in other public limited companies | No of Committee positions held in other Companies | |
|---|---|---|---|---|---|---|---|---|
| | | | Held | Attended | | | Chairman | Member |
| Sh. Jagesh Kumar Khaitan, Chairman | Father of Sh . Pavan Khaitan & brother of Sh. Umesh K Khaitan | Promoter, Executive | 6 | 6 | Yes | 2 | - | 3 |
| Sh. D.C. Mehandru* | - | Independent, Non-Executive | 6 | 6 | Yes | 1 | 2 | 1 |
| Sh. Yashovardhan Saboo | - | Independent, Non-Executive | 6 | 3 | No | 5 | 2 | 4 |
| Sh. D.S. Sandhawalia | - | Non-Independent, Non-Executive | 6 | 6 | Yes | - | - | - |
| Sh. Vivek Bihani | - | Independent, Non-Executive | 6 | 3 | Yes | - | - | - |
| Ms. Shireen Sethi | - | Independent, Non-Executive | 6 | 3 | yes | - | - | - |
| Sh. Pavan Khaitan, Managing Director | Son of Sh. Jagesh Kumar Khaitan | Promoter, Executive | 6 | 6 | Yes | 1 | - | - |
| Sh. Bhavdeep Sardana** | - | Independent, Non-Executive | 6 | 1 | No | 1 | - | - |
| Sh. Umesh Kumar Khaitan*** | Brother of Sh. Jagesh Kumar Khaitan | Non-Independent, Non-Executive | 6 | 0 | No | - | - | - |

* Ceased on 31.03.2019 as Independent Director.
** Appointed w.e.f 20.12.2018 as Independent Director.
*** Ceased on 09.08.2018 as Non-Independent Director.

**(b)** The shareholding of non-executive Directors of the company as on 31.03.2019 is as under:

| Name of the Director | No. of shares |
|---|---|
| Shri D.C. Mehandru | Nil |
| Shri Yashovardhan Saboo | Nil |
| Shri D.S. Sandhawalia | Nil |
| Shri Vivek Bihani | Nil |
| Ms. Shireen Sethi | Nil |
| Shri Bhavdeep Sardana | Nil |

**(c)** Details of familiarization programmes imparted to independent directors are available at the website of the Company at http://www.kuantumpapers.com/invester.html.

**(d)** During the financial year 2018-19, Six (6) Board Meetings were held on 25 May 2018, 10 August 2018, 6 October 2018, 14 November 2018, 20 December 2018 and 12 February 2019. The maximum interval between any two meetings was not more than 120 days.

**(e)** **Information supplied to the Board**

Information regularly provided to the Board inter-alia include:

- Annual operating plans, budgets & updates;
- Production, sales & financial performance data;
- Expansion/capital expenditure plans & updates;
- Business-wise operational review;
- Quarterly financial results with segment-wise information;
- Minutes of the meetings of the Audit and other committees as well as circular resolutions passed;
- The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary;
- Staff matters, including senior appointments and significant developments relating to labour relations and human resource relations;
- Materially important legal proceedings by or against the Company including Show cause, demand, prosecution notices and penalty notices which are materially important;
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company;
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc;
- Share transfer and dematerialization compliances;
- Fatal or serious accidents or dangerous occurrences and materially significant effluents or pollution problems;
- Materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company;
- Non-compliances of any regulatory or statutory provision or listing requirement on non-payment of dividend or delay in share transfers;
- Insider trading related disclosure procedures and such other matters;
- Details of any joint-venture or collaboration agreement;
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property;
- Sale of material nature of investments, subsidiaries, assets which is not in the normal course of business;

- Details of foreign exchange exposure and the steps taken by the management to limit the risk of adverse exchange rate movement;

  To approve various policies, codes and committees pursuant to the Companies Act, 2013, the relevant rules, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and other Regulations and requirements of other regulatory bodies, if any.
- Quarterly, Half Yearly and Annual Compliance Report on Corporate Governance and Quarterly Report on Investor Grievances pursuant to the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**(f) Materially significant related party transactions**

There have been no materially significant related party transactions, pecuniary transactions or relationship between the Company and its directors during the year 2018-19 that may have potential conflict with the interests of the Company.

The Company has made Policy on Related Party Transactions and strict compliance of the same is made by the Company and its professionals.

**(g) Details of remuneration paid to the directors during the financial year 2018-19**

| Name of Director | Salary*/ Fee** | Perks+ contribution to PF/other Funds | Commission | Sitting Fee | Total |
|---|---|---|---|---|---|
| Sh. Jagesh Kumar Khaitan | 1,16,16,000* | 10,54,708 | 44,57,892 | - | 1,71,28,600 |
| Sh. Pavan Khaitan | 1,72,80,000* | 13,97,451 | 66,31,575 | - | 2,53,09,026 |
| Sh. D.C. Mehandru | - | - | - | 3,50,000 | 3,50,000 |
| Sh. Yashovardhan Saboo | - | - | - | 2,00,000 | 2,00,000 |
| Sh. D.S. Sandhawalia | 52,50,000** | | | 3,00,000 | 55,50,000 |
| Sh. Vivek Bihani | - | - | - | 1,25,000 | 1,25,000 |
| Ms. Shireen Sethi | - | - | - | 2,00,000 | 2,00,000 |
| Sh. Bhavdeep Sardana | - | - | - | 25,000 | 25,000 |

**Represents professional fee excluding taxes

**3. Committees of the Board**

**(a) Audit Committee**

The constitution and terms of reference of the Audit Committee conforms to the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013. The following functions are performed by the Audit Committee:

- Oversight of the company's financial reporting process and the disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommending the appointment /removal of external auditors, fixing audit fees and approving payments for any other service;
- Reviewing with management the annual financial statements and Auditor's Report thereon before submission to the Board with particular reference to:

a. Matters required to be included in the Director's Responsibility Statement which forms part of the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
b. Changes, if any, in accounting policies and practices and reasons for the same
c. Major accounting entries involving estimates based on the exercise of judgment by management
d. Significant adjustments made in the financial statements arising out of audit findings
e. Compliance with listing and other legal requirements relating to financial statements
f. Disclosure of any related party transactions
g. Qualifications in the draft audit report

- Reviewing with the management Quarterly/Half-yearly and other financial statements before submission to the Board for approval;
- Reviewing with the management, external and internal auditor, the adequacy of internal control systems and recommending improvements to the management;
- Reviewing the adequacy of internal audit function;
- Discussing with internal auditors of any significant findings and follow-up thereon;
- Reviewing the findings of any internal investigation by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of the internal control systems of a material nature and reporting the matter to the Board;
- the recommendation for appointment, remuneration and terms of appointment of auditors of the Company and approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Discussing with the external auditors before the audit commences on the nature and scope of audit as well as have post-audit discussions to ascertain any area of concern and review and monitor the Auditor's independence and performance, and effectiveness of audit process;
- Reviewing the Company's financial and risk management policies;
- To review the functioning of the Whistle Blower Mechanism;
- Initiating investigations into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any;
- Recommending the appointment of cost auditors, fixing cost audit fee and reviewing the cost audit report;
- To recommend various policies, codes and committees pursuant to the Companies Act, 2013, the relevant rules, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and other Regulations and requirements of other regulatory bodies, if any, wherever required;
- Approval or any subsequent modification of transactions of the company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the company, wherever it is necessary;
- Monitoring the end use of funds raised through public offers and related matters.
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- Carrying out any other function as mentioned in the terms of reference of the Audit Committee

The Company continues to derive immense benefit from the deliberations of the Audit Committee. As on 31 March 2019, the committee comprised of the following six directors of the Company – four non-executives & independent and two executive & non-independent. During the financial year 2018-19, Audit Committee met 4 times i.e. 25 May 2018, 10 August, 2018, 14 November 2018 and 12 February 2019 and the attendance of the Directors on the above meetings was as follows:

| Director | Position | Category | No. of meetings held | No. of meetings attended |
|---|---|---|---|---|
| Shri D.C. Mehandru* | Chairman | Independent, Non-Executive Director | 4 | 4 |
| Shri Jagesh Kumar Khaitan | Member | Non-Independent Executive Director | 4 | 4 |
| Shri Yashovardhan Saboo | Member | Independent, Non-Executive Director | 4 | 2 |
| Shri Vivek Bihani | Member | Independent, Non-Executive Director | 4 | 2 |
| Ms. Shireen Sethi | Member | Independent, Non-Executive Director | 4 | 3 |
| Shri Pavan Khaitan | Member | Non-Independent, Executive Director | 4 | 4 |

* Ceased as audit committee member on 31.03.2019

President (Finance) & CFO regularly attends the meetings. Other senior executives, when required, are invited in the meetings. Statutory auditors, cost auditors and internal auditors are also invited to the meetings.

The Company Secretary acts as Secretary of the committee.

All the members of the Audit Committee, except Shri Yashovardhan Saboo were present at the last AGM held on 10th August, 2018.

**(b) Nomination and Remuneration Committee**

The Nomination, Remuneration and Evaluation Policy has also been framed by the Company in compliance with Section 178 of the Companies Act, 2013 read with rules framed thereto and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The primary objective of the Policy is to provide a framework and set standards for nomination, remuneration and evaluation of the Directors, Key Managerial Personnel and officials comprising the Senior Management. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management.

The Nomination and Remuneration Committee has laid down the criteria for performance evaluation of the individual Directors as well as the Board. The framework of performance evaluation of the Independent Directors captures the following points:

a) Key Attributes of the Independent Directors that justify his/her extension/continuation on the Board of the Company;

b) Participation of the Directors in the Board proceedings and their effectiveness.

The Board adopted a formal mechanism for evaluating its performance as well as of its Committees and individual Directors including the Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board and Committees, experience and competencies, performance of specific duties and obligation, governance issues, participation and effectiveness etc.

**Terms of Reference of the Nomination and Remuneration Committee**

- Identification of persons qualified to be the directors and in senior management in accordance with the criteria laid down.
- Recommend to the Board appointment and removal of the directors.
- Evaluation of every director's performance.
- Formulation of criteria for determining qualifications, positive attributes and independence of a director.

- Recommendation of Remuneration policy for the directors, KMPs and other employees in the senior management as mentioned herein above.
- Other Terms of Reference/scope of Nomination and Remuneration Committee shall be as notified by the appropriate authority from time to time or as directed/advised by the Board of Directors of the Company from time to time.

As on 31 March 2019, the committee comprised of the following three directors of the Company. Remuneration Committee met thrice i.e. 25 May 2018, 20 December 2018 and 12 February 2019. The attendance of the Directors on the above meetings was as follows:

| Director | Position | Category | No. of meetings held | No. of meetings attended |
|---|---|---|---|---|
| Shri Yashovardhan Saboo | Chairman | Independent, Non-Executive Director | 3 | 2 |
| Shri D.C. Mehandru* | Member | Independent, Non-Executive Director | 3 | 3 |
| Shri D.S. Sandhawalia | Member | Non-Independent, Non-Executive Director | 3 | 3 |

* Ceased as Nomination & Remuneration Committee member on 31.03.2019

The Committee carries out evaluation of performance of Directors yearly or at such intervals as may be considered necessary pursuant to Nomination, Remuneration and Evaluation Policy of the Company.

**(c) Stakeholders Relationship Committee**

Pursuant to Regulation 20 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the company has constituted Stakeholder Relationship Committee for speedy disposal of all grievances/complaints relating to shareholders/investors. The Committee specifically looks into redressal of investors' complaints and requests such as transfer of shares, non-receipt of annual report, non-receipt of declared dividend etc. In addition, the Committee advises on matters which can facilitate better investor services/relations.

Besides above the Committee also takes note of quarterly reconciliation of Share Capital Audit pursuant to Regulation 55(A) of SEBI (Depositories and Participants) Regulation, 1996 as well as half yearly Certificates pursuant to Regulation 40(9) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 issued by the practicing Company Secretary. Also, the committee takes note of the dividend as well as shares transferred to Investor Education and Protection Fund (IEPF) Authority pursuant to the provisions of Companies Act, 2013 and the Rules notified thereunder.

As on 31 March 2019, the committee comprised of the following three directors of the Company. During the financial year 2018-19, the Committee met once on 12 February 2019 and the attendance of the Directors on the above meeting was as follows:

| Director | Position | Category | No. of meetings held | No. of meetings attended |
|---|---|---|---|---|
| Shri D.S. Sandhawalia | Chairman | Non-Independent, Non-Executive Director | 1 | 1 |
| Shri Jagesh Kumar Khaitan | Member | Non- Independent, Executive Director | 1 | 1 |
| Ms. Shireen Sethi | Member | Independent, Non-Executive Director | 1 | - |

Shri Vivek Trehan, Company Secretary is the Compliance Officer of the Company.

During the year, the Company received 3 complaints which were replied/resolved to the satisfaction of the investors. As on 31 March, 2019, no complaints and/or requests for dematerialization were pending. All valid requests for share transfers received during the year 2018-19 have been acted upon by the Company and no transfer was pending.

**(d) Risk Management Committee**

Pursuant to Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the company has framed a 'Risk Management Policy' to identify and assess the key risk areas, monitor and report compliance and effectiveness of the policy and procedure. A Risk Management Committee under the chairmanship of Shri Pavan Khaitan, Managing Director, has also been constituted to oversee the risk management process in the Company. The other members of the Committee are Shri D.S. Sandhawalia and Shri Roshan Garg.

The Objectives of the Committee are as under:

**Strategic:**

- Organizational Growth.
- Sustenance and Growth of Strong relationships with dealers/customers.
- Expanding company's presence in existing markets and penetrating new geographic markets.
- Continuing to enhance industry expertise.
- Enhance capabilities through technology alliances and acquisitions.

**Operations:**

- Consistent Revenue growth.
- Consistent profitability.
- High quality production.
- Further develop Culture of Innovation.
- Review of Forex currency exposure and hedging thereof.

**Reporting:**

- Maintain high standards of Corporate Governance and public disclosure.

**Compliance:**

- Ensure stricter adherence to policies, procedures and laws/ rules/ regulations/ standards.

The quorum for the meeting shall be either two members or 1/3rd of the members of Committee whichever is greater. The Committee may meet for dispatch of its business at such frequency as it may think fit having regard to the volume of work:

**(e) Corporate Social Responsibility Committee**

Pursuant to the provisions of Section 135 of the Companies Act, 2013 read with the rules made thereunder, the Board of Directors have constituted a Corporate Social Responsibility Committee comprising of the following Directors. During the financial year 2018-2019, the Committee met twice on 25 May 2018 and 12 February 2019 and the attendance of the Directors on the above meeting was as follows:

| Director | Position | Category | No. of meetings held | No. of meetings attended |
|---|---|---|---|---|
| Shri Pavan Khaitan | Chairman | Non- Independent, Executive Director | 2 | 2 |
| Shri D.S. Sandhwalia | Member | Non-Independent Non-Executive Director | 2 | 2 |
| Ms. Shireen Sethi | Member | Independent, Non-Executive Director | 2 | 1 |

The Company covers the activities under Corporate Social Responsibility as mentioned in Section 135 the Companies Act, 2013 read with Schedule VII of the Companies Act, 2013 as well as Companies (Corporate Social Responsibility Policy) Rules, 2014. The quorum for the meeting is either two directors or 1/3rd of the members of Committee whichever is greater. The Committee may meet for dispatch of its business at such frequency as it may think fit having regard to the volume of work.

**4. General Body Meetings**

The last three Annual General Meetings of the Company were as under:

| Financial Year | Date | Time | Place |
|---|---|---|---|
| 2015-16 | 14.09.2016 | 11.30 A.M. | Regd. Office - Paper Mill, Saila Khurd-144 529, Distt. Hoshiarpur, Punjab |
| 2016-17 | 15.09.2017 | 11.30 A.M. | Regd. Office - Paper Mill, Saila Khurd-144 529, Distt. Hoshiarpur, Punjab |
| 2017-18 | 10.08.2018 | 11.30 A.M. | Regd. Office - Paper Mill, Saila Khurd-144 529, Distt. Hoshiarpur, Punjab |

**Special Resolutions passed in the previous three AGMs**

| Financial Year | AGM Dated | Details of the Special Resolutions Passed |
|---|---|---|
| 2015-16 | 14.09.2016 | To accept Deposits u/s 73 and 76 of the Companies Act, 2013 |
| 2016-17 | 15.09.2017 | To accept Deposits u/s 73 and 76 of the Companies Act, 2013 |
| 2017-18 | 10.08.2018 | To amend articles of the association of the company. |

**An Extraordinary General Meeting was held on 03.11.2018 and the following Special Resolutions were passed in the meeting:**

| Details of the Special Resolutions Passed | |
|---|---|
| 1. | Issue of securities pursuant to the Sections 23, 41, 42, 62, 71 of the Companies Act, 2013 |
| 2. | Increase in the borrowing limits pursuant to section 180(1)(c) of the Companies Act, 2013 |
| 3. | Authority under Section 180(1)(a) of the Companies Act, 2013 to sell, lease or otherwise dispose of, to mortgage/create charges on the properties of the Company. |

**5. Postal Ballot**

There was no Postal Ballot in the year, pursuant to Section 110 of the Companies Act, 2013 read with relevant Rules.

**6. Disclosures**

(i) There were no transactions of material nature with the directors or the management or their subsidiaries or relatives or any related party etc. during the year that had potential conflict with the interests of the Company at large.

(ii) The financial statements have been prepared in compliance with the requirements of the Companies Act, 2013 and in conformity, in all material respects, with the generally accepted accounting principles and standards in India. The estimates/judgements made in preparation of these financial statements are consistent, reasonable and on prudent basis so as to reflect true and fair view of the state of affairs and results/operations of the Company.

(iii) The Company has well-defined Risk Management Policies for its business, which are periodically reviewed to ensure that the executive management controls risk by means of a properly defined framework.

(iv) The Company has not raised any funds from the capital market (public/rights/preferential issues etc.) during the financial year under review.

During the year, the Company has issued 300 unlisted Secured Non-Convertible Redeemable Debentures at a face value of Rs. 10,00,000/- (Rupees ten lakhs only) each aggregating to Rs. 30,00,00,000/- (Rupees Thirty crores only) to UTI Structured Debt Opportunities Fund on 20th December 2018 after obtaining the necessary approval of shareholders in their meeting held on 03.11.2018.

(v) There was no instance of non-compliance of any matter relating to the capital markets by the Company. No penalties or strictures have been imposed on the company by the stock exchange, SEBI or any other statutory Authorities on any matter relating to the capital market since the listing of the Company.

(vi) The Company is complying with all mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(vii) The Company has established a vigil mechanism for directors and employees to report genuine concerns and has a well-defined Whistle Blower Policy and it is affirmed that no personnel has been denied access to the audit committee.

(viii) Web link for the policy on dealing with related party transactions- http://www.kuantumpapers.com/invester.html.

(ix) In compliance with the terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the number of equity shares lying unclaimed in the 'Unclaimed Suspense Account' as on 31.03.2019 is 3926. The information as required in pursuance of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is given below:

| | |
|---|---|
| Aggregate no. of shareholders as on 1.04.2018 | 126 |
| Outstanding shares as on 1.04.2018 | 4815 |
| No. of shareholders transferred to IEPF | 32 |
| Shares transferred to IEPF | 836 |
| No. of shareholders requested to transfer shares from Suspense A/c | 1 |
| No. of shares transferred from Suspense A/c | 53 |
| Shareholders in Suspense A/c as on 31.03.2019 | 93 |
| Shares in Suspense A/c as on 31.03.2019 | 3926 |

(x) During the year under review, the Company has credited Rs. 2,01,477/- (pertaining to the year 2010-11) to the Investor Education and Protection Fund (IEPF) pursuant to the relevant provisions of the Companies Act, 2013 read with Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001 and modifications thereof.

Pursuant to Section 124(6) of Companies Act, 2013 and the Rules notified thereunder, the shares of those shareholders whose dividend was unclaimed/unpaid for seven years, have been transferred to the demat account of the Investor Education and Protection Fund Authority (IEPF) as per particulars mentioned below:

| Year | No. of Shares | Nominal value of shares |
|---|---|---|
| 2010-11 | 10678 | 106780 |

The Company has also uploaded details of such shareholders on its website www.kuantumpapers.com

(xi) The Company does not have a Subsidiary and hence policy for determining material subsidiaries is not applicable.

(xii) The company has complied with all the requirements of corporate Governance Report pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(xiii) The Company has not adopted discretionary requirements as specified in Part E of Schedule II in terms of Regulation 27(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(xiv) The Company has complied with all the Corporate Governance requirements specified in regulation 17 to 27 and clause (b) to (i) of sub-regulation (2) of regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

**7. Means of Communications**

The Quarterly, Half Yearly and Annual Financial Results are communicated to the stock exchange i.e. BSE, where the Company's shares are listed as soon as they are approved and taken on record by the Board of Directors of the Company. Further, the Quarterly and Half Yearly results are published in leading newspapers such as Economics Times (English) and Desh Sewak (Punjabi). The results are not sent individually to the shareholders. The financial results are being regularly displayed on the web-site of the Company at www.kuantumpapers.com

The investors can register their grievances at Company's e-mail id i.e. kuantumcorp@kuantumpapers.com

The Management Discussion and Analysis Report Forms part of the Directors' Report.

**8. Code of Conduct**

The Board of Directors of the Company have adopted Code of Business Conduct & Ethics. This Code is based on three fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary conduct and is applicable to all the Directors and senior management personnel. The Code of Business Conduct & Ethics, as approved by the Board of Directors, is displayed at the website of the Company at www.kuantumpapers.com.

All the members of the Board and senior management personnel have affirmed compliance with the Code for the year ended 31 March 2019 and a declaration to that effect signed by the Chairman & Managing Director is attached and forms part of this report.

**9. Code of Conduct for prevention of Insider Trading**

The Company has adopted a Code of Conduct for prevention of Insider Trading in the shares and securities of the Company pursuant to the SEBI (Prohibition of Insider Trading) Regulations, 2015 read with the amendments inserted vide notification dated 31.12.2018. This Code, interalia, prohibits purchase/sale/trading of shares of the Company by Directors, Employees and other connected persons while in possession of unpublished price sensitive information in relation to the Company. The said code is available on the Company's website at www.kuantumpapers.com.

**10. CEO and CFO Certification**

The Certificate required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 duly signed by CEO and CFO was placed before the Board and the same is annexed to this report.

**11. Practicing Company Secretary's Certificate on Corporate Governance**

A certificate has been obtained from the Practicing Company Secretary of the Company regarding compliance with the provisions relating to Corporate Governance laid down in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the stock exchanges. The same is annexed to this report.

**Declaration regarding compliance of Code of Conduct**

I, Pavan Khaitan, Chief Executive Officer of Kuantum Papers Ltd, hereby declare that all the Board Members and senior management personnel of the Company have affirmed compliance of the Code of Conduct for the year ended 31 March 2019.

Place : Chandigarh
Date : 29 May 2019

**Pavan Khaitan**
**Chief Executive Officer**

## GENERAL SHAREHOLDERS INFORMATION

- **Annual General Meeting**

| | |
|---|---|
| Date | 13 August, 2019 |
| Time | 11.30 AM |
| Venue | Kuantum Papers Ltd., Paper Mill, Saila Khurd-144 529, Distt. Hoshiarpur, Punjab |

- **Financial Year : April 01 to March 31**
- **Financial Calendar 2019-20 (Tentative)**

**Board Meetings to take on record**

| | |
|---|---|
| Financial Results for Quarter ended 30.06.2019 | Second week of August, 2019 |
| Financial Results for Quarter ended 30.09.2019 | Second week of November, 2019 |
| Financial Results for Quarter ended 31.12.2019 | Second week of February, 2020 |
| Financial Results for Year / Quarter ended 31.03.2020 | 2nd / 3rd week of May, 2020 |
| Book Closure Date | 7 August 2019 to 13 August 2019 (both days inclusive) |

- **Dividend Payable Date**

The Board has recommended a dividend @ Rs. 5/- per share on the Equity Shares of Rs. 10/- each and @ Rs. 1.00 per share on the Preference Shares of Rs. 10/- each for declaration at the 22nd Annual General Meeting. Dividend will be paid on or after the date of Annual General Meeting but before the statutory time limit of 30 days from the date of declaration.

- **Listing**

| Name & address of stock exchanges |
|---|
| BSE Limited,<br>Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 |

The Company has already paid annual listing fee for the year 2019-20 to BSE Ltd.

- **Stock Code**
  - Bombay Stock Exchange : 532937
  - Demat ISIN in NSDL and CDSL for equity Shares : INE 529I01013

- **Market Price Data**

The monthly high/low quotation of the equity shares traded at BSE Limited and BSE Sensex during the financial year 2018-19 are given below.

| Month | Company's Share Price (Rs.) | | BSE Sensex | |
|---|---|---|---|---|
| | High | Low | High | Low |
| April 2018 | 800.00 | 706.00 | 35213.30 | 32972.56 |
| May 2018 | 776.90 | 632.30 | 35993.53 | 34302.89 |
| June 2018 | 694.95 | 504.00 | 35877.41 | 34784.68 |
| July 2018 | 693.95 | 546.05 | 37644.59 | 35106.57 |
| August 2018 | 821.90 | 640.15 | 38989.65 | 37128.99 |
| September 2018 | 762.20 | 577.00 | 38934.35 | 35985.63 |
| October 2018 | 649.95 | 550.30 | 36616.64 | 33291.58 |
| November 2018 | 654.90 | 546.05 | 36389.22 | 34303.38 |
| December 2018 | 573.50 | 467.00 | 36554.99 | 34426.29 |
| January 2019 | 521.95 | 376.65 | 36701.03 | 35375.51 |
| February 2019 | 483.00 | 381.00 | 37172.18 | 35287.16 |
| March 2019 | 580.00 | 456.00 | 38748.54 | 35926.94 |

- **Share Transfer Agent and Demat Registrar**

M/s MAS Services Ltd., New Delhi are the Registrar & Share Transfer Agent for handling both physical share registry and demat share registry work having their office at:

**M/s MAS Services Ltd.**
T-34, 2nd Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020
Ph:- 011-26387281/82/83, Fax:- 011-26387384
email:- info@masserv.com, website : www.masserv.com

- **Share Transfer System**

The transfer of physical shares is normally processed within a period of 15 days from the date of receipt if the documents are complete in all respects. The transfers, transmissions etc. of the Company's securities are looked after by the Registrar & Share Transfer Agent of the Company, M/s MAS Services Ltd. under the supervision and control of Company Secretary. The details of shares transferred/transmitted alongwith Shares transfer/transmission registers are placed before the 'Securities Transaction Committee' for approval. Compliance certificate pursuant to Regulation 40(9) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 certifying the compliance of share transfer/transmission formalities is being obtained from a practicing Company Secretary on half yearly basis and is filed with the stock exchange. Requests for dematerialization of shares are processed and the confirmation is given by the Registrar & Share Transfer Agent to the respective depositories within the prescribed time limit. Compliance certificate pursuant to Regulation 7 (3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, jointly signed by the Company Secretary/Compliance Officer and the Registrar & Share Transfer Agent is also filed with the stock exchange on half yearly basis.

- **Distribution of Equity Shareholding**

**(a) Shareholding Pattern as on 31 March 2019**

| Sl. No. | Description | No. of equity shares held | Shareholding % |
|---|---|---|---|
| 1. | Promoters | | |
| | • Individuals | 3,31,281 | 3.80 |
| | • Bodies Corporate | 58,03,788 | 66.51 |
| 2. | Institutional Investors | | |
| | • Mutual Funds/UTI | 250 | 0.00 |
| | • Banks/Financial Institutions | 300 | 0.00 |
| | • Insurance Companies | - | - |
| | • FIIs | - | - |
| 3. | Others | | |
| | • Private Bodies Corporate | 14,48,623 | 16.61 |
| | • Indian Public | 11,18,270 | 12.81 |
| | • NRIs/OBCs | 23,851 | 0.27 |
| | **Total** | **87,26,363** | **100.00%** |

**(b) Distribution of shareholding as on 31 March 2019**

| Shareholding of Nominal Value of Rs. | No. of shareholders | %age of shareholders | No. of shares | %age of holding |
|---|---|---|---|---|
| 1 to 5,000 | 9,067 | 97.12 | 3,76,813 | 4.32 |
| 5,001 to 10,000 | 138 | 1.48 | 1,05,371 | 1.20 |
| 10,001 to 20,000 | 56 | 0.60 | 81,059 | 0.93 |
| 20,001 to 30,000 | 23 | 0.25 | 55,661 | 0.64 |
| 30,001 to 40,000 | 12 | 0.13 | 42,986 | 0.49 |
| 40,001 to 50,000 | 6 | 0.06 | 28,322 | 0.33 |
| 50,001 to 1,00,000 | 15 | 0.16 | 1,04,503 | 1.20 |
| 1,00,001 and above | 19 | 0.20 | 79,31,648 | 90.89 |
| **Total** | **9,336** | **100.00** | **87,26,363** | **100.00** |

- **De-materialization of Shares**

  The Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) and National Securities Depository Ltd. (NSDL) to offer depository Services to the shareholders. As on March 31, 2019, approximately 98.62 % of the shares of the Company have been dematerialized.

- **Reconciliation of Share Capital Audit**

  A practicing Company Secretary carried out a Reconciliation of Share Capital Audit, quarterly, to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. The Reconciliation of Share Capital Audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL. Pursuant to Regulation 55A of the SEBI (Depositories and Participants) Regulation 1996, the Reconciliation of Share Capital Audit obtained from a Practising Company Secretary is filed with the stock exchange on quarterly basis.

**Outstanding GDRs/ADRs/Warrants etc.**

Not applicable

- **Plant Location**

  Paper Mill, Saila Khurd 144529
  Distt: Hoshiarpur, Punjab

- **Address for correspondence**

(a) **Registered Office:**
Paper Mill, Saila Khurd 144529
Distt. Hoshiarpur, Punjab

(b) **Registrar & Share Transfer Agent**
**M/s MAS Services Ltd.**
T-34, 2nd Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020
Ph:- 011-26387281/82/83, Fax:- 011-26387384
email:- info@masserv.com, website : www.masserv.com

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## PRACTICING COMPANY SECRETARY'S CERTIFICATE

**To the Members of Kuantum Papers Ltd**

I have examined the compliance of the conditions of Corporate Governance by Kuantum Papers Limited for the year ended 31stMarch, 2019, as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations & Disclosures Requirements) Regulations, 2015 ("Listing Regulations") as referred to in Regulation 15(2) of the Listing Regulations(including any statutory modification(s) or enactment thereof for the time being in force).

The Compliance of conditions of Corporate Governance is the responsibility of the Management. My examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring the compliance of conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations, as applicable.

I, further state that compliance is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

For **S.K. SIKKA & ASSOCIATES**
Company Secretaries

**SUSHIL K SIKKA**
Prop.
FCS 4241
CP 3582

Place : Chandigarh
Date : 29 May 2019

## CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION PURSUANT TO SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

The Board of Directors
Kuantum Papers Ltd
Saila Khurd, Distt. Hoshiarpur
Punjab

Re: **Financial Statements for the year 2018-19 – Certification by CEO and CFO**

We, Pavan Khaitan, Managing Director & CEO and Roshan Garg, President-Finance & CFO, of Kuantum Papers Ltd., on the basis of the review of the financial statements and the cash flow statement for the financial year ended 31 March 2019 and to the best of our knowledge and belief, hereby certify that:-

1. These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading;
2. These statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations;
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct;
4. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting.
5. We further certify that:-
   (a) There have been no significant changes in internal controls during the year;
   (b) There have been no significant changes in accounting policies during the year;
   (c) There have been no instances of significant fraud of which we have become aware and the involvement therein, of the management or an employee having a significant role in the Company's internal control systems.

| | |
|---|---|
| **Roshan Garg** | **Pavan Khaitan** |
| President-Finance & CFO | Managing Director & CEO |

Place : Chandigarh
Dated : 29 May 2019

# INDEPENDENT AUDITOR'S REPORT

**To the Members of Kuantum Papers Limited**

**Report on the Audit of the Financial Statements**

1. **Qualified Opinion**

We have audited the financial statements of Kuantum Papers Limited (“the Company”),which comprise the balance sheet as at 31 March 2019,the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the aforesaid financial statements give the information required by the Companies Act, 2013 (“Act”) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

2. **Basis for Qualified Opinion**

Attention is invited to Note 6 and Note 43 to the financial statements which explains that the Company has given certain unsecured inter-corporate deposits (ICDs) during the year. The outstanding balance of ICDs as at 31 March 2019 amounted to Rs.1,842.80 lakhs (balance as at 29 May 2019 : Rs. 1,479.87 lakhs). In relation to these ICDs, we have not been provided with appropriate basis of selection of the Companies, including an assessment of their credit worthiness. In view of this, we are unable to comment on recoverability of these ICDs and impact, if any on these financial statements including compliance with provisions of Companies Act, 2013, to the extent applicable.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

3. **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

**Description of Key Audit Matter**

**(1) Procurement of raw materials and valuation of inventories**

**See note 10 and 27 to the financial statements**

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| We identified procurement of raw materials and valuation of inventories as a key audit matter because of the significance of the costs incurred during the year, related inventories as at the reporting date and the significant degree of management judgment involved in verification and valuation thereof. | • Evaluated the design and operating effectiveness of internal controls relating to procurement and inventory. We carried out a combination of procedures involving inquiry and observation, re-performance and inspection of evidence in respect of operation of these controls.<br>• We performed substantive testing by selecting samples of purchase transactions recorded during the year by verifying the underlying documents, i.e. supplier invoices, goods receipt notes etc.<br>• Observed inventory verification on a sample basis. |

| | |
|---|---|
| | • Re-computed the closing rate of sample items of inventories to check whether the same are in line with the accounting policy of the Company.<br>• Obtained an understanding of the underlying data and estimates used for calculation of the yield ratio and compared the same with the previous years.<br>• We performed cut-off testing for samples of purchase transactions recorded before and after the financial year end date by comparing with relevant underlying documentation, which included supplier invoices, goods receipt notes etc. to assess whether the purchases were recognized in the correct period.<br>• We assessed manual journals posted to purchases to identify unusual items. |

**(2) Revenue recognition as per Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard) See note 2(b) and 2(k) to the financial statements**

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The application of the new revenue accounting standard involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognized over a period.<br>Revenue from sale of goods is recognised when control of the products being sold is transferred to the customer and when there are no longer any unfulfilled obligations. The performance obligations in the contracts are fulfilled at the time of dispatch.<br>Revenue is measured at fair value of the consideration received or receivable, after deduction of any trade discounts or and any taxes or duties collected on behalf of the government such as goods and services tax, etc. Accumulated experience is used to estimate the provision for discounts and rebates. Revenue is only recognised to the extent that it is highly probable a significant reversal will not occur.<br>There is a risk of revenue being overstated due to fraud, including through manipulation of rebates and discounts, resulting from pressure the management may feel to achieve performance targets at the reporting period end. | In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:<br>• We assessed the appropriateness of the revenue recognition accounting policies, including those relating to rebates and discounts by comparing with applicable accounting standard.<br>• Evaluated the design of internal controls relating to implementation of the new revenue accounting standard, calculation of discounts and rebates. In addition, tested material contracts on samples basis in respect of revenue recorded and evaluated the operating effectiveness of the internal control relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving inquiry and observation, re-performance and inspection of evidence in respect of operation of these controls.<br>• Selected a sample of continuing and new contracts and read the distinct performance obligations in these contracts assessing the Company's revenue recognition policies with reference to the requirements of the applicable accounting standard.<br>• We performed substantive testing by selecting samples of revenue transactions recorded during the year by verifying the underlying documents, which included goods dispatch notes.<br>• We performed cut-off testing for samples of revenue transactions recorded before and after the financial year end date by comparing with relevant underlying documentation, which included goods dispatch notes to assess whether the revenue was recognized in the correct period.<br>• We assessed manual journals posted to revenue to identify unusual items. |

## 4. Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 5. Management's Responsibility for the Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safe guarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

In preparing the financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

## 6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**7. Report on Other Legal and Regulatory Requirements**

i) As required by the Companies (Auditors' Report) Order, 2016 (“the Order”) issued by the Central Government in terms of section 143 (11) of the Act, we give in the “Annexure A” a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

ii) As required by Section 143(3) of the Act, we report that:

a) We have sought and except for the matters described in the Basis for Qualified Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) Except for the effects/ possible effects of the matter described in the Basis for Qualified opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company sofar as it appears from our examination of those books.

c) The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.

d) Except for the effects/ possible effects of the matter described in the Basis for Qualified opinion paragraph above, in our opinion, the aforesaid financial statements comply with the Ind AS specified under Section133 of the Act.

e) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

f) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.

g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.

h) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure B”.

i) With respect to the other matters to be included in the Auditors' Report in accordance with Rule11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its financial statements - Refer Note 37A to the financial statements.

ii. The Company has made provision, as required under the applicable law or accounting standards, for material fore seeable losses, if any, on long-term contracts including derivative contracts- Refer Note 35 B(iv)(c) to the financial statements.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2019.

iii) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **BSR & Co. LLP**
Chartered Accountants
Firm Registration No.: 101248W/W-100022

**Rajesh Arora**
Partner
Membership No: 076124

Place : Chandigarh
Date : 29 May 2019

**Annexure A to the Independent Auditors' Report on the financial statements of Kuantum Papers Limited for the period ended 31 March 2019(Referred to in paragraph 7 (i) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date). We report that:**

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) According to the information and explanations given to us, the Company has a regular programme of physical verification of its fixed assets (including investment property) by which all the fixed assets (including investment property) are verified in a phased manner over a period of three years. In accordance with this programme, certain assets were verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As explained to us, no discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of the immovable properties are held in the name of the Company.

(ii) The inventories, except goods-in-transit,have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business. As informed to us, discrepancies noticed on such verification between the physical stocks and the book records were not material.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Thus, paragraphs 3 (iii) of the Order is not applicable.

(iv) Accordingly to the information and explanation given to us and on the basis of examination of records of the Company, except for the effects/possible effects of the matters described in paragraph 2 of the Basis for Qualified Opinion section on which we are unable to comment, the Company has not made any loans to directors, investments, provided any guarantee or security as specified under Section 185 and Section 186 of the Act and has complied with the provisions of Sections 186 of the Act in respect of loans given by the Company.

(v) In our opinion and according to the information and explanations given to us, the Company has complied with the provision of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder where applicable, the directives issued by the Reserve bank of India as applicable with regard to deposits accepted from the public. As informed to us, there have been no proceedings before the Company Law Board or National Company Law Tribunal and Reserve Bank of India or any court or any other tribunal in this matter and no order has been passed by any of the aforesaid authorities in this regard.

(vi) We have broadly reviewed the books of account maintained by the Company in respect of the products covered where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under section 148 (1) of the Act, in respect of products covered and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to ensuring whether they are accurate or complete.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Goods and Services Tax ('GST'), Income tax, Duty of customs and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, GST, Duty of customs and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable.

The Company does not have liability in respect of Service tax, Duty of excise, Sales tax and Value added tax since effective 1 July 2017, these statutory dues has been subsumed into GST.

Also refer to note 37B wherein it is explained that on account of the uncertainty with respect to the applicability of the Hon'ble Supreme Court judgement on Provident Fund matter, management has not recognized and deposited provident fund amount, if any, with respect to the period upto 28 February 2019.

(b) According to the information and explanations given to us, there are no dues of Income tax, GST, Duty of custom, Duty of excise, Value added tax, Sales tax and Service tax which have not been deposited with the appropriate authorities on account of any dispute, except as mentioned below :

| Name of the statute | Nature of the Dues | Amount Disputed* Rs. lakhs | Amount Deposited Rs. lakhs | Period to which the amount relates | Forum where the dispute is pending |
|---|---|---|---|---|---|
| Income tax Act, 1961 | Income tax | 7.57 | - | 2005-2006 (Assessment year) | Commissioner of Income tax (Appeals) |
| Income tax Act, 1961 | Income tax | 81.43 | - | 2015-2016 (Assessment year) | Commissioner of Income tax (Appeals) |
| Central Excise Act, 1944 | Excise duty | 447.36 | - | 2000-2001 to 2007-2008 | Punjab and Haryana High Court |
| Central Excise Act, 1944 | Excise duty | 65.06 | - | 2008-2009 | Commissioner (Appeals), Central Excise and Service |
| Central Excise Act, 1944 | Service tax | 54.90 | 2.05 | July 2008 - December 2015 | Commissioner (Appeals), Central Excise and Service Tax, Ludhiana |

*Amount are as per demand order and include interest and penalty, whichever indicated in the said orders.

(viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to its bankers or to any financial institutions and dues to debenture holders. The Company did not have any loans or borrowings from government during the year.

(ix) According to the information and explanations given to us, the term loans taken by the Company have been applied for the purposes for which they were raised. As informed to us, the Company has not raised any money by way of initial public offer(including debt instruments) or further public offer.

(x) According to the information and explanations given to us, no fraud on or by the Company by its officers or employees has been noticed or reported during the course of our audit for the year.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, the managerial remuneration has been paid or provided by the Company in accordance with the provision of section 197 read with Schedule V of the Act.

(xii) According to the information and explanations given to us, the Company is not a Nidhi Company and thus paragraph 3 (xii) of the Order is not applicable.

(xiii) Except for the effects / possible effects of the matters described in paragraph 2 of the Basis for Qualified Opinion section on which we are unable to comment, according to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with the directors or persons connected with them during the year. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration No.: 101248W/W-100022

**Rajesh Arora**
Partner
Membership No: 076124

Place : Chandigarh
Date : 29 May 2019

**Annexure B to the Independent Auditors' report on the financial statements of Kuantum Papers Limited for the period ended 31 March 2019.**

**Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013(Referred to in paragraph7 (ii)(h)under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

**Adverse Opinion**

We have audited the internal financial controls with reference to financial statements of **Kuantum Papers Limited** ("the Company") as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

According to the information and explanations given to us and based on our audit, the following material weakness has been identified as at 31 March 2019:

a) The Company did not have an appropriate internal control system of evaluation forgiving inter-corporate deposits, which could potentially result in material misstatements in the Company's loan balances and consequently, the financial statements.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, because of the effects/possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has not maintained adequate internal financial controls with reference to financial statements and such internal financial controls were not operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

We have considered the material weakness identified and reported above in determining the nature, timing and extent of audit tests applied in our audit of the 31 March 2019 financial statements of the Company, and the material weakness has affected our opinion on the financial statements of the Company and we have issued a qualified opinion on the financial statements.

**Management's Responsibility for Internal Financial Controls**

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the Company's internal financial controls with reference to financial statements.

**Meaning of Internal Financial controls with Reference to Financial Statements**

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial controls with Reference to Financial Statements**

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **BSR & Co. LLP**
Chartered Accountants
Firm Registration No.101248W/W-100022

**Rajesh Arora**
Partner
Membership No.: 076124

Place : Chandigarh
Date : 29 May 2019

# BALANCE SHEET AS AT 31 MARCH 2019

*(All amount are in ₹ Lakhs except for share data)*

| | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | **96,377.51** | 81,491.67 |
| Capital work-in-progress | 3 | **5,407.47** | 8,009.59 |
| Investment property | 4 | **803.79** | 817.10 |
| Other intangible assets | 5 | **651.54** | 142.53 |
| Intangible assets under development | 5 | **100.00** | 428.57 |
| Financial assets | | | |
| - Loans | 6 | **312.41** | 250.72 |
| - Other financial assets | 7 | **96.89** | 37.43 |
| Current tax assets (net) | 8 | **1.61** | 1.61 |
| Other non-current assets | 9 | **4,246.23** | 2,612.09 |
| **Total non-current assets** | | **1,07,997.45** | **93,791.31** |
| **Current assets** | | | |
| Inventories | 10 | **6,357.18** | 7,448.17 |
| Financial assets | | | |
| - Trade receivable | 11 | **3,348.16** | 3,200.22 |
| - Cash and cash equivalents | 12 | **3,901.88** | 1,422.25 |
| - Other bank balances | 13 | **2,667.02** | 3,389.51 |
| - Loans | 6 | **1,895.58** | 635.90 |
| - Others financial assets | 7 | **261.34** | 178.94 |
| Other current assets | 14 | **1,998.60** | 2,075.12 |
| **Total current assets** | | **20,429.76** | **18,350.11** |
| **Total assets** | | **1,28,427.21** | **1,12,141.42** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 15 | **872.64** | 872.64 |
| Other equity | 16 | **75,785.93** | 68,266.30 |
| **Total equity** | | **76,658.57** | **69,138.94** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| - Borrowings | 17 | **30,027.10** | 23,833.97 |
| - Other financial liabilities | 18 | **1,551.72** | 1,321.34 |
| Provisions | 19 | **96.21** | 96.46 |
| Deferred tax liability (net) | 20 | **4,598.84** | 3,785.90 |
| Deferred income | 21 | **465.51** | 421.90 |
| **Total non-current liabilities** | | **36,739.38** | **29,459.57** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| - Borrowings | 17 | **4,914.53** | 4,554.56 |
| - Trade payables | | | |
| i) Total outstanding dues of micro enterprises and small enterprises | 22 | **-** | - |
| ii) Total outstanding dues of creditors other than micro enterprises and small enterprises | 22 | **3,132.64** | 3,046.98 |
| - Other financial liabilities | 18 | **6,762.89** | 5,561.47 |
| Other current liabilities | 23 | **157.97** | 249.50 |
| Provisions | 19 | **24.54** | 16.97 |
| Deferred income | 21 | **20.03** | 17.47 |
| Current tax liabilities (net) | 24 | **16.66** | 95.96 |
| **Total current liabilities** | | **15,029.26** | **13,542.91** |
| **Total liabilities** | | **51,768.64** | **43,002.48** |
| **Total equity and liabilities** | | **1,28,427.21** | **1,12,141.42** |
| Significant accounting policies | 2 | | |
| Notes to the financial statements | 3-45 | | |

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022

**Rajesh Arora**
Partner
Membership No.: 076124

Place : Chandigarh
Date : 29 May 2019

For and on behalf of Board of Directors of **Kuantum Papers Limited**

**Jagesh Kumar Khaitan**
Chairman
DIN - 00026264

**Pavan Khaitan**
Managing Director
DIN - 00026256

**Roshan Garg**
President-Finance & CFO

**Vivek Trehan**
Company Secretary

Place : Chandigarh
Date : 29 May 2019

# STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

*(All amount are in ₹ Lakhs except for share data)*

| Particulars | Note | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|
| Revenue from operations | 25 | **79,346.16** | 71,429.30 |
| Other income | 26 | **884.79** | 366.42 |
| **Total income** | | **80,230.95** | **71,795.72** |
| **Expenses** | | | |
| Cost of materials consumed | 27 | **26,844.53** | 22,365.00 |
| Excise duty on sales | | **-** | 1,015.57 |
| Changes in inventories of finished goods and work in progress | 28 | **(185.96)** | 131.64 |
| Employee benefits expense | 29 | **5,301.24** | 4,358.54 |
| Finance costs | 30 | **2,837.97** | 2,458.40 |
| Depreciation and amortisation expense | 31 | **2,512.53** | 1,941.99 |
| Other expenses | 32 | **31,831.70** | 28,813.48 |
| **Total expenses** | | **69,142.01** | **61,084.62** |
| **Profit before income tax** | | **11,088.94** | **10,711.10** |
| **Income tax expense** | 33 | | |
| Current tax | | **2,476.08** | 2,410.83 |
| Deferred tax | | **818.98** | 1,011.52 |
| **Total** | | **3,295.06** | **3,422.35** |
| **Profit for the year** | | **7,793.88** | **7,288.75** |
| **Other comprehensive income/(expenses)** | | | |
| *Items that will not be re-classified to profit or loss* | | | |
| - Remeasurement of defined benefit liability/(assets) | | **(17.29)** | (21.23) |
| *Income tax relating to items that will not be reclassified to profit or loss* | | | |
| - Remeasurement of defined benefit liability/(assets) | | **6.04** | 6.60 |
| **Other comprehensive income/(expense) for the year (net of income tax)** | | **(11.25)** | **(14.63)** |
| **Total comprehensive income/(expense) for the year** | | **7,782.63** | **7,274.12** |
| **Earnings per equity share [nominal value of ₹ 10 (previous year ₹ 10)]** | 34 | | |
| a) Basic (Rs.) | | **89.31** | 83.53 |
| b) Diluted (Rs.) | | **89.31** | 83.53 |

| | |
|---|---|
| Significant accounting polices | 2 |
| Notes to the financial statements | 3-45 |

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022

**Rajesh Arora**
Partner
Membership No.: 076124

Place : Chandigarh
Date : 29 May 2019

For and on behalf of Board of Directors of **Kuantum Papers Limited**

**Jagesh Kumar Khaitan**
Chairman
DIN - 00026264

**Pavan Khaitan**
Managing Director
DIN - 00026256

**Roshan Garg**
President-Finance & CFO

**Vivek Trehan**
Company Secretary

Place : Chandigarh
Date : 29 May 2019

# STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

*(All amount are in ₹ Lakhs except for share data)*

| A. Equity share capital | Note | |
|---|---|---|
| **Balance as at 1 April 2017** | 15 | 872.64 |
| Changes in equity share capital during the year | | - |
| **Balance as at 31 March 2018** | | 872.64 |
| **Balance as at 1 April 2018** | | 872.64 |
| Changes in equity share capital during the year | | - |
| **Balance as at 31 March 2019** | | 872.64 |

**B. Other equity**

| Particulars | Reserves and surplus | | | | |
|---|---|---|---|---|---|
| | Capital redemption reserve (Refer note 16) | Debenture Redemption reserve (Refer note 16) | General reserve (Refer note 16) | Retained earnings (Refer note 16) # | Total |
| **Balance as at 1 April 2017** | **200.00** | **-** | **2,457.92** | **58,544.32** | **61,202.24** |
| Total comprehensive income for the year ended 31 March 2018 | | | | | |
| Profit for the year | - | - | - | 7,288.75 | 7,288.75 |
| Other comprehensive income/(expense) (net of tax) | - | - | - | (14.63) | (14.63) |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **7,274.12** | **7,274.12** |
| Dividend (including corporate dividend tax) | - | - | - | (210.06) | (210.06) |
| Transfer to debenture redemption reserve | - | - | - | - | - |
| **Balance as at 31 March 2018** | **200.00** | **-** | **2,457.92** | **65,608.38** | **68,266.30** |
| Profit for the year | - | - | - | 7,793.88 | 7,793.88 |
| Other comprehensive income/(expense) (net of tax) | - | - | - | (11.25) | (11.25) |
| **Total comprehensive income for the year** | - | - | - | **7,782.63** | **7,782.63** |
| Dividend (including corporate dividend tax) | - | - | - | (263.00) | (263.00) |
| Transfer to debenture redemption reserve | - | 107.14 | - | (107.14) | - |
| **Balance as at 31 March 2019** | **200.00** | **107.14** | **2,457.92** | **73,020.87** | **75,785.93** |

# Includes land revaluation reserve of Rs. 41,294.33 and capital subsidy of Rs. 100.14 transferred to retained earnings in accordance with Ind AS 101

Significant accounting polices 2
Notes to the financial statements 3-45

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022

**Rajesh Arora**
Partner
Membership No.: 076124

Place : Chandigarh
Date : 29 May 2019

For and on behalf of Board of Directors of **Kuantum Papers Limited**

**Jagesh Kumar Khaitan**
Chairman
DIN - 00026264

**Pavan Khaitan**
Managing Director
DIN - 00026256

**Roshan Garg**
President-Finance & CFO

**Vivek Trehan**
Company Secretary

Place : Chandigarh
Date : 29 May 2019

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

*(All amount are in ₹ Lakhs except for share data)*

| | | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|
| **A** | **Cash flow from operating activities** | | |
| | Profit before income tax | **11,088.94** | 10,711.10 |
| | **Adjustments for:** | | |
| | Depreciation and amortisation expense | **2,512.53** | 1,941.99 |
| | (Profit) / Loss on sale of property, plant and equipment | **(1.16)** | 20.42 |
| | Change in fair value of derivative contracts | **(253.50)** | (90.90) |
| | Finance cost | **2,837.97** | 2,458.40 |
| | Interest income | **(519.84)** | (153.70) |
| | Foreign exchange gain/loss (unrealized) | **360.42** | 63.39 |
| | Liabilities no longer required written back | **(15.87)** | (42.19) |
| | Rental income | **(38.35)** | (38.35) |
| | Others | **(17.00)** | 7.55 |
| | **Cash flow from operating activities before changes in following assets and liabilities** | **15,954.14** | **14,877.71** |
| | (Increase) in loan assets | **(1,321.38)** | (578.53) |
| | (Increase) Decrease in other non-current assets | **(26.03)** | 18.06 |
| | Decrease/ (increase) in inventories | **1,090.99** | (1,360.66) |
| | (Increase)/ decrease in trade receivables | **(147.94)** | 234.67 |
| | (Increase) in other financial assets | **(96.74)** | (58.82) |
| | Decrease in other current assets | **76.52** | 1,848.67 |
| | (Decrease) in provisions | **(9.98)** | (18.50) |
| | Increase in trade payables | **71.69** | 605.46 |
| | Increase in other financial liabilities | **616.48** | 121.42 |
| | (Decrease) in other current liabilities | **(76.09)** | (66.94) |
| | **Cash generated by operating activities** | **16,131.66** | **15,622.54** |
| | Income tax paid / tax deducted at source (net of refund) | **(2,555.38)** | (2,495.84) |
| | **Net cash generated from operating activities (A)** | **13,576.28** | **13,126.70** |
| **B** | **Cash flow from investing activities** | | |
| | Acquisition of property, plant and equipment | **(16,315.17)** | (11,452.96) |
| | Proceeds from sale of property, plant and equipment | **4.00** | 41.82 |
| | Receipt of government grants | **63.60** | - |
| | Rental income | **38.35** | 38.35 |
| | Decrease/(Increase) in deposit accounts (having original maturity of more than three months) | **712.63** | (1,917.33) |
| | Interest received | **484.57** | 133.72 |
| | **Net cash (used) in investing activities (B)** | **(15,012.02)** | **(13,156.40)** |
| **C** | **Cash flows from financing activities** | | |
| | Proceeds from long term borrowings | **11,874.75** | 11,501.67 |
| | Repayment of long term borrowings | **(5,356.37)** | (9,683.15) |
| | Proceeds of short term borrowings (net) | **446.27** | 107.28 |
| | Payment of finance lease obligations | **-** | (12.14) |
| | Interest paid | **(2,786.91)** | (2,481.61) |
| | Dividend paid (including dividend distribution tax) | **(262.37)** | (210.06) |
| | **Net cash generated from/ (used in) financing activities (C )** | **3,915.37** | **(778.01)** |
| | **Net increase/(decrease) in cash and cash equivalents (A+B+C)** | **2,479.63** | **(807.71)** |
| | **Cash and cash equivalents at the beginning of the year (see below)** | **1,422.25** | **2,229.96** |
| | **Cash and cash equivalents at the end of the year (see below)** | **3,901.88** | **1,422.25** |
| | **Notes:** | | |
| 1. | Cash and cash equivalents include : | | |
| | Balance with banks in current accounts | **987.84** | 817.12 |
| | Fixed deposits with original maturities upto 3 months | **2,910.00** | 600.00 |
| | Cash on hand | **4.04** | 5.13 |
| | | **3,901.88** | **1,422.25** |

2. The cash flow statement has been prepared in accordance with "Indirect Method" as set out on Indian Accounting Standard -7 on "Statement on Cash Flows ".
3. Refer note 17 for reconciliation of movements of liabilities to cash flows arising from financing activities.
4. During the year, the Company paid in cash Rs. 62.27 (31 March 2018: Rs. 101.45) towards corporate social responsibility (CSR) expenditure (included in Corporate social responsibility expenditure - Refer note 32 (b)).

| | |
|---|---|
| Significant accounting polices | **2** |
| Notes to the financial statements | **3-45** |

The accompanying notes form an integral part of the financial statements

As per our report of even date attached
**For B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No.: 101248W/W-100022

**Rajesh Arora**
Partner
Membership No. 076124
Place : Chandigarh
Date : 29 May 2019

For and on behalf of Board of Directors of Kuantum Papers Limited

**Jagesh Kumar Khaitan**
Chairman
DIN - 00026264

**Pavan Khaitan**
Managing Director
DIN - 00026256

**Roshan Garg**
President-Finance & CFO
Place : Chandigarh
Date : 29 May 2019

**Vivek Trehan**
Company Secretary

# Notes to the financial statements for the year ended 31 March 2019

1. **Reporting entity**

Kuantum Papers Limited (the 'Company') is a public company incorporated under the provisions of the Companies Act, 1956 having its registered office at Papers Mill, Saila Khurd, District Hoshiarpur, Punjab - 144529, India. The equity shares of the company are listed on BSE Limited.

The Company's business primarily consists of manufacture and sales of paper, mainly in the domestic markets. The manufacturing facilities and registered office of the Company are situated in Saila Khurd, District Hoshiarpur in the State of Punjab, with corporate office in Chandigarh.

2. **Significant accounting policies**

**a) Basis of preparation**

*i) Statement of compliance*

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 and the Companies (India Accounting Standards) Amendment Rules, 2016 notified under section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

Effective 01 April 2016, the Company had transitioned to Ind AS while the financial statements were being prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (previous GAAP) till 31 March 2017 and the transition was carried out in accordance with Ind AS 101 "First time adoption of Indian Accounting Standards". While carrying out transition, in addition to the mandatory exemptions, the Company had elected certain exemptions which are listed as below:

- The Company had opted to continue with the carrying value for all of its property, plant and equipment, intangible assets and investment property as recognized in the financial statements prepared under previous GAAP and use the same as deemed cost in the financial statement as at the transition date.
- The Company had opted to apply the relevant requirements in Appendix C of Ind AS 17 for determining whether an arrangement existing at the date of transition contains a lease by considering the facts and circumstances existing at the date of transition (rather than at the inception of the arrangement).

The financial statements were authorized for issue by the Company's Board of Directors on 29 May 2019.

*ii) Functional and presentation currency*

The functional currency of the Company is the Indian rupee. These financial statements are presented in Indian rupees. All amounts have been rounded-off to the nearest lakhs, up to two places of decimal, unless otherwise indicated.

*iii) Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following items:

| Items | Measurement basis |
|---|---|
| Certain financial assets and liabilities (including derivative instruments) | Fair value |
| Net defined benefits (assets)/liability | Fair value of the plan assets less present value of defined benefits obligations |

*iv) Use of estimates and judgments*

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that impact the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

*Judgments*

- Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:
- Note 2(c) and 3 – Assessment of useful life of Property, plant and equipment
- Note 2(d) and 5 – Assessment of useful life of Intangible assets
- Note 2(h) and 2(i), 19 and 37 - Provisions and contingent liabilities
- Note 2(n) and 20 – Income taxes

*Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2019 is included in the following notes:

- Note 38 – Measurement of defined benefit obligations: key actuarial assumptions
- Note 19 and 37 – Recognition and measurement of provision and contingencies, key assumptions about the likelihood and magnitude of an outflow of resources
- Note 2(q) – Impairment test of non-financial assets: key assumptions underlying recoverable amounts
- Note 2(p) - Impairment of financial assets
- Note 2((v) - Fair value measurement
- Note 33 – Measurement of current tax expense and payable: Amount expected to be paid to the tax authorities in accordance with the provision of Income Tax Act, 1961.
- Note 20 - Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used for future recoverability been probable;

v) *Measurement of fair values*

A number of the Company's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to measurement of fair values. This includes the top management division which is responsible for overseeing all significant fair value measurements, including Level 3 fair values. The top management division regularly reviews significant unobservable inputs and valuation adjustments. If third party information, is used to measure fair values, then the top management division assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirement of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the changes have occurred.

Further information about the assumptions made in measuring fair values used in preparing these financial statements is included in the respective notes.

**b) Changes in Significant Accounting Policies**

The Company has initially applied Ind AS 115 from 1 April 2018. A number of other new standards and amendments are also effective from 1 April 2018 but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying the above standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

There is no material impact of transition from Ind AS 18 to Ind AS 115 in recognizing revenue by the Company.

**c) Property, plant and equipment ('PPE')**

*Recognition and measurement*

Items of PPE are measured at cost of acquisition or construction which includes capitalized finance costs less accumulated depreciation and/or accumulated impairment loss, if any.

Cost of an item of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use. The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Capital work-in-progress comprises the cost of fixed assets that are not ready for their intended use at the reporting date. Advances paid towards acquisition of PPE outstanding at each Balance sheet date, are shown under other non-current assets.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the Statement of Profit and Loss.

*Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

*Depreciation*

Depreciation is calculated on cost of items of PPE (excluding freehold land) less their estimated residual values over their estimated useful lives using the straight-line method, except on second hand captive power plant on which it is on written down value method, and is recognised in the Statement of Profit and Loss. Freehold land is not depreciated.

Depreciation on items of PPE is provided as per rates corresponding to the useful life specified in Schedule II to the Companies Act, 2013 read with the notification dated 29 August 2014 of the Ministry of Corporate Affairs. Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Based on internal assessment and consequent advice, the management believes that its estimates of useful lives as given in Schedule II of Companies Act, 2013 best represent the period over which management expects to use these assets.

Depreciation on additions (disposal) is provided on a pro-rata basis i.e. from (upto) the month on which asset is ready for use (disposed of).

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property at its carrying amount on the date of reclassification.

Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

*Derecognition*

A property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Losses arising from retirement and gains or losses arising from disposal of a tangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss.

**d) Other intangible assets**

*Acquired Intangible*

Intangible assets that are acquired by the Company are measured initially at cost. Cost of an item of Intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in Statement of Profit and Loss as incurred.

*Amortisation*

Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives using the straight-line method, and is included in depreciation and amortisation expense in Statement of Profit and Loss. The estimated useful life of Computer software is 3 years.

Amortisation method, useful life and residual values are reviewed at the end of each financial year and adjusted if appropriate.

*Derecognition*

Intangible assets is derecognised on disposal or when no future economic benefits are expected from its use and disposal.

**(e) Investment Property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Upon initial recognition, an investment property is measured at cost. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Based on technical evaluation and consequent advice, the management believes a period of 60 years as representing the best estimate of the period over which investment properties (which are quite similar) are expected to be used. Accordingly, the company depreciates investment properties over a period of 60 years on a straight-line basis. The useful life estimate of 60 years is same as the indicative useful life of relevant type of buildings mentioned in Part C of Schedule II to the Act i.e. 60 years.

Any gain or loss on disposal of an investment property is recognised in profit or loss.

The fair values of investment property is disclosed in the notes. Fair values is determined by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

**(f) Inventories**

Inventories are measured at the lower of cost and net realisable value. The methods of determining cost of various categories of inventories are as follows:

| | |
|---|---|
| Raw materials, chemicals and fuels, stores and spare parts, packing materials and loose tools | Weighted average method |
| Work-in-progress and finished goods (manufactured) | Weighted average cost and includes an appropriate share of variable and fixed production overheads. Fixed production overheads are included based on normal capacity of production facilities. |
| Soda Ash (by-product) | Net realizable value |

The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products.

Raw materials, components and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

The comparison of cost and net realisable value is made on an item-by-item basis.

**(g) Employee benefits**

*Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., salaries and wages and bonus etc., if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

*Post-employment benefits*

<u>Defined contribution plans</u>

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. The Company makes specified monthly contributions towards employee provident fund and employee state insurance scheme ('ESI') to Government administered scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the Statement of Profit and loss during the period in which the employee renders the related service.

<u>Defined benefit plans</u>

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Gratuity is a defined benefit plan. The administration of the gratuity scheme has been entrusted to the Life Insurance Corporation of India ('LIC'). The Company's net obligation in respect of gratuity is calculated separately by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability i.e. Gratuity, which comprise actuarial gains and losses are recognised in Other Comprehensive Income (OCI). The Company determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then- net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit and Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in the Statement of Profit and Loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*Other long term employee benefits*

Compensated absences

The Company's net obligation in respect of long-term employee benefits other than post-employment benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. Such obligation such as those related to compensate absences is measured on the basis of an annual independent actuarial valuation using the projected unit cost credit method. Remeasurements gains or losses are recognised in profit or loss in the period in which they arise.

**(h) Provisions (other than for employee benefits)**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future losses are not provided for.

**(i) Contingent liabilities and contingent assets**

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are recognized when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

A contingent asset is disclosed where an inflow of economic benefits is probable.

**(j) Commitments**

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting date.

**(k) Revenue**

**Revenue from contract with customers**

The Company has initially applied Ind AS 115 from 1 April 2018.

**Revenue recognition under Ind AS 18 (applicable before 1 April 2018)**

***Sale of goods***

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing effective control over, or managerial involvement with, the goods, and the amount of revenue can be measured reliably. Revenues include excise duty till 30 June 2017 (goods and service tax (GST) applicable w.e.f. 1 July 2017) and are shown net of GST, sales tax, value added tax and applicable discounts and allowances, if any.

***Rental income***

Rental income from investment property is recognised as part of revenue from operations in profit or loss on a straight-line basis over the term of the lease except where the rentals are structured to increase in line with expected general inflation. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

***Government grants***

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis.

Government grants related to capital assets is recognised on a straight line basis over the useful life of the related assets. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which such expenses are recognised.

***Export benefits and sales tax incentives***

Export benefits and sales tax incentives under various schemes notified by the government are recognised on accrual basis when no significant uncertainties as to the amount of consideration that would be derived and as to its ultimate collection exist.

**Revenue recognition under Ind AS 115 (applicable from 1 April 2018)**

Under Ind AS 115, the Company recognized revenue when (or as) a performance obligation was satisfied, i.e. when 'control' of the goods underlying the particular performance obligation were transferred to the customer.

Further, revenue from sale of goods is recognized based on a 5-Step Methodology which is as follows:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligation in contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Deferred revenue is recognised when there is billings in excess of revenues.

The Company disaggregates revenue from contracts with customers by geography.

Use of significant judgements in revenue recognition

- The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products / services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.
- Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as cash discount, trade discount, and rebate. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.
- The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract.
- The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

- Revenue for fixed-price contract is recognised using percentage-of-completion method. The Company uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.
- Contract fulfilment costs are generally expensed as incurred except for certain expenses which meet the criteria for capitalisation. Such costs are amortised over the contractual period. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recovered.

The effect of initially applying Ind AS 115 is described in Note 2(b).

**Rental income**

Rental income from investment property is recognised as part of revenue from operations in profit or loss on a straight-line basis over the term of the lease except where the rentals are structured to increase in line with expected general inflation. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

**Government grants**

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis.

Government grants related to capital assets is recognised on a straight line basis over the useful life of the related assets. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which such expenses are recognised.

**Export benefits and sales tax incentives**

Export benefits and sales tax incentives under various schemes notified by the government are recognised on accrual basis when no significant uncertainties as to the amount of consideration that would be derived and as to its ultimate collection exist.

**(l) Recognition of interest income or expense**

Interest income or expense is recognised using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument to:

a. the gross carrying amount of the financial asset; or

b. the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**(m) Borrowing costs**

Borrowing costs are interest and other costs (including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as a part of cost of the asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**(n) Income taxes**

Income tax comprises current and deferred tax. It is recognised in Statement of Profit and Loss except to the extent that it relates to a business combination or an item recognised directly in equity or in other comprehensive income.

*Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

*Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses (if any) and tax credits.

Deferred tax assets are recognised to the extent that it is probable that future profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are recognised to the extent that it is probable that the related tax benefits will be realized. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For operations under tax holiday scheme, deferred tax assets or liabilities, if any, have been established for the tax consequences of those temporary differences between the carrying value of assets and liabilities and their respective tax bases that reverse after the tax holiday ends.

*Minimum Alternative tax*

Minimum Alternative tax ('MAT') under the provisions of Income-tax Act,1961 is recognised as current tax in profit or loss. The credit available under the Act in respect of MAT paid is adjusted from deferred tax liability only when and to the extent there is convincing evidence that the company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised adjusted from deferred tax liability is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

**o) Leases**

At the inception of each lease, the lease arrangement is classified as either a finance lease or an operating lease based on the substance of the lease arrangement.

*Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease unless the payment are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

*Finance leases*

Leases of property, plant and equipment that transfer to the Company substantially all the risk and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to similar owned assets.

Assets held under leases that do not transfer to the Company substantially all the risk and rewards of ownership (i.e. operating leases) are not recognised in the Company's Balance Sheet.

**p) Financial instruments**

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Financial assets*

*Initial recognition and measurement*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVPL)
- Equity instruments measured at fair value through other comprehensive income (FVOCI)

*Debt instruments at amortised cost*

A 'debt instrument' is measured at the amortised cost if the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss.

*Debt instrument at FVOCI*

A 'debt instrument' is classified as at the FVOCI if the objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and the asset's contractual cash flows represent SPPI.

Debt instruments included within the FVOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

*Debt instrument at FVPL*

FVPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortised cost or as FVOCI, is classified as at FVPL. In addition, at initial recognition, the Company may irrevocably elect to designate a debt instrument, which otherwise meets amortised cost or FVOCI criteria, as at FVPL. However, such adoption is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

*Equity investments*

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at

FVPL. For all other equity instruments, the Company may make an irrevocable adoption to present in other comprehensive income subsequent changes in the fair value. The Company makes such adoption on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the Statement of Profit and Loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss to retained earnings.

Equity instruments included within the FVPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

*Impairment of financial assets*

The Company recognises loss allowances for expected credit loss on financial assets measured at amortised cost. At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit- impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that the financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- the breach of contract such as a default or being past due for 90 days or more;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organisation; or
- the disappearance of active market for a security because of financial difficulties.

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

*Measurement of expected credit losses*

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. difference between the cash flow due to the Group in accordance with the contract and the cash flow that the Company expects to receive).

*Presentation of allowance for expected credit losses in the balance sheet*

Loss allowance for financial assets measured at the amortised cost is deducted from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtors do not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedure for recovery of amounts due.

*Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

*Financial liabilities*

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in Statement of Profit and Loss. Any gain or loss on derecognition is also recognised in Statement of Profit and Loss.

*Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

*Derivative financial instruments*

The Company uses various types of derivative financial instruments to hedge its currency and interest risk etc. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

*Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the Balance Sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**q) Impairment of non-financial assets**

The Company's non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine if there is indication of any impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets that do not generate independent cash flows are grouped together into cash generating units (CGUs). Each CGU represents the smallest Company of assets that generate cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of as CGU (or an individual asset) is the higher of its value in use and fair value less cost to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the CGU (or the asset).

The Company's corporate assets (e.g., central office building for providing support to CGU) do not generate independent cash inflows. To determine impairment of a corporate asset, recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in Statement of Profit and Loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

**r) Operating Segments**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segments and assess their performance.

**s) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, demand deposits held with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**t) Cash flow statement**

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**u) Earnings per share**

Basic earnings/(loss) per share are calculated by dividing the net profit/(loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue and share split. For the purpose of calculating diluted earnings/ (loss) per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**v) Foreign currency transactions**

*i) Initial recognition*

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions.

*ii) Measurement at the reporting date*

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences on restatement/settlement of all monetary items are recognised in profit or loss.

**w) Recent Accounting pronouncements**

Applicable standards issued but not yet effective

**Recent Indian Accounting Standards (Ind AS)**

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind AS which the Company has not applied as they are effective from April 1, 2019:

**Ind AS 116 – Leases**

The Company is required to adopt Ind AS 116, Leases from 1 April 2019. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, Leases.

The Company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The quantitative impact of adoption of Ind AS 116 on the financial statements in the period of initial application is not reasonably estimable as at present.

i. Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of offices (see note 39). The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability and apply Ind AS 36, Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment.

The Company does not have any finance leases.

ii. Leases in which the Company is a lessor

The Company does not expects significant impact in lease agreement in which the Company is a lessor.

iii. Transition

The Company plans to apply Ind AS 116 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting Ind AS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply Ind AS 116 to all contracts entered into before 1 April 2019 and identified as leases in accordance with Ind AS 17.

**Ind AS 12 – Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

**Ind AS 109 – Prepayment Features with Negative Compensation**

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Company does not expect this amendment to have any impact on its financial statements.

**Ind AS 19 – Plan Amendment, Curtailment or Settlement**

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. Company does not expect this amendment to have any impact on its financial statements.

**Ind AS 23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Company does not expect any significant impact from this amendment.

# Notes to the Financial Statements for the year ended 31 March 2019

*(All amount are in ₹ Lakhs except for share data)*

## 3 Property, plant and equipment and Capital work in progress

Gross carrying amount

| | Freehold land | Buildings | Plant and equipment | Furniture and fittings | Vehicles | Computers | Computer equipment held under finance leases | Total | Capital work-in-progress |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 April 2017** | 41,372.00 | 4,335.43 | 31,366.75 | 83.97 | 339.73 | 71.64 | 85.93 | 77,655.45 | 4,153.85 |
| Additions | 47.14 | 1,770.38 | 5,144.92 | 38.19 | 177.92 | 152.97 | - | 7,271.52 | 10,717.54 |
| Disposals | - | - | 19.52 | - | 61.62 | 8.02 | - | 89.16 | 6,861.80# |
| **Balance as at 31 March 2018** | **41,419.14** | **6,105.81** | **36,492.15** | **122.16** | **396.03** | **216.59** | **85.93** | **84,837.81** | **8,009.59** |
| Balance as at 1 April 2018 | 41,419.14 | 6,105.81 | 36,492.15 | 122.16 | 396.03 | 216.59 | 85.93 | 84,837.81 | 8,009.59 |
| Additions | 16.81 | 2,396.19 | 14,658.42 | 41.19 | 41.28 | 18.82 | - | 17,172.71 | 14,424.81 |
| Disposals | - | - | 19.28 | - | - | - | - | 19.28 | 17,026.93# |
| **Balance as at 31 March 2019** | **41,435.95** | **8,502.00** | **51,131.29** | **163.35** | **437.31** | **235.41** | **85.93** | **1,01,991.24** | **5,407.47** |
| **Accumulated depreciation** | | | | | | | | | |
| Balance as on 1 April 2017 | - | 129.52 | 1,278.09 | 9.52 | 42.78 | 23.67 | 35.15 | 1,518.73 | - |
| Depreciation for the year | - | 172.11 | 1,553.86 | 12.33 | 47.87 | 41.66 | 26.50 | 1,854.33 | - |
| Disposals | - | - | 10.50 | - | 15.15 | 1.27 | - | 26.92 | - |
| **Balance as at 31 March 2018** | **-** | **301.63** | **2,821.45** | **21.85** | **75.50** | **64.06** | **61.65** | **3,346.14** | **-** |
| Balance as at 1 April 2018 | - | 301.63 | 2,821.45 | 21.85 | 75.50 | 64.06 | 61.65 | 3,346.14 | - |
| Depreciation for the year | - | 213.43 | 1,914.11 | 16.44 | 55.16 | 60.62 | 24.28 | 2,284.04 | - |
| Disposals | - | - | 16.45 | - | - | - | - | 16.45 | - |
| **Balance as at 31 March 2019** | **-** | **515.06** | **4,719.11** | **38.29** | **130.66** | **124.68** | **85.93** | **5,613.73** | **-** |
| **Carrying amounts (net)** | | | | | | | | | |
| **As at 31 March 2018** | **41,419.14** | **5,804.18** | **33,670.70** | **100.31** | **320.53** | **152.53** | **24.28** | **81,491.67** | **8,009.59** |
| **As at 31 March 2019** | **41,435.95** | **7,986.94** | **46,412.18** | **125.06** | **306.65** | **110.73** | **0.00** | **96,377.51** | **5,407.47** |

**Note:**

a. Refer note 17 for information on property, plant and equipment pledged as security by the Company.

b. Refer note 37 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

c. Capitalised borrowing costs related to the plant and equipment amounted to Rs. 905.08 (previous year: Rs. 607.53).

# Represents capital-work-in-progress capitalized during the year.

## Notes to the Financial Statements for the year ended 31 March 2019

### 4 Investment property

**Gross carrying amount**

| | Total |
|---|---|
| Balance as at 1 April 2017 | 840.34 |
| Additions | - |
| **Balance as at 31 March 2018** | **840.34** |

| | |
|---|---|
| Balance as at 1 April 2018 | 840.34 |
| Additions | - |
| **Balance as at 31 March 2019** | **840.34** |

**Accumulated depreciation**

| | |
|---|---|
| Balance as on 1 April 2017 | 9.96 |
| Depreciation for the year | 13.28 |
| **Balance as at 31 March 2018** | **23.24** |

| | |
|---|---|
| Balance as at 1 April 2018 | 23.24 |
| Depreciation for the year | 13.31 |
| **Balance as at 31 March 2019** | **36.55** |

**Carrying amounts (net)**

| | |
|---|---|
| **As at 31 March 2018** | **817.10** |
| **As at 31 March 2019** | **803.79** |

## Notes to the Financial Statements for the year ended 31 March 2019

### 5 Other intangible assets and Intangible assets under development

**Gross carrying amount**

| | Computer Software | Total | Intangible assets under development |
|---|---|---|---|
| Balance as at 1 April 2017 | 223.11 | 223.11 | - |
| Additions - acquired | - | - | 428.57 |
| Disposals | - | - | - |
| **Balance as at 31 March 2018** | **223.11** | **223.11** | **428.57** |
| Balance as at 1 April 2018 | 223.11 | 223.11 | 428.57 |
| Additions - acquired | 724.19 | 724.19 | 395.62 |
| Disposals | - | - | 724.19 # |
| **Balance as at 31 March 2019** | **947.30** | **947.30** | **100.00** |

**Accumulated depreciation**

| | | | |
|---|---|---|---|
| Balance as at 1 April 2017 | 6.20 | 6.20 | - |
| Amortisation for the year | 74.38 | 74.38 | - |
| Disposals | - | - | - |
| **Balance as at 31 March 2018** | **80.58** | **80.58** | **-** |
| Balance as at 1 April 2018 | 80.58 | 80.58 | - |
| Amortisation for the year | 215.18 | 215.18 | - |
| Disposals | - | - | - |
| **Balance as at 31 March 2019** | **295.76** | **295.76** | **-** |

**Carrying amounts (net)**

| | | | |
|---|---|---|---|
| **Balance as at 31 March 2018** | **142.53** | **142.53** | **428.57** |
| **Balance as at 31 March 2019** | **651.54** | **651.54** | **100.00** |

**Notes:**

# Represents intangible assets under development capitalized during the year.

## Notes to the Financial Statements for the year ended 31 March 2019

### 6 Loans

*(unsecured, considered good unless otherwise stated)*

| | Note | As at 31 March 2019 Current | As at 31 March 2019 Non-current | As at 31 March 2018 Current | As at 31 March 2018 Non-current |
|---|---|---|---|---|---|
| Security deposit | | **-** | **312.41** | - | 250.72 |
| Advances to employees | | **13.71** | **-** | 5.81 | - |
| Inter corporate deposit (also refer note 43) | | | | | |
| - Others | (a) | **1,842.80** | **-** | 600.50 | - |
| Others | | **39.07** | **-** | 29.50 | - |
| | | **1,895.58** | **312.41** | **635.90** | **250.72** |

| | | | | |
|---|---|---|---|---|
| **Break-up of loan details** | | | | |
| Loans considered good -Secured | **-** | **-** | **-** | **-** |
| Loans considered good -Unsecured | **1,895.58** | **312.41** | 635.90 | 250.72 |
| Loans which have significant increase in credit risk | **-** | **-** | - | - |
| Loans- credit impaired | **-** | **-** | - | - |
| Total | **1,895.58** | **312.41** | **635.90** | **250.72** |
| Less: Loss allowance | **-** | **-** | **-** | **-** |
| Total Loans | **1,895.58** | **312.41** | **635.90** | **250.72** |

**Note:**

(a) The Inter-corporate deposits have been given to certain Companies for the period ranging from 3 to 12 months ( 31 March 2018: 6 months) at rate of interest 10% to 11% per annum (31 March 2018: 10% per annum).

### 7 Other financial assets

| | Note | As at 31 March 2019 Current | As at 31 March 2019 Non-current | As at 31 March 2018 Current | As at 31 March 2018 Non-current |
|---|---|---|---|---|---|
| Deposits with original maturity of more than 12 months | (b) | **-** | **85.00** | - | 25.15 |
| Balance in unclaimed dividend accounts | | **-** | **11.89** | - | 11.26 |
| Other deposits | (c) | **-** | **-** | 50.00 | - |
| Insurance claim receivable | | **-** | **-** | 58.82 | - |
| Derivative financial instruments | | **154.94** | **-** | - | - |
| Interest accrued on deposits | | **106.40** | **-** | 70.12 | 1.02 |
| | | **261.34** | **96.89** | **178.94** | **37.43** |

**Note:**

(b) Includes restricted deposits of Rs. 85.00 (31 March 2018: Rs. 25.15) pledged as security for letter of credit, bank guarantee.

(c) Includes restricted deposits of Rs. Nil (31 March 2018: Rs. 50.00) pledged as security for letter of credit, bank guarantee.

## Notes to the Financial Statements for the year ended 31 March 2019

| 8 | Current tax asset (net) | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| | Advance income-tax and tax deducted at source (net of provision of Rs.1,811.31 (31 March 2018: Rs.1,811.31)) | **1.61** | 1.61 |
| | | **1.61** | **1.61** |

| 9 | Other non-current assets | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| | *(Unsecured, considered good unless otherwise stated)* | | |
| | Capital advances | | |
| | - to others | **4,212.29** | 2,604.19 |
| | Advances other than capital advances | | |
| | - Prepaid expenses | **33.94** | 7.90 |
| | | **4,246.23** | **2,612.09** |

| 10 | Inventories | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| | *(at lower of cost and net realisable value)* | | |
| | Raw material # | **2,645.92** | 3,495.87 |
| | Work-in-progress | **224.53** | 149.40 |
| | Finished goods | **164.68** | 53.85 |
| | Stores and spares | **2,186.72** | 2,162.69 |
| | Loose tools | **-** | 1.88 |
| | Chemical and fuels | **1,135.33** | 1,584.48 |
| | | **6,357.18** | **7,448.17** |

**Note:**

| | | | |
|---|---|---|---|
| # Includes material in transit - raw material | 111.47 | 324.87 |

## Notes to the Financial Statements for the year ended 31 March 2019

### 11 Trade receivable

| *(Unsecured, considered good unless otherwise stated)* | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| Trade receivables - Others | (d) | **3,348.16** | 3,220.58 |
| | | **3,348.16** | 3,220.58 |
| Less: loss allowance | | **-** | 20.36 |
| | | **3,348.16** | 3,200.22 |

**Break-up of security details**

| | | |
|---|---|---|
| Trade receivables considered good -Secured | **-** | - |
| Trade receivables considered good -Unsecured | **3,348.16** | 3,200.22 |
| Trade Receivables which have significant increase in Credit Risk | **-** | - |
| Trade receivables -credit impaired | **-** | 20.36 |
| Total | **3,348.16** | 3,220.58 |
| Loss allowance | **-** | 20.36 |
| Total trade receivables | **3,348.16** | 3,200.22 |

**Note:**

d. Includes an amount of Rs 292.60 (31 March 2018: Rs. 292.60) which represents dues from a customer against which legal proceedings for recovery of the amount were initiated. The Company had also obtained a status quo from Honorable High Court vide its order dated 18 September 2015, on the customer's other group holdings through which they own a hotel, the unencumbered value of which has been assessed by the management as sufficient to recover the outstanding amount. Additionally, Honorable High Court vide its order dated 13 December 2018 has directed the Prospective buyer of hotel to pay Rs. 195.50 to the Company towards outstanding dues from customer. The management is hopeful of recovering the entire amount including adequate amount to compensate time value of loss. In view of the favorable injunction and related value of the property, the management believes that there is no expected credit loss allowance required to be recognised.

### 12 Cash and cash equivalents

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balances with banks | | |
| - in current accounts | **987.84** | 817.12 |
| - Fixed deposits with original maturities upto 3 months | **2,910.00** | 600.00 |
| Cash on hand | **4.04** | 5.13 |
| | **3,901.88** | 1,422.25 |

## Notes to the Financial Statements for the year ended 31 March 2019

| 13 Other bank balances | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| Deposit accounts with original maturity more than 3 months and upto 12 months from the reporting date | (a),(b) | **2,667.02** | 3,389.51 |
| | | **2,667.02** | **3,389.51** |

**Notes:**

(a) Includes Rs. Nil (31 March 2018: Rs.1,443.92) being the amount untilized out of term loan for Rs. Nil (31 March 2018 : Rs. 1,791.96). The amount as at 31 March 2018 was utilized in the current year.

(b) These deposits include restricted bank deposits pledged as security for letters of credit and bank guarantees amounting to Rs. 2,436.05 (31 March 2018: Rs. 1,945.59).

| 14 Other current assets *(Unsecured, considered good unless otherwise stated)* | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Recoverable from / balance with government authorities | **109.75** | 249.57 |
| Prepaid expenses | **116.98** | 130.30 |
| Advances for supply of goods (also refer to note 40) | | |
| - considered good | **1,766.28** | 1,690.36 |
| - considered doubtful | **9.77** | 9.77 |
| Less : expected credit loss for doubtful advances | **(9.77)** | (9.77) |
| Others | **5.59** | 4.89 |
| | **1,998.60** | **2,075.12** |

### 15 Equity Share capital

| ***(i)*** *Details of share capital* | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| *Authorised* | | | | |
| Equity shares of Rs. 10 each. | **2,50,00,000** | **2,500.00** | 2,50,00,000 | 2,500.00 |
| | **2,50,00,000** | **2,500.00** | **2,50,00,000** | **2,500.00** |
| *Authorised* | | | | |
| Preference shares of Rs. 10 each. | **3,00,00,000** | **3,000.00** | 3,00,00,000 | 3,000.00 |
| | **3,00,00,000** | **3,000.00** | **3,00,00,000** | **3,000.00** |
| *Issued, subscribed and fully paid up* | | | | |
| Equity shares of Rs. 10 each fully paid up | **87,26,363** | **872.64** | 87,26,363 | 872.64 |
| | **87,26,363** | **872.64** | **87,26,363** | **872.64** |

## Notes to the Financial Statements for the year ended 31 March 2019

(ii) *Reconciliation of number of shares outstanding at beginning and end of the year*

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | **Number of shares** | **Amount** |
| Balance at the beginning and at the end of the year | **87,26,363** | **872.64** | 87,26,363 | 872.64 |

(iii) *Rights, preferences and restrictions attached to equity shares*

The Company has only one class of equity shares having a par value of Rs. 10 per share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets on winding up. 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 (except for interim dividend) in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the 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.

(iv) *Details of Equity shares held by shareholders holding more than 5% of the aggregate equity shares in the Company:*

| Name of the share holder | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | **Number of shares** | **% of equity shares held** | **Number of shares** | **% of equity shares held** |
| Kapedome Enterprises Limited | **58,03,788** | **66.51%** | 50,04,538 | 57.35% |
| Combine Overseas Limited | **-** | **-** | 7,99,250 | 9.16% |

(v) *Bonus shares, shares buyback and issue of shares for consideration other than in cash during five years immediately preceding 31 March 2019*

During the five years immediately preceding 31 March 2019 ('the period'), neither any bonus shares have been issued nor any shares have been bought back. Further, no shares have been issued for consideration other than cash.

### 16 Other Equity

(also refer to Statement of Changes in Equity)

(i) *Capital redemption reserve*

Capital redemption reserve have been created in accordance with Companies Act, 2013 at the time of redemption of preference shares by transferring amount equal to nominal value of preference shares so redeemed from surplus balance of profits.

(ii) *Debenture Redemption Reserve*

*Debenture redemption reserve has been created out of the profits prior to redemption of debentures. This reserve is available for distribution towards dividend post redemption of debentures.*

(iii) *General reserve*

*The General reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the General reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the General reserve will not be reclassified subsequently to the statement of profit and loss.*

## Notes to the Financial Statements for the year ended 31 March 2019

(iv) *Retained earnings*

*Retained earnings represent the profits that the Company has earned till date less any transfer to general reserve, less any dividends, or other distributions paid to shareholders.*

(iv) *Other comprehensive income(net of tax)*

*Remeasurements of defined benefit obligation comprise actuarial gains and losses and return on plan assets (excluding interest income).*

### 17 Borrowings

| | Notes | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **I. Non-current borrowings** | | | |
| Term-loans | | | |
| - From banks (secured) | 17(a) | **23,413.47** | 19,320.92 |
| - Vehicle loans (secured) | 17(b) | **188.13** | 299.76 |
| **Total (A)** | | **23,601.60** | **19,620.68** |
| Public deposits | 17(c) | | |
| - from related parties (unsecured) (refer note 40) | | **1,241.10** | 1,211.95 |
| - others (unsecured) | | **1,708.61** | 1,710.70 |
| Loan from Export Development Canada (unsecured) | 17(d) | **1,805.37** | 1,791.97 |
| Loans from directors and relatives (unsecured) (refer note 40) | 17(e) | | |
| -Mr. Pavan Khaitan & HUF of Mr. Pavan Khaitan | | **93.00** | 133.00 |
| -Mrs. Aparna Khaitan | | **6.50** | 6.50 |
| -Mr. Jagesh Kumar Khaitan | | **90.00** | 90.00 |
| -Mrs. Usha Khaitan | | **10.00** | 10.00 |
| 3,00,00,000 (previous year 3,00,00,000) 10% redeemable noncumulative preference shares of Rs. 10 each, fully paid up considered entirely financial liability in nature (unsecured) | 17(f) | **3,000.00** | 3,000.00 |
| Redeemable nonconvertible debentures | 17(g) | **2,985.39** | - |
| **Total (B)** | | **10,939.97** | **7,954.12** |
| **Total non-current borrowings (including current maturities) (A+B)** | | **34,541.57** | **27,574.80** |
| Less: Current maturities of non-current borrowings | | **4,514.47** | 3,740.83 |
| | | **30,027.10** | 23,833.97 |

## Notes to the Financial Statements for the year ended 31 March 2019

| II. Current borrowings | | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Secured:** | | | |
| Loans repayable on demand | | | |
| - Working capital | 17(h) | **3,553.04** | 3,106.78 |
| **Unsecured:** | | | |
| Public deposits | 17(c) | | |
| - From related parties (refer note 40) | | **50.00** | 30.00 |
| - From others | | **1,29149** | 1,397.78 |
| Inter corporate deposits | 17(i) | **20.00** | 20.00 |
| | | **4,914.53** | **4,554.56** |

**Note:**

17 (a) Term Loan of:

i. Rs. 20,675.21 (31 March 2018 : Rs. 16,062.66) are secured by a first parri passu charge on all the fixed assets (immovable and movable) of the Company, both present and future along with equitable mortgage of factory land and building at Sailakhurd except office premises situated at Industrial Area, Chandigarh which are exclusively mortgaged with HDFC bank and Housing development Finance corporation limited respectively and second pari passu charge on the current assets. The said loans are also secured by personal guarantees of directors.

ii. Rs. 1,800 (31 March 2018 : Rs. 2,200) are secured by a first parri passu charge on all the fixed assets (immovable and movable) of the Company, both present and future along with equitable mortgage of factory land and building at Sailakhurd and exclusive charge on commercial propery located at plot number 142-A, Industrial Area,Chandigarh and second pari passu charge on the current asset. The said loans are also secured by personal guarantees of directors.

iii. Rs 938.26 (31 March 2018 : Rs. 1,058.26) is secured by exclusive charge on the office premises at Industrial Area Chandigarh and is also secured by personal guarantees of directors.

iv. During the current year, the nominal (floating) interest rate was in the range of 8.80% to 11.25% per annum (31 March 2018 : 8.65% to 11.75% per annum).

v. The term loan is repayable in quarterly installments ranging from Rs 20 to Rs 375 till FY 2025-26.

17 (b) Vehicle loans of Rs 188.13 (31 March 2018:299.76) are secured against hypothecation of the specified vehicles purchased from proceeds of the said loans. The fixed rate of interest is in range from 8.20% to 11.06% per annum.(31 March 2018 : 8.00% to 10.74% per annum). The vehicle loan is repayable in monthly unequal installment ranging from Rs 0.11 to Rs 1.20 till FY 2023-24.

17 (c) Public deposits carry interest rate ranging between 8.5% to 12% (31 March 2018: 8.50% to 12%) per annum and carry a maturity period from 12 to 36 months from the respective date of deposits.

17 (d) The rate of interest on Loans from Export Development Canada is 6 Month US LIBOR plus 3.90% (31 March 2018: 6 month US LIBOR plus 3.90% per annum). The term loan is repayable in half yearly installments ranging from Rs 50.14 to Rs 401.99 till FY 2023-24.

17 (e) The fixed rate of interest on loans from directors and relatives in current and previous year is at rate of 8% per annum. As per the Company's arrangements with these parties, the amount has been considered as long term, repayable based on mutually agreed terms.

17 (f) 10% cumulative redeemable preference shares of Rs. 10 each, fully paid up

The Company has only one class of preference shares having a par value of Rs. 10 per share. Preference shareholders do not hold any voting rights. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The preference shareholders acquire voting rights on par with equity shareholders if dividend on preference shares remain unpaid for a period of not less than 2 years or for any three years during a period of six years ending with financial year preceding the meeting. In the event of liquidation of the Company, the holders of preference shares will be entitled to receive the amount of their preference capital contribution before distribution of the remaining assets to the equity shareholders. The preference shares are redeemable in 5 equal installments at the end of 16th, 17th, 18th, 19th and 20th year, from the date of allotment, i.e., 13 September 2013.

## Notes to the Financial Statements for the year ended 31 March 2019

17 (g) 13.5% Non-convertible Debentures of Rs. 10 lakhs each, fully paid

The Company has issued 300 fully paid secured 13.5% non-convertible debentures of Rs. 10 lakhs each during the year on private placement basis. The debentures are secured against personal and corporate guarantee of promoters, pledge of 10% shares of the Company held by holding company, proposed Parri - Passu Second charge on Fixed Assets (future and current) of the Company valued at no less than Rs 90,000 having total charge (apart from Investors) of not more than Rs 50,000 demand promissory note from the Company for maximum guaranteed amount, exclusive charge over Debt Service Reserve Account (DSRA) . The debentures are repayble at the expiry of 7 years from the date of issue i.e. 19 December 2025. Also, investor shall have the option to sell the debentures to the Company 4 years after the date of investment in 2 equal installments. In case such option is exercised, the sale price shall be Principal and unpaid fixed return.

17 (h) Secured loans - repayable on demand

Working capital loans are secured by hypothecation of all current assets, second charge on the fixed assets of the Company and personal guarantees of directors. The floating rate of interest on the loans is 9.10% to 10.70% per annum (31 March 2018: 9.00% to 10.90% per annum).

17 (i) Inter corporate deposit from others carries an interest rate of 13% per annum (31 March 2018: 13% per annum) and the same are repayable within twelve months

### III Reconciliation of movements of liabilities to cash flows arising from financing activities

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Borrowings at the beginning of the year (current and non current) including short term | **32,129.36** | 30,199.95 |
| Proceeds from borrowings* | **12,321.01** | 11,688.70 |
| Repayment of borrowings* | **(5,356.37)** | (9,695.29) |
| Foreign exchange movement and Transaction costs related to borrowings | **362.10** | (64.00) |
| **Borrowings at the end of the year (current and non current)** | **39,456.10** | **32,129.36** |

* Including net movement during the year for short term borrowings

### 18 Other financial liabilities

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Current maturities of non-current borrowings[refer to note 17] | **4,514.47** | **-** | 3,740.83 | - |
| Interest accrued [refer to note 40] | **103.00** | **40.07** | 90.93 | 35.58 |
| Dividend payable on preference shares | **300.00** | **-** | 300.00 | - |
| Unpaid dividends | **11.89** | **-** | 11.26 | - |
| Capital creditors | **958.10** | **-** | 680.11 | - |
| Security deposits | **-** | **1,511.65** | - | 1,285.76 |
| Employee related payables | **703.85** | **-** | 505.80 | - |
| Liability for mark to market loss on derivative contracts | **-** | **-** | 98.56 | - |
| Others | **171.58** | **-** | 133.98 | - |
| | **6,762.89** | **1,551.72** | 5,561.47 | 1,321.34 |

## Notes to the Financial Statements for the year ended 31 March 2019

### 19 Provisions

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| *Provisions for employee benefits (refer note 38)* | | | | |
| Liability for compensated absences | **24.54** | **96.21** | 16.97 | 96.46 |
| | **24.54** | **96.21** | 16.97 | 96.46 |

### 20 Deferred tax liabilities (net)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Deferred tax liabilities on account of:** | | |
| Excess of depreciation as per Income Tax Act, 1961 over depreciation as per books | **8,492.95** | 6,924.20 |
| Other | **4.83** | - |
| **Deferred tax assets on account of:** | | |
| MAT credit entitlement | **3,750.57** | 2,969.75 |
| Provision for employee benefits | **42.19** | 39.64 |
| Loss allowance for doubtful receivables and advances | **3.41** | 10.53 |
| Expenses allowable on payment basis | **92.77** | 84.54 |
| Other | **10.00** | 33.84 |
| | **4,598.84** | 3,785.90 |

**(b) Movement in temporary differences:**

**2017-2018**

| | Opening Balance | Recognised in profit or loss | Recognised in other comprehensive income | MAT Credit Utilisation | Closing balance |
|---|---|---|---|---|---|
| Excess of depreciation as per Income Tax Act, 1961 over depreciation as per books | (5,903.28) | (1,020.92) | - | - | (6,924.20) |
| MAT credit entitlement | 2,992.74 | - | - | (22.99) | 2,969.75 |
| Provision for employee benefits | 38.31 | (5.27) | 6.60 | - | 39.64 |
| Loss allowance for doubtful receivables and advances | 10.43 | (0.10) | - | - | 10.53 |
| Expenses allowable on payment basis | 77.24 | 7.30 | - | - | 84.54 |
| Others | 26.57 | 7.27 | - | - | 33.84 |
| | **(2,757.99)** | **(1,011.52)** | **6.60** | **(22.99)** | **(3,785.90)** |

## Notes to the Financial Statements for the year ended 31 March 2019

| 2018-2019 | Opening Balance | Recognised in profit or loss | Recognised in other comprehensive income | MAT Credit Utilisation | Closing balance |
|---|---|---|---|---|---|
| Excess of depreciation as per Income Tax Act, 1961 over depreciation as per books | (6,924.20) | (1,568.75) | - | - | (8,492.95) |
| Others | - | (4.83) | - | - | (4.83) |
| MAT credit entitlement | 2,969.75 | - | - | 780.82 | 3,750.57 |
| Provision for employee benefits | 39.64 | (3.49) | 6.04 | - | 42.19 |
| Loss allowance for doubtful receivable and advances | 10.53 | (7.12) | - | - | 3.41 |
| Expenses allowable on payment basis | 84.54 | 8.23 | - | - | 92.77 |
| Others | 33.84 | (23.84) | - | - | 10.00 |
| | **(3,785.90)** | **(1,599.80)** | **6.04** | **780.82** | **(4,598.84)** |

### 21 Deferred income

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Deferred income on government grant | 20.03 | 465.51 | 17.47 | 421.90 |
| | **20.03** | **465.51** | **17.47** | **421.90** |

The Company has been sanctioned government grant for putting up ethanol pilot plant. Total amount received as on date is Rs.508.79 (31 March 2018 : 446.17).
The plant is capitalized and accordingly deferred income is being amortized over the useful life of the plant in the same proportion in which the related depreciation expense is recognised.

### 22 Trade payables

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| - Dues of Micro Enterprises and Small Enterprises [refer note below] | - | - |
| - Trade payables to related parties (Refer to note 40) | 178.06 | - |
| - Other trade payables | 2,954.58 | 3,046.98 |
| | **3,132.64** | **3,046.98** |

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondences with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of amounts payable to such enterprises as at the year end has been made in the financial statements based on information available with the Company as under :

## Notes to the Financial Statements for the year ended 31 March 2019

| | Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| (a) | The amounts remaining unpaid to micro, small and medium enterprises as at the end of the year | - | - |
| | - Principal | | |
| | - Interest | | |
| (b) | The amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 ( "MSMED Act"); along with the amount of payment made to the supplier beyond the appointed day during the year | - | - |
| (c) | 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 | - | - |
| (d) | The amount of interest accrued and remaining unpaid at the end of year | - | - |
| (e) | The amount of interest accrued and remaining unpaid at the end of the year | - | - |
| (f) | The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expense under the MSMED Act 2006 | - | - |

The total dues of Micro and Small Enterprises which were outstanding for more than stipulated period are Rs. Nil (31 March 2018 Rs. Nil) as on balance sheet date.

### 23 Other current liabilities

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Advance from customers | 31.68 | 108.76 |
| Statutory dues | 126.29 | 140.74 |
| | **157.97** | **249.50** |

### 24 Current tax liabilities (net)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Provision for income tax (net of advance tax) of Rs.2,460.97 (31 March 2018 Rs. 2,279.22) | 16.66 | 95.96 |
| | **16.66** | **95.96** |

## Notes to the Financial Statements for the year ended 31 March 2019

### 25 Revenue from operations

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Sale of products (including excise duty)* | 79,119.05 | 71,369.55 |
| Other operating revenues | | |
| Scrap sales | 227.11 | 59.01 |
| Export incentives | - | 0.74 |
| | **79,346.16** | **71,429.30** |

* Revenue from operations, for the current year is not comparable with previous year since the same is net of Goods and Service Tax (GST) whereas excise duty form part of expenses in previous year (uptill 30 June 2017). The comparative revenue from operations of the Company is given below:

| **Particulars** | | |
|---|---|---|
| Revenue from operations (as reported) | **79,119.05** | 71,369.55 |
| Less: Excise duty on sales | - | 1,015.57 |
| Revenue from operations (net of excise duty) | **79,119.05** | 70,353.98 |

**Revenue disaggregation by geography is as follows:**

| **Geography** | | |
|---|---|---|
| India | **77,017.38** | 69,685.77 |
| **Outside India** | | |
| Nepal | **2,101.67** | 1,683.78 |

In presenting the geographical information, sale of products revenue has been based on the geographic location of the customers.

**Information about major customers:**

No single customer represents 10% or more of the Company's total revenue during the year ended 31 March 2019 and 31 March 2018.

**Reconciliation of revenue recognized with the contracted price is as follows:**

| | Year ended 31 March 2019 |
|---|---|
| **Contracted price** | 78,711.52 |
| Reductions towards variable consideration components | 634.64 |
| **Revenue recognised** | **79,346.16** |

The reduction towards variable consideration comprises cash discount, trade discount and rebate etc.

## Notes to the Financial Statements for the year ended 31 March 2019

### 26 Other income

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Interest income: | | |
| on bank deposits | 370.44 | 99.34 |
| others | 149.40 | 54.36 |
| Rental income | 43.21 | 41.65 |
| Change in value of financial instruments measured at FVTPL | 253.50 | 90.90 |
| Liabilities no longer required written back | 15.87 | 42.19 |
| Gain on sale of property plant and equipment (net) | 1.16 | - |
| Others | 51.21 | 37.98 |
| | **884.79** | **366.42** |

### 27 Cost of materials consumed

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Raw material consumed | | |
| Opening stock of raw materials | 3,356.11 | 2,970.26 |
| Add: Purchases of raw materials | 23,915.86 | 20,707.40 |
| Less: Inventory of material at the end of the year | 2,569.77 | 3,356.11 |
| | **24,702.20** | **20,321.55** |
| Packing material consumed | | |
| Opening stock of raw materials | 139.76 | 103.54 |
| Add: Purchases of raw materials | 2,078.72 | 2,079.67 |
| Less: Inventory of material at the end of the year | 76.15 | 139.76 |
| | **2,142.33** | **2,043.45** |
| | **26,844.53** | **22,365.00** |

### 28 Changes in inventories of finished goods and work-in-progress

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Opening stock | | |
| Work-in-progress | 149.40 | 131.42 |
| Finished goods | 53.85 | 203.47 |
| | 203.25 | 334.89 |
| Less: | | |
| Closing stock | | |
| Work-in-progress | 224.53 | 149.40 |
| Finished goods | 164.68 | 53.85 |
| | 389.21 | 203.25 |
| | **(185.96)** | **131.64** |

## Notes to the Financial Statements for the year ended 31 March 2019

| 29 Employee benefits expense | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Salaries, wages and bonus (also refer note 32(d)) | 4,747.41 | 3,911.54 |
| Contributions to provident fund and other funds (also refer note 38) | 434.64 | 360.22 |
| Staff welfare expenses | 119.19 | 86.78 |
| | **5,301.24** | **4,358.54** |

| 30 Finance costs | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Interest expense on financial liabilities measured at amortised cost | 2,265.27 | 1,755.69 |
| Finance cost on finance lease obligations | - | 2.90 |
| Other borrowing costs | 211.03 | 338.74 |
| Dividend on redeemable preference shares classified as financial liabilities measured at amortised cost (including related dividend distribution tax) | 361.67 | 361.07 |
| | **2,837.97** | **2,458.40** |

| 31 Depreciation and amortisation expense | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Depreciation on property, plant and equipment and investment property | 2,297.35 | 1,867.61 |
| Amortisation of intangible asset | 215.18 | 74.38 |
| | **2,512.53** | **1,941.99** |

| 32 Other expenses | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Stores and spares consumed | 1,977.16 | 2,006.86 |
| Chemicals consumed | 12,964.18 | 11,638.26 |
| Power and fuel (also refer note 32(d)) | 12,888.41 | 10,988.37 |
| Rent | 32.77 | 57.45 |
| Repair and maintenance | 1,103.25 | 1,118.63 |
| Insurance | 39.36 | 41.40 |
| Rates and taxes | 32.48 | 44.09 |
| Legal and professional fees [refer note (a) and (b)] | 1,174.54 | 1,031.21 |
| Loss on sale of property, plant and equipment | - | 20.42 |
| Commission to directors | 110.89 | 107.11 |
| Exchange loss on foreign exchange fluctuations (net) | 379.16 | 106.44 |
| Corporate social responsibility expenses [refer note (c)] | 62.27 | 101.45 |
| Contract termination charges | - | 318.80 |
| Bank charges | 85.94 | 74.97 |

## Notes to the Financial Statements for the year ended 31 March 2019

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Commission on sales | 295.05 | 504.76 |
| Donation | 7.43 | 3.93 |
| Miscellaneous expenses (also refer note 32(d)) | 678.81 | 649.33 |
| | **31,831.70** | **28,813.48** |

| **Note (a): Auditors' remuneration (excluding taxes as applicable)** | **Year ended 31 March 2019** | **Year ended 31 March 2018** |
|---|---|---|
| **As Auditor** | | |
| Statutory audit | 17.60 | 15.60 |
| Limited review of quarterly results | 9.90 | 9.90 |
| **In other capacity** | | |
| Certification work | 0.31 | 0.10 |
| Reimbursement of expenses | 1.60 | 2.08 |
| | **29.41** | **27.68** |

**Note (b):**
Includes non recurring expense of Rs 803.51 (31 March 2018: Rs 233.32) undertaken towards business process improvement projects for which the Company had engaged an external specialist firm.

| **Note (c): Detail of corporate social responsibility expenditure** | **Year ended 31 March 2019** | **Year ended 31 March 2018** |
|---|---|---|
| **Gross amount required to be spent by the Company** | 150.14 | 99.67 |
| **Details of amount spent during the year:** | | |
| Actual spent during the year: | | |
| (i) Construction / acquisition of any asset | - | - |
| (ii) On purposes other than (i) above | | |
| - In Cash | 62.27 | 101.45 |
| -Yet to be paid in Cash | - | - |
| **Total amount spent during the year** | **62.27** | **101.45** |

**Note (d):** The Company does various expenditures in relation to pollution control activities. The amount of salaries, wages and bonus; power and fuel and miscellaneous expenses in relation to these activities are set out as below:

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Salaries, wages and bonus | 137.78 | 147.32 |
| Power and fuel | 323.60 | 263.80 |
| Miscellaneous expenses* | 50.00 | 44.14 |

* Includes primarily effluent treatment plant expenses etc.

## Notes to the Financial Statements for the year ended 31 March 2019

### 33 Tax expense

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| a) Income tax recognised in statement of profit and loss | | |
| **Current tax** | 2,476.08 | 2,410.83 |
| **Deferred tax** | | |
| Attributable to - | | |
| Origination and reversal of temporary differences | 818.98 | 1,011.52 |
| Total tax expense recognised in the current year | **3,295.06** | **3,422.35** |

b) Reconciliation of effective tax rate

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Profit before tax** | 11,088.94 | 10,711.10 |
| Tax at the Indian tax rate of 34.94% (previous year 34.94%) | 3,874.92 | 3,742.88 |
| Effect of expenses that are not deductible in determining taxable profit | 161.32 | 181.01 |
| Effect of tax holiday | (776.39) | (597.48) |
| Effect of increase in tax rate | - | 55.68 |
| Effect of changes in estimate related to previous year | (1.55) | 12.67 |
| Others | 36.76 | 27.59 |
| **Income tax expenses recognised in statement of profit and loss** | **3,295.06** | **3,422.35** |

c) Income tax expense recognised in other comprehensive income

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Deferred tax assets/(liabilities)** | | |
| Arising on income and expenses recognised in other comprehensive income | | |
| -Remeasurement of defined benefit obligation | 6.04 | 6.60 |
| **Total income tax recognised in other comprehensive income** | **6.04** | **6.60** |
| Bifurcation of the income tax recognised in other comprehensive income into:- | | |
| Items that will not be reclassified to profit or loss | 6.04 | 6.60 |
| Items that may be reclassified to profit or loss | - | - |
| | 6.04 | 6.60 |

### 34 Earnings per share

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| (i) Profit for basic earning per share of Rs. 10 each | 7,793.88 | 7,288.75 |
| (ii) Weighted average number of equity shares for (basic) | 87,26,363 | 87,26,363 |
| Basic and diluted earnings per share (face value of Rs 10 each) | 89.31 | 83.53 |

# Notes to the Financial Statements for the year ended 31 March 2019

## 35 Financial instruments - Fair values and risk management

A. Accounting classification and fair values

The following table shows the carrying amounts and fair value of financial assets and financial liabilities including their level in the fair value hierarchy:

| | Note | Level of hierarchy | As at 31 March 2019 FVTPL | As at 31 March 2019 FVOCI | As at 31 March 2019 Amortised cost | As at 31 March 2018 FVTPL | As at 31 March 2018 FVOCI | As at 31 March 2018 Amortised cost |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | |
| **Non-current** | | | | | | | | |
| Loans | (ii) | 3 | - | - | 312.41 | - | - | 250.72 |
| Other financial assets | (ii) | 3 | - | - | 96.89 | - | - | 37.43 |
| **Current** | | | | | | | | |
| Trade receivable | (i) | 3 | - | - | 3,348.16 | - | - | 3,200.22 |
| Cash and cash equivalents | (i) | 3 | - | - | 3,901.88 | - | - | 1,422.25 |
| Other bank balances | (i) | 3 | - | - | 2,667.02 | - | - | 3,389.51 |
| Loans | (i) | 3 | - | - | 1,895.58 | - | - | 635.90 |
| Derivative financial instruments | (iv) | 2 | 154.94 | - | - | - | - | |
| Other financial assets | (i) | 3 | - | - | 106.40 | | - | 178.94 |
| **Total financial assets** | | | **154.94** | **-** | **12,328.34** | **-** | **-** | **9,114.97** |

| | Note | Level of hierarchy | As at 31 March 2019 FVTPL | As at 31 March 2019 FVOCI | As at 31 March 2019 Amortised cost | As at 31 March 2018 FVTPL | As at 31 March 2018 FVOCI | As at 31 March 2018 Amortised cost |
|---|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | | |
| **Non-current** | | | | | | | | |
| Borrowings | (iii) | 3 | - | - | 30,027.10 | - | - | 23,833.97 |
| Other financial liabilities | (i) | 3 | - | - | 1,551.72 | | | 1,321.34 |
| **Current** | | | | | | | | |
| Borrowings | (i) | 3 | - | - | 4,914.53 | - | - | 4,554.56 |
| Trade payables | (i) | 3 | - | - | 3,132.64 | - | - | 3,046.98 |
| Other financial liabilities | (i) | 3 | - | - | 414.88 | - | - | 402.19 |
| Current maturities of non-current borrowings | (iii) | 3 | - | - | 4,514.47 | | - | 3,740.83 |
| Current maturities of finance lease obligation | (i) | 3 | - | - | - | - | - | - |
| Employee related payables | (i) | 3 | - | - | 703.85 | - | - | 505.80 |
| Capital creditors | (i) | 3 | - | - | 958.10 | - | - | 680.11 |
| Liability for mark to market loss on derivative contracts | (iv) | 2 | - | | | 98.56 | | - |
| Others | (i) | 3 | - | - | 171.58 | - | - | 133.98 |
| **Total financial liabilities** | | | **-** | **-** | **46,388.87** | **98.56** | **-** | **38,219.76** |

## Notes to the Financial Statements for the year ended 31 March 2019

**Note:**

(i) Fair valuation of financial assets and liabilities with short term maturities is considered as approximate to respective carrying amount due to the short term maturities of these instruments.

(ii) Fair value of non-current financial assets has not been disclosed as there is no significant differences between carrying value and fair value.

(iii) Fair value of borrowings is as follows :

| | Level | Fair value | | Amortised cost | |
|---|---|---|---|---|---|
| | | **31 March 2019** | **31 March 2018** | **31 March 2019** | **31 March 2018** |
| Non-current borrowings (including current maturities)* | 3 | 33,739.60 | 27,239.94 | 34,541.57 | 27,574.81 |

*The fair value of borrowings is based upon a discounted cash flow analysis that used the aggregate cash flows from principal and finance costs over the life of the debt and current market interest rates.

(iv) Derivatives are carried at fair value at each reporting date. The fair values of the derivative financial instruments has been determined using valuation techniques with market observable inputs. The model incorporates various inputs including credit quality of counter-parties and foreign exchange forward rates.

There are no transfers between Level 1, Level 2 and Level 3 during the year ended 31 March 2019 and 31 March 2018.

### B. Financial risk management

#### (i) Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to effect changes in market conditions and Company's activities. The Company, through its training and management standards and procedures, aims to maintain discipline and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risk faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the result of which are reported to audit committee.

The Company has exposure to the following risks arising from financial instruments:

- credit risk (See (ii))
- liquidity risk (See (iii)); and
- market risk (See (iv))

#### (ii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit risk exposure and arises principally from the Company's receivable from customers and loans. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the Balance Sheet:

## Notes to the Financial Statements for the year ended 31 March 2019

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Trade receivables | 3,348.16 | 3,200.22 |
| Cash and cash equivalents | 3,901.88 | 1,422.25 |
| Other bank balances | 2,667.02 | 3,389.51 |
| Loans | 2,207.99 | 886.62 |
| Other financial assets | 358.23 | 216.37 |
| | **12,483.28** | **9,114.97** |

**Trade receivables**

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and business intelligence. The Company evaluates the customer credentials carefully from trade sources before appointment of any distributor and only financially sound parties are appointed as distributors. The Company secures adequate deposits from its distributor and hence risk of bad debt is limited. The credit outstanding is sought to be limited to the sum of advances/deposits and credit limit determined by the company.

The following table gives details in respect of percentage of revenues generated from top customer and top five customers:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Revenue from top customer | 8% | 9% |
| Revenue from top five customers | 29% | 29% |

The Company based on internal assessment which is driven by the historical experience/ current facts available in relation to default and delays in collection thereof, the credit risk for trade receivables is considered low. The Company estimates its allowance for trade receivable using lifetime expected credit loss. Individual receivables which are known to be uncollectible are written off by reducing the carrying amount of trade receivable and the amount of the loss is recognised in the Statement of Profit and Loss within other expenses.

The following table provides information about the exposure to credit risk and expected credit loss for trade receivables.

| Particulars | Gross Carrying amount | Loss allowance | Carrying amount |
|---|---|---|---|
| **31 March 2019** | | | |
| Less than 6 Months | 3,050.74 | - | 3,050.74 |
| More than 6 Months | 297.42 | - | 297.42 |
| | 3,348.16 | - | 3,348.16 |
| **31 March 2018** | | | |
| Less than 6 Months | 2,876.02 | - | 2,876.02 |
| More than 6 Months | 344.56 | 20.36 | 324.20 |
| | 3,220.58 | 20.36 | 3,200.22 |

## Notes to the Financial Statements for the year ended 31 March 2019

The movement in the allowance for impairment in respect of trade receivables is as follows

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance as at the beginning of the year | 20.36 | 20.36 |
| Amounts utlized/adjusted during the year | (20.36) | - |
| **Balance as at the end of the year** | - | **20.36** |

The loans primarily represents security deposits, inter-company deposits given and loans given to employees. The management believes these to be high quality assets with negligible credit risk. The management believes the parties to which these deposits and loans have been given have strong capacity to meet the obligations and where the risk of default is negligible or nil and accordingly no allowance for expected credit loss has been provided on these financial assets. Credit risk on cash and cash equivalents and bank deposits is limited as the Company generally invests in deposits with banks with high credit ratings assigned by domestic credit rating agencies.

**(iii) Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Company's approach to manage liquidity is to have sufficient liquidity to meet it's liabilities when they are due, under both normal and stressed circumstances, without incurring losses or risking damage to the Company's reputation.

Management manages the liquidity risk by monitoring cash flow forecasts on a periodic basis and maturity profiles of financial assets and liabilities. This monitoring takes into account the accessibility of cash and cash equivalents and additional undrawn financing facilities.

The following table provides details regarding the contractual maturities of significant financial liabilities:

| | Less than 1 Year | 1 to 5 Years | More than 5 years | Total |
|---|---|---|---|---|
| **31 March 2019** | | | | |
| Borrowings (including current maturities) | 9,429.00 | 20,252.74 | 9,890.00 | 39,571.74 |
| Trade payables | 3,132.64 | - | - | 3,132.64 |
| Other financial liabilities | 2,248.41 | 1,551.72 | - | 3,800.13 |
| | **14,810.06** | **21,804.46** | **9,890.00** | **46,504.52** |
| **31 March 2018** | | | | |
| Borrowings (including current maturities) | 8,295.38 | 19,025.39 | 4,938.04 | 32,258.82 |
| Trade payables | 3,046.98 | - | - | 3,046.98 |
| Other financial liabilities | 1,820.64 | 1,321.34 | - | 3,141.98 |
| | **13,163.00** | **20,346.73** | **4,938.04** | **38,447.78** |

## Notes to the Financial Statements for the year ended 31 March 2019

**(iv) Market Risk**

**(a) Commodity price risk**

The Company is exposed to the movement in price of key raw materials in domestic and international markets. The Company has in place policies to manage exposure to fluctuations in the prices of the key raw materials used in operations. The Company manages fluctuations in raw material price through hedging in the form of advance procurement when the prices are perceived to be low and also enters into advance buying contracts as strategic sourcing initiative in order to keep raw material and prices under check to the extent possible.

**(b) Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings with floating interest rates.

**Exposure to interest rate risk**

The Company is exposed to interest rate risk because funds are borrowed at both fixed and floating interest rates. Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rate. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings. The exposure of the Company's borrowing to interest rate changes as reported to the management at the end of the reporting period are as follows:

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Fixed rate borrowings | 10,684.22 | 7,909.66 |
| Floating rate borrowings | 28,887.52 | 24,349.18 |
| | 39,571.74 | 32,258.84 |

**Interest rate sensitivity analysis**

A reasonably possible change of 0.50 % in interest rates at the reporting date would have impacted the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

| | Profit or Loss | |
|---|---|---|
| **For the year ended 31 March 2019** | **Strengthening** | **Weakening** |
| Interest rate (0.5% movement) | (144.44) | 144.44 |
| **For the year ended 31 March 2018** | | |
| Interest rate (0.5% movement) | (121.75) | 121.75 |

**(c) Foreign currency risk**

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. Exposure arises primarily due to exchange rate fluctuations between the functional currency and other currencies from the Company's operating, investing and financing activities.

The Company holds derivative financial instruments such as foreign currency forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank or a financial institution. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace

## Notes to the Financial Statements for the year ended 31 March 2019

*Exposure to currency risk*

The following table provides details of the Company's exposure to currency risk:

| Liabilities | As at 31 March 2019 | | | As at 31 March 2018 | |
|---|---|---|---|---|---|
| | Currency | Amount (Rs.) | Amount in foreign currency | Amount (Rs.) | Amount in foreign currency |
| Borrowings (secured) | USD | 4,949.11 | 71.55 | 3,564.39 | 54.80 |
| Less: Derivative contracts | | (4,949.11) | (71.55) | (3,564.39) | (54.80) |
| | | - | - | - | - |
| Borrowings (unsecured) | USD | 1,805.37 | 26.10 | 1,791.97 | 27.55 |
| Less: Derivative contracts | | (1,805.37) | (26.10) | (1,791.97) | (27.55) |
| | | - | - | - | - |
| Interest accrued but not due on unsecured loan | USD | 15.86 | 0.23 | 26.05 | 0.40 |
| | | (15.86) | (0.23) | (26.05) | (0.40) |
| | | - | - | - | - |
| Trade payables | USD | 517.70 | 7.48 | 242.54 | 3.73 |
| **Net exposure in respect of recognised assets and liabilities** | | **517.70** | **7.48** | **242.54** | **3.73** |

**(ii) Sensitivity analysis**

A reasonably possible strengthening (weakening) of the Indian Rupee against below currencies at 31 March 2019 and 31 March 2018 would have impacted the measurement of financial instruments denominated in foreign currency and impacted Statement of Profit and Loss by the amounts shown below. This analysis is performed on foreign currency denominated monetary financial assets and financial liabilities outstanding as at the year end. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| Particulars | Profit or Loss | | Equity, net of tax | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| **31 March 2019** | | | | |
| USD (1% movement) | (5.18) | 5.18 | 5.18 | (5.18) |
| **31 March 2018** | | | | |
| USD (1% movement) | (2.43) | 2.43 | 2.43 | (2.43) |

# Notes to the Financial Statements for the year ended 31 March 2019

## 36(a) Measurement of fair values of investment property

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Fair value of investment property | 874.47 | 1,024.00 |

### Fair value hierarchy

The fair value of investment property has been determined by external property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value measurement for the investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

**Valuation technique**

The Company follows discounted cash flows technique. The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, vacant periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.

Investment property comprise of a commercial property that is leased to third party. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

## 36(b) Capital management

**Risk management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The management monitors the return on capital. The Company monitors capital using a ratio of 'adjusted net debt' to 'total equity'. For this purpose, adjusted net debt is defined as total liabilities, net of cash and cash equivalents and other bank balances. Equity comprises all components of equity (as shown in the Balance Sheet).

The Company's adjusted net debt to equity ratio was as follows.

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Total liabilities | 51,768.64 | 43,002.48 |
| Less: cash and cash equivalents | (6,568.91) | (4,811.76) |
| Adjusted net debt | 45,199.73 | 38,190.72 |
| Total equity | 76,658.57 | 69,138.94 |
| Adjusted net debt to equity ratio | **0.59** | **0.55** |

# Notes to the Financial Statements for the year ended 31 March 2019

## 37 Contingent liabilities and commitments (to the extent not provided for)

### A (i). Contingent liabilities

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (a) Claims against the Company not acknowledged as debts: | | |
| Income tax matters | 89.00 | 89.00 |
| Excise duty matters | 567.31 | 626.09 |

### A (ii). Other pending litigations

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Excise duty, Central Excise Act, 1944* | 52.15 | 52.15 |
| Water cess, The Water (Prevention and Control of Pollution) Cess Act, 1977 | - | 20.68 |

*Refund case is pending with Commissioner (Excise), Rs. 52.15 is classified under Note 13, cenvat credit recoverable.

**A(iii).** The Company has initiated legal proceedings which have arisen in the ordinary course of business. The management does not reasonably expect that these legal actions, when ultimately concluded and determined, will have a material effect on the Company's results of operations or financial condition. Further, the Company has filed legal cases against certain parties for recoverability of balances due from them. Appropriate provision wherever required, has been created in the financial statements.

**B. Impact of Hon'ble Supreme Court Judgement on provident fund**

Pursuant to recent judgement by the Hon'ble Supreme Court dated 28 February 2019, it was held that basic wages, for the purpose of provident fund, to include special allowances which are common for all employees. However, there is uncertainty with respect to the applicability of the judgement and period from which the same applies. The Company has assessed the impact of the same for the month of March 2019 and recognised in the financials statement.

Owing to the aforesaid uncertainty and pending clarification from the authorities in this regard, the Company has not recognised and deposited provident fund amount, if any, for the period up to 28 February 2019. Further, management also believes that the impact of the same on the Company though not quantifiable will not be material.

### C. Commitments

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (a) Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) | 14,313.60 | 6,912.45 |

## 38 Employee benefits

I. Assets and liabilities relating to employee benefits

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Non-current** | | |
| Liability for compensated absences | 96.21 | 96.46 |
| | **96.21** | **96.46** |

## Notes to the Financial Statements for the year ended 31 March 2019

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Current** | | |
| Liability for compensated absences | 24.54 | 16.97 |
| | **24.54** | **16.97** |
| **Current** | | |
| Gratuity (asset) | 5.59 | 4.89 |
| | **5.59** | **4.89** |

For details about the related employee benefit expenses, refer to note no. 29.

**II. Defined contribution plan**

The Company's provident fund scheme and employee's state insurance (ESI) fund scheme are defined contribution plans. The Company has recorded expenses of Rs. 250.23 (31 March 2018: Rs. 208.42) under provident fund scheme and Rs.78.88 (31 March 2018: Rs. 73.67) under ESI scheme. These have been included in note 29 Employees benefits expenses, in the Statement of Profit and Loss.

**III Defined benefit plan**

**Gratuity (funded)**

The employees' gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The Company made annual contributions to the LIC of India.

The above defined benefit plan exposes the Company to following risks:

**Interest rate risk:**

The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

**Salary inflation risk:**

Higher than expected increase in salary will increase the defined benefit obligation.

**Demographic risk:**

This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. The Company has not changed the processes used to manage its risks from previous periods. The funds are managed by specialised team of Life Insurance Corporation of India.

**a)Funding**

Gratuity is a funded benefit plan for qualifying employees. 100% of the plan assets are managed by LIC. The assets managed are highly liquid in nature and the Company does not expect any significant liquidity risks. The expected contribution to defined benefit plan for the next year is Rs. 91.69.

# Notes to the Financial Statements for the year ended 31 March 2019

The following table sets out the status of the defined benefit plan as required under Ind-AS 19 - Employee Benefits:

**b) Reconciliation of present value of defined benefit obligation**

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Present value of obligation at the beginning of the year** | 781.93 | 693.60 |
| Benefits paid | (94.15) | (54.61) |
| Current service cost | 87.40 | 74.49 |
| Interest cost | 60.99 | 52.02 |
| Actuarial losses/(gains) | 7.36 | 16.43 |
| **Present value of obligation at the end of the year** | **843.53** | **781.93** |

**c) Reconciliation of the present value of plan assets**

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Fair value of plan assets at the beginning of the year** | 786.83 | 694.18 |
| Contributions | 105.00 | 100.00 |
| Interest Income | 51.44 | 47.26 |
| Benefits paid | (94.15) | (54.61) |
| **Fair value of plan assets at the end of the year** | **849.12** | **786.83** |

**d) Expenses recognized in the Statement of Profit and Loss**

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Current service cost | 87.40 | 74.49 |
| Interest cost | 60.99 | 52.02 |
| Interest income | (61.37) | (52.06) |
| **Expenses recognized in profit and loss account** | **87.02** | **74.45** |

**e) Remeasurements recognised in other comprehensive income**

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Actuarial gain/loss on the defined benefit obligation | (7.36) | (16.43) |
| Return on plan assets excluding interest income | (9.93) | (4.80) |
| **Amount recognized in other comprehensive income** | **(17.29)** | **(21.23)** |

## Notes to the Financial Statements for the year ended 31 March 2019

**f) Plan assets**

Plan assets of the Company are held as bank balance, NSDL bonds and under LIC of India.

**g) Actuarial assumptions**

| Particulars | As at 31 March 2019 (Per Annum) | As at 31 March 2018 (Per Annum) |
|---|---|---|
| **Economic assumptions** | | |
| Discount rate | 7.80% | 7.80% |
| Salary escalation rate per annum | 8.25% | 8.25% |

Assumptions regarding future mortality are based on Indian Assured Lives Mortality (IALM) (2006-08) rates.

**h) Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | **Increase** | **Decrease** | **Increase** | **Decrease** |
| Discount rate (0.50% movement) | (33.27) | 35.85 | (30.38) | 32.74 |
| Future salary growth rate (0.50% movement) | 35.53 | (33.28) | 32.44 | (30.39) |
| Withdrawal rate (0.50% movement) | 1.68 | (1.56) | (1.59) | 1.60 |

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same methods (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

**i) Expected benefit payments**

Undiscounted amount of expected benefit payments for next 10 years:

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Within 1 year | 101.72 | 103.22 |
| 1-2 year | 12.46 | 49.45 |
| 2-3 year | 43.03 | 51.46 |
| 3-4 year | 46.85 | 42.44 |
| 4-5 year | 54.98 | 48.98 |
| 5-6 years | 64.91 | 51.33 |
| 6 year onwards | 519.59 | 435.06 |

# Notes to the Financial Statements for the year ended 31 March 2019

## 39 Leases:

**A. Leases as lessee**

**Operating leases:**

The Company has taken office and residential premises under cancellable operating lease agreements. Lease payments charged during the year in Statement of Profit and Loss aggregate Rs. 32.77 (31 March 2018: Rs. 57.45).

**B. Leases as lessor**

**Operating leases:**

The Company has leased out its investment property on operating lease basis.

I. The future minimum lease payments under non-cancellable operating leases receivable are as follows:

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Within one year | 42.21 | 38.34 |
| Later than one year and less than five years | 187.45 | 178.95 |
| More than five years | 444.18 | 494.89 |

ii. Amounts recognised in profit or loss

During the year ended 31 March 2019, property rentals of Rs.38.35 (31 March 2018: Rs.38.35) have been included in other income (refer note 26).

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Income generated from property | 38.35 | 38.35 |

## 40 Related party disclosures

**A. List of related parties and nature of relationship where control exists**

**(i) Holding Company** Kapedome Enterprises Limited

**B. List of related parties and nature of relationship with whom transactions have taken place during the current/ previous year**

(i) Key management personnel and individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise

Mr. Jagesh Kumar Khaitan, Chairman

Mr. Pavan Khaitan, Managing Director

(ii) Non Executive directors

Mr. Darshan Chand Mehandru (retired w.e.f. 31 March 2019)

Mr. Umesh Kumar Khaitan (resigned w.e.f. 9 August 2018)

Mr. Yashovardhan Saboo

Mr. Vivek Bihani

Ms. Shireen Sethi

Mr. Drishinder Singh Sandhawalia

## Notes to the Financial Statements for the year ended 31 March 2019

Mr Bhavdeep Sardana (w.e.f. 20 December 2018)
Mrs Neena Singh (resigned w.e.f. 1 November 2017)
Mr. Ashutosh Khaitan (resigned w.e.f. 15 September 2017)

(iii) Relatives of individuals mentioned above
Mrs. Usha Khaitan
Mrs. Aparna Khaitan
Ms. Deeksha Khaitan
Ms. Malavika Khaitan
Mrs. Shashi Khaitan
Mrs. Abha Khaitan
Mrs. Simran Sandhawalia
Mrs. Kushal Pal Sandhawalia

**C. Transactions with related parties during the current / previous year:**

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **(i) Unsecured loans taken#** | | |
| Mr. Jagesh Kumar Khaitan | 142.00 | 265.00 |
| Mrs. Usha Khaitan | - | 60.00 |
| Mr. Pavan Khaitan | - | 100.00 |
| Mrs. Aparna Khaitan | - | 30.00 |
| Mrs. Shashi Khaitan | 100.00 | - |
| Mrs. Abha Khaitan | 250.00 | - |
| Ms. Deeksha Khaitan | 3.00 | - |
| Ms. Malavika Khaitan | 3.00 | - |
| Mr. Drishinder Singh Sandhawalia | 26.50 | - |
| Mrs.Simran Sandhawalia | 17.60 | 12.00 |
| Mrs Kushal Pal Sandhawalia | 45.00 | 30.00 |
| **(ii) Unsecured loans repaid#** | | |
| Mr. Jagesh Kumar Khaitan | 115.00 | 151.00 |
| Mrs. Usha Khaitan | - | 54.90 |
| Mr. Pavan Khaitan | 40.00 | 360.00 |
| Mrs. Aparna Khaitan | - | 370.00 |
| Mrs. Shashi Khaitan | 100.00 | - |
| Ms. Deeksha Khaitan | 3.00 | - |
| Ms. Malavika Khaitan | 3.00 | - |
| Mr. Drishinder Singh Sandhawalia | 22.20 | - |
| Mrs.Simran Sandhawalia | 14.75 | 12.00 |
| Mrs Kushal Pal Sandhawalia | 30.00 | 30.00 |
| Mrs. Abha Khaitan | 250.00 | 5.75 |

## Notes to the Financial Statements for the year ended 31 March 2019

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **(iii) Interest on unsecured loans#** | | |
| Mr. Jagesh Kumar Khaitan | 63.43 | 58.40 |
| Mrs. Usha Khaitan | 7.83 | 7.54 |
| Mr. Pavan Khaitan | 13.34 | 11.17 |
| Mrs. Aparna Khaitan | 13.28 | 32.23 |
| Ms. Deeksha Khaitan | 6.33 | 6.38 |
| Ms. Malavika Khaitan | 5.73 | 5.78 |
| Mrs. Shashi Khaitan | 11.38 | 12.00 |
| Mrs. Abha Khaitan | 29.94 | 30.00 |
| Mr. Umesh Kumar Khaitan | - | (0.13) |
| Mr. Drishinder Singh Sandhawalia | 2.51 | 2.41 |
| Mrs.Simran Sandhawalia | 3.03 | 2.88 |
| Mrs Kushal Pal Sandhawalia | 2.96 | 2.94 |
| **(iv) Contract termination charges** | | |
| Kapedome Enterprises Limited | - | 318.80 |
| **(v) Compensation to key managerial personnel** | | |
| ***Short-term employee benefits*** | | |
| Mr. Jagesh Kumar Khaitan | 116.16 | 105.60 |
| Mr. Pavan Khaitan | 172.80 | 153.60 |
| ***Commission to Directors*** | | |
| Mr. Jagesh Kumar Khaitan | 44.58 | 43.64 |
| Mr. Pavan Khaitan | 66.31 | 63.47 |
| ***Post-employment benefits*** | | |
| Mr. Jagesh Kumar Khaitan | 5.92 | 8.00 |
| Mr. Pavan Khaitan | 21.38 | 27.62 |
| ***Defined contribution Plan*** | | |
| Mr. Jagesh Kumar Khaitan | 8.71 | 7.92 |
| Mr. Pavan Khaitan | 12.96 | 11.52 |
| ***Other long-term benefits*** | | |
| Mr. Jagesh Kumar Khaitan | 0.59 | 1.33 |
| Mr. Pavan Khaitan | 1.12 | 3.96 |

## Notes to the Financial Statements for the year ended 31 March 2019

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **(vi) Directors sitting fees (non-executive director)** | | |
| Mr. Darshan Chand Mehandru | 3.50 | 3.25 |
| Mr. Umesh Kumar Khaitan | - | 0.75 |
| Mr. Yashovardhan Saboo | 2.00 | 1.25 |
| Mr. Vivek Bihani | 1.25 | 1.00 |
| Ms. Shireen Sethi | 2.00 | 0.50 |
| Mr. Bhavdeep Sardana | 0.25 | - |
| Mr. Drishinder Singh Sandhawalia | 3.00 | 2.75 |
| Mrs. Neena Singh (till 1 November 2017) | - | 0.50 |
| **(vii) Equity Dividend*** | | |
| Mr. Jagesh Kumar Khaitan | 3.62 | 2.90 |
| Mrs. Usha Khaitan | 0.32 | 0.26 |
| Mr. Pavan Khaitan | 0.67 | 0.54 |
| Mrs. Aparna Khaitan | 0.65 | 0.52 |
| Mr. Ashutosh Khaitan | 0.53 | 0.42 |
| Mrs. Abha Khaitan | 1.38 | 1.10 |
| Mr. Umesh Kumar Khaitan | 0.91 | 0.72 |
| Kapedome Enterprises Limited | 125.11 | 100.09 |
| Combine overseas Limited | 19.98 | 15.99 |
| *excluding taxes | | |
| **(viii) Management consultancy fees** | | |
| Mr. D. S. Sandhawalia | 52.50 | 48.06 |
| **(ix) Reimbursement of expenses** | | |
| Mr. Jagesh Kumar Khaitan | 1.84 | 1.01 |
| Mr. Pavan Khaitan | 1.01 | 2.45 |
| Mr. D. S. Sandhawalia | 1.59 | 2.49 |
| **(x) Preference dividend**** | | |
| Kapedome Enterprises Limited | 250.00 | 250.00 |
| Mr. Jagesh Kumar Khaitan | 10.00 | 10.00 |
| Mr. Pavan Khaitan | 30.00 | 30.00 |
| Mrs. Aparna Khaitan | 10.00 | 10.00 |
| ** excluding taxes | | |

## Notes to the Financial Statements for the year ended 31 March 2019

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **(xi) Other charges (rent)** | | |
| Kapedome Enterprises Ltd | 0.71 | 0.68 |
| **(xii) Purchases** | | |
| Kapedome Enterprises Limited | 5,624.38 | 2,474.54 |

### D. Outstanding Balances

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| **Unsecured loans** | | |
| Public Deposits | | |
| Mr. Jagesh Kumar Khaitan | 517.00 | 495.00 |
| Mrs. Usha Khaitan | 65.00 | 65.00 |
| Mr. Pavan Khaitan & HUF of Mr. Pavan Khaitan | 35.00 | 35.00 |
| Mrs. Aparna Khaitan | 114.00 | 114.00 |
| Mrs. Shashi Khaitan | 100.00 | 100.00 |
| Ms. Deeksha Khaitan | 55.00 | 55.00 |
| Ms. Malavika Khaitan | 49.00 | 49.00 |
| Mrs. Abha Khaitan | 250.00 | 250.00 |
| Mr. Umesh Kumar Khaitan | - | - |
| Mr. Drishinder Singh Sandhawalia | 26.50 | 22.20 |
| Mrs.Simran Sandhawalia | 29.60 | 26.75 |

## Notes to the Financial Statements for the year ended 31 March 2019

| Particulars | For the year ended 31 March 2019 | For the year ended 31 March 2018 |
|---|---|---|
| Loans from directors and relatives (unsecured) | | |
| Mr. Pavan Khaitan & HUF of Mr. Pavan Khaitan | 93.00 | 133.00 |
| Mrs. Aparna Khaitan | 6.50 | 6.50 |
| Mr. Jagesh Kumar Khaitan | 90.00 | 90.00 |
| Mrs. Usha Khaitan | 10.00 | 10.00 |
| **Current Borrowings** | | |
| Public deposit | | |
| Mrs Kushal Pal Sandhawalia | 45.00 | 30.00 |
| Mr. Jagesh Kumar Khaitan | 5.00 | - |
| **Trade Payables** | | |
| Kapedome Enterprises Ltd | 178.06 | - |
| **Advance to suppliers** | | |
| Kapedome Enterprises Ltd | - | 27.79 |

The secured borrowing facilities of the Company are secured by way of personal guarantees of Chairman and Managing Director in favour of lenders.

### E. Terms and Conditions

All transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions and within the ordinary course of business. Outstanding balances at the year end are unsecured and settlement occurs in cash. Transactions relating to dividend are on the same terms and conditions that are offered to other shareholders.

**41** The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended 31 March 2019.

**42 Segment information**

The Company is primarily engaged in the business of manufacture and sales of paper, mainly in the domestic markets.

The Board of Directors of the Company, who have been identified as being the chief operating decision maker (CODM), evaluate the Company's performance and allocate resources based on the analysis of various performance indicators of the Company as a single unit. Accordingly, there is no reportable segment or any entity wide disclosures which are applicable to the Company.

# Notes to the Financial Statements for the year ended 31 March 2019

**43 Disclosures pursuant to Section 186 of the Companies Act, 2013:**

| Name of Party to whom loan is advanced (all loans are unsecured) | Balance as at 1 April 2018 | Additions during the year | Repayment during the year | Closing balance as at 31 March 2019 | Maximum amount outstanding at any time during the year | Purpose of Loan | Rate of Interest |
|---|---|---|---|---|---|---|---|
| Rishabh Services Private Limited | 600.50 | 340.13 | 54.59 | 886.04 | 899.49 | Working capital requirement | 10% |
| Radhe-Govind Builders and Developers Private Limited | - | 182.69 | 3.80 | 178.88 | 178.88 | Working capital requirement | 10% |
| Imperia Structures Limited | - | 163.23 | - | 163.23 | 163.23 | Working capital requirement | 10% |
| Combine Accurate Financial Services India Limited | - | 625.06 | 10.41 | 614.65 | 614.65 | Working capital requirement | 10% |
| Minolta Securities Limited | - | 614.46 | 614.46 | - | 610.25 | Working capital requirement | 11% |
| Dolphin Finance and Investment Co Ltd | - | 46.94 | 46.94 | - | 46.94 | Working capital requirement | 11% |

**44** The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation of transactions with associated enterprises during the financial year and expects such records to be in existence latest by the due date as required under that law. The management is of the opinion that the above transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

**45 Dividends**

| The following dividends were declared and paid by the Company during the year: | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Rs.2.5 per equity share (31 March 2018: Rs.2 per equity share) | 218.16 | 174.53 |
| Dividend distribution tax on dividend to equity shareholders | 44.84 | 35.53 |
| | **263.00** | **210.06** |

After reporting date the following dividend (excluding dividend distribution tax) was proposed by the directors subject to the approval at the time of annual general meeting; the dividend has not been recognised as liability. The dividend will attract dividend distribution tax when declared or paid.

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Rs. 5 per equity share (31 March 2018: INR 2.5 per equity share) | 436.32 | 218.16 |
| | **436.32** | **218.16** |

A 'dividend 'of Rs.1 per redeemable cumulative preference shares (31 March 2018: Rs.1 redeemable cumulative preference shares) (excluding dividend distribution tax) has been proposed by the directors subject to the approval at the time of annual general meeting. Since the aforesaid preference shares have been classified as 'financial liability', the aforesaid amount has been shown as the part of finance cost on accrual basis.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022

**Rajesh Arora**
Partner
Membership No.: 076124

Place : Chandigarh
Date : 29 May 2019

For and on behalf of Board of Directors of **Kuantum Papers Limited**

**Jagesh Kumar Khaitan**
Chairman
DIN - 00026264

**Pavan Khaitan**
Managing Director
DIN - 00026256

**Roshan Garg**
President-Finance & CFO

**Vivek Trehan**
Company Secretary

Place : Chandigarh
Date : 29 May 2019

**Kuantum Papers Ltd**

The Paper Makers

**CIN : L21012PB1997PLC035243**

Regd. Office : Salia Khurd 144 529 Distt. Hoshiarpur Punjab

EMAIL - kuantumcorp@kuantumpapers.com

Website : www.kuantumpapers.com

## ATTENDANCE SLIP

Regd. Folio No. / DP ID - Client ID : ______________________________

Name & Address of First/Sole Shareholder : ______________________________

No. of Shares held : ______________________________

**I hereby record my presence at the 22nd Annual General Meeting of the Company to be held on Tuesday, the 13th day of August, 2019 at 11:30 a.m. at Saila Khurd, 144 529, Distt, Hoshiarpur, Punjab.**

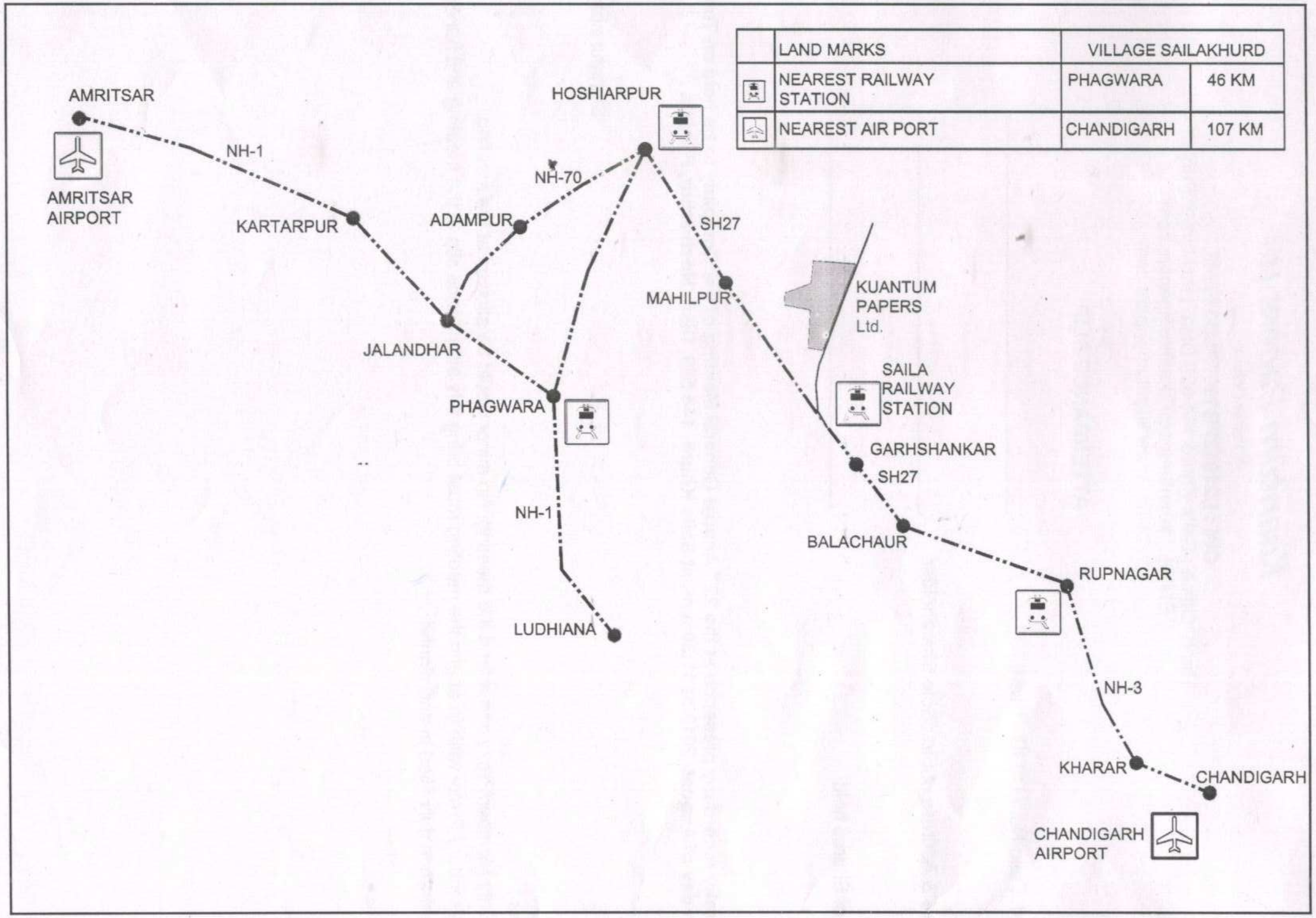
Signature of Member/Proxy

Notes :

a) Only Member/Proxy can attend the meeting. No minor would be allowed at the meeting.

b) Member / Proxy wish to attend the meeting must bring this attendance slip to the meeting and handover at the entrance duly filled in and signed.

# ROUTE MAP




| | LAND MARKS | VILLAGE SAILAKHURD | |
|---|---|---|---|
| | NEAREST RAILWAY STATION | PHAGWARA | 46 KM |
| | NEAREST AIR PORT | CHANDIGARH | 107 KM |

**Form No. MGT-11**
**Proxy Form**

*[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]*

**CIN** : **L21012PB1997PLC035243**
**Name of the Company** : **KUANTUM PAPERS LTD.**
**Registered office** : **Salia Khurd, 144 529, Distt. Hoshiarpur, Punjab**

| | |
|---|---|
| **Name of the member (s)** | : |
| **Registered address** | : |
| **E-mail ID** | : |
| **Folio No. / Client ID** | : |
| **DP ID** | : |

I/We, being the member (s) of...................shares of the above named company, hereby appoint

1. Name :
Address :
E-mail id :

Signature.......................or failing him

2. Name :
Address :
E-mail id :

Signature..........................or failing him

3. Name :
Address :
E-mail id :

Signature.......................

as my / our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 22nd Annual General Meeting of the Company, to be held on 13 August, 2019 at 11:30 a.m. at Salia Khurd, 144529, Distt. Hoshiarpur, Punjab and at any adjournment thereof in respect of such resolutions as are indicated below :

**Resolution No.**

| **Ordinary Business** | |
|---|---|
| **Sr. No.** | **Item** |
| 1 | To receive, consider and adopt the audited financial statements of the Company for the financial year ended 31st March, 2019 together with the Reports of the Board of Directors and Auditors thereon. |
| 2 | To declare dividend on the Preference and Equity Shares |
| 3 | Appointment of Director in place of Shri D.S. Sandhawalia (DIN 03174394) who retires by rotation and being eligible, offers himself for re-appointment |
| **Special Business** | |
| 4 | To appoint Shri Bhavdeep Sardana (DIN 03516261) as Independent Non-Executive Director |
| 5 | To re-appoint Shri Pavan Khaitan (DIN 00026256) as Managing Director of the Company |
| 6 | Approval and ratification of payment of remuneration to the Cost Auditor |
| 7 | To approve Special Resolution under section 185 of the Companies Act, 2013 |

Signed this........................day of.......................2019

Signature of Shareholder

Affix
Revenue
Stamp

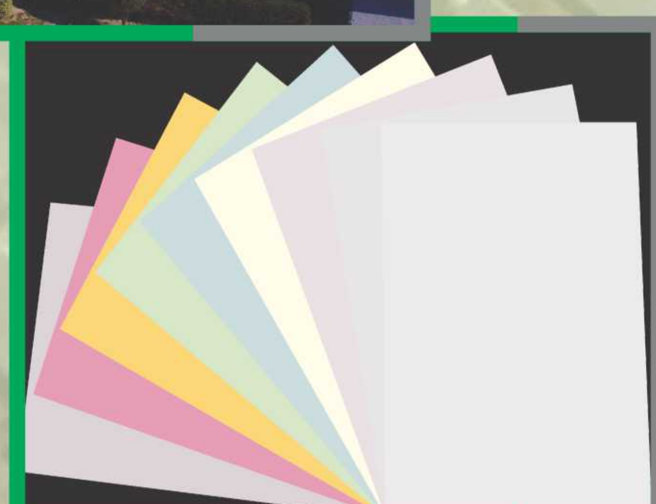
Signature of Proxy holder (s)

Note : This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

Kuantum Papers Ltd
The Paper Makers

# *Our* Vision Statement

"Innovate continuously to enhance value in operations, pursue excellence and seek future sustainability keeping environmental footprint in check, delivering an exceptional experience to customers, suppliers, employees and society alike."



**Kuantum Papers Ltd**

The Paper Makers

**Regd Office : Paper Mill Saila Khurd 144 529 Distt Hoshiarpur Punjab**