



Kvantum Papers Ltd

**16th Annual Report
2012-2013**





Kvantum Papers Ltd

BOARD OF DIRECTORS

Jagesh K Khaitan Chairman & Managing Director
Justice (Rtd) S S Sodhi
D C Mehandru
Umesh K Khaitan
Yashovardhan Saboo
D S Sandhwalia
Ashutosh Khaitan
Pavan Khaitan Managing Director

SENIOR EXECUTIVES

T Kathirvelu President
Roshan Garg President (Finance)
Somesh Jawa President (Marketing)
Hari Prasad Rao I Vice President (Technical)
Col (Rtd) Manohar Singh Vice President (HR & Admn)

COMPANY SECRETARY

Vivek Trehan

STATUTORY AUDITORS

M/s B S R & Co.
Chartered Accountants
Chandigarh

COST AUDITORS

M/s R.J. Goel & Co.
Cost Accountants
Delhi

PRINCIPAL BANKERS

State Bank of Patiala
State Bank of India
Punjab National Bank
State Bank of Bikaner and Jaipur

REGISTERED OFFICE & WORKS

Paper Mill
Saila Khurd 144529
Distt Hoshiarpur Punjab

CORPORATE OFFICE

SCO 18-19 First Floor
Sector 8-C Madhya Marg
Chandigarh 160 009

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NOTICE

NOTICE is hereby given that the 16th Annual General Meeting of the members of Kvantum Papers Limited will be held at Paper Mill, Saila Khurd, Distt. Hoshiarpur on Friday, the 13th September, 2013 at 11.30 am to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2013 and the Statement of Profit & Loss for the year ended on that date together with the reports of the Auditors and Directors thereon.
2. To declare dividend on the Preference Shares
3. To appoint a Director in place of Shri Umesh Kumar Khaitan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Ashutosh Khaitan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. 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 Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any other Act if applicable, and subject to the approval of members and Central Government, if required, and subject to all such approvals as may be required, consent of the shareholders of the company be and is hereby accorded to the payment of remuneration by way of salary and perquisites for the financial year 2011-12, as set out in the annexed Explanatory Statement, to Sh. Jagesh K Khaitan, Chairman & Managing Director of the Company, despite inadequacy of profits in the financial year 2011-2012 with the liberty to the Board of Directors including any committee thereof (the "Board") to revise, amend, alter and vary the terms and conditions of his remuneration in such manner as may be permitted in accordance with the provisions of the Companies Act, 1956 and Schedule XIII or any modification thereto and as may be agreed to by and between the Board and Shri Jagesh K Khaitan.
RESOLVED FURTHER THAT all terms and conditions including as to remuneration for residual period of appointment i.e. (from 1.04.2012 to 16.07.2015) of Sh. Jagesh K Khaitan, Chairman & Managing Director of the company as set out in the ordinary resolution No 10 passed by the members of the company in their 13th Annual General Meeting held on 24th September, 2010 remain unchanged.
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."
7. To consider and if thought fit, to pass with or without modifications, the following resolution as SPECIAL RESOLUTION:
"RESOLVED THAT in partial modification to the Resolution No. 6 passed by the members at the 15th Annual General Meeting held on July 10, 2012, approving the re-appointment and terms of remuneration of Shri Pavan Khaitan as Managing Director, consent of the members be and is hereby accorded to the revision in the remuneration to pay commission to Shri Pavan Khaitan, in addition to existing salary, perquisites and allowances subject to a ceiling of 50% of the annual salary calculated with reference to the net profit of the Company in a particular financial year, as may be determined by Remuneration committee and the Board of Directors at the end of each financial year subject to the overall ceilings as stipulated in the Sections 198 and 309 of the Companies Act, 1956 and Schedule XIII or any modification thereto, in the year the company has profits, as set out in the explanatory statement annexed, for the period of his tenure of office, with effect from 1st April 2012 to 31st March 2015.
RESOLVED FURTHER THAT all other terms and conditions of appointment of Shri Pavan Khaitan as approved earlier by the Members, shall remain unchanged.
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."
8. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION:
"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) of the Companies Act, 1956 to the Board of Directors/Finance Committee of Directors of the Company to mortgage and/or charge all the immovable and movable properties of the Company wheresoever situate, present or future and the whole or substantially the whole of the undertaking of the Company together with the power to enter upon and take possession of certain assets of the Company in certain events of default in favour of State Bank of India(SBI) , Punjab National Bank (PNB) and State Bank of Patiala (SBOP) to secure the Corporate Loan and/or other borrowings lent and advanced by them to the Company aggregating to Rs. 9,775 lacs (i.e. Corporate Loan of Rs. 1,200 lacs and working capital of Rs. 8,575 lacs) together with interest, additional interest, compound interest, liquidated damages/penal interest, premia on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company to secure the said financial assistance/borrowings availed/to be availed by the Company from SBI, PNB and SBOP."



RESOLVED FURTHER THAT the mortgage/charges created/to be created and/or all agreements/documents executed/to be executed and all acts done or to be done in terms of the above resolution by and with the authority of the Board of Directors or Committee(s) thereof, be and are hereby confirmed and ratified.

RESOLVED FURTHER THAT the Board of Directors/Finance Committee of Directors be and is hereby authorized to make or accept any amendment, modification, change or alterations as may be required from time to time in connection with the creation of aforesaid mortgages/charges in favour of SBI, PNB and SBOP.

RESOLVED FURTHER THAT the Board of Directors/ Finance Committee of Directors of the Company be and is hereby authorized to finalise the documents to secure the facilities/borrowings as aforesaid and to do all such things, deeds, matters as may be necessary, desirable and expedient for giving effect to the above resolution."

9. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION:
"RESOLVED THAT pursuant to the provisions of section 97 of the Companies Act, 1956, and other applicable provisions, if any, the Authorised share capital of the Company be and is hereby increased from Rs. 35,00,00,000/- divided into 2,50,00,000 Equity Shares of Rs. 10/- (Rupees ten only) each and 1,00,00,000- Redeemable Preference Shares of Rs. 10/- (Rupees ten only) each to Rs. 55,00,00,000/- divided into 2,50,00,000 Equity Shares of Rs. 10/- (Rupees ten only) each and 3,00,00,000- Redeemable Preference Shares of Rs. 10/- (Rupees ten only) each .

FURTHER RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company be and is hereby deleted and in its place the following Clause V be substituted:

The Authorised Share Capital of the Company is Rs. 55,00,00,000/- (Rupees Fifty Five Crores only) divided into 2,50,00,000 Equity Shares of Rs. 10/- (Rupees ten only) each and 3,00,00,000- Redeemable Preference Shares of Rs. 10/- (Rupees ten only) each with the rights, privileges and conditions attaching thereto as are provided by the regulations of the Company for time being with the power to increase and reduce the capital and to divide the shares in the capital for the time being into several classes and to attach thereof respectively preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such a manner as may for the time being be provided by the regulations of the Company".

10. To consider and if thought fit, to pass with or without modifications, the following resolution as SPECIAL RESOLUTION:
"RESOLVED THAT pursuant to the Article 3(b) of the Articles of Association and Section 80 and Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and subject to such other approvals, if any and as may be required, from time to time, consent of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as the Board and shall include duly constituted committee(s) thereof) to issue Redeemable Preference Shares of Rs. 10/- each for cash at par or at premium (hereinafter referred to as Preference Shares) upto Rs. 30 Crore at such time or times in one or more tranches on such terms and conditions as may be decided by the Board and subject to the following rights:

- The Preference Shares shall carry a fixed preferential dividend to be determined by the Board of Directors/Committee of Directors at the time of issue of the Preference Shares, on the capital for the time being paid-up thereon respectively and shall be redeemable not later than the date determined by the Board of Directors/ Committee of Directors at the time of issue of instruments.
- The said Preference Shares rank for dividend in priority to the equity shares for the time being of the Company.
- The said Preference Shares shall in winding up entitled to rank, as regards repayment of capital and arrears of dividend, whether declared or not, upto the commencement of the winding up, in priority to the equity shares but shall not be entitled to any further participation in profits or assets.
- The voting rights of the persons holding the said shares shall be in accordance with the provisions of section 87 of the Companies Act, 1956.
- The Company shall not create and/or issue in future Preference Shares ranking in priority to the said shares and in the event of the Company creating and/ or issuing Preference Shares in future ranking *pari passu* with the said shares, it would do so only with the consent in writing of the holders of not less than three-fourth of the said shares then outstanding or with the sanction of the special resolution passed at a separate meeting of the holders of the said shares then outstanding.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all acts, matters, deeds and things and to take all steps and give such directions as may be necessary, expedient or desirable and also to settle any question of doubt or difficulties that may arise in such manner and in its absolute discretion as it may deem fit and proper."

By Order of the Board
For Kuantum Papers Ltd

Regd. Office
Paper Mill, Saila Khurd-144 529
Distt. Hoshiarpur, Punjab
Dated : August 13, 2013

Vivek Trehan
Company Secretary



NOTES:

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 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.
3. Information required under Clause 49 IVG(i) of the Listing Agreement (relating to Corporate Governance) with respect to the Directors retiring by rotation and, being eligible, seeking re-appointment is given in the Corporate Governance Report annexed to this Annual Report.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 4th September, 2013 to Friday, the 13th September, 2013 (both days inclusive).
5. The dividend for the year 2012-13 on the preference shares will be paid to the shareholders on prorata basis.
6. Shareholders of the Company are informed that pursuant to the provisions of Section 205C of the Companies Act, 1956, the amount of dividend which remains unpaid/unclaimed for a period of 7 years would be transferred to the 'Investor Education & Protection Fund' constituted by the Central Govt. Shareholders who have not encashed their dividend warrant(s) for the years 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 are requested to make claim with the Company immediately as no claim shall lie against the Fund or the Company in respect of individual amount once credited to the said Fund.
7. 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 share capital of the company is held by 15253 shareholders, out of which 4116 shareholders holding 96.83% of the capital, are in dematerialised form and the balance 11137 shareholders holding 3.17% of the capital are in physical form. The shareholders having shares in physical form are requested to dematerialise the shares.
8. In terms of Section 109A of the Companies Act, 1956, 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 nomination in Form 2B.
9. Any member requiring further information on the Accounts at the meeting is requested to send the queries in writing to President (Finance), by 2nd September, 2013.
10. Members are requested to bring their copies of Annual Report at the meeting, as extra copies will not be supplied.
11. 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.
12. The documents referred to in the proposed resolutions are available for inspection at its Registered Office of the Company between 11.00 a.m. and 2.00 p.m. on all working days, upto the date of the meeting.

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

Item No. 6

The members had approved the appointment and terms & conditions of Shri Jagesh K Khaitan as Chairman & Managing Director (CMD) of the Company for a period of 5 years with effect from 17th July, 2010 at its 13th Annual General Meeting of the Company held on 24th September, 2010. As per the audited balance sheet for the year ended 31st March 2012, the Profits of the Company were inadequate to pay the remuneration in terms of the above resolution. The maximum permissible remuneration to a director (CMD) in case of inadequacy of profits read with the provisions, conditions and limits of Schedule XIII of the Companies Act, 1956 is permissible upto Rs. 48,00,000/- per annum subject to the same approved by the members by a special resolution.

The company has paid a remuneration of Rs. 50,00,589/- for the year ended 31st March, 2012 in terms of resolution passed by the shareholders on 24.09.2010 and in view of the maximum remuneration of Rs. 48,00,000/- permissible as per the provisions stated above in case of inadequate profits in a particular year, the excess amount of Rs. 2,00,589/- has been recovered/adjusted from CMD to restrict the remuneration to Rs. 48,00,000/- per annum for the said year. Accordingly, Remuneration Committee has recommended to the Board of the Company to seek approval of the members by way of a special resolution in the forthcoming Annual General Meeting of the Company for payment of remuneration of Rs. 48,00,000/- per annum for financial year 2011-12, pursuant to the provisions of Schedule XIII in case of inadequate profits.

The said Remuneration will be within the overall limit of Part II, Section II (B) of Schedule XIII as well as Section 198 and all other relevant provisions of the Companies Act, 1956.

Your Directors recommend the resolution for approval by the members of the Company.

Shri Jagesh K Khaitan is interested or concerned in the proposed resolution. Shri Umesh Kumar Khaitan and Shri Pavan Khaitan,



Kvantum Papers Ltd

being related to Shri Jagesh K Khaitan, may also be deemed to be interested in the said resolution. None of the other Directors of the Company is concerned or interested in the resolutions.

The resolution at Item No. 6 of the Notice alongwith explanatory statement thereto may be treated as abstract of the terms and memorandum of interest pursuant to the provisions of Section 302 of the Companies Act, 1956.

The members are requested to consider and approve the above resolution as Special Resolution.

Statement containing the information required to be furnished pursuant to Schedule XIII, Part II of the Companies Act, 1956 and forms part of the explanatory statement.

I. General Information

1. Nature of Industry: Manufacturing of writing and printing paper
2. Date or expected date of commencement of commercial production: The Company was incorporated on 28th May 1997. The commercial production of the unit was started in the year 1980. At that time it was a division of another company and demerged on 1.04.2006 and the business was transferred/vested in the present company.
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable
- 4.

(Rs. in Lacs)

1) Financial performance based on given indicators		Year ending 31.03.2011	Year ending 31.03.2012	Year ending 31.03.2013
	Sales Turnover (Gross)		31,896.76	39,429.66
Capital Employed		26,877.43	29,176.90	31,341.53
Net worth		8,520.37	9,012.31	11,086.80
Profit before Tax		1,026.60	548.02	2,126.48
Profit after tax		1,831.51	371.76	1,281.35
Dividends(Equity)		87.26	-	-
Preference Dividend		8.71	5.20	1.71
2) Export performance and net foreign exchange collaborations		Year ending 31.03.2011	Year ending 31.03.2012	Year ending 31.03.2013
	Foreign exchange earning	112.84	184.87	402.32
	Foreign exchange outgo	4.41	4.11	12.32
	Net position	108.43	180.76	390.00
3) Foreign Investments or Collaborations, if any	Not Applicable			

Information about the Appointee:

Sh. Jagesh K Khaitan, Chairman & Managing Director

1) Background Details	<p>Sh. Jagesh Khaitan, aged 66 years, a Graduate with Marketing Management and Strategic Management courses from IIM, Ahmedabad, has been associated with the edible oil industry/paper industry for the last 40 years. Prior to the current post of Chairman & Managing Director, Kvantum Papers Ltd., he was the Vice-Chairman & Managing Director of Amrit Banaspati Co. Ltd., having business interest in edible oil, writing & printing paper and allied products. He remained President of Indian Vanaspati Producers Association (IVPA), a national level body of Vanaspati producers to safeguard interest of the Vanaspati and Refined Oil industry.</p> <p>Shri Khaitan was also an active member of American Oils Chemists' Society, USA and also associated with various trade associations and Chamber of Commerce & Industry and is member of Managing Committee of PHD Chamber of Commerce & Industry.</p> <p>He is also on the Board of Directors of various reputed companies. He has been conferred the honour of "Legend" by Globe Oil India in recognition of his services and contribution to edible</p>
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	oil industry. Also he was the recipient of a prestigious award 'UDYOG RATNA' honored by PHD Chamber of Commerce & Industry given by the then Chief Minister of Punjab, in the year 2005, towards his excellent and dedicated contribution to the State of Punjab through the industry.								
2) Past Remuneration	<p>Remuneration comprises of salary, perquisites, retirement benefits and commission, the details of which are :</p> <p style="text-align: right;">(Rs. Lacs)</p> <p style="text-align: right;">2010-11 (17.07.2010 to 31.03.2011)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Basic Salary</td> <td style="text-align: right;">: 18.66</td> </tr> <tr> <td>PF & Perquisites</td> <td style="text-align: right;">: 14.22</td> </tr> <tr> <td>Commission</td> <td style="text-align: right;">: <u>4.94</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">: 37.82</td> </tr> </table>	Basic Salary	: 18.66	PF & Perquisites	: 14.22	Commission	: <u>4.94</u>	Total	: 37.82
Basic Salary	: 18.66								
PF & Perquisites	: 14.22								
Commission	: <u>4.94</u>								
Total	: 37.82								
3) Remuneration Proposed	<p>Remuneration proposed for the year 1st April, 2011 to 31st March, 2012 comprises of salary, HRA, perquisites and commission the details of which are :</p> <p style="text-align: right;">(Rs. Lacs)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Basic Salary</td> <td style="text-align: right;">: 27.67</td> </tr> <tr> <td>House Rent Allowance</td> <td style="text-align: right;">: 16.60</td> </tr> <tr> <td>Perks & Commission</td> <td style="text-align: right;">: <u>3.73</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">: 48.00</td> </tr> </table>	Basic Salary	: 27.67	House Rent Allowance	: 16.60	Perks & Commission	: <u>3.73</u>	Total	: 48.00
Basic Salary	: 27.67								
House Rent Allowance	: 16.60								
Perks & Commission	: <u>3.73</u>								
Total	: 48.00								
4) Comparative remuneration profile with respect to industry size of the company, profile of the position and person	The proposed remuneration is in line with the current remuneration packages of managerial personnel of companies belonging to similar industries. Further it is commensurate with the qualification and wide experience and in accordance with the highly competitive business scenario requiring recognition and reward for performance and achievement towards meeting objectives of the company.								
5) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.	Only to the extent of his entitlement towards his remuneration and is related to Shri Umesh Kumar Khaitan and Shri Pavan Khaitan.								

Other Information:

1) Reasons of loss or inadequate Profit	<p>I) The paper market scenario was not favorable. Cost of inputs/raw material went up considerably. There was a considerable rise in the cost of Fuel such as rice husk, coal etc. Price of chemicals and pulp had also gone up considerably as also the Power cost.</p> <p>II) The depreciation of INR had affected the cost of pulp, a major input, as the company imports pulp from various countries to meet its part of the input requirements.</p> <p>III) In the last few years there had been a steep rise in the capacities whereas the demand has not increased resulting supply being exceeding the demand, and decline in prices of paper.</p> <p>IV) Due to expansion in the production capacity, the company has taken loans/financial assistance from banks and the interest burden has also increased, thus, affecting the profitability of the Company.</p> <p>V) Labour cost has also enhanced for last few years.</p> <p>Due to the above factors the profits achieved for the year ending 31 March 2012 were inadequate to pay the remuneration as approved by the members in the AGM held on 24.09.2010.</p>
2) Steps taken or proposed to be taken for improvement	Management has taken all necessary and adequate steps to improve the profitability of the company which are now fructifying.
3) Expected increase in the productivity and profits in the measureable terms	An improvement has taken place in the demand of the product. Consequent to the enhancement in the productivity and increasing demand, the profits of the company have been improving.



Kvantum Papers Ltd

Item No. 7

The Members of the Company at the 15th Annual General Meeting held on July 10, 2012 approved the re-appointment and terms including remuneration of Shri Pavan Khaitan as Managing Director for a period of three years w.e.f. April 1, 2012.

It is proposed pursuant to the recommendation of Remuneration Committee and Board of Directors, to give commission to Shri Pavan Khaitan in addition to the existing salary, perquisites and allowances, subject to a ceiling of 50% of the annual salary 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 the Sections 198 and 309 of the Companies Act, 1956, in the year the company has profits. Based on the audited accounts of the Company for the financial year 2012-13, the remuneration of the Wholetime Directors are well within the ceiling of 10% of the net profit for the year 2012-13. This is being proposed in view of the adequate profits achieved by the Company for the year 2012-13.

The detail of salary, perquisites and allowances along with proposed commission is given hereunder:

(1) Salary

Name and designation	Salary p.m. (Rs.)	Pay-scale (Rs.)
Shri Pavan Khaitan, Managing Director	2,00,000/-	2,00,000-20,000-3,00,000

(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, house maintenance allowance together with 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, leave travel concession for self and family, club membership subject to maximum of two clubs; such perquisites and allowances will be restricted to an amount equal to their annual salary.
- 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) Provision for use of Company's car for official duties and telephone at residence shall not be included in the computation of perquisites and allowances for the purpose of calculating the said ceiling. Personal long distance calls on telephone and use of car for personal purposes shall be billed by the Company.
- (iv) 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, subject to a ceiling of 50% of the annual salary 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 the Sections 198 and 309 of the Companies Act, 1956.

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

(5) Shri Pavan Khaitan will not be liable to retire by rotation.

All other terms and conditions of the re-appointment will remain unchanged. The increased remuneration will be subject to the overall limits as provided under Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956.

The Directors of the Company on recommendation made by the Remuneration Committee have approved the proposal of revision in the remuneration, subject to the approval of the members.

Your Directors recommend the resolution for approval by the members of the Company.

The resolution at Item No. 7 of the Notice alongwith explanatory statement thereto may be treated as abstract of the terms and memorandum of interest pursuant to the provisions of Section 302 of the Companies Act, 1956.

Shri Pavan Khaitan is interested or concerned in the proposed resolution. Shri Jagesh K Khaitan and Shri Umesh Kumar Khaitan, being related to Shri Pavan Khaitan, may also be deemed to be interested in the said resolution. None of the other Directors of the Company is concerned or interested in this resolution.

The members are requested to consider and approve the above resolution as Special Resolution.



Item No. 8

Section 293(1)(a) of the Companies Act, 1956, inter-alia, provides that the Board of Directors of a Public Ltd. Company shall not, except with the consent of the members in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking of the whole of each such undertaking.

State Bank of India(SBI) has sanctioned Corporate Loan and Punjab National Bank (PNB) & State Bank of Patiala (SBOP) have sanctioned working capital to the Company aggregating to Rs. 9,775 lacs (i.e. Corporate Loan of Rs. 1,200 lacs and working capital of Rs. 8,575 lacs).

The creation of mortgage/charge for the above Term loan and working capital to the Company requires approval of the members under section 293(1)(a) of the Companies Act, 1956.

None of the Directors of the Company is concerned or interested in the proposed resolution.

Item No. 9

The Company proposes to induct long term funds in order to enhance the operations, efficiency and quality of the product. At present the Authorised share capital of the company is Rs. 35 crores and it is proposed to increase the same to Rs. 55 crores to generate long term resources by issuing securities.

Any amendment in the Memorandum of Association requires the approval of the members of the company and the Board recommends the same.

None of the Directors of the Company is concerned or interested in the proposed resolution.

Item No. 10

In order to optimize the capital structure and to induct long term funds in order to enhance the operations, efficiency and quality of the product, it is proposed to issue Redeemable Preference Shares. Issue of Preference Shares will help optimize the capital structure of the Company and improve the financial parameters of the company.

The Members are requested to authorize the Board including any Committee of the Board, to issue and allot Preference Shares upto Rs. 30 Crores in one or more tranches.

The special resolution set out in Item No. 10 is intended to obtain approval of the members and the Board recommends the same.

None of the Directors of the Company is concerned or interested in the proposed resolution.

By Order of the Board
For Kuantum Papers Ltd

Regd. Office

Paper Mill, Saila Khurd-144 529
Distt. Hoshiarpur, Punjab
Dated : August 13, 2013

Vivek Trehan
Company Secretary



DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the 16th Annual Report on the business and operations, together with audited statements of Accounts of your Company, for the financial year ended 31st March, 2013.

FINANCIAL HIGHLIGHTS

The summarized financial results of the Company for the year 2012-13 are given hereunder.

	2012-13	2011-12
		(Rs. in lacs)
Sales & other income	44,797.55	39,814.71
Operating Profit	6,045.83	4,515.38
Interest	2,349.42	2,425.03
Gross Profit	3,696.41	2,090.35
Depreciation	1,569.93	1,542.33
Profit before tax	2,126.48	548.02
Provision for		
- Current Tax	(425.46)	(109.65)
- Deferred Tax charge for the year	(845.13)	(176.26)
- MAT credit entitlement	425.46	109.65
Net Profit after tax	1,281.35	371.76
Balance b/f from previous year	2,807.65	2,491.96
Profit available for appropriations	4,089.00	2,863.72
Appropriations:-		
Proposed Dividend on		
(a) Equity shares	--	--
(b) Preference Shares @ Rs. 0.70 Per share	1.71	5.20
(c) Tax on dividend	0.29	0.87
(d) Capital Redemption Reserve	50.00	50.00
(e) General Reserve	--	--
Balance carried to Balance Sheet	4,037.00	2,807.65

DIVIDEND

Your Directors have recommended a dividend of Rs. 0.70 per share (previous year Rs. 0.70 per share) on the Redeemable Preference Shares of Rs.10/- each, on the preference share capital, on pro-rata basis, for the year ended 31st March, 2013 amounting to Rs. 1.71 lacs and to pay a dividend tax of Rs. 0.29 lacs. No dividend has been recommended on the equity shares to conserve and plough back the resources for the ongoing and upcoming capex projects.

OPERATIONS

The production of paper during the year under review was 1,00,218 metric tonnes as against 95,383 metric tonnes in the previous year. The quantitative figure for the sale of paper was the same at 1,00,218 metric tonnes this year, leaving no closing stock, as against 95,493 metric tonnes in the previous year.

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

Gross sales turnover and other income is up by 12.51% at Rs. 44,797.55 lacs, operating profit is up by 33.89% at Rs. 6,045.83 Lacs, Profit before Tax is up by 294.17% at Rs. 2,126.48 lacs. Net profit after tax is up by 244.67% and stands at Rs. 1,281.35 lacs.

There has been a significant improvement in the profitability during the year under review compared to the previous year mainly due to improved sales realizations, better product mix, improved quality and launching of new paper products like copier and surface sized paper. This is despite the increase in the input costs in terms of fuel and chemical costs, imported pulp due to the depreciation in the Indian currency and high interest costs.

The initiatives taken by your company in increasing productivity and efficiency have led to improvement of the operational performance in terms of production and sales, which is visible from the operational performance for the year under review. The results of cost reduction initiatives and operational efficiencies will be further visible in the current financial year 2013-14 as your company has continued the initiatives to optimize capacity utilization; innovation of new products and is undertaking modification and up-gradation of pulp mill and paper machines with a view to improve the product quality, as also installation of equipments for compliance with Corporate Responsibility for Environment Protection (CREP) guidelines prescribed by Ministry of Environment and Forests (MoEF), New Delhi for large scale pulp and paper industry. The above projects are in progress and will be commissioned during the current year 2013-14.

With the implementation of the Mill Expansion Plan, the company has become one of the most cost competitive paper mills, as also one of the large paper player in the writing and printing segment. Further innovative initiatives have enabled the mill to manufacture papers of distinctive quality, which is competing with the premium quality of other large paper mills.

Writing & printing paper segment have witnessed optimum capacity utilizations levels over the past few years due to significant demand growth. This led to large capacity additions in recent years and demand is taking its time to absorb these capacity accretions. Despite this trend, your company has been able to operate at higher levels of production and sale, and have been able to offset the negatives to a large extent.

As per CRISIL estimates, Paper and Paperboard demand will grow at a steady pace over next 5 years. Demand for Writing & Printing paper is expected to grow to 5.2 million tonnes in 2017-18 from 3.9 million tonnes in 2012-13, a CAGR of 6.0-6.5 per cent. The key drivers for this growth are the Government's emphasis on education and literacy, coupled with growth in organised retail and demand for better-quality paper. However, growth in demand in 2013-14 is expected to be moderate on the back of a weak macroeconomic environment unless substantive policy measures are undertaken by the Govt. to boost investment sentiment. Between 2012-13 and 2017-18, demand for copier paper is likely to be the strongest at around 13 per cent CAGR. This is because a rise in corporate spending on stationery has translated into considerable demand for high-quality copier paper from the office printing segment. Hence, the share of copier paper in total Writing & Printing paper demand is expected to increase around 24 per cent in 2017-18 from 18 per cent in 2012-13.

Demand for Creamwove Paper (the most widely-used variety in Indian school textbooks), which accounted for 52 per cent of W&P paper demand in 2012-13, is expected to grow at a steady 3.0-3.5 per cent CAGR over the same period. About 2.5 lac new educational institutions are likely to come up in the country between 2012-13 and 2016-17, as an outcome of the Indian Government's Right to Education (RTE) initiative. Additionally, initiatives like Rashtriya Madhyamik Shiksha Abhiyan and Sarva Shiksha Abhiyan will continue to boost the paper demand.

The detailed performance of Company's operations for the year ended 31st March, 2013 has been stated in the Management Discussion & Analysis Report which appears as a separate statement in the Annual Report.

FINANCE

(a) Project finance

State Bank of India has sanctioned a corporate loan of Rs. 1,200 lacs. The loan has been disbursed during the year under review.

(b) Working capital

The enhanced working capital limits amounting to Rs. 8,575 lacs (fund based Rs. 4,750 lacs & non-fund based Rs. 3,825 lacs) have been appraised and sanctioned by the Banks.

(c) Fixed Deposits

As on 31st March, 2013, your Company had Fixed Deposits of Rs. 2,096.00 lacs. There were no overdue deposits as on 31st March, 2013. There was no failure in making repayment of the fixed deposits on maturity, including interest due thereon, in terms of the conditions of your Company's Fixed Deposits Scheme.

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 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure, which forms part of this Report.

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 operational efficiencies of the Company during the year.

The particulars of employees as per Section 217(2A) of the Companies Act, 1956 are to be set out in the Annexure, which forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the report and accounts are being sent to all the members of the Company excluding the aforesaid information. This statement shall be made available for inspection to any



Kvantum Papers Ltd

member during working hours for a period of 21 days before the date of the Annual General Meeting. Any member interested in obtaining such particulars may write to the President (Finance) & CFO/Company Secretary at the Registered Office of the Company.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Sh. Umesh Kumar Khaitan and Sh. Ashutosh Khaitan retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

AUDITORS & AUDITORS' REPORT

M/s B S R & Co., Chartered Accountants, Statutory Auditors of the company, hold office until the conclusion of ensuing Annual General Meeting and are eligible for reappointment.

The management's reply to the auditors' observation contained in the Auditors' Report at serial no. 4 regarding approval of the members in the general meeting for managerial remuneration to the extent of Rs. 48.00 lacs for the year ended 31 March 2012 and to a director to the extent of Rs. 10.09 lacs for the year ended 31 March 2013 has been explained and disclosed in the note no. 4.11 of Schedule 4 - "Other notes to accounts".

Necessary resolutions at item nos. 6 and 7 for approval of the members are contained in the notice for annual general meeting for approval of the above remuneration.

The company has received a certificate from the Statutory Auditors to the effect that their reappointment, if made, would be within the prescribed limit under section 224 (1B) of the Companies Act, 1956 and they are not disqualified for appointment within the meaning of Section 226 of the said Act.

The Notes on Accounts referred to in the Annexure to the Auditors' Report are self-explanatory and do not call for any comments.

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 March 31, 2013. The Company's Cost Audit Report for the year ended March 31, 2012 was filed on 07.01.2013 within the extended date viz. 28.02.2013. The said firm has been appointed as cost auditors of the Company for the financial year 2013-14 as well.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) the accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 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.

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 Clause 49 of the listing agreement with stock exchanges is annexed and forms part of the Annual Report.

ACKNOWLEDGMENT

Your Directors convey their 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. 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: 13 August 2013

Jagesh K Khaitan
Chairman & Managing Director



ANNEXURE

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT

1. CONSERVATION OF ENERGY

- (a) Conservation of Electrical and Thermal Energy is on the top most agenda of the Company and is regularly monitored. Various on-going measures for conservation of energy include (i) use of energy efficient lighting by installing CFLs and better use of natural lighting, (ii) usage of LP steam in place of MP Steam to enhance power generation, (iii) installation of energy efficient pumps in place of old high power consuming pumps, (iv) providing thermal insulation to all steam lines in the plant, (v) installation of VFDs (AC drives) on Boiler FD fans, PA fan and other equipments, (vi) Installation of VFDs (AC drives) on Recovery Boiler CW Pump (vii) automation of various processes to avoid manual operations (viii) upgradation 33KV Sub Station to 66KV to reduce transmission & distribution losses (ix) all the Vacuum Pumps and Motors on Paper Machine no. 4 are being replaced with new energy efficient Vacuum Pumps and Motors. (x) the Co-generation plant operations have been optimized to have maximum efficiency (xi) Company is buying power through the Open Access also, thereby reducing Carbon emissions and better profitability (xii) Being a designated consumer under PAT scheme by BEE(Ministry of Power), Company has entrusted the job of consultancy and detailed energy audit to M/S Development Environergy Services Ltd, New Delhi.
- (b) The Company has devised a system of regular energy audit. Energy conservation is an ongoing process and new areas are continuously identified and suitable investments are made, wherever necessary.
- (c) The adoption of energy conservation measures has helped the Company in reduction of production costs.
- (d) Total energy consumption and energy consumption per unit of Production of paper for the year 2012-13 is given in the table below.

POWER & FUEL CONSUMPTION

1 ELECTRICITY

	2012-13	2011-12
(a) Purchased		
Units (lacs KWH)	266.69	277.48
Total amount (Rs. lacs)	1766.17	1495.69
Rate/Unit (Rs./KWH)	6.62	5.39
(b) Own generation		
Through Steam Turbine/ Generator		
Units (lacs KWH)	883.02	842.85
Cost/Unit (Rs./KWH)	3.62	3.40

2 COAL (for Boiler)

Quantity (Tonnes)	58,530	67,368
Total cost (Rs. lacs)	2,997.14	2,840.73
Average rate (Rs.)	5,121	4,217

3 OTHERS

Rice Husk (for Boiler)		
Quantity (Tonnes)	90,610	82,627
Total cost (Rs. lacs)	4,018.59	3,451.19
Rate/Unit (Rs. MT)	4,435	4,177

4 CONSUMPTION/TONNE OF PRODUCTION

Production (Tonnes)	1,00,218	95,383
Electricity/Tonnes (KWH)	1,147	1,175
Furnace Oil/tonne (KL)	0.002	0.003
Coal/Tonne (MT)	0.584	0.706
Others Rice husk (MT)	0.904	0.866



II. TECHNOLOGY ABSORPTION

Research and Development

The ISO Certified R&D Division of Company has been engaged in the following Research and Development activities:

- Value addition to fibrous sludge of effluent treatment plant for solid waste management.
- Optimization of refining needs of various pulp streams for improvement in paper formation, surface properties and ash addition.
- Conceptualization & development of project on “Management of Rice Straw in Punjab” through cellulosic ethanol production. The project for implementation of Technology on Demonstration scale is under consideration by the Centre for Science and Technology, Govt. of Punjab. If implemented, this technology will help to prevent open field burning of rice straw.
- Application of anthraquinone and surfactants in wood pulping for reduction in caustic consumption and improvement in pulp quality.
- Development of process for utilization of water hyacinth for specialty papers. This will help to eliminate the weeds from water bodies while providing an alternate paper fibre to paper industries for making specialty papers.
- Isolation and screening of xylose fermenting microbial strains for integration of hemicellulosic ethanol bio-refinery with the existing pulping facilities.
- Introduction of peroxide as final bleaching stage for elimination one hypo-chlorite stage to improve pulp quality and reduce brightness reversion.
- The expenditure on R & D has been as follows :

	(Rs. in lacs)	
	2012-13	2011-12
(i) Capital	4.09	12.22
(ii) Recurring	55.49	49.03
(iii) Total	59.58	61.25
(iv) Total R&D expenditure as a percentage of turnover	0.13	0.16

Technology absorption, adaptation and innovation

The Company has not imported any technology for its products.

III. FOREIGN EXCHANGE EARNINGS & OUTGO

Particulars with regard to foreign exchange earnings & outgo appear in Note Nos. 4.18 and 4.19 to the Accounts.

For and on behalf of the Board

Place: Chandigarh
Dated: 13 August 2013

Jagesh K Khaitan
Chairman & Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

1. An overview of the Economy and Business Environment

The year 2012-13 was a challenging year for the global as well as domestic economy. The Indian economy has recorded a GDP growth of 5.0% during the year 2012-13 compared to the growth rate of 6.5% achieved during 2011-12. As per IMF estimates, emerging market & developing economies are estimated to grow at 5.3% in 2013 and 5.7% in 2014, and according to their April 2013 report, global output is estimated to have grown by only 3.2% in 2012 which is significantly lower than the 4% growth recorded in 2011.

Both external and domestic factors have contributed to this trend. Large global economies continue to languish in recession leading to a slowdown in exports. Meanwhile, within India a lot has happened during 2012-13. Though the consumption increased, unexpectedly inflationary pressures also climbed which led to the adverse public reaction. The inflationary pressures prolonged the high interest rate regime. Global uncertainty and high inflation coupled with fast depreciating currency value have posed challenges in maintaining the growth rate momentum of the economy.

To address these concerns, the Reserve Bank of India had further tightened its monetary policy. This in turn directly dented the economy's ability to grow during 2012-13. It is notable that the downturn has been felt uniformly across all industrial and service based segments. During the same period India's current account deficit also widened due to higher oil prices as also due to increased import of gold.

In response to these conditions, the Government has tried to stimulate domestic growth momentum by increasing liquidity availability through measures such as catalyzing investments and by curtailing subsidy. Of late, the government has initiated numerous measures like allowing foreign direct investment in multi brand retail, aviation, telecom, insurance and broadcasting sectors. It has also hiked the diesel prices and has reduced the subsidy for petroleum products.

Reserve Bank of India is expected to start easing policy rates considering the moderation in inflation and also due to greater than anticipated slowdown in the economic growth rate. Consequently, the presence of huge domestic consumption market and anticipated moderate liquidity conditions, private investment sentiment and corporate activity is expected to pick up shortly.

2. Industry structure and Development

The paper industry has grown at a lesser than expected average 6-7 per cent over the last few years. India is the fastest growing market for paper and presents an exciting scenario. The futuristic view is that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by each one kg per capita, would lead to an increase in demand of 1 million tonnes of paper.

The total paper consumption has grown at a CAGR of around 6% over the last decade with none of the last ten years showing a decline in the consumption demand. As per CRISIL estimates, Paper and Paperboard demand to grow at a steady pace over next 5 years. Demand for Writing & Printing paper is expected to grow to 5.2 million tonnes in 2017-18 from 3.9 million tonnes in 2012-13, a CAGR of 6.0-6.5 per cent. The key drivers for this growth are the government's emphasis on education and literacy, coupled with growth in organised retail and demand for better-quality paper. However, growth in demand in 2013-14 is expected to be moderate on the back of a weak macroeconomic environment unless substantive policy measures are undertaken by the Govt. to boost investment sentiment. Between 2012-13 and 2017-18, demand for copier paper is likely to be the strongest at around 13 per cent CAGR. This is because a rise in corporate spending on stationery has translated into considerable demand for high-quality copier paper from the office printing segment. Hence, the share of copier paper in total Writing & Printing paper demand will increase to around 24 per cent in 2017-18 from 18 per cent in 2012-13.

Demand for creamwove paper (the most widely-used variety in Indian school textbooks), which accounted for 52 per cent of W&P paper demand in 2012-13, will grow at a steady 3.0-3.5 per cent CAGR over the same period. Although maplitho, coated paper and copier paper have higher realizations, the volume of creamwove makes it the largest segment in paper. About 2.5 lac new educational institutions are likely to come up in the country between 2012-13 and 2016-17, an outcome of the Indian Government's Right to Education (RTE) initiative. Additionally, initiatives like Rashtriya Madhyamik Shiksha Abhiyan and Sarva Shiksha Abhiyan will continue to boost the paper demand.

The growth and development of education in the country and strong economic growth are driving demand for writing & printing paper. Coupled with this increasing emphasis on education in the country, GDP growth and the increasing presence of modern retail formats and convenience stores is also driving the demand for writing & printing paper.

However, there has been a gradual shift in demand from the traditional creamwove and maplitho to higher varieties such as copier and coated paper. Despite a gradual decline in share to 45 per cent in 2011-12 from 51 per cent in 2006-07,



creamwove continues to be the largest contributor to the total W&P demand. On the other hand, demand for coated paper and branded copier has been increasing over the years to 33 per cent from 25 per cent.

Office printing continues to be the next biggest end-use segment after education. Demand for office stationery and printing will further increase as the performance of the Indian economy improves.

Within W&P paper, demand for copier paper is likely to record the strongest growth at around 13 per cent. With rise in urbanisation and office spaces, there is a greater demand for good quality copier paper from the office printing segment. Consequently, the share of copier paper in total Writing & Printing paper demand will increase to around 24 per cent in 2017-18 from 18 per cent in 2012-13.

Demand for specialty paper is expected to grow by 9.9 per cent CAGR from 2012-13 to 2017-18. The main varieties of specialty paper are: tissue paper, decor paper, thermal paper, fine printing paper, cigarette tissue 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.

The high prices of specialty paper products links their consumption to the standard of living and per capita income of consumers. For certain varieties of specialty paper (such as quality decor and electrical grade paper) increased infrastructure spending and growth in construction will be the growth drivers.

In other segments, the growth is primarily driven by the GDP growth in the overall economy. In India, though the paper capita consumption 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 other contributing factors.

Of the total paper and paper board demand, writing & printing paper accounts for about 32 per cent, industrial paper accounts for about 47 per cent, newsprint accounts for about 17 per cent, and specialty paper accounts for the balance 4 per cent.

Writing & printing paper segment have witnessed high capacity utilizations levels over the past few years due to significant demand growth in this segment. Between 2007-08 and 2012-13, capacity additions were mainly in the writing & printing paper segment. Going forward, apart from the commissioning of a capacity in coated paper (W&P segment), no other capacities are expected.

Writing & printing paper consumption has been growing steadily over the years. While India accounts for nearly 17 per cent of the world's population, it consumes only 3 per cent of the global paper production. In India the per capita consumption of paper is low at about 9.3 kgs as compared to the world average of around 58 kgs; but it is gradually improving in line with the economic growth, industrial production, print media expenditure, population growth, Govt. spending and continuous thrust on education, decline in dropout rates in educational institutions and increased literacy levels.

3. Opportunities and Threats

The Indian paper industry is expected to grow at 7.5-8 per cent CAGR between 2011-12 and 2016-17. In spite of advancement in technology, like the advent of iPads, Galaxy Tabs and Smart Phones, the paper industry is poised for a consistent growth in the demand for paper in next few years. 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 distribution supply chain, cost competitiveness, for marketing specialty paper and premium quality paper alongwith its branding image.

Growth in the writing and printing paper is linked to the economic growth, which will be slightly moderate in 2013-14. However, lower per capita consumption in India compared with world average will drive the domestic demand for paper over the medium to long term.

The implementation of Mill Expansion Plan taking the production capacity of over 1 lac tonnes, has ascribed the company to be one of the most cost competitive paper mill as also a large player in the writing and printing segment. It has benefitted the company by improved product quality, enhanced product range, increased production capacity, higher operational efficiencies coupled with economies of scale. Further it has also enabled the company in the manufacture of premium quality paper, including coated paper and maplitho paper and premium copier paper, which is placed in the higher value paper category, competing with quality specifications of other large paper mills.

The company has further taken initiatives to optimize capacity utilization; optimization of operational cost; innovate on specialty products, copier paper; modification and up-gradation of equipments and paper machines for improving the product quality; as also installation of equipments for compliance with Corporate Responsibility for Environment Protection (CREP) guidelines prescribed by Ministry of Environment and Forests (MoEF), New Delhi for large scale pulp and paper

industry. The implementation of these projects and initiatives were commenced in 2012-13 and are scheduled to be commissioned during the current year.

Raw material costs account for around 60 per cent of the operating income of players in the paper industry. India's wood resources are limited; therefore, cost of wood is much higher in global comparison. Since there is conspicuous absence of Government's enabling policies favouring industrial/production plantation, securing future wood supplies will be Industry's biggest challenge. However, 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).

India has a total land area of 3.3 million sq km with forests covering only 0.7 million sq km. About 78 per cent 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.

Over the last few years, imported pulp has accounted for around 10 per cent of domestic production. With increase in capacity and growing demand for 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.

Wood and wood-based pulp are the main raw materials required for manufacturing W&P paper, especially in the higher end of the value chain such as maplitho and coated paper. Production of specialty paper involves the use of different varieties of pulp, which lend special characteristics to the paper. But your company is making paper primarily from Agro pulp, and is being able to maintain the quality parameters required of these high quality papers.

The alternative source of raw material is wastepaper/recycled paper - domestic and imported. Both together accounted for over 40 per cent of the total paper production. However, in India, the system of wastepaper collection is not very well developed in the domestic wastepaper segment. Hence, 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, maize stalk, 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 companies. 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.

Paper manufacturers are finding it difficult to pass on the increase in raw material cost to end users due to slowdown in demand. The operating profitability of Indian paper companies will remain under pressure due to the high input costs such as power, chemicals and manual labour. The imported raw material will also now cost dear because of depreciation of the Rupee.

Further, the paperless initiatives taken by the Govt. of India, coupled with Green initiatives in Corporate Governance which has led to paperless compliances by the companies, is indicative of a slight threat area to the paper industry.

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. The operating profitability of the paper companies will remain under pressure due to high input costs such as power, chemicals and manual labour. However, depreciation in the Indian currency is likely to keep raw material costs high in import dependent operations. High financial costs coupled with lower margins will significantly affect the cash flows.

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

The company uses agro waste materials, mainly 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 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 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 20 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 been meeting part of its requirements in co-generation plant through procurement of coal, thus mitigating the cost affect 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 plantation, securing future wood supplies is Industry's biggest challenge. To this end, your company had initiated 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. We are also continuing our efforts for growing of plantations on a large scale 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 60 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 at proper raw material mix, cost reductions, optimization & control and product mix optimization. The chemical recovery, co-generation plant and other cost reduction measures coupled with variety of distinctive products manufactured with better operational efficiencies has significantly increased its cost competitiveness.

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 being short, as paper is used more in the nature of consumption good and not as a durable (ii) Wide usage, right from an individual to a corporate entity and (iii) no real low cost substitute 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; which will only strengthen if the competitiveness of the value chain is encouraged by the government.

The initiatives taken by your company in the earlier years for technology up-gradation, improving operating parameters, optimising operational costs, wider product mix, and value added products for its customers will enable the company to face challenges in coming times.

The level of substitution has not escalated anywhere near threatening levels. While W&P paper does not face any major threat from substitutes, the increased preference for online storage and dissemination of data and information could marginally affect demand. However, despite the higher level of technology being used in the corporate sector, there has been no decline in the demand for paper.

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

The production of paper during the year under review was 1,00,218 metric tonnes as against 95,383 metric tonnes in the previous year. The quantitative figure for the sale of paper was the same at 1,00,218 metric tonnes this year, as against 95,493 metric tonnes in the previous year. The company recorded gross sales turnover of Rs. 44,409.99 lacs [net of excise Rs. 41,888.99 lacs] as against Rs. 39,429.66 lacs [net of excise Rs. 37,423.80 lacs] in the previous year; and an operating profit of Rs. 6,045.83 lacs was achieved as against Rs. 4,515.38 lacs in the previous year. Profit earned before Tax is Rs. 2,126.48 lacs (previous year Rs. 548.02 lacs) and net profit after tax (current tax and deferred tax) is Rs. 1,281.35 lacs (previous year Rs. 371.76 lacs) during the year under review.

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

Gross sales turnover and other income is up by 12.51% at Rs. 44,797.55 lacs, operating profit is up by 33.89% at Rs. 6,045.83 Lacs, Profit before Tax is up by 294.17% at Rs. 2,126.48 lacs. Net profit after tax is up by 244.67% and stands at Rs. 1,281.35 lacs.

There has been significant improvement in the profitability during the year under review compared to the previous year mainly due to improved sales realizations, better product mix, improved quality, launching of new paper products like copier and surface sized paper. This is despite the increase in the input costs in terms of fuel and chemical costs, and of imported pulp due to the depreciation in the Indian currency and high interest costs.

The initiatives towards increasing productivity and efficiency have improved the operational performance in terms of production and sales levels, which is visible from the operational performance for the year under review. The results of cost reduction initiatives and operational efficiencies will be further visible in the current financial year 2013-14 as your company has further continued the initiatives to optimize capacity utilization; is innovating on new products; and is undertaking the modification and up-gradation of pulp mill and paper machines for improving the product quality, as also installation of equipments for compliance with Corporate Responsibility for Environment Protection (CREP) guidelines prescribed by Ministry of Environment and Forests (MoEF), New Delhi for large scale pulp and paper industry. The above projects are in progress and will be commissioned during the current year 2013-14.

With the implementation of the Mill Expansion Plan, the company has become one of the most cost competitive paper mills, as also one of the large paper player in the writing and printing segment. Further innovative initiatives have enabled the mill to manufacture papers of distinctive quality, which is competing with the premium quality of other large paper mills.

Writing & printing paper segment have witnessed optimum capacity utilizations levels over the past few years due to significant demand growth. This led to large capacity additions in recent years and demand is taking its time to absorb these capacity increments. Despite this trend, your company has been able to operate at higher levels of production and sale, and have been able to offset the negatives to a large extent.

7. Internal Control Systems

Your Company implements internal control systems to provide reasonable assurance that the assets are safeguarded and transactions are properly authorized, recorded and correctly reported. 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 is 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 the independent firm of chartered accountants, which evaluate the functioning and quality of internal controls and checks; and provides assurance of its adequacy and effectiveness. The scope of 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 of the Directors for review.

8. Human Resources

Your company enjoys the support of 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 developments and believes that the human resource is the most important ingredient for achieving excellence in performance and 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.

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.



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 31.03.2013, comprising of a Chairman & Managing Director, a Managing Director and six non-Executive Directors. Out of six, four non-Executive Directors are independent directors. 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 (S/Shri)	Category	No. of Board Meetings Attended during 2012-13		Whether attended the last AGM	No. of directorships in other public limited companies	No. of Committee positions held in other Ltd. Companies	
		Held	Attended			Chairman	member
Jagesh K Khaitan, (Chairman & Managing Director)	Promoter, Executive	5	5	Yes	2	-	1
Justice S.S. Sodhi (Rtd)	Independent, Non-Executive	5	3	No	-	-	-
D.C. Mehandru	-do-	5	5	Yes	1	-	2
Umesh K Khaitan	Promoter, Non Executive	5	1	No	8	-	1
Yashovardhan Saboo	Independent, Non-Executive	5	2	No	10	-	5
Pavan Khaitan, (Managing Director)	Promoter, Executive	5	4	Yes	-	-	-
D.S. Sandhwalia	Independent, Non-Executive	5	4	Yes	-	-	-
Ashutosh Khaitan	Promoter, Non-Executive	5	2	No	3	-	-

(b) During the financial year 2012-13, Five (5) Board Meetings were held on 26th May 2012, 10th July 2012, 14th August 2012, 10th November 2012 and 13th February 2013. The maximum interval between any two meetings was not more than 4 months.

(c) 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;

- 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;
- 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.

(d) 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 2012-13 that may have potential conflict with the interests of the Company.

(e) Details of remuneration paid to the directors during the financial year 2012-13

(Amt. in Rs.)

Name of Director (S/Shri)	Relationship with other Directors	Basic Salary	Perks+ contribution to PF/other Funds	Commission	Sitting Fee	Total
Jagesh K Khaitan	Father of Pavan Khaitan & Brother of Umesh K Khaitan	29,47,258	23,11,626	12,38,888	-	64,97,772
Pavan Khaitan	Son of Jagesh K Khaitan	24,00,000	18,29,117	10,08,847	-	52,37,964
Justice S.S.Sodhi (Rtd)		-	-	-	60,000	60,000
D.C.Mehandru		-	-	-	1,35,000	1,35,000
Umesh K Khaitan	Father of Ashutosh Khaitan & Brother of Jagesh K Khaitan	-	-	-	15,000	15,000
Yashovardhan Saboo		-	-	-	60,000	60,000
D.S.Sandhwalia		-	-	-	1,05,000	1,05,000
Ashutosh Khaitan	Son of Umesh K Khaitan	-	-	-	30,000	30,000

3. Committees of the Board

(a) Audit Committee

The constitution and terms of reference of the Audit Committee conforms to the requirements of Clause 49 and Section 292A of the Companies Act, 1956. The following functions are performed by the Audit Committee:

- Overseeing 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 before submission to the Board;



- 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;
- 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;
- Reviewing the Company's financial and risk management policies;
- 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; and
- Recommending the appointment of cost auditors, fixing cost audit fee and reviewing the cost audit report.

The Company continues to derive immense benefit from the deliberations of the Audit Committee. As on 31st March, 2013, the committee comprised of the following five directors of the Company – three non-executive & independent and two executive & non-independent. During the financial year 2012-13, Audit Committee met 4 times 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 K Khaitan	Member	Non-independent, Executive Director	4	4
Shri Yashovardhan Saboo	Member	Independent, Non-Executive Director	4	2
Shri Pavan Khaitan	Member	Non-independent, Executive Director	4	3
Shri D.S.Sandhwalia	Member	Independent, Non-Executive Director	4	3

President (Finance) and 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 July, 2012.

(b) Remuneration Committee

The broad terms of reference of the Committee are to determine and recommend to the Board, compensation payable to the Chairman & Managing Director/Managing Director/Executive Directors.

The remuneration of the working directors is decided by the Board based on the recommendation of the Remuneration Committee within the ceiling prescribed under the Companies Act, 1956. The remuneration to non-executive directors comprised of the sitting fee only.

As on 31st March 2013, the committee comprised of the following three directors of the Company :

Shri Yashovardhan Saboo	Chairman	Independent, Non -Executive Director
Shri D.C.Mehandru	Member	Independent, Non -Executive Director
Shri D.S.Sandhwalia	Member	Independent, Non-Executive Director

(c) Shareholders/Investors' Grievance Committee

Pursuant to clause 49 of the Listing Agreement, the company has constituted Shareholders'/Investors' Grievance 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.

As on 31st March 2013, the committee comprised of the following three directors of the Company. During the financial year 2012-13, Shareholders'/Investors' Grievance Committee met once on 13.02.2013 and the attendance of the Directors on the above meeting was as follows:

Director	Position	Category	No. of meetings held	No. of meetings attended
Justice S.S.Sodhi (Rtd)	Chairman	Independent, Non-Executive Director	1	1
Shri Jagesh K Khaitan	Member	Non-independent, Executive Director	1	1
Shri Umesh K Khaitan	Member	Non-independent, Non-Executive Director	1	-

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

During the year, the Company received 8 complaints which were replied/resolved to the satisfaction of the investors. As on 31st March, 2013, no complaints and/or requests for dematerialization were pending. All valid requests for share transfers received during the year 2012-13 have been acted upon by the Company and no transfer was pending.

4. General Body Meetings

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

Financial Year	Date	Time	Place
2009-10	24.09.2010	11.30 a.m.	NCUI Auditorium, August Kranti Marg, New Delhi-110 016
2010-11	02.09.2011	11.30 a.m.	Regd. Office- Paper Mill, Saila Khurd-144 529 Distt. Hoshiarpur, Punjab
2011-12	10.07.2012	11.30 a.m.	Regd. Office- Paper Mill Saila Khurd-144 529 Distt. Hoshiarpur, Punjab

5. Disclosures

- (i) There were no transactions of material nature with the Directors or the management or their subsidiaries or relatives 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, 1956 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.
- (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 exchanges, 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 clause 49 of the listing agreements. Non-mandatory requirement relating to Remuneration Committee has been adopted by the company.
- (vii) The shareholding of non-executive Directors of the company as on 31.03.2013 is as under:

Name of the Director	No. of shares
Justice S.S.Sodhi (Rtd)	Nil
Shri D.C.Mehandru	Nil
Shri Umesh K Khaitan	36,248
Shri Yashovardhan Saboo	Nil
Shri D.S.Sandhawalia	Nil
Shri Ashutosh Khaitan	21,001

- (viii) In compliance with the terms of Clause 5A(II) of the Listing Agreement the number of equity shares lying unclaimed in the 'Unclaimed Suspense Account' as on date are 79384.

6. 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 Economic 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.

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

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

7. 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.

In terms of the requirements of clause 49 of the Listing Agreement, the Code of Business Conduct & Ethics, as approved by the Board of Directors, is displayed at the website of the Company at www.kquantumpapers.com

All the members of the Board and senior management personnel have affirmed compliance with the Code for the year ended 31st March, 2013 and a declaration to that effect signed by the Chairman & Managing Director is attached and forms part of this report.

8. Code of Conduct for prevention of Insider Trading

The Company has a Code of Conduct for prevention of Insider Trading in the shares and securities of the Company. This Code, inter alia, prohibits purchase/sale of shares of the Company by Directors and Employees while in possession of unpublished price sensitive information in relation to the Company. This said code is available on the Company's website at www.kquantumpapers.com

9. CEO/CFO Certification

The Certificate required under Clause 49(V) of the Listing Agreement duly signed by CEO/CFO was placed before the Board and the same is annexed to this report.

10. Disclosures regarding appointment/reappointment of Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Umesh Kumar Khaitan and Shri Ashutosh Khaitan retire by rotation and are eligible for reappointment.

The Profiles of the abovesaid Directors are as under:

Name of Director	Age	Qualification	Date of Appointment	No. of the shares held in the company	Expertise	Other Directorships in Public Companies & membership of committees as on 31.03.2013
Shri Umesh Kumar Khaitan	64 yrs	Solicitorship, High Court of Calcutta	03.08.2010	36248	Shri Umesh Kumar Khaitan is the Managing partner in Khaitan, Jayakar, Sud & Vohra (KJSV), a Law Firm and heads the Delhi Office. He has nearly 38 years of legal experience dealing with all aspects of corporate law.	Sutlej Textiles & Inds. Ltd., Nehru Place Hotels Ltd., Aiyer Manis Rubber Estate Ltd. Orient Abrasives Ltd., Facor Power Ltd. Combine Overseas Ltd. Runeecha Textiles Ltd. Ghaziabad Investment Ltd. <u>Committee Membership</u> <u>Audit Committee</u> Runeecha Textiles Ltd.
Shri Ashutosh Khaitan	39 yrs	LLB	10.07.2007	21001	Practicing Advocate in Delhi and has extensive law experience in mergers & acquisitions, arbitrations, joint-ventures & collaborations, documentations for overseas funding and general corporate law.	Ghaziabad Investment Ltd., Combine Overseas Ltd., Combine Accurate Financial Services India Ltd. <u>Committee Membership</u> -

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 Clause 49 of the listing agreement with the stock exchanges. The same is annexed to this report.

Declaration regarding compliance of Code of Conduct

I, Jagesh K Khaitan, Chairman & Managing Director 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 31st March, 2013.

Place: Chandigarh
Date: 13 August 2013

Jagesh K Khaitan
Chairman & Managing Director



GENERAL SHAREHOLDERS INFORMATION

Annual General Meeting

Date	13 th September, 2013
Time	11.30 a.m.
Venue	Kvantum Papers Ltd., Paper Mill, Saila Khurd-144 529, Distt. Hoshiarpur, Punjab

- **Financial Year : April 01 to March 31**
- **Financial Calendar 2013-14 (Tentative)**

Board Meetings to take on record

Financial Results for Quarter ended 30.06.2013	Second week of August, 2013
Financial Results for Quarter ended 30.09.2013	Second week of November, 2013
Financial Results for Quarter ended 31.12.2013	Second week of February, 2014
Financial Results for Quarter ended 31.03.2014	3rd / 4th week of May, 2014
Book Closure Date	04.09.2013 to 13.09.2013 (both days inclusive)

● **Dividend Payable Date**

The Board has recommended a dividend @ Rs. 0.70 per share on the Redeemable Preference Shares of Rs. 10/- each on prorata basis for the year ended 31st March, 2013 and has not recommended any dividend on equity shares to conserve and plough back the resources for ongoing and upcoming capex projects. Dividend will be paid on or after the date of AGM but before the statutory time limit of 30 days from the date of declaration.

● **Listing**

Name & address of stock exchanges
Bombay Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001

The Company has already paid annual listing fee for the year 2013-14 to BSE.

- **Stock Code**
 - Bombay Stock Exchange : 532937
 - Demat ISIN in NSDL and CDSL for equity Shares : INE 529101013

● **Market Price Data**

The monthly high/low quotation of the equity shares traded at Bombay Stock Exchange and BSE Sensex during the financial year 2012-13 are given below.

Month	Company's Share Price (Rs.)		BSE Sensex	
	High	Low	High	Low
April 2012	30.45	26.00	17664.10	17010.16
May 2012	29.00	26.00	17432.33	15809.71
June 2012	28.95	26.10	17448.48	15748.98
July 2012	30.00	24.75	17631.19	16598.48
August 2012	29.95	25.70	17972.54	17026.97
September 2012	31.25	27.00	18869.94	17250.80
October 2012	36.90	28.65	19137.29	18393.42
November 2012	38.25	28.95	19372.70	18255.69
December 2012	35.65	30.50	19612.18	19149.03
January 2013	34.70	27.50	20203.66	19508.93
February 2013	33.00	27.20	19966.69	18793.97
March 2013	31.30	24.00	19754.66	18568.43

● **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 under clause 47(c) of the Listing Agreement certifying the compliance of share transfer 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.

● **Distribution of Equity Shareholding**

(a) **Shareholding Pattern as on 31st March, 2013**

Sl. No.	Description	No. of equity shares held	Shareholding %
1.	Promoters <ul style="list-style-type: none"> ● Individuals ● Bodies Corporate 	3,31,281 58,03,788	3.80 66.51
2.	Institutional Investors <ul style="list-style-type: none"> ● Mutual Funds ● UTI /Banks/Financial Institutions ● Insurance Companies ● FIIs 	250 642 - -	0.00 0.01 - -
3.	Others <ul style="list-style-type: none"> ● Private Bodies Corporate ● Indian Public ● NRIs/OBCs/Pak shareholders 	15,31,892 10,32,381 26,129	17.55 11.83 0.30
	Total	87,26,363	100.00%

(b) **Distribution of shareholding as on 31st March, 2013**

Range of holding	No. of shareholders	%age of shareholders	No. of shares	%age of holding
1 to 5,000	14966	98.12	461442	5.29
5,001 to 10,000	117	0.77	94532	1.08
10,001 to 20,000	78	0.51	118514	1.36
20,001 to 30,000	28	0.18	67794	0.78
30,001 to 40,000	9	0.06	32858	0.38
40,001 to 50,000	11	0.07	52515	0.60
50,001 to 1,00,000	20	0.13	143482	1.64
1,00,001 and above	24	0.16	7755226	88.87
Total	15253	100.00	8726363	100.00



Kvantum Papers Ltd

- **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, 2013, approximately 96.83 % 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.

- **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

PRACTICING COMPANY SECRETARY'S CERTIFICATE

To the Members of Kvantum Papers Ltd

We have examined the compliance of the conditions of Corporate Governance by Kvantum Papers Limited for the year ended 31st March, 2013 as stipulated in clause 49 of the listing agreement of the said Company with the stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our 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 as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the abovementioned Listing Agreement.

We state that in respect of investor grievances during the year ended 31st March, 2013 grievances were received and resolved by the Company. There were no grievances which were pending with the Company as at 31st March, 2013 as per records maintained by the Company.

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

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

Company Secretaries

SUSHIL K SIKKA

Prop.

FCS 4241

CP 3582

Place: Chandigarh

Date: 13 August, 2013



CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT

The Board of Directors
Kvantum Papers Ltd

We, Pavan Khaitan, Managing Director and Roshan Garg, President (Finance) & CFO, of Kvantum Papers Ltd, on the basis of the review of the financial statements and the cash flow statement for the financial year ended 31st March, 2013 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 ended 31st March, 2013 which are fraudulent, illegal or violative of the Company's code of conduct;
4. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
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 significant role in the Company's internal control systems.

Roshan Garg
President (Finance) & CFO

Pavan Khaitan
Managing Director

Place : Chandigarh
Dated: 18 May 2013



INDEPENDENT AUDITORS' REPORT

To the Members of
Kvantum Papers Limited
(Formerly known as ABC Paper Limited)

1 Report on the Financial Statements

We have audited the accompanying financial statements of Kvantum Papers Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2013 and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2 Management Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal controls 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.

3 Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4 Basis for Qualified Opinion

Managerial remuneration to the extent of Rs. 48.00 lacs for the year ended 31 March 2012 is subject to approval of the members by a special resolution in the general meeting in terms of the provisions of Schedule XIII applicable in the case of inadequate profits. Our audit report for the year ended 31 March 2012 also was modified in respect of the above matter. Further, managerial remuneration to the extent of Rs. 10.09 lacs for the year ended 31 March 2013 to a director is subject to approval of the members in the general meeting. Pending such approvals, the impact on the financial statements has not been determined.

5 Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matters described in paragraph 4 above, "Basis for Qualified Opinion"*, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

6 Report on Other Legal and Regulatory Requirements

- (i) As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

- (ii) As required by section 227(3) of the Act, we report that:
- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report, are in agreement with the books of account;
 - in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
 - on the basis of written representations received from the directors as on 31 March 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For B S R & Co.
Chartered Accountants
Registration No. 101248W

Kaushal Kishore
Partner
Membership No. 090075

Place : Chandigarh
Date : 18 May 2013

Annexure referred to in paragraph 6 of the Independent Auditors' report to the members of Kuantum Papers Limited (formerly known as ABC Paper Limited) on the financial statements for the year ended 31 March 2013

- According to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - According to the information and explanations given to us, the Company has physically verified its fixed assets 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. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
 - The Company did not dispose off substantial part of its fixed assets during the year and, therefore, clause (c) of paragraph 4 (i) is not applicable.
- According to the information and explanations given to us, inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable in relation to the size of the Company and the nature of its business.
 - According to the information and explanations given to us, the procedures for physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - According to the information and explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- According to the information and explanations given to us, during the year, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses (b) to (d) of paragraph 4(iii) of the Order are not applicable.
 - According to the information and explanations given to us, the Company, has during the year taken unsecured loans from six parties covered in the register maintained under section 301 of the Companies Act, 1956. The aggregated maximum amount outstanding during the year was Rs. 1,971.72 lacs and the year-end balance (excluding interest thereon) of such loans was Rs. 1,524.50 lacs.



Quantum Papers Ltd

- (f) According to the information and explanations given to us, the rate of interest and other terms and conditions in respect of unsecured loans taken by the Company from parties covered in the register maintained under Section 301 of the Act, are not, prima-facie, prejudicial to the interest of the Company.
- (g) According to the information and explanations given to us, the Company is regular in repaying the principal and interest amounts as per stipulated.
- (iv) According to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods. The Company did not have any sale of services during the year. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any major weakness in the aforesaid internal control systems during the year.
- (v) (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) According to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in para (v) (a) above and exceeding the value of Rs. 5 lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market price at the relevant time except for certain transactions which are for the specialized requirements of the respective parties and for which suitable alternate sources are not available to obtain comparable quotations.
- (vi) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed thereunder/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 (as applicable) or Reserve Bank of India or any Court or Tribunal in this matter and no order has been passed by any of the aforesaid authorities in this regard.
- (vii) In our opinion and according to the information and explanations given to us, the Company has an internal audit system which is commensurate with the size of the Company and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company 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 209(1)(d) of the Companies Act, 1956 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 these records with a view to ensuring whether they are accurate or complete.
- (ix) (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, income tax, sales tax, service tax, excise duty, employees state insurance, customs duty, wealth tax, cess and other material statutory dues, to the extent applicable, 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, investor education and protection fund, employees' state insurance, income tax, sales tax, service tax, customs duty, excise duty, wealth tax, cess and other material statutory dues, to the extent applicable, were in arrears as at 31 March 2013 for a period of more than six months from the date they became payable.



- (b) According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited with the appropriate authorities on account of any disputes, except as mentioned below:

Name of the Statute	Nature of the Dues	Amount of dues (Rs in lacs)	Amount paid under protest (Rs in lacs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax	7.57	-	2005-2006 (Assessment year)	Commissioner of Income tax (Appeals)
Central Excise Act, 1944	Excise duty	447.36	-	2000-2001 to 2007-2008	Commissioner of Central Excise
		181.90	-	2005-2006 to 2006-2007	Customs Excise and Service tax Appellate Tribunal
		55.44	-	2007-08	
		65.06	-	2008-09	Commissioner of Central Excise

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and financial institutions. The Company did not have any outstanding dues to any debenture holders during the year.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) According to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantees during the year for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit for the year.

For B S R & Co.
Chartered Accountants
Registration No. 101248W

Kaushal Kishore
Partner
Membership No. 090075

Place : Chandigarh
Date : 18 May 2013



BALANCE SHEET AS AT 31 MARCH 2013

	Notes No.	As At 31 March 2013 Rs. Lacs	As At 31 March 2012 Rs. Lacs
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	1.1	872.64	922.64
(b) Reserves and surplus	1.2	6,795.06	5,515.71
		7,667.70	6,438.35
Non-current liabilities			
(a) Long-term borrowings	1.3	12,494.49	13,118.65
(b) Deferred tax liabilities (Net)	1.4	3,419.10	2,573.97
(c) Other long term liabilities	1.5	1,008.77	904.91
(d) Long-term provisions	1.6	46.58	51.18
		16,968.94	16,648.71
Current liabilities			
(a) Short-term borrowings	1.7	3,732.08	3,228.26
(b) Trade payables	1.8	3,751.59	1,595.07
(c) Other current liabilities	1.9	5,064.02	4,563.87
(d) Short-term provisions	1.6	116.36	60.54
		12,664.05	9,447.74
		37,300.69	32,534.80
ASSETS			
Non-current assets			
(a) Fixed assets	1.10		
(i) Tangible assets		22,143.32	23,123.19
(ii) Intangible assets		186.15	247.53
(iii) Assets under finance lease		8.96	26.87
(iv) Capital work-in-progress		3,729.51	1,213.64
		26,067.94	24,611.23
(b) Long-term loans and advances	1.11	2,199.72	1,838.73
(c) Other non-current assets	1.12	53.11	18.88
		28,320.77	26,468.84
Current assets			
(a) Inventories	1.13	4,630.45	3,275.78
(b) Trade receivables	1.14	2,905.27	1,998.25
(c) Cash and bank balances	1.15	411.38	264.73
(d) Short-term loans and advances	1.11	1,005.36	507.52
(e) Other current assets	1.16	27.46	19.68
		8,979.92	6,065.96
		37,300.69	32,534.80
Significant accounting policies	3		
Other notes to accounts	4		

The notes referred to above from 1 to 4 form an integral part of the financial statements

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Registration No. 101248W

Kaushal Kishore
Partner
Membership No. 090075

Place : Chandigarh
Date : 18 May 2013

For and on behalf of **Kvantum Papers Limited**

Jagesh K Khaitan
Chairman & Managing Director
DIN - 00026264

Roshan Garg
President-Finance & CFO

Place : Chandigarh
Date : 18 May 2013

Pavan Khaitan
Managing Director
DIN - 00026256

Vivek Trehan
Company Secretary



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2013

	Notes No.	For the year ended 31 March 2013 Rs. Lacs	For the year ended 31 March 2012 Rs. Lacs
Revenue from operations			
Sale of products (Refer note 4.16)		44,409.99	39,429.66
Less : excise duty		2,521.00	2,005.86
		41,888.99	37,423.80
Other operating revenues	2.1	270.65	211.70
Total revenue form operations		42,159.64	37,635.50
Other income	2.2	116.91	173.35
Total revenue		42,276.55	37,808.85
Expenses			
Cost of materials consumed	2.3	12,893.66	12,529.97
Purchases of stock-in-trade		74.96	48.95
Changes in inventories of finished goods, work-in-progress and stock in trade	2.4	4.15	56.60
Employee benefits expense	2.5	2,309.45	1,968.39
Finance costs	2.6	2,349.42	2,425.03
Depreciation and amortization expense	1.10	1,569.93	1,542.33
Other expenses	2.7	20,948.50	18,689.56
Total expenses		40,150.07	37,260.83
Profit before tax		2,126.48	548.02
Tax expense			
Current tax (MAT)		425.46	109.65
Less : MAT credit entitlement		(425.46)	(109.65)
Deferred tax charge/(credit)		845.13	176.26
Profit for the year		1,281.35	371.76
Earnings per equity share			
Basic and diluted		14.66	4.19

Significant accounting policies 3
Other notes to accounts 4
The notes referred to above from 1 to 4 form an integral part of the financial statements

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Registration No. 101248W

Kaushal Kishore
Partner
Membership No. 090075

Place : Chandigarh
Date : 18 May 2013

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

Jagesh K Khaitan
Chairman & Managing Director
DIN - 00026264

Roshan Garg
President-Finance & CFO

Place : Chandigarh
Date : 18 May 2013

Pavan Khaitan
Managing Director
DIN - 00026256

Vivek Trehan
Company Secretary



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

(Amount in Rs. Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
A Cash flow from operating activities		
Net profit before taxation, and extra ordinary items	2,126.48	548.02
Adjustments for:		
Depreciation and amortisation expense	1,569.93	1,542.33
Net Loss on sale of fixed assets	22.31	2.57
Interest and finance charges	2,278.67	2,360.94
Interest income	(69.14)	(41.06)
Foreign exchange (gain)/loss	27.23	5.72
Provisions written back	(169.17)	(159.16)
Operating loss before working capital changes	<u>5,786.31</u>	<u>4,259.36</u>
Changes in current assets and current liabilities		
Inventories	(1,354.67)	(568.83)
Trade and other receivables	(1,438.90)	(240.29)
Liabilities and provisions	<u>2,690.69</u>	<u>1,152.72</u>
Cash generated from operations	5683.43	4,602.96
Income tax paid/tax deducted at source	(385.13)	(75.65)
Net cash used in operating activities	<u>5,298.30</u>	<u>4,527.31</u>
B Cash flow from investing activities		
Purchase of fixed assets and capital work in progress including capital advances	(2,648.92)	(3,168.76)
Sale of fixed assets	78.32	8.33
Fixed deposits having maturity more than three months	(171.19)	40.30
Interest received	<u>61.36</u>	<u>29.40</u>
Net cash used in investing activities	<u>(2,680.43)</u>	<u>(3,090.73)</u>
C Cash flows from financing activities		
Redemption of preference share capital	(50.00)	(50.00)
Short term loan taken/(repaid)	409.65	(298.54)
Long term loan taken	3,248.18	2,432.91
Long term loan repaid	(3,394.14)	(3,520.36)
Unsecured loans taken	3,053.87	4,536.19
Unsecured loans repaid	(3,227.57)	(1,964.44)
Interest paid	(2,641.91)	(2,452.43)
Dividend paid	(6.07)	(114.06)
Net cash generated from financing activities	<u>(2,607.99)</u>	<u>(1,430.73)</u>
Net increase in cash and cash equivalents (A+B+C)	9.88	5.85
Cash and cash equivalents at the beginning of the period	52.50	46.65
Cash and cash equivalents at the end of the period	<u>62.38</u>	<u>52.50</u>

Note : The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard - 3 on Cash Flow Statement prescribed by the Companies (Accounting Standards) Rules, 2006.

As per our report of even date attached

For **B S R & Co.**
Chartered Accountants
Registration No. 101248W

Kaushal Kishore
Partner
Membership No. 090075

Place : Chandigarh
Date : 18 May 2013

For and on behalf of **Kvantum Papers Limited**

Jagesh K Khaitan
Chairman & Managing Director
DIN - 00026264

Roshan Garg
President-Finance & CFO

Place : Chandigarh
Date : 18 May 2013

Pavan Khaitan
Managing Director
DIN - 00026256

Vivek Trehan
Company Secretary

**Notes to Accounts****1.1 SHARE CAPITAL**

Particulars	As at 31 March 2013	As at 31 March 2012
	Rs. Lacs	Rs. Lacs
1.1.1 Authorised		
2,50,00,000 (previous year 1,75,00,000) equity shares of Rs. 10 each	2,500.00	1,750.00
1,00,00,000 (previous year 25,00,000) 7% redeemable preference shares of Rs. 10 each	1,000.00	250.00
	<u>3,500.00</u>	<u>2,000.00</u>
1.1.2 Issued, subscribed and paid up		
87,26,363 (previous year 87,26,363) equity shares of Rs.10 each, fully paid up	872.64	872.64
Nil (previous year 50,00,000) 7% redeemable preference shares of Rs. 10 each, fully paid up	-	50.00
	<u>872.64</u>	<u>922.64</u>

1.1.3 Reconciliation of share capital outstanding as at the beginning and at the end of the year

- a) During the current year and in the previous year, there has been no movement in the number of equity shares outstanding.
b) 7% redeemable preference shares of Rs. 10 each fully paid up

Particulars	As at 31 March 2013		As at 31 March 2012	
	Number of shares	Amount (Rs. Lacs)	Number of shares	Amount (Rs. Lacs)
Balance as at the beginning of the year	5,00,000	50.00	10,00,000	100.00
Less : Shares redeemed during the year	(5,00,000)	50.00	(5,00,000)	50.00
Balance as at the end of the year	-	-	5,00,000	50.00

1.1.4 Rights, preferences and restrictions attached to each class of shares**a) Equity shares of Rs. 10 each, fully paid up**

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders (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.

b) 7% 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.

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 4 equal instalments of Rs. 50 lacs each at the end of 3rd, 4th, 5th and 6th year, from the date of allotment i.e. 27 September 2006. Accordingly, 5,00,000 (previous year 5,00,000) shares were redeemed during the year.



Kvantum Papers Ltd

Notes to Accounts

1.1.5 Details of shareholders holding more than 5% shares as at year end

a) Equity shares of Rs. 10 each fully paid up

Name of shareholder	As at 31 March 2013		As at 31 March 2012	
	% of holdings	No. of shares held	% of holdings	No. of shares held
(i) Esteem Finventures Limited	49.16	42,89,538	49.16	42,89,538
(ii) Combine Overseas Limited	17.35	15,14,250	17.35	15,14,250
(iii) Delhi Iron & Steel Company Private Limited	6.75	5,88,617	6.75	5,88,617

b) 7% redeemable preference shares of Rs. 10 each, fully paid up

Name of shareholder	As at 31 March 2013		As at 31 March 2012	
	% of holdings	No. of shares held	% of holdings	No. of shares held
Amrit Corp Limited	-	-	100	5,00,000
Total	-	-	100	5,00,000

1.1.6 Disclosure pursuant to note 6(A)(i) of Part I of Schedule VI to the Companies Act, 1956

Particulars	Year (aggregate no. of shares)					
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
a) Equity shares of Rs. 10 each fully paid up						
Fully paid up pursuant to contract (s) without payment being received in cash	64,26,463	64,26,463	64,26,463	64,26,463	64,26,463	64,26,463

1.2 RESERVES AND SURPLUS

Particulars	As at 31 March 2013 Rs. Lacs	As at 31 March 2012 Rs. Lacs
1.2.1 Capital redemption reserve*		
Opening balance	150.00	100.00
Add : Amount transferred from surplus in the Statement of Profit and Loss	50.00	50.00
Closing balance	200.00	150.00
1.2.2 Capital subsidy	100.14	100.14
1.2.3 General reserve		
Opening balance	2,457.92	2,457.92
Add : Amount transferred from surplus in the Statement of Profit and Loss	-	-
Closing balance	2,457.92	2,457.92
1.2.4 Surplus in the Statement of Profit and Loss		
Opening balance	2,807.65	2,491.96
Add : Net profit for the year	1,281.35	371.76
	4,089.00	2,863.72
Less : Proposed dividend - preference shares#	(1.71)	(5.20)
Less : Dividend distribution tax	(0.29)	(0.87)
Less : Transferred to capital redemption reserve	(50.00)	(50.00)
Closing balance	4,037.00	2,807.65
	6,795.06	5,515.71

* towards redemption of preference share capital

Re. 0.7 (previous year Re. 0.7) per preference share



Notes to Accounts

1.3 LONG TERM BORROWINGS

Particulars	Footnote	Long term maturities		Current maturities	
		As at	As at	As at	As at
		31 March 2013	31 March 2012	31 March 2013	31 March 2012
		Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
1.3.1 Secured					
(a) Term loans					
from banks	[1]	7,667.81	8,046.93	3,574.60	3,325.18
(b) Finance lease obligations					
for purchase of computers	[2]	-	8.28	8.28	19.50
(c) Vehicle loans					
from banks	[3]	57.77	65.97	55.48	43.89
from others		-	-	-	0.15
		<u>7,725.58</u>	<u>8,121.18</u>	<u>3,638.36</u>	<u>3,388.72</u>
1.3.2 Unsecured					
(a) Public deposits	[4]	1,237.05	1,121.15	351.54	428.96
(b) Inter corporate deposits	[5]				
- from related party		2,780.00	808.00	-	-
- others		322.36	2,673.32	38.26	-
(c) Loans from directors and relatives	[6]				
Mr. Pavan Khaitan (Managing Director)		103.00	200.00	-	-
Mrs. Aparna Khaitan (Relative of director)		226.50	195.00	-	-
Mr. Jagesh K Khaitan (Chairman & MD)		90.00	-	-	-
Mrs. Usha Khaitan (Relative of director)		10.00	-	-	-
		<u>4,768.91</u>	<u>4,997.47</u>	<u>389.80</u>	<u>428.96</u>
Less: Amount shown under "other current liabilities" (Note 1.9)		-	-	4,028.16	3,817.68
		<u><u>12,494.49</u></u>	<u><u>13,118.65</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Footnotes:

[1] Term Loan of:

a. Rs. 4835.00 lacs (previous year Rs. 5390.00 lacs) are secured by a first parri passu charge on all the fixed assets (immovable and movable) of the Company both present and future alongwith equitable mortgage of factory land and building at Sailakhurd and second charge on the current assets. The said loans are also secured by personal guarantees of directors.

b. Rs. 3850.00 lacs (previous year Rs. 2004.65 lacs) is secured by a first parri passu charge on fixed assets (immovable and movable) of the Company both present and future alongwith equitable mortgage of factory land and building at Sailakhurd and second charge on the current assets. The said loans are also secured by personal guarantee of directors. The term loan is also secured by pledge of 10,00,000 equity shares of the Company by an associate company.

c. Rs. 2557.41 lacs (previous year Rs. 3977.46 lacs) is secured by a first parri passu charge on fixed assets (immovable and movable) of the Company both present and future alongwith equitable mortgage of factory land and building at Sailakhurd. The said loans are also secured by personal guarantee of directors.

d. The rate of interest on the loans ranges from 13.00% to 14.90% per annum.

e. Maturity profile of the term loans is as under (Rs. Lacs) :

As at 31 March 2013	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
	3,574.60	3,015.80	1,963.01	1,389.00	1,300.00
As at 31 March 2012	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2017-18</u>
	3,325.18	3,574.60	2,888.28	1,654.40	900.00



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Notes to Accounts

[2] Assets under finance lease arrangement are secured against assets taken on finance lease. Maturity profile of the finance lease is as under (Rs. Lacs) :

As at 31 March 2013		<u>2013-14</u>
		8.28
As at 31 March 2012	<u>2012-13</u>	<u>2013-14</u>
	19.50	8.28

[3] Vehicle loans are secured against hypothecation of the specified vehicles purchased from proceeds of the said loan. The rate of interest on the loans ranges from 10.00% to 12.60% per annum. Maturity profile of the vehicles loans is as under (Rs. Lacs) :

As at 31 March 2013		<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
		55.48	39.12	13.92	3.92	0.81
As at 31 March 2012	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	
	44.03	40.41	22.18	2.32	1.07	

[4] The rate of interest on public deposits for maturity period of more than one year ranges from 11% to 12% per annum. Public deposits are accepted for a period of 1-3 years. Maturity profile of the public deposits is as under (Rs. Lacs) :

As at 31 March 2013		<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
		351.54	981.29	255.76
As at 31 March 2012	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	
	428.96	426.74	696.91	

[5] The rate of interest on intercorporate deposits ranges from 10% to 12% per annum. The intercorporate deposits are payable in 3 years. The intercorporate deposits are considered as long terms as per assessment of management.

The intercorporate deposits include an amount of Rs. 162.62 lacs (previous year Rs. 191.32 lacs) due to Amrit Banaspati Company Limited (ABCL), an erstwhile associate company. The loan was devolved on the demerger of the paper business from ABCL into the company pursuant to a Scheme of Arrangement (effective from April 1, 2006) entered into between Companies. The repayment of the said unsecured loan was to commence after March 31, 2010. The Company proposed a repayment schedule to ABCL to repay the deposit in 20 equal quarterly installments which was not accepted. ABCL has filed an application u/s 433 / 434 of the Companies Act, 1956 in the jurisdictional High Court and the matter is sub-judice with respect to the repayment schedule. However as per the interim order by the High Court on 30 Aug 2012, the Company has made the repayment as per the repayment schedule submitted by the Company. Accordingly the Company has repaid 3 instalments of Rs. 9.57 lacs each, which was accepted by ABCL. The Company has carried out the classification of long term liability and its current maturities accordingly.

[6] The rate of interest on loans from directors and relatives 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.

1.4 DEFERRED TAXES

Particulars

	<u>As at</u> <u>31 March 2013</u>	<u>As at</u> <u>31 March 2012</u>
	Rs. Lacs	Rs. Lacs
Deferred tax assets on account of :		
Provision for employee benefits	30.64	23.25
Provision for doubtful debts and advances	11.00	10.50
Expenses allowable on payment basis	51.65	42.93
Unabsorbed depreciation	458.29	1,048.74
Finance lease obligation	2.82	9.01
	<u>554.40</u>	<u>1,134.43</u>
Deferred tax liabilities on account of :		
Accelerated tax depreciation, etc.	3,973.50	3,708.41
	<u>3,973.50</u>	<u>3,708.41</u>
Net deferred tax (assets) / liabilities	<u><u>3,419.10</u></u>	<u><u>2,573.97</u></u>



Notes to Accounts

1.5 OTHER LONG TERM LIABILITIES

Particulars	As at 31 March 2013	As at 31 March 2012
	Rs. Lacs	Rs. Lacs
Others		
- Security deposits	994.85	893.82
- Interest accrued but not due on borrowings	13.92	11.09
	<u>1,008.77</u>	<u>904.91</u>

1.6 LONG TERM AND SHORT TERM PROVISIONS

Particulars	Long-term		Short-term	
	As at 31 March 2013	As at 31 March 2012	As at 31 March 2013	As at 31 March 2012
	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
(a) Provision for employee benefits				
Leave encashment	46.58	51.18	43.58	20.49
(b) Others				
Provision for income tax [net of advance tax Rs. 354.68 lacs (Previous year Rs. 75.65 lacs)]	-	-	70.78	33.99
Proposed dividend	-	-	1.71	5.20
Corporate dividend tax	-	-	0.29	0.86
	<u>46.58</u>	<u>51.18</u>	<u>116.36</u>	<u>60.54</u>

1.7 SHORT TERM BORROWINGS

Particulars	Footnote	As at 31 March 2013	As at 31 March 2012
		Rs. Lacs	Rs. Lacs
1.7.1 Secured			
(a) Working capital loans from banks	[1]	3,224.67	2,815.02
		<u>3,224.67</u>	<u>2,815.02</u>
1.7.2 Unsecured			
(a) Public deposits	[2]	507.41	413.24
		<u>507.41</u>	<u>413.24</u>
		<u>3,732.08</u>	<u>3,228.26</u>

Footnotes:

1) Working capital loans of Rs. 3224.67 lacs (previous year Rs. 2815.02 lacs) are secured by hypothecation of all current assets, second charge on the fixed assets of the Company and personal guarantees of directors. The rate of interest on the loans is 14.25% per annum.

2) The rate of interest on public deposits for maturity period for one year is 10.50% per annum.

1.8 TRADE PAYABLES

Particulars	As at 31 March 2013	As at 31 March 2012
	Rs. Lacs	Rs. Lacs
(a) Acceptances	1,624.24	452.80
(b) Other trade payables*		
from other than micro and small enterprises (refer to note. 4.4)	2,127.35	1,142.27
	<u>3,751.59</u>	<u>1,595.07</u>

* Includes provision for electricity expenses of Rs. 108.95 lacs (previous year Rs. 95.92 lacs)



Kvantum Papers Ltd

Notes to Accounts

1.9 OTHER CURRENT LIABILITIES

Particulars	As at 31 March 2013 Rs. Lacs	As at 31 March 2012 Rs. Lacs
(a) Current maturities of long-term debts (refer to note 1.3)	4,019.88	3,798.18
(b) Current maturities of finance lease obligations (refer to note 1.3)	8.28	19.50
(c) Interest accrued but not due on borrowings	27.04	17.97
(d) Interest accrued and due on security deposit	60.22	54.54
(e) Unpaid dividends	18.12	18.30
(f) Unpaid matured deposits and interest accrued thereon	-	0.15
(g) Other payables		
Statutory dues	166.55	128.04
Creditors for fixed assets	199.22	191.00
Advances from customers	70.22	57.30
Employees dues	343.42	265.70
Others	151.07	13.19
	5,064.02	4,563.87

1.10 FIXED ASSETS

Rs. Lacs

	GROSSBLOCK					DEPRECIATION			NETBLOCK	
	As at 31 March 2012	Additions	Disposals	Adjustments under Accounting Standard 16	As at 31 March 2013	Upto 31 March 2012	Depreciation/ amortization for the year	On disposals	Upto 31 March 2013	As at 31 March 2013
	(a)	(b)	(c)	(d)	(e)=(a+b-c+d)	(f)	(g)	(h)	(i)=(f+g-h)	(j)=(e-i)
Tangible assets										
Freehold land	77.67	-	-	-	77.67	-	-	-	-	77.67
Buildings	3,431.98	51.54	-	-	3,483.52	626.87	103.76	-	730.63	2,752.89
Plant and equipment	28,694.53	487.43	357.23	-	28,824.73	8,826.70	1,349.69	265.51	9,910.87	18,913.86
Furniture and fixtures	80.55	4.37	-	-	84.92	53.57	2.72	-	56.29	28.63
Vehicles	95.06	19.08	11.14	-	103.00	19.13	9.10	2.22	26.01	76.99
Equipment and Appliances	76.68	1.73	-	-	78.42	48.76	2.56	-	51.31	27.10
Computers	128.34	15.59	-	-	143.93	99.68	9.24	-	108.92	35.00
Electric installation	209.24	-	-	-	209.24	149.25	2.89	-	152.14	57.10
Laboratory equipment	64.66	4.09	-	-	68.75	19.81	3.26	-	23.08	45.67
Water supply system	207.14	27.56	-	-	234.70	98.93	7.41	-	106.33	128.37
Gas cylinders	0.78	-	-	-	0.78	0.74	-	-	0.74	0.04
(A)	33,066.63	611.40	368.37	-	33,309.65	9,943.43	1,490.63	267.74	11,166.32	22,143.32
Intangible assets										
Brands / trademarks	613.86	-	-	-	613.86	366.33	61.39	-	427.71	186.15
(B)	613.86	-	-	-	613.86	366.33	61.39	-	427.71	186.15
Assets under finance lease										
Computers equipment	53.74	-	-	-	53.74	26.87	17.91	-	44.78	8.96
(C)	53.74	-	-	-	53.74	26.87	17.91	-	44.78	8.96
Capital work in progress#										
(D)										3,729.51
Grand total (A+B+C+D)	33,734.23	611.40	368.37	-	33,977.26	10,336.63	1,569.93	267.74	11,638.82	26,067.94

Capital work in progress includes borrowing cost Rs. 473.48 lacs



Notes to Accounts

Rs. Lacs

	GROSS BLOCK					DEPRECIATION				NET BLOCK
	As at 31 March 2011	Additions	Disposals	Adjustments under Accounting Standard 16	As at 31 March 2012	Upto 31 March 2011	Depreciation/ amortization for the year	On disposals	Upto 31 March 2012	As at 31 March 2012
	(a)	(b)	(c)	(d)	(e)=(a+b-c+d)	(f)	(g)	(h)	(i)=(f+g-h)	(j)=(e-i)
Tangible assets										
Freehold land@	77.67	9.00	9.00	-	77.67	-	-	-	-	77.67
Buildings	3,342.76	89.21	-	-	3,431.97	524.58	102.30	-	626.87	2,805.10
Plant and equipment	27,417.43	1,252.91	-	24.19	28,694.53	7,502.17	1,324.53	-	8,826.70	19,867.83
Furniture and fixtures	75.95	4.88	0.28	-	80.55	51.01	2.61	0.05	53.57	26.98
Vehicles	80.06	36.56	21.56	-	95.06	22.68	7.33	10.88	19.13	75.93
Equipment and Appliances	76.13	0.55	-	-	76.68	46.15	2.60	-	48.75	27.93
Computers	121.57	6.76	-	-	128.33	87.77	11.91	-	99.68	28.65
Electric installation	169.64	39.60	-	-	209.24	147.36	1.89	-	149.25	59.99
Laboratory equipment	52.45	12.22	-	-	64.66	17.11	2.70	-	19.81	44.85
Water supply system	207.14	-	-	-	207.14	91.76	7.17	-	98.93	108.21
Gas cylinders	0.78	-	-	-	0.78	0.74	0.00	-	0.74	0.04
(A)	31,621.59	1,451.69	30.84	24.19	33,066.62	8,491.33	1,463.04	10.93	9,943.44	23,123.19
Intangible assets										
Brands / trademarks	613.86	-	-	-	613.86	304.94	61.39	-	366.33	247.53
(B)	613.86	-	-	-	613.86	304.94	61.39	-	366.33	247.53
Assets under finance lease										
Computers Equipment	53.74	-	-	-	53.74	8.96	17.91	-	26.87	26.87
(C)	53.74	-	-	-	53.74	8.96	17.91	-	26.87	26.87
Capital work in progress#										1,213.64
(D)										1,213.64
Grand total (A+B+C+D)	32,289.19	1,451.69	30.84	24.19	33,734.22	8,805.23	1,542.33	10.93	10,336.63	24,611.23

@ The addition and deletion under freehold land is pursuant to an exchange deed

Capital work in progress includes borrowing cost Rs. 98.33 lacs

1.11 LOANS AND ADVANCES

(Unsecured considered good, unless otherwise stated)

Particulars	Long-term		Short-term	
	As at 31 March 2013 Rs. Lacs	As at 31 March 2012 Rs. Lacs	As at 31 March 2013 Rs. Lacs	As at 31 March 2012 Rs. Lacs
(a) Capital advances	1,032.34	1,127.31	-	-
(b) Security deposits	95.38	63.61	-	-
(c) Other loans and advances				
Prepaid expenses	7.55	5.28	59.60	47.37
Advances to employees	-	-	7.79	11.50
Advances to suppliers	-	-	520.27	205.31
CENVAT credit receivable	-	-	204.55	164.92
VAT credit receivable	-	-	105.51	57.81
Service tax credit receivable	-	-	35.45	6.19
Gratuity Trust Fund	-	-	3.14	4.88
MAT credit entitlement	973.50	548.03	-	-
Taxation [Net of provisions aggregating Rs. 992.92 lacs (previous year Rs.883.28 lacs)]	90.95	94.50	-	-
Others	-	-	69.05	9.53
Advances to suppliers (considered doubtful)	-	-	9.77	9.77
Less : Provision for doubtful loans and advances	-	-	(9.77)	(9.77)
	2,199.72	1,838.73	1,005.36	507.52



Kvantum Papers Ltd

Notes to Accounts

1.12 OTHER NON-CURRENT ASSETS

(Unsecured considered good, unless otherwise stated)

Particulars

Non current portion of balances with banks

Fixed deposits held as margin money

	As at 31 March 2013	As at 31 March 2012
	Rs. Lacs	Rs. Lacs
	<u>53.11</u>	<u>18.88</u>
	<u>53.11</u>	<u>18.88</u>

1.13 INVENTORIES (valued at the lower of cost or net realisable value)

Particulars

	As at 31 March 2013	As at 31 March 2012
	Rs. Lacs	Rs. Lacs
Raw materials (including packing materials)	2,676.27	1,453.08
Work-in-progress	108.50	109.90
Finished goods	17.73	20.48
Stores and spares	1,118.26	908.52
Loose tools	1.08	0.58
Chemicals and fuels	708.61	783.22
	<u>4,630.45</u>	<u>3,275.78</u>

1.14 TRADE RECEIVABLES

Particulars

	As at 31 March 2013	As at 31 March 2012
	Rs. Lacs	Rs. Lacs
1.14.1 Receivables outstanding for a period exceeding six months		
Unsecured, considered good	16.07	0.87
Considered doubtful	22.60	22.60
Less : Provision for doubtful receivables	<u>(22.60)</u>	<u>(22.60)</u>
	16.07	0.87
1.14.2 Other trade receivables		
Unsecured, considered good	<u>2,889.20</u>	<u>1,997.38</u>
	<u>2,905.27</u>	<u>1,998.25</u>

1.15 CASH AND BANK BALANCES

Particulars	Non-Current		Current	
	As at 31 March 2013	As at 31 March 2012	As at 31 March 2013	As at 31 March 2012
	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
1.15.1 Cash and cash equivalents				
Balances with banks			9.44	6.48
Current accounts			38.50	30.00
Fixed deposits with original maturities upto 3 months*			14.44	16.02
Cash in hand			<u>62.38</u>	<u>52.50</u>
1.15.2 Other bank balances				
Unpaid dividend accounts			18.12	18.30
Fixed deposits with banks with maturity period more than 12 months*	53.11	18.88	-	-
Fixed deposits with banks with maturity period more than 3 months upto 12 months*			330.88	193.93
	<u>53.11</u>	<u>18.88</u>	<u>349.00</u>	<u>212.23</u>
Amount disclosed under non-current assets (refer note 1.12)	<u>(53.11)</u>	<u>(18.88)</u>	-	-
	-	-	<u>411.38</u>	<u>264.73</u>

*pledged as security for letters of credit/bank guarantees amounting to Rs. 282.54 lacs (previous year-Rs. 115.81 lacs)



Notes to Accounts

1.16 OTHER CURRENT ASSETS

(Unsecured considered good, unless otherwise stated)

Particulars	As at 31 March 2013 Rs. Lacs	As at 31 March 2012 Rs. Lacs
Others		
Interest accrued on bank deposits	17.33	15.20
Interest accrued on other deposits	10.13	4.48
	<u>27.46</u>	<u>19.68</u>

2.1 OTHER OPERATING REVENUES

Particulars	For the year ended 31 March 2013 Rs. Lacs	For the year ended 31 March 2012 Rs. Lacs
Scrap and sludge sales	50.34	52.54
Liabilities no longer required written back	169.17	159.16
Export benefits	51.14	-
	<u>270.65</u>	<u>211.70</u>

2.2 OTHER INCOME

Particulars	For the year ended 31 March 2013 Rs. Lacs	For the year ended 31 March 2012 Rs. Lacs
Interest income		
on bank deposits	31.91	28.04
others	37.23	13.02
Insurance claims received	14.44	35.42
Profit on sale of fixed assets	0.76	-
Plantation sales	18.93	83.00
Rental income	13.64	13.87
	<u>116.91</u>	<u>173.35</u>

2.3 COST OF MATERIALS CONSUMED

Particulars	For the year ended 31 March 2013 Rs. Lacs	For the year ended 31 March 2012 Rs. Lacs
Raw materials consumed		
Opening stock	1,433.01	808.44
Add : Purchases during the year	13,099.68	12,463.10
	14,532.69	13,271.54
Less : Closing stock	2,611.26	1,433.01
	<u>11,921.43</u>	11,838.53
Packing materials consumed		
Opening stock	20.07	34.70
Add : Purchases during the year	1,017.17	676.81
	1037.24	711.51
Less : Closing stock	65.01	20.07
	<u>972.23</u>	691.44
	<u>12,893.66</u>	<u>12,529.97</u>



Notes to Accounts

2.4 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE

Particulars	For the year ended 31 March 2013		For the year ended 31 March 2012	
		Rs. Lacs		Rs. Lacs
Finishing Goods				
Closing Stock				
Manufactured paper	-		-	
Trading paper	9.37		-	
Soda ash	8.36	17.73	20.48	20.48
Less : opening stock				
Manufactured paper	-		36.48	
Soda ash	20.48	20.48	31.32	67.80
		(2.75)		(47.32)
Work in progress				
Closing stock				
Paper	22.01		38.66	
Chemicals	86.49	108.50	71.24	109.90
Less : opening stock				
Paper	38.66		50.26	
Chemicals	71.24	109.90	68.92	119.18
		(1.40)		(9.28)
Increase / (decrease)		(4.15)		(56.60)

2.5 EMPLOYEE BENEFITS EXPENSE

Particulars	For the year ended 31 March 2013		For the year ended 31 March 2012	
		Rs. Lacs		Rs. Lacs
Salaries and wages				
salaries, bonus and wages		1,879.16		1,628.92
leave encashment and other compensation		110.10		90.31
Contribution to				
provident fund and other funds		199.04		177.04
gratuity fund		71.16		45.93
Staff welfare expenses		49.99		26.19
		2,309.45		1,968.39

2.6 FINANCE COSTS

Particulars	For the year ended 31 March 2013		For the year ended 31 March 2012	
		Rs. Lacs		Rs. Lacs
Interest Expense				
on borrowings from banks		1,612.53		1,873.18
on borrowings from others		664.38		484.22
finance charges under finance lease		1.76		3.55
Bank charges		70.75		64.08
		2,349.42		2,425.03



Notes to Accounts

2.7 OTHER EXPENSES

Particulars	For the year ended	For the year ended
	31 March 2013	31 March 2012
	Rs. Lacs	Rs. Lacs
Consumption of stores and spares	1,381.27	1,294.55
Consumption of chemicals	9,166.15	7,830.22
Power and fuel	8,702.47	7,756.01
Rent (Refer note 4.7)	41.83	29.68
Repair and maintenance		
- Buildings	26.21	18.64
- Machinery	299.62	212.14
- Others	16.20	18.93
Insurance	23.06	22.50
Rates and taxes	42.52	33.58
Legal and professional fees (including audit fee) (Refer note 4.2)	200.23	299.57
Loss on sale of fixed assets (net)	23.07	2.57
Sundry balances written off	0.98	0.92
Advances written off	-	74.72
Commission to directors	22.48	6.59
Pollution control expenses*	302.52	253.16
Foreign exchange loss (net)	27.22	227.93
Miscellaneous expenses	672.66	607.84
	20,948.50	18,689.56

* includes Rs. 89.72 lacs (previous year Rs. 80.80 lacs) and Rs.193.72 lacs (previous year Rs. 143.45 lacs) towards salary and wages and power consumption cost respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Background

Kvantum Papers Limited (formerly known as ABC Paper Limited) ("The Company") is a Company incorporated under the provisions of the Companies Act, 1956.

The Company is listed on Bombay Stock Exchange. 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 Salla Khurd, District Hoshiarpur in the State of Punjab, with corporate office in Chandigarh.

3.2 Significant accounting policies

a. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles (GAAP) in India and comply with the accounting standards as notified under the Companies (Accounting Standards) Rules, 2006 and the presentational requirements as prescribed by the Schedule VI of the Companies Act, 1956, to the extent applicable.

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in Schedule VI to the Companies Act 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle being a period within 12 months for the purposes of classification of assets and liabilities as current and non-current.

b. Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Examples of such estimates include estimation of future obligations under employee retirement benefit plans, estimated useful life of fixed assets, classification of assets / liabilities as current or non-current, etc. Actual results could differ from these estimates. Any revision to accounting estimates is recognised in accordance with the requirements of the respective accounting standards.



Notes to Accounts

c. Current and Non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in Company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within 12 months after the reporting date; or
- the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counter party, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

d. Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation. Cost is inclusive of freight, duties, taxes, other directly attributable normal costs to bring the assets to their working condition for intended use and net of Cenvat/VAT availed.

Other than leased assets, depreciation is provided at the rates specified in Schedule XIV of the Companies Act, 1956 on the following basis:

- | | | |
|---|---------------------------------|---------------------------|
| - | Second hand captive power plant | Written down value method |
| - | All other assets | Straight line method |

In respect of fixed assets taken on finance lease, the depreciation is provided on the straight line method over the useful life of assets as estimated by the management (presently 3 years) or lease period, whichever is shorter.

In respect of assets added / disposed off during the year, depreciation is charged on a pro-rata basis with reference to the month of addition/disposal. Modification or extension to an existing asset, which is of capital nature and which becomes an integral part thereof is depreciated prospectively over the remaining useful life of that asset.

Assets costing upto Rs. 5,000 are fully depreciated in the year of purchase.

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. These assets are valued at cost which comprises its purchase price and any directly attributable expenditure.

Intangible assets in the form of paper brands/trade marks are amortised under the straight line method over their estimated useful life of 10 years.

e. Capital subsidy

Government grants are deducted from the value of the concerned asset if the grant is specifically received for the purchase, construction or acquisition of the asset. However, if it is received as a contribution towards the total investment or by way of contribution to its capital outlay and no repayment is ordinarily required to be made, such grants are treated as capital reserves.

f. Impairment

The carrying amounts of assets are reviewed at each balance sheet date in accordance with Accounting Standard 28, 'Impairment of Assets', to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. 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 the 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. An impairment loss is reversed 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.

g. Accounting for investment

Investments are classified into current and long term investments. Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Notes to Accounts

Current investments (excluding current maturities of long term investments) are stated at the lower of cost and fair value. Long term investments are carried at cost. A provision for diminution in value is made to recognize a decline other than temporary in the value of long term investments.

h. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories includes all costs incurred in bringing the inventories to their present location and condition.

Cost of raw materials, chemicals and fuels, stores and spare parts, packing materials and loose tools are determined on weighted average cost method.

Cost of work-in-process and manufactured goods includes direct materials, direct labour and appropriate overheads. Soda ash (by-product) is measured at its net realisable value.

i. Foreign currency transactions

The Company accounts for effects of differences in foreign exchange rates in accordance with Accounting Standard 11, notified by the Companies (Accounting Standards) Rules, 2006. Foreign currency transactions are recorded using the exchange rates prevailing on the date of the transaction. Exchange differences arising on foreign currency transactions settled during the year, are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currency are restated at the exchange rates prevailing at the year end. The resultant differences are recognised in the Statement of Profit and Loss.

j. Revenue recognition

Revenue from sale of products is recognised on transfer of all significant risk and rewards of ownership to the buyer which coincides with despatch of goods from factory premises and is recognised on accrual basis. The sales are recorded net of rebates / trade discounts, sales tax and returns and including excise duties.

Interest income is recognised on an accrual basis on time proportion method, taking into account the amount outstanding and the rate applicable.

Dividend income is recognised when the right to receive payment is established by the balance sheet date.

Exports benefits are recognized on an accrual basis at the anticipated realisable value, based on past experience.

k. Employee benefits

Short term employee benefits

All employee benefits payable/ available within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages and bonus, short term compensated absences, etc., are recognised in the Statement of Profit and Loss in the period in which the employee renders the related service.

Post employment benefits

Defined contribution plans

The employees' provident fund scheme and employees state insurance scheme of the Company are defined contribution plans. The Company's contribution paid/payable under the schemes are recognised as an expense in the Statement of Profit and Loss during the year in which the employee renders the related service. The Company contributes to the Regional Provident Fund Commissioner to cover its liability towards employees' provident fund dues.

Defined benefit plans

The Company's gratuity scheme is a defined benefit plan. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation carried at the year end 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 obligation is measured at the present value of the estimated future cash flows. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

The Company contributes to a registered trust administered by it to cover its liabilities towards employees' gratuity. Liability with respect to the Gratuity plan determined as above and any differential between the fund amount as per the trust and the liabilities as per actuarial valuation is recognised as an asset or liability. Assets are recognised only to the extent that it is likely to be adjusted against future contribution.

Other long term employee benefits

Benefits under the Company's leave encashment constitute other long term employee benefits. Other long-term employee benefits are recognised as an expense in the Statement of Profit and Loss for the period in which the employee has rendered services. Estimated liability on account of long-term benefits is actuarially determined based on the projected unit credit method using the yield on government bonds, as on the date of balance sheet, as the discounting rate. Actuarial gains and losses are recognized in the Statement of Profit and Loss.

l. Research and development expenditure

Revenue expenditure on research and development is charged under respective heads of account in the year in which it is



Notes to Accounts

incurred. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.

m. Taxes on income

Income tax expense comprises current tax and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liability or deferred tax asset is recognised using the tax rates that have been enacted or substantively enacted as at the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty of realisation. Such assets are reviewed at each Balance Sheet date to reassess realisation. However, where there is unabsorbed depreciation or carried forward losses under taxation laws, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence of realisation of such assets.

Minimum Alternative Tax ("MAT") paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax in future. MAT Credit entitlement can be carried forward and utilized for a specific period as prescribed under the law from the year in which the same is availed. Accordingly, it is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

n. Leases

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease charges are recognised as an expense in the Statement of Profit and Loss on a straight line basis.

Finance leases

Assets under finance leases are recognised at the fair value of leased asset at the inception of the lease. However, in cases where the fair value of the leased asset from the standpoint of the lessee exceeds the present value of minimum lease payments, the asset is recognised at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.

o. Provisions and contingencies

The Company recognises a provision when there is a present obligation as a result of a past event and it is more likely than not that there will be an outflow of resources embodying economic benefits to settle such obligation and the amount of such obligation can be reliably estimated. Provisions are not discounted to its present value, and are determined based on the management's best estimate of the amount of obligation required at the year end. These are reviewed at each balance sheet date and adjusted to reflect current management estimates.

Provision for onerous contracts, i.e., contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

Contingent liabilities are disclosed in respect of possible obligations that have arisen from past events and the existence of which will be confirmed only by the occurrence or non occurrence of future events not wholly within the control of the Company. Contingent liabilities are also disclosed for present obligations in respect of which it is not probable that there will be an outflow of resources or a reliable estimate of the amount of obligation cannot be made. When there is a possible obligation or a present obligation where the likelihood of an outflow of resources is remote, no disclosure or provision is made.

p. Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets to the extent that they relate to the period till such assets are ready to be put to use. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss.

q. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares except where the results are anti-dilutive. At present the Company does not have any dilutive potential equity shares.

r. Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash balance with bank, and highly liquid investments with maturity period of three months or less from the date of investment.

Notes to Accounts

4. OTHER NOTES TO ACCOUNTS

4.1 Contingent liabilities and commitments

Particulars	As at 31 March 2013	As at 31 March 2012
a) Claims against the Company not acknowledged as debts		
- Income tax matters	7.57	7.57
- Excise duty matters	1,017.34	749.75
b) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	316.81	2,266.12
c) During the previous year, a search was carried out by the Income tax authorities at various premises of the Company. The assessments are under progress. The management has assessed its position and is of the view that it would not have any impact on the financial statements of the Company as at and for the year ended 31 March 2013.		

4.2 Auditors' remuneration (excluding service tax)

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
- As auditors	6.00	4.00
- Limited reviews	6.00	6.00
- Reimbursement of out of pocket expenses	2.58	1.55
Total	<u>14.58</u>	<u>11.55</u>

4.3 Borrowing costs amounting to Rs. Nil (previous year Rs. 24.19 lacs) attributable to acquisition and construction of fixed assets have been capitalized during the year.

4.4 Based on the information presently available, there are no amounts due to any micro or small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006.

4.5 Related party transactions

A. Related parties where control exists : None

B. Other related parties with whom transactions occurred and nature of related party relationships :

Description of relationship	Name of the party
(a) 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 K Khaitan, Chairman & Managing Director - Mr. Pavan Khaitan, Managing Director
(b) Relatives of individuals mentioned in (a) above	- Mrs. Aparna Khaitan - Mrs. Usha Khaitan - Mrs. Shashi Khaitan - Ms. Deeksha Khaitan - Ms. Malavika Khaitan
(c) Enterprises over which, individuals (together with their relatives) mentioned in (a) above have significant influence	- Combine Overseas Limited
(d) Investing party in respect of which the Company is an associate	- Esteem Finventures Limited



Notes to Accounts

C. Transactions during the year

Nature of transactions

	For the year ended 31 March 2013	For the year ended 31 March 2012
a) Unsecured loans taken	3,756.72	4,080.00
- Esteem Finventures Limited \$\$\$	2,878.00	3,089.00
- Combine Overseas Limited	310.22	-
- Mr. Jagesh K Khaitan #	321.00	40.00
- Mr. Pavan Khaitan	53.00	540.00
- Mrs. Aparna Khaitan	31.50	405.00
- Ms. Deeksha Khaitan	4.50	-
- Ms. Malavika Khaitan	4.50	6.00
- Mrs. Shashi Khaitan #	100.00	-
- Mrs. Usha Khaitan #	54.00	-
b) Unsecured loans repaid	1,759.22	631.00
- Esteem Finventures Limited##	906.00	611.00
- Combine Overseas Limited	310.22	-
- Mr. Pavan Khaitan	175.00	-
- Mr. Jagesh K Khaitan #	200.00	20.00
- Mrs. Aparna Khaitan	15.00	-
- Ms. Deeksha Khaitan	1.50	-
- Ms. Malavika Khaitan	1.50	-
- Mrs. Shashi Khaitan #	100.00	-
- Mrs. Usha Khaitan #	50.00	-
c) Interest on unsecured loans	279.21	159.45
- Esteem Finventures Limited##	124.47	65.70
- Mr. Jagesh K Khaitan	30.63	22.71
- Mr. Pavan Khaitan	47.92	22.48
- Mrs. Aparna Khaitan	48.61	22.16
- Ms. Deeksha Khaitan	4.61	4.37
- Ms. Malavika Khaitan	4.61	4.28
- Mrs. Usha Khaitan	6.36	5.75
- Mrs. Shashi Khaitan	12.00	12.00
d) Managerial remuneration (Refer to note 4.10)	117.36	92.97
- Mr. Jagesh K Khaitan	64.98	51.32
- Mr. Pavan Khaitan	52.38	41.65
e) Equity dividend paid	-	58.04
- Esteem Finventures Limited	-	42.90
- Combine Overseas Limited	-	15.14
f) Legal and professional expenses (excluding services tax)	85.50	178.20
- Esteem Finventures Limited	-	64.20
- Combine Overseas Limited	85.50	114.00
g) Procurement charges (excluding services tax)	273.21	232.19
- Esteem Finventures Limited##	273.21	232.19

**Notes to Accounts****D. Balance outstanding**

Particulars	As at 31 March 2013	As at 31 March 2012
Unsecured loans	4,294.50	4,082.00
- Esteem Finventures Limited##	2,780.00	2,593.00
- Mr. Jagesh K Khaitan	341.00	220.00
- Mr. Pavan Khaitan	443.00	565.00
- Mrs. Aparna Khaitan	494.50	478.00
- Mrs. Usha Khaitan	54.00	50.00
- Mrs. Shashi Khaitan	100.00	100.00
- Ms. Deeksha Khaitan	41.00	38.00
- Ms. Malavika Khaitan	41.00	38.00
Interest accrued	4.57	2.01
- Mr. Jagesh K Khaitan	4.33	2.01
- Mrs. Usha Khaitan	0.24	-

The secured borrowing facilities of the Company are secured by way of personal guarantees of directors in favour of lenders.

\$ Includes Rs. 1,756 lacs transfer from Ambalica Enterprises Pvt. Ltd. consequent to merger with Esteem Finventures Limited.

Includes public deposits matured and renewed during the year.

Pertains to transactions with erstwhile Ambalica Enterprises Pvt. Ltd., which has been merged with Esteem Finventures Limited vide Hon'ble High Court order dated 24 August 2012 with effective date of merger as 1 April 2010.

4.6 Segment information

The Company is engaged in the business of manufacture and sale of paper, primarily in India and nearby markets, which is a primary segment for the Company and constitutes a single business segment. Accordingly, disclosure requirements of Accounting Standard 17 "Segment Reporting", prescribed by the Companies (Accounting Standards) Rules, 2006 in relation to segment reporting is not given.

4.7 Leases*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. 41.83 lacs (previous year Rs. 29.68 lacs).

Finance leases

The Company has, during the previous years, acquired computer equipment under finance lease which had been capitalized as a part of computers under fixed assets. At the end of lease period, the Company has the option either to terminate the lease and return the asset or renew the lease.

The future minimum lease payments under finance lease are as follows:

	Total minimum lease payments outstanding as on 31 March 2013	Interest	Present value of minimum lease payments
Within one year	8.28 (19.50)	0.13 (1.76)	7.37 (18.52)
Later than one year and not later than five years	- (8.28)	- (0.13)	- (7.37)
Total	8.28 (27.78)	0.13 (1.89)	7.37 (25.89)



Notes to Accounts

4.8 The computation of basic and diluted earnings per share is set out below

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Profit/(loss) after tax as per Statement of Profit and Loss	1,281.35	371.74
Less: preference dividend including tax thereon	2.00	6.07
Net profit attributable to the equity shareholders (A)	1,279.37	365.67
Number of shares used for calculating basic and diluted earnings per equity share (B)	87.26	87.26
Basic and diluted earnings per share - (A)/(B) (Nominal value - Rs. 10 per share)	14.66	4.19

4.9 Disclosures pursuant to Accounting Standard 15 on "Employee Benefits"

Defined contribution plans

The Company's provident fund scheme and employees' state insurance (ESI) fund scheme are defined contribution plans. The Company has recorded expenses of Rs. 138.42 lacs (previous year Rs. 121.19 lacs) under provident fund scheme and Rs.47.23 lacs (previous year Rs. 44.18 lacs) under ESI scheme. These have been included in note 2.5 Employees benefits expenses, in the Statement of Profit and Loss.

Defined benefit plans

Gratuity

Gratuity is payable to all eligible employees of the Company on superannuation, death or permanent disablement, in terms of the provisions of the Payment of Gratuity Act or as per the Company's Scheme, whichever is more beneficial.

Changes in the present value of defined benefit obligation

Particulars	As at 31 March 2013	As at 31 March 2012
a) Present value of obligation as at the beginning of the year	298.21	237.41
b) Interest cost	23.35	20.18
c) Past service cost	-	-
d) Current service cost	31.76	27.23
e) Benefits paid	(15.67)	(8.11)
f) Actuarial loss on obligation	41.28	21.50
g) Present value of obligation as at the end of the year	<u>380.93</u>	<u>298.21</u>

Changes in the fair value of plan assets

Particulars	As at 31 March 2013	As at 31 March 2012
a) Fair value of plan assets at the beginning of the year	300.48	238.22
b) Expected return on plan assets	27.79	22.03
c) Actuarial gains/(loss)	(0.55)	0.94
d) Contributions	72.03	47.40
e) Benefits paid	(15.67)	(8.11)
f) Fair value of plan assets at the end of the year	<u>384.08</u>	<u>300.48</u>



Notes to Accounts

Expenses recognised in the statement of profit and loss

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
a) Current service cost	31.76	27.23
b) Past service cost	-	-
c) Interest cost	25.35	20.18
d) Expected return on plan assets	(27.79)	(22.03)
e) Curtailment cost/(credit)	-	-
f) Settlement cost/(credit)	-	-
g) Net actuarial (gain)/ loss recognized in the year	41.84	20.56
h) Expenses recognized in profit and loss account	<u>71.16</u>	<u>45.94</u>

Details of current year and previous four years of:

Particulars	Year ended 31 March				
	2013	2012	2011	2010	2009
Defined benefit obligation	380.93	298.21	237.41	185.31	151.82
Fair value of plan assets	384.08	300.48	238.22	185.30	137.58
Surplus/(deficit)	3.14	2.27	0.81	(0.01)	(14.24)
Experience adjustment on plan liabilities (loss)/gain*	(41.28)	(37.49)	(12.50)	(91.74)	(19.53)
Experience adjustment on plan assets (loss)/ gain*	(0.55)	22.97	(5.66)	11.59	0.05

* As per management estimate for the year ended 31 March 2009.

The Company's best estimate of the contributions expected to be paid during the next year is Rs. 69.18 Lacs (previous year Rs. 30.35 Lacs).

The principal assumptions used in determining the gratuity benefit obligation are as given below:

Particulars	As at 31 March 2013	As at 31 March 2012
	%	%
Discount rate	8.50	8.50
Expected rate of return on assets per annum	9.25	9.25
Salary escalation rate per annum	5.00	5.00

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

The salary escalation rate is based on estimates of salary increases, which take into account inflation, promotion and other relevant factors.

Demographic assumptions

	As at 31 March 2013		As at 31 March 2012	
Mortality	LIC (1994-96) duly modified		LIC (1994-96) duly modified	
Retirement age	58 years		58 years	
Withdrawal rates	Age	Withdrawal rate %	Age	Withdrawal rate %
	Upto 30 yrs.	3	Upto 30 yrs.	3
	Upto 44 yrs.	2	Upto 44 yrs.	2
	Above 44 yrs.	1	Above 44 yrs.	1



Notes to Accounts

The major categories of plan assets are as follows:

Particulars	As at 31 March 2013	As at 31 March 2012
Insurer managed funds*	321.81	232.61
Bonds and government securities	62.16	67.76
Balance with banks	0.11	0.11
	<u>384.08</u>	<u>300.48</u>

*The Company is not informed by the insurer (Life Insurance Corporation of India) of the investment made by it or the break-down of plan assets by investment type.

4.10 Managerial remuneration

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Salaries and allowances*	85.56	78.84
Contribution to provident and other funds	6.41	5.91
Perquisites	2.91	3.64
Commission to Directors	22.48	4.58
	<u>117.36</u>	<u>92.97</u>
Sitting fees paid to non executive directors	4.05	4.05
Total	<u>121.41</u>	<u>97.02</u>

* Gratuity and leave encashment have been provided on an actuarial basis for the Company as a whole. Accordingly, separate figures are not available on an individual basis and, thus, not included.

Managerial remuneration to the extent of Rs. 48.00 lacs for the year ended 31 March 2012 is subject to approval of the members by a special resolution in general meeting in the terms of the provisions of Schedule XIII applicable in case of inadequate profits. The Company expects the approval within ensuing Annual General Meeting.

Managerial remuneration to the extent of Rs. 10.09 lacs for the year ended 31 March 2013 to a director is subject to approval of the members in general meeting.

4.11 Value of imported and indigenous raw materials (including packing material) consumed during the year

Particulars	For the year ended 31 March 2013		For the year ended 31 March 2012	
	Value	%	Value	%
Raw materials				
Imported	4,359.11	33.81	4,101.76	32.74
Indigenous	8,534.55	66.19	8,428.21	67.26
Total	<u>12,893.66</u>	<u>100.00</u>	<u>12,529.97</u>	<u>100.00</u>

4.12 Value of imported and indigenous stores and spares and chemicals consumed during the year

Particulars	For the year ended 31 March 2013		For the year ended 31 March 2012	
	Value	%	Value	%
Stores, spares and chemicals				
Imported	155.84	1.48	193.15	2.12
Indigenous	10,391.58	98.52	8,931.62	97.88
Total	<u>10,547.42</u>	<u>100.00</u>	<u>9,124.77</u>	<u>100.00</u>

4.13 CIF value of imports

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Raw materials	5,179.65	4,175.14
Capital goods	954.83	697.71
Spares/stores	190.79	220.66

Notes to Accounts

4.14 Details of Work-in-progress

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
- Paper	22.01	38.66
- Chemical	86.49	71.24
	<u>108.50</u>	<u>109.90</u>

4.15 Particulars in respect of opening and closing stocks for each class of goods dealt with by the Company

Particulars	As at 31 March 2013		As at 31 March 2012	
	Opening Stock	Closing Stock	Opening Stock	Closing Stock
Manufactured paper	-	-	36.48	-
Trading Paper	-	9.37	-	-
Soda ash	20.48	8.36	31.32	20.48
	<u>20.48</u>	<u>17.73</u>	<u>67.80</u>	<u>20.48</u>

4.16 Particulars in respect of sales turnover (gross) for each class of goods dealt with by the Company

Particulars	For the year ended 31st March 2013	For the year ended 31st March 2012
Paper	42,909.29	38,391.06
Soda ash (by-product)	1,434.07	978.61
Traded goods (Pulp and Speciality Paper)	66.63	59.99
	<u>44,409.99</u>	<u>39,429.66</u>

4.17 Details of raw materials and packing material consumed during the year

Particulars	For the year ended 31st March 2013	For the year ended 31st March 2012
Wood pulp	4,348.43	4,101.77
Wheat straw	3,391.19	4,102.22
Wood chips	1,914.19	2,111.45
Grasses	881.17	686.27
Others	1,386.45	836.82
Packing Material	972.23	691.44
	<u>12,893.66</u>	<u>12,529.97</u>

4.18 Expenditure in foreign currency (on accrual basis)

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Travelling and conveyance	12.32	4.11



Kvantum Papers Ltd

Notes to Accounts

4.19 Earnings in foreign currency

Particulars

FOB value of exports

For the year ended
31 March 2013

402.32

For the year ended
31 March 2012

184.87

4.20 The Company's exposure in respect of foreign currency denominated liabilities not hedged by derivative instruments is as follows

Particulars

Payables

Sundry creditors

Currency

USD

As at 31 March 2013

Foreign Currency

22.93

Rs. Lacs

1,247.16

As at 31 March 2012

Foreign Currency

3.03

Rs. Lacs

155.01

4.21 Previous year figures have been regrouped / reclassified wherever considered necessary.

As per our report of even date attached.

For **B S R & Co.**
Chartered Accountants
Registration No. 101248W

Kaushal Kishore
Partner
Membership No. 090075

Place : Chandigarh
Date : 18 May 2013

For and on behalf of **Kvantum Papers Limited**

Jagesh K Khaitan
Chairman & Managing Director
DIN - 00026264

Roshan Garg
President-Finance & CFO

Place : Chandigarh
Date : 18 May 2013

Pavan Khaitan
Managing Director
DIN - 00026256

Vivek Trehan
Company Secretary



Kvantum Papers Ltd

Regd Office : Paper Mill, Saila Khurd - 144 529, Distt Hoshiarpur, Punjab

16th Annual General Meeting, Friday, 13 September 2013 at 11.30 am
at Paper Mill, Saila Khurd - 144 529, Distt Hoshiarpur, Punjab

REGD. FOLIO No./CLIENT ID :

DIP ID No. :

NAME :

ADDRESS :

If Joint Holder is attending :
(Full name in block letters)

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.
I hereby record my presence at the 16th Annual General Meeting of the Company.

NAME OF SHAREHOLDER/PROXY (IN BLOCK LETTERS)

Signature of the Shareholder or Proxy



Kvantum Papers Ltd

Regd Office : Paper Mill, Saila Khurd - 144 529, Distt Hoshiarpur, Punjab

PROXY FORM

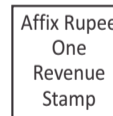
I/We _____
of _____ being a member/members of Kvantum Papers Ltd. hereby
appoint _____ of _____
in the district of _____
or failing him _____ of _____
in the district of _____
as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Annual General
Meeting of the Company to be held on Friday, the 13 September, 2013 at 11.30 am at Paper Mill, Saila Khurd,
Distt. Hoshiarpur, Punjab and at any adjournment thereof.

Signed this day of 2013

Regd. Folio/Client ID No. :

DP ID No. :

No. of Shares :



Signature

Note : The Proxy must be deposited at the Regd. Office of the Company at Paper Mill, Saila Khurd-144 529,
Distt. Hoshiarpur, Punjab not less than 48 hours before the time for holding the meeting.

THE PROXY NEED NOT BE A MEMBER



Kuantum Papers Ltd

Our
MISSION

Achieving excellence and consistency in quality;

Preserving environment;

**Operating in a cost economic manner with focus
on productivity and growth;**

Ensuring total satisfaction of the customer;

**Enhancing values to shareholders, employees
and associates;**

thereby

Attaining supremacy in the industry.

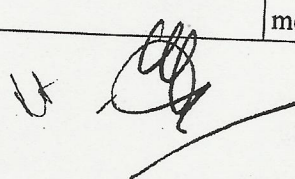


Kvantum Papers Ltd

Regd Office : Paper Mill Saila Khurd 144 529 Distt Hoshiarpur Punjab

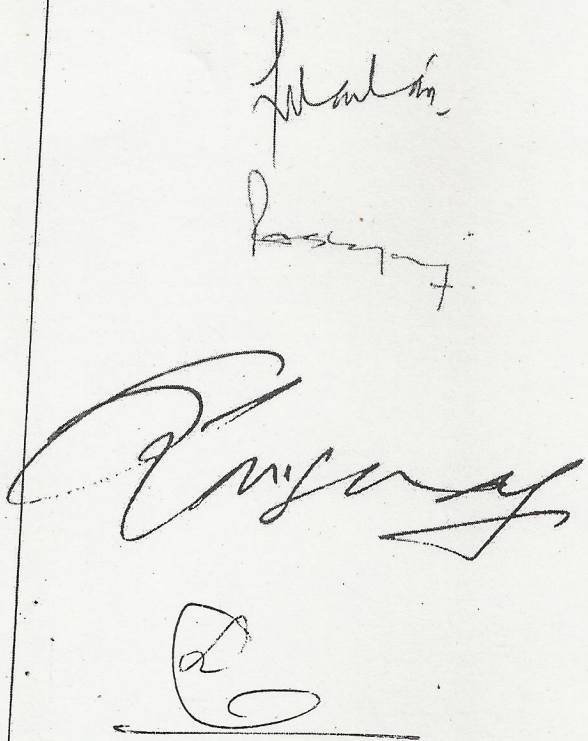
FORM B
 Format of covering letter of the annual audit report to be filled with the Stock exchanges

1.	Name of the Company	Kuantum Papers Limited
2.	Annual Financial Statements for the year ended	31 March 2013
3.	Type of Audit Qualification	Qualified Opinion with regard to Managerial Remuneration
4.	Frequency of qualification	Qualification with respect to Managerial Remuneration appeared in the audit reports on the Financial Statements for: - the year ended 31 March 2012; and - the year ended 31 March 2013.
5.	Draw attention to the relevant notes in the annual financial statements and management response to the qualification in the Directors Report	<p>Qualification in the Audit Report on the Financial Statements for the year ended 31 March 2013: <i>Managerial remuneration to the extent of Rs. 48.00 lacs for the year ended 31 March 2012 is subject to approval of the members by a special resolution in the general meeting in terms of the provisions of Schedule XIII applicable in the case of inadequate profits. Our audit report for the year ended 31 March 2012 also was modified in respect of the above matter. Further, managerial remuneration to the extent of Rs. 10.09 lacs for the year ended 31 March 2013 to a director is subject to approval of the members in the general meeting. Pending such approvals, the impact on the financial statements has not been determined.</i></p> <p><u>Management Response:</u></p> <p>The management's response to the auditors' observation regarding approval of the members in the general meeting for managerial remuneration to the extent of Rs. 48.00 lacs for the year ended 31 March 2012 and to a director to the extent of Rs. 10.09 lacs for the year ended 31 March 2013 has been included in the Directors' Report (page 10 of annual report) and disclosed in the note no. 4.10 of Schedule 4- "Other notes to accounts" at page 54 of the annual report which is as under:</p> <p>Managerial remuneration to the extent of Rs. 48.00 lacs for the year ended 31 March 2012 is subject to approval of the members by a special resolution in general meeting in terms of the provisions of Schedule XIII applicable in case of inadequate profits. The Company expects the approval within ensuing Annual General Meeting.</p> <p>Managerial remuneration to the extent of Rs. 10.09 lacs for the year ended 31 March 2013 to a director is subject to approval of the members in general meeting.</p>



FORM B

Format of covering letter of the annual audit report to be filled with the Stock exchanges

6. Additional comments from the board/committee chair	The above was part of notice for the ensuing AGM vide item No. 6 & 7, and the items were approved by the members in general meeting held on 13.09.2013 and the audit qualification stands resolved.
7. To be signed by- • CEO/Managing Director <i>Pavan Khaitan</i> • CFO <i>Roshan Garg</i> • Auditor of the Company B S R & Co. <i>Chartered Accountants</i> Firm registration No.: 101248W Kaushal Kishore <i>Partner</i> Membership No. 90075 • Audit Committee Chairman <i>D.C. Mehandru</i>	

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