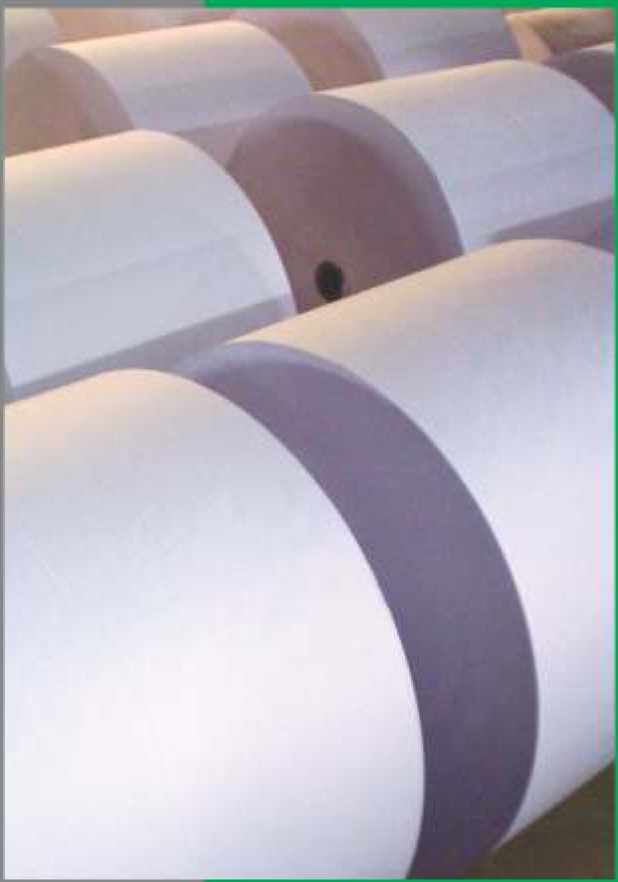

Kuantum Papers Ltd

17th Annual Report
2013-2014

Kuantum 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 Sandhawalia	
	Neena Singh	
	Ashutosh Khaitan	
	Pavan Khaitan	Managing Director
SENIOR EXECUTIVES	T Kathirvelu	President
	Roshan Garg	President (Finance)
	Somesh Jawa	President (Marketing)
	Col (Rtd) Manohar Singh	Vice President (HR & Admn)
	D K Chawda	Vice President (Engineering)
COMPANY SECRETARY	Vivek Trehan	
STATUTORY AUDITORS	M/s B S R & Co. LLP 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	
CIN & CONTACT DETAILS	CIN- L21012PB1997PLC035243 Ph. : 01884-230241, Fax : 01884-230244 Email : kuantumcorp@kuantumpapers.com Website: www.kuantumpapers.com	

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DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the 17th Annual Report on the business and operations, together with audited statements of Accounts of your Company, for the financial year ended 31 March 2014.

FINANCIAL HIGHLIGHTS

The summarized financial results of the Company for the year 2013-14 are given hereunder.

(Rs. in lacs)

	2013-14	2012-13
Sales & other income	**50,872.03**	44,797.55
Operating Profit	**7,745.24**	5,987.53
Interest	**2,159.86**	2,291.12
Gross Profit	**5,585.38**	3,696.41
Depreciation	**1,853.68**	1,569.93
Profit before tax	**3,731.70**	2,126.48
Provision for		
- Current Tax	**(790.28)**	(425.46)
- Deferred Tax charge for the year	**(813.30)**	(845.13)
- Deferred Tax charge for prior years	**436.27**	--
- MAT credit entitlement	**790.28**	425.46
Net Profit after tax	**3,354.67**	1,281.35
Balance b/f from previous year	**4,037.01**	2,807.65
Profit available for appropriations	**7,391.67**	4,089.00
Appropriations:-		
- Proposed Dividend on		
(a) Equity shares	**--**	--
(b) Preference Shares @ Rs. 1.00 Per share (Pro-rata)	**164.38**	1.71
(c) Tax on dividend	**27.94**	0.29
(d) Capital Redemption Reserve	**--**	50.00
(e) General Reserve	**--**	--
Balance carried to Balance Sheet	**7,199.35**	4,037.00

DIVIDEND

Your Directors have recommended a dividend of Rs. 1.00 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 31 March 2014 amounting to Rs. 164.38 lacs and to pay a dividend tax of Rs. 27.94 lacs thereon. 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 97,572 metric tonnes as against 1,00,218 metric tonnes in the previous year. The quantitative figure for the sale of paper was 97,535 metric tonnes this year, leaving closing stock of 35 metric tonnes, as against the sale of 1,00,218 metric tonnes in the previous year. The production during the year was slightly lower during the current year due to better product mix but leading to higher sales realizations as also higher production of copier and other premium quality paper compared to 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 13.56% at Rs. 50,872.03 lacs, operating profit is up by 29.35% at Rs. 7,745.24 Lacs, Profit before Tax is up by 75.48% at Rs. 3,731.70 lacs. Net profit after tax is up by 161.80% and stands at Rs. 3,354.67 lacs.

There has been a significant improvement in the profitability during the year under review compared to the previous year which is mainly due to higher sales realizations, better product mix and brand equity, improved quality and higher volumes of premium quality paper products like copier and surface sized paper. This is despite the increase in the input costs in terms of raw materials, fuel and chemical costs, imported pulp due to the high volatility in US $ and consequent high 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, 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 2014-15 as your company has continued the initiatives to optimize capacity utilization, cost reduction initiatives, innovation of new products and is further undertaking modification and up-gradation of pulp mill and paper machines for improving the product quality vis-a-vis cost reduction initiatives. The projects are in progress and will be commissioned during the current year 2014-15.

The Mill Expansion Plan implemented in the previous years, has made your company one of the most cost competitive paper mills, as also one of the large paper player in the writing and printing segment. Further continuous innovative initiatives have enabled the mill to manufacture papers of distinctive prime 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 almost optimum levels of production and sale, and has been able to offset the associated negatives to a large extent.

As per CRISIL estimates, the demand for Paper and Paperboard will continue 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, a CAGR of 6.5-7 per cent. The key drivers for this growth are the Government's emphasis on education and literacy and its spending on the education, corporate spending on stationery and advertisement, coupled with growth in organised retail and demand for better-quality paper. However, growth in demand in 2014-15 is expected to be moderate at 5.5% on the back of a weak macroeconomic environment unless substantive policy measures are undertaken by the Govt. to boost investment sentiment. Between 2015-16 to 2017-18 growth in demand is expected to be at 6.5-7%. Within the writing & printing paper segment, the demand for copier paper is expected to grow at the fastest pace at CAGR of 12.6% on account of rise in the corporate spending in stationery. 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.

Demand for Creamwove Paper (the most widely-used variety in Indian school textbooks), which accounted for 44 per cent of W&P paper demand in 2012-13 compared to 50% in 2007-08, is expected to grow at a steady pace as more new educational institutions are likely to come up in the country between 2014-15 and 2016-17, as an outcome of the Indian Government's Right to Education (RTE) initiative. Creamwove continues to the largest contributor to the W&P demand. 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 31 March 2014 has been stated in the Management Discussion & Analysis Report which appears as a separate statement in the Annual Report.

FINANCE

(a) Project finance

Punjab National Bank has sanctioned a term loan of Rs. 2,000 lacs. The disbursement of the loan has commenced during the year under review.

(b) Working capital

The enhanced working capital limits amounting to Rs. 10,325 lacs (fund based Rs. 5,000 lacs & non-fund based Rs. 5,325 lacs) have been appraised and sanctioned by the Banks.

(c) Fixed Deposits

As on 31 March, 2014, your Company had Fixed Deposits of Rs. 1,984.12 lacs. There were no overdue deposits as on 31 March 2014. 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.

The above deposits have been accepted for a period of 1 year to 3 years as per the Fixed deposit Scheme duly approved by the Board in its meeting held on 13 September 2013 pursuant to the provisions of Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules 1975. However, as per the provisions of Companies Act, 2013 read with the Companies (Acceptance of Deposit) Rules 2014, all the deposits accepted pursuant to the provisions of Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules 1975 are required to be mandatorily repaid within one year from the date of commencement of Act i.e. 1 April 2014 or from the date on which such payments are due, whichever is earlier.

Henceforth, the fixed deposits will be invited, accepted and renewed as per the relevant provisions of the Companies Act, 2013 read with the Companies (Acceptance of Deposit) Rules 2014 upon compliance of the procedure laid down therein. Necessary steps towards the same are underway and the deposits will be invited, accepted and renewed in accordance with the new provisions.

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 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, 2013 and Articles of Association of the Company, Sh. D.S. Sandhawalia and Sh. Ashutosh Khaitan shall retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

In compliance with the section 149 (1) of the Companies Act, 2013 with regard to the appointment of a woman director, Mrs. Neena Singh has, accordingly been appointed as director.

AUDITORS & AUDITOR'S 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 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 139 (1) of the Companies Act, 2013 and they are not disqualified for appointment within the meaning of Section 141 (3) (g) of the said Act.

The Notes on Accounts referred to in the Annexure to the Auditor's 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 31 March 2014. The Company's Cost Audit Report for the year ended 31 March 2013 was filed on 10.09.2013 (Due date 30.09.2013). The said firm has been appointed as cost auditors of the Company for the financial year 2014-15 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: 15 May 2014

Jagesh K Khaitan
Chairman & Managing Director

ANNEXURE

STATEMENT CONTAINING PARTICULARS PURSUANT TO THE COMPANIES (DISLOSURE 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) Replacement of old in-efficient and high power consuming lights with new energy efficient lighting like LED, CFLs, 40W tube set with 28W, 70W MHL with 2*18W tube sets etc. (ii) use of Solar street Lights and solar water heaters (iii) use of natural light in PM4 F.H shed and other sections of plant (iv) usage of LP steam in place of MP Steam to enhance power generation, (v) Providing thermal insulation to all steam lines in the plant (vi) installation of energy efficient pumps in place of old high power consuming pumps, (vii) Old high power consuming motors are replaced with new energy efficient motors having class IE2 and IE3 (viii) New transformers are procured with low load losses i.e. energy efficient transformers (ix) installation of VFDs (AC drives) on Boiler FD fans, PA fan, Boiler Feed Pump, Agitators, Cooling Towers Fans, Recovery Boiler CW Pump, Vacuum Pumps etc (x) automation of various processes through DCS and PLC to avoid manual operations (xi) all the Vacuum Pumps and Motors on Paper Machine no. 4 are being replaced with new energy efficient Vacuum Pumps and Motors. (xii) the Co-generation plant operations have been optimized to have maximum efficiency. (xiii) Company is buying power through the Open Access also, thereby reducing Carbon emissions and better profitability (xiv) 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 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 2013-14 is given in the table below.

	POWER & FUEL CONSUMPTION	**2013-14**	2012-13
1.	**ELECTRICITY**		
(a)	**Purchased**		
	Units (lacs KWH)	**302.22**	266.69
	Total amount (Rs. lacs)	**2,167.67**	1,766.17
	Rate/Unit (Rs./KWH)	**7.17**	6.62
(b)	**Own generation**		
	Through Steam Turbine/ Generator		
	Units (lacs KWH)	**885.58**	883.02
	Cost/Unit (Rs./KWH)	**3.81**	3.62
2	**COAL** (for Boiler)		
	Quantity (Tonnes)	**70,944**	58,530
	Total cost (Rs. lacs)	**4,005.57**	2,997.14
	Average rate (Rs.)	**5,121**	5,121
3.	**OTHERS**		
(a)	Rice Husk (for Boiler)		
	Quantity (Tonnes)	**74,344**	90,610
	Total cost (Rs. lacs)	**3,356.41**	4,018.59
	Rate/Unit (Rs. MT)	**4,515**	4,435
4.	**CONSUMPTION/TONNE OF PRODUCTION**		
	Production (Tonnes)	**97,572**	1,00,218
	Electricity/Tonnes (KWH)	**1,217**	1,147
	Furnace Oil/tonne (KL)	**0.002**	0.002
	Coal/Tonne (MT)	**0.727**	0.584
	Others Rice husk (MT)	**0.762**	0.904

II. TECHNOLOGY ABSORPTION

Research and Development

The ISO Certified R&D Division of Company has also been recognized by Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Govt. of India.

Binary Sizing, Ash Boosting Full Fill Technology, Pulp Mill Process Up-gradation and Product Diversification in Specialty Papers Segment, are the current focus areas of the Research and Development Division.

Apart from research activities in core paper business, the company plans to continue ongoing research on Value Addition to various process waste streams, Cellulosic Ethanol from various lignocelluloses, Integrated Bio-refinery etc. Successful implementation of Turbo Spin Flash Calcination System for regenerating lime from waste Lime sludge of Chemical Recovery Plant (CRP) has been key achievement in the area of Environmental Research.

The company has also been involved in Technology Development and Process Improvement through University-Industry Collaborations to further strengthen in-house R&D capabilities.

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.

(a) The expenditure on R & D has been as follows:

(Rs. in lacs)

		2013-14	2012-13
(i)	Capital	**5.91**	4.09
(ii)	Recurring	**76.48**	55.49
(iii)	Total	**82.39**	59.58
(iv)	Total R&D expenditure as a percentage of turnover	**0.16**	0.13

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. 4.16 & 4.17 to the Accounts.

For and on behalf of the Board

Place: Chandigarh
Dated: 15 May 2014

Jagesh K Khaitan
Chairman & Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

1. An overview of the Economy and Business Environment

The year 2013-14 continues to be a challenging year for the global as well as domestic economy. Emerging markets like India faced multiple challenges: capital outflows, intense exchange rate pressures and volatile current account movements. A combination of persistent inflation, fiscal imbalances, external sector vulnerabilities and low investments resulted in sluggish domestic demand growth. Fiscal and monetary initiatives taken by Indian Government and RBI helped stabilize financial market conditions, but the domestic macro-economic environment still remains challenging.

Real GDP growth in India moderated to 5.0 per cent during 2012-13 from 6.2 per cent in 2011-12, and slackened further to 4.4 per cent during Q1 2013-14 before improving marginally to 4.8 per cent during Q2 2013-14. Sectors such as agriculture, manufacturing, electricity, construction and financing and business services witnessed an improvement in performance during Q2 vis-a-vis the corresponding period of the previous year. On the whole, GDP growth rate in the first half of 2013-14 (H1) was placed at 4.6 per cent as compared to 5.3 per cent in H1 2012-13. Supply constraints and high inflation, however, continued to weigh on the growth process.

A modest improvement in growth is envisaged in the second half of 2013-14, on the back of a good monsoon which has boosted the kharif prospects. Exports have picked up and global growth is expected to improve from 2.9 per cent in 2013 to 3.6 per cent in 2014. On the policy front, the government has initiated action in clearing projects especially in the infrastructure sector, which is expected to improve the overall investment climate. These measures would, however, take time to translate into activity at the ground-level. The downside risks to the domestic growth stem from persistently high inflation, relatively high fiscal deficit and consequent pressure on interest rates and uncertainty in the global environment. Boom period expansions that led to excess capacities and structural impediments also continue to weigh on corporate performance.

To address the inflationary concerns and to strengthen the environment for sustainable growth by fostering macroeconomic and financial stability, monetary policy was tightened in September 2013 and October 2013 by a cumulative 50 basis points hike in repo rate.

The US Federal Reserve (Fed) announced tapering in its bond purchase programme on December 18, 2013. Financial markets had been expecting this move since the first indication of such action in May 2013. Initial reaction to the tapering announcement has been positive.

India utilised the delay in tapering to bring about adjustment in the current account deficit (CAD) and built buffers by replenishing its foreign exchange reserves. Consequently, external sector risks have been considerably reduced and the effect of the tapering on the economy is expected to be limited and short lived. However, macroeconomic adjustment is far from complete, with persistence of high inflation amidst growth slowdown. Fall in domestic savings rate and high fiscal deficit continue to pose challenges. Global uncertainty and high inflation coupled with fast depreciating currency value have continued to pose challenges in maintaining the growth rate momentum of the economy.

The Government has continued its efforts to stimulate domestic growth momentum by increasing liquidity availability through measures such as catalyzing investments and by curtailing subsidy, allowing foreign direct investment in many sectors. It has also hiked the diesel prices and has reduced the subsidy.

2. Industry structure and Development

The paper industry has grown at a lesser than expected average 7-8 per cent over the last few years. India is the fastest growing market for paper and presents an exciting scenario. The paper consumption is poised for a big leap forward in synchronization with the economic growth and is estimated to touch 13.95 million tons by 2015-16. The futuristic view is that growth in paper consumption would be in multiples of GDP and hence an increase in consumption by one kg per capita, would lead to an increase in demand of 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 at CAGR of 6.5-7 per cent. The key drivers for this growth are the government's emphasis on education and literacy and its spending on the education, corporate spending on stationery and advertisement, coupled with growth in organised retail and demand for better-quality paper. However, growth in demand in 2014-15 is expected to be moderate at 5.5% on the back of a weak macroeconomic environment unless substantive policy measures are undertaken by the Govt. to boost investment sentiment. Between 2015-16 to 2017-18 growth in demand is expected to be at 6.5-7%. Within the writing & printing paper segment, the demand for copier paper is expected to grow at the fastest pace at CAGR of 12.6% on account of rise in the corporate spending in stationery. 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.

Demand for Creamwove Paper (the most widely-used variety in Indian school textbooks), which accounted for 44 per cent of W&P paper demand in 2012-13 compared to 50% in 2007-08, is expected to grow at a steady pace as more new educational institutions are likely to come up in the country between 2014-15 and 2016-17, due to the outcome of the Indian Government's Right to Education (RTE) initiative. Although maplitho, coated paper and copier paper have higher realizations, the volume of creamwove makes it the largest segment in paper. Creamwove continues to the largest contributor to the W&P demand. 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, corporate spending on stationery and advertisements, 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 44 per cent in 2012-13 from 50 per cent in 2007-08, 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.

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 CAGR of 12.6 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 further increase to around 25 per cent in 2017-18 from 18 per cent in 2012-13.

Demand for specialty paper is expected to grow at 9-9.5 per cent CAGR from 2012-13 to 2017-18. The main varieties of specialty paper are: tissue paper, decor paper, electrical grade paper, fine printing paper, cigarette tissue paper, photo paper, greeting card paper and business card paper. The usage of the specialty paper 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 at 11 kg (appx), 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 31 per cent, industrial paper accounts for about 46 per cent, newsprint accounts for about 19 per cent, and speciality 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 on the supply front, as per CRISIL estimates, there are limited capacity additions in the next 5 years after aggressive expansions in 2010-11 and 2011-12 coupled with moderate demand growth of 6-6.5% CAGR over the next 5 years.

Writing & printing paper consumption has been growing steadily over the years. While India accounts for nearly 15 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 11 kg as compared to the world average of around 55 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 6.5-7 per cent CAGR between 2012-13 and 2017-18. Inspite of advancement in technology, like the advent of iPads, Galaxy Tabs, Smart Phones, the increased preference for online storage and dissemination of data, the paper industry is poised for a consistent growth in the demand for paper in next few years. Despite the higher level of technology being used in the corporate sector, there has been no decline in the paper consumption, but infact the paper demand continues to rise at a modest pace. The envisaged growth in the value-added printing & writing paper segment in India presents an invaluable opportunity, and your company plans to leverage it by tapping its institutional strength in distribution supply chain, cost competitiveness, 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 2014-15. However, lower per capita consumption in India compared with the world average will drive the domestic demand for paper over the medium to long term.

The Mill Expansion Plan leading to the production capacity of over 1 lac tonnes, has made 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, maplitho paper and premium copier paper, which is placed in the higher value segment, competing with quality specifications of other large paper mills.

The company has further taken initiatives to optimize capacity utilization; optimization of operational cost; innovation on specialty products, copier paper; modification and up-gradation of equipments and paper machines for further improving the product quality.

Raw material costs account for around 60 per cent of the operating income of mills in the paper industry. Wood accounted for 35 per cent of the total paper production in 2012-13. Wood and wood based pulp are the main raw materials required for manufacturing W&P paper, especially in the higher end of value chain such as maplitho and coated paper. India's wood resources are limited; therefore, cost of wood is much higher in global comparison. Since there is conspicuous absence of Government's 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 nearly 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, 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. The operating profitably 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 high volatility in US $ and consequent high depreciation in the Indian currency.

Further, the paperless initiatives taken by the Govt. of India, coupled with Green initiatives in Corporate Governance leading to paperless compliances by the companies, is indicative of a slight threat 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 process 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 15-17 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/production 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 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 is 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 years.

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 97,572 metric tonnes as against 1,00,218 metric tonnes in the previous year. The quantitative figure for the sale of paper was 97,535 metric tonnes this year, leaving closing stock of 35 metric tonnes, as against the sale of 1,00,218 metric tonnes in the previous year. The production during the year was slightly lower during the current year due to better product mix but leading to higher sales realizations as also higher production of copier and other premium quality paper compared to the previous year.

The company recorded gross sales turnover of Rs. 50,529.11 lacs (net of excise Rs. 47,681.25 lacs) as against Rs. 44,409.99 lacs (net of excise Rs. 41,888.99 lacs) in the previous year; and an operating profit of Rs. 7,745.24 lacs was achieved as against Rs. 5,987.53 lacs in the previous year. Profit earned before Tax is Rs. 3,731.70 lacs (previous year

Rs. 2,126.48 lacs) and net profit after tax (current tax and deferred tax) is Rs. 3,354.67 lacs (previous year Rs. 1,281.35 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 13.56% at Rs. 50,872.03 lacs, operating profit is up by 29.35% at Rs. 7,745.24 Lacs, Profit before Tax is up by 75.48% at Rs. 3,731.70 lacs. Net profit after tax is up by 161.80% and stands at Rs. 3,354.67 lacs.

There has been a significant improvement in the profitability during the year under review compared to the previous year mainly due to higher sales realizations, better product mix, improved quality and higher volumes of premium quality paper products like copier and surface sized paper. This is despite the increase in the input costs in terms of raw materials, fuel and chemical costs, imported pulp due to the high volatility in US $ and consequent high 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, 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 2014-15 as your company has continued the initiatives to optimize capacity utilization, cost reduction initiatives, innovation of new products and is further undertaking modification and up-gradation of pulp mill and paper machines for improving the product quality vis-a-vis cost reduction initiatives. The projects are in progress and will be commissioned during the current year 2014-15.

The Mill Expansion Plan implemented in the previous years, has made your company one of the most cost competitive paper mills, as also one of the large paper player in the writing and printing segment. Further continuous innovative initiatives have enabled the mill to manufacture papers of distinctive prime 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 almost optimum levels of production and sale, and has been able to offset the associated 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 31.03.2014, comprising of a Chairman & Managing Director, a Managing Director and six non-Executive Directors. Out of six, four non-Executive Directors were independent directors as on 31.03.2014. 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 2013-14		Whether attended the last AGM	No. of directorships in other public limited companies	No. of Committee positions held in other Companies	
		Held	Attended			Chairman	member
Jagesh K Khaitan, Chairman & Managing Director	Promoter, Executive	5	5	Yes	1	-	1
Justice S.S. Sodhi (Rtd)	Independent, Non-Executive	5	4	Yes	-	-	-
D.C. Mehandru	-do-	5	5	Yes	1	-	2
Umesh K Khaitan	Promotor, Non Executive	5	-	No	3	-	1
Yashovardhan Saboo	Independent, Non-Executive	5	3	No	8	-	5
Pavan Khaitan, Managing Director	Promotor, Executive	5	5	Yes	-	-	-
D.S. Sandhawalia	Independent, Non-Executive	5	4	Yes	-	-	-
Ashutosh Khaitan	Promoter, Non-Executive	5	1	No	3	-	-

(b) During the financial year 2013-14, Five (5) Board Meetings were held on 18th May 2013, 13th August 2013, 13th September 2013, 14th November 2013 and 14th February 2014. The maximum interval between any two meetings was not more than 120 days.

(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 2013-14 that may have potential conflict with the interests of the Company.

(e) Details of remuneration paid to the directors during the financial year 2013-14

(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	50,03,613	6,45,640	15,63,629	-	72,12,882
Pavan Khaitan	Son of Jagesh K Khaitan	42,24,000	4,09,109	13,20,000	-	59,53,109
Justice S.S.Sodhi (Rtd)		-	-	-	75,000	75,000
D.C.Mehandru		-	-	-	1,50,000	1,50,000
Umesh K Khaitan	Father of Ashutosh Khaitan	-	-	-	-	-
Yashovardhan Saboo		-	-	-	1,05,000	1,05,000
D.S.Sandhawalia		-	-	-	1,20,000	1,20,000
Ashutosh Khaitan	Son of Umesh K Khaitan	-	-	-	15,000	15,000

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, 2014, the committee comprised of the following five directors of the Company - three non-executives & independent and two executive & non-independent. During the financial year 2013-14, Audit Committee met 4 times i.e. on 18th May 2013, 13th August 2013, 14th November 2013 and 14th February 2014 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	3
Shri Pavan Khaitan	Member	Non-independent, Executive Director	4	4
Shri D.S.Sandhawalia	Member	Independent, Non-Executive Director	4	3

President (Finance)/CFO 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 13th September, 2013.

(b) Nomination and 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 Nomination and 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 2014, 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.Sandhawalia	Member	Independent, Non-Executive Director

The Committee met once on 18.05.2013 and all the Members were present in the meeting.

(c) Stakeholders Relationship Committee

Pursuant to clause 49 of the Listing Agreement, the company has constituted Stakeholders Relationship Committee for speedy disposal of all grievances/complaints relating to shareholders/investors. The Committee specifically looks into redressal of investors' complaints and requests such as transfer of shares, non-receipt of annual report, non-receipt of declared dividend etc. In addition, the Committee advises on matters which can facilitate better investor services/relations.

As on 31st March 2014, the committee comprised of the following three directors of the Company. During the financial year 2013-14, the Committee met once on 11.03.2014 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 7 complaints which were replied/resolved to the satisfaction of the investors. As on 31st March, 2014, no complaints and/or requests for dematerialization were pending. All valid requests for share transfers received during the year 2013-14 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
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
2012-13	13.09.2013	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 Nomination and Remuneration Committee has been adopted by the company.

(vii) The shareholding of non-executive Directors of the company as on 31.03.2014 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 78652.

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 Economics Times(English) and Desh Sewak (Punjabi). The results are not sent individually to the shareholders. The financial results are being regularly displayed on the web-site of the Company.

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

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

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.kuantumpapers.com

All the members of the Board and senior management personnel have affirmed compliance with the Code for the year ended 31st March, 2014 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, interalia, 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.kuantumpapers.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, 1956/2013 and Articles of Association of the Company, Shri D.S. Sandhawalia 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 31.03.2014
Shri Ashutosh Khaitan	40 yrs	LLB	10.07.2007	21001	Practicing Advocate in Delhi and has extensive law experience in mergers & acquisitions, arbitrations, joint-ventures & collaborations, documentation for overseas funding and general corporate law	Ghaziabad Investment Ltd., Combine Overseas Ltd., Combine Accurate Financial Services India Ltd. **Committee Membership** -
Shri D.S. Sandhawalia	52 yrs	Graduate in Science	03.08.2010	Nil	Corporate Consultants	- **Committee Membership** -

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, 2014.

Place: Chandigarh
Date: 15 May 2014

Jagesh K Khaitan
Chairman & Managing Director

GENERAL SHAREHOLDERS INFORMATION

; **Annual General Meeting**

Date	8th August, 2014
Time	11.30 a.m.
Venue	Kuantum Papers Ltd., Paper Mill, Saila Khurd-144 529, Distt. Hoshiarpur, Punjab

- **Financial Year : April 01 to March 31**
- **Financial Calendar 2014-15 (Tentative)**

Board Meetings to take on record

Financial Results for Quarter ended 30.06.2014	Second week of August, 2014
Financial Results for Quarter ended 30.09.2014	Second week of November, 2014
Financial Results for Quarter ended 31.12.2014	Second week of February, 2015
Financial Results for Quarter ended 31.03.2015	2nd / 3rd week of May, 2015
Book Closure Date	1.8.2014 to 8.8. 2014 (both days inclusive)

- **Dividend Payable Date**

The Board has recommended a dividend @ Re. 1.00 per share on the Preference Shares of Rs. 10/- each for declaration at the Annual General Meeting from the date of allotment of Preference shares (on prorata basis from 13.09.13 to 31.03.14) and has not recommended any dividend on equity shares to conserve and plough back the resources. 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 2014-15 to BSE.

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

- **Market Price Data**

The monthly high/low quotation of the equity shares traded at Bombay Stock Exchange and BSE Sensex during the financial year 2013-14 are given below.

Month	Company's Share Price (Rs.)		BSE Sensex	
	High	Low	High	Low
April 2013	25.20	22.00	19622.68	18144.22
May 2013	29.00	21.00	20443.62	19451.26
June 2013	30.40	25.00	19860.19	18467.16
July 2013	29.20	23.25	20351.06	19126.82
August 2013	29.40	28.00	19569.20	17448.71
September 2013	30.00	25.70	20739.69	18166.17
October 2013	31.00	24.00	21205.44	19264.72
November 2013	31.00	25.00	21321.53	20137.67
December 2013	28.35	25.70	21483.74	20568.70
January 2014	28.75	23.00	21409.66	20343.78
February 2014	31.50	23.60	21140.51	19963.12
March 2014	49.30	32.10	22467.21	20920.98

- **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, 2014

Sl. No.	Description	No. of equity shares held	Shareholding %
1.	Promoters		
	• Individuals	3,31,281	3.80
	• Bodies Corporate	58,03,788	66.51
2.	Institutional Investors		
	• Mutual Funds/UTI	250	0.00
	• Banks/Financial Institutions	642	0.01
	• Insurance Companies	-	-
	• FIIs	-	-
3.	Others		
	• Private Bodies Corporate	13,64,220	15.63
	• Indian Public	11,98,697	13.74
	• NRIs/OBCs/Pak shareholders	27,485	0.31
	Total	**87,26,363**	**100.00%**

(b) Distribution of shareholding as on 31st March, 2014

Range of holding	No. of shareholders	%age of shareholders	No. of shares	%age of holding
1 to 5,000	14753	98.14	454539	5.21
5,001 to 10,000	113	0.75	90430	1.04
10,001 to 20,000	75	0.50	114263	1.31
20,001 to 30,000	25	0.17	60606	0.69
30,001 to 40,000	13	0.09	46651	0.53
40,001 to 50,000	8	0.05	38215	0.44
50,001 to 1,00,000	19	0.13	139494	1.60
1.00,001 and above	26	0.17	7782165	89.18
Total	15032	100.00	8726363	100.00

- **De-materialization of Shares**

  The Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) and National Securities Depository Ltd. (NSDL) to offer depository Services to the shareholders. As on March 31, 2014, approximately 96.91 % 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
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 Kuantum Papers Ltd

We have examined the compliance of the conditions of Corporate Governance by Kuantum Papers Limited for the year ended 31st March, 2014 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, 2014 grievances were received and resolved by the Company. There were no grievances which were pending with the Company as at 31st March, 2014 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: 15 May, 2014

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

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

Re: Financial Statements for the year 2013-14 – Certification by CEO and CFO

We, Pavan Khaitan, Managing Director and Roshan Garg, President(Finance) & CFO, of Kuantum Papers Ltd , on the basis of the review of the financial statements and the cash flow statement for the financial year ended 31st March, 2014 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, 2014 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	**Pavan Khaitan**
President (Finance) & CFO	*Managing Director*

Place : Chandigarh
Dated: 15 May 2014

INDEPENDENT AUDITORS' REPORT

To the Members of
Kuantum Papers Limited

1 Report on the Financial Statements

We have audited the accompanying financial statements of Kuantum Papers Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2014 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") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. 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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;

(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.

5 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:

a. 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;

b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report, are in agreement with the books of account;

d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and

e. on the basis of written representations received from the directors as on 31 March 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, 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. LLP**
Chartered Accountants
ICAI Firm Registration No. 101248W

Kaushal Kishore
Partner
Membership No. 090075

Place : Chandigarh
Date : 15 May 2014

Annexure referred to in paragraph 5 of the Independent Auditors' report to the members of Kuantum Papers Limited on the financial statements for the year ended 31 March 2014

(i) a) 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.

(b) 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.

(c) 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.

(ii) (a) 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.

(b) 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.

(c) 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.

(iii) (a) 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.

(e) 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. 4,329.50 lacs and the year-end balance (excluding interest thereon) of such loans was Rs. 1,284 lacs.

(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 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. However on basis of information and explanation provided, the same appear reasonable.

(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 2014 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 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 s relate*	*Forum where dispute is pending*
Income tax Act, 1961	Income tax	7.57	-	2005-06 (Assessment year)	Commissioner of Income tax (Appeals)
		387.16	-	2008-09 (Assessment year)	Income tax Appellate Tribunal
Central Excise Act, 1944	Excise duty	447.36	-	2000-01 to 2007-08	Commissioner of Central Excise
		181.90	-	2005-06 to 2006-07	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. LLP**
Chartered Accountants
ICAI Firm Registration No. 101248W

Kaushal Kishore
Partner
Membership No. 090075

Place : Chandigarh
Date : 15 May 2014

BALANCE SHEET AS AT 31 MARCH 2014

	Notes No.	As At 31 March 2014 Rs. Lacs	As At 31 March 2013 Rs. Lacs
EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	1.1	**3,872.64**	872.64
(b) Reserves and surplus	1.2	**9,957.39**	6,795.06
		13,830.03	7,667.70
Non-current liabilities			
(a) Long-term borrowings	1.3	**6,437.64**	12,494.49
(b) Deferred tax liabilities (Net)	1.4	**3,796.14**	3,419.10
(c) Other long term liabilities	1.5	**666.27**	1,008.77
(d) Long-term provisions	1.6	**61.27**	65.27
		10,961.32	16,987.63
Current liabilities			
(a) Short-term borrowings	1.7	**4,501.10**	3,732.08
(b) Trade payables	1.8	**3,740.44**	3,751.59
(c) Other current liabilities	1.9	**4,603.31**	5,035.81
(d) Short-term provisions	1.6	**279.74**	97.67
		13,124.59	12,617.15
		37,915.94	37,272.48
ASSETS			
Non-current assets			
(a) Fixed assets	1.10		
(i) Tangible assets		**26,443.68**	22,143.32
(ii) Intangible assets		**8.21**	186.15
(iii) Assets under finance lease		**43.23**	8.96
(iv) Capital work-in-progress		**28.92**	3,729.51
		26,524.04	26,067.94
(b) Long-term loans and advances	1.11	**2,146.24**	2,199.72
(c) Other non-current assets	1.12	**102.71**	53.11
		28,772.99	28,320.77
Current assets			
(a) Inventories	1.13	**4,433.46**	4,630.45
(b) Trade receivables	1.14	**3,488.97**	2,877.06
(c) Cash and bank balances	1.15	**356.91**	411.38
(d) Short-term loans and advances	1.11	**837.42**	1,005.36
(e) Other current assets	1.16	**26.19**	27.46
		9,142.95	8,951.71
		37,915.94	37,272.48
Significant accounting policies	3		
Other notes to financial statements	4		

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

As per our report of even date attached

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

Kaushal Kishore
Partner
Membership No. 090075

Place : Chandigarh
Date : 15 May 2014

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

Jagesh K Khaitan
Chairman & Managing Director
DIN - 00026264

Pavan Khaitan
Managing Director
DIN - 00026256

Roshan Garg
President-Finance & CFO

Vivek Trehan
Company Secretary

Place : Chandigarh
Date : 15 May 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2014

	Notes No.	For the year ended 31 March 2014 Rs. Lacs	For the year ended 31 March 2013 Rs. Lacs
Revenue from operations			
Sale of products (Refer note 4.14)		**50,529.11**	44,409.99
Less : excise duty		**2,847.86**	2,521.00
		47,681.25	41,888.99
Other operating revenues	2.1	**223.34**	270.65
Total revenue from operations		**47,904.59**	42,159.64
Other income	2.2	**119.58**	116.91
Total revenue		**48,024.17**	42,276.55
Expenses			
Cost of materials consumed (Refer note 4.15)	2.3	**15,329.12**	12,893.66
Purchases of stock-in-trade		**243.53**	74.96
Changes in inventories of finished goods, work-in-progress and stock in trade	2.4	**(183.71)**	4.15
Employee benefits expense	2.5	**2,653.60**	2,309.45
Finance costs	2.6	**2,159.87**	2,291.12
Depreciation and amortization expense	1.10	**1,853.68**	1,569.93
Other expenses	2.7	**22,236.39**	21,006.80
Total expenses		**44,292.48**	40,150.07
Profit before tax		**3,731.69**	2,126.48
Tax expense			
Current tax (MAT)		**790.28**	425.46
Less : MAT credit entitlement		**(790.28)**	(425.46)
Deferred tax charge / (credit) for the year		**813.31**	845.13
Prior period Deferred tax charge / (credit)		**(436.27)**	-
Profit for the year		**3,354.65**	1,281.35
Earnings per equity share			
Basic and diluted	4.8	**36.24**	14.66
Significant accounting policies	3		
Other notes to financial statements	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. LLP**
Chartered Accountants
ICAI Firm Registration No. 101248W

Kaushal Kishore
Partner
Membership No. 090075

Place : Chandigarh
Date : 15 May 2014

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

Jagesh K Khaitan
Chairman & Managing Director
DIN - 00026264

Pavan Khaitan
Managing Director
DIN - 00026256

Roshan Garg
President-Finance & CFO

Vivek Trehan
Company Secretary

Place : Chandigarh
Date : 15 May 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

(Amount in Rs. Lacs)

		Year ended 31 March 2014	Year ended 31 March 2013
A	**Cash flow from operating activities**		
	Net profit before taxation and extra ordinary items	**3,731.69**	2,126.48
	Adjustments for:		
	Depreciation and amortization expense	**1,853.68**	1,569.93
	Net loss on sale of fixed assets	**4.13**	`22.31
	Interest and finance charges	**2,117.68**	2,278.67
	Interest income	**(79.61)**	(69.14)
	Foreign exchange loss	**146.12**	27.22
	Provision for doubtful trade receivables	**25.68**	-
	Liabilities no longer required written back	**(159.48)**	(169.17)
	Operating cash flow before working capital changes	**7,639.89**	5,786.31
	Changes in current assets and current liabilities:		
	Decrease/(increase) in inventories	**196.98**	(1,354.67)
	(Increase) in trade receivables, current assets and loans & advances	**(473.57)**	(1,438.90)
	Decrease/(increase) in trade payable, other liabilities and provisions	**(420.29)**	2,690.69
	Cash generated from operations before taxes	**6,943.01**	5,683.42
	Income tax paid/tax deducted at source	**(778.47)**	(385.13)
	Net cash generated from operating activities (A)	**6,164.54**	5,298.30
B	**Cash flow from investing activities**		
	Purchase of fixed assets and capital work in progress including capital advances	**(1,317.46)**	(2,648.92)
	Sale of fixed assets	**6.82**	78.32
	Increase/(decrease) in fixed deposits having maturity more than three months	**77.90**	(171.19)
	Interest received	**80.88**	61.36
	Net cash used in investing activities (B)	**(1,151.86)**	(2,680.43)
C	**Cash flows from financing activities**		
	Redemption of preference share capital	**-**	(50.00)
	Working capital loan taken	**300.40**	409.65
	Proceeds from short term borrowings	**300.00**	-
	Proceeds from long term borrowings	**2,349.31**	6,302.05
	Repayment of long term borrowings*	**(5,513.97)**	(6,602.21)
	Principal payment under finance lease	**(15.65)**	(19.50)
	Interest paid	**(2,357.58)**	(2,641.91)
	Dividend paid	**(2.00)**	(6.07)
	Net cash used in financing activities (C)	**(4,939.49)**	(2,607.99)
	Net increase in cash and cash equivalents (A+B+C)	**73.19**	9.88
	Cash and cash equivalents at the beginning of the year	**62.38**	52.50
	Cash and cash equivalents at the end of the year	**135.57**	62.38

Note: 1. 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.
* Refer note 1.3.2
As per our report of even date attached

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

Kaushal Kishore
Partner
Membership No. 090075

Place : Chandigarh
Date : 15 May 2014

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

Jagesh K Khaitan
Chairman & Managing Director
DIN - 00026264

Pavan Khaitan
Managing Director
DIN - 00026256

Roshan Garg
President-Finance & CFO

Vivek Trehan
Company Secretary

Place : Chandigarh
Date : 15 May 2014

Notes to Accounts

1.1 SHARE CAPITAL

Particulars	As at 31 March 2014 Rs. Lacs	As at 31 March 2013 Rs. Lacs
1.1.1 Authorized		
2,50,00,000 (previous year 2,50,00,000) equity shares of Rs. 10 each	**2,500.00**	2,500.00
3,00,00,000 (previous year 1,00,00,000) 10% redeemable preference shares of Rs. 10 each	**3,000.00**	1,000.00
	5,500.00	3,500.00
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
3,00,00,000 (previous year NIL) 10% redeemable preference shares of Rs. 10 each, fully paid up	**3,000.00**	-
	3,872.64	872.64

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) 10% redeemable non cumulative preference shares of Rs. 10 each fully paid up

Particulars	As at 31 March 2014		As at 31 March 2013	
	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
Add : Issued during the year	3,00,00.000	3,000.00	-	-
Less : Redeemed during the year	-	-	(5,00,000)	50.00
Balance as at the end of the year	3,00,00.000	3,000.00	-	-

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) 10% non-cumulative redeemable preference shares of Rs. 10 each, fully paid up

The Company has only one class of preference shares having a par value of Rs. 10 per share. Preference shareholders do not hold any voting rights.

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

The preference shareholder acquire voting right on par with equity shareholders if dividend on preference shares remain unpaid for a period of not less then 2 years or for any three years during a period of six years ending with financial year preceding the meeting.

In the event of liquidation of the Company, the holders of preference shares will be entitled to receive the amount of their preference capital contribution before distribution of the remaining assets to the equity shareholders.

The preference shares are redeemable in 5 equal instalments of Rs. 600 lacs each at the end of 8th, 9th, 10th, 11th and 12th year, from the date of allotment, i.e., 13 September 2013.

Notes to Accounts

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

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

Name of shareholder	As at 31 March 2014		As at 31 March 2013	
	% 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

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

Name of shareholder	As at 31 March 2014		As at 31 March 2013	
	% of holdings	No. of shares held	% of holdings	No. of shares held
(i) Esteem Finventures Limited	83	2,50,00,000	-	-
(ii) Mr. Pavan Khaitan	10	30,00,000	-	-

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

Aggregate of bonus shares issued, shares issue for consideration other than cash and shares brought back during the period of five years immediately preceding the reporting date is Nil (previous year Nil).

1.2 RESERVES AND SURPLUS

Particulars	As at 31 March 2014 Rs. Lacs	As at 31 March 2013 Rs. Lacs
1.2.1 Capital redemption reserve*		
Opening balance	200.00	150.00
Add : Amount transferred from surplus in the Statement of Profit and Loss	-	50.00
Closing balance	200.00	200.00
1.2.2 Capital subsidy	100.14	100.14
1.2.3 General reserve	2,457.92	2,457.92
1.2.4 Surplus in the Statement of Profit and Loss		
Opening balance	4,037.00	2,807.65
Add : Net profit for the year	3,354.65	1,281.35
	7,391.65	4,089.00
Less : Proposed dividend - preference shares#	(164.38)	(1.71)
Less : Dividend distribution tax on preference dividend	(27.94)	(0.29)
Less : Transferred to capital redemption reserve	-	(50.00)
Closing balance	7,199.33	4,037.00
	9,957.39	6,795.06

* towards redemption of preference share capital

\# Re. 1.0 (previous year Re. 0.7) per preference share (pro rata)

Notes to Accounts

1.3 LONG TERM BORROWINGS

Particulars	Footnote	Non Current Portion As at 31 March 2014 Rs. Lacs	Non Current Portion As at 31 March 2013 Rs. Lacs	Current Portion As at 31 March 2014 Rs. Lacs	Current Portion As at 31 March 2013 Rs. Lacs
1.3.1 Secured					
(a) Term loans					
from banks	[1]	4,809.51	7,667.81	3,115.36	3,574.60
(b) Finance lease obligations					
for purchase of computers	[2]	28.35	-	16.17	8.28
(c) Vehicle loans					
from banks	[3]	90.73	57.77	65.86	55.48
		4,928.59	7,725.58	3,197.39	3,638.36
1.3.2 Unsecured					
(a) Public deposits	[4]				
- from related parties*		356.50	947.00	316.00	148.00
- others		470.30	290.05	165.29	203.54
(b) Inter corporate deposits	[5]				
- from a related party*		162.00	2,780.00	-	-
- others		80.75	322.36	57.40	38.26
(c) Loans from directors and relatives	[6]				
Mr. Pavan Khaitan (Managing Director)		113.00	103.00	-	-
Mrs. Aparna Khaitan (Relative of director)		226.50	226.50	-	-
Mr. Jagesh K Khaitan (Chairman and Managing Director)		90.00	90.00	-	-
Mrs. Usha Khaitan (Relative of director)		10.00	10.00	-	-
		1,509.05	4,768.91	538.69	389.80
Less: Amount shown under "other current liabilities" (Refer Note 1.9)		-	-	3,736.08	4,028.16
		6,437.64	**12,494.49**	-	-

* During the year, 300 lacs, 10% Redeemable Preference shares, amounting to Rs. 3,000, were issued at a price of Rs. 10 per share to certain existing shareholders belonging to the Promoters group by converting unsecured loans.

Footnotes:

[1] Term Loan of:

a. Rs. 3,339.12 (previous year Rs. 4,835) 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. 3,450 (previous year Rs. 3,850) 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 guarantees 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. 1,135.75 (previous year Rs. 2,557.41) is 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 . The said loans are also secured by personal guarantees of directors.

d. The rate of interest on the loans ranges from 13.30% to 14% per annum.

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

	2013-14	2014-15	2015-16	2016-17	2017-18
As at 31 March 2014		3,115.36	2,120.51	1,389.00	1,300.00
As at 31 March 2013	3,574.60	3,015.80	1,963.01	1,389.00	1,300.00

Notes to Accounts

[2] Assets under finance lease arrangement are secured against assets taken on finance lease. The implied rate of interest on the finance lease is 12.67% per annum. Maturity profile of the finance lease is as under (Rs. lacs):

	2014-15	2015-16	2016-17
As at 31 March 2014	16.17	18.30	10.05

	2013-14
As at 31 March 2013	8.28

[3] Vehicle loans are secured against hypothecation of the specified vehicles purchased from proceeds of the said loans. The rate of interest on the loans ranges from 10% to 12.60% per annum. Maturity profile of the vehicles loans is as under (Rs. lacs) :

	2014-15	2015-16	2016-17	2017-18	2018-19
As at 31 March 2014	65.86	43.65	29.49	15.07	2.52

	2013-14	2014-15	2015-16	2016-17	2017-18
As at 31 March 2013	55.48	39.12	13.92	3.92	0.81

[4] Section 74 (1) (b) of the Companies Act, 2013 requires to repay the deposits within one year from the commencement of the Act or from the date on which such payments are due, whichever is earlier. In terms of section 76 of the Companies Act, 2013 read with the Companies (Acceptance of Deposit) Rules 2014, the Company is an "Eligible Company" for accepting deposits from Public and shareholders. The Company is in process of complying with the procedures as laid down in the Act with regard to the acceptance of deposits enabling the depositors to continue their deposits. 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. Accordingly, the deposits outstanding as on 31 March 2014 are classified on basis of due dates for the remaining period of such deposits as per the original terms and conditions and consequently, maturity profile of the public deposits is as under (Rs. lacs) :

	2014-15	2015-16	2016-17
As at 31 March 2014	481.29	285.22	541.58

	2013-14	2014-15	2015-16
As at 31 March 2013	351.54	981.29	255.76

[5] The rate of interest on intercorporate deposits ranges from 10% to 12% per annum. The inter corporate deposits are payable in 3 years. The inter corporate deposits are considered as long terms as per assessment of the management (Rs. lacs) :

	2014-15	2015-16	2016-17
As at 31 March 2014	57.40	55.75	187.00

	2013-14	2014-15	2015-16
As at 31 March 2013	38.26	38.26	3,064.10

[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	**As at 31 March 2014 Rs. Lacs**	As at 31 March 2013 Rs. Lacs
Deferred tax assets on account of :		
Provision for employee benefits	**22.48**	30.64
Provision for doubtful debts and advances	**19.73**	11.00
Expenses allowable on payment basis	**57.44**	51.65
Unabsorbed depreciation	**-**	458.29
Finance lease obligation	**15.13**	2.82
	114.78	554.40
Deferred tax liabilities on account of :		
Difference between depreciation on fixed assets as per books and as per Income Tax Act, 1961	**3,910.92**	3,973.50
	3,910.92	3,973.50
Net deferred tax liabilities	**3,796.14**	3,419.10

During the year ended 31 March 2013 while filing its income tax return for the financial year 2011-12, the Company had exercised its option to claim tax holiday exemption for ten years in relation to its certain activities. However, inadvertently, the computation of deferred taxation for the previous year did not consider the consequential impact thereof. In the current year, deferred tax has been corrected and consequential adjustment in the form of deferred tax credit of Rs. 436.27 has been recorded. As a result, profit for the year after tax is higher by Rs. 436.27.

Notes to Accounts

1.5 OTHER LONG TERM LIABILITIES

Particulars	As at 31 March 2014	As at 31 March 2013
Others	**Rs. Lacs**	Rs. Lacs
- Security deposits	**645.51**	994.85
- Interest accrued on borrowings	**20.76**	13.92
	666.27	1,008.77

1.6 LONG TERM AND SHORT TERM PROVISIONS

Particulars	Long-term		Short-term	
	As at 31 March 2014	As at 31 March 2013	**As at 31 March 2014**	As at 31 March 2013
	Rs. Lacs	Rs. Lacs	**Rs. Lacs**	Rs. Lacs
(a) Provision for employee benefits				
Compensated absences	**61.27**	65.27	**4.84**	24.89
(b) Others				
Provision for income tax [net of advance tax Rs. 1,133.16 (previous year Rs. 354.68)	**-**	-	**82.58**	70.78
Proposed dividend on preference shares	**-**	-	**164.38**	1.71
Corporate dividend tax on preference dividends	**-**	-	**27.94**	0.29
	61.27	65.27	**279.74**	97.67

1.7 SHORT TERM BORROWINGS

Particulars	Footnote	As at 31 March 2014	As at 31 March 2013
		Rs. Lacs	**Rs. Lacs**
1.7.1 Secured			
(a) Working capital loans from banks	[1]	**3,525.07**	3,224.67
		3,525.07	3,224.67
1.7.2 Unsecured			
(a) Public deposits	[2]		
- from a related party		**10.00**	-
- others		**666.03**	507.41
(b) Inter corporate deposits	[3]	**300.00**	-
		976.03	507.41
		4,501.10	3,732.08

Footnotes:

[1] Working capital loans are secured by hypothecation of all current assets, second charge on the fixed assets of the Company and personal guarantees of directors. The rate of interest on the loans is 13% per annum. [2] The rate of interest on public deposits for maturity period for one year varies from 10.50% to 11% per annum.

[3] The rate of interest on intercorporate deposits is 12% per annum.

1.8 TRADE PAYABLES

Particulars	As at 31 March 2014	As at 31 March 2013
	Rs. Lacs	Rs. Lacs
(a) Acceptances	**805.81**	1,624.24
(b) Other trade payables*		
from other than micro and small enterprises (refer note. 4.4)	**2,934.63**	2,127.35
	3,740.44	3,751.59

* Includes provision for electricity expenses of Rs. 143.16 (previous year Rs. 108.95)

Notes to Accounts

1.9 OTHER CURRENT LIABILITIES

Particulars	As at 31 March 2014 Rs. Lacs	As at 31 March 2013 Rs. Lacs
(a) Current maturities of long-term debts (refer to note 1.3)	**3,719.91**	4,019.88
(b) Current maturities of finance lease obligations (refer to note 1.3)	**16.17**	8.28
(c) Interest accrued but not due on borrowings	**28.60**	27.04
(d) Unpaid dividends	**17.96**	18.12
(e) Other payables		
Statutory dues	**186.10**	166.55
Creditors for fixed assets	**106.52**	199.22
Advances from customers	**99.47**	102.23
Employees dues	**322.77**	343.42
Others	**105.81**	151.07
	4,603.31	**5,035.81**

1.10 FIXED ASSETS

Rs. Lacs

	GROSS BLOCK				DEPRECIATION				NET BLOCK
	As at 31 March 2013	Additions	Disposals	As at 31 March 2014	Upto 31 March 2013	Depreciation/ amortization for the year	On disposals	Upto 31 March 2014	As at 31 March 2014
	(a)	(b)	(c)	(d)=(a+b-c)	(e)	(f)	(g)	(h)=(e+f-g)	(i)=(d-h)
Tangible assets									
Freehold land	77.67	-	-	77.67	-	-	-	-	77.67
Buildings	3,483.52	301.37	-	3,784.89	730.63	108.81	-	839.44	2,945.45
Plant and equipment	29,416.62	5,540.99	-	34,957.61	10,244.47	1,520.82	-	11,765.29	23,192.32
Furniture and fixtures	84.92	7.98	-	92.90	56.29	3.17	-	59.46	33.44
Vehicles	103.00	112.07	19.79	195.28	26.01	16.15	8.84	33.32	161.96
Computers	143.93	7.01	-	150.94	108.92	9.18	-	118.10	32.84
(A)	**33,309.66**	**5,969.42**	**19.79**	**39,259.29**	**11,166.32**	**1,658.13**	**8.84**	**12,815.61**	**26,443.68**
Intangible assets									
Brands / trademarks*	613.86	-	-	613.86	427.71	177.94	-	605.65	8.21
(B)	**613.86**	**-**	**-**	**613.86**	**427.71**	**177.94**	**-**	**605.65**	**8.21**
Assets under finance lease									
Computers equipment	53.74	51.88	-	105.62	44.78	17.61	-	62.39	43.23
(C)	**53.74**	**51.88**	**-**	**105.62**	**44.78**	**17.61**	**-**	**62.39**	**43.23**
Capital work in progress #									28.92
(D)									**28.92**
Grand total (A+B+C+D)	**33,977.26**	**6,021.30**	**19.79**	**39,978.77**	**11,638.81**	**1,853.68**	**8.84**	**13,483.65**	**26,524.04**

Capital work in progress includes borrowing cost Rs.Nil lacs

* Depreciation for the current year includes Rs. 116.56 charged extra based on management best estimate of the future economic benefit.

Notes to Accounts

1.10 FIXED ASSETS

Rs. Lacs

	GROSS BLOCK				DEPRECIATION				NET BLOCK
	As at 31 March 2012	Additions	Disposals	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)=(a+b-c)	(e)	(f)	(g)	(h)=(e+f-g)	(i)=(d-h)
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	29,253.04	520.81	357.23	29,416.62	9,144.19	1,365.81	265.51	10,244.49	19,172.13
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
Computers	128.34	15.59	-	143.93	99.68	9.24	-	108.92	35.01
(A)	**33,066.63**	**611.40**	**368.37**	**33,309.66**	**9,943.43**	**1,490.63**	**267.73**	**11,166.33**	**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 #									3,729.51
(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**	**267.73**	**11,638.82**	**26,067.94**

Capital work in progress includes borrowing cost Rs. 473.48 lacs

1.11 LOANS AND ADVANCES

(Unsecured considered good, unless otherwise stated)

Particulars	Long-term		Short-term	
	As at 31 March 2014	As at 31 March 2013	**As at 31 March 2014**	As at 31 March 2013
	Rs. Lacs	Rs. Lacs	**Rs. Lacs**	Rs. Lacs
(a) Capital advances	184.68	1,032.34	-	-
(b) Security deposits	100.34	95.38	-	-
(c) Other loans and advances				
Prepaid expenses	6.50	7.55	37.88	59.60
Advances to employees	-	-	12.39	7.79
Advances to suppliers	-	-	208.70	520.27
CENVAT credit receivable	-	-	177.76	204.55
VAT credit receivable	-	-	281.47	105.51
Service tax credit receivable	-	-	28.05	35.45
Gratuity trust fund	-	-	11.27	3.14
MAT credit entitlement#	1,763.77	973.50	-	-
Advance tax [Net of provisions aggregating Rs. 992.92 (previous year Rs.992.92)]	90.95	90.95	-	-
Others	-	-	79.90	69.05
Advances to suppliers (considered doubtful)	-	-	9.77	9.77
Less : Provision for doubtful loans and advances	-	-	(9.77)	(9.77)
	2,146.24	2,199.72	837.42	1,005.36

The realizability of MAT credit entitlement is supported by the expected reversal of existing deferred tax liability and projected book/ taxable profit for the unexpired carry forward period of existing MAT credit.

Notes to Accounts

1.12 OTHER NON-CURRENT ASSETS

(Unsecured considered good, unless otherwise stated)

Particulars	As at 31 March 2014	As at 31 March 2013
	Rs. Lacs	Rs. Lacs
Non current portion of balances with banks		
Fixed deposits held as margin money	**102.71**	53.11
	102.71	53.11

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

Particulars	As at 31 March 2014	As at 31 March 2013
	Rs. Lacs	Rs. Lacs
Raw materials (including packing materials)	**1,463.95**	2,676.27
Work-in-progress	**182.77**	108.50
Finished goods	**23.67**	8.36
Stock-in-trade	**103.49**	9.37
Stores and spares	**1,312.21**	1,118.26
Loose tools	**0.99**	1.08
Chemicals and fuels	**1,346.38**	708.61
	4,433.46	4,630.45

1.14 TRADE RECEIVABLES

Particulars	As at 31 March 2014		As at 31 March 2013	
		Rs. Lacs		Rs. Lacs
1.14.1 Receivables outstanding for a period exceeding six months				
(Unsecured considered good, unless otherwise stated)				
Considered good	**3.42**		16.07	
Considered doubtful	**48.28**		22.60	
Less : Provision for doubtful receivables	**(48.28)**	**3.42**	(22.60)	16.07
1.14.2 Other trade receivables		**3,485.55**		2,860.99
		3,488.97		2,877.06

1.15 CASH AND BANK BALANCES

Particulars	Non-Current		Current	
	As at 31 March 2014	As at 31 March 2013	As at 31 March 2014	As at 31 March 2013
	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
1.15.1 Cash and cash equivalents				
Balances with banks				
Current accounts			**9.46**	9.44
Fixed deposits with original maturities upto 3 months*			**112.53**	38.50
Cash in hand			**13.58**	14.44
			135.57	62.38
1.15.2 Other bank balances				
Unpaid dividend accounts	**-**	-	**17.96**	18.12
Fixed deposits with banks with maturity period more than 12 months*	**102.71**	53.11	-	-
Fixed deposits with banks with maturity period more than 3 months upto 12 months*	**-**	-	**203.38**	330.88
	102.71	53.11	**221.34**	349.00
Amount disclosed under non-current assets (refer note 1.12)	**(102.71)**	(53.11)	-	-
	-	-	**365.91**	411.38

*pledged as security for letters of credit/bank guarantees amounting to Rs. 264.03 (previous year-Rs. 282.54)

Notes to Accounts

1.16 OTHER CURRENT ASSETS

(Unsecured considered good, unless otherwise stated)

Particulars	As at 31 March 2014 Rs. Lacs	As at 31 March 2013 Rs. Lacs
Interest accrued on bank deposits	**16.75**	17.33
Interest accrued on other deposits	**9.44**	10.13
	26.19	27.46

2.1 OTHER OPERATING REVENUES

Particulars	For the year ended 31 March 2014 Rs. Lacs	For the year ended 31 March 2013 Rs. Lacs
Scrap and sludge sales	**63.86**	50.34
Liabilities no longer required written back	**159.48**	169.17
Export benefits	**-**	51.14
	223.34	270.65

2.2 OTHER INCOME

Particulars	For the year ended 31 March 2014 Rs. Lacs	For the year ended 31 March 2013 Rs. Lacs
Interest income		
on bank deposits	**35.83**	31.91
others	**43.78**	37.23
Insurance claims received	**14.00**	14.44
Profit on sale of fixed assets	**-**	0.76
Plantation sales	**12.09**	18.93
Rental income	**13.88**	13.64
	119.58	116.91

2.3 COST OF MATERIALS CONSUMED

Particulars		For the year ended 31 March 2014 Rs. Lacs		For the year ended 31 March 2013 Rs. Lacs
Raw materials consumed				
Opening stock	2,611.26		1,433.01	
Add : Purchases during the year	12,624.42		13,099.68	
	15,235.68		14,532.69	
Less : Closing stock	1,360.21	**13,875.47**	2,611.26	11,921.43
Packing materials consumed				
Opening stock	65.01		20.07	
Add : Purchases during the year	1,492.38		1,017.17	
	1,557.39		1037.24	
Less : Closing stock	103.74	**1,453.65**	65.01	972.23
		15,329.12		12,893.66

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 2014 Rs. Lacs		For the year ended 31 March 2013 Rs. Lacs
Finished Goods				
Closing Stock				
Manufactured paper	15.77		-	
Trading paper	103.49		9.37	
Soda ash	7.91	**127.17**	8.36	17.73
Less : opening stock				
Manufactured paper	-		-	
Trading Paper	9.37		-	
Soda ash	8.36	**17.73**	20.48	20.48
(A)		**109.44**		(2.75)
Work in progress				
Closing stock				
Paper	104.12		22.01	
Chemicals	78.65	**182.77**	86.49	108.50
Less : opening stock				
Paper	22.01		38.66	
Chemicals	86.49	**108.50**	71.24	109.90
(B)		**74.27**		(1.40)
Increase / (decrease)		**183.41**		(4.15)

2.5 EMPLOYEE BENEFITS EXPENSE

Particulars	For the year ended 31 March 2014 Rs. Lacs	For the year ended 31 March 2013 Rs. Lacs
Salaries and wages		
salaries, bonus and wages	**2,161.85**	1,879.16
Leave encashment and other compensation	**73.56**	110.10
Contribution to		
provident fund and other funds	**224.59**	199.04
gratuity fund (refer note 4.9)	**146.88**	71.16
Staff welfare expenses	**46.72**	49.99
	2,653.60	2,309.45

2.6 FINANCE COSTS

Particulars	For the year ended 31 March 2014 Rs. Lacs	For the year ended 31 March 2013 Rs. Lacs
Interest Expense		
on borrowings from banks	**1,539.08**	1,612.53
on borrowings from others	**573.09**	664.38
finance charges under finance lease	**5.51**	1.76
Other borrowing cost	**42.19**	12.45
	2,159.87	2,291.12

Notes to Accounts

2.7 OTHER EXPENSES

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
	Rs. Lacs	Rs. Lacs
Consumption of stores and spares	1,650.04	1,381.27
Consumption of chemicals	8,783.31	9,166.15
Power and fuel	9,352.58	8,702.47
Rent (Refer note 4.7)	44.91	41.83
Repair and maintenance		
- Buildings	54.23	26.21
- Machinery	458.04	299.62
- Others	31.15	16.20
Insurance	30.50	23.06
Rates and taxes	71.69	42.52
Legal and professional fees (Refer note 4.2)	156.61	200.23
Loss on sale of fixed assets (net)	4.13	23.07
Commission to directors	28.84	22.48
Pollution control expenses*	430.03	302.52
Foreign exchange loss (net)	146.12	27.22
Bank charges	81.16	58.30
Miscellaneous expenses	913.05	673.65
	22,236.39	21,006.80

* Comprise of salary and wages, power and fuel and plantation expenses only in relation to pollution control activities by the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Background

Kuantum Papers 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 Saila 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 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013.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.

c. Current and Non-current classification

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

Notes to Accounts

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. 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 employee's 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 compensated absences plan 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 incurred. Capital expenditure on research and development is included as part of fixed assets and depreciated on the same basis as other fixed assets.

Notes to Accounts

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 2014	As at 31 March 2013
a) Claims against the Company not acknowledged as debts		
- Income tax matters	394.73	7.57
- Excise duty matters	1,303.73*	1,017.34
b) Capital commitments Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**176.73**	316.81

* Includes Rs. 549.28 (previous year Rs. 384.05)which has been vacated vide order of Commissioner dated 3 April 2014.

c) During the year2011-12, 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 2014.

4.2 Auditors' remuneration (excluding service tax)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
- As auditors	7.75	6.00
- Limited reviews	8.25	6.00
- Reimbursement of out of pocket expenses	1.84	2.58
Total	**17.84**	**14.58**

4.3 Borrowing costs amounting to Rs. 248.30 (previous year Rs. 381.34included in CWIP) attributable to acquisition and construction of fixed assets have been capitalized during the year.

4.4 The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Based on the information presently available with the management, there are no dues outstanding to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006. Further, the Company has not received any claim for interest from any suppliers under the said Act.

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. Usha Khaitan - Mrs. Aparna Khaitan - Ms. Deeksha Khaitan - Ms. Malavika Khaitan - Mrs. Shashi 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 2014	For the year ended 31 March 2013
a) Unsecured loans taken	**899.50**	**3,766.72**
- Esteem Finventures Limited$	644.00	2,878.00
- Combine Overseas Limited	-	310.22
- Mr. Jagesh K Khaitan #	55.00	321.00
- Mrs. Usha Khaitan#	5.00	64.00
- Mr. Pavan Khaitan	37.00	53.00
- Mrs. Aparna Khaitan#	82.00	31.50
- Ms. Deeksha Khaitan#	42.00	4.50
- Ms. Malavika Khaitan#	34.50	4.50
- Mrs. Shashi Khaitan#	-	100.00
b) Unsecured loans repaid	**3,920.00**	**1,759.22**
- Esteem Finventures Limited@	3,262.00	906.00
- Combine Overseas Limited	-	310.22
- Mr. Jagesh K Khaitan #@	120.00	200.00
- Mrs. Usha Khaitan#	-	50.00
- Mr. Pavan Khaitan@	300.00	175.00
- Mrs. Aparna Khaitan#@	168.00	15.00
- Ms. Deeksha Khaitan#	38.00	1.50
- Ms. Malavika Khaitan#	32.00	1.50
- Mrs. Shashi Khaitan#	-	100.00
@ Converted into 10% redeemable Preference shares w.e.f from 13 September 2013	**3,000.00**	-
- Esteem Finventures Ltd	2,500.00	-
- Mr. Jagesh K Khaitan	100.00	-
- Mr Pavan Khaitan	300.00	-
- Mrs Aparna Khaitan	100.00	-
c) Interest on unsecured loans	**257.53**	**279.21**
- Esteem Finventures Limited	123.78	124.47
- Mr. Jagesh K Khaitan	31.90	30.63
- Mrs. Usha Khaitan	7.22	6.36
- Mr. Pavan Khaitan	30.04	47.92
- Mrs. Aparna Khaitan	42.76	48.61
- Ms. Deeksha Khaitan	4.94	4.61
- Ms. Malavika Khaitan	4.89	4.61
- Mrs. Shashi Khaitan	12.00	12.00
d) Managerial remuneration (Refer to note 4.10)	**131.66**	**117.36**
- Mr. Jagesh K Khaitan	72.13	64.98
- Mr. Pavan Khaitan	59.53	52.38
e) Preference dividend proposed	**164.38**	-
- Esteem Finventures Ltd	136.98	-
- Mr. Jagesh K Khaitan	5.48	-
- Mr Pavan Khaitan	16.44	-
- Mrs Aparna Khaitan	5.48	-
f) Legal and professional expenses (excluding service tax)	-	**85.50**
- Combine Overseas Limited	-	85.50
g) Procurement charges (excluding service tax)	**239.22**	**273.21**
- Esteem Finventures Limited	239.22	273.21
h) Other Charges (Rent)	**0.60**	-
- Esteem Finventures Limited	0.60	-
i) Purchases		
- Esteem Finventures Limited	**2,409.11**	-
- Agro Material	2,247.77	-
- Wrapper/Pulp	48.55	-
- Specialty Paper	112.79	-

$ Includes Rs. 1,756 transfer from Ambalica Enterprises Private Limited consequent to merger with Esteem Finventures Limited during the previous year.

includes public deposits matured and renewed during the year.

Notes to Accounts

D. Balance outstanding

Particulars	As at 31 March 2014	As at 31 March 2013
Unsecured loans	**1,284.00**	**4,304.50**
- Esteem Finventures Limited	162.00	2,780.00
- Mr. Jagesh K Khaitan	276.00	341.00
- Mrs. Usha Khaitan	69.00	64.00
- Mr. Pavan Khaitan	180.00	443.00
- Mrs. Aparna Khaitan	408.50	494.50
- Mrs. Shashi Khaitan	100.00	100.00
- Ms. Deeksha Khaitan	45.00	41.00
- Ms. Malavika Khaitan	43.50	41.00
Normal Trading Activities	**312.84**	**0.00**
- Esteem Finventures Limited	312.84	0.00
Interest accrued	**4.60**	**4.57**
- Mr. Jagesh K Khaitan	4.09	4.33
- Mrs. Usha Khaitan	0.51	0.24

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

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. 44.91lacs (previous year Rs. 41.83lacs).

Finance leases

The Company acquires certain 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 2014	Interest	Present value of minimum lease payments
Within one year	21.04 (8.28)	4.87 (0.91)	16.17 (7.37)
Later than one year and not later than five years	31.56 (-)	3.21 (-)	28.35 (-)
Total	**52.60** **(8.28)**	**8.08** **(0.91)**	**44.52** **(7.37)**

(Figure in bracket represent previous year amount)

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 2014	For the year ended 31 March 2013
Profit after tax as per Statement of Profit and Loss	3,354.65	1,281.35
Less: preference dividend including tax thereon	192.32	2.00
Net profit attributable to the equity shareholders (A)	3,162.33	1,279.35
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)	36.24	14.66

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

Defined contribution plans

The Company's provident fund scheme and employee's state insurance (ESI) fund scheme are defined contribution plans. The Company has recorded expenses of Rs. 155.68 (previous year Rs. 138.42) under provident fund scheme and Rs.53.91 (previous year Rs. 47.23) 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 (funded)

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 2014	As at 31 March 2013
a)	Present value of obligation as at the beginning of the year	380.93	298.21
b)	Interest cost	32.38	25.35
c)	Current service cost	42.93	31.76
d)	Benefits paid	(106.05)	(15.67)
e)	Actuarial loss on obligation	105.35	41.28
f)	Present value of obligation as at the end of the year	**455.54**	**380.93**

Changes in the fair value of plan assets

	Particulars	As at 31 March 2014	As at 31 March 2013
a)	Fair value of plan assets at the beginning of the year	384.08	300.48
b)	Expected return on plan assets	33.61	27.79
c)	Actuarial gains/(loss)	0.16	(0.55)
d)	Contributions	155.00	72.03
e)	Benefits paid	(106.05)	(15.67)
f)	Fair value of plan assets at the end of the year	**466.80**	**384.08**

Notes to Accounts

Expenses recognised in the statement of Profit and Loss

	Particulars	**For the year ended 31 March 2014**	**For the year ended 31 March 2013**
a)	Current service cost	42.93	31.76
b)	Interest cost	32.38	25.35
c)	Expected return on plan assets	(33.61)	(27.79)
d)	Net actuarial (gain)/ loss recognized in the year	105.18	41.84
e)	Expenses recognized in profit and loss account	**146.88**	**71.16**

Details of current year and previous four years of:

Particulars	**Year ended 31 March**				
	2014	**2013**	**2012**	**2011**	**2010**
Defined benefit obligation	455.54	380.93	298.21	237.41	185.31
Fair value of plan assets	466.80	384.08	300.48	238.22	185.30
Surplus/(deficit)	11.26	3.15	2.27	0.81	(0.01)
Experience adjustment on plan liabilities (loss)/gain	(10.41)	(41.28)	(37.49)	(12.50)	(91.74)
Experience adjustment on plan assets (loss)/ gain	(1.75)	(0.55)	22.97	(5.66)	11.59

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

Particulars	**As at 31 March 2014**	**As at 31 March 2013**
	%	%
Discount rate	8.50	8.50
Expected rate of return on assets per annum	8.75	9.25
Salary escalation rate per annum	8.00	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 2014		**As at 31 March 2013**	
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 2014	As at 31 March 2013
Insurer managed funds*	404.54	321.81
Bonds and government securities	62.16	62.16
Balance with banks	0.10	0.11
	466.80	**384.08**

*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 2014	For the year ended 31 March 2013
Salaries and allowances*	92.27	85.56
Contribution to provident and other funds	6.92	6.41
Perquisites	3.63	2.91
Commission to Directors	28.84	22.48
	131.66	**117.36**
Sitting fees paid to non executive directors	4.65	4.05
Total	**136.31**	**121.41**

* 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.

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

Particulars	For the year ended 31 March 2014 Value	%	For the year ended 31 March 2013 Value	%
Raw materials				
Imported	5,415.96	35.33	4,359.11	33.81
Indigenous	9,913.16	64.67	8,534.55	66.19
Total	**15,329.12**	**100.00**	**12,893.66**	**100.00**

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

Particulars	For the year ended 31 March 2014 Value	%	For the year ended 31 March 2013 Value	%
Stores, spares and chemicals				
Imported	135.37	1.30	155.84	1.48
Indigenous	10,297.98	98.70	10,391.58	98.52
Total	**10,433.35**	**100.00**	**10,547.42**	**100.00**

4.13 CIF value of imports

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Raw materials	4,454.74	5,179.65
Capital goods	17.30	954.83
Spares/stores	184.79	190.79

Notes to Accounts

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

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Paper	48,979.57	42,909.29
Soda ash (by-product)	1,367.30	1,434.07
Traded goods (including high seas sale)	155.12	66.63
Waste board (By Product)	27.12	-
	50,529.11	**44,409.99**

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

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
Wood pulp	5,413.12	4,348.43
Wheat straw	3,648.47	3,391.19
Wood chips	1,223.24	1,914.19
Other raw material	3,590.63	2,267.63
Packing Material	1,453.66	972.23
	15,329.12	**12,893.66**

4.16 Expenditure in foreign currency (on accrual basis)

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Travelling and conveyance	11.56	12.32

4.17 Earnings in foreign currency

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
FOB value of exports	-	402.32

4.18 The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation of transactions with associated enterprises during the financial year and expects such records to be in existence latest by the due date as required under that law. The management is of the opinion that the above transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

Notes to Accounts

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

Particulars	Currency	As at 31 March 2014		As at 31 March 2013	
		Foreign Currency	Rs. Lacs	Foreign Currency	Rs. Lacs
Payables					
Sundry creditors	USD	5.63	338.55	22.93	1,247.16

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

As per our report of even date attached.

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

Kaushal Kishore
Partner
Membership No. 090075

Place : Chandigarh
Date : 15 May 2014

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

Jagesh K Khaitan
Chairman & Managing Director
DIN - 00026264

Pavan Khaitan
Managing Director
DIN - 00026256

Roshan Garg
President-Finance & CFO

Vivek Trehan
Company Secretary

Place : Chandigarh
Date : 15 May 2014

Kuantum Papers Ltd

Our MISSION

Achieving excellence and consistency in quality;

Preserving environment;

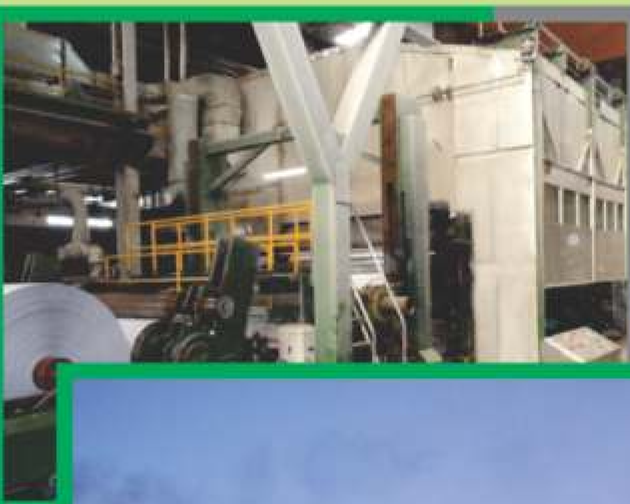
Operating in a cost economic manner with focus on productivity and growth;

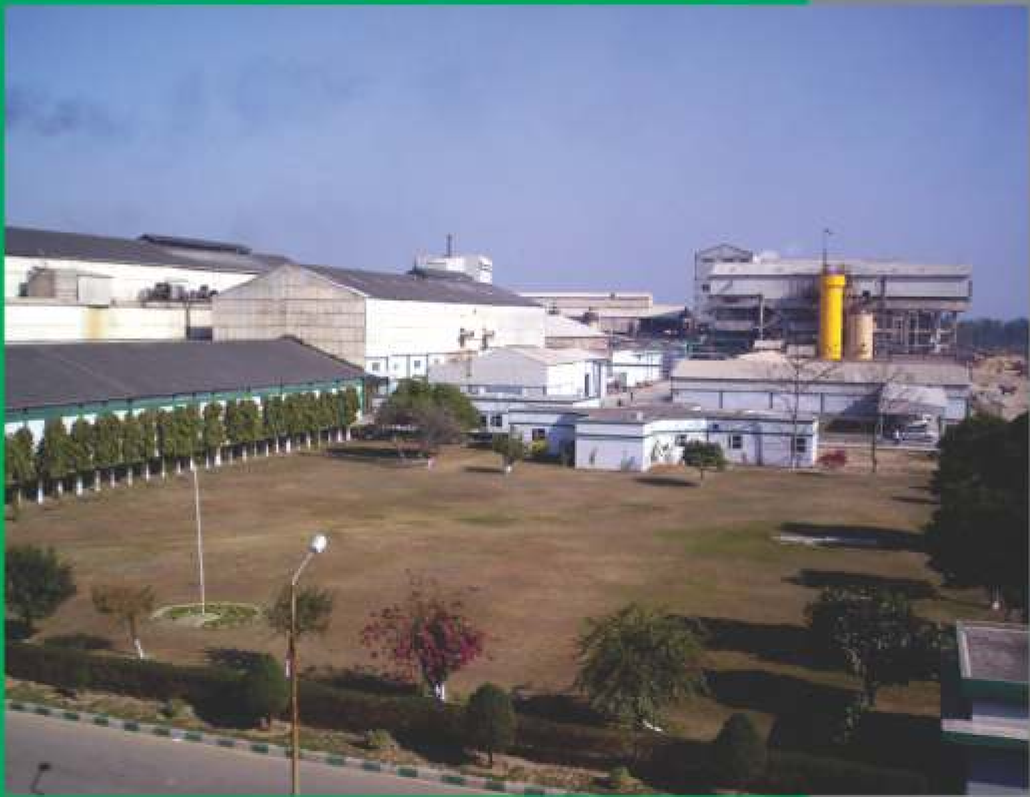
Ensuring total satisfaction of the customer;

Enhancing values to shareholders, employees and associates;

thereby

Attaining supremacy in the industry.





Kuantum Papers Ltd

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

FORM A

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	31March 2014
3.	Type of Audit Observation	Un-qualified
4.	Frequency of Observation	Not applicable as the audit report was unqualified.
5.	To be signed by- • CEO/Managing Director *PavanKhaitan* • CFO *Roshan Garg* • Auditor of the Company B S R & Co. LLP *Chartered Accountants* Firm registration No.: 101248W/W-100022 Pravin Tulsyan *Partner* Membership No. 108044 • Audit Committee Chairman *D.C. Mehandru*	Kuantum Papers Ltd Managing Director / CEO Kuantum Papers Ltd Roshan Garg President Finance / CFO B S R & Co. LLP Chartered Accountants

Kuantum Papers Ltd

Kuantum Papers Ltd

Vivek Trehan
Company Secretary