



# Kvantum Papers Ltd

The Paper Makers

KPL/BSE/  
23.09.2016

BSE LIMITED  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
**Mumbai – 400 001**

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

**Sub: ANNUAL REPORT OF THE COMPANY FOR 2015-16 PURSUANT TO REGULATIONS  
34 OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)  
REGULATIONS, 2015**

Dear Sir,

Pursuant to Regulation 34(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find attached Company's Annual Report for the year 2015-16 adopted in the Annual General Meeting of the Company held on 14 September 2016 at the Registered Office of the Company.

Thanking You

Yours faithfully,  
For **Kvantum Papers Ltd**

(Vivek Trehan)  
Company Secretary



***Kwantum Papers Ltd***  
*The Paper Makers*

**19th Annual Report  
2015-2016**





**BOARD OF DIRECTORS**

Jagesh K Khaitan Chairman  
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**

R K Tandon Sr President (Works)  
Roshan Garg President (Finance)  
Somesh Jawa President (Marketing)  
M A Ansari Sr Vice President (P&A)  
D K Chawda Sr Vice President (Engineering)  
R P Puri Sr Vice President (Technical)  
A K Bhatia Sr Vice President (Commercial)

**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

**SECRETARIAL AUDITORS**

S K Sikka & Associates  
Company Secretaries  
Chandigarh

**INTERNAL AUDITORS**

A Gandhi & Associates  
Characted Accountants  
Panchkula

**BANKERS**

Punjab National Bank  
State Bank of India  
State Bank of Patiala  
Axis Bank Ltd  
IndusInd Bank Ltd

**REGISTERED OFFICE & WORKS**

Paper Mill  
Saila Khurd 144 529  
Distt Hoshiarpur Punjab

**CORPORATE OFFICE**

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

**CIN & CONTACT DETAILS**

CIN- L21012PB1997PLC035243  
Ph. : 01884-230241 Fax : 01884-230244  
Email : kvantumcorp@kvantumpapers.com  
Website : www.kvantumpapers.com

<b>CONTENTS</b>	<b>Page</b>
Notice	1
Directors' Report	5
Management Discussion & Analysis	28
Report on Corporate Governance	33
Independent Auditors' Report	46
Balance Sheet	52
Statement of Profit & Loss	53
Cash Flow Statement	54
Notes to Accounts	55
Significant Accounting Policies	67
Other Notes to Accounts	70

## NOTICE

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of the members of Kquantum Papers Limited will be held at Paper Mill, Salla Khurd-144529, Distt. Hoshiarpur (Punjab) on Wednesday, the 14<sup>th</sup> September 2016 at 11.30 am to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2016 and the Statement of Profit & Loss for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on the Preference and Equity Shares.
3. To appoint a Director in place of Shri Umesh K Khaitan (DIN: 01180359), who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modifications, the following resolution as ORDINARY RESOLUTION:

“RESOLVED that pursuant to the provisions of section 139 and all other applicable provisions of the Companies Act, 2013 (the “Act”) read with Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Company hereby ratifies the appointment of M/s BSR & Co. LLP, Chartered Accountants (ICAI Firm Registration No. 101248W/W-100022), as the Statutory Auditors of the company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting on such remuneration as may be determined by the Board of Directors.”

### SPECIAL BUSINESS

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

“RESOLVED that pursuant to the provisions of Section 188 and other applicable provisions of the Companies Act, 2013 read with the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the consent of members of the Company be and is hereby accorded for the related party transactions with Esteem Finventures Limited for procurement of agro & other Raw Material, management consultancy services for Analytics Business Intelligence (ABIT) System, office rent and other goods and services by the Company for an amount not exceeding Rs. 100 crores (Rupees One hundred Crore only).

RESOLVED FURTHER that the Board of Directors of the Company and/or a Committee thereof, be and is hereby, authorized to do or cause to be done all such acts, matters, deeds and things and to settle any queries, difficulties, doubts that may arise with regard to any transaction with the related party and execute such agreements, documents and writings and to make such filings, as may be necessary or desirable for the purpose of giving effect to this resolution.”

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

“RESOLVED that in accordance with the provisions of Section 73 and Section 76 and other applicable provisions, if any, of the Companies Act, 2013 (the “Act”) and the rules prescribed thereunder, (including any statutory modification(s) or re-enactment thereof for the time being in force) approval of the shareholders, be and is hereby, accorded to the Board of Directors of the Company to borrow money from public/shareholders by way of Fixed Deposits subject to compliance of all the conditions stated under Section 73(2) and Section 76 of the Act or any other applicable provisions of the Act, if any and subject to maximum limits provided under the Act read with the Companies (Acceptance of Deposits) Rules, 2014.

RESOLVED FURTHER that the Deposits accepted by the Company may be cumulative or non-cumulative, secured or unsecured, as per the scheme framed/approved by the Company and carrying rates of interest for periods varying from one year to three years, which shall not exceed the maximum rate of interest prescribed by the Reserve Bank of India and as specified in the Circular in the form of advertisement inviting deposits to be approved by the Board of Directors of the Company.

RESOLVED FURTHER that the Board of Directors, be and are hereby, authorised to do all such acts, deeds and things as may be necessary to give effect to the above said resolution and to settle any question, difficulty or doubt that may arise in this regard.”

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

“RESOLVED that pursuant to Section 148(3) of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), and other applicable provisions if any, consent of the shareholders be and is hereby accorded for the payment of remuneration of Rs. 1,00,000/- (Rupees One lac only) to M/s R.J. Goel & Co., Cost Accountants, Delhi (Firm Registration No. 000026), who were appointed as

Cost Auditors by the Board of Directors in their meeting held on 26 May 2016 for carrying out Cost Audit of the Company for financial year 2016-17, be and is hereby approved and ratified.”

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

**Vivek Trehan**  
Company Secretary

Regd. Office:  
Paper Mill, Saila Khurd  
Distt. Hoshiarpur, Punjab  
Dated: 26 May 2016

**NOTES:**

1. Explanatory Statement as required under Section 102(1) of the Companies Act, 2013 is annexed.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll to vote instead of himself. The proxy need not be a member of the company. A blank form of proxy is enclosed and if intended to be used, it should be deposited duly completed at the Registered Office of the company not less than forty eight hours before the scheduled time of the meeting.  
A person can act as a proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. Members holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as a proxy and such person shall not act as a proxy for any other person or shareholder.
3. The Register of Members and Share Transfer Books of the Company will remain closed from the 8 September 2016 to 14 September 2016 (both days inclusive).
4. Shareholders of the Company are informed that pursuant to the provisions of the Companies Act, the amount of dividend which remains unpaid/unclaimed for a period of 7 years would be transferred to the 'Investor Education & Protection Fund' constituted by the Central Govt. Accordingly the amount of dividend which remained unpaid/unclaimed for a period of 7 years for the year 2007-08 has already been transferred to the 'Investor Education & Protection Fund' constituted by the Central Government. Shareholders who have not encashed their dividend warrant(s), for the years, 2008-09, 2009-10, 2010-11 and 2014-15 are requested to file claim with the Company immediately as no claim shall lie against the Fund or the Company in respect of individual amount once credited to the said Fund. Unpaid/unclaimed amount for the year 2008-09 will be transferred to the 'Investor Education & Protection Fund' constituted by the Central Govt. in October 2016. Unpaid dividend, outstanding, for the year 2008-09, as on date, is Rs. 5,07,638.- (Rupees Five Lac seven thousand six hundred thirty eight only).
5. Members holding shares in physical form are requested to intimate immediately to the Registrar & Share Transfer Agent of the Company, MAS Services Limited, T-34, 2nd Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020 Ph:- 011-26387281/82/83 Fax:- 011-26387384 quoting registered Folio No. (a) details of their bank account/change in bank account, if any, and (b) change in their address, if any, with pin code number.  
The share capital of the company is held by 14810 shareholders, out of which 4111 shareholders holding 97.18% of the capital are in dematerialised form and the balance 10699 shareholders holding 2.82% of the capital are in physical form. The shareholders having shares in physical form are requested to dematerialize the shares.
6. In terms of Section 72 of the Companies Act, 2013 and the applicable provisions, the shareholders of the Company may nominate a person in whose name the shares held by him/them shall vest in the event of his/their death. Shareholders desirous of availing this facility may submit the requisite nomination form.
7. Any member requiring further information on the Accounts at the meeting is requested to send the queries in writing to President (Finance), atleast one week before the meeting.
8. Members are requested to bring their copies of Annual Report at the meeting, as extra copies will not be supplied.
9. In respect of the matters pertaining to Bank details, ECS mandates, nomination, power of attorney, change in name/address etc., the members are requested to approach the Company's Registrar and Share Transfer Agent, in respect of shares held in physical form and the respective Depository Participants, in case of shares held in electronic form. In all correspondence with the Company/Registrar and Share Transfer Agent, members are requested to quote their folio numbers or DP ID and Client ID for physical or electronic holdings respectively.
10. The documents referred to in the proposed resolutions are available for inspection at the Registered Office of the Company during normal business hours on any working day except Saturdays and Sundays, upto the date of the meeting.
11. Corporate members intending to send their authorized representatives to attend the meeting are requested to send to the

Company a certified copy of the Board resolution authorizing their representative to attend and vote on their behalf at the meeting.

12. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
13. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat account. Members holding shares in physical form can submit their PAN to the Company/Registrar.
14. Members who hold shares in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to the Registrar, for consolidation into a single folio.
15. **Members who have not registered their e-mail address so far are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.**
16. The route map of the venue of the meeting is attached with this Annual Report.
17. Additional information, pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of the Director seeking reappointment, is annexed to the notice.
18. **Voting through electronic means:** Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, Company is offering e-voting facility to its members. Detailed procedure is given in the enclosed letter.

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

#### **Item No. 5**

Section 188 of the Companies Act, 2013 read with rules 15 and 16 of Companies (Meetings of Board and its Powers) Rules, 2014 as also Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 lay down procedure for seeking approvals with regard to related party transactions. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 further stipulates that all material related party transactions shall require shareholders' approval.

All related parties shall abstain from voting on the resolution.

Accordingly the Board recommends the resolution for the approval of the Members set out at Item no. 5.

#### **Item No. 6**

Section 73(2) and Section 76 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014, makes it mandatory for the Company to obtain approval of the shareholders before accepting any deposits from the shareholders and/or public by way of Fixed Deposits.

As the conditions and maximum limits for accepting deposits from the Shareholders and/or public has been laid down in the Companies (Acceptance of Deposits) Rules, 2014, approval of the shareholders by way of special resolution, is being obtained for accepting deposits from the shareholders and/or public after complying with all the conditions stated in Section 73(2) and Section 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014, being the Company as the eligible company.

Pursuant to Section 76 read with Companies (Acceptance of Deposits) Rules, 2014, it is therefore necessary for the shareholders to pass a special resolution as set out at Item No. 6 of the Notice.

None of the Directors and/or Key Managerial Personnel of the Company and their relatives are concerned or interested in the resolution.

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

#### **Item No. 7**

Pursuant to section 148(3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company are required to approve and ratify the payment of remuneration of Rs. 1,00,000/- (Rupees One lac only) to the Cost Auditors as approved by the Board of Directors in their meeting held on 26 May 2016 for the Financial Year 2016-17.

None of the Directors and/or Key Managerial Personnel of the Company and their relatives are concerned or interested in the resolution.

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

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

**Vivek Trehan**  
Company Secretary

Regd. Office:  
Paper Mill, Saila Khurd  
Distt. Hoshiarpur, Punjab  
Dated: 26 May 2016

### **Details of Director seeking appointment/re-appointment at the 19th Annual General Meeting**

**[Pursuant to Regulation 26(4) and 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings]**

#### **Profile/expertise of Shri Umesh K Khaitan**

Shri Umesh K Khaitan, aged 67 years, is the managing partner in Khaitan and Khaitan. He has nearly 41 years of legal experience dealing with all aspects of corporate law. He was admitted to the Bar in 1972, and earned his solicitor's degree in the same year. He founded his own firm in 1996, after having spent 24 years as a partner in one of India's leading law firms. His prominent clients have included major players in the pharmaceutical and petrochemical sectors, India's largest brewery, numerous processed food giants, leading hoteliers, infrastructure development corporations, banks and financial institutions as well as leading information technology and telecom companies. In addition to his vast legal practice, Mr. Khaitan has been entrusted with the directorships of many large corporate groups and also with the trusteeship of a few select organizations. Besides this, he is also member of many Professional Bodies and honour societies.

#### **Disclosure of relationship inter se between directors**

Shri Umesh K Khaitan is the brother of Shri Jagesh K Khaitan and father of Shri Ashutosh Khaitan.

#### **Other Directorships in Public Companies & membership of committees as on 31 March 2016**

##### **Directorship**

1. Sutlej Textiles & Industries Ltd.
2. Aiyer Manis Rubber Estate Ltd.
3. Combine Overseas Ltd.
4. Ghaziabad Investment Ltd.
5. Ferro Alloys Corpn. Ltd
6. Combine Accurate Financial Services India Ltd
7. Cremica Food Industries Ltd

##### **Committee Membership**

**Audit Committee:** None

##### **Shareholding in the Company**

Shri Umesh K Khaitan holds 36248 equity shares of the Company.

## DIRECTORS' REPORT

### To the Members,

Your Directors take pleasure in presenting the 19<sup>th</sup> Annual Report on the business and operations, together with audited statements of Accounts of your Company, for the financial year ended 31 March 2016.

### FINANCIAL HIGHLIGHTS

The summarized financial results of the Company for the financial year 2015-16 are given hereunder.

	2015-16	2014-15
Sales & other income	55,463.55	53,086.75
Operating Profit	6,558.45	6,480.67
Interest	1,914.88	2,028.66
Gross Profit	4,643.57	4,452.01
Depreciation	1,356.22	1,282.73
Profit before tax	3,287.35	3,169.28
Provision for		
- Current Tax	(703.38)	(667.20)
- Deferred Tax charge for the year	(629.24)	(431.18)
- MAT credit entitlement	496.95	432.89
Net Profit after tax	2,451.68	2,503.79
Adjustment on a/c of revised useful life of Fixed Assets	--	57.33
Balance b/f from previous year	9,181.09	7,199.33
Profit available for appropriations	11,632.77	9,645.79
<b>Appropriations:-</b>		
- Proposed Dividend on		
(a) Equity shares @ Re. 1.00 Per share	87.26	87.26
(b) Preference Shares @ Re. 1.00 Per share	300.00	300.00
(c) Tax on dividend	78.84	77.44
Balance carried to Balance Sheet	11,166.68	9,181.09

### DIVIDEND

Your Directors have recommended a dividend of Re. 1.00 (previous year Re. 1.00) per share on the Equity Shares of Rs. 10/- each and Re. 1.00 (previous year Re. 1.00) per share on the Non-cumulative Redeemable Preference Shares of Rs.10/- each, for the year ended 31 March 2016 amounting to Rs. 387.26 lacs and to pay a dividend distribution tax of Rs. 78.84 lacs thereon.

### OPERATIONS

During the year your Company has achieved the highest ever production. The production of paper during the year under review was 1,07,632 metric tonnes, as against 99,550 metric tonnes in the previous year. The quantitative figure for the sale of paper was 1,07,834 metric tonnes this year, leaving a closing stock of 197 metric tonnes, as against the sale of 99,189 metric tonnes in the previous year.

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

For the year under review, the company has recorded satisfactory performance in its working results even in the midst of adverse circumstances emerging from import of paper and subdued sales prices. This performance is due to the improved operational efficiencies, productivity, quality and higher volumes of premium quality paper products like copier and surface sized paper, and despite the increase in input prices of agri- materials. The high volatility in US \$ and consequent high depreciation in the Indian currency and high interest costs have led to the higher costs of imported pulp and other materials which has led to the squeezed margins.

The Company recorded gross sales turnover and other income at Rs. 55,463.55 lacs, up by 4.48%; operating profit at Rs. 6,558.45 lacs, marginally up by 1.20%, Profit before Tax at Rs. 3,287.35 lacs, up by 3.72%. Net profit after tax is marginally down by 2.08% and stands at Rs. 2,451.68 lacs.



In spite of the markets remaining subdued during the year, the initiatives taken by your Company in the recent years in improving productivity and efficiency have led to achieving of the above operational performance. The Company has taken up projects in focused areas for improvement under "KITE" scheme - Improvement Projects (Kuantum, Innovate, Think & Execute) and this has led to improved operational efficiencies, productivity, reduction in operational costs and sizeable savings thereby maintaining the bottom-line.

The results of cost reduction initiatives and operational efficiencies will be more visible in the current financial year 2016-17 as your Company has continued the initiatives to optimize capacity utilization, cost reduction, new products, optimizing production of better margin products and is further undertaking modification and up-gradation of the paper machines and other equipments for improving the product quality and cost reductions.

These initiatives have made your Company not only one of the most cost competitive paper mills, but also as one of the large paper player in the writing and printing segment. Furthermore, continuous research & development have enabled the company to manufacture papers of distinctive prime quality, 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 steady demand growth. This led to large capacity additions in recent years and demand is taking its time to absorb these capacity accretions, which is leading to the sluggish sales realizations. Despite this trend, your Company has been able to operate at higher optimum levels of production and sale, and has been able to offset the associated negatives to a large extent. As per CRISIL report, over the next 5 years, the demand growth will slightly outpace the capacity growth, driving up utilization rates slightly.

As per CRISIL Research, in 2015-16, the paper demand increased between 5.5 to 6%. However, CRISIL expects demand to grow by 6.0 to 6.5% in 2016-17 as the industrial activity improves, corporate bills on office stationery increases and a rise in the advertisements due to better economic recovery. Over the long run, CRISIL Research expects demand for paper to grow at about 6.2% CAGR to 18.2 million tonnes in 2019-20. The demand will be driven and supported by greater Government spending on education initiatives, corporate spending on stationery and healthy growth in services sector.

On the supply front, capacity additions are expected to post a steady 5.2% CAGR over the next 5 years compared to 5.4% in the last 5 years. CRISIL expects greater capacity additions that in the coming years in the premium varieties such as coated paper and boards which will account for a major proportion. CRISIL Research further expects profitability of W&P paper and paperboard players to improve in 2016-17 on account of lower raw material cost and improving demand scenario. Further CRISIL expects sales prices to increase marginally in 2016-17 as the paper demand inches up.

As per CRISIL research, demand for W&P paper is projected to grow at a CAGR of about 4.3% in the next 5 years; the segment wise growth is detailed below:

- Within the W&P paper variants, demand for copier paper is expected to grow the fastest, at a 9.5% CAGR as corporate spending on stationery rises.
- demand growth for coated paper is expected to remain healthy at 7.0% CAGR led by an increase in circulation of magazines coupled with increasing use of higher quality paper in print media.
- Demand for creamwove and maplitho paper, which is linked to growth in the education sector, is expected to grow at a steady pace of about 1.8% CAGR in the next 5 years as more new educational institutions are likely to come up in the country, as an outcome of the Indian Government's Right to Education (RTE) initiative. Creamwove continues to be the largest contributor to the W&P paper 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 2016 has been stated in the Management Discussion & Analysis, which appears as a separate statement in the Annual Report.

## **FINANCE**

### **(a) Finance**

The Banks have sanctioned loan of Rs. 10,100 lacs during the year under review for the purchase and up-gradation of plant/machinery, office premises and general corporate purposes including shoring up of working capital and the disbursement is in progress.

### **(b) Working capital**

The working capital requirements amounting to Rs. 9,325.00 lacs (fund based Rs. 4,000.00 lacs and non-fund based Rs. 5,325.00 lacs) have been submitted and are being appraised by the Banks during the year under review.

### **(c) Fixed Deposits**

As on 31 March 2016, your Company had Fixed Deposits of Rs. 3,251.26 lacs. There were no overdue deposits as on 31 March 2016.

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 18 September 2015 pursuant to the compliance of the provisions of Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules 2014.

Details of Deposits:

- (a) Accepted (including renewals) during the year- Rs. 1,821.21 lacs
- (b) Remained unpaid or unclaimed as at the end of the year- Nil

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

#### **CREDIT RATING**

CARE's (Credit Analysis & Research Limited) has reaffirmed ratings for the Long term and Short term Bank facilities and Fixed Deposits of the company in its review as under:

<b>Facilities</b>	<b>Amount (Rs./Cr)</b>	<b>Rating</b>
Long term Bank Facilities	215.08	CARE BBB (Triple B)
Short term Bank Facilities	53.25	CARE A3+ (A Three Plus)
Fixed Deposits	40.00	CARE BBB (FD) [Triple B (Fixed deposit)]

#### **CHANGE IN THE NATURE OF BUSINESS**

There is no change in the nature of business.

#### **MATERIAL CHANGE**

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

#### **SUBSIDIARIES/JOINT VENTURES/ASSOCIATES COMPANIES**

Your Company does not have any subsidiary/joint ventures or associate company within the meaning of the Companies Act, 2013.

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

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

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

Disclosures as per Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 are given in the Annual Report on CSR activities at 'Annexure- A'.

#### **VIGIL MECHANISM**

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

#### **RISK MANAGEMENT COMMITTEE**

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

The Company manages, monitors and reports on the principal risks and uncertainties that can impact its ability to achieve its strategic objectives. The Company's risk management systems and programs comprises of various processes, structures, and guidelines which assist the Company to identify, assess, monitor and manages its risks, including any material changes to its risk

profile. To achieve this, the Company has clearly defined the responsibility and authority of the Company's Management and the Risk Management Committee to oversee and manage the risk management Programs. The company has taken Industrial All Risk Policy to insure its fixed assets and inputs that cover known and unknown risk including fire. Details of the various risks, which can affect the Company's business and the management's perception, are more elaborately given in the 'Management Discussion & Analysis' attached to this Report.

#### **INTERNAL FINANCIAL CONTROL SYSTEM**

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

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

#### **RELATED PARTY TRANSACTIONS**

All related party transactions are entered at arm's length basis and as per the applicable provisions of the Companies Act, Accounting Standards and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. No material related party transactions have been entered by the Company with Promoters, Directors or Key Managerial Personnel, which had potential conflict with the interest of the Company at large. A statement of all related party transactions is presented before the Audit Committee on a quarterly basis duly certified by the CEO and CFO. The Related Party Transactions Policy as approved by the Board is placed on the Company's website.

The details of the related party disclosures and transactions as prescribed in Form AOC-2 are given in the Note No. 4.4 of the notes on Financial Statements. All the related party transactions are done at arm's length and pertain to the FY 2015-16.

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

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

#### **DIRECTORS**

In accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company, Sh. Umesh K Khaitan shall retire by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment.

#### **DECLARATION BY DIRECTORS**

The company has received declaration from all the independent Directors under Section 149(7) of the Companies Act, 2013 in respect of meeting the criteria of independence provided under Section 149 (6) of the said Act.

#### **INDUCTIONS & TRAINING OF BOARD MEMBERS**

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

- Nature of the industry in which the entity operates;
- Business model of the entity;
- Roles, rights, responsibilities of independent directors;

The Independent Directors visit Company's Plant periodically to enable themselves to be conversant with manufacturing operations & processes.

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

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

<b>Details of familiarization programmes imparted to independent directors</b>	<b>FY 2015-16</b>	<b>Cumulative till date</b>
Number of programmes attended by independent directors	4	8
Number of hours spent by independent directors in such programmes	6	14

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

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

- A) Key attributes of the Independent Directors that justify his/her extension/continuation on the Board of the Company;
- B) Participation of the Directors in the Board proceedings and their effectiveness.

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

During the year under review, a meeting of Independent Directors was held on 12 February 2016 wherein the performance of the Non Independent Directors and the Board as a whole vis-à-vis the performance of the Chairman of the Company was reviewed.

## **NOMINATION AND REMUNERATION POLICY**

The Board has, on the recommendation of the Nomination and Remuneration Committee, approved a policy for selection, appointment and remuneration of Directors, Senior Management and Key Managerial Personnel. Details of the Nomination and Remuneration Committee are given in the Corporate Governance Report.

## **PREVENTION OF SEXUAL HARASSMENT POLICY**

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

## **NUMBER OF BOARD MEETINGS**

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

## **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (i) in the preparation of the annual accounts for the year ended 31 March 2016, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures;
- (ii) such accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31 March 2016 and of the profit of the company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis;
- (v) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- (vi) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

## **COMPOSITION OF AUDIT COMMITTEE**

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

## **AUDITORS & AUDITOR'S REPORT**

M/s BSR & Co. LLP, Chartered Accountants, (ICAI Firm Registration No. 101248W/W-100022), Statutory Auditors of the company,

have been appointed for a period of 5 years by the shareholders in the Annual General Meeting held on 18 September 2015 till the conclusion of 23<sup>rd</sup> Annual General Meeting to be held in the year 2020, subject to ratification at every Annual General Meeting, at such remuneration as may be fixed by the Board of Directors.

Section 139 of the Companies Act, 2013 (the "Act") read with Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014 requires the Company to ratify the appointment of the Statutory Auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board of Directors.

The Board hereby recommends for ratification of appointment of M/s BSR & Co. LLP, Chartered Accountants (ICAI Firm Registration No. 101248W/W-100022), as the Statutory Auditors of the company.

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., Cost Accountants, Delhi were appointed as Cost Auditors for conducting the cost audit of the Company for the year ended 31 March 2016. The Cost Audit Report for the year ended 31 March 2015 was filed on 28.09.2015 (Due date 30.09.2015). The said firm has been appointed as cost auditors of the Company for the financial year 2016-17 as well.

#### **SHARE CAPITAL**

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

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

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

Details pertaining to the shares in '**Unclaimed suspense account**' in compliance with the terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, are given in the Report on Corporate Governance annexed with this annual report.

#### **POSTAL BALLOT**

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

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

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

#### **EXTRACT OF THE ANNUAL RETURN**

The extract of annual return in form no. MGT-9 is attached with this report as Annexure -2.

#### **SECRETARIAL AUDITORS**

Pursuant to Section 204 of the Companies Act, 2013 M/s S.K. Sikka & Associates, Company Secretaries have been appointed as Secretarial Auditors to conduct Secretarial Audit of the Company for the financial year ending 31 March, 2016. They have submitted the Secretarial Audit Report which is annexed to this Board's Report as Annexure-3.

#### **CORPORATE GOVERNANCE**

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

#### **PERSONNEL**

Relationship with the employees remained cordial throughout the year. 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 under review.

#### **PARTICULARS OF EMPLOYEES**

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

The information required pursuant to the provisions of Rule 5(2) & (3) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 requiring particulars of the employees in receipt of remuneration in excess of Rs. 60 lacs per annum during the year under review, is given in the statement annexed herewith as Annexure-4.

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

The Company has not extended any loan, guarantee or investment under Section 186 of the Companies Act, 2013.

**ACKNOWLEDGMENT**

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

For and on behalf of the Board

Place: Chandigarh  
Dated: 26 May 2016

**Jagesh K Khaitan**  
Chairman

## ANNEXURE-A

### Corporate Social Responsibility (CSR)

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

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

#### (i) Vision

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

#### (ii) Strategy

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

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

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

Government Bodies, District Authorities, Self Help Groups, Village Panchayats and Local Community and The Villagers will be our Development Partners and will help in delivering the CSR Plans. We will network and collaborate with our Development Partners to share ideas, each other's experiences and ensure that our efforts yield desired results.

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

2. The Composition of the CSR Committee:

Mr. Pavan Khaitan, Chairman

Mr. D.S. Sandhwalia, Member

Mrs. Neena Singh, Member

3. Average net profit of the company for last three financial years - Rs. 3,009.15 lacs.
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) - Rs. 60.18 lacs
5. Details of CSR spent during the financial year.
  - (a) Total amount spent in financial year 2015-16 - Rs. 63.95 lacs
  - (b) Amount unspent, if any - Rs. Nil

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

(Rs. in Lacs)

Sr. No.	Project or activity	Sector	Locations	Amount outlay (budget) project or program wise	Amount spent on the projects or programs	Cumulative expenditure upto the reporting period	Amount spent: Direct or through Implementing Agency
1.	Education	Literacy	Sailakhurd	18.00	6.73	18.91	Direct
2.	Environment protection	Environment	Chandigarh	4.00	---	4.00	---
3.	Providing Health facility	Health	Sailakhurd	2.00	0.82	1.57	Direct
4.	Suvidha Centre	Rural Development	Garhshankar	7.50	1.12	4.14	Direct
5.	Sewerage System	Rural Development	Sailakhurd	24.00	51.00	63.00	Indo-Canadian Village Improvement Trust
6	Toilet/water cooler	Rural Development	Saila/Saila Kalan	—	4.28	4.28	Direct
	Total			55.50	63.95	95.90	

6. Give details of implementing agency engaged during the year.

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

7. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the reasons for not spending the amount.- NIL

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

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



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

- a. Energy efficiency is a way of managing and restraining the growth in energy consumption. Energy conservation is an ongoing process. Energy efficient equipment delivers services better for the same energy input, or the same services for less energy input. The Company has devised a system of regular energy audit. Based on findings, steps are taken to improvise all the areas as required.

Conservation of Energy is of prime importance for any of the organization including us. We have focused in identifying new areas of energy conservation for optimization of electricity consumption. Initiatives taken during FY 2015-16 on implementation of energy conservation projects include:

- i. Replacement of higher power consuming pumps, motors and agitators with efficient one in phased manner.
  - ii. Replacement of old electricity lights with efficient LED lights.
  - iii. Installation of auto day/night light on-off and motion sensors.
  - iv. Replacement of transparent roof top sheets in place of asbestos sheets for availability of natural light in phased manner.
  - v. Usage of LP steam in place of MP Steam to enhance power generation.
  - vi. Covering with thermal insulation on steam pipe lines.
  - vii. Replacement of old transformers with energy efficient transformers.
  - viii. To reduce power consumption, VFDs have been installed in each section wherever possible.
  - ix. Automation of various processes through DCS and PLC to avoid manual operations.
  - x. Thermal Energy saved by optimizing the recovery of condensate water.
  - xi. De aerator steam cost saved by tapping heat energy of Blow down steam.
  - xii. Power generation of TG#2 optimized to save on costs.
- b. Adoption of energy conservation measures has helped the Company in reducing the production costs.
- c. Total energy consumption and energy consumption per unit of production of paper for the year 2015-16 is given in the table below.

<b>POWER &amp; FUEL CONSUMPTION</b>	<u>2015-16</u>	<u>2014-15</u>
<b>1. ELECTRICITY</b>		
<b>(a) Purchased</b>		
Units (lacs KWH)	306.80	305.83
Total amount (Rs. lacs)	2,262.21	2,235.81
Rate/Unit (Rs./KWH)	7.37	7.31
<b>(b) Own generation Through Diesel Generator</b>		
Units (lacs KWH)	5.99	-
Cost/Unit (Rs./KWH)	19.14	-
Through Steam Turbine / Generator		
Units (lacs KWH)	976.75	911.72
Cost/Unit (Rs. KWH)	3.46	3.70
<b>2 COAL (for Boiler)</b>		
Quantity (Tonnes)	68,439	69,288
Total cost (Rs. lacs)	3,675.78	4,111.41
Average rate (Rs.)	5,371	5,934
<b>3. OTHERS</b>		
<b>Rice Husk (for Boiler)</b>		
Quantity (Tonnes)	89,337	69,454
Total cost (Rs. lacs)	3,266.48	3,214.85
Rate/Unit (Rs. MT)	3,656	4,629

#### 4. CONSUMPTION/TONNE OF PRODUCTION

Production (Tonnes)	1,07,632	99,550
Electricity/Tonnes (KWH)	1,198	1,223
Furnace Oil/tonne (KL)	0.003	0.002
Coal/Tonne (MT)	0.636	0.696
Others-Rice husk (MT)	0.830	0.698

#### II. TECHNOLOGY ABSORPTION

##### Research & Development and Environment

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.

R&D Division has carried out studies on optimization of chemicals during pulp making process such as cooking aid and sulphamic acid trial, development of new value added quality paper such as Absorbent Filter paper, Parchment paper, Natural Premium paper and Colored Copier paper.

Product diversification to include speciality papers has been another area of research focus for the company. Based on research concluded in the recent past, in near future, company expects to include new varieties / grades in its product range.

The company plans to continue its focus on value addition & product recovery from various process waste streams including glucosamine & biogas generation from waste activated sludge and development of online sludge board drying system as a part of environmental research.

The company has continued to remain completely compliance unit with respect to various pollution and environment norms prescribed by various statutory authorities.

The expenditure on R & D has been as follows:

	(Rs. in lacs)	
	<u>2015-16</u>	<u>2014-15</u>
(I) Capital	5.10	0.12
(ii) Recurring	107.62	92.95
(iii) Total	112.72	93.07
(iv) Total R&D expenditure as a percentage of turnover	0.19	0.18

##### 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. 4.15 & 4.16 to the Accounts.

For and on behalf of the Board

Place: Chandigarh  
Dated: 26 May 2016

**Jagesh K Khaitan**  
Chairman

**Form No. MGT-9  
EXTRACT OF ANNUAL RETURN**

**As on the financial year ended on 31 March 2016**

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

- i) CIN :- **L21012PB1997PLC035243**
- ii) Registration Date:-28/05/1997
- iii) Name of the Company :- **Kuantum Papers Ltd**
- iv) Category/Sub-Category of the Company : - Public Company (Limited by Shares)
- v) Address of the Registered office and contact details:-  
 Paper Mill, Saila Khurd-144 529  
 Distt. Hoshiarpur, Punjab Phone - 01884-230241, Fax- 01884-230244  
 Email - kuantumcorp@kuantumpapers.com website : www.kuantumpapers.com
- vi) Whether listed company :-YES
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any :-  
**Mas Services Limited**  
 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

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

Sl.No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Writing and Printing paper	1701	100

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES - Not applicable**

Sl.No.	Name and address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of shares	Applicable section
1	NIL	NIL	NIL	NIL	NIL

**IV. SHARE HOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)**
**i) Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/HUF	331281	-	331281	3.79	331281	-	331281	3.79	-
b) Central Govt									
c) State Govt (s)									
d) Bodies Corp.	5803788	-	5803788	66.51	5803788	-	5803788	66.51	-
e) Banks / FI									
<b>Sub-total (A) (1):-</b>	<b>6135069</b>	<b>-</b>	<b>6135069</b>	<b>70.30</b>	<b>6135069</b>	<b>-</b>	<b>6135069</b>	<b>70.30</b>	<b>-</b>
(2) Foreign									
a) NRIs - Individuals									
b) Other - Individuals									
c) Bodies Corp.									
d) Banks / FI									
e) Any Other....									
<b>Sub-total (A) (2):-</b>									
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>6135069</b>	<b>-</b>	<b>6135069</b>	<b>70.30</b>	<b>6135069</b>	<b>-</b>	<b>6135069</b>	<b>70.30</b>	<b>-</b>
<b>B. Public Shareholding</b>									
1. Institutions									
a) Mutual Funds	250	-	250	0.00	250	-	250	0.00	-
b) Banks / FI	-	642	642	0.01	-	642	642	0.01	-
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
<b>Sub-total (B)(1):-</b>	<b>250</b>	<b>642</b>	<b>892</b>	<b>0.01</b>	<b>250</b>	<b>642</b>	<b>892</b>	<b>0.01</b>	<b>-</b>
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	1320560	1186	1321746	15.15	1296130	1153	1297283	14.86	-0.29
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital uptoRs. 1 lakh	660762	247579	908341	10.41	678608	239225	917833	10.54	0.13
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh "	297385	-	297385	3.41	335481	-	335481	3.84	0.43
c) Others (specify)									
Foreign Nationals	-	6656	6656	0.08	6656	-	6656	0.08	-
Clearing Members	33830	-	33830	0.38	16473	-	16473	0.18	-0.20
NRIs	17294	5150	22444	0.26	11185	5491	16676	0.19	-0.07
<b>Sub-total (B)(2):-</b>	<b>2329831</b>	<b>260571</b>	<b>2590402</b>	<b>29.69</b>	<b>2344533</b>	<b>245869</b>	<b>2590402</b>	<b>29.69</b>	<b>-</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>2330081</b>	<b>261213</b>	<b>2591294</b>	<b>29.70</b>	<b>2344783</b>	<b>246511</b>	<b>2591294</b>	<b>29.70</b>	<b>-</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
<b>Grand Total (A+B+C)</b>	<b>8465150</b>	<b>261213</b>	<b>8726363</b>	<b>100.00</b>	<b>8479852</b>	<b>246511</b>	<b>8726363</b>	<b>100</b>	<b>-</b>

**ii) Share Holding of Promoters**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	J K Khaitan (HUF)	354	0.00	0.00	354	0.00	0.00	-
2	Jagesh K Khaitan	144758	1.65	0.00	144758	1.65	0.00	-
3	Usha Khaitan	12828	0.15	0.00	12828	0.15	0.00	-
4	Aparna Khaitan	26076	0.30	0.00	26076	0.30	0.00	-
5	Abha Khaitan	55150	0.63	0.00	55150	0.63	0.00	-
6	Pavan Khaitan	26866	0.31	0.00	26866	0.31	0.00	-
7	Umesh Kumar Khaitan	36248	0.42	0.00	36248	0.42	0.00	-
8	Ashutosh Khaitan	21001	0.24	0.00	21001	0.24	0.00	-
9	Shreeparna Khaitan	8000	0.09	0.00	8000	0.09	0.00	-
10	Combine Overseas Ltd.	1514250	17.35	0.00	1514250	17.35	1.78	-
11	Esteem Finventures Ltd	<u>4289538</u>	<u>49.16</u>	11.46	<u>4289538</u>	<u>49.16</u>	11.46	-
		<b><u>6135069</u></b>	<b><u>70.30</u></b>		<b><u>6135069</u></b>	<b><u>70.30</u></b>		

**iii) Change in Promoters' Shareholding (please specify, if there is no change)**

Sl. No.		Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	No Change	No Change	No Change	No Change	No Change

**iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) :**

Sl. No.	Name	Particulars	Shareholding at the beginning of the year		Shareholding at the end of the year	
			No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
		<b>At the beginning of the year</b>				
1	ABC Papers Pvt. Ltd.		392498	4.50	392498	4.50
2	A S Bajaj Sales and Marketing (P) Ltd.		250000	2.86	250000	2.86
3	AmbaTradecom Pvt. Ltd.		210458	2.41	210458	2.41
4	PankajSingal		175000	2.01	175000	2.01
5	Bansal Dye Chem Pvt. Ltd.		162500	1.86	162500	1.86
6	Anmol Polymers Pvt. Ltd.		122055	1.40	122055	1.40
7	Suresh DindyalKhatri		45500	0.52	46314	0.53
8	MadhuArora		27000	0.31	27000	0.31
9	R N Rubesh		20330	0.23	20330	0.23
10	RathinasamyNarayanasamy		18594	0.21	18594	0.21

**v) Shareholding of Directors and Key Managerial Personnel :**

Sl. No.	For each of the Director and key Managerial Personnel	Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares	%total shares of the company	No. of shares	%total shares of the company
1	<b>Shri Jagesh K Khaitan</b>				
	At the beginning of the year	144758	1.65	144758	1.65
	At the end of the year			144758	1.65
2	<b>Shri Pavan Khaitan</b>				
	At the beginning of the year	26866	0.31	26866	0.31
	At the end of the year			26866	0.31
3	<b>Shri Umesh K Khaitan</b>				
	At the beginning of the year	36248	0.42	36248	0.42
	At the end of the year			36248	0.42
4	<b>Shri Ashutosh Khaitan</b>				
	At the beginning of the year	21001	0.24	21001	0.24
	At the end of the year			21001	0.24
5	<b>Justice S.S.Sodhi</b>				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year			Nil	Nil
6	<b>Shri D.C. Mehandru</b>				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year			Nil	Nil
7	<b>Shri Yashovardhan Saboo</b>				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year			Nil	Nil
8	<b>Shri D.S. Sandhwalia</b>				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year			Nil	Nil
9	<b>Mrs. Neena Singh</b>				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year			Nil	Nil
10	<b>Shri Roshan Garg (KMP)</b>				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year			Nil	Nil
11	<b>Shri Vivek Trehan (KMP)</b>				
	At the beginning of the year	Nil	Nil	Nil	Nil
	At the end of the year			Nil	Nil

vi) The Company also has non-cumulative redeemable preference shares, the details of which is given hereunder :

S.No.	Category	10% redeemable Non-Cumulative Preference Shares of Rs. 10 each
	Promoters & Promoter Group	
a)	Individuals	50,00,000
b)	Bodies Corporate	2,50,00,000
	<b>Total</b>	<b>3,00,00,000</b>

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Rs. Lacs

Indebtedness at the beginning of the financial year	Secured Loans excluding deposits	Unsecured	Deposits	Total
i) Principal Amount	14291.45	4026.85	2176.37	20494.67
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	8.98	49.39	58.37
<b>Total (i+ii+iii)</b>	<b>14291.45</b>	<b>4035.83</b>	<b>2225.76</b>	<b>20553.04</b>
<b>Change in Indebtedness during the financial year</b>				
• Addition	4076.34	718.84	1323.53	6118.71
• Reduction	3187.13	741.50	223.98	4152.61
<b>Net Change</b>	<b>889.21</b>	<b>-22.66</b>	<b>1099.55</b>	<b>1966.10</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	15180.66	3959.03	3251.26	22390.95
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	54.14	74.05	128.19
<b>Total (i+ii+iii)</b>	<b>15180.66</b>	<b>4013.17</b>	<b>3325.31</b>	<b>22519.14</b>

## VI. Remuneration of directors and key managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager

Sl. No.	Particulars of the Remuneration	Name of MD/WTD/Manager		Total Amount
		Sh. Jagesh K Khaitan	Sh. Pavan Khaitan	
1	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	82.56	87.72	170.28
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	2.56	1.83	4.39
	(c) Profits in lieu of salary under section 17(3) of Income-tax Act, 1961	-	-	-
2	Stock Option	Nil	Nil	Nil
3	Sweat Equity	Nil	Nil	Nil
4	Commission	17.02	18.09	35.11
	a) as % of profit	Nil	Nil	Nil
	b) Others, specify	Nil	Nil	Nil
5	Others, please specify	Nil	Nil	Nil
	<b>Total</b>	<b>102.14</b>	<b>107.64</b>	<b>209.78</b>
	<b>Ceilings as per Act</b>	<b>As per Act</b>	<b>As per Act</b>	

**B. Remuneration to other Directors**
**Amount in Rs.**

Sl. No	Particulars of the Remuneration	Name of Directors							Total Amount
		Justice S.S. Sodhi (Retd)	Sh. D.C. Mehandru	Sh. Yashovardhan Saboo	Sh. D.S. Sandhwalia	Mrs. Neena Singh	Sh. Umesh K Khaitan	Sh. Ashutosh Khaitan	
1	<b>Independent Directors</b>								
	Fees for attending Board/Committee meetings	1,25,000	3,25,000	1,00,000	3,50,000	2,25,000	-	-	11,25,000
	Commission	-	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-
	<b>Total (1)</b>	1,25,000	3,25,000	1,00,000	3,50,000	2,25,000	-	-	<b>11,25,000</b>
2	<b>Other Non Executive Directors</b>								
	Fees for attending Board/Committee meetings	-	-	-	-	-	1,50,000	75,000	2,25,000
	Commission	-	-	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-	-	-
	<b>Total (2)</b>	-	-	-	-	-	1,50,000	75,000	<b>2,25,000</b>
	<b>Total (B) = 1 + 2</b>	-	-	-	-	-	-	-	<b>13,50,000</b>
	<b>Total Managerial Remuneration</b>	-	-	-	-	-	-	-	<b>2,23,28,007</b>
	Overall Ceilings as per Act	As per Act	As per Act	As per Act	As per Act	As per Act	As per Act	As per Act	As per Act



**C. Remuneration to key managerial personnel other than MD/Manager/WTD**

Sl. No.	Particulars of the Remuneration	Key Managerial Personnel		
		CFO	Company Secretary	Total
1	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	38.39	14.58	52.97
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	0.22	-	0.22
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	a) as % of profit	-	-	-
	b) Others, specify	-	-	-
5	Others, please specify	-	-	-
	<b>Total</b>	<b>38.61</b>	<b>14.58</b>	<b>53.19</b>

**VII. Penalties/Punishment/Compounding of Offences : Not Applicable**

Type	Section of the Companies Act	Brief Description	Details of penalty/punishment/compounding fees imposed	Authority (RD/NCLT/Court)	Appeal made, if any (give details)
<b>A. COMPANY -- Not Applicable</b>					
Penalty					
Punishment					
Compounding					
<b>B. DIRECTORS -- Not Applicable</b>					
Penalty					
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT -- Not Applicable</b>					
Penalty					
Punishment					
Compounding					

**SECRETARIAL AUDIT REPORT**  
**FORM NO. MR-3**

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

To,  
The Members,  
Kvantum Papers Limited

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

Based on my verification of Kvantum Papers Limited's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended 31 March, 2016, complied with the statutory provisions listed here under and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March, 2016 according to the provisions of:

- (1) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (3) The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder;
- (4) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (5) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (6) Apprentices Act, 1961
- (7) Employment Exchange (Compulsory Notification of Vacancies Act, 1959)
- (8) Industrial Employment (Standing Orders) Act, 1956
- (9) Minimum Wages Act, 1948
- (10) Payment of Bonus Act, 1965
- (11) Payment of Wages Act, 1936
- (12) Motor Vehicle Act, 1988
- (13) The Water (Prevention & Control of Pollution) Act, 1974
- (14) The Water (Prevention & Control of Pollution) Cess Act, 1977
- (15) The Central Excise Act, 1944
- (16) Employees' State Insurance Act, 1948
- (17) Employees' Provident Fund & Misc. Provisions Act, 1952
- (18) Central Sales Tax Act, 1956 & Punjab VAT Act, 2005

- (19) Air (Prevention & Control of Pollution) Act, 1981
- (20) Payment of Gratuity Act, 1972
- (21) Indian Electricity Act, 1910 & Rules 1956
- (22) Indian Boiler Act, 1923
- (23) Hazardous Waste (Management & Handling) Rules 1989 under EP Act, 1986
- (24) Explosive Act, 1884 and Rules made thereunder
- (25) Industrial Development & Regulation Act, 1951
- (26) Contract Labour Regulation & Abolition Act, 1971

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreement entered into by the Company with BSE Limited and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

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

**I further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There is no changes in the composition of the Board of Directors during the period under review.

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

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

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

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

- (i) Resolutions under Section 180 of the Companies Act, 2013.
- (ii) Public / Rights / Preferential issue of shares / debentures / sweat equity.
- (iii) Redemption / buy-back of securities.
- (iv) Merger / amalgamation / reconstruction etc.
- (v) Foreign technical collaborations.

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

**SUSHIL K SIKKA**

Prop.  
FCS 4241  
CP 3582

Place : Chandigarh  
Date : 26 May 2016

To,  
The Members  
Kuantum Papers Limited

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

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

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

**SUSHIL K SIKKA**

Prop.

FCS 4241

CP 3582

Place : Chandigarh  
Date : 26 May 2016

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

S.No.	Requirements of Rule 5(1)	Details										
(i)	The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year	<table border="1"> <tr> <td>Mr.Jagesh K Khaitan</td> <td>69 : 1</td> </tr> <tr> <td>Mr. Pavan Khaitan</td> <td>73 : 1</td> </tr> </table>	Mr.Jagesh K Khaitan	69 : 1	Mr. Pavan Khaitan	73 : 1						
Mr.Jagesh K Khaitan	69 : 1											
Mr. Pavan Khaitan	73 : 1											
(ii)	The percentage of increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial year	<table border="1"> <thead> <tr> <th>Name</th> <th>As per Payout</th> </tr> </thead> <tbody> <tr> <td>Mr. Jagesh K Khaitan (Chairman)</td> <td>5%</td> </tr> <tr> <td>Mr. Pavan Khaitan (Managing Director)</td> <td>6%</td> </tr> <tr> <td>Mr. Roshan Garg (CFO)</td> <td>11%</td> </tr> <tr> <td>Mr. Vivek Trehan (Company Secretary)</td> <td>16%</td> </tr> </tbody> </table>	Name	As per Payout	Mr. Jagesh K Khaitan (Chairman)	5%	Mr. Pavan Khaitan (Managing Director)	6%	Mr. Roshan Garg (CFO)	11%	Mr. Vivek Trehan (Company Secretary)	16%
Name	As per Payout											
Mr. Jagesh K Khaitan (Chairman)	5%											
Mr. Pavan Khaitan (Managing Director)	6%											
Mr. Roshan Garg (CFO)	11%											
Mr. Vivek Trehan (Company Secretary)	16%											
(iii)	The percentage increase in the median remuneration of employees in the financial year	5 %										
(iv)	The number of permanent employees on the rolls of company	1,032 employees as on 31.03.2016										
(v)	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	<p>The average increase in the salary/wages of the employees was 17.11% (other than Managerial Personnel) compare to increase in remuneration of managerial personnel by 8.73% as mentioned in para (ii) and (iii) above.</p> <p>There are no exceptional circumstances in increase in the managerial remuneration.</p>										
(vi)	Affirmation that the remuneration is as per the remuneration policy of the company	Remuneration paid during the year is as per the Remuneration Policy of the company.										

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

Name (age in years)	Description	Gross Remuneration Paid (in Rs.)	Qualification	Date of Commencement of employment (experience in years)	Previous employment	Percentage of equity shares held	Whether any such employee is a relative of any director
Sh. Jagesh K Khaitan (71 Yrs.)	Chairman	1,02,13,977	Graduate with Marketing Management & Strategic Courses from IIM, Ahmedabad	17 July 2010 (Total Exp. 47 Yrs.)	Vice Chairman & Managing Director Amrit Banaspati Co. Ltd.	1.66%	Father of Sh. Pavan Khaitan and brother of Sh. Umesh K Khaitan
Sh. Pavan Khaitan (48 Yrs.)	Managing Director	1,07,64,030	Chartered Accountant	1 April 2007 (Total Exp. 23 Yrs.)	Managing Director, Amrit Banaspati Co. Ltd.	0.31%	Son of Sh. Jagesh K Khaitan

## MANAGEMENT DISCUSSION & ANALYSIS

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

The global macroeconomic landscape is currently going through a slowdown and turmoil characterized by weak growth of world output. The situation has been aggravated by:

- (i) declining prices of a number of commodities, with reduction in crude oil prices being the most visible of them;
- (ii) turbulent financial markets; and
- (iii) volatile currency exchange rates.

The global economic activity has remained subdued in 2015 with global growth forecast revised down to 3.4% from 3.6% in 2016 and 3.6% from 3.8% in 2017. Growth in emerging markets and developing economies which account for over 70% of global growth, declined for the fifth consecutive year, while a modest recovery continued in advanced economies.

Global growth, estimated at 3.1% in 2015, is projected at 3.4% in 2016 and 3.6% in 2017. The pickup in global activity is projected to be more gradual especially in emerging market and developing economies.

Nonetheless, India has registered a steady pace of economic growth in 2015-16. Additionally, its other macroeconomic parameters like inflation, fiscal deficit and current account balance are improving. Wholesale price inflation has been in negative territory for more than a year and the all-important consumer prices inflation has declined to nearly half compared to previous years.

The outlook for the country is for economic strengthening through higher infrastructure spending, increased fiscal devolution to states and continued reform to financial and monetary policy. As per the 2016 World Economic Situation and Prospect report, India will be the world's fastest growing large economy at 7.3% in 2016, improving further to 7.5% in 2017. With the initiatives and policies by the Government at Centre, such as Make-in-India, Startup India, Swachh Bharat Abhiyan, Clean Ganga campaign, Smart Cities project, Digital India, Rural Electrification schemes and Pradhan Mantri Jan Dhan Yojana' among others to boost economic growth and investor sentiment in the country would further add to the economic growth. Besides, the proposed implementation of Goods and Service Tax (GST) is expected to lead in a new indirect tax regime, simplifying the movement of the goods and services across the country, shrinking delivery times and widening the product markets.

### 2. Industry structure and Development

The global demand for paper as per CRISIL Research will be muted over the next 5 years and it expects global demand for paper and paperboard to grow at 0.5% CAGR between 2014 and 2019. The pace of decline of demand for W&P paper and newsprint in US and Europe will decrease. Paperboard demand will slow down slightly in the next 5 years due to sluggish demand from China. In 2016-17, CRISIL Research expects domestic demand growth to improve on account of economic recovery. Over the long run, CRISIL Research expect demand to grow at a steady pace.

India is the fastest growing market for paper globally. Despite the continued focus on digitization, India's demand for paper is expected to continue to rise in the next few years, primarily due to a sustained increase in the number of school going children in the rural areas. Growing consumerism, modern retailing, rising literacy and continued Govt. spending on education through the 'Sarva Shiksha Abhiyan' as well as the increasing use of documentation will keep demand for writing and printing paper buoyant.

While India accounts for nearly 17 per cent of the world population, it consumes only 3 per cent of the global paper production. At about 10-11 kgs, the country's per capita paper consumption is low as against 27 kg in Indonesia, 76 kg in China and the global average of around 55 kgs.

Demand of paper in India has been hovering around 6.5% for some time. So far, the growth in paper industry has mirrored the growth in GDP. India presents an exciting scenario wherein paper consumption is poised for a big leap forward in sync with the economic growth and is estimated to touch 18.2 million tons by 2020 primarily due to continued increase in the number of school going children in the rural areas and an overall faster economic growth. The futuristic view is that growth in paper consumption would be in multiples of GDP. Characteristically an increase in consumption by one kg per capita, would lead to an increase in demand of one million tonnes of paper.

Policy factors have a key role to play in the growth of the domestic paper industry. The government's committed focus on literacy and expansion of organized retail distribution network have a positive impact on the consumption and demand of paper in India. In the last five years, the paper industry has invested substantially on capacity enhancement and technology upgradation and is now waiting to reap the benefits of these investments.

Writing & printing paper segment has witnessed optimum capacity utilizations levels over the past few years due to steady demand growth. This led to large capacity additions in recent years and demand is taking its time to absorb these capacity accretions and leading to the sluggish sales realizations. As per CRISIL report, over the next 5 years, the demand growth will slightly outpace the capacity growth, driving up utilization rates accordingly.

As per CRISIL Research, in 2015-16, the paper demand increased between 5.5 to 6%. However, CRISIL expects demand to grow by 6.0 to 6.5% in 2016-17 as the industrial activity improves, corporate bills on office stationery increases and a rise in the advertisements due to better economic recovery. Over the long run, CRISIL Research expects demand for paper to grow at about 6.2 per cent CAGR to 18.2 million tonnes in 2019-20. The demand will be driven and supported by greater Government spending on education initiatives, corporate spending on stationery and healthy growth in services sector.

On the supply front, capacity additions are expected to post a steady 5.2% CAGR over the next 5 years compared to 5.4% in the last 5 years. CRISIL expects greater capacity additions in the coming years in the premium varieties such as coated paper and boards. CRISIL Research further expects profitability of W&P paper and paperboard players to improve in 2016-17 on account of lower raw material cost and improving demand scenario. Further CRISIL expects sales prices to increase marginally in 2016-17 as the paper demand inches up.

As per CRISIL research, demand for W&P paper is projected to grow at a CAGR of about 4.3% in the next 5 years; the segment wise growth is detailed below:

- Within the W&P paper variants, demand for copier paper is expected to grow the fastest, at a 9.5% CAGR as corporate spending on stationery rises.
- demand growth for coated paper is expected to remain healthy at 7.0% CAGR led by an increase in circulation of magazines coupled with increasing use of higher quality paper in print media.
- Demand for Creamwove Paper (the most widely-used variety in Indian school textbooks) is expected to grow at a steady pace as more new educational institutions are likely to come up in the country 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 be the largest contributor to the W &P paper demand.

There has been a gradual shift in demand from the traditional creamwove and maplitho to higher varieties such as copier and coated paper. In 2014-15, Creamwove accounted for almost 43 per cent of the W&P paper demand, maplitho (including unbranded copier) for 22 per cent, and branded copier and coated paper together account for around 35 per cent. Despite a gradual decline in share to 43 per cent from 46 per cent in 2009-10, creamwove continues to be the largest contributor to the total W&P paper demand. On the other hand, demand for coated paper and branded copier has been increasing over the years to 35 per cent in 2014-15 from 29 per cent in 2009-10. Creamwove is the lowest value segment, while maplitho, copier and coated paper are higher-value segments.

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. With rise in urbanisation and office spaces, there is a greater demand for good quality copier paper from the office printing segment.

CRISIL Research expects demand for specialty paper to grow at about 9% CAGR between 2014-15 and 2019-20 as compared to 8.4% CAGR in the last 5 years; demand will reach 0.9 million tonnes in 2019-20 from 0.6 million tonnes in 2014-15. The main varieties of specialty paper are tissue paper, decor paper, thermal paper, cigarette paper and business card paper. Their usage has been growing in line with growth in the economy, rise in organised retail penetration and increase in urbanisation.

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.

Of the total paper and paper board demand, writing & printing paper accounts for about 29 per cent, industrial paper accounts for about 46 per cent, newsprint accounts for about 20 per cent, and specialty paper accounts for the balance 5 per cent.

### **3. Opportunities and Threats**

The Indian paper industry is expected to grow by 6.2% CAGR to 18.2 million tonnes in 2019-20. The demand will be driven and supported by greater Government spending on education initiatives, corporate spending on stationary and healthy growth in services sector. In spite of advancement in technology, like the usage of iPads, Galaxy Tabs, Smart Phones, the increased preference for online storage and dissemination of data, the paper industry is poised for a consistent growth in the



demand for paper in next few years. Despite the higher level of technology being used in the corporate sector, there has been no decline in the paper consumption. Infact paper demand continues to rise at a modest pace. The envisaged growth in the value-added printing & writing paper segment in India presents an invaluable opportunity, and your company plans to leverage it by tapping its institutional strength in its distribution supply chain, cost competitiveness and its premium quality alongwith its branding.

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

Raw material costs account for around 60 per cent of the operating income of mills in the paper industry. Wood and wood based pulp are the main raw materials required for manufacturing W&P paper, especially in the higher end papers such as maplitho and coated paper. India's wood resources are limited; therefore, cost of wood is much higher in global comparison. Since there is conspicuous absence of Government's policies favouring industrial/production plantation, securing future wood supplies will be the Industry's biggest challenge. In line with this increase in production, demand for raw materials will also go up. The different raw materials used to produce paper are agri-residues, wood/ bamboo pulp, imported pulp and wastepaper (domestic and imported).

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.

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

The third alternative source of raw material for the paper industry is agri-residues such as bagasse, wheat and rice straw, wild grass and other such agricultural wastes. Bagasse is the most widely-used agri-residue in the paper industry. However, availability of bagasse has been declining due to its increased use in power generation by sugar 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 challenge due to the high input costs such as power, chemicals and manual labour. The imported raw material will also now cost dearer because of high volatility in US \$ and consequent high depreciation of the Indian Rupee.

Further, the changes in Government policies and the paperless initiatives taken by the Govt. of India, coupled with Green initiatives in Corporate Governance leading to paperless compliances by the companies, is indicative of a slight threat to the paper industry.

#### **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. Further, 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 increasing needs of premium quality paper. The continuous increase in prices of raw material, imported pulp and other inputs continues to be a matter of great concern for the industry. However, locational advantage of your company's paper mill provides an added access to the major raw material sources and insulates it, to some extent on this front. We have exclusive sources of suppliers connected to your company for supply of Agro raw materials, by way of long term contract arrangements.

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

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

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

## **5. Outlook**

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

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

While 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 perceptible decline in the paper demand.

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

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

During the year your Company has achieved the highest ever production. The production of paper during the year under review was 1,07,632 metric tonnes, as against 99,550 metric tonnes in the previous year. The quantitative figure for the sale of paper was 1,07,834 metric tonnes this year, leaving a closing stock of 197 metric tonnes, as against the sale of 99,189 metric tonnes in the previous year.

For the year under review, the company has recorded a very satisfactory performance in its working results even in the midst of adverse circumstances arising from import of paper and subdued sales prices. This performance is due to the improved operational efficiencies, productivity, quality and higher volumes of premium quality paper products like copier and surface sized paper.

The Company recorded gross sales turnover and other income at Rs. 55,463.55 lacs, up by 4.48%; operating profit at Rs. 6,558.45 lacs, marginally up by 1.20%, Profit before Tax at Rs. 3,287.35 lacs, up by 3.72%. Net profit after tax is marginally down by 2.08% and stands at Rs. 2,451.68 lacs.

In spite of the markets remaining subdued during the year, the Company has taken up focused areas for improvement under the "KITE" scheme - Improvement Projects (Kuantum, Innovate, Think & Execute) and this has led to improved operational efficiencies, productivity, reduction in operational costs and sizeable savings thereby maintaining the bottom-line.

The results of cost reduction initiatives and operational efficiencies will be more visible in the current financial year 2016-17 as your company has continued with the initiatives to optimize capacity utilization, cost reduction, development of new products, modification and up-gradation of the paper machines and other equipments.

These initiatives have made your Company one of the most cost competitive paper mills, and a large player in the writing and printing segment.

#### **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 are determined. The actual performance is reviewed in comparison with the budget and deviations, if any, are addressed adequately. The internal control mechanism is well established. The internal control system is supplemented by regular management reviews and periodical reviews by an independent firm of chartered accountants, which evaluate the functioning and quality of internal controls and checks; and provide assurance of its adequacy and effectiveness. The scope of the internal audit covers a wide variety of operational methods and ensures compliance with specified standards with regard to availability and suitability of policies, practices and procedures, extent of adherence, reliability of management information system and authorization procedures including steps for safeguarding of assets. The Reports of internal audit are placed before Audit Committee for review.

#### **8. Human Resources**

Your Company enjoys the support of a committed and well satisfied human capital. Human resources are invaluable assets of the company and the Company's endeavor has always been to retain the best professional and technical talent. The company lays great emphasis on proper management of human resources and skill development and believes that the human resource is the most important ingredient for achieving excellence in performance and for the sustainable growth of the business of the Company. These practices enable the Company to keep the attrition rate well below the industry average. The management has a process driven approach that invests in training and skill development needs of the employees on a regular basis through succession planning, on the job training and training workshops.

#### **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 9 Directors, as on 31.03.2016, comprising of a Chairman, a Managing Director and seven non-Executive Directors. Out of seven, five non-Executive Directors were independent directors as on 31.03.2016. The Board has a healthy blend of executive and non-executive Directors which ensures the desired level of independence in functioning and decision making. All the independent Directors are eminent professionals and bring in wealth of expertise and experience for advising the management of the Company.

#### (a) Composition of the Board

Name of Director	Relationship with other Directors	Category	No. of Board Meetings Attended during 2015-16		Whether attended the last AGM	No. of directorships in other public limited companies	No of Committee positions held in other Companies	
			Held	Attended			Chairman	Member
Sh. Jagesh K Khaitan, Chairman	Father of Sh. Pavan Khaitan & brother of Sh. Umesh K Khaitan	Promoter, Executive	6	6	Yes	2	1	2
Justice S.S. Sodhi, (Retd.)	-	Independent, Non-Executive	6	2	No	-	-	-
Sh. D.C. Mehandru	-	-- do --	6	6	Yes	1	-	2
Sh. Umesh K Khaitan	Father of Sh. Ashutosh Khaitan & brother of Sh. Jagesh K Khaitan	Promoter, Non-Executive	6	5	Yes	7	-	-
Sh. Yashovardhan Saboo	-	Independent, Non-Executive	6	1	No	8	-	7
Sh. D.S. Sandhwalia	-	Independent, Non-Executive	6	6	Yes	-	-	-
Mrs. Neena Singh	-	Independent, Non-Executive	6	6	Yes	2	-	7
Sh. Ashutosh Khaitan	Son of Sh. Umesh K Khaitan	Promoter, Non-Executive	6	3	No	3	-	-
Sh. Pavan Khaitan, Managing Director	Son of Sh. Jagesh K Khaitan	Promoter, Executive	6	6	Yes	1	-	-



(b) The shareholding of non-executive Directors of the company as on 31.03.2016 is as under:

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

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

(d) During the financial year 2015-16, Six (6) Board Meetings were held on 26 May 2015, 2 July 2015, 8 August 2015, 18 September 2015, 7 November 2015 and 12 February 2016. The maximum interval between any two meetings was not more than 120 days.

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

Information regularly provided to the Board inter-alia includes:

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

- Details of foreign exchange exposure and the steps taken by the management to limit the risk of adverse exchange rate movement.
- To approve various policies, codes and committees pursuant to the Companies Act, 2013, the relevant rules, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and other Regulations and requirements of other regulatory bodies, if any.

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

There have been no materially significant related party transactions, pecuniary transactions or relationship between the Company and its directors during the year 2015-16 that may have potential conflict with the interests of the Company.

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

**(g) Details of remuneration paid to the directors during the financial year 2015-16**

Name of Director	Salary/Fee*	Perks+ contribution to PF/other Funds	Commission	Sitting Fee	Total
Sh. Jagesh K Khaitan	76,80,000	8,31,848	17,02,129	-	1,02,13,977
Sh. Pavan Khaitan	81,60,000	7,95,517	18,08,513	-	1,07,64,030
Justice S.S. Sodhi, (Retd)	-	-	-	1,25,000	1,25,000
Sh. D.C. Mehandru	-	-	-	3,25,000	3,25,000
Sh. Umesh K Khaitan	-	-	-	1,50,000	1,50,000
Sh. Yashovardhan Saboo	-	-	-	1,00,000	1,00,000
Sh. D.S. Sandhawalia	33,00,000*	-	-	3,50,000	36,50,000
Mrs. Neena Singh	-	-	-	2,25,000	2,25,000
Sh. Ashutosh Khaitan	-	-	-	75,000	75,000

\*Excluding service tax

**3. Committees of the Board**

**(a) Audit Committee**

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

- Oversight of the company's financial reporting process and the disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommending the appointment /removal of external auditors, fixing audit fees and approving payments for any other service;
- Reviewing with management the annual financial statements and Auditor's Report thereon before submission to the Board with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report
- Reviewing with the management Quarterly/Half-yearly and other financial statements before submission to the Board for approval;



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

The Company continues to derive immense benefit from the deliberations of the Audit Committee. As on 31 March 2016, the committee comprised of the following six Directors, four non-executives & independent and two executive & non-independent. During the financial year 2015-16, Audit Committee met 4 times i.e. on 26 May 2015, 8 August 2015, 7 November 2015, 12 February 2016 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
Justice S.S. Sodhi (Retd)	Member	Independent, Non Executive Director	4	2
Shri Yashovardhan Saboo	Member	Independent, Non Executive Director	4	1
Shri D.S. Sandhwalia	Member	Independent, Non Executive Director	4	4
Shri Pavan Khaitan	Member	Non-Independent, Executive Director	4	4

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 Justice S.S.Sodhi (Retd) and Shri Yashovardhan Saboo, were present at the last AGM held on 18<sup>th</sup> September, 2015.

**(b) Nomination and Remuneration Committee**

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

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

- a) Key Attributes of the Independent Directors that justify his/her extension/continuation on the Board of the Company;
- b) Participation of the Directors in the Board proceedings and their effectiveness.

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

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

- Identification of persons qualified to be the directors and in senior management in accordance with the criteria laid down.
- Recommend to the Board appointment and removal of the directors.
- Evaluation of every director's performance.
- Formulation of criteria for determining qualifications, positive attributes and independence of a director.
- Recommendation of Remuneration policy for the directors, KMP and other employees in the senior management as mentioned herein above.
- Other Terms of Reference/scope of Nomination and Remuneration Committee shall be as notified by the appropriate authority from time to time or as directed/advised by the Board of Directors of the Company from time to time.

As on 31 March 2016, the committee comprised of the following three Directors of the Company. The Committee met once on 26.05.2015 and the attendance of the Directors in the above meeting was as follows:

Director	Position	Category	No. of meetings held	No. of meetings attended
Shri Yashovardhan Saboo	Chairman	Independent, Non-Executive Director	1	1
Shri D.C. Mehandru	Member	Independent, Non-Executive Director	1	1
Shri D.S. Sandhwalia	Member	Independent, Non-Executive Director	1	1

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

**(c) Stakeholders Relationship Committee**

Pursuant to Regulation 20 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has constituted 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 31 March 2016, the committee comprised of the following three directors of the Company. During the financial year 2015-16, the Committee met once on 12.02.2016 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 (Retd)	Chairman	Independent, Non-Executive Director	1	-
Shri Jagesh K Khaitan	Member	Non-Independent Executive Director	1	1
Shri Umesh K Khatian	Member	Non-Independent, Non Executive Director	1	1

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

During the year, the Company received 6 complaints which were replied/resolved to the satisfaction of the investors. As on 31 March 2016, no complaints and/or requests for dematerialization were pending. All valid requests for share transfers received during the year 2015-16 have been acted upon by the Company and no transfer was pending.

**(d) Risk Management Committee**

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

The Objectives of the Committee are as under:

**Strategic:**

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

**Operations:**

- Consistent Revenue growth.
- Consistent profitability.
- High quality production.
- Further develop Culture of Innovation.

**Reporting:**

- Maintain high standards of Corporate Governance and public disclosure.

**Compliance:**

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

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

**(e) Corporate Social Responsibility Committee**

Pursuant to the provisions of Section 135 of the Companies Act, 2013 read with the rules made thereunder, the Board of Directors have constituted a Corporate Social Responsibility Committee comprising of executive and non-executive Directors. During the financial year 2015-16, the Committee met once on 18.09.2015 and the attendance of the Directors on the above meeting was as follows:

Director	Position	Category	No. of meetings held	No. of meetings attended
Shri Pavan Khaitan	Chairman	Non-Independent, Executive Director	1	1
Shri D.S. Sandhawalia	Member	Independent, Non-Executive Director	1	1
Mrs. Neena Singh	Member	Independent, Non-Executive Director	1	1

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

#### 4. General Body Meetings

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

Financial Year	Date	Time	Place
2012-13	13.09.2013	11.30 am	Regd. Office - Paper Mill, Salia Khurd-144 529, Distt. Hoshiarpur, Punjab
2013-14	08.08.2014	11.30 am	Regd. Office - Paper Mill, Salia Khurd-144 529, Distt. Hoshiarpur, Punjab
2014-15	18.09.2015	11.30 am	Regd. Office - Paper Mill, Salia Khurd-144 529, Distt. Hoshiarpur, Punjab

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

Financial Year	AGM Dated	Details of the Special Resolutions Passed
2012-13	13.09.2013	i) Payment of remuneration to Chairman, despite inadequacy of profits, for FY 2011-12 ii) Revision in the remuneration to pay commission to MD, in addition to existing salary iii) Resolution u/s 80 and 81(1A) of the Companies Act, 1956
2013-14	08.08.2014	i) Revision in the remuneration of the Chairman pursuant to the provisions of Section 196,197,198 and Schedule V of the Companies Act, 2013 ii) Re-appointment of MD and fixation of his remuneration pursuant to the provisions of Section 196,197,198, 203 and Schedule V of the Companies Act, 2013 iii) Resolution u/s 180(1)(c) of the Companies Act, 2013 w.r.t. the Borrowing powers of the Company iv) To borrow money by way of fixed deposit pursuant to Section 73 and 76 of the Companies Act, 2013
2014-15	18.09.2015	i) Re-appointment of Chairman and fixation of his remuneration pursuant to the provisions of Section 196,197,198, 203 and Schedule V of the Companies Act, 2013 ii) To borrow money by way of fixed deposit pursuant to Section 73 and 76 of the Companies Act, 2013

#### 5. Postal Ballot

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

#### 6. Disclosures

- There were no transactions of material nature with the directors or the management or their subsidiaries or relatives or any related party etc. during the year that had potential conflict with the interests of the Company at large.
- The financial statements have been prepared in compliance with the requirements of the Companies Act, 2013 and in conformity, in all material respects, with the generally accepted accounting principles and standards in India. The

estimates/judgements made in preparation of these financial statements are consistent, reasonable and on prudent basis so as to reflect true and fair view of the state of affairs and results/operations of the Company.

- (iii) The Company has well-defined Risk Management Policies for its business, which are periodically reviewed to ensure that the executive management controls risk by means of a properly defined framework.
- (iv) The Company has not raised any funds from the capital market (public/rights/preferential issues etc.) during the financial year under review.
- (v) There was no instance of non-compliance of any matter relating to the capital markets by the Company. No penalties or strictures have been imposed on the company by the stock exchange, SEBI or any other statutory Authorities on any matter relating to the capital market since the listing of the Company.
- (vi) The Company is complying with all mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (vii) The Company has established a vigil mechanism for directors and employees to report genuine concerns and has a well-defined Whistle Blower Policy and it is affirmed that no personnel has been denied access to the audit committee.
- (viii) Related Party Transactions Policy is available at Company's Weblink: [www.kvantumpapers.com/invester.html](http://www.kvantumpapers.com/invester.html).
- (ix) In compliance with the terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the number of equity shares lying unclaimed in the 'Unclaimed Suspense Account' as on 31.03.2016 is 77652 The information as required in pursuance of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is given below:

Aggregate no. of the shareholders as on 1.04.2015	3413
Outstanding shares as on 1.04.2015	78260
No. of shareholders requested to transfer shares from Suspense A/c	13
No. of shareholders to whom shares were transferred from Suspense A/c	13
Aggregate no of the shareholders as on 31.03.2016	3400
Outstanding shares as on 31.03.2016	77652

- (x) During the year under review, the Company has credited Rs. 5,26,636/- (pertaining to the year 2007-08) to the Investor Education and Protection Fund (IEPF) pursuant to Section 205C of the Companies Act, 1956 read with Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001.
- (xi) The Company does not have a Subsidiary and hence policy for determining material subsidiaries is not applicable.
- (xii) The company has complied all the requirements of Corporate Governance Report pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (xiii) The Company has not adopted the non-mandatory (discretionary) requirements as specified in Part E of Schedule II in terms of Regulation 27(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (xiv) The Company has complied with all the Corporate Governance requirements specified in regulation 17 to 27 and clause (b) to (i) of sub-regulation (2) of regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

## 7. Means of Communications

The Quarterly, Half Yearly, Year to date 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, these results are published in leading newspapers such as Economics Times (English) and Desh Sewak (Punjabi). The results are not sent individually to the shareholders. The financial results are being regularly displayed on the web-site of the Company at [www.kvantumpapers.com](http://www.kvantumpapers.com)

The investors can register their grievances at Company's e-mail id i.e. [kvantumcorp@kvantumpapers.com](mailto:kvantumcorp@kvantumpapers.com)

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

**8. Code of Conduct**

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

All the members of the Board and senior management personnel have affirmed compliance with the Code for the year ended 31 March 2016 and a declaration to that effect signed by the Chief Executive Officer is attached and forms part of this report.

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

The Company has adopted a Code of Conduct for prevention of Insider Trading in the shares and securities of the Company pursuant to the SEBI (Prohibition of Insider Trading) Regulations, 2015. This Code, inter alia, prohibits purchase/sale/trading of shares of the Company by Directors, employees and other connected persons while in possession of unpublished price sensitive information in relation to the Company. The said code is available on the Company's website at [www.kvantumpapers.com](http://www.kvantumpapers.com)

**10. CEO/CFO Certification**

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

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

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

**Declaration regarding compliance of Code of Conduct**

I, Pavan Khaitan, Chief Executive Officer of Kvantum Papers Ltd, hereby declare that all the Board Members and senior management personnel of the Company have affirmed compliance of the Code of Conduct for the year ended 31 March 2016.

Place : Chandigarh  
Date : 26 May 2016

**Pavan Khaitan**  
Chief Executive Officer

## GENERAL SHAREHOLDERS INFORMATION

### Annual General Meeting

Date	14 September 2016
Time	11.30 AM
Venue	Kquantum Papers Ltd., Paper Mill, Saila Khurd-144 529, Distt. Hoshiarpur, Punjab

- **Financial Year : April 01 to March 31**

- **Financial Calendar 2016-17 (Tentative)**

#### Board Meetings to take on record

Financial Results for Quarter ended 30.06.2016	Second week of August, 2016
Financial Results for Quarter ended 30.09.2016	Second week of November, 2016
Financial Results for Quarter ended 31.12.2016	Second week of February, 2017
Financial Results for Year / Quarter ended 31.03.2017	3rd/4th week of May, 2017
Book Closure Date	8-9-2016 to 14-9-2016 (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 and @ Re. 1.00 per share on the Equity Shares of Rs. 10/- each for declaration at the 19th Annual General Meeting. Dividend will be paid after the date of AGM but within the statutory time limit of 30 days from the date of declaration.

- **Listing**

<b>Name &amp; address of stock exchanges</b>
BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001

The Company has already paid annual listing fee for the year 2016-17 to BSE Ltd.

- **Stock Code**

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

- **Market Price Data**

The monthly high/low quotation of the equity shares traded at Bombay Stock Exchange and BSE Sensex during the financial year 2015-16 are given below.

Month	Company's Share Price (Rs.)		BSE Sensex	
	High	Low	High	Low
April 2015	129.00	75.35	29094.61	26897.54
May 2015	113.70	92.60	28071.16	26423.99
June 2015	100.15	75.00	27968.75	26307.07
July 2015	109.00	81.15	28578.33	27416.39
August 2015	128.00	82.10	28417.59	25298.42
September 2015	87.90	74.95	26471.82	24833.54
October 2015	89.00	77.50	27618.14	26168.71
November 2015	134.40	76.05	26824.30	25451.42
December 2015	163.50	112.00	26256.42	24867.73
January 2016	176.90	125.50	26197.27	23839.76
February 2016	143.00	109.00	25002.32	22494.61
March 2016	157.60	111.10	25479.62	23133.18

● **Share Transfer Agent and Demat Registrar**

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

**M/s MAS Services Ltd.**

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

● **Share Transfer System**

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

● **Distribution of Equity Shareholding**

**(a) Shareholding Pattern as on 31 March 2016**

Sl. No.	Description	No. of equity shares held	Shareholding %
1.	Promoters <ul style="list-style-type: none"> <li>● Individuals</li> <li>● Bodies Corporate</li> </ul>	3,31,281 58,03,788	3.80 66.50
2.	Institutional Investors <ul style="list-style-type: none"> <li>● Mutual Funds/UTI</li> <li>● Banks/Financial Institutions</li> <li>● Insurance Companies</li> <li>● FII's</li> </ul>	250 642 - -	0.00 0.01 - -
3.	Others <ul style="list-style-type: none"> <li>● Private Bodies Corporate</li> <li>● Indian Public</li> <li>● NRIs/OBCs/Pak shareholders</li> </ul>	12,97,283 12,69,787 23,332	14.87 14.56 0.26
	<b>Total</b>	<b>87,26,363</b>	<b>100.00%</b>

**(b) Distribution of shareholding as on 31 March 2016**

Shareholding of Nominal Value of Rs.	No. of shareholders	%age of shareholders	No. of shares	%age of holding
1 to 5,000	14507	97.96	4,55,803	5.22
5,001 to 10,000	133	0.90	1,03,476	1.19
10,001 to 20,000	78	0.53	1,16,853	1.34
20,001 to 30,000	19	0.13	45,898	0.53
30,001 to 40,000	8	0.05	29,119	0.33
40,001 to 50,000	9	0.06	39,990	0.46
50,001 to 1,00,000	29	0.19	2,01,925	2.31
1,00,001 and above	27	0.18	77,33,299	88.62
Total	14810	100.00	87,26,363	100.00

● **De-materialization of Shares**

The Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) and National Securities Depository Ltd. (NSDL) to offer depository Services to the shareholders. As on March 31 2016, approximately 97.18% 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 Kvantum Papers Ltd**

I have examined the compliance of the conditions of Corporate Governance by Kvantum Papers Limited for the year ended 31<sup>st</sup> March, 2016, as stipulated in clause 49 of the Listing Agreement ("Listing Agreement") of the said Company with the stock exchanges for the period 1<sup>st</sup> April, 2015 to 30<sup>th</sup> November, 2015 and as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as referred to in Regulation 15(2) of the Listing Regulations for the period 1<sup>st</sup> December, 2015 to 31<sup>st</sup> March, 2016.

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

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

I 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 : 26 May 2016

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

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

Re: **Financial Statements for the year 2015-16 – Certification by CEO and CFO**

We, Pavan Khaitan, Managing Director and Roshan Garg, President (Finance) & CFO, of Kquantum Papers Ltd., on the basis of the review of the financial statements and the cash flow statement for the financial year ended 31 March 2016 and to the best of our knowledge and belief, hereby certify that:-

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

There have been no instances of significant fraud of which we have become aware and the involvement therein, of the management or an employee having a significant role in the Company's internal control systems.

**Roshan Garg**  
President (Finance) & CFO

**Pavan Khaitan**  
Managing Director

Place : Chandigarh  
Dated: 26 May 2016



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KUANTUM PAPERS LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Kvantum Papers Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information ("financial statements").

### **Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31 March 2016, and its profit and its cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

- (i) As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the 'Annexure A', a Statement of the matters specified in paragraphs 3 and 4 of the Order.
- (ii) As required by Section 143 (3) of the Act, we report that:
  - (a) we have sought and 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 it appears from our examination of those books;
  - (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

- (e) on the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure B'; and
- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - (i) the Company has disclosed the impact of pending litigation on its financial position in its financial statement; Refer Note 4 (1) (a), 4 (1) (c) and 4 (1) (d) to the financial statements;
  - (ii) the Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses; and
  - (iii) there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

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

Place: Chandigarh  
Date: 26 May 2016

**Pravin Tulsyan**  
Partner  
Membership No: 108044

**Annexure A referred to in our Independent Auditor's Report to the Members of Kvantum Papers Limited on the financial statements for the year ended 31 March 2016**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are physically verified in a phased manner over a period of three year. In accordance with the policy, physical verification of fixed assets was carried out for some assets in the current year. In our opinion, the frequency of physical verification is reasonable having regards to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification and have been properly dealt with in the accounts.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of the immovable properties are held in the name of the Company.
- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. There was no stock lying with the third parties at the year-end.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Thus, paragraphs 3 (iii) of the Order is not applicable.
- (iv) The Company has not given any loans, or made any investments, or provided any guarantee, or security as specified under section 185 and 186 of the Act. Accordingly, para 3(iv) of the order is not applicable.
- (v) In our opinion and according to the information and explanations given to us, the Company has complied with the provision of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under where applicable, the directives issued by the Reserve bank of India as applicable with regard to deposits accepted from the public. As informed to us, there have been no proceedings before the Company Law Board or National Company Law Tribunal and Reserve Bank of India or any court or any other tribunal in this matter and no order has been passed by any of the aforesaid authorities in this regard.
- (vi) We have broadly reviewed the books of account maintained by the Company in respect of the product covered where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under section 148 (1) of the Act, in respect of products covered and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to ensuring whether they are accurate or complete.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Value added tax, Service tax, Duty of Customs, Duty of Excise, Cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Value added tax, Service tax, Duty of Customs, duty of Excise, cess and other material statutory dues were in arrears as on 31 March 2016 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 Duty of Custom, Value added tax, Sales tax which have not been deposited with the appropriate authorities on account of any dispute. Further, according to the information and explanation given to us, except as stated below, there are no dues of Income tax, Service tax, Cess and Duty of Excise which has not been deposited by the Company on account of dispute:

Name of the statute	Nature of the Dues	Amount Disputed* Rs. lacs	Amount Deposited Rs. lacs	Period to which the amount relates	Forum where the dispute is pending
Income tax Act, 1961	Income tax	7.57	-	2005-06 (Assessment year)	Commissioner of Income tax (Appeals)
Income tax Act, 1961	Income tax	522.33	-	2006 -07 to 2012-13 (Assessment year)	Income tax Appellate Tribunal
Central Excise Act, 1944	Excise duty	447.36	-	2000-01 to 2007-08	Punjab and Haryana High Court
Central Excise Act, 1944	Excise duty	65.06	-	2008 -09	Commissioner of Central Excise
The Water (Prevention and Control of Pollution) Cess Act, 1977	Water Cess	49.50	28.82	2011 -12 to 2013-14	Chairman, Appellate Committee, Punjab Pollution Control Board

\*An amount as per demand order including interest and penalty, whichever indicated in order

- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and the financial institutions. Further there were no debentures issued during the year or outstanding as at 31 March 2016.
- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and the term loans were applied for the purposes for which those were raised.
- (x) According to the information and explanations given to us, no fraud on or by the Company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the managerial remuneration has been paid or provided by the Company in accordance with the provision of section 197 read with Schedule V of the Companies Act, 2013.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company and thus paragraph 3 (xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on the basis of our examination of records of the Company, there are no transactions with the related parties which are not in compliance with Section 177 and 188 of the Companies Act, 2013 and the details have been disclosed in the financial statements, as required, by the applicable accounting standards.
- (xiv) According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with the directors or persons connected with them during the year. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

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

Place : Chandigarh  
Date: 26 May 2016

**Pravin Tulsyan**  
Partner  
Membership No: 108044

## **Annexure B to the Independent Auditor's report of even date on the Financial Statements of Kuantum Papers Limited**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Kuantum Papers Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

#### **Meaning of Internal Financial Controls Over Financial Reporting**

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

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

**Pravin Tulsyan**  
Partner  
Membership No.: 108044

Place: Chandigarh  
Date: 26 May 2016

**BALANCE SHEET AS AT 31 MARCH 2016**

	Notes No.	As at 31 March 2016 Rs. Lacs	As at 31 March 2015 Rs. Lacs
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's funds</b>			
(a) Share capital	1.1	3,872.64	3,872.64
(b) Reserves and surplus	1.2	55,219.07	53,233.48
		<u>59,091.71</u>	<u>57,106.12</u>
<b>Non-current liabilities</b>			
(a) Long-term borrowings	1.3	14,220.28	12,231.39
(b) Deferred tax liabilities	1.4	4,827.05	4,197.81
(c) Other long term liabilities	1.5	1,152.15	1,105.15
(d) Long-term provisions	1.6	76.67	72.15
		<u>20,276.15</u>	<u>17,606.50</u>
<b>Current liabilities</b>			
(a) Short-term borrowings	1.7	3,852.87	4,169.87
(b) Trade payables :	1.8		
total outstanding dues of micro enterprises and small enterprises		-	-
total outstanding dues of creditors other than micro enterprises and small enterprises		2,444.14	2,426.25
(c) Other current liabilities	1.9	4,151.90	3,770.60
(d) Short-term provisions	1.6	492.77	556.18
		<u>10,941.68</u>	<u>10,922.90</u>
		<u>90,309.54</u>	<u>85,635.52</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets	1.10		
(i) Tangible assets		68,611.95	67,296.42
(ii) Assets under finance lease		85.93	25.95
(iii) Capital work-in-progress		5,006.48	2,608.78
		<u>73,704.36</u>	<u>69,931.15</u>
(b) Long-term loans and advances	1.11	5,526.83	2,970.29
(c) Other non-current assets	1.12	53.87	10.00
		<u>79,285.06</u>	<u>72,911.44</u>
<b>Current assets</b>			
(a) Inventories	1.13	5,303.76	4,798.40
(b) Trade receivables	1.14	3,610.48	4,436.58
(c) Cash and bank balances	1.15	679.53	2,404.01
(d) Short-term loans and advances	1.11	1,397.17	1,034.11
(e) Other current assets	1.16	33.54	50.98
		<u>11,024.48</u>	<u>12,724.08</u>
		<u>90,309.54</u>	<u>85,635.52</u>

**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/W-100022

 For and on behalf of Board of Directors of **Kquantum Papers Limited**
**Jagesh K Khaitan**

 Chairman  
 DIN - 00026264

**Pavan Khaitan**

 Managing Director  
 DIN - 00026256

**Pravin Tulsyan**

 Partner  
 Membership No.: 108044

**Roshan Garg**  
 President-Finance & CFO

**Vivek Trehan**  
 Company Secretary

 Place : Chandigarh  
 Date : 26 May 2016

 Place : Chandigarh  
 Date : 26 May 2016

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2016

	Notes No.	For the year ended 31 March 2016	For the year ended 31 March 2015
		Rs. Lacs	Rs. Lacs
<b>Revenue from operations</b>	4.13		
Sale of products		55,214.80	52,779.85
Less : Excise duty		2,777.79	3,005.85
		52,437.01	49,774.00
Other operating revenues	2.1	143.22	158.33
<b>Total revenue form operations</b>		52,580.23	49,932.33
Other income	2.2	105.53	148.57
<b>Total revenue</b>		52,685.76	50,080.90
<b>Expenses</b>			
Cost of materials consumed	2.3	18,959.34	17,960.03
Purchases of stock-in-trade		-	3.40
Changes in inventories of finished goods, work-in-progress and stock in trade	2.4	93.63	(58.42)
Employee benefits expense	2.5	3,226.34	2,779.28
Finance costs	2.6	1,914.88	2,028.66
Depreciation and amortization expense	1.10	1,356.22	1,282.73
Other expenses	2.7	23,848.00	22,915.94
<b>Total expenses</b>		49,398.41	46,911.62
<b>Profit before tax</b>		3,287.35	3,169.28
<b>Tax expense</b>			
Current tax (MAT)		703.38	667.20
Less : MAT credit entitlement		(496.95)	(432.89)
Deferred tax charge for the year		629.24	431.18
<b>Profit for the year</b>		2,451.68	2,503.79
<b>Earnings per equity share</b>			
Basic and diluted	4.7	23.96	24.57

**Significant accounting polices** 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/W-100022

**Pravin Tulsyan**

Partner

Membership No. 108044

Place : Chandigarh

Date : 26 May 2016

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

**Jagesh K Khaitan**

Chairman

DIN - 00026264

**Roshan Garg**

President-Finance & CFO

Place : Chandigarh

Date : 26 May 2016

**Pavan Khaitan**

Managing Director

DIN - 00026256

**Vivek Trehan**

Company Secretary



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

	Year ended 31 March 2016	(Amount in Rs. Lacs) Year ended 31 March 2015
<b>A Cash flow from operating activities</b>		
Net profit before taxation and extra ordinary items	3,287.35	3,169.28
<b>Adjustments for:</b>		
Depreciation and amortisation expense	1,356.22	1,282.73
Net loss on sale of fixed assets	3.41	1.12
Interest and finance charges	1,914.88	2,028.66
Interest income	(60.80)	(100.32)
Foreign exchange gain (unrealized)	(4.98)	(1.41)
Balances written off	0.99	10.80
Liabilities no longer required written back	(92.94)	(115.08)
Operating cash flow before working capital changes	6,404.13	6,275.78
<b>Changes in currents assets and current liabilities</b>		
Increase in inventories	(505.36)	(364.95)
Decrease /(increase) in trade receivables, current assets and loans and advances	322.67	(1,197.08)
Increase /(decrease) in trade payable, other liabilities and provisions	223.37	(820.11)
Cash generated from operations before taxes	6,444.81	3,893.64
Income tax paid / tax deducted at source	(779.52)	(665.61)
<b>Net cash generated from operating activities (A)</b>	<u>5,665.29</u>	<u>3,228.03</u>
<b>B Cash flow from investing activities</b>		
Purchase of fixed assets and capital work in progress including capital advances	(6,854.11)	(3,669.47)
Sale of fixed assets	5.48	1.06
Increase / (decrease) in fixed deposits having maturity more than three months	1,716.34	(1,971.59)
Interest received	84.60	75.53
<b>Net cash used in investing activities (B)</b>	<u>(5,047.69)</u>	<u>(5,564.47)</u>
<b>C Cash flows from financing activities</b>		
Change in working capital loan	(450.42)	(32.30)
Capital subsidy received	190.79	-
Proceeds from short term borrowings from others	-	15.00
Repayment of short term borrowings from others	(180.00)	(120.00)
Proceeds from long term borrowings from banks	4,076.34	5,821.31
Proceeds from long term borrowings from promoters and others	-	2,096.79
Proceeds from public deposits#	1,863.71	1,396.02
Repayment of long term borrowings from banks	(2,698.88)	(3,187.52)
Repayment of long term borrowings from promoters and others*	(62.75)	(82.40)
Repayment of public deposits*#	(788.82)	(1,203.77)
Principal repayment under finance lease	(37.83)	(24.68)
Interest paid	(2,026.34)	(2,163.36)
Dividend paid and tax thereon	(464.70)	(192.32)
<b>Net cash (used) /generated in financing activities (c)</b>	<u>(578.90)</u>	<u>2,322.77</u>
<b>Net increase /(decrease) in cash and cash equivalents (A+B+C)</b>	<u>38.70</u>	<u>(13.67)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>121.90</u>	<u>135.57</u>
<b>Cash and cash equivalents at the end of the year**</b>	<u>160.59</u>	<u>121.90</u>

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 (Accounts) Rules, 2014.

\* Refer Note 4.4.C.(b)

\*\* Refer Note 1.15.1

# includes public deposits matured and renewed during the year  
The notes referred above form an integral part of the financial statements

As per our report of even date attached

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

**Pravin Tulsyan**  
Partner  
Membership No. 108044

Place : Chandigarh  
Date : 26 May 2016

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

**Jagesh K Khaitan**  
Chairman  
DIN - 00026264

**Roshan Garg**  
President-Finance & CFO

Place : Chandigarh  
Date : 26 May 2016

**Pavan Khaitan**  
Managing Director  
DIN - 00026256

**Vivek Trehan**  
Company Secretary

**Notes forming part of financial statements for the year ended 31 March 2016  
(Amount in Rs. Lacs, unless otherwise stated)**

**1.1 SHARE CAPITAL**

Particulars	As at	As at
	31 March 2016	31 March 2015
	Rs. Lacs	Rs. Lacs
<b>1.1.1 Authorized</b>		
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 3,00,00,000) 10% redeemable preference shares of Rs. 10 each	3,000.00	3,000.00
	<u>5,500.00</u>	<u>5,500.00</u>
<b>1.1.2 Issued, subscribed and paid up*</b>		
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 3,00,00,000) 10% redeemable non-cumulative preference shares of Rs. 10 each, fully paid up	3,000.00	3,000.00
	<u>3,872.64</u>	<u>3872.64</u>

\*There are no shares issued for consideration other than cash.

**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 2016		As at 31 March 2015	
	Number of shares	Amount (Rs. Lacs)	Number of shares	Amount (Rs. Lacs)
<b>Balance as at the beginning of the year</b>	3,00,00,000	3,000.00	3,00,00,000	3,000.00
Balance as at the end of the year	3,00,00,000	3,000.00	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 than 2 years or for any three years during a period of six years ending with financial year preceding the meeting.

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

The preference shares are redeemable in 5 equal installments at the end of 16th, 17th, 18th, 19th and 20th year, from the date of allotment, i.e., 13 September 2013.

## Notes to 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 2016		As at 31 March 2015	
	% 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

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

Name of shareholder	As at 31 March 2016		As at 31 March 2015	
	% of holdings	No. of shares held	% of holdings	No. of shares held
(i) Esteem Finventures Limited	83	2,50,00,000	83	2,50,00,000
(ii) Mr. Pavan Khaitan	10	30,00,000	10	30,00,000

## 1.2 RESERVES AND SURPLUS

Particulars	As at 31 March 2016	As at 31 March 2015
	Rs. Lacs	Rs. Lacs
<b>1.2.1 Capital redemption reserve</b>	200.00	200.00
<b>1.2.2 Capital subsidy</b>	100.14	100.14
<b>1.2.3 General reserve</b>	2,457.92	2,457.92
<b>1.2.4 Revaluation Reserve</b>		
Balance at the beginning of the year	41,294.33	-
Add: Revaluation reserve credited during the year (also refer foot note to note no. 1.10)	-	41,294.33
Balance at the end of the year	41,294.33	41,294.33
<b>1.2.5 Surplus in the Statement of Profit and Loss</b>		
Balance at the beginning of the year	9,181.09	7,199.33
Less : Adjustment on account of revised useful life of fixed assets (net of tax) refer note 3.2(d)	-	(57.33)
Add : Net profit for the year	2,451.68	2,503.79
	11,632.77	9,645.79
Less : Proposed dividend - equity shares*	(87.26)	(87.26)
Less : Proposed dividend - preference shares**	(300.00)	(300.00)
Less : Dividend distribution tax	(78.84)	(77.44)
Balance at the end of the year	11,166.68	<b>9,181.09</b>
	55,219.07	<b>53,233.48</b>

\* Rs. 1 (previous year Rs. Nil) per equity share

\*\* Rs. 1 (previous year Rs. 1) per preference share

## Notes to Accounts

### 1.3 LONG TERM BORROWINGS

Particulars	Footnote	Non Current Portion		Current Portion	
		As at	As at	As at	As at
		31 March 2016	31 March 2015	31 March 2016	31 March 2015
		Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
<b>1.3.1 Secured (refer foot notes)</b>					
<b>(a) Term loans</b>					
from banks	[1]	<b>9,338.16</b>	7,945.70	<b>2,485.00</b>	2,615.38
<b>(b) Finance lease obligations</b>					
for purchase of computers and IT Equipments	[2]	<b>13.30</b>	45.60	<b>32.30</b>	37.83
<b>(c) Vehicle loans</b>					
from banks	[3]	<b>168.78</b>	93.75	<b>100.77</b>	60.42
		<b>9,520.24</b>	8,085.05	<b>2,618.07</b>	2,713.63
<b>1.3.2 Unsecured (refer foot notes)</b>					
<b>(a) Public deposits</b>	[4]				
- from related parties (also refer note 4.4.C)		<b>1,091.90</b>	626.40	<b>215.50</b>	116.00
- others		<b>791.49</b>	821.65	<b>356.85</b>	130.22
<b>(b) Inter corporate deposits</b>	[5]				
- from a related party (also refer note 4.4.C)		-	162.00	-	-
- others		<b>155.00</b>	-	-	55.75
<b>(c) Loans from Export Development Canada</b>	[6]	<b>2,222.15</b>	2,096.79	-	-
<b>(d) Loans from directors and relatives</b>	[7]				
Mr. Pavan Khaitan (Managing Director) and HUF of Mr.Pavan Khaitan		<b>113.00</b>	113.00	-	-
Mrs. Aparna Khaitan (Relative of director)		<b>226.50</b>	226.50	-	-
Mr. Jagesh K Khaitan (Chairman)		<b>90.00</b>	90.00	-	-
Mrs. Usha Khaitan (Relative of director)		<b>10.00</b>	10.00	-	-
		<b>4,700.04</b>	4,146.34	<b>572.35</b>	301.97
Less: Amount shown under "other current liabilities" (Refer Note 1.9)		-	-	<b>3,190.42</b>	3,015.60
		<b>14,220.28</b>	<b>12,231.39</b>	-	-

#### Footnotes:

[1] Term Loan of:

a. Rs. 9,034.86 (previous year Rs. 7,065.00) are secured by a first parri passu charge on all the fixed assets (immovable and movable) of the Company, both present and future along with equitable mortgage of factory land and building at Sailakhurd except office premises situated at Industrial Area, Chandigarh which are exclusively mortgaged with Indusind Bank and HDFC limited respectively and second charge on the current assets. The said loans are also secured by personal guarantees of directors.

b. Rs. 1,799.34 (previous year Rs. 2,700.00) is secured by a first parri passu charge on fixed assets (immovable and movable) of the Company, both present and future, along with equitable mortgage of factory land and building at Sailakhurd except office premises situated at Industrial Area, Chandigarh which are exclusively mortgaged with Indusind Bank and HDFC limited respectively 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. Nil (previous year Rs. 285.37) is secured by a first parri passu charge on all the fixed assets (immovable and movable) of the Company, both present and future, along with equitable mortgage of factory land and building at Sailakhurd. The said loans are also secured by personal guarantees of directors.

d. Rs. 988.96 (previous year Rs. 510.71) is secured by exclusive charge on the office premises at Industrial Area Chandigarh and is also secured by personal guarantees of directors.

e. During the current year, floating interest rate was in the range of 11.50% to 14.00% per annum (previous year 12.40% to 14% per annum).

## Notes to Accounts

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

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
As at 31 March 2016	2,485.00	2,825.00	1,850.00	1,750.00	1,700.00	1,213.16
	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
As at 31 March 2015	2,615.38	2,485.00	2,650.00	1,150.00	950.00	710.70

[2] Assets under finance lease arrangement are secured against assets taken on finance lease. The implied rate of interest on the finance lease is in range from 12.67% to 13.20% per annum (previous year 12.67% per annum). Maturity profile of the finance lease is as under.

	<u>2016-17</u>	<u>2017-18</u>	
As at 31 March 2016	32.30	13.30	
	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
As at 31 March 2015	37.83	32.30	13.30

[3] Vehicle loans are secured against hypothecation of the specified vehicles purchased from proceeds of the said loans. The fixed rate of interest is in range ranges from 9.20% to 12.60% per annum (previous year 10.00% to 12.60% per annum). Maturity profile of the vehicles loans is as under (Rs. lacs) :

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
As at 31 March 2016	100.77	86.49	60.46	19.31	2.52
	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
As at 31 March 2015	60.42	48.15	28.33	10.57	6.70

[4] The rate of interest on public deposits for a maturity period of more than one year in current year and in previous year is in range of 11% to 12% per annum Maturity profile of the public deposits for maturity period of more than one year is as under (Rs. Lacs)

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
As at 31 March 2016	572.35	899.77	983.62
	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
As at 31 March 2015	246.22	580.10	867.95

[5] The fixed rate of interest on intercorporate deposits in current year and previous year is in ranges from 10% to 12% per annum. The inter corporate deposits are payable in two years. The intercorporate deposits are considered as long terms and classified as current and non current as per assessment of the management.

	<u>2016-17</u>	<u>2017-18</u>
As at 31 March 2016	-	155.00
	<u>2015-16</u>	<u>2016-17</u>
As at 31 March 2015	55.75	162.00

[6] The rate of interest on Loan from Export Development Canada is US libor plus 3.20% per annum. The loan is repayable in one instalment in year 2017-18.

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

## Notes to Accounts

### 1.4 DEFERRED TAXES

Particulars	<b>As at 31 March 2016 Rs. Lacs</b>	As at 31 March 2015 Rs. Lacs
<b>Deferred tax assets on account of :</b>		
Provision for employee benefits	<b>28.57</b>	24.49
Provision for doubtful debts and advances	<b>18.45</b>	18.11
Expenses allowable on payment basis	<b>72.91</b>	59.89
Finance lease obligation	<b>15.08</b>	2.65
	<b>135.01</b>	105.14
<b>Deferred tax liabilities on account of :</b>		
Difference between depreciation on fixed assets as per books and as per Income Tax Act, 1961*	<b>4,962.06</b>	4,302.94
	<b>4,962.06</b>	4,302.94
<b>Net deferred tax liabilities</b>	<b>4,827.05</b>	4,197.81

\*Includes Rs. 119.43 (previous year Rs. nil) representing impact on account of re-evaluation of earlier accounting position.

### 1.5 OTHER LONG TERM LIABILITIES

Particulars	<b>As at 31 March 2016 Rs. Lacs</b>	As at 31 March 2015 Rs. Lacs
Others		
- Security deposits	<b>1,127.39</b>	1,077.81
- Interest accrued but not due on borrowings	<b>24.76</b>	27.34
	<b>1,152.15</b>	1,105.15

### 1.6 LONG TERM AND SHORT TERM PROVISIONS

Particulars	Long-term		Short-term	
	<b>As at 31 March 2016 Rs. Lacs</b>	As at 31 March 2015 Rs. Lacs	<b>As at 31 March 2016 Rs. Lacs</b>	As at 31 March 2015 Rs. Lacs
<b>(a) Provision for employee benefits</b>				
Compensated absences	<b>76.67</b>	72.15	<b>9.75</b>	7.32
<b>(b) Others</b>				
Provision for income tax [net of advance tax Rs. 1,902.18 (previous year Rs. 1,798.77)]	-	-	<b>16.93</b>	84.17
Proposed dividend on equity shares	-	-	<b>87.26</b>	87.26
Proposed dividend on preference shares	-	-	<b>300.00</b>	300.00
Corporate dividend tax	-	-	<b>78.84</b>	77.43
	<b>76.67</b>	72.15	<b>492.77</b>	556.18

## Notes to Accounts

### 1.7 SHORT TERM BORROWINGS

Particulars	Footnote	As at	As at
		31 March 2016	31 March 2015
		Rs. Lacs	Rs. Lacs
<b>1.7.1 Secured</b>			
(a) Working capital loans from banks	[1]	3,042.35	3,492.77
<b>1.7.2 Unsecured</b>			
(a) Public deposits	[2]	3,042.35	3,492.77
- others		795.52	482.10
(b) Inter corporate deposits	[3]	15.00	195.00
		810.52	677.10
		<b>3,852.87</b>	<b>4,169.87</b>

#### 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 floating rate of interest on the loans is 10.70% to 13.00% per annum (previous year 12.90% to 14.25% per annum).

[2] The fixed rate of interest on public deposits for maturity period of one year in current year and previous year varies from 10.50% to 11% per annum.

[3] The fixed rate of interest on inter corporate deposits is in range of 10% to 13 % per annum (previous year 12% to 13% per annum).

### 1.8 TRADE PAYABLES

Particulars	As at	As at
	31 March 2016	31 March 2015
		Rs. Lacs
(a) Acceptances*	786.05	525.07
(b) Other trade payables*	1,658.09	1,901.18
	<b>2,444.14</b>	<b>2,426.25</b>

\* 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. Accordingly, the disclosure in respect of amounts payable to such enterprises as at the period/year end has been made in the financial statements based on information available with the company as under :

Particulars	For the Year ended	For the Year ended
	31 March 2016	31 March 2015
		Rs. Lacs
(a) The principal amount remaining unpaid to any supplier at the end of each accounting year;	-	-
(b) The interest due thereon remaining unpaid to any supplier at the end of each accounting year;	-	-
(c) The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act");	-	-
(d) The amount of the payment made to the supplier beyond the appointed day during each accounting year;	-	-
(e) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this act;	-	-
(f) The amount of interest accrued and remaining unpaid at the end of each accounting year;	-	-
(g) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise;	-	-

## Notes to Accounts

### 1.9 OTHER CURRENT LIABILITIES

Particulars	As at	
	31 March 2016	31 March 2015
	Rs. Lacs	Rs. Lacs
(a) Current maturities of long-term debts (refer note 1.3)	3,158.12	2,977.77
(b) Current maturities of finance lease obligations (refer note 1.3)	32.30	37.83
(c) Interest accrued but not due on borrowings	69.45	31.03
(d) Interest accrued and due on borrowings	33.99	-
(e) Unpaid dividends	11.47	14.43
(f) Other payables		
Statutory dues	146.30	160.50
Creditors for fixed assets	149.45	63.47
Advances from customers	77.13	67.62
Employees dues	427.49	377.51
Others	46.20	40.45
	<u>4,151.90</u>	<u>3,770.60</u>

### 1.10 FIXED ASSETS

Particulars	Gross block				Depreciation				Net Block	
	As at 31 March 2015	Additions	Disposals	As at 31 March 2016	Upto 31 March 2015	Depreciation/ amortization for the year	On disposals	Impact of Revision in useful life of fixed assets Refer no.3(2)(d)	Upto 31 March 2016	As at 31 March 2016
	(a)	(b)	(c)	(d)=(a+b-c)	(e)	(f)	(g)	(h)=(e+f-g)	(i)=(d-h)	
<b>Tangible assets</b>										
Freehold land #	41,372.00	-	-	41,372.00	-	-	-	-	-	41,372.00
Buildings	3,809.34	60.98	-	3,870.32	973.59	123.79	-	-	1,097.38	2,772.94
Plant and equipment	35,731.26	2,452.41	-	38,183.67	12,919.32	1,148.33	-	-	14,067.65	24,116.02
Furniture and fixtures	102.07	23.78	-	125.85	66.07	7.39	-	-	73.46	52.39
Vehicles	250.11	99.33	18.62	330.82	55.00	36.52	9.73	-	81.79	249.03
Computers	186.44	24.64	-	211.08	140.82	20.69	-	-	161.51	49.57
<b>(A)</b>	<b>81,451.22</b>	<b>2,661.14</b>	<b>18.62</b>	<b>84,093.74</b>	<b>14,154.80</b>	<b>1,336.72</b>	<b>9.73</b>	<b>-</b>	<b>15,481.79</b>	<b>68,611.95</b>
<b>Intangible assets</b>										
Brands / trademarks	613.86	-	-	613.86	613.86	-	-	-	613.86	-
<b>(B)</b>	<b>613.86</b>	<b>-</b>	<b>-</b>	<b>613.86</b>	<b>613.86</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>613.86</b>	<b>-</b>
<b>Assets under finance lease</b>										
Computers equipment	105.62	79.49	-	185.11	79.68	19.50	-	-	99.18	85.93
<b>(C)</b>	<b>105.62</b>	<b>79.49</b>	<b>-</b>	<b>185.11</b>	<b>79.68</b>	<b>19.50</b>	<b>-</b>	<b>-</b>	<b>99.18</b>	<b>85.93</b>
<b>Capital work in progress*</b>										5,006.48
<b>D)</b>										<b>5,006.48</b>
<b>Grand total (A+B+C+D)</b>	<b>82,170.70</b>	<b>2,740.63</b>	<b>18.62</b>	<b>84,892.71</b>	<b>14,848.34</b>	<b>1,356.22</b>	<b>9.73</b>	<b>-</b>	<b>16,194.83</b>	<b>73,704.36</b>

\* Including Rs. 813.38 of office premises situated at City Emporium, Chandigarh for which the Company has entered into a lease agreement with an entity for 15 years which will get operational by September 2016.  
Refer note 4.6.



## Notes to Accounts

Particulars	Gross block			As at 31 March 2015	Depreciation				Upto 31 March 2015	Net Block As at 31 March 2015
	As at 31 March 2014	Additions/ Revaluation	Dispo- sals		Upto 31 March 2014	Depreciation/ amortization for the year	On dispo- sals	Impact of Revision in useful life of fixed assets Refer no.3(2)(d)		
	(a)	(b)	(c)	(d)=(a+b-c)	(e)	(f)	(g)	(h)=(e+f-g)	(i)=(d-h)	
<b>Tangible assets</b>										
Freehold land #	77.67	41,294.33	-	41,372.00	-	-	-	-	41,372.00	
Buildings	3,784.89	24.45	-	3,809.34	839.44	122.79	-	11.36	2,835.75	
Plant and equipment	34,957.61	773.65	-	35,731.26	11,765.29	1,084.77	-	69.26	22,811.94	
Furniture and fixtures	92.90	9.17	-	102.07	59.46	6.15	-	0.46	36.00	
Vehicles	195.28	61.91	7.08	250.11	33.32	25.83	4.90	0.75	195.11	
Computers	150.94	35.50	-	186.44	118.10	17.70	-	5.02	45.62	
<b>(A)</b>	<b>39,259.29</b>	<b>42,199.01</b>	<b>7.08</b>	<b>81,451.22</b>	<b>12,815.61</b>	<b>1,257.24</b>	<b>4.90</b>	<b>86.85</b>	<b>67,296.42</b>	
<b>Intangible assets</b>										
Brands / trademarks	613.86	-	-	613.86	605.65	8.20	-	-	-	
<b>(B)</b>	<b>613.86</b>	<b>-</b>	<b>-</b>	<b>613.86</b>	<b>605.65</b>	<b>8.20</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Assets under finance lease</b>										
Computers equipment	105.62	-	-	105.62	62.39	17.29	-	-	25.95	
<b>(C)</b>	<b>105.62</b>	<b>-</b>	<b>-</b>	<b>105.62</b>	<b>62.39</b>	<b>17.29</b>	<b>-</b>	<b>-</b>	<b>25.95</b>	
<b>Capital work in progress</b>										
<b>D)</b>									<b>2,608.78</b>	
<b>Grand total (A+B+C+D)</b>	<b>39,978.77</b>	<b>42,199.01</b>	<b>7.08</b>	<b>82,170.70</b>	<b>13,483.65</b>	<b>1,282.73</b>	<b>4.90</b>	<b>86.85</b>	<b>69,931.15</b>	

# During the previous year, the Company had revalued freehold land as on 31 March 2015, at the fair values determined by an independent external valuer. The valuer determined the fair value by reference to market-based evidence. Valuations performed by the valuer were based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The historical cost of freehold land was Rs.77.67 and the fair value was Rs. 41,372. Hence in the last year, the revaluation resulted in an increase in the book value of freehold land by Rs. 41,294.33 which was credited to revaluation reserve.

### 1.11 LOANS AND ADVANCES

(Unsecured considered good, unless otherwise stated)

Particulars	Long-term		Short-term	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs.
(a) Capital advances	<b>2,445.13</b>	533.86	-	-
(b) Security deposits	<b>252.39</b>	100.34	-	-
(c) Other loans and advances				
Prepaid expenses	<b>35.82</b>	48.49	<b>67.41</b>	72.01
Advances to employees	-	-	<b>8.90</b>	6.01
Advances to suppliers	-	-	<b>96.25</b>	224.70
CENVAT credit receivable	-	-	<b>480.03</b>	228.99
VAT credit receivable	-	-	<b>662.55</b>	459.83
Service tax credit receivable	-	-	<b>44.64</b>	22.37
Gratuity trust fund	-	-	<b>13.47</b>	5.43
MAT credit entitlement #	<b>2,693.61</b>	2,196.65	-	-
Advance tax [Net of provisions aggregating Rs. 1660.12 (previous year Rs.992.92)]	<b>99.88</b>	90.95	-	-
Others	-	-	<b>23.92</b>	14.77
Advances to suppliers (considered doubtful)	-	-	<b>9.77</b>	9.77
Less : Provision for doubtful loans and advances	-	-	<b>(9.77)</b>	(9.77)
	<u>5,526.83</u>	<u>2,970.29</u>	<u>1,397.17</u>	<u>1,034.11</u>

# 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

#### Non current portion of balances with banks

Fixed deposits with banks with maturity period more than 12 months\*

\*refer note 1.15.2

	As at 31 March 2016	As at 31 March 2015
	Rs. Lacs	Rs. Lacs
	53.87	10.00
	<u>53.87</u>	<u>10.00</u>

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

#### Particulars

	As at 31 March 2016	As at 31 March 2015
	Rs. Lacs	Rs. Lacs
Raw materials (including packing materials)	2,240.65	1,662.94
Work-in-progress	174.53	123.34
Finished goods @	100.21	240.18
Stock-in-trade	-	4.85
Stores and spares	1,480.44	1,469.43
Loose tools	1.71	1.34
Chemicals and fuels	<u>1,306.22</u>	<u>1,296.32</u>
	<u>5,303.76</u>	<u>4,798.40</u>

@ comprises of stock of finished paper of Rs. 83.76 lacs (previous year Rs. 176.08 lacs) and stock of soda ash of Rs. 16.45 lacs (previous year Rs. 64.10 lacs)

### 1.14 TRADE RECEIVABLES

#### Particulars

	As at 31 March 2016	As at 31 March 2015
	Rs. Lacs	Rs. Lacs
<b>1.14.1 Receivables outstanding for a period exceeding six months (Unsecured considered good, unless otherwise stated)</b>		
Considered good*	727.05	22.15
Considered doubtful	46.05	46.05
Less : Provision for doubtful trade receivables	<u>(46.05)</u>	<u>(46.05)</u>
	727.05	22.15
<b>1.14.2 Other trade receivables</b>	<u>2,883.43</u>	<u>4,414.43</u>
	<u>3,610.48</u>	<u>4,436.58</u>

\* The amount of Rs. 727.05 (previous year Rs. 842.62) represents due from a customer against which legal proceedings for recovery of the amount were initiated. The Company has also obtained a status quo from Honorable High Court vide its order dated 18 September 2015, on the party's other group holdings through which they own a hotel, the unencumbered value of which has been assessed by the management as sufficient to recover the outstanding amount. The management is hopeful of recovering the entire amount. In view of the favourable injunction and related value of the property, the management believes that there is no provision required as at 31 March 2016.

## Notes to Accounts

### 1.15 CASH AND BANK BALANCES

Particulars	Non-Current		Current	
	As at 31 March 2016 Rs. Lacs	As at 31 March 2015 Rs. Lacs	As at 31 March 2016 Rs. Lacs	As at 31 March 2015 Rs. Lacs
<b>1.15.1 Cash and cash equivalents</b>				
Balances with banks				
Current accounts			39.30	90.34
Fixed deposits with original maturities upto 3 months			100.50	20.00
Cash in hand			20.79	11.56
			<u>160.59</u>	<u>121.90</u>
<b>1.15.2 Other bank balances</b>				
Unpaid dividend accounts	-	-	11.47	14.43
Fixed deposits with banks with maturity period more than 12 months	53.87	10.00	-	-
Fixed deposits with banks with maturity period more than 3 months but upto 12 months*	-	-	507.47	2,267.68
	<u>53.87</u>	<u>10.00</u>	<u>518.94</u>	<u>2,282.11</u>
<b>Amount disclosed under non-current assets (refer note 1.12)</b>	<u>(53.87)</u>	<u>(10.00)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>679.53</u>	<u>2,404.01</u>

\* pledged as security for letters of credit/bank guarantees amounting to Rs. 225.26 (previous year Rs. 225.69).

### 1.16 OTHER CURRENT ASSETS

(Unsecured considered good, unless otherwise stated)

Particulars	As at 31 March 2016 Rs. Lacs	As at 31 March 2015 Rs. Lacs
Interest accrued on bank deposits	15.49	39.65
Interest accrued on other deposits	18.05	11.33
	<u>33.54</u>	<u>50.98</u>

### 2.1 OTHER OPERATING REVENUES

Particulars	For the year ended 31 March 2016 Rs. Lacs	For the year ended 31 March 2015 Rs. Lacs
Scrap and sludge sales	19.91	43.25
Liabilities no longer required written back	92.94	115.08
Duty draw back	30.37	-
	<u>143.22</u>	<u>158.33</u>

### 2.2 OTHER INCOME

Particulars	For the year ended 31 March 2016 Rs. Lacs	For the year ended 31 March 2015 Rs. Lacs.
Interest income		
on bank deposits	38.81	59.91
others	21.99	40.41
Insurance claims received	10.43	14.82
Plantation sales	19.70	19.91
Rental income	14.60	13.52
	<u>105.53</u>	<u>148.57</u>

## Notes to Accounts

### 2.3 COST OF MATERIALS CONSUMED

Particulars	For the year ended 31 March 2016		For the year ended 31 March 2015	
		Rs. Lacs		Rs. Lacs
<b>Raw materials consumed</b>				
Opening stock	1,597.73		1,360.21	
Add : Purchases	<u>17,842.14</u>		<u>16,653.65</u>	
	19,439.87		18,013.86	
Less : Closing stock	<u>2,130.65</u>	17,309.22	<u>1,597.73</u>	16,416.13
<b>Packing materials consumed</b>				
Opening stock	65.21		103.74	
Add : Purchases	<u>1,694.91</u>		<u>1,505.37</u>	
	1,760.12		1,609.11	
Less : Closing stock	<u>110.00</u>	1,650.12	<u>65.21</u>	1,543.90
		<u>18,959.34</u>		<u>17,960.03</u>

Also refer note 4.14

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

Particulars	For the year ended 31 March 2016		For the year ended 31 March 2015	
		Rs. Lacs		Rs. Lacs.
<b>Finished Goods</b>				
Closing Stock				
Manufactured paper	83.76		175.88	
Trading paper	-		4.85	
Soda ash	<u>16.45</u>	100.21	<u>64.30</u>	245.03
Less : opening stock				
Manufactured paper	175.88		15.77	
Trading Paper	4.85		103.49	
Soda ash	<u>64.30</u>	245.03	<u>7.91</u>	127.17
		(144.82)		117.86
<b>Work in progress</b>				
Closing stock				
Paper	124.82		57.19	
Chemicals	<u>49.71</u>	174.53	<u>66.15</u>	123.34
Less : opening stock				
Paper	57.19		104.12	
Chemicals	<u>66.15</u>	123.34	<u>78.66</u>	182.78
		51.19		(59.44)
<b>(Decrease) / Increase / {A+B}</b>		<u>(93.63)</u>		<u>58.42</u>

## Notes to Accounts

### 2.5 EMPLOYEE BENEFITS EXPENSE

Particulars	For the year ended	For the year ended
	31 March 2016	31 March 2015
	Rs. Lacs	Rs. Lacs
Salaries and wages		
salaries, bonus and wages*	2,819.70	2,379.24
compensated absences and other compensation	36.49	43.49
Contribution to		
provident fund and other funds	239.30	229.49
gratuity fund (refer note 4.8)	66.96	65.84
Staff welfare expenses	63.89	61.22
	<u>3,226.34</u>	<u>2,779.28</u>

\*excluding amount which is included in pollution control expenses in note 2.7 below

### 2.6 FINANCE COSTS

Particulars	For the year ended	For the year ended
	31 March 2016	31 March 2015
	Rs. Lacs	Rs. Lacs
Interest Expense		
on borrowings from banks*	1,349.23	1,550.82
on borrowings from others*	503.20	442.11
finance charges under finance lease	8.71	8.16
Other borrowing cost	53.74	27.57
	<u>1,914.88</u>	<u>2,028.66</u>

\*Refer note 4.3

### 2.7 OTHER EXPENSES

Particulars	For the year ended	For the year ended
	31 March 2016	31 March 2015
	Rs. Lacs	Rs. Lacs
Consumption of stores and spares	1,722.66	1,482.09
Consumption of chemicals	10,172.88	9,676.98
Power and fuel**	9,090.44	9,357.61
Rent	62.93	48.62
Repair and maintenance		
- Buildings	111.25	67.35
- Machinery	464.50	389.61
- Others	34.05	14.90
Insurance	38.12	25.34
Rates and taxes	38.20	61.06
Legal and professional fees (Refer note 4.2)	604.52	292.77
Loss on sale of fixed assets (net)	3.41	1.12
Commission to directors	35.11	33.79
Pollution control expenses*	484.84	453.03
Foreign exchange loss (net)	46.77	45.52
Corporate Social Responsibility expenses (refer note 4.9)	63.95	31.95
Bank charges	76.48	63.26
Miscellaneous expenses**	797.89	870.94
	<u>23,848.00</u>	<u>22,915.94</u>

\* Comprises of salary and wages Rs. 134.63 (previous year Rs. 114.83), power and fuel expenses Rs. 312.90 (previous year Rs. 301.49) and miscellaneous expenses Rs. 37.31 (previous year Rs. 36.71)

\*\* excluding amount which is included in pollution control expenses.

## Notes to Accounts

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Background

Kvantum 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

These financial statements have been prepared and presented on the accrual basis of accounting and comply with the Accounting Standards referred to in section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, the relevant provisions of the Companies Act, 2013, pronouncements of the Institute of Chartered Accountants of India and other accounting principles generally accepted in India, to the extent applicable. The financial statements are presented in Indian rupees.

##### 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

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities.

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

##### Assets

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

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

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

All other assets are classified as non-current.

##### Liabilities

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

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

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

All other liabilities are classified as non-current.

##### d. Fixed assets and depreciation

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

The Company had revalued its freehold land in the previous year. (Refer Note no. 1.10)

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.

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.

The Company is providing depreciation on its tangible fixed assets on straight line method except on second hand captive power plant on which it is on written down value method.

## Notes to Accounts

Upto 31 March 2014, depreciation was provided on pro-rata basis at the rates prescribed under Schedule XIV to the Companies Act, 1956 except:

- assets taken on finance lease and leasehold improvements on which depreciation is provided on the straight line method over the useful life of assets as estimated by the management (presently 3 years) or lease term, whichever is shorter; and
- assets individually costing upto Rs. 5,000 were fully depreciated in the year of purchase.

Pursuant to Companies Act, 2013 ('the Act') being effective from 1 April 2014, the Company had revised depreciation rates, wherever required, on its tangible fixed assets to align with the useful life specified in Part 'C' of Schedule II to the Act. Consequently, the depreciation charge for the year ended 31 March 2015 was lower by Rs. 538.28. Further based on transitional provision provided in Schedule II, an amount of Rs. 57.33 (after adjustment of related tax impact) was debited to opening balance of retained earnings in respect of fixed assets where life had expired as on 31 March 2014.

### 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. 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.

### h. 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, 2014. 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.

### i. 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 dispatch 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.

### j. 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 employee's 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

## Notes to Accounts

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.

### **k. 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.

### **l. Taxes on income**

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) 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 liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets will be realised in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised. Further, no deferred tax assets/liabilities are recognised in respect of timing differences that reverse within the tax holiday period. Minimum Alternative Tax ('MAT') under the provisions of the Income-tax Act, 1961 is recognized as current tax in the Statement of Profit and Loss. The credit available under the Income-tax Act in respect of MAT paid is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date.

### **m. 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.

### **n. 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.

### **o. Borrowing costs**

Borrowing costs are interest, ancillary cost and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs incurred by the Company in connection with the borrowing of funds.

Borrowing costs are recognised in the Statement of Profit and Loss in the period in which it is incurred, except where the cost is incurred for acquisition, construction, production or development of an asset that takes a substantial period of time to get ready for



## Notes to Accounts

its intended use in which case it is capitalised up to the date the assets are ready for their intended use. Ancillary costs incurred in connection with the arrangement of borrowings are amortised over the period of such borrowings.

### p. 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.

### q. 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.

## 4. OTHER NOTES TO ACCOUNTS

### 4.1 Contingent liabilities, commitments and other litigation

Particulars	As at 31 March 2016	As at 31 March 2015
a) Claims against the Company not acknowledged as debts		
- Income tax matters	529.90	529.90
- Excise duty matters	599.77	598.54
b) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	2,786.49	1,887.64

### c) Other pending Litigations

Name of Statute	Nature of the dues	As at 31 March 2016	As at 31 March 2015	Financial year/year's to which it relates	Notes
Central Excise Act, 1944	Excise Duty	52.15	52.15	2012-13	{i}
The Water (Prevention and Control of Pollution) Cess Act, 1977	Water Cess	20.68	54.60	2012-13 to 2014-15	{ii}

{i} Refund case is pending with Commissioner (Excise), Rs. 52.15 is classified under Note 1.11(c), cenvat credit recoverable.

{ii} Appeal is pending with Chairman, Appellate Committee, Punjab Pollution Control Board, Patiala. Provision created amounting to Rs. 49.50 which is under litigation and against which amount has been deposited Rs. 28.82, therefore closing balance of Rs. 20.68 is classified under Note 1.9 (e), statutory dues.

d) Further, the Company has filed legal cases against certain parties for recoverability of balances due from them. Appropriate, provision wherever required has been created in the financial statements.

## Notes to Accounts

### 4.2 Auditors' remuneration (excluding service tax)

Particulars	Year ended	Year ended
	31 March 2016	31 March 2015
- As auditors	11.00	9.75
- Limited reviews	9.90	8.25
- Certification	0.10	0.10
- Reimbursement of out of pocket expenses	1.43	1.11
<b>Total</b>	<b>22.43</b>	<b>19.21</b>

**4.3** Borrowing cost relating to qualifying assets which has been considered as cost of fixed assets is amounting to Rs. 306.66 (previous year Rs. 143.71)

### 4.4 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 - 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 - Mrs. Abha Khaitan
(c) Investing party in respect of which the Company is an associate	- Esteem Finventures Limited

## Notes to Accounts

C. Transactions during the year	Rs. Lacs	
	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Nature of transactions</b>		
<b>a) Unsecured loans taken</b>	<b>726.00</b>	<b>410.90</b>
- Mr. Jagesh K Khaitan #	145.00	151.00
- Mrs. Usha Khaitan#	-	54.90
- Mr. Pavan Khaitan#	225.00	65.00
- Mrs. Aparna Khaitan#	-	140.00
- Mrs. Shashi Khaitan#	100.00	-
- Ms. Abha Khaitan	250.00	-
- Ms. Deeksha Khaitan#	3.00	-
- Ms. Malavika Khaitan#	3.00	-
<b>b) Unsecured loans repaid</b>	<b>313.00</b>	<b>351.00</b>
- Esteem Finventures Limited	162.00	-
- Mr. Jagesh K Khaitan #	45.00	141.00
- Mrs. Usha Khaitan#	-	54.00
- Mr. Pavan Khaitan#	-	40.00
- Mrs. Aparna Khaitan#	-	110.00
- Mrs. Shashi Khaitan#	100.00	-
- Ms. Deeksha Khaitan#	3.00	-
- Ms. Malavika Khaitan#	3.00	6.00
<b>c) Payment against transfer of property</b>	<b>231.61</b>	<b>-</b>
- Mr. Pavan Khaitan	231.61	-
<b>d) Interest on unsecured loans</b>	<b>138.95</b>	<b>131.07</b>
- Esteem Finventures Limited	4.03	16.20
- Mr. Jagesh K Khaitan	37.13	25.21
- Mrs. Usha Khaitan	7.99	7.17
- Mr. Pavan Khaitan	24.01	18.58
- Mrs. Aparna Khaitan	43.56	41.92
- Ms. Deeksha Khaitan	5.40	5.40
- Ms. Malavika Khaitan	4.50	4.59
- Mrs. Shashi Khaitan	12.00	12.00
- Mrs. Abha Khaitan	0.33	-

## Notes to Accounts

Nature of transactions	Rs. Lacs	
	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>e) Managerial Remuneration</b>	<b>209.78</b>	<b>198.34</b>
- Mr. Jagesh K Khaitan	102.14	97.06
- Mr. Pavan Khaitan	107.64	101.28
<b>f) Preference dividend proposed</b>	<b>300.00</b>	<b>300.00</b>
- Esteem Finventures Limited	250.00	250.00
- Mr. Jagesh K Khaitan	10.00	10.00
- Mr. Pavan Khaitan	30.00	30.00
- Mrs. Aparna Khaitan	10.00	10.00
<b>g) Management Consultancy Services (excluding service tax)</b>	<b>111.00</b>	-
- Esteem Finventures Limited	111.00	-
<b>h) Other charges (rent)</b>	<b>0.60</b>	<b>0.60</b>
- Esteem Finventures Limited	0.60	0.60
<b>i) Purchases</b>		
- Esteem Finventures Limited	<b>5,328.02</b>	<b>6,342.66</b>
- Agro Material	5,328.02	6,339.05
- Specialty Paper	-	3.61
# includes public deposits matured and renewed during the year.		
<b>D. Balance outstanding</b>		
<b>Unsecured loans</b>	<b>1,756.90</b>	<b>1,343.90</b>
- Esteem Finventures Limited	-	162.00
- Mr. Jagesh K Khaitan	386.00	286.00
- Mrs. Usha Khaitan	69.90	69.90
- Mr. Pavan Khaitan	430.00	205.00
- Mrs. Aparna Khaitan	438.50	438.50
- Mrs. Shashi Khaitan	100.00	100.00
- Ms. Deeksha Khaitan	45.00	45.00
- Ms. Malavika Khaitan	37.50	37.50
- Mrs. Abha Khaitan	250.00	-
<b>Trade Payables</b>	<b>65.02</b>	-
- Esteem Finventures Limited	65.02	-

The secured borrowing facilities of the Company are secured by way of personal guarantees of Chairman and Managing Director in favour of lenders.

Further term loan of Rs. 1,799.34 (previous year Rs. 2,700.00) is secured by pledge of 10,00,000 equity shares of the Company by an Associate Company.

### 4.5 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 (Accounts) Rules, 2014 in relation to segment reporting is not given.

## Notes to Accounts

### 4.6 Leases

#### As lessee:

##### Operating leases

The Company has taken office and residential premises under cancellable operating lease agreements. Lease payments charged during the year in Statement of Profit and Loss aggregate Rs. 62.93 (previous year Rs. 48.62).

##### Finance leases

The Company acquires certain computer and IT 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 2016	Interest	Present value of minimum lease payments
Within one year	36.30 (46.91)	4.00 (8.99)	32.30 (37.83)
Later than one year and not later than five years	13.94 (50.87)	0.64 (4.64)	13.30 (45.60)
<b>Total</b>	<b>51.34</b> <b>(97.78)</b>	<b>4.64</b> <b>(13.63)</b>	<b>46.70</b> <b>(83.43)</b>

(Figure in bracket represent previous year amount)

#### As lessor:

##### Operating leases

The Company has entered into a lease agreement for office premises. The agreement will get operational by September 2016.

**The future minimum lease payments under non-cancellable operating leases are as follows:**

	As at 31 March 2016	As at 31 March 2015
Within one year	22.37	-
Later than one year and less than five years	162.50	-
More than five years	590.77	-

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

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Profit after tax as per Statement of Profit and Loss	2,451.68	2,503.79
Less: preference dividend including tax thereon	361.07	359.98
Net profit attributable to the equity shareholders (A)	2,090.61	2,143.81
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)	23.96	24.57

## Notes to Accounts

### 4.8 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.170.46 (previous year Rs. 159.67) under provident fund scheme and Rs. 53.40 (previous year Rs. 54.64) 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 as given below:

Particulars	Rs. Lacs	
	As at 31 March 2016	As at 31 March 2015
a) Present value of obligation as at the beginning of the year	549.42	455.54
b) Interest cost	46.70	38.72
c) Current service cost	57.99	51.74
d) Benefits paid	(51.03)	(9.26)
e) Actuarial loss on obligation	6.33	12.68
<b>Present value of obligation as at the end of the year</b>	<b>609.41</b>	<b>549.42</b>

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

Particulars	Rs. Lacs	
	As at 31 March 2016	As at 31 March 2015
a) Fair value of plan assets at the beginning of the year	554.84	466.80
b) Expected return on plan assets	45.77	40.85
c) Actuarial loss	(1.71)	(3.55)
d) Contributions	75.00	60.00
e) Benefits paid	(51.03)	(9.26)
<b>Fair value of plan assets at the end of the year</b>	<b>622.87</b>	<b>554.84</b>

#### Expenses recognised in the statement of Profit and Loss are as given below :

Particulars	Rs. Lacs	
	For the year ended 31 March 2016	For the year ended 31 March 2015
a) Current service cost	57.99	51.74
b) Interest cost	46.70	38.72
c) Expected return on plan assets	(45.77)	(40.85)
d) Net actuarial loss recognized in the year	8.04	16.23
<b>Expenses recognized in profit and loss account</b>	<b>66.96</b>	<b>65.84</b>

## Notes to Accounts

### Details of current year and previous four years of:

Particulars	Year ended 31 March					Rs. Lacs
	2016	2015	2014	2013	2012	
Defined benefit obligation	609.40	549.42	455.54	380.93	298.21	
Fair value of plan assets	622.87	554.84	466.80	384.08	300.48	
Surplus	13.47	5.43	11.26	3.15	2.27	
Experience adjustment on plan liabilities gain/(loss)	17.42	(12.68)	(10.41)	(41.28)	(37.49)	
Experience adjustment on plan assets (loss)/gain	(4.49)	(3.55)	(1.75)	(0.55)	(22.97)	

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

Particulars	As at	As at
	31 March 2016	31 March 2015
	%	%
Discount rate	8.00	8.50
Expected rate of return on assets per annum	8.25	8.75
Salary escalation rate per annum	8.00	8.00

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 2016		As at 31 March 2015	
	IALM(2006-08)		IALM(2006-08)	
Mortality	58 Years		58 Years	
Retirement age	58 Years		58 Years	
<b>Withdrawal rates</b>	<b>Age</b>	<b>Withdrawal rate %</b>	<b>Age</b>	<b>Withdrawal rate %</b>
	Upto 30 yrs.	3	Upto 30 yrs.	3
	From 31 to 44 yrs.	2	From 31 to 44 yrs.	2
	Above 44 yrs.	1	Above 44 yrs.	1

Enterprise best estimate of contribution during next year is Rs. 63.64

### The major categories of plan assets are as follows:

Particulars	As at	As at
	31 March 2016	31 March 2015
Insurer managed funds*	569.21	494.18
Bonds and Government securities	53.56	60.56
Balance with banks	0.10	0.10
	<u>622.87</u>	<u>554.84</u>

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

## Notes to Accounts

**4.9** As per requirement of sub section (5) of section 135 of the Companies Act 2013, the Company was required to spend at least two percent of its average net profit for the three immediately preceding financial year, in pursuance of its Corporate Social Responsibility (CSR) Policy. Till 31 March 2016, the Company has spent Rs. 63.95 towards CSR activities.

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

Particulars	For the year ended 31 March 2016		For the year ended 31 March 2015	
	Value (Rs. Lacs)	%	Value (Rs. Lacs)	%
<b>Raw materials</b>				
Imported	7,352.84	38.78	6,305.02	35.11
Indigenous	11,606.50	61.22	11,655.01	64.89
<b>Total</b>	<u>18,959.34</u>	<u>100.00</u>	<u>17,960.03</u>	<u>100.00</u>

### 4.11 Value of imported and indigenous stores and spares and chemicals consumed during the year :

Particulars	For the year ended 31 March 2016		For the year ended 31 March 2015	
	Value (Rs. Lacs)	%	Value (Rs. Lacs)	%
<b>Stores, spares and chemicals</b>				
Imported	124.43	1.04	116.39	1.04
Indigenous	11,771.11	98.96	11,042.68	98.96
<b>Total</b>	<u>11,895.54</u>	<u>100.00</u>	<u>11,159.07</u>	<u>100.00</u>

### 4.12 CIF value of imports :

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Raw materials	6,977.59	6,071.57
Capital goods	609.22	305.13
Spares/stores	127.20	136.32

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

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Paper	53,524.01	51,079.96
Soda ash (by-product)	1,593.06	1,537.06
Traded goods (including high seas sale)	3.23	108.61
Waste board (by Product)	78.50	54.22
Recovered semi solid fiber	16.00	-
	<u>55,214.80</u>	<u>52,779.85</u>

### 4.14 Details of raw materials and packing material consumed during the year :

Particulars	For the year ended 31st March 2016	For the year ended 31st March 2015
Wood pulp	7,352.84	6,305.02
Wheat straw	5,510.02	5,566.94
Wood chips	1,769.16	1,498.76
Packing Material	1,650.11	1,543.90
Other raw materials	2,677.21	3,045.41
	<u>18,959.34</u>	<u>17,960.03</u>



## Notes to Accounts

4.15 Expenditure in foreign currency (on accrual basis) Particulars	For the year ended	Rs. Lacs
	31 March 2016	For the year ended 31 March 2015
Travelling and conveyance	10.89	8.73
Interest expense	87.07	7.34
Legal and professional expenses	-	34.49

4.16 Earnings in foreign currency Particulars	For the year ended	Rs. Lacs
	31 March 2016	For the year ended 31 March 2015
FOB value of exports	1,344.22	343.17

**4.17 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 2016		As at 31 March 2015	
		Foreign Currency	Rs. (in Lacs)	Foreign Currency	Rs. (in Lacs)
<b>Payables :</b>					
Trade Payable	USD	2.76	183.36	8.39	525.07
Unsecured loan	USD	33.50	2,222.15	33.50	2,096.79
Interest accrued but not due on unsecured loan	USD	0.14	9.36	0.12	7.34

**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.

**4.19** 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/W-100022

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

**Jagesh K Khaitan**  
Chairman  
DIN - 00026264

**Pavan Khaitan**  
Managing Director  
DIN - 00026256

**Pravin Tulsyan**  
Partner  
Membership No.: 108044

**Roshan Garg**  
President-Finance & CFO

**Vivek Trehan**  
Company Secretary

Place : Chandigarh  
Date : 26 May 2016

Place : Chandigarh  
Date : 26 May 2016

**Form No. MGT-11  
Proxy Form**

*[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]*

**CIN** : L21012PB1997PLC035243  
**Name of the Company** : KUANTUM PAPERS LTD.  
**Registered office** : Salla Khurd, 144 529, Distt. Hoshiarpur, Punjab

<b>Name of the member (s)</b> :	
<b>Registered address</b> :	
<b>E-mail ID</b> :	
<b>Folia No. / Client ID</b> :	
<b>DP ID</b> :	

I/We, being the member (s) of.....shares of the above named company, hereby appoint

1. Name :  
Address :  
E-mail id :

Signature.....or failing him

2. Name :  
Address :  
E-mail id :

Signature.....or failing him

3. Name :  
Address :  
E-mail id :

Signature.....

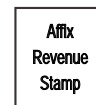
as my / our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 19<sup>th</sup> Annual General Meeting of the Company, to be held on the 14<sup>th</sup> day of September, 2016 at 11:30 a.m. at Salla Khurd, 144529, Distt. Hoshiarpur, Punjab and at any adjournment thereof in respect of such resolutions as are indicated below :

**Resolution No.**

<b>Ordinary Business</b>	
<b>Sr. No.</b>	<b>Item</b>
1	To receive, consider and adopt the audited Balance Sheet of the Company as at 31 March 2016 and the Statement of Profit & Loss for the year ended on that date together with the reports of the Auditors and Directors thereon
2	To declare dividend on the Preference and Equity Shares
3	Appointment of Director in place of Shri Umesh K Khaitan, (DIN : 01180359) who retires by rotation and being eligible, offers himself for re-appointment
4	Ratification of appointment of Statutory Auditors of the Company
<b>Special Business</b>	
5	Approval from shareholders for related party transaction.
6	To accept Deposits u/s 73 and 76 of the Companies Act, 2013
7	Approval and ratification of payment of remuneration to the Cost Auditors

Signed this.....day of.....2016

Signature of Shareholder



Signature of Proxy holder (s)

Note : This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.



**Kuantum Papers Ltd**  
The Paper Makers

## *Our* MISSION

**Achieving excellence and consistency in quality;**

**Preserving environment;**

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

**Ensuring total satisfaction of the customer;**

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

*thereby*

**Attaining supremacy in the industry.**



*Kvantum Papers Ltd*

*The Paper Makers*

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



## ***Kuantum Papers Ltd***

*The Paper Makers*

**CIN : L21012PB1997PLC035243**

Regd. Office : Salia Khurd 144 529 Distt. Hoshiarpur Punjab

EMAIL - kuantumcorp@kuantumpapers.com

Website : www.kuantumpapers.com

### **ATTENDANCE SLIP**

Regd. Folio No. / DP ID - Client ID : \_\_\_\_\_

Name & Address of First/Sole Shareholder : \_\_\_\_\_

No. of Shares held : \_\_\_\_\_

**I hereby record my presence at the 19<sup>th</sup> Annual General Meeting of the Company to be held on Wednesday, the 14<sup>th</sup> day of September, 2016 at 11:30 a.m. at Salia Khurd, 144 529, Distt, Hoshiarpur, Punjab.**

Signature of Member/Proxy

**Notes :**

- a) Only Member/Proxy can attend the meeting. No minor would be allowed at the meeting.
- b) Member / Proxy wish to attend the meeting must bring this attendance slip to the meeting and handover at the entrance duly filled in and signed.

# ROUTE MAP

