

KAY PULP AND PAPER MILLS LIMITED

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		OPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



7th
Annual Report
1997-98



KAY PULP AND PAPER MILLS LIMITED

BOARD OF DIRECTORS : Mr. Sushil Chandra
Mr. Anilkumar Gupta
Mr. Suhas M. Sadekar
Mr. T.A.N. Devalkar SICOM Nominee
Mr. Niraj Chandra Chairman and Managing Director

**COMPANY SECRETARY &
MANAGER FINANCE** : Mr. Sham A. Mulye

AUDITORS : M/S Godbole & Co.
Chartered Accountants
410, Guruwar Peth
Sai chambers, Raj path
Satara : 415 002

BANKERS : State Bank of India

**REGISTERED OFFICE &
WORKS** : Gat No. 454/457
Village Borgaon
Tal./Dist. Satara : 415 519
Maharashtra

INVESTORS' SERVICE CELL : 2, Krishna
352/10, Boat Club Road,
Pune : 411 001.

**SEVENTH ANNUAL GENERAL MEETING
TUESDAY, 29TH SEPTEMBER 1998.**

Time : 2.30 P.M.
Venue : Registered Office
Gat No. 454/457
Village - Borgaon,
Tal. /Dist. Satara : 415 519
Maharashtra



KAY PULP AND PAPER MILLS LIMITED

NOTICE

NOTICE is hereby given that the Seventh Annual General Meeting of the Members of Kay Pulp And Paper Mills Limited will be held at 2.30 P.M. on Tuesday, the 29th day of September, 1998 at the Registered Office of the Company at Gat No.454/457, Village Borgaon, Tal/Dist. Satara- 415 519, to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Anilkumar Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint the Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to Section 94 and other applicable provisions if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs. 8,00,00,000/- (Rupees Eight Crore Only) divided in to 80,00,000 Equity Shares of Rs. 10/- each to Rs. 10,00,00,000/- (Rupees Ten Crore Only) divided in to 1,00,00,000 Equity Shares of Rs. 10/- each by creation of additional 20,00,000 Equity Shares of Rs.10/- each ranking pari-passu with the existing Equity Shares of the Company and that the relevant clause of the Memorandum of Association of the Company be altered accordingly.

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

"RESOLVED THAT pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956, the existing clause V of the Memorandum of Association of the Company be substituted by the followings :

Clause V

The Authorised Share Capital of the Company is Rs.10,00,00,000/- (Rupees. Ten Crore only) divided into 1,00,00,000 (One Crore only) Equity Shares of Rs. 10/- (Rupees Ten only) each. The Company has power from time to time to increase or decrease its capital and to divide the shares in the Capital for the time being in to other classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or restrict in such manner as may for the time being permitted by the Articles of Association of the Company or the legislative provisions for the time being in force in that behalf."

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

"RESOLVED THAT pursuant to the provisions of Section 81 (1A) and other applicable provisions, of the Companies Act, 1956 (including any amendment to or re-enactment thereof) and in

accordance with the guidelines issued by Securities and Exchange Board of India (SEBI) and clarifications thereon issued from time to time and in accordance with the provisions of the Memorandum and Articles of Association of the Company and subject to necessary approvals, permissions and sanctions of Reserve Bank of India, Financial Institutions and any other appropriate authorities as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" Which term shall be deemed to include any Committee which the Board may have constituted or may constitute to exercise its powers, including the powers conferred by this Resolution) to offer, issue and allot Equity Shares of Rs.10/- each for an amount not exceeding Rs.400 Lac at par to Directors, their relatives, friends and business associates, including companies, by way of private placement on preferential basis in such manner and in such numbers as the Board may deem appropriate.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorised to take all such actions and/or to give such directions or to do all such acts, deeds, matters and things as may be necessary or desirable and to accept any modification(s) in terms of issue of Equity Shares as may be required by any statutory or other authority and to settle any question or difficulty that may arise with regard to the issue and allotment of Equity Shares and to alter, vary, add or delete any of the terms/conditions thereof as they deem expedient in the interest of the Company."

7. To Consider and, if thought fit, to pass with or without modifications, the following resolution, as a Special Resolution:

"RESOLVED THAT the Memorandum of Association of the Company be altered by adding thereto the following new clause 7(a) to the Incidental/Ancillary Objects of the Company : 7 (a) To lend money, give guarantee, counter guarantee, security or indemnity for the payment of any principal moneys, interest or other moneys secured by or payable under any contracts, obligations and for the performance of obligations of any other person, firm or bodies corporate including the bodies corporate under the same management."

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the guidelines issued by the Securities and Exchange Board of India (SEBI) for the purpose of Voluntary Delisting of Securities and subject to such approvals, consents of other Authorities, if any, the required consent of the Company be and is hereby accorded to discontinue the official listing of its Equity Shares from Ahmedabad and New Delhi Stock Exchanges.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things which are necessary and incidental to give effect to the above resolution"

BY ORDER OF THE BOARD OF DIRECTORS

PLACE : Satara
DATE : 30th June, 1998

Sham A. Mulye
Company Secretary &
Manager Finance



7th ANNUAL REPORT 1997-98

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S INVESTORS' SERVICE CELL NOT LATER THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. An explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of item Nos. 4 to 8 in the above notice is annexed hereto.
3. Register of members and share Transfer Books of the Company will remain closed from Wednesday, 16th September 1998 to Tuesday, 29th September 1998 (both days inclusive)

4. The members are requested to get the multiple folios consolidated and also get the shares transferred in joint names if they are held in single name to avoid inconvenience in future.
5. In case, Members wish to ask for any information about accounts and operations of the Company, they are requested to send their queries in writing atleast 7 days in advance of the date of the Meeting so that the information can be made available at the time of the Meeting.
6. The Members are requested to communicate all their correspondence including share transfers to :

**INVESTORS' SERVICE CELL
KAY PULP AND PAPER MILLS LIMITED,
2 "KRISHNA", 352/10, BOAT CLUB ROAD,
PUNE- 411 001.**

Explanatory Statement pursuant to Sec.173(2) of the Companies Act.1956

Item No. 4,5,6

The Company proposes to install a plant for co-generation of 4 M.W. power at an estimated cost for Rs.1400 Lac approx. for captive consumption and sell of excess available, with the help of EREDA. The cost of the said expansion cum diversification project of Rs. 1400 lac approx. is proposed to be met from internal accruals, raising of additional loans from banks/financial institutions and partly by raising of Equity Capital, to meet the requirement of Banks/Financial Institutions for contribution of own funds.

In the present gloomy stock market situation right or fresh Public Issue of Equity Shares at par is not feasible. However, Directors alongwith their relatives, friends and business associates (including Companies) have agreed to bring in the required contribution to install co-generation to make the operations viable, profitable and competitive in the coming years.

To issue further Shares the approval of the Shareholders by way of special resolution is required under Section 81 (1A) of the Companies Act, 1956 and hence, the resolution at Item No. 6 is recommended for your approval.

The present authorised capital will not be sufficient to cover the fresh issue hence the increase in authorised share capital is sought. Accordingly the resolution at Item No. 4 and 5 is recommended for your approval for increase in authorised share capital and consequential change in the capital clause of the Memorandum of Association of the Company.

The Board recommends these resolution for approval of the Members.

Mr. Niraj Chandra and Mr. Sushil Chandra, the Promoter Directors as well as the other Directors may be deemed to be concerned or interested in the above said resolution to the extent of shares which may be issued and allotted to them, their relatives or body(ies) corporate in which they are Director(s)/member(s).

Item No. 7

The business operations of the Company have since been streamlined and regularised. It may be advantageous and profitable for the Company to authorise the Board of Directors to make loans, give guarantees etc. in future, from time to time, to other bodies corporate and authorities to avail the prevailing opportunities. Some time during the course of business the Company is also required to give loan or provide guarantee to other bodies corporate or persons.

To enable the Board of Directors to undertake such activity it is required to be covered in the objects clause of the Memorandum of Association. It is observed that the present Memorandum of Association does not adequately cover the same. In view of this it is proposed to add suitable object clause in the incidental or ancillary objects of the Company.

However it is not under the consideration of the Board of Directors to give any loan, or to provide any guarantee to any other person in the immediate future and it is only with the intention to have the enabling authority in the Memorandum of Association.

None of the Directors is, in anyway concerned or interested in passing of the aforesaid resolution.

The Board recommends the resolution for approval of the Members.

Item No.8

Vide the Prospectus dated 2nd February, 1995, the Company came out with its maiden Public Issue of Equity Shares and got its shares listed on Mumbai, Pune, Ahmedabad and New Delhi Stock Exchanges w.e.f. May, 1995. Pune stock Exchange is the Regional Stock Exchange for the Company and since May 1995, i.e. since listing, shares are regularly traded on Mumbai Stock Exchange. However, there was not a single transaction occurred on the floors of Ahmedabad as well as New Delhi Stock exchange during listing till March 1997.

As, since listing, trading had not taken place for a single time for last 2 years, your Directors have decided to discontinue the listing at Ahmedabad and New Delhi Stock Exchanges in April 1997 as this would not have affected the investors interest.

Recently Securities and Exchange Board of India (SEBI) came out with the Guidelines for Voluntary Delisting of Securities by the Companies from the Stock Exchanges vide its Circular No. SMDRP/ CIR 14/98 dated 29th April, 1998. Under the procedure prescribed therein the Company is required to obtain specific prior approval of the shareholders of the Company by way of special Resolution passed at a General Meeting.

The other formalities prescribed therein shall be observed by the Company. The copy of the said guidelines issued by SEBI and the aforesaid letter alongwith Listing Agreements etc. are open for inspection of the Members on any working day between 1.00 p.m. to 3.00 p.m.

Hence the resolution at Item No. 8 of the Notice is recommended for your approval.

None of the Directors of the Company is in any way concerned or interested in passing of the said Resolution.

BY ORDER OF THE BOARD OF DIRECTORS

PLACE : Satara
DATE : 30th June, 1998

Sham A. Mulye
Company Secretary &
Manager Finance

7 th ANNUAL REPORT 1997-98

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Seventh Annual Report and audited Accounts of the Company for the Financial Year ended on 31st March, 1998.

Financial Performance :

	(Rs. in lac)	
	Year ended	
	31.03.98	31.03.97
Turnover	802.96	906.18
Profit before tax	6.29	5.92
Profit after tax	6.29	5.92
Add : Balance Brought Forward From Previous Year	202.47	196.55
Profit carried to Balance Sheet	208.78	202.47

Dividend :

Due to inadequacy of profits, your Directors regret for not being able to recommend any dividend for the year.

Operations :

During the year under review there was a drop in the turnover of the Company from Rs. 906.18 Lac of previous year to Rs. 802.96 lac. This was mainly due to further drop in selling prices by about 10% to 15% , due to the continued cut - throat competition prevailed in the sluggish market conditions in the further gloomed economy for all industries and paper industry in particular suffering worst. Besides this, increased input costs have marred the profitability for the year and the net profit after tax stood at Rs. 6.29 lac. The working was also affected by workers slowdown agitation in last quarter and strike in February 1998.

Due to panic dumping of South East Asian Countries the prices in Srilankan market were so broken that export to Srilanka came to standstill & Company could export paper worth Rs. 10.70 lac only.

Projections v/s Performance :

The comparison of actual performance for the year 1997-98 with the projections indicated in the prospectus dated 2nd February 1995.

	(Rs. in Lac)	
Particulars	Projections	Performance
Turnover	1474.60	802.96
Profit before Tax	306.25	6.29
Profit after Tax	206.52	6.29

The projections could not be achieved due to further slump in the economy, drop in selling prices and increased input costs and lower production.

Prospects :

In 1998 Budget, the import duty on paper and paper board was raised by 10% in addition to 4% across the board import duty hike. The substantial fall of Rupee against Dollar had made the import further dearer and unviable and the domestic prices are firming up. With the strategic direct marketing and direct orders through tenders, Directors are confident to achieve encouraging result during the current year.

Co-Generation of Power :

With the stabilisation of both machines, the production is substantially increased and a production level of 1200 M.T. per month is now achieved. Company expect to attain

KAY PULP AND PAPER MILLS LIMITED

optimum level of 1500 M.T. per month soon. Electricity charges constitutes major conversion charges. M.S.E.B. power tariffs are continuously on hike and power is expected to be dearer by atleast 25% in the next millennium.

To combat this situation and to increase the competence by cost effectiveness, Company proposes to put a bagasse base combustion boiler to produce 4 M.W. power under the scheme of EREDA. The project cost will be approx. Rs.1400 lac, this will take care of captive consumption and excess available will be sold.

A resolution for raising Equity Capital required for the Company's contribution for this, is submitted for members approval in the notice of the ensuing Annual General Meeting.

Directors :

Mr. Anilkumar Gupta, Director of the Company will retire by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment.

Auditors :

M/s. Godbole & Co. Chartered Accountants, Satara, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

Fixed Deposits :

During the year under report, Company has accepted Fixed Deposits amounting to Rs. 11.24 lac & has no deposit outstanding or unclaimed as on 31st March, 1998.

Statutory Particulars :

In Terms of Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the relevant information pertaining to Energy Conservation. Technology Absorption, Foreign Exchange. Earnings and Outgo is given in the Annexure to this Report.

A statement giving particulars of employees pursuant to section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975 is appended.

Acknowledgment :

Your Directors express their deep appreciation for the dedicated and sincere services by the employees at all levels.

Relations have been cordial except the labour unrest observed during last quarter.

Your Directors are grateful to the financial institutions and bankers for timely assistance. Your Directors are also grateful to Shareholders, customers and suppliers of the Company for their continued valuable support.

For and on behalf of the board of Directors

Place : Satara
Date : 30th June, 1998

Niraj Chandra
Chairman and
Managing Director

INFORMATION AS PER SECTION 217(2A)(b) (II) OF THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 1998.

Name and designation	Remuneration (Rs.)	Qualification	Experience (years)	Date of commencement of employment	Age (years)	Last employment
a) Employed throughout the year : Mr. Niraj Chandra Chairman & Managing Director	3,60,000	B.Com.	13	1.10.92	35	Business
b) Employed for part of the year : NIL						

NOTE : The nature of employment of Mr. Niraj Chandra, Chairman and Managing Director is contractual.