

KAY PULP AND PAPER MILLS LIMITED

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FOR KAY PULP AND PAPER MILLS LTD



**(SHAM A. MULYE)
COMPANY SECRETARY**



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**13th
Annual Report
2003-2004**



KAY PULP AND PAPER MILLS LIMITED

BOARD OF DIRECTORS : Mr. Sushil Chandra upto 28.7.2004
Mrs. Deepa Chandra
Dr. Anil K. Rajvanshi Nominee of IREDA upto 22.4.2004
Mr. A.T. Shaikh Nominee of W.M.D.C. Ltd.
Mr. Niraj Chandra Chairman and Managing Director

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

AUDITORS : M/S. GODBOLE & COMPANY
Chartered Accountants
Sai Chambers,
410, Guruwar Peth
Satara: 415 002

BANKERS : State Bank of India
Central 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

**THIRTEENTH ANNUAL GENERAL MEETING
THURSDAY, 30TH SEPTEMBER, 2004**

Time : 3.00 P.M.

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

13 th ANNUAL REPORT 2003-2004**NOTICE**

NOTICE is hereby given that the Thirteenth Annual General Meeting of the members of KayPulp and Paper Mills Limited will be held on Thursday, 30th September, 2004 at 3.00 p.m. at Registered Office of the Company at Gat No. 454/457, Village Borgaon, Tal./Dist. Satara : 415 519, Maharashtra, to transact the following business :-

ORDINARY BUSINESS :

1. To, receive, consider and adopt the audited Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Report thereon.
2. To appoint a director in place of Mrs. Deepa Chandra, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint the auditors and to fix their remuneration.
4. 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.
5. The members are requested to communicate all their correspondence including share transfers to Investors' service cell at, 2, Krishna, 352/10, Boat Club Road, Pune - 411001.
6. Dematerialisation : The Shares of the Company are compulsorily traded in demat w.e.f. 25th September, 2000. The Shareholders who have not dematerialised their shares are requested to opt for dematerialisation of their shareholdings by opening DP Account with nearest Depository Participant at the earliest, which will facilitate smooth purchase/sale of Company's shares.

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. Register of Members and Share Transfer Books of the Company will be closed from Thursday, 23rd September, 2004 to Thursday, 30th September, 2004 (both days inclusive)
3. The members are requested to get the multiple folios consolidated and to make their holdings into joint names to get the inbuilt advantage of joint holdings.

INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGE IN RESPECT OF THE DIRECTOR WHO IS RETIRING BY ROTATION AND BEING ELIGIBLE, HAVE OFFERED HERSELF FOR RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING TO BE HELD ON 30TH SEPTEMBER, 2004

Mrs. Deepa Chandra, age 38 years, is having rich experience of more than 10 years with good rapo with various industries which will be beneficial to the Company.

By order of the Board of Directors,
For **KAY PULP AND PAPER MILLS LTD.**

PLACE : Pune

DATE : 28th July, 2004

Sham A. Mulye
Company Secretary
& Manager Finance

KAY PULP AND PAPER MILLS LIMITED**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report on the business and operations of your Company and Audited Accounts for the year ended 31st March, 2004.

(Rs. in lac)

FINANCIAL PERFORMANCE

	Period ended	
	31.3.2004	31.3.2003
	(12 Months)	(9Months)
Turnover	328.57	427.18
Loss before interest depreciation etc.	223.82	31.14
Interest	157.63	363.23
Depreciation	--	149.46
Net Loss carried to balance sheet	<u>381.45</u>	<u>543.83</u>

OPERATIONS:

The operations of the Company had further deteriorated during the year under review.

The Power division was operated for very few days due to acute water shortage and restrictions on water usage in the severe drought situation.

The operating of Paper division on hired D.G. set was not viable and ultimately stopped to avoid rental charges of the D.G. Set.

The turnover of Power division was Rs. 83,47,521/- comprising export worth Rs. 72,67,987/- and Rs. 10,79,534/- for own consumption as against export of Rs. 72,56,809/- and Rs. 22,59,411/- for own consumption of the previous period. The turnover of the paper division was Rs. 2,45,09,899/- against Rs. 3,32,01,425/- of the previous period.

Company had not charged any depreciation to the fixed assets due to very less activities but till had incurred loss of Rs. 3,81,45,207/- against

loss of Rs. 3,94,37,027/- (without depreciation) of the previous period.

DIVIDEND:

In view of the losses suffered by the Company during the year under review, it is not possible for your Directors to recommend any dividend.

PROSPECTS:

The Scarcity of bagasse has compelled the Company to shut down the power division and in the prevailing circumstances Company is unable to restart the operations in near future.

Company has approached M.S.E.B. for power connection for paper division and hopes to get it by December 2004, to enable to operate it in the last quarter of the year 2004-05.

BIFR REGISTRATION:

The hearing for determining sickness is not commenced yet and in the light of the repealment of Sick Industrial Companies (Special Provisions) Act, 1985, Status of BIFR registration is uncertain.

DIRECTORS:

Indian Renewable Energy Development Agency Ltd., (IREDA) had withdrawn Board nomination of Dr. Anil K. Rajvanshi from 22nd April, 2004.

Mr. Sushil Chandra has resigned from the Board from 28th July, 2004 on account of ill health due to old age.

Your Directors place on record their gratitude for the valuable services rendered by Dr. Anil K. Rajvanshi and Mr. Sushil Chandra during their tenure.

Mrs. Deepa Chandra, Director of the Company retires by rotation and being eligible offers herself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT :-

The Directors confirm :

a) That in the preparation of the annual accounts, the applicable accounting

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standards have been followed and that no material departures have been made from the same.

- b) That they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Loss of the Company for that period.
- c) That to the best of their knowledge and information, they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) that they have prepared the annual account on a going concern basis.

CORPORATE GOVERNANCE :

Pursuant to clause 49 of the Listing Agreement, a report on corporate governance alongwith Auditors' Certificate on its compliance is attached as annexure 1 to this report.

AUDITORS :

The retiring Auditors, M/s GODBOLE & COMPANY, Chartered Accountants, are eligible for re-appointment and have indicated their willingness to act as such. In terms of Section 224A of the Companies Act, 1956, their appointment needs to be confirmed and their remuneration has to be fixed.

AUDITOR'S REPORT :

The observations of the Auditors in their Report are self explanatory & have been explained in the Notes to the Accounts as referred to in their report.

FIXED DEPOSITS :

As on 31st March, 2004 Company has no fixed deposits.

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 2 of this report.

None of the employees of the Company was in receipt of remuneration in excess of limits prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

DELISTING OF EQUITY SHARES FROM PUNE STOCK EXCHANGE :

Pune Stock Exchange Ltd. has delisted Equity Shares of your company from 10th May, 2004.

Equity shares of your Company will continue to be listed on the Stock Exchange, Mumbai, where the same are traded regularly.

ACKNOWLEDGMENT :

The Management appreciates the contribution of the employees at all levels. The relation with labour remained cordial throughout the year. Your Directors place on record their gratitude and appreciation for the co-operation and support received from SICOM Limited, Maharashtra State Financial Corporation, State Bank Of India, Indian Renewable Energy Development Agency Limited, Suppliers, Customers and Shareholders of the Company in this difficult period and look forward for their continuous support in coming years.

For and on behalf of the Board of Directors

Place : Pune
Date : 28th July, 2004

Niraj Chandra
Chairman and
Managing Director

KAY PULP AND PAPER MILLS LIMITED**ANNEXURE 1: CORPORATE GOVERNANCE****1. Company's philosophy on Corporate Governance.**

Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. All employees are guided by a code of conduct which sets for Company's policies on important issues, including relationship with consumer, shareholders, creditors and government.

2. Composition of Board.

The board of Directors has a mix of Executive and Non Executive Directors. The Board comprises of one promoter-executive chairman and managing director and four non executive directors. Two of the four non executive directors are independent directors. However due to IREDA's withdrawal of nomination in April, 2004 and Mr. Sushil Chandra's resignation in July, 2004 the position of the Board is changed. Efforts will be made to fulfil the independent Directors as soon as possible.

Table 1 - The composition of the Board and other directorships and committee positions held on 31.3.2004

Sr. No.	Name of the Director	Category	No. of other directorships	Committee positions	
				As chairman	As member
1	Mr. Sushil Chandra	Non executive	NIL	-	-
2	Mr. Niraj Chandra	Executive	NIL	1	-
3	Dr. Anil Rajvanshi (Nominee IREDA.)	Non executive independent	NIL	1	-
4	Mrs. Deepa Chandra	Non executive	NIL	-	1
5	Mr. A.T. Shaikh (Nominee W.M.D.C.Ltd.)	Non executive independent	NIL	-	1

Table 2 - Attendance of Directors at Board Meetings and at last AGM.

During the year 1.04.2003 to 31.3.2004, five Board Meetings were held on 30th June, 2003, 31st July, 2003, 19th September, 2003, 31st October, 2003 and 30th January, 2004.

The last Annual General Meeting was held on 30th September, 2003.

Sr. No.	Name of the Director	No. of Board Meetings attended	Attendance at last AGM
1.	Mr. Sushil Chandra	NIL	Absent
2.	Mr. Niraj Chandra	5	Present
3.	Dr. Anil Rajvanshi (Nominee IREDA.)	3	Absent
4.	Mrs. Deepa Chandra	3	Present
5.	Mr. A.T. Shaikh (Nominee W.M.D.C.Ltd.)	5	Absent

3. Audit Committee

The Audit Committee comprises of 3 non executive directors including two independent directors, Dr. Anil Rajvanshi, Chairman and Mr. A.T. Shaikh and Mrs. Deepa Chandra who has good financial and accounting knowledge. 4 Audit Committee meetings were held on 30th June, 2003, 31st July, 2003, 31st October, 2003 and 30th January, 2004.

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The Company Secretary acts as the Secretary to the committee.

The Audit Committee is responsible for overseeing the Company's financial reporting process, reviewing with the management the financial statements and adequacy of internal accounting functions and discuss significant findings on the accounting statements. The Committee acts as a link between the management, external auditors and the Board of Directors of the Company.

4. Remuneration Committee

Company has not constituted the remuneration committee as it has no pecuniary relationship or transactions with its non executive directors other than the payment of sitting fees to them for attending the meetings of the Board and the committee thereof.

Table3- Details of remuneration paid to Directors during the year are as under :

(RS.)

Sr. No.	Name of the Director	Sitting fee	Salary	Commission	Total
1.	Mr. Niraj Chandra	-	★	-	-
2.	Mr. Sushil chandra	-	-	-	-
3.	Dr. Anil Rajvanshi	750	-	-	750
4.	Mrs. Deepa Chandra	750	-	-	750
5.	Mr. A.T.Shaikh	1250	-	-	1250

- ★ In the light to heavy losses suffered by the Company, Mr. Niraj Chandra, in consultation with the Board had offered his services as Chairman and Managing Director without payment of any salary from 1.7.2002.

5. Shareholders/Investors grievance committee.

The share transfer committee comprises of Mr. Niraj Chandra, Chairman and Managing Director and Mr. Sham A. Mulye, Secretary of the Company.

The Committee meets at suitable intervals to take on record share transfers received from shareholders in physical mode and ensures despatch of certificates within time limit stipulated by the Listing Agreement with the Stock Exchange, Mumbai.

Mr. Sham A. Mulye, Secretary of the Company has been designated as Compliance Officer.

6. General Body Meetings

Location and time where last 3 Annual General Meetings were held are given below.

AGM for the Financial Year	Date	Time	Venue for all the three AGMs
2000-01	24.09.2001	3.00P.M.	Regd. Office
2001-02	14.12.2002	3.00P.M.	GatNo.454/457,
2002-03	30.09.2003	3.00P.M.	A/P.Borgaon T/D.Satara-415519

No special resolution was put through postal ballot at the last Annual General Meeting.

Disclosures :

- The transactions with related parties were undertaken in the normal course of business and were at terms and conditions, which were not prejudicial to the interest of Company.
- Details of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges, SEBI or any Statutory Authorities or any matter related to Capital Markets :
The Company has complied with all the requirements of the Listing Agreement with the stock exchange as well as regulations and guidelines of SEBI. No penalties or strictures have been

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imposed by SEBI, Stock Exchange or any Statutory Authority on matters relating to capital markets during the last three years. Company had stopped paying Listing fees to Ahmedabad and New Delhi stock exchanges from the year 1997-98 as not a single transaction occurred on the floors of both exchanges for almost 2 years since Listing in May 1995.

Pune Stock Exchange Ltd has delisted Equity Shares of the Company from 10th May, 2004, pursuant to SEBI (Delisting of Securities) Guidelines, 2003.

MEANS OF COMMUNICATION :

Recommendation	Compliance
Quarterly Results : Whether published	Yes
Whether it also displays official news releases and presentations made to institutional investors/ analysts	No
Whether shareholders information section forms part of the Annual report	Yes

GENERAL SHAREHOLDER INFORMATION :

Financial reporting for the quarter ending 30.9.2004 Financial reporting for the quarter ending 31.12.2004 Financial reporting for the quarter and year ending 31.3.2005 Annual general meeting date and time Venue	End of October 2004 End of January 2005 April/June 2005 30th September, 2004 at 3.00 P.M. Regd. office : Gat No.454/457, A/P.Borgaon T/D Satara-415519	
Listing of Equity shares on Stock Exchange at.	The Stock Exchange, Mumbai	
Registrar and share transfers agents Share transfer and communication regarding share certificates, dividends and change of address	N.A Liasion Office at, 2, Krishana, 352/10, Boat Club Road, PUNE-411001	
Stock code The Stock Exchange, Mumbai	30255	
Book Closure date :	From 23rd September, 2004 To 30th September, 2004	
ISIN Nos.for the Company's Equity shares in Demat Form : Depositories Connectivity	INE961B01013 N.S.D.L. and C.D.S.L.	
Complaints received during the year	Received	Cleared
a. Complaints received from shareholders	4	4
b. Letters received from Stock exchange/SEBI	6	6