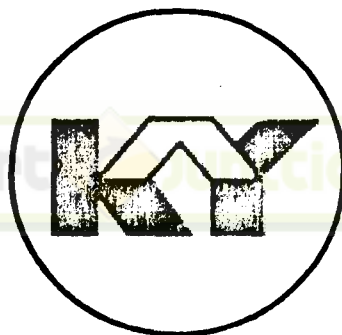


KAY PULP AND PAPER MILLS LIMITED



**14th
Annual Report
2004-2005**



KAY PULP AND PAPER MILLS LIMITED

BOARD OF DIRECTORS : Mr. Niraj Chandra : Chairman and Managing Director
Mr. A. T. Shaikh : Nominee of W.M.D.C. Ltd.
Mrs. Deepa Chandra

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.

**FOURTEENTH ANNUAL GENERAL MEETING
FRIDAY, 30TH SEPTEMBER, 2005.**

Time: 3.00 p.m.

Venue: Registered Office :-

Gat No. 454/457

Village Borgaon,

Tal/Dist. : Satara - 415 519

Maharashtra.

14 th ANNUAL REPORT 2004-2005**NOTICE**

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of Kay Pulp And Paper Mills Limited will be held on Friday, 30th September, 2005 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, 2005 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 Mr. Niraj Chandra, Chairman and Managing Director, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint the auditors and to fix their remuneration.

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 Friday, 23rd September, 2005 to Friday, 30th September, 2005. (both days inclusive.)
3. 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.

4. 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 - 411 001.

5. 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

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 HIMSELF FOR RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING TO BE HELD ON 30TH SEPTEMBER, 2005.

Mr.Niraj Chandra , age 41 years, is having rich experience of more than 20 years with good rapo with various industries. Duly carrying the operations of the Company as Chairman and Managing Director for last 11 years.

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

Sham A.Mulye
Place : Satara Company Secretary
Date : 25th July, 2005 & Manager Finance

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

Dear Members,

Your Directors have pleasure in presenting the Fourteenth Annual Report on the business and operations of your Company and Audited Accounts for the year ended 31st March, 2005.

FINANCIAL PERFORMANCE:

(Rs. in lac)

	Year ended	
	<u>31.3.2005</u>	<u>31.3.2004</u>
Turnover	3.87	328.57
Loss before interest, depreciation etc	13.96	223.82
Interest	18.64	157.63
Net Loss carried to balance sheet	<u>32.60</u>	<u>381.45</u>

OPERATIONS :-

Company had stopped operations of both Power and Paper division in December, 2003 and could not commence the same during the year under review. Company had not charged any depreciation on Fixed Assets as both Paper and Power divisions were non-operational during the year. Company had not provided interest on Term Loans and Working Capital for Paper division upon its pending B.I.F.R. hearing for determining its sickness. However, paid interest upto October, 2004 to Central Bank of India on their Working Capital Facilities for Power division.

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 :-

Sufficient rains of last year had ended the previous 2/3 years drought situation in western Maharashtra and people have re-planted sugar cane making huge quantity

of sugar cane for ensuing crushing season of October 2005 - March 2006. This will result in ample bagasse available at reasonable price. Keeping in view the power scarcity and easy availability of bagasse from November, 2005 onwards, Company intends to start the Power generation from November 2005 with induction of strategic investor for working capital needs.

Once the operations of Power division are stabilised and starts generating revenue, Company hopes to commence operations of one paper machine in the last quarter of the year.

B.I.F.R. REGISTRATION :-

On 6th July, 2005, B.I.F.R. has commenced the hearing for determining sickness of the Company.

DIRECTORS :-

The Board has changed the term of appointment of Mr. Niraj Chandra, Chairman and Managing Director as Director liable to retire by rotation from Director not liable to retire by rotation to comply with the provisions of Section 255 of the Companies Act, 1956, as amended.

Accordingly, Mr. Niraj Chandra, Chairman and Managing Director of the Company retires by rotation and being eligible offers himself for re-appointment at the ensuing Annual General Meeting.

Directors Responsibility Statement :-

Under Sub-Section (2AA) of Section 217 of the Companies Act, 1956, as amended.

The Directors confirm that,

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.

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- II. 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.
- III. 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,
- IV. the accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE :-

Pursuant to clause 49 of the Listing Agreement, a report on corporate governance alongwith Auditor's 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 is 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, 2005, Company has no fixed deposits.

STATUTORY PARTICULARS :-

In terms of Section 217 (1) 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, as amended.

LISTING WITH THE STOCK EXCHANGE, MUMBAI :-

The Equity Shares of your Company are listed with The Stock Exchange, Mumbai where the same are traded regularly.

ACKNOWLEDGMENT :-

The Management appreciates the contribution of the employees at all levels. The relations 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, Central 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.

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

Place : Satara
Date : 25th July, 2005

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 consumers, 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 two Non Executive Directors. One of the two Non Executive Directors is independent Director. The position of the Board is changed due to IREDA's withdrawal of nomination and Mr. Sushil Chandra's resignation. 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 31.3.2005.

Sr. No.	Name of the Director	Category	No. of other Directorships	Committee positions	
				As Chairman	As Member
1.	Mr. Niraj Chandra	Executive	Nil	1	
2.	Mrs. Deepa Chandra	Non Executive	Nil		1
3.	Mr. A. T. Shaikh (Nominee WMDC)	Non Executive Independent	Nil		1

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

During the year 1.04.2004 to 31.3.2005, five Board Meetings were held on 28.6.04, 28.7.04, 21.9.04, 29.10.04 and 31.1.05.

The last Annual General Meeting was held on 30th September, 2004.

Sr. No.	Name of the Director	No. of Board Meetings attended	Attendance at last AGM
1.	Mr. Niraj Chandra	5	Present
2.	Mrs. Deepa Chandra	5	Present
3.	Mr. A. T. Shaikh (Nominee WMDC LTD.)	3	Absent

3. Audit Committee

The audit committee comprises 2 Non Executive Directors; Mrs. Deepa Chandra and Mr. A. T. Shaikh, after IREDA'S withdrawal of nomination of Dr. Anil K. Rajvanshi, Chairman of the Audit Committee. 4 Audit committee meetings were held on 28th June, 2004, 28th July, 2004, 29th October, 2004 and 31st January, 2005.

The Company Secretary acts as the Secretary of 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.

14 th ANNUAL REPORT 2004-2005**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.

Table 3 - 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. A. T. Shaikh	750	-	-	750
3.	Mrs. Deepa Chandra	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
2001-02	14.12.2002	3.00 p.m.	Regd. Office,
2002-03	30.09.2003	3.00 p.m.	Gat No. 454/457
2003-04	30.09.2004	3.00 p.m.	A/P Borgaon, T/D. Satara - 415 519.

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 the Company.
- Details of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchange, 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 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 and delisted Equity Shares of the Company from Pune Stock Exchange.

KAY PULP AND PAPER MILLS LIMITED**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 SHAREHOLDERS' INFORMATION

Financial reporting for the quarter ending 30.09.2004 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, 2005 at 3.00 p.m. Regd. office : Gat No. 454/457, A/P Borgaon, T./D. Satara - 415 519.
Listing of Equity Shars on Stock Exchange at	The Stock Exchange, Mumbai
Registrar and share transfer agents Share transfer, communication regarding Share certificates, dividends and change of address	N. A. Liasion Office at. 2, Krishna, 352/10, Boat Club Road, PUNE - 411 001.
Stock code Stock Exchange The Stock Exchange, Mumbai	30255
Book Closure date	From 23rd September, 2005 To 30th September, 2005
ISIN for the Company's Equity Shares in Demat Form : Depository Connectivity	INE961 B01013. N.S.D.L. and C.D.S.L.
Complaints received during the year	Received Cleared
a. Complaints received from shareholders	3
b. Letters received from Stock Exchange/SEBI	2

Share transfer system :

Trading in Equity Shares of Company is permitted only in Dematerialised form.

Share Transfers in physical form are registered and returned within 30 days from the date of receipt of documents in order in all respects.