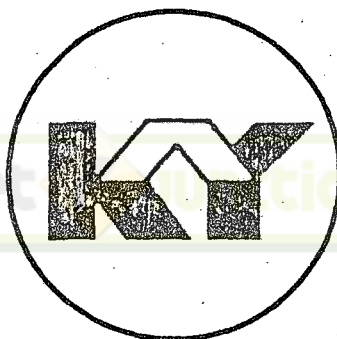


# **KAY PULP AND PAPER MILLS LIMITED**



**16th  
Annual Report  
2006-2007**



## 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** : 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.

### **SIXTEENTH ANNUAL GENERAL MEETING SATURDAY, 29TH SEPTEMBER, 2007.**

Time: 3.00 p.m.

Venue: Registered Office:-

Gat No. 454/457

Village Borgaon,

Tal/Dist. : Satara - 415 519

Maharashtra.

**16 th ANNUAL REPORT 2006-2007****NOTICE**

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of KAY PULP AND PAPER MILLS LIMITED will be held on Saturday, 29th. September, 2007 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, 2007 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, 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 the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with schedule XIII to the said act, the consent of the Company be and is hereby accorded to the re-appointment of Mr. Niraj Chandra, Chairman and Managing Director of the Company for a further period of 5 (five) years with effect from 1<sup>st</sup> January 2007, without remuneration, as offered by him, in the present financial conditions of the Company, with liberty to the Board of Directors to make such alteration/modifications as may be necessary and to give effect to the decisions taken herein."

"RESOLVED FURTHER THAT where in any financial year, during the tenure of Mr. Niraj Chandra as the Chairman and Managing Director, if the Board decides to pay remuneration to Mr. Niraj Chandra, Chairman and Managing Director and the Company has no profits or its profits are inadequate, the

Company will pay him that remuneration, as minimum remuneration, subject to the provisions of schedule XIII to the Companies Act, 1956.

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

"RESOLVED THAT pursuant to the provisions of Section 94(1) and other applicable provisions, if any, of the Companies Act, 1956, ("the Act") , the Authorized Share Capital of the Company be and is hereby increased from Rs.12,00,00,000/- (Rupees twelve crore only) divided in to 1,10,00,000 (One crore ten lac) Equity Shares of Rs.10/- (Rupees ten only) each and 10,00,000 (Ten lac) Preference Shares of Rs.10/- (Rupees ten only) each to Rs.15,00,00,000/- (Rupees fifteen crore only) divided in to 1,50,00,000 (one crore fifty lac) Equity shares of Rs.10/- (Rupees ten only) each by conversion of existing 10,00,000 Preference shares of Rs.10/- (Rupees ten only) each in to 10,00,000 Equity Shares of Rs.10/- (Rupees ten only) each and by creation of additional 30,00,000 (thirty lac) Equity Shares of Rs.10/- (Rupees ten only) each. The new Equity Shares shall rank pari passu with the existing Equity Shares in the Company."

"RESOLVED FURTHER THAT the Board of Directors / Committee of the Board of Directors be and is hereby authorized to do all such acts, matters, deeds and things as are necessary, usual or expedient to implement this resolution. "

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

"RESOLVED THAT pursuant to Section 16 of the Companies Act, 1956 ("the Act") and other applicable provisions, if any, of the Act, Clause V of the Memorandum of Association of the Company be altered to read as follows.

**KAY PULP AND PAPER MILLS LIMITED**

V. The Authorized Share Capital of the Company is Rs.15,00,00,000 (Rupees fifteen crore only) divided in to 1,50,00,000 (One crore fifty lac) Equity Shares of Rs.10/- each. ( Rupees ten each) with powers to the Company from time to time to increase, reduce or modify its capital and to divide all or any of the shares in the capital of the Company, for the time being, classify and reclassify such shares from shares of one class into shares of other class or classes including Share Warrants, with or without option to subscribe for equity shares and to attach thereto respectively such preferential, deferred, qualified, or other special rights, privileges, conditions or restrictions as may be determined by the Company and to vary modify or abrogate any such rights, privileges, conditions or restrictions in such manner and by such persons as may, for the time being, be permitted under the provisions of the Articles of Association of the Company or legislative provisions, for the time being in force in that behalf.

"RESOLVED FURTHER THAT suitable alterations be made in the Memorandum of Association to give effect to the above resolution and any person authorized by the Board of Directors of the Company shall file the requisite and prescribed forms with the Registrar of Companies, Maharashtra."

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

Sham A.Mulye

Place : Pune

Company Secretary

Date : 31 July 2007

& Manager Finance

**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

**REGISTERED OFFICE 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 No.4 to 6 in the above notice, is appended.
3. Register of Members and Share Transfer Books of the Company will be closed from Saturday, 22nd September 2007 to Saturday, 29th September 2007 (both days inclusive.).
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 at least 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. Company has appointed existing Connectivity Registrars SHAREPRO SERVICES (INDIA) PVT. LTD., as Common RTA with effect from 1st July, 2006.
6. Share holders can send all documents/ transfers, demat requests, share certificates and all communications directly to SHAREPRO SERVICES at the address given below:-  
Sharepro Services, Unit : Kay Pulp And Paper Mills Ltd. Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai-400 099

or

Sharepro Services, Unit : Kay Pulp And Paper Mills Ltd. ,912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021.

7. Dematerialisation : The shares of the Company are compulsorily traded in demat w. e. f. 25th September 2000. The shareholders who have not dematerialized their shares are requested to opt for dematerialisation on their shareholding by opening DP account with nearest Depository Participant at the earliest, which will facilitate smooth purchase/sale of Company's shares.

**16 th ANNUAL REPORT 2006-2007****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 29<sup>TH</sup> SEPTEMBER 2007**

Mr. Niraj Chandra age 43 years, is having rich experience of more than 22 years with good rapport with various industries. Duly carrying the operations of the Company as Chairman and Managing Director for last 13 years.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No.4**

Mr. Niraj Chandra was appointed as the Chairman and Managing Director of the Company for a period of five years w.e.f. 01-01-2002. Accordingly his term of appointment expired on 31.12.2006.

The board of Directors in their meeting held on 31<sup>st</sup> January 2007, have recommended this resolution for re-appointment of Mr. Niraj Chandra as chairman and Managing Director of the Company for a further period of five years w.e.f. 01-01-2007, to the members, for the want of disinterested quorum. Mr. Niraj Chandra had offered his services without payment of any salary from 1.7.2002.

The board of Directors have appreciated the feelings of Mr. Niraj Chandra and opined to modify the salary as and when the situation permits. The board of Directors recommends the proposed resolution as set out in item No.4 of the notice for your approval.

Mr. Niraj Chandra and Mrs. Deepa Chandra being relative, are interested in the resolution. None of the other Directors are in any way concerned or interested.

**Item No.5 & 6**

The present authorized capital of the Company is Rs.12,00,00,000/- (Rupees twelve crore only.) consisting of 1,10,00,000 (One crore ten lac) Equity Shares of Rs.10/- each and 10,00,000 Preference Shares of Rs.10/- (Rupees ten each) and the issued, subscribed and paid-up capital is Rs.10,64,00,000/- (Rupees ten crore sixty four lac only.) consisting of 1,06,40,000 (One crore six lac forty thousand) Equity Shares of Rs.10/- each.

The Promoters are infusing the required funds for restarting of Power division and one machine of the Paper division. They have also agreed to infuse further funds required for the rehabilitation pursuant to orders passed by the Board of Industrial and Financial Reconstruction. The estimated amount of this will be in the range of Rs.400 to 450 lac.

The current available equity capital is very less and Company do not want to crystallize any interest liability for preference shares, hence, it is proposed to convert existing 10,00,000 Preference shares of Rs.10/- each in to 10,00,000 Equity Shares of Rs.10/- each and create additional 30,00,000 Equity Shares of Rs.10/- each making the authorized capital of Rs. 15,00,00,000/- divided in to 1,50,00,000 Equity shares of Rs.10/- each. The new Equity Shares shall rank pari-passu with the existing Equity Shares in the Company."

Accordingly, the resolution at Item No. 5 for increase in authorized capital and resolution at item No. 6 for consequential changes in the capital clause of the Memorandum of Association of the Company, are recommended for your approval.

Mr. Niraj Chandra and Mrs. Deepa Chandra, are interested in the resolution to the extent of their investments. None of the other Directors are in any way concerned or interested.

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

Sham A. Mulye  
Place : Pune      Company Secretary  
Date : 31 July 2007      & Manager Finance



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

Dear Members,

Your Directors have pleasure in presenting Sixteenth Annual Report on the business and operations of your Company and Audited Accounts for the year ended 31<sup>st</sup> March 2007.

**FINANCIAL PERFORMANCE**

	(Rs.in lac)	
	Year ended	
	31.3.2007	31.3.2006
Total Income	234.10	-
Gross Profit	103.66	-
Net Profit / (Loss)	69.35	(30.88)
Profit/(Loss) carried to balance sheet	69.35	(30.88)

**OPERATIONS :-**

During the year under review, Company re-started operations of Power Division from December 2006 and achieved sale of Rs.130.95 lac and hence had charged partial depreciation on fixed assets of Power Division and not provided any interest on Term and Working Capital Loans.

During the year Company has reached One Time Settlement with SICOM Ltd., and total income includes reversal of earlier years interest of Rs.102.64 lac charged to Profit & Loss Account.

**DIVIDEND :-**

In view of the inadequate profit and earlier losses suffered by the Company, it is not possible for your Directors to recommend any dividend.

**PROSPECTS :-**

Favourable scenario of bagasse - Raw material for Power generation continues to prevail in current year also. The Company intends to re-start Power division and one machine of Paper division from October - 2007 when the new cane crushing season starts and have initiated necessary activities for the same. Company expects good contribution from both Power and Paper

Divisions in this favourably changed situation.

**B.I.F.R. REGISTRATION :-**

On 4<sup>th</sup> January 2007 Board for Industrial and Financial Reconstruction has declared the Company as "sick company". Reconstruction proposal as per their guidelines is being prepared for submission.

**DIRECTORS :-**

Mr. Niraj Chandra, director of the Company will retire by rotation and being eligible offers himself for re-appointment at the ensuing Annual General Meeting, also his term as Chairman and Managing Director has expired on 31<sup>st</sup> December 2006. The Board had concurred to re-appoint him for a further period of five years from 1<sup>st</sup> January 2007. The necessary resolution for this is being put in the notice of the ensuing Annual General Meeting for the recommendation of the members.

**Conversion and increase in Authorized Share Capital of the Company.**

The Promoters are infusing the required funds for restarting of Power division and one machine of the Paper division. They have also agreed to infuse further funds required for the rehabilitation, pursuant to orders passed by the Board of Industrial and Financial Reconstruction. The estimated amount of this will be in the range of Rs.400 to 450 lac.

The current available equity capital is very less and Company do not want to crystallize any interest liability for preference shares, hence, it is proposed to convert existing 10,00,000 Preference shares of Rs.10/- each in to 10,00,000 Equity Shares of Rs.10/- each and create additional 30,00,000 Equity Shares of Rs.10/- each making the authorized capital of Rs. 15,00,00,000/- divided in to 1,50,00,000 Equity shares of Rs.10/- each, to enable the Company to issue necessary Equity Shares on preferential basis against the aforesaid infusion. The necessary resolution for this increase is being put in the notice of the ensuing Annual General Meeting for the recommendation of the members.

**16 th ANNUAL REPORT 2006-2007****DIRECTORS RESPONSIBILITY STATEMENT :-**

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

**The Directors confirm that ;**

- I. 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.
- II. they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give 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, report on Corporate Governance alongwith Auditor's certificate on its compliance is attached as annexure I to this report.

**AUDITORS :-**

The retiring Auditors M/s. Godbole & Company, Chartered Accountants, is 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 to be fixed.

**AUDITORS REPORT :-**

The observations of the Auditors in their report are self explanatory and have been explained in the notes to the Accounts as

referred to in their report.

**FIXED DEPOSITS :-**

As on 31<sup>st</sup> March 2007, 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 is 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 :-**

The Equity shares of your Company are listed with Bombay Stock Exchange Ltd., where the same are traded regularly.

**ACKNOWLEDGEMENT :-**

With the re-start of operations required staff is engaged. Management appreciates contribution of the employees. Your Directors placed on record their gratitude for the co-operation received from SICOM Limited, Maharashtra State Financial Corporation, Central Bank of India, Indian Renewable Energy Development Agency Ltd., Maharashtra State Electricity Board, Asset Reconstruction Co. (I) Ltd. 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

For KAY PULP AND PAPER MILLS LTD.

Niraj Chandra  
Chairman and

Place : Pune

Date : 31st July, 2007 Managing Director

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

The Company believes in the practice of good Corporate Governance and acting as a good corporate citizen.

The spirit of Corporate Governance has been prevailing in the Company for years together. The Company believes in the values of transparency, accountability and integrity. The Company recognizes the accountability of the Board and importance of its decision on every individual who comes in contact with the Company.

**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. Company intends to appoint additional directors, once the operations are re-started to fill the vacancies caused by withdrawal of nomination and resignation occurred last year.

**Table 1 – The composition of the Board and other directorships and committee positions held on 31.3.2007.**

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 last AGM.**

During the year 1.4.2006 to 31.3.2007, five Board Meetings were held on 3.7.2006, (30.6.2006) 31.7.2006, 31.10.2006, 23.12.2006 and 30.1.2007.

The last Annual General Meeting was held on 30<sup>th</sup> September 2006.

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	4	Present
3.	Mr. A. T. Shaikh (Nominee WMDC LTD.)	2	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. Audit committee meetings could not be held for want of quorum except on 31.07.2006. Company intend to appoint additional directors, once the re-started operations are stabilized to fill the vacancies caused by withdrawal of nomination and resignation occurred last year and recoup audit committee.

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