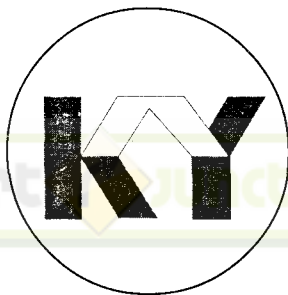


KAY POWER AND PAPER LIMITED



**17th
Annual Report
2007-2008**



KAY POWER AND PAPER LIMITED

(Formerly KAY PULP AND PAPER MILLS LTD.)

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 : Mr. Sham A. Mulye

AUDITORS : M/S. GODBOLE & COMPANY
Chartered Accountants
F-3, Manali Apartment,
4/2, Kesarkar Peth,
Satara : 415 002

BANKERS : Central Bank of India
IDBI Bank
HDFC Bank

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

INVESTORS' SERVICE CELL : B-7-8, Mayfair Eleganza-I
N.I.B.M. Road, Kondhwa,
Pune : 411 048

SEVENTEENTH ANNUAL GENERAL MEETING TUESDAY, 30TH SEPTEMBER, 2008

Time : 3.00 p.m.
Venue : Registered Office :-
Gat No. 454/457,
Village Borgaon,
Tal. /Dist. Satara : 415 519
Maharashtra

NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Members of KAY POWER AND PAPER LIMITED will be held on Tuesday, 30th September, 2008 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, 2008 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.

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

Place : Satara
Date : 29th July, 2008

Sham A.Mulye
Company Secretary

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. Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 23rd September, 2008 to Tuesday, 30th September, 2008 (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 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.
4. Share holders can send all documents/transfers, share certificates and all communications directly to SHAREPRO SERVICES at :-
Sharepro Services, Unit : Kay Power And Paper Ltd. Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai-400 099 **or**
Sharepro Services, Unit : Kay Power And Paper Ltd. ,912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai - 400 021.
5. 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 of their shareholding by opening DP account with nearest Depository Participant at the earliest, which will facilitate smooth purchase/sale of the shares of the Company.

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, 2008

Mrs. Deepa Chandra, is B.A.(hons.) and belongs to a reputed business family. She is actively involved in operations of the Private Limited Companies.

**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting Seventeenth Annual Report on the business and operations of your Company and Audited Accounts for the year ended 31st March, 2008.

FINANCIAL PERFORMANCE

| | (Rs.in lac) | |
|-------------------|----------------------|------------------|
| | Year ended | |
| | <u>31.3.2008</u> | <u>31.3.2007</u> |
| Total Income | 680.78 | 234.10 |
| Net Profit | 144.64 | 69.35 |
| Profit carried to | | |
| balance sheet | <u>144.64</u> | <u>69.35</u> |

CHANGE IN THE NAME OF COMPANY :

During the year under review the name of the Company was Changed from Kay Pulp And Paper Mills Limited to Kay Power And Paper Limited.

OPERATIONS :

During the year under review, Power Division was operational during 1st April, 2007 to 8th June, 2007, 15th October, 2007 to 12th December, 2007 and 7th February, 2008 to 31st March, 2008 and achieved sale of Rs.194.07 lac against Rs.130.95 lac of the previous year, Paper Division trial runs were taken in December, 2007 and during last quarter intermittent paper production was attained due to frequent power failures and the turnover was Rs.60.23 lac.

During the year Company has reached One Time Settlement with Deutsche Bank as attorney of ARCIL, assignee for Working Capital of State Bank of India and total income includes, remission/reversal of outstanding principal working capital of Rs. 360.98 lac and Rs. 56.19 lac earlier years interest 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 will re-start the operations of Power Division from October, 2008, when the new cane crushing season starts. Operations of one machine of Paper division started from 1st July, 2008. Company expects good contribution from both Power and Paper Divisions during the current year.

Besides Company also expects some revenue from the Carbon Trading towards power generation from bagasse, starting this year.

RESTRUCTURING PROPOSAL :

Company has reached One Time Settlement with Indian Renewable Energy Development Agency Ltd., (IREDA) and accordingly restructuring proposal is being submitted as per Board for Industrial And Financial Reconstruction (BIFR) guidelines to IREDA, Operating Agency appointed by BIFR.

DIRECTORS :

Mrs. Deepa Chandra , director of the Company will retire by rotation and being eligible offers herself for re-appointment at the ensuing Annual General Meeting. The necessary resolution for this is being put in the notice of the ensuing Annual General Meeting for the recommendation of the members.

DIRECTORS RESPONSIBILITY STATEMENT :

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

The Directors confirm that ;

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- 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 profit 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 along with Auditor's certificate on its compliance is attached as annexure 1 to this report.

AUDITORS :

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

FIXED DEPOSIT :

As on 31st March, 2008, 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 on 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 place 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 Companies, Asset Reconstruction Co. (I) Ltd. (ARCIL) 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 POWER AND PAPER LTD.

Place : Satara
Date : 29th July, 2008

Niraj Chandra
Chairman and
Managing Director

KAY POWER AND PAPER LIMITED**ANNEXURE 1 : 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 re-started operations are stabilized to fill the vacancies caused by withdrawal of nomination and resignation.

Table 1 – The composition of the Board and other directorships and committee positions held on 31.3.2008.

| 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 LTD.) | Non Executive Independent | Nil | | 1 |

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

During the year 1.4.2007 to 31.3.2008, seven Board Meetings were held on 30.6.2007, 31.7.2007, 29.9.2007, 31.10.2007, 21.11.2007, 22.12.2007 and 31.1.2008.

The last Annual General Meeting was held on 29th September 2007.

| Sr. No. | Name of the Director | No. of Board Meetings attended | Attendance at last AGM |
|---------|---|--------------------------------|------------------------|
| 1. | Mr. Niraj Chandra | 7 | 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. Audit committee meetings could not be held for want of quorum except on 31.10.2007. Company intends to appoint additional directors, once the re-started operations are stabilized to fill the vacancies caused by withdrawal of nomination and resignation occurred 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 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.

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 | 1500 | - | - | 1500 |
| 3. | Mrs. Deepa Chandra | - | - | - | - |

* In the light of heavy losses suffered by the Company Mr. Niraj Chandra, in consultation with the Board had offered his services as Chairman and Managing Director without 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.

Company had appointed Sharepro Services (I) Pvt.Ltd., connectivity providers to act as Common RTA w.e.f. 1.7.2006.

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 |
|----------------------------|------------|-----------|---|
| 2004-05 | 30.09.2005 | 3.00 p.m. | Registered Office :- Gat No. 454/457, A/P Borgaon, T/D. Satara - 415 519. |
| 2005-06 | 30.09.2006 | 3.00 p.m. | |
| 2006-07 | 29.09.2007 | 3.00 p.m. | |

No special resolution was put through 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.
- 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 in 2004 delisted equity shares from Pune Stock Exchange Ltd..

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 30.09.2008 | End of October, 2008 |
| Financial reporting for the quarter ending 31.12.2008 | End of January, 2009 |
| Financial reporting for the quarter and year ending 31.3.2009 | April/ June, 2009 |
| Annual general meeting | 30th September, 2008 at 3.00 p.m. |
| Venue | Registered office : Gat No. 454/457, A/P Borgaon, T./D. Satara - 415 519. |
| Listing of Equity Shars on Stock Exchange | Bombay Stock Exchange Ltd., |
| Registrar and share transfer agents | M/s. Sharepro Services Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri(E), Mumbai-400 099 Tel. No. 022-67720300, 67720345 Fax No. 022-2837 5646 |
| Stock code | 530255 |
| Book Closure date | From 23rd September, 2008 To 30th September, 2008 |
| ISIN for the Company's Equity Shares in Demat Form : Depository Connectivity | INE961B01013. N.S.D.L. and C.D.S.L. |
| Complaints received during the year | ReceivedCleared |
| a. Complaints received from Shareholders | 1616 |
| b. Complaints received from Stock Exchange/SEBI | 33 |

Share transfer system :

Trading in Equity Shares of Company is permitted only in dematerialized 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.