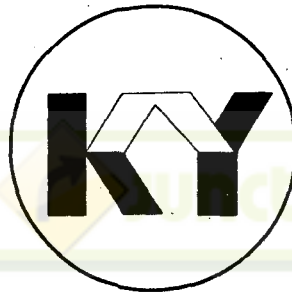


KAY POWER AND PAPER LIMITED



**18th
Annual Report
2008-2009**



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.
Ms. Deepa Agarwal
(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 Ltd.
HDFC Bank Ltd.
- 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

EIGHTEENTH ANNUAL GENERAL MEETING
TUESDAY, 29th SEPTEMBER, 2009

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 Eighteenth Annual General Meeting of the Members of KAY POWER AND PAPER LIMITED will be held on Tuesday, 29th September, 2009 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, 2009 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 a Special Resolution.

"RESOLVED THAT pursuant to the provisions of 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.15,00,00,000/- (Rupees fifteen crore only) divided into 1,50,00,000 (one crore fifty lac) Equity Shares of Rs.10/- (Rupees ten only) each to Rs.18,00,00,000/- (Rupees eighteen crore only) divided into 1,80,00,000 (one crore eighty lac) Equity Shares of Rs.10/- (Rupees ten only) each 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 authorised to do all such acts, matters, deeds and things as are necessary, usual or expedient to implement this resolution."

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, Clause V of the Memorandum of Association of the Company be altered to read as follows.

- V. The Authorised Share Capital of the Company is Rs.18,00,00,000 (Rupees eighteen crore only) divided into 1,80,00,000 (One crore eighty lac) Equity Shares of Rs.10/- (Rupees ten only) 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.

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 and 5 in the above notice, is appended.
3. Register of Members and Share Transfer Books of the Company will be closed from Tuesday, 22nd September, 2009 to Tuesday, 29th September, 2009 (both days inclusive).

KAY POWER AND PAPER LIMITED

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. Share holders can send all documents of transfers, share certificates and all communications directly to :
Sharepro Services (India) Private Limited,
Unit : Kay Power And Paper Ltd.
Samhita Warehousing Complex, Plot No. 13A-B, 2nd Floor Sakinaka, Mumbai-400 072 Phone - (022) 67720400 / 347 Fax - (022) 67720416
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 shareholding by opening 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 29TH SEPTEMBER, 2009

Mr. Niraj Chandra, age 45 years, is having rich experience of more than 22 years with good rapo with various industries, duly carrying out the operations of the Company as Chairman and Managing Director for last 15 years.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No 4 & 5 :

The present authorised capital of the Company is Rs.15,00,00,000/- (Rupees fifteen crore

only.) consisting of 1,50,00,000 (One crore fifty lac) Equity Shares of Rs.10/- 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 had infused the required funds of Rs. 4 Crore 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 for Industrial and Financial Reconstruction and required Boiler modification for making it coal compatible in the light of scarcity of bagasse, the present fuel for Boiler, resulting into sky rocketing into it's prices, making operations unviable. The estimated amount of this will be in the range of Rs.1.5 to 2 Crore.

The current available Equity Capital is not sufficient, hence, it is proposed to create additional 30,00,000 Equity Shares of Rs.10/- each making the authorised capital of Rs. 18,00,00,000/- divided in to 1,80,00,000 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. 4 for increase in authorised capital and resolution at item No. 5 for consequential changes in the capital clause of the Memorandum of Association of the Company, are recommended for your approval.

Mr. Niraj Chandra and Ms. Deepa Agarwal, are interested in the resolution to the extent of their investments. No other Director is in any way concerned or interested.

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

Place : Pune
Date : 31st July, 2009

Sham A.Mulye
Company Secretary

18th ANNUAL REPORT 2008-2009**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the Eighteenth Annual Report on the business and operations of your Company and Audited Accounts for the year ended 31st March, 2009.

FINANCIAL PERFORMANCE :

	(Rs.in lac)	
	Year ended	
	<u>31.3.2009</u>	<u>31.3.2008</u>
Total Income	1368.14	680.78
Net Profit	235.19	144.64
Profit carried to balance sheet	<u>235.19</u>	<u>144.64</u>

OPERATIONS :

During the year under review, Power Division was operated during 1st April 2009 to 7th June, 2009 and achieved sales of Rs.67.78 lac against Rs.194.07 lac of the previous year, as due to reduced sugarcane cultivation the bagasse availability was very low, making its prices abnormally high compelling the Company to stop operations of the Power Division for the remaining year. However the Paper Division was operational throughout the year producing 5,243 MT Kraft paper and achieved turnover of Rs. 945.60 lac against Rs. 60.23 lac.

During the year Company has reached One Time Settlement with Indian Renewable Energy Development Agency Ltd. (IREDA) and total income includes, reversal of Rs.303.70 lac, earlier years interest charged to Profit & Loss Account.

During the year Company has received Rs. 25 Lac, Special capital incentive of Government of Maharashtra from SICOM Ltd., credited to Reserves and Surplus.

DIVIDEND :

In view of the operational losses and carried forward losses of the Company, it is not possible for your Directors to recommend any dividend.

PROSPECTS :

The scarcity of bagasse will continue in the current year also, hence Board has planned to make modifications to the Boiler to make it compatible to other fuel like coal etc., to make the operations of Power Division viable. Revision in power purchase rate or permission to sale power to third party is expected from M.E.R.C., which will improve the viability of the Power Division.

The operations of Paper Division are streamlined now and good results are expected during the current year.

RESTRUCTURING PROPOSAL :

Pursuant to one time settlement with IREDA, restructuring proposal is submitted to Board for Industrial and Financial Reconstruction (BIFR) by IREDA, the Operating Agency appointed by BIFR.

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. 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 ;

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper

KAY POWER AND PAPER LIMITED

explanations relating to material departures, if any.

- 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 or 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.
- 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 I 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.

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 DEPOSIT :

As on 31st March, 2009, 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 Maharashtra State Financial Corporation, Central Bank of India, IDBI Bank Ltd., HDFC Bank Ltd. and Indian Renewable Energy Development Agency Ltd., Maharashtra State Electricity Distribution Co. 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 POWER AND PAPER LTD.

Place : Pune

Date : 31st July 2009

Niraj Chandra
Chairman and
Managing Director

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. Though the Company intends to appoint additional directors, to fill the vacancies caused by withdrawal of nomination and resignation, is not getting proper response in the present scenario.

Table 1 - the composition of the Board and other directorships and committee positions held on 31.3.2009.

Name of the Director	Category	No. of other Directorships	Committee positions	
			As Chairman	As Member
Mr. Niraj Chandra	Executive	Nil	1	-
Ms. Deepa Agarwal	Non Executive	Nil	-	1
Mr. A. T. Shaikh	Non Executive	2	-	1
(Nominee W.M.D.C. LTD.)	Independent	-	-	-

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

During the year 1.4.2008 to 31.3.2009, five Board Meetings were held on 30.6.2008, 29.7.2008, 26.10.2008, 12.12.2008 and 31.1.2009.

The last Annual General Meeting was held on 30th September, 2008.

Name of the Director	No. of Board Meetings attended	Attendance at last AGM
Mr. Niraj Chandra	5	Present
Ms. Deepa Agarwal	2	Absent
Mr. A. T. Shaikh	4	Absent
(Nominee W.M.D.C. LTD.)	-	-

3. Audit Committee

The Audit Committee comprises 2 Non Executive Directors, Ms. Deepa Agarwal 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 29.7.2009. Though the Company intends to appoint additional directors, to fill the vacancies caused by withdrawal of nomination and resignation, is not getting proper response in the present scenario, to recoup the Audit Committee.

The Company Secretary acts as the Secretary of the Audit Committee.

The role and terms of reference of the Audit Committee cover the matters specified for Audit



Committee under Clause 49 of Listing Agreement as well as in Section 292A of the Companies Act, 1956.

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 Independent Director for attending the meetings of the Board and the committees thereof.

Table 3 - Details of remuneration paid to directors during the year ended 31.3.2009 as under;

(Rs.)

Name of the Director	Sitting fee	Salary	Commission	Total
Mr. Niraj Chandra	-	*	-	-
Mr. A. T. Shaikh	2000	-	-	2000
Ms. Deepa Agarwal	-	-	-	-

* 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 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.

Company had appointed Sharepro Services (India) 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
2005-06	30.09.2006	3.00 p.m.	Registered Office :- Gat No. 454/457, A/P Borgaon, T/D. Satara - 415 519.
2006-07	29.09.2007	3.00 p.m.	
2007-08	30.09.2008	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.