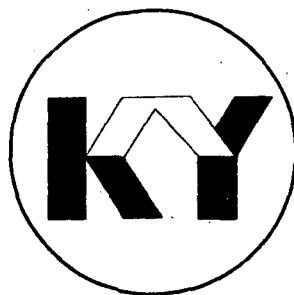


# **KAY POWER AND PAPER LIMITED**



**18<sup>th</sup>  
Annual Report  
2008-2009**



## **KAY POWER AND PAPER LIMITED**

(Formerly KAY PULP AND PAPER MILLS LTD.)

<b>BOARD OF DIRECTORS</b>	<b>:</b>	Mr. Niraj Chandra Mr. A.T. Shaikh Ms. Deepa Agarwal (Mrs. Deepa Chandra)	Chairman and Managing Director Nominee of W.M.D.C. Ltd.
<b>COMPANY SECRETARY</b>	<b>:</b>	Mr. Sham A. Mulye	
<b>AUDITORS</b>	<b>:</b>	M/S. GODBOLE & COMPANY Chartered Accountants F-3, Manali Apartment, 4/2, Kesarkar Peth, Satara : 415 002	
<b>BANKERS</b>	<b>:</b>	Central Bank of India IDBI Bank Ltd. HDFC Bank Ltd.	
<b>REGISTERED OFFICE &amp; WORKS</b>	<b>:</b>	Gat No.454/457 Village Borgaon Tal./Dist. Satara : 415 519 Maharashtra	
<b>INVESTORS' SERVICE CELL</b>	<b>:</b>	B-7-8, Mayfair Eleganza-I N.I.B.M. Road, Kondhwa, Pune : 411 048	

### **EIGHTEENTH ANNUAL GENERAL MEETING TUESDAY, 29<sup>th</sup> 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, 29<sup>th</sup> 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 31<sup>st</sup> 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, 22<sup>nd</sup> September, 2009 to Tuesday, 29<sup>th</sup> September, 2009 (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. 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, 2<sup>nd</sup> 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. 25<sup>th</sup> 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 29<sup>TH</sup> 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 : 31<sup>st</sup> July, 2009

Sham A.Mulye  
Company Secretary

**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 31<sup>st</sup> 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 1<sup>st</sup> April 2009 to 7<sup>th</sup> 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 it's 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

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 31<sup>st</sup> 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 : 31<sup>st</sup> 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 30<sup>th</sup> 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.



**MEANS OF COMMUNICATION :**

<b>Recommendation</b>	<b>Compliance</b>
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 30.09.2009 Financial reporting for the quarter ending 31.12.2009 Financial reporting for the quarter and year ending 31.3.2010 Annual general meeting Venue	End of October, 2009 End of January, 2010 April/ June, 2010 29 <sup>th</sup> September, 2009 at 3.00 p.m. 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 agent	Sharepro Services (India) Pvt. Ltd. Samhita Warehousing Complex, Warehouse No 52 & 53 Plot No 13AB, 2nd Floor Sakinaka, Mumbai-400 072 Tel. No. (022) 67720400/347 Fax No. (022) 67720416
Stock code Stock Exchange	530255 Bombay Stock Exchange Ltd.,
Book Closure date	From 22 <sup>nd</sup> September 2009 To 29 <sup>th</sup> September 2009
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	55
b. Complaints received from Stock Exchange / SEBI	33

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.

Distribution of shareholding as on 31<sup>st</sup> March, 2009.

No. of shares	No of Share holders	% of Shareholders	Total face value Rs. ('000)	% of total Value
Upto 500	5,108	86.10	78,64	7.39
501-1000	401	6.76	35,92	3.38
1001-2000	166	2.80	27,82	2.61
2001-3000	85	1.43	22,26	2.09
3001-4000	27	0.46	9,81	0.92
4001-5000	30	0.50	14,47	1.36
5001-10000	40	0.67	30,18	2.84
10001 and above	76	1.28	8,44,90	79.41
	5,933	100.00	10,64,00	100.00

Categories of shareholders as on 31<sup>st</sup> March, 2009.

Category	No. of shares hold	Voting Strength (%)
Promoters, Relatives and Associates companies	59,16,647	55.61
Public	27,28,488	25.64
NRI/FII's/OCB's	9,02,550	08.48
Domestic Companies (Including financial institution)	10,92,315	10.27

Details of Share price and volumes traded on Bombay Stock Exchange Ltd. During the Period : April, 2008 to March, 2009

Month	Open Price	High Price	Low Price	No. of Shares
April, 2008	7.15	8.40	6.75	5,13,894
May, 2008	8.50	9.20	6.85	1,86,288
June, 2008	6.82	9.00	5.55	3,09,671
July, 2008	6.50	11.40	6.00	15,54,544
August, 2008	10.00	11.10	8.00	12,93,581
September, 2008	8.45	11.15	8.45	19,50,405
October, 2008	9.64	9.90	7.18	4,86,747
November, 2008	8.77	8.95	7.08	6,12,694
December, 2008	8.99	9.38	6.91	12,67,068
January, 2009	7.56	8.10	5.77	24,75,164
February, 2009	5.80	7.90	5.33	21,27,678
March, 2009	5.90	7.05	4.91	17,71,991

Compliance Officer	Mr. Sham A. Mulye Company Secretary Liasion Office : B-7-8, Mayfair Eleganza - I, N.I.B.M. Road, Kondhwa, Pune - 411 048. Tel. : (020) 26833754, Fax : (020) 26831787
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**TO THE MEMBERS OF KAY POWER AND PAPER LIMITED**

We have examined the compliance of conditions of Corporate Governance by Kay Power And Paper Limited, for the year ended 31<sup>st</sup> March, 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange Limited.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement. As informed, there is no unresolved investor/ shareholders compliant.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency of effectiveness with which the management has conducted the affairs of the Company.

For GODBOLE & COMPANY  
Chartered Accountants

Place : Pune Ashutosh Godbole  
Date : 31<sup>st</sup> July, 2009 Proprietor

**ANNEXURE 2 :** Particulars required to be disclosed under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' report for the year ended 31<sup>st</sup> March, 2009.

**Conservation of Energy :** Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule thereto:

	2008-2009	2007-2008
i. Power & Fuel consumption		
1. Electricity (Units)		
a. Own generation	1,82,003	1,60,323
b. Purchased From MSEDCL	20,83,941	—
c. Total Cost (Rupees)	1,00,02,005	6,49,308
d. Rate per unit (Rupees) :	a) 3.43 b) 4.50	4.05
2. Bagasse consumed in Boiler		
a. Quantity (M.Tons)	23,857	31,048
b. Total Cost (Rupees)	1,30,41,029	1,59,68,375
c. Rate per M.Ton (Rupees)	547	514
ii. Consumption per unit of production		
1. Paper		
a. Electricity (Units)	22,65,944	1,60,323
b. Production (M.Tons)	5,943	429
c. Units per M.Ton	381	373
2. Power		
a. Quantity (M.Tons)	7,538	31,048
b. Generation (Units)	19,73,760	58,99,683
c. Consumption per unit (KG)	3.82	5.26

**B. Technology Absorption :** The Company has effected the necessary measures to manufacture Kraft paper varieties at higher yields at better quality and to generate the power.

<b>C. Foreign Exchange Earnings and Outgo :</b>	2008-2009	2007-2008
Earnings	—	—
Outgo	11,74,570	—

For and on behalf of the Board of Directors  
For KAY POWER AND PAPER LTD.

Place : Pune  
Date : 31<sup>st</sup> July, 2009

Niraj Chandra  
Chairman and Managing Director

**AUDITORS' REPORT****TO THE MEMBERS OF  
KAY POWER AND PAPER LIMITED**

1. We have audited the attached Balance sheet of Kay Power and Paper Limited as at 31<sup>st</sup> March, 2009 and the Profit and Loss account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentations. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3. above,
  - a) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by the law, have been kept by the company so far as it appears from our examination of the books.
  - c) The Balance sheet, Profit and loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance sheet and the Profit and loss account are in compliance with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 except AS15 regarding Accounting for retirement benefits which are not complied with. (Refer Note No.12 (9) of Schedule 19)
  - e) Based on representations received from Directors of the Company and the information and explanations given to us, none of the Directors of the Company are prime-facie, as at 31<sup>st</sup> March 2009, disqualified from being appointed as director of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to explanations given to us, the said account read together with the Significant Accounting Policies and Notes to Accounts in Schedule 19 and those appearing elsewhere in the accounts, give information required by the Companies Act, 1956, in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India ;
    - i) in the case of the Balance sheet, of the state of affairs of the company as at 31<sup>st</sup> March, 2009.
    - ii) in case of the Profit and Loss Account of the profit for the year ended on that date.
    - iii) In case of Cash Flow Statement, of cash flows for the year ended as on that date.

For GODBOLE & COMPANY  
Chartered Accountants

Place : Satara  
Date : 30<sup>th</sup> June, 2009

Ashutosh Godbole  
Proprietor  
Mem. No. 104822

**Annexure referred to in paragraph (3) of the our Report of even date on the account  
KAY POWER AND PAPER LTD. for the year ended on 31<sup>st</sup> March, 2009.**

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets.
- b) As per our information and explanations given to us, fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
- c) During the year, the Company has not disposed off major part of the fixed assets.
2. a) According to information and explanations given to us, the inventory has been physically verified by the management during the year. In our opinion, frequency of verification is reasonable.
- b) In our opinion, the procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of stocks as compared to books and records were not material.
3. a) In our opinion and according to the information and explanations given to us, the Company has taken loans from Seven parties covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.1301 Lac and year end balance of loans taken from such parties was Rs.1301 Lac. The Company has not granted any loans to parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b) In our opinion, the terms and conditions subject to which these loans are taken are not prima facie prejudicial to the Company.
- c) The Company is not paying any interest on these loans. We are unable to comment on the regularity of principal amount, as the repayment period is not stipulated.
4. In our opinion and according to information and explanation given to us there are adequate internal control procedures commensurate with the size of the Company and nature of business with regard to purchase of inventory, fixed assets and with regard to sale of goods. During the course of audit, we have not observed any continuing failure to correct major weakness in internal controls.
5. a. In our opinion and according to information and explanation given to us transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956, have been so entered.
- b. In our opinion and according to information and explanations given to us, no transactions were made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and exceeding the value of rupees five lakhs.
6. The Company has not accepted any deposits from the public, during the year.
7. The Company did not have any formal internal audit system during the year under review.
8. We have broadly reviewed the accounts and records maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956. We are of the opinion that prime facie the prescribed accounts and records have been made and maintained.
9. a. According to records of Company is not regular in depositing with appropriate authorities undisputed statutory dues

including Provident Fund dues and Professional Tax amounts outstanding as at 31/3/2009 for a period more than 6 months from the date they become payable.

Sr. No.	Nature of Dues	Amount Rs. In Lac
1.	Provident Fund	2.73
2.	Professional Tax	1.44

- b. According to information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, excise duty were in arrears as at 31/3/2009 for a period more than six months from the date they became payable.
- c. According to information and explanation given to us, there are no dues of income tax, sales tax, excise duty which have not been deposited on account of any dispute.
10. In our opinion, the accumulated losses of the Company are Rs.1650.23 Lac as at 31/3/2009 are more than its total net worth. The Company has not incurred cash losses during the financial year covered by our audit and during the immediately preceding financial year. The accumulated losses have totally eroded the net worth of the Company and reference has been made to the Board for Industrial and Financial Reconstruction (BIFR).
11. In our opinion and according to information and explanation given to us, the Company has defaulted in repayment of dues to MSFC and IREDA. The amount and period of default are as follows.

Loan of	Amount Rs. In Lac	Period months
MSFC	58.94	84
IREDA	1744.31	84
Interest Payable in default	51.02	60

12. According to information and explanation given to us the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interests of the Company.
16. According to information and explanation given to us no term loans were obtained during the year.
17. According to information and explanation given to us and an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment. No long term funds have been used to finance short term assets except providing working capital.
18. According to information and explanation given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year under audit.
20. The Company has not raised money by public issue during the year under audit.
21. According to information and explanation given to us, no fraud on or by the Company has been noticed or reported during the course of audit.

For GODBOLE & COMPANY  
Chartered Accountants

Place : Satara  
Date : 30<sup>th</sup> June, 2009

Ashutosh Godbole  
Proprietor  
Mem. No. 104822

# 18<sup>th</sup> ANNUAL REPORT 2008-2009

## Cash Flow Statement for the year ended 31<sup>st</sup> March, 2009.

	2008-2009	2007-2008
<b>A. Cash Flow From Operating Activities</b>		
Net Profit/ (Loss) Before Tax & Extra Ordinary item	(68,32,671)	(2,72,52,825)
Adjustment for		
Depreciation	75,84,644	1,52,74,751
Loss on Sale of Assets	-	(30,48,245)
Add Expenses relating to non-operating activities		
Interest Paid	48,619	8,807
Operating Profit/(Loss) before working capital changes	8,00,592	(1,50,17,512)
(Increase) / Decrease in Current Assets	(97,67,623)	(74,33,950)
Inventories	56,75,873	(73,05,496)
Sundry Debtors	46,27,136	31,58,074
Loans and Advances	(2,00,70,632)	(32,86,528)
Increase / (Decrease) in current Liabilities & Provisions	(76,60,841)	41,91,325
Sundry Creditors	31,96,448	18,92,106
Provisions	(1,08,57,289)	22,99,219
Cash Generated from Operation	(1,66,27,872)	(1,82,60,137)
Less Tax Paid	18,406	-
Net Cash from Operating Activities (A)	(1,66,46,278)	(1,82,60,137)
<b>B. Cash Flow From Investing Activities</b>		
Sale/ (Purchase) of Fixed Assets	(71,61,954)	35,10,183
Net Cash from investing Activities (B)	(71,61,954)	35,10,183
<b>C. Cash Flow From Financial Activities</b>		
Increase/ (Decrease) in Borrowings	(2,53,44,290)	(5,83,89,911)
Interest Paid	(48,619)	8,807
Share Application Money	1,37,87,462	3,05,40,000
Subsidy received	25,00,000	-
Reversal of previous interest	3,03,70,496	4,17,16,708
Loss on Sale of Assets	-	30,48,245
Net Cash from Financial Activities (C)	2,12,65,049	1,69,06,235
<b>D. Net Increase in Cash and Cash Equivalent</b>	(25,43,183)	21,56,281
Cash and Bank Balances	13,74,215	39,17,398
<b>E. Reconciliation</b>		
Net Cash from Operating Activities (A)	(1,66,46,278)	2,34,56,571
Net Cash from Investing Activities (B)	(71,61,954)	35,10,183
Net Cash from Financial Activities (C)	2,12,65,049	(2,48,10,473)

For and on behalf of the Board of Directors

Sham A. Mulye	Niraj Chandra	Deepa Agarwal
Company Secretary	Chairman and	Director
Satara : 30 <sup>th</sup> June 2009	Managing Director	

### Auditor's Certificate

The above Cash Flow Statement has been compiled from and is based on the Audited accounts of Kay Power And Paper Limited, for the period ended 31<sup>st</sup> March, 2009 reported upon by us on 30<sup>th</sup> June, 2009. According to the information and explanations given the aforesaid Cash Flow Statement has been prepared pursuant to Clause 32 of the Listing Agreement with the Stock Exchange.

As per our report of even date

For GODBOLE & COMPANY

Chartered Accountants

Ashutosh Godbole - Proprietor

Satara : 30<sup>th</sup> June, 2009

**BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2009**

		SCHEDULE	As At 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2008
		Rs.	Rs.	Rs.
<b>I. SOURCES OF FUNDS</b>				
Share holders' Funds				
Share Capital	1	10,64,00,000		10,64,00,000
Reserves and Surplus	2	52,57,136		27,57,136
			11,16,57,136	10,91,57,136
Share Application Money			4,53,27,462	3,15,40,000
Loan Funds				
Secured Loans	3	20,54,25,185		23,62,91,681
Unsecured Loans	4	16,67,77,188		16,12,54,982
			37,22,02,373	39,75,46,663
<b>TOTAL</b>			<b>52,91,86,971</b>	<b>53,82,43,799</b>
<b>II. APPLICATION OF FUNDS :</b>				
Fixed Assets	5			
Gross Block		45,89,01,117		45,17,39,163
Less Depreciation		10,10,82,938		9,34,98,294
Net Block			35,78,18,179	35,82,40,869
Investments	6		31,500	31,500
Current Assets, Loans & Advances				
Inventories	7	1,08,19,397		1,64,95,270
Sundry Debtors	8	36,22,464		82,49,600
Cash & Bank Balances	9	13,74,215		39,17,398
Loans & Advances	10	2,42,79,706		42,09,074
		4,00,95,782		3,28,71,342
Less				
Current Liabilities & Provisions	11			
Liabilities		3,20,49,991		2,88,53,543
Provisions		17,31,626		1,25,88,915
		3,37,81,617		4,14,42,458
Net Current Assets			63,14,165	(85,71,116)
Profit & Loss Account			16,50,23,127	18,85,42,546
<b>TOTAL</b>			<b>52,91,86,971</b>	<b>53,82,43,799</b>
Notes forming part of the Accounts	19			

As per our report of even date

For GODBOLE & COMPANY

Chartered Accountants

Ashutosh Godbole  
Proprietor

Sham A. Mulye  
Company Secretary

For and on behalf of the Board of Directors

Niraj Chandra  
Chairman and  
Managing Director

Deepa Agarwal  
Director

Place : Satara

Date : 30<sup>th</sup> June, 2009



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2009**

	SCHEDULE	Year Ended 31 <sup>st</sup> March 2009 Rs.	Year Ended 31 <sup>st</sup> March 2008 Rs.
<b>INCOME :</b>			
Sales	12	10,13,37,625	2,54,30,165
Other Income	13	39,62,036	7,02,783
Increase / (Decrease) in Stock	14	11,44,246	2,28,371
<b>TOTAL</b>		<b>10,64,43,907</b>	<b>2,63,61,319</b>
<b>EXPENDITURE :</b>			
Material Consumed and			
Manufacturing Expenses	15	9,68,49,026	2,73,48,468
Employees Emoluments	16	24,59,872	60,09,336
Selling, Administrative and			
Other Expenses	17	63,34,417	19,24,537
Interest & Bank Charges	18	48,619	8,807
Depreciation		75,84,644	1,52,74,751
Loss on Sale of assets		-	30,48,245
<b>TOTAL</b>		<b>11,32,76,578</b>	<b>5,36,14,144</b>
<b>Profit/ (Loss) before Tax &amp; Extra Ordinary Item</b>		<b>(68,32,671)</b>	<b>(2,72,52,825)</b>
Remission / Reversal of Interest		3,03,70,496	4,17,16,708
<b>Profit/ (Loss) before Tax</b>		<b>2,35,37,825</b>	<b>1,44,63,883</b>
Less : Previous year FBT Paid		18,406	-
<b>Profit after Tax</b>		<b>2,35,19,419</b>	<b>1,44,63,883</b>
Add Balance Brought Forward from Previous Year		<b>(18,85,42,546)</b>	<b>(20,30,06,429)</b>
Balance Carried to Balance Sheet		<b>(16,50,23,127)</b>	<b>(18,85,42,546)</b>
Notes forming part of the Accounts	19		

As per our report of even date

For GODBOLE & COMPANY  
Chartered Accountants  
Ashutosh Godbole  
Proprietor

Sham A. Mulye  
Company Secretary

For and on behalf of the Board of Directors

Niraj Chandra  
Chairman and  
Managing Director

Deepa Agarwal  
Director

Place : Satara

Date : 30<sup>th</sup> June, 2009

Schedule Nos. 1 to 19 annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the year ended on 31<sup>st</sup> March, 2009.

	As At 31 <sup>st</sup> March 2009	As At 31 <sup>st</sup> March 2008
	Rs.	Rs.
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
1,50,00,000 Equity Shares of Rs. 10/- each	15,00,00,000	15,00,00,000
<b>TOTAL</b>	15,00,00,000	15,00,00,000
<b>Issued &amp; Subscribed</b>		
1,06,40,000 Equity Shares of Rs. 10/- each	10,64,00,000	10,64,00,000
<b>TOTAL</b>	10,64,00,000	10,64,00,000
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>		
Share Premium Account	2,57,136	2,57,136
Special Capital Incentive of Govt. of Maharashtra	50,00,000	25,00,000
<b>TOTAL</b>	52,57,136	27,57,136
<b>SCHEDULE 3 : SECURED LOANS</b>		
a) Term Loan from Maharashtra State Financial Corporation (MSFC) (Secured by first mortgage & charge on all fixed assets, both movable and immovable, of the Company on pari passu basis with IREDA.)	58,93,573	58,93,573
b) Term loan from Indian Renewable Energy Development Agency Ltd. (IREDA) (Secured by first mortgage & charge on all fixed assets, both movable and immovable, of the Company on pari passu basis with MSFC)	12,98,26,042	12,98,26,042
c) Additional Term Loan from Indian Renewable Energy Development Agency Ltd. (IREDA) (Secured by first mortgage & charge on all fixed assets, both movable and immovable, of the Company on pari passu basis with MSFC)	4,46,04,917	4,46,04,917
d) Court expenses payable to IREDA	—	4,96,000
e) Cash Credit from Central Bank of India (Secured against hypothecation of inventories)	1,99,98,218	1,99,98,218
f) Interest Payable		
i) IREDA	—	3,03,70,496
ii) MSFC	51,02,435	51,02,435
<b>TOTAL</b>	20,54,25,185	23,62,91,681
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
Inter Corporate Deposits	13,30,75,443	13,09,25,204
Interest accrued but not due	—	93,779
Deferred liability for Sales Tax	3,37,01,745	3,02,35,999
<b>TOTAL</b>	16,67,77,188	16,12,54,982

**SCHEDULED 5 : FIXED ASSETS**

Name of Asset	GROSS BLOCK (RS.)			DEPRECIATION (RS.)				NET BLOCK (RS.)	
	As at 1/4/08	Addition	Deductions	As at 31/3/09	Up to 31/3/08	For the year	Up to 31/3/09	As at 31/3/09	As at 31/3/08
<b>Paper Division</b>									
Free hold land	573245	-	-	573245	-	-	-	573245	573245
Land & Site Development	1349328	-	-	1349328	-	-	-	1349328	1349328
Buildings	20184399	-	-	20184399	4535705	522666	5058371	15126028	15648694
Well & Lift Scheme	4221280	-	-	4221280	726800	116716	843516	3377764	3494480
Plant & Machinery	112475318	325518	-	112800836	36772192	4003582	40775774	72025062	75703126
ET Plant	5097470	-	-	5097470	1926376	167434	2093810	3003660	3171094
Weigh Bridge	662595	-	-	662595	213084	21352	234436	428159	449511
Boiler	6449607	3063392	-	9512999	2383019	232814	2615833	6897166	4066588
Laboratory Equipment	112756	11965	-	124721	37324	3876	41200	83521	75432
Furniture & Fixture	239072	-	-	239072	86274	9672	95946	143126	152798
Vehicles	1291063	-	-	1291063	457470	79608	537078	753985	833593
Office Equipment	939433	63877	500	1002810	298366	43234	341600	661210	641067
Software & Licenses	28900	-	900	28000	-	-	-	28000	28900
<b>Total</b>	<b>153624466</b>	<b>3464752</b>	<b>1400</b>	<b>157087818</b>	<b>47436610</b>	<b>5200954</b>	<b>52637564</b>	<b>104450254</b>	<b>106187856</b>
<b>Power Division</b>									
Land & Site Development	1122850	-	-	1122850	-	-	-	1122850	1122850
Building	15218490	-	-	15218490	1494048	84144	1578192	13640298	13724442
Cooling Tower	2100833	-	-	2100833	283816	17611	301427	1799406	1817017
DM Plant	1317022	-	-	1317022	171717	11100	182817	1134205	1145305
Steam Line	481300	-	-	481300	77460	3914	81374	399926	403840
LT Electrical Pannels	2857416	78019	-	2935435	400359	23814	424173	2511262	2457057
Bagasse handling System with RBC	54266524	79750	-	54346274	8733571	441308	9174879	45171395	45532953
Boiler	82464042	445000	-	82909042	13166053	671640	13837693	69071349	69297989
TG Set with H T Pannels	138229439	2915670	-	141145109	21724851	1129457	22854308	118290801	116504588
Furniture & Fixture	56781	-	-	56781	9809	546	10355	46426	46972
Kiosk Unit	-	180163	-	180163	-	156	156	180007	-
<b>Total</b>	<b>298114697</b>	<b>3698602</b>	<b>-</b>	<b>301813299</b>	<b>46061684</b>	<b>2383690</b>	<b>48445374</b>	<b>253367925</b>	<b>252053013</b>
<b>Grand Total</b>	<b>451739163</b>	<b>7163354</b>	<b>1400</b>	<b>458901117</b>	<b>93498294</b>	<b>7584644</b>	<b>101082938</b>	<b>357818179</b>	<b>358240869</b>
<b>Previous Year</b>	<b>455249346</b>	<b>6127982</b>	<b>9638165</b>	<b>451739163</b>	<b>78223543</b>	<b>15274751</b>	<b>93498294</b>	<b>358240869</b>	<b>377025803</b>

\* Power Division was in operation upto 6<sup>th</sup> June 2008, hence depreciation on assets is calculated for 67 days only.

	<b>As At 31<sup>st</sup> March 2009</b>	<b>As At 31<sup>st</sup> March 2008</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>SCHEDULE 6 : INVESEMENTS</b>		
Quoted/Non Trade (At Cost)		
1,500 Equity Shares of Rs. 10/- each of National General Industries Ltd.	22,500	22,500
900 Equity Shares of Rs.10/- each of Ambala Cements Ltd.	9,000	9,000
[ Market Value on 31.3.09 Nil (31.3.08-Nil)]		
<b>TOTAL</b>	<b>31,500</b>	<b>31,500</b>
<b>SCHEDULE 7 : INVENTORIES</b>		
Stores & Spares etc. at cost	33,90,876	32,53,796
Raw Material at cost	60,55,904	130,13,103
Finished Goods at cost or realisable value whichever is lower	13,72,617	2,28,371
<b>TOTAL</b>	<b>1,08,19,397</b>	<b>1,64,95,270</b>
<b>SCHEDULE 8 : SUNDRY DEBTORS (Unsecured, Good)</b>		
Outstanding over six months	—	—
Others	36,22,464	82,49,600
<b>TOTAL</b>	<b>36,22,464</b>	<b>82,49,600</b>
<b>SCHEDULE 9 : CASH &amp; BANK BALANCES</b>		
Cash on hand	68,349	83,059
Balances with Scheduled Banks		
In Fixed Deposits	33,750	33,750
In Current Accounts	12,72,116	38,00,589
<b>TOTAL</b>	<b>13,74,215</b>	<b>39,17,398</b>
<b>SCHEDULE 10 : LOANS &amp; ADVANCES</b>		
Balances with Statutory/Public Authorities	2,42,55,206	41,84,574
Advance recoverable in cash or in kind or for value to be recoverable	24,500	24,500
<b>TOTAL</b>	<b>2,42,79,706</b>	<b>42,09,074</b>
<b>SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS</b>		
Current Liabilities		
Sundry Creditors for Capital Goods	91,63,599	59,89,756
Sundry Creditors	2,17,94,996	2,12,25,833
Dealers Deposit	—	1,50,000
Other Liabilities	10,91,396	14,87,954
	3,20,49,991	2,88,53,543
Provisions	17,31,626	1,25,88,915
<b>TOTAL</b>	<b>3,37,81,617</b>	<b>4,14,42,458</b>

# 18<sup>th</sup> ANNUAL REPORT 2008-2009

		Year Ended 31 <sup>st</sup> March 2009	Year Ended 31 <sup>st</sup> March 2008
	Rs.	Rs.	Rs.
<b>SCHEDULE 12 : SALES</b>			
Kraft Paper		9,45,59,733	60,22,858
Power		67,77,892	1,94,07,307
<b>TOTAL</b>		<b>10,13,37,625</b>	<b>2,54,30,165</b>
<b>SCHEDULE 13 : OTHER INCOME</b>			
Interest Received		23,113	31,300
Other Income		39,38,923	6,71,483
<b>TOTAL</b>		<b>39,62,036</b>	<b>7,02,783</b>
<b>SCHEDULE 14 : INCREASE /(DECREASE) IN STOCK</b>			
Finished Goods			
Stock at Close		13,72,617	2,28,371
Less :			
Stock at Opening		2,28,371	Nil
<b>TOTAL</b>		<b>11,44,246</b>	<b>2,28,371</b>
<b>SCHEDULE 15 : MATERIAL CONSUMED AND MANUFACTURING EXPENSES</b>			
Raw material consumed			
Opening Stock	1,30,13,103		58,25,512
Add : purchases	6,74,14,261		2,75,83,994
	8,04,27,364		3,34,09,506
Less : closing stock	60,55,904		1,30,13,103
		7,43,71,460	2,03,96,403
Manufacturing Expenses			
Carriage Inward	1,59,594		—
Diesel for DG Set	5,78,778		16,35,090
Power & Fuel	1,24,19,649		2,58,225
Unloading Charges	11,57,161		—
Repairs & Maintainance	22,47,038		13,08,380
Other Manufacturing Expenses	59,15,346		37,50,370
		2,24,77,566	69,52,065
<b>TOTAL</b>		<b>9,68,49,026</b>	<b>2,73,48,468</b>

	Year Ended 31 <sup>st</sup> March 2009	Year Ended 31 <sup>st</sup> March 2008
	Rs.	Rs.
<b>SCHEDULE 16 : EMPLOYEES EMOLUMENTS</b>		
Staff Salaries	24,13,499	60,06,028
Welfare Expenses	46,373	3,308
<b>TOTAL</b>	<b>24,59,872</b>	<b>60,09,336</b>
<b>SCHEDULE 17 : SELLING, ADMINISTRATIVE AND OTHER EXPENSES</b>		
Legal and Professional Fees	507,939	1,37,627
Testing Fees	4,400	Nil
ROC Filling Fees	8,500	2,56,150
Stock Exchange Fees	-	25,000
Directors Sitting Fees	2,000	750
Factory Licence Fees	-	12,000
MPCB Fees	58,820	50,000
Boiler Inspection Fees	16,880	10,000
Electrical Inspection Fees	1,000	44,800
Membership & Subscription Fees	-	1,800
Printing & Stationery	1,25,426	55,484
Postage & Telephone Expenses	2,12,415	1,32,418
Audit Fees	10,000	10,000
Insurance	34,103	31,185
Commission and Discount	40,88,327	2,41,705
Vehicle repair & maintainance	1,48,750	48,594
Diesel for vehicle	98,537	99,867
Loading Unloading Charges	3,48,000	1,43,794
Rent Rates & Taxes	37,096	1,50,127
Advertisement Charges	62,334	5,420
Local Conveyance	1,05,454	1,16,119
Misc. Expenses	52,818	96,166
Other Office Expenses	1,32,319	1,03,492
Travelling Expenses	2,79,299	1,52,039
<b>TOTAL</b>	<b>63,34,417</b>	<b>19,24,537</b>
<b>SCHEDULE 18: INTEREST &amp; BANK CHARGES</b>		
Bank Commission	48,619	8,807
<b>TOTAL</b>	<b>48,619</b>	<b>8,807</b>

**SCHEDULE 19 : NOTES FORMING PART OF THE ACCOUNTS**

- Contingent Liabilities : Guarantee executed in favour of customs for EPCG has been expired and unascertained duty payment for unfulfilled export obligation is outstanding.
- The provisions of Employees State Insurance Act are not applicable to the Company.
- Net deferred tax asset has not been recognised in view of uncertainty about future taxable income against which the deferred tax asset can be realised.
- C.I.F. value of Imports **Rs. 11,74,570 (Nil)**
- Basic & Diluted Earning Per Share of Rs.10 each after extra-ordinary item **Rs. 2.21 (Rs.1.36).**

**SHCEDULE 19 : NOTES FORMING PART OF THE ACCOUNTS CONTD..**

**6. Consumption of Raw Materials.**

Item	Opening Stock		Purchases		Total		Consumption		Closing Stock	
	Qty (MT)	Value (Rs)	Qty (MT)	Value (Rs)	Qty (MT)	Value (Rs)	Qty (MT)	Value (Rs)	Qty (MT)	Value (Rs)
Bagasse	22919	12439859	2576	4203824	25495	16643683	23857	13041029	1638	3602654
	(13759)	(5652638)	(40207)	(22755596)	(53966)	(28408234)	(31047)	(15968375)	(22919)	(12439859)
Firewood			1071	1783922	1071	1783922	789	1314151	282	469771
Indian Waste	43	341768	6857	57044258	6900	57386026	6838	56869092	62	516934
Paper	(-)	(-)	(558)	(4467133)	(558)	(4467133)	(515)	(4125365)	(43)	(341768)
Imported Waste Paper			96	1437481	96	1437481	16	253155	80	1184326
Chemicals		126376		1935794		2062170		1849898		212272
		(67774)		(220882)		(288656)		(162280)		(126376)
Packing Material		105100		1008982		1114082		1044135		69947
		(105100)		(140383)		(245483)		(140383)		(105100)
Total	22962	13013103	10600	67414261	33562	80427364	31500	74371460	2062	6055904
	(13759)	(5825512)	(40765)	(27583994)	(54524)	(33409506)	(31562)	(20396403)	(22962)	(13013103)

**7. Related Party Disclosure :**

List of the parties with whom transactions have taken place during the year.

**a. particulars of Associate Companies**

- 1] Kay Bouvet Engineering Pvt Ltd
- 2] Kay Nitroxygen Pvt Ltd

**b. Key Management Personnel**

Mr. Niraj Chandra	Chairmen & Managing Director
Ms. Deepa Agarwal	Director & Relative

Details of Transactions are as follows (Rs. In Lac)

**Key management Personnel**

- |  |       |
|--|-------|
| 1] Remuneration                              | NIL   |
| 2] Interest Paid                             | NIL   |
| 3] Purchase from Associate Companies         | 83.91 |
| 4] Outstanding Credit Balance as on 31.03.08 |       |
| Key Management Personnel                     | Nil   |
| Associate Companies                          | 54.37 |

**SHCHEDULE 19 : NOTES FORMING PART OF THE ACCOUNTS CONTD..**
**8. Segmentwise Reporting**

The Company has mainly two Divisions, Paper And Power Division. Segmentwise figures are as follows :

(Rs.in Lac)

Particulars	Power	Paper	Total
Net Segment Revenue	67.78	945.60	1013.38
Net Profit/ (Loss) Before Intrest	(14.19)	(93.27)	(107.46)
Intrest and Bank charges	—	0.49	0.49
Net Profit/(Loss)	(14.19)	(93.76)	(107.95)
Segment Asset	2773.59	1205.86	3979.45
Segment Liabilities	2384.29	2792.12	5176.41
Capital Employed	389.30	(1586.26)	(1196.96)
Depreciation	23.83	52.01	75.84

**9. Information regarding Capacity, Production, Stocks and Sales -**

Item	Licensed Capacity	Installed Capacity	Opening Stock (M T)	Production (M T)	Sales (M T)	Stock (M T)
Kraft Paper	25000TPA (25000TPA)	21000TPA (21000TPA)	15.591 (NIL)	5942.577 (429.495)	5863.143 (413.904)	95.025 (15.591)
Value in Rs.				95932350 (6251229)	94559733 (6022858)	1372617 (228371)

10. Refer Annexure for additional information pursuant to part IV of Schedule VI to the Companies Act 1956.

11. Figures in bracket pertain to previous year.

**12. Statement of Significant Accounting Policies.**
**1. Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention on accrual basis except where specified otherwise and in case of significant uncertainties.

**2. Use of Estimates**

Estimates and assumptions used in the preparation of the financial statements are based on management's evaluation of the relevant facts and circumstances as on the date of the Financial Statements, which may differ from the actual results at a subsequent date.

**3. Fixed Assets and Depreciation**

a) Fixed Assets except freehold land are stated at cost of acquisition less accumulated depreciation. Cost includes the purchase price and all other attributable costs incurred for bringing the assets to its working condition for intended use. Freehold land is valued at cost.

**b) Depreciation**

Depreciation on Fixed Assets has been provided at the rate provided in Schedule XIV to the Companies Act, 1956 for SLM method on the opening written down value of the assets. Depreciation on assets of Power Division is charged for the days it was operational during the year, while depreciation on Fixed Assets of Paper Division is charged for the whole year.



**SCHEDULE 19 : NOTES FORMING PART OF THE ACCOUNTS CONTD..**

Depreciation on addition to Fixed Assets is charged on prorata basis from date on which asset is put to use. Depreciation on assets sold during the year is provided for on prorata basis upto the date of sale.

**4) Interest**

In view of the BIFR registration and pending proceedings for rehabilitation, the Company has stopped providing, for interest on outstanding loans of Financial Institutions and Banks from 1<sup>st</sup> July, 2003. In respect of Central Bank of India, the Company has stopped providing for interest on Cash Credit since 1<sup>st</sup> November, 2004. The company has effected one time settlement of dues with SICOM LIMITED, State Bank of India and IREDA, where it has got rebate in the interest amount already provided for, which are reversed in the Profit and Loss Account as extra ordinary Items.

**5) Investment**

Long Term investments are valued at cost.

**6) Inventories**

Stock of Raw Material, Stores and Spares, Consumables and packing material is valued at cost price. Cost is ascertained using weighted average method. Stock of finished goods is valued at cost of production ascertained using weighted average method.

**7) Segmental Reporting**

The company's operating business is organised and managed separately according to the products provided as Paper Division and Power Division. The company generally accounts for inter segmental sale at the current market prices.

**8) Deferred Tax Liability :**

Deferred Tax Asset is not recognised in the Balance Sheet due to lack of reasonable certainty of realising them in view of accumulated losses.

**9) Retirement Benefits**

The liability for terminal benefits to employees like gratuity is recognised in the year of payment and in view of the heavy losses and due to the skeleton eligible staff strength, no actuarial, working is taken to avoid extra expenditure for it.

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As per our report of even date

For GODBOLE & COMPANY

Chartered Accountants

Ashutosh Godbole

Proprietor

Sham A. Mulye

Company Secretary

For and on behalf of the Board of Directors

Niraj Chandra

Chairman and

Managing Director

Deepa Agarwal

Director

Place : Satara

Date : 30<sup>th</sup> June, 2009

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**Balance Sheet Abstract and Company's General Business Profiles.**
**I. Registration Details**

Registration No.

6 1 7 0 9

State Code

1 1

Balance Sheet Date

3 1 0 3 2 0 0 9

**II. Capital raised during the year**
**(Amount in Rs. Thousands)**

Public Issue

N I L

Right Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

**III. Position of Mobilisation and development of Funds**
**(Amount in Rs. Thousands)**

Total Liabilities

5 2 9 1 8 7

Total Assets

5 2 9 1 8 7

**Sources of Funds**

Paid up Capital

1 0 6 4 0 0

Share Application Money

4 5 3 2 7

Reserves &amp; Surplus

5 2 5 7

Secured Loans

2 0 5 4 2 6

Unsecured Loans

1 6 6 7 7 7

Application of Funds

Net Fixed Assets

3 5 7 8 1 8

Investments

3 2

Net Current Assets

6 3 1 4

Misc. Expenditure

N I L

Accumulated Losses

1 6 5 0 2 3

**IV. Performance of Company**
**(Amount in Rs. Thousands)**

Turnover

1 0 6 4 4 4

Exceptional Item

3 0 3 7 0

Total Expenditure

1 1 3 2 7 7

(+) Profit/ -Loss before Tax

+ 2 3 5 3 7

+Profit/ -Loss after Tax

+ 2 3 5 1 9

Earning per Share in Rs.

2.21

Dividend Rate %

N I L

**V. Generic names of Three Principal Products/ Services of Company (As per monetary terms)**

Item Code No. (ITC Code)

4 8 0 2 6 0 0 9

8 4 1 1 0 1 1 0 0

Product Description

KRAFT PAPER

POWER GENERATION



**KAY POWER AND PAPER LIMITED**  
Regd. Office : Gat No. 454/457, Village Borgaon, Tal./Dist. Satara-415 519

**PROXY FORM**

I/We .....  
of .....

being member/s of Kay Power and Paper Ltd., hereby appoint .....

..... of .....

or failing him, ..... of .....

as my/our Proxy to vote for me/us and on my/our behalf at the **EIGHTEENTH ANNUAL GENERAL MEETING** of the Company, to be held at **3.00 p.m. on Tuesday, 29<sup>th</sup> September, 2009** and at any adjournment thereof.

In witness whereof I/We have set my/our hand(s) this ..... day of September, 2009

Signed by the said .....

Affix  
One Rupee  
Revenue  
Stamp

Note. : The proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.

----- TEAR HERE -----



**KAY POWER AND PAPER LIMITED**  
Regd. Office : Gat No. 454/457, Village Borgaon, Tal./Dist. Satara-415 519

**ATTENDANCE SLIP**

To be handed over at the Meeting Hall

Name of the attending Member (in Block Letters)	Member's Ledger Folio
Name of the Proxy (in Block Letters) (To be filled in if the Proxy attends instead of the Member)	

No. of Shares held

I hereby record my presence at the **EIGHTEENTH ANNUAL GENERAL MEETING** of the Company to be held at Registered office at Gat No 454/457, Village Borgaon, Tal/Dist. Satara - 415 519, at **3.00 p.m. on Tuesday, 29<sup>th</sup> September, 2009.**

Member's/Proxy's Signature

BOOK - POST

*If undelivered, please return to :*

**KAY POWER AND PAPER LIMITED**

B-7-8, Mayfair Eleganza-I, N.I.B.M. Road, Kondhw, Pune : 411 048