

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 31st March, 2011 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 one 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 explanation 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) in 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 prima facie, as at 31st March, 2011, disqualified from being appointed as directors 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 explanation 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 31st March, 2011
 - 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

sd/-

Place : Satara
Date : 2nd June, 2011

Ashutosh Godbole
Proprietor
Mem. No. 104822

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Annexure referred to in paragraph (3) of the our Report of even date on the account KAY POWER AND PAPER LIMITED for the year ended 31st March, 2011

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 the nature of 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 four parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.1050.08 Lakhs and year end balance of loans taken from such parties was Rs.1050.08 Lakhs. 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. In our opinion and according to information and explanations given to us, the company does not have any deposits accepted from the public covered u/s 58-A during the year under audit.
7. The company did not have any formal internal audit system during the year under review. However, it's internal control procedure involved reasonable checking of it's financial records.
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 prima facie the prescribed accounts and records have been made and maintained.
9. a. According to records, Company is not regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund dues and Profession Tax. The payment of these

dues was made late. However, no amount is outstanding as at 31/3/2011 for a period more than 6 months from the date they became payable.

- 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 31/3/2011 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.1483.55 Lakhs as on 31/3/2011 is 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 IREDA and Central Bank of India. The amount and period of default are as follows.

Loan of	Amount Rs. In Lac	Period months
IREDA	1569.88	108
Central Bank of India Cash Credit	199.98	77

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 permanent 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

sd/-

Place : Satara
Date : 2nd June, 2011

Ashutosh Godbole
Proprietor
Mem. No. 104822