

22nd

ANNUAL REPORT

2006-2007

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KARUNA CABLES LIMITED

KARUNA CABLES LIMITED

22nd ANNUAL REPORT
2006-2007

BOARD OF DIRECTORS

| | |
|--------------------------|---|
| Dr. Mahendra C. Shah | Chairman & Managing Director |
| Mr. N. S. Ranganath | Non-executive & Independent Director |
| Mr. C. V. V. Prasad | Non-executive & Independent Director |
| Mr. Pawankumar Sanwarmal | Non-executive & Independent Director |
| Mr. Mit M. Shah | Director (Appointed as an additional Director on 31 st July 2007.) |

AUDITORS

M/s Bhoopendar Maheshwari & Co.
Chartered Accountants

BANKERS

State Bank of Hyderabad
United Bank of India
Punjab National Bank

REGISTERED OFFICE

102, Sanjay Chambers, Choubal Lane,
V. P. Road, Opera House, Mumbai – 400 004.

FACTORY

102-A, S. V. C. I. Estate, IDA Bolaram, Dist. – Medak (Andhra Pradesh)

HYDERABAD OFFICE

76-B, Street No. 3, Vengalraonagar, Hyderabad – 500 038.

REGISTRAR & SHARE TRANSFER AGENTS

M/s Purva Sharegistry (India) Private Limited
9, Shiv Shakti Industrial Estate, Gr. Floor,
Sitaram Mill Compound, J.R. Boricha Marg,
Lower Parel, Mumbai – 400 011.

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KARUNA CABLES LIMITED**NOTICE**

Notice is hereby given that the Twenty Second Annual General Meeting of the Members of Karuna Cables Limited will be held on Friday the 7th day of September 2007 at 10:00 A.M. at The Swastik League Hall, 324-A Vithalbhai Patel Road, Opera House, Mumbai – 400 004 to transact the following business, with or without modifications.

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2007 and Profit & Loss Account for the period ended on that date along with Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Pawankumar Sanwarmal Director of the Company, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and thought fit to pass with or without modification the following resolution as on Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act 1956, Mr. Mit M. Shah, who was appointed by the Board of Directors as Additional Director as per the provisions of Section 260 of Companies Act 1956, at their meeting held on 31st July, 2007 and who hold office up to the date of ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing along with requisite Deposit as per the provisions of Section 257 of Companies Act 1956 from a member proposing the candidature of Mr. Mit M. Shah, for the office of the Director, be and is hereby appointed as a Director of the Company.”

Registered Office:
102 Sanjay Chambers, Choubal Lane,
V. P. Road, Opera House,
Mumbai – 400 004

By Order of the Board of Directors
For **KARUNA CABLES LIMITED**

Date: 31st July, 2007
Place: Mumbai

DR. MAHENDRA C SHAH
CHAIRMAN & MANAGING DIRECTOR

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING AND ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXIES SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The members are requested to notify immediately changes, if any, in their registered address to the Company's Registrar & Share Transfer Agent M/S Purva Sharegistry (India) Pvt. Ltd., 9, Shiv Shakti Industrial Estate, Gr.floor, Sitaram Mill Compound, J.R.Borecha Marg. Lower Parel. Mumbai-400011, email ID: purvashr@mtnl.net.in.
3. Members who hold Shares in Dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for easy identification at the meeting and number of shares held by them.
4. The Share Transfer Books and the Register of Members will remain closed from Saturday the 1st day of September 2007 to Friday 7th September 2007 (both days inclusive).
5. At the ensuing Annual General Meeting Mr. Pawankumar sanwarmal – Director, retires by rotation and being eligible offers himself for re-appointment, the brief resume of this director is as under :

| | |
|--|--|
| <ul style="list-style-type: none"> • Name • Age • Qualification • Expertise in Specific Area • Date of First Appointment on the Board of the Company • Name(s) of the other companies in which Directorship held and Committee Membership/Chairmanship held. | <p>MR. Pawankumar Sanwarmal</p> <p>47 Years</p> <p>B.Sc.</p> <p>Export, Manufacturing & Finance</p> <p>29th November 2004.</p> <p>Refer to Report on CORPORATE GOVERNANCE</p> |
|--|--|

6. At the ensuing Annual General Meeting Mr. Mit M. Shah – Director who was appointed by the Board of Directors as Additional Director during the year retires by completion of his term and being eligible offers himself for reappointment, the brief resume of this director is as under:

| | |
|---|--|
| <ul style="list-style-type: none"> • Name • Age • Expertise in Specific Area • Date of First Appointment on the Board of the Company • Name(s) of the other companies in which Directorship held and Committee Membership/Chairmanship held. | <p>MR. Mit M. Shah</p> <p>22 Years</p> <p>Marketing</p> <p>31st July, 2007</p> <p>Nil</p> |
|---|--|

KARUNA CABLES LIMITED

7. Shareholders desiring any information as regards to the Accounts are requested to write to the Company at least Seven days in advance of the Annual General Meeting so that the information, to the extent practicable, can be made available at the Annual General Meeting.

Registered Office:

102 Sanjay Chambers, Choubal Lane,
V. P. Road, Opera House,
Mumbai – 400 004

By Order of the Board of Directors
For **KARUNA CABLES LIMITED**

Date : 31ST JULY, 2007
Place: Mumbai

DR. MAHENDRA C SHAH
CHAIRMAN & MANAGING DIRECTOR

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

Item No. 4

Mr. Mit M Shah was appointed as an additional director of the Company on 31st July, 2007 by the Board of Directors of the Company, at their meeting, as per the provisions of Section 260 of Companies Act 1956. He holds office of the Company up to the conclusion of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act 1956, a notice has been received from a member signifying his intention to propose the candidature of Mr. Mit M Shah as Directors of the Company. The Board recommends his appointment as Director.

Except Mr. Mit M. Shah and Mr. Mahendra C Shah none of the Directors are concerned or interested in this resolution.

Registered Office:

102 Sanjay Chambers, Choubal Lane,
V. P. Road, Opera House,
Mumbai – 400 004

By Order of the Board of Directors
For **KARUNA CABLES LIMITED**

Date : 31ST JULY, 2007
Place: Mumbai

DR. MAHENDRA C SHAH
CHAIRMAN & MANAGING DIRECTOR

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their **TWENTY SECOND ANNUAL REPORT** together with the Audited Accounts of the Company for the year ended on 31st day of March 2007.

FINANCIAL HIGHLIGHTES :

(Rs. in Lac)

| | For the year ended on 31.03.2007 | For the year ended on 31.03.2006 |
|----------------------------------|---|---|
| Turnover | 3598.11 | 3565.52 |
| Other Income | 00.39 | 142.55 |
| Increase / Decrease in Stock | (198.24) | 184.69 |
| Total Income | 3400.26 | 3892.76 |
| Total Expenditure | 3290.83 | 3593.38 |
| Profit / (Loss) before Taxation | 109.42 | 299.38 |
| Provision for Tax | 00.27 | 18.50 |
| Profit / (Loss) after Taxation | 109.15 | 280.88 |
| Balance b/f from Previous Year | (206.70) | (405.16) |
| Deferred Tax | 21.63 | (82.22) |
| Earlier Year Adjustments | 18.00 | (0.20) |
| Balance Carried to Balance Sheet | (57.90) | (206.70) |

OPERATIONAL REVIEW :

The Sales for the period ended 31.03.2007 were at Rs 3598.11 lacs as against Rs.3565.52 Lac for the previous year ended 31.03.2006. The company achieved manufacturing turnover from Rs.240 lacks to 730.09 lacks, growth up by 200 %. The Profit After Tax is Rs 109.15 Lacs against Rs.142.68 excluding bad debts recovers of Rs.128.20 lacks in the previous year.

DIVIDEND:

In view of the revival of the company's operation, your Directors have decided not to recommend any dividend on account for the year under operation.

MANAGEMENT DISCUSSION AND ANALYSIS :

As required by clause 49 of the Listing Agreement with the Stock Exchange, a Management Discussion and Analysis Report are appended.

DIRECTORS :

Mr. Pawankumar Sanwormal retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Your Directors recommends his re-appointment.

Mr. Mit M Shah was appointed as additional director in the Board Meeting held on 31st July, 2007, who hold office up to the date of ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing along with requisite Deposit as per the provisions of Section 257 of Companies Act 1956 from a member proposing the candidature of Mr. Mit M.Shah, for the office of the Director.

Extra Ordinary General Meeting :

The Company has called an Extra Ordinary General meeting on 11th July, 2007 to appoint new Auditor M/S Bhoopendar Maheshwari & co to fill the vacancy caused by the resignation of M/S Nilesh Lakhamshi & Co. and to delist company's equity shares from Hyderabad & Ahmedabad Stock Exchange,

PERSONNEL :

There were no employees during the year or part of the year drawing remuneration, which falls within the preview of the provisions of Section 217 (2A) of the Companies Act 1956.

AUDITORS' REPORT :

The observation made in the Auditors' Report read together with relevant notes thereon, are self explanatory and hence do not call, any further comments under Section 217 of the Companies Act 1956.

AUDITORS :

M/s Bhoopendar Maheshwari & Co., Chartered Accountants, retires as Auditors of the Company at the conclusion of the ensuing Annual General Meeting. The Company has received letters from them to effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

FIXED DEPOSITS :

The Company has not invited / accepted / renewed any fixed deposits as per the provisions of Section 58 A of the Companies Act 1956 from the public during the year under review.

CORPORATE GOVERNANCE :

A separate report on the Corporate Governance and Management Discussion & Analysis is attached as a part of the Annual Report. The Auditors' Certificate regarding compliance of the conditions of Corporate Governance is also annexed.

DIRECTORS' RESPONSIBILITY STATEMENT :

In terms of Section 217 (2AA) of the Companies Act 1956, the directors would like to state that:

- i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a 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 the year under review.
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Directors have prepared the Annual Accounts on a going concern basis.

CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY & FOREIGN EXCHANGE EARNINGS AND OUTGO :

Information relating to Conservation of Energy, Technology absorption and Foreign Exchange Earning and Outgo as stipulated under Section 217 (1) (e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 is set out in the separate statement, attached to this report & forms part of it.

ACKNOWLEDGEMENTS :

Your Company & its Directors wish to extend their sincerest thanks to the Bankers, State Government, Customers, Suppliers and Staff for their continuous co-operation & guidance.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Date : 31st July. 2007
Place : Mumbai

DR. MAHENDRA C. SHAH
CHAIRMAN & MANAGING DIRECTOR

ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217 (1) (e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988.

A. CONSERVATION OF ENERGY

The capacity of the plant utilized partially, so there was no need to use Generator.

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

| Sr. No. | Particulars | 31-03-2007 | 31.03.2006 |
|---------|---------------------------------|------------|------------|
| 1 | Electricity | | |
| a. | Purchased Units | 143346 | 322259 |
| | Total Amount in Rs. | 855360 | 1679195 |
| | Average Rate | 5.97 | 5.21 |
| b. | Own Generation | — | — |
| | Unit per litre of Diesel | — | — |
| | Cost per unit | — | — |
| 2 | Coal Specify quality where used | — | — |
| | Quantity (Tonnes) | — | — |
| | Total Cost | — | — |
| | Average Cost | — | — |
| 3 | Furnance oil | — | — |
| | Quantity (Lits) | — | — |
| | Total Amount | — | — |
| | Average Rate | — | — |

B. TECHNOLOGY ABSORPTION

Indigenous technology is used. Continuous efforts are being made to improve the quality of Conductors in terms of Conductivity, Resistance, etc. by R&D team.

C. FOREIGN EXCHANGE EARNING AND OUTGO:

Total Foreign Exchange Used: NIL

Total Foreign Exchange Earned: NIL

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Date : 31st July, 2007

Place: Mumbai

DR. MAHENDRA C SHAH
CHAIRMAN & MANAGING DIRECTOR

MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

Your Directors have pleasure in presenting the Management Discussion and Analysis report for the year ended on 31st March 2007.

a. INDUSTRY STRUCTURE, DEVELOPMENT :

Karuna Cables Limited is engaged in the manufacturing of ACSR & AAAC Power conductors. The Government of India initiative of Accelerated Power Development and Reform programme as a vehicle to drive reforms in the generation, Transmission and Distribution sector.

b. OPPORTUNITES, THREATS :

The power industry is showing healthy signs of growth. The opportunity to get orders has considerably increased. The company is trying to augment working capital limits and looking to reach optimum operation levels. Because of insufficient working capital, if the schedule of Delivery is not maintained, that affects the profitability.

c. SEGMENTWISE PERFORMANCE :

The company operations are broad bifurcated into two segments. Manufacturing and Trading.

d. INTERNAL CONTROL SYSTEM & THEIR ADEQUACY :

The company has adequate internal control system commensurate with the size. The committee reviews the implementation of management policies to ensure that transaction has been accurately recorded and promptly reported.

e. OUTLOOK :

Given the growing demand supply gap, the Indian Power sector continues to be fundamentally attractive. Given India's requirement of capacity to be built up in the next 10-15 years, the power sector look very positive and attractive. Your company is making its best efforts to augment working capital requirement to increase the utilization of Plant capacity.

f. RISKS AND CONCERNS :

The fluctuations of rates of raw material are real concern. The domestic rates are depending upon international market. Any fluctuation in international rates reflects immediately in the domestic market. However the P.V. is available based on the any variation in the previous month rate, that also subject to delivery schedule maintain.

g. HUMAN RESOURCES & INDUSTRIAL RELATION :

The industrial relations with workers at plant and officers are cordial during the year under review. All issues pertaining to staff matters are resolved in harmonious and cordial manner.