

Karuna Cables Ltd.

Twenty Third

ANNUAL REPORT 2007-2008





23rd ANNUAL REPORT 2007-2008

KARUNA CABLES LIMITED

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 Sanwamal | <i>Non-executive & Independent Director (Resigned with effect from 21st July, 2008)</i> |
| Mr. Mit.M.Shah | Non-executive Director |

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AUDITORS

M/s Bhoopendar Maheshwari & Co.

Chartered Accountants

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

BANKERS

State Bank of Hyderabad,
S.R.Nagar Branch, Hyderabad

FACTORY

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

REGISTER OFFICE

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

HYDERABAD OFFICE

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



KARUNA CABLES LIMITED

index

| | |
|--|----|
| <i>Notice</i> | 3 |
| <i>Directors' Report</i> | 5 |
| Management Discussion & Annalysis Report | 7 |
| Corporate Governance Report | 8 |
| Auditors' Report | 15 |
| Balance Sheet | 18 |
| Profit & Loss Account | 19 |
| Schedules | 20 |
| Cash Flow | 29 |
| Balance Sheet Abstract | 30 |



23rd ANNUAL REPORT 2007-2008

NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of the Members of Karuna Cables Limited will be held on Saturday the 6th day of September 2008 at 10:00 a.m. at the Swastik League Hall, 324-A Vithalbai 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 2008 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. N. S. Rangnath – 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.

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

Place : Mumbai,
Date : 25th July, 2008.

DR. MAHENDRA C SHAH
CHAIRMAN & MANAGING DIRECTOR

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



KARUNA CABLES LIMITED

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 30th day of August 2008 to Saturday 6th September 2008 (both days inclusive).
5. At the ensuing Annual General Meeting Mr. N.S. Ranganath – Director, retires by rotation and being eligible offers himself for re-appointment, the brief resume of this director is as under:

| | |
|---|---|
| Name | N.S RANGANATH |
| Age | 67 yrs |
| Qualification | B.Com, M. A, PGDLLEM & DMM |
| Expertise in Specific Area | Administrative and in cable Industries |
| Date of First Appointment on the Board of the Company | July 4, 2003 |
| Name(s) of the other companies in which Directorship held and Committee Membership/Chairmanship held. | Refer to Report on CORPORATE GOVERNANCE |

6. 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.

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

Place : Mumbai,
Date : 25th July, 2008.

DR. MAHENDRA C SHAH
CHAIRMAN & MANAGING DIRECTOR

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



23rd ANNUAL REPORT 2007-2008

DIRECTORS' REPORT

Your Directors have pleasure in presenting their TWENTEETH THIRD ANNUAL REPORT together with the Audited Accounts of the Company for the year ended on 31st day of March 2008.

FINANCIAL PERFORMANCE :

| PARTICULARS | Year ended 31-3-2008 Rs. (lacs) | Year ended 31-3-2007 Rs. (lacs) |
|----------------------------------|---------------------------------------|---------------------------------------|
| Turnover | 3701.66 | 3598.11 |
| Increase / Decrease in Stock | 78.88 | (198.24) |
| Other Income | 3.83 | 00.39 |
| Total Income | 3784.37 | 3400.26 |
| Total Expenditure | 3720.32 | 3290.83 |
| Profit / (Loss) before Taxation | 64.04 | 109.42 |
| Provision for Tax | 2.45 | 0.27 |
| Profit / (Loss) after Taxation | 60.91 | 109.15 |
| Balance b/f from Previous Year | <u>(57.90)</u> | <u>(206.70)</u> |
| Deferred Tax | 19.97 | 21.63 |
| Earlier Year Adjustments | 2.50 | 18.00 |
| Balance Carried to Balance Sheet | <u>22.96</u> | <u>(57.90)</u> |

OPERATIONAL REVIEW

The Sales for the period ended 31.03.2008 were at Rs. 3701.66 lacs as against Rs.3598.11 Lac for the previous year ended 31.03.2007. The Profit after Tax is Rs 60.91 lacs against Rs.109.15.

FORFEITURE OF SHARES

The Board of Directors in its Board Meeting held on 25th July, 2008 has decided to issue reminder notice for payment of call moneys to the share holders, who have not yet paid their call money, if shareholders fails to pay their remaining call money, their shares will be liable for forfeiture.

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. N.S. Ranganath retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Your Directors recommends his re-appointment.

Mr. Pawankumar Sanwaram, Non-Executive and Independent Director resigned from the Board of Directors w.e.f. 21st July, 2008. The Company is very much thankful for Shri Pawankumar for his guidance cooperation and advice during his teneure as a director.

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.



KARUNA CABLES LIMITED

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 the Board

Mahendra C. Shah

Mumbai : 25th July, 2008.

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. Particulars | 31-03-2008 | 31.03.2007 |
|-----------------------------------|------------|------------|
| 1 Electricity | | |
| a. Purchased - Units | 172156 | 143346 |
| Total Amount in -Rs. | 945024 | 855360 |
| Average Rate | 5.49 | 5.97 |
| 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 the Board

For **KARUNA CABLES LIMITED**

Mumbai

Mahendra C. Shah

25th July, 2008.

Chairman & Managing Director



23rd ANNUAL REPORT 2007-2008

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Your Directors have pleasure in presenting the Management Discussion and Analysis report for the year ended on 31st March 2008.

a. INDUSTRY STRUCTURE, DEVELOPMENT-

The power sector is a key infrastructure back bone of the country, need to grow faster than the average growth of the economy, however because of substantial investment the growth of the sector is not to the expected level, The cheaper and stable power could be secured through large size Power projects and for which we require efficient critical technology and better quality of power cables and conductors to minimize transmission and distribution line loss.

b. OPPORTUNITIES, THREATS AND RISKS

The power industry is showing healthy signs of growth. The fluctuation of the raw material price put pressure on 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 and the committee reviews the implementation of management policies to ensure that transaction has been accurately recorded and promptly reported.

e. OUTLOOK:

There is expected to be good demand for power cables and power related equipments because of massive investments are planned in coming years.

f. HUMAN RESOURCES & INDUSTRIAL RELATION:

The company has harmonious Industrial relation. There is continuous emphasis on development of human resources through training. The issues pertaining to workers are resolved in harmonious and cordial manner.



KARUNA CABLES LIMITED

CORPORATE GOVERNANCE REPORT

(1) COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The company's continued endeavor is to achieve good governance, by way of constant efforts whereby ensuring the transparency, accountability and responsibility in our dealing with employees, shareholders, consumers and community at large. The Board of Directors represents the interest of the company by way of providing necessary guidance and strategic vision to the company.

(2) BOARD OF DIRECTORS

The composition of the Board, Category of Directors and Number of Directorship & Membership / Chairmanship of Committees in other Companies are as under:

| Name of Director | Category | Remuneration received during the year under review | No. of Outside Directorship (s) Held | | No. of Outside Committee Position Held | |
|---------------------------|--------------------------------------|--|--------------------------------------|---------|--|----------|
| | | | Public | Private | Member | Chairman |
| Dr. M. C. Shah | Chairman & Managing Director | NIL | NIL | NIL | NIL | NIL |
| Mr. N.S. Ranganath | Independent & Non-executive Director | NIL | NIL | NIL | NIL | NIL |
| Mr. C. V. V. Prasad | Independent & Non-executive Director | NIL | NIL | NIL | NIL | NIL |
| *Mr. Pawan Kumar Sanwamal | Independent & Non-executive Director | NIL | 8 | 9 | NIL | NIL |
| **Mr. Mit M Shah | Director | NIL | NIL | 1 | NIL | NIL |

* Resigned w.e.f. 21st July, 2008

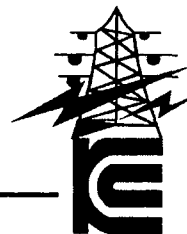
** Appointed w.e.f. 31st July, 2007

The code stipulates that the Company shall have an optimum combination of Executive & Non-executive Director with not less than 50 % of Board of Directors comprising of Non-executive Directors. The number of independent Directors would depend on whether the Chairman is executive or non-executive. In case of non-executive chairman, at least 1/3 of Board should comprise of independent directors and in case of Executive Chairman, at least 1/2 of the Board should comprise of independent directors.

The Company has been complying with both the provisions towards number of non-executive directors as well as Independent Directors.

Number of Board Meetings:

During the year under review, 7 Board Meeting were held on 28th April, 2007, 15th May, 2007, 15th June, 2007, 31st July, 2007, 31st Oct, 2007, 31st January, 2008 & 31st March, 2008



23rd ANNUAL REPORT 2007-2008

Directors Attendance Record

| Name of Director | Category | Board Meeting attended during the year | Whether last AGM attended |
|--------------------------|--------------------------------------|--|---------------------------|
| Dr. M. C. Shah | Chairman & Managing Director | 7 | Yes |
| Mr. N.S. Ranganath | Independent & Non-executive Director | 6 | Yes |
| Mr. C. V. V. Prasad | Independent & Non-executive Director | 5 | No |
| Mr. Pawan Kumar Sanwamal | Independent & Non-executive Director | 4 | No |
| Mr. Mit M Shah | Director | 3 | Yes |

None of the Directors of the Company are members of more than Ten Committees of Board or the Chairman of more than Five Committees across all Companies in which they are Directors.

The details of other Committee Chairmanship and Membership held by the Directors of the Company as at 31st March 2008 are given below:

| Name of Director | Chairman of Committee* | Member of Committee* |
|--------------------------|------------------------|----------------------|
| Dr, M.C. Shah | - | 1 |
| Mr. N. S. Ranganath | 2 | -- |
| Mr. C. V. V. Prasad | - | 2 |
| Mr. Pawan Kumar Sanwamal | - | 1 |
| Mr. Mit M. Shah | - | 2 |

* Only two committees, namely, Audit Committee and Shareholder/Investor Grievance Committee has been considered as per Clause 49 of the Listing Agreement.

(3) AUDIT COMMITTEE

The Board of Directors of the Company has constituted an Audit Committee. The terms of reference to the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement as well as Section 292 A of the Companies Act 1956.

Presently, the committee consists of 3 Directors, all directors are non-executive & majority of them being independent. The committees met 4 times during the year under review on 28th April 2007, 31st July 2007, 31st October 2007 and 31st January 2008.

The terms of reference of the Audit Committee include; overseeing of the Company's financial reporting process, recommending the appointment and removal of the external auditors, fixation of the audit fees with management, the annual financial statements, the adequacy of internal control systems, internal audit function, reviewing the company's financial and risk management policies, review of the expenses vis-à-vis budget, report on compliances with statutory requirements, reviewing compliances as regards the Company's Whistle Blower Policy etc. The audit committee reviews the adequacy of internal control systems etc. as mentioned in the scope and powers of the Audit Committee in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

The minutes of the Audit Committee are circulated to the Board, discussed and taken note of at the Board Meeting.

The attendance record of the members at the meeting is as under.

| Name of Director | No. of Meeting Attended |
|-----------------------------------|-------------------------|
| Mr. N. S. Ranganath – Chairman | 4 |
| Mr. C. V. V. Prasad – Member | 4 |
| Mr. Pawan Kumar Sanwamal – Member | 2 |
| Mr. Mit M Shah | 2 |