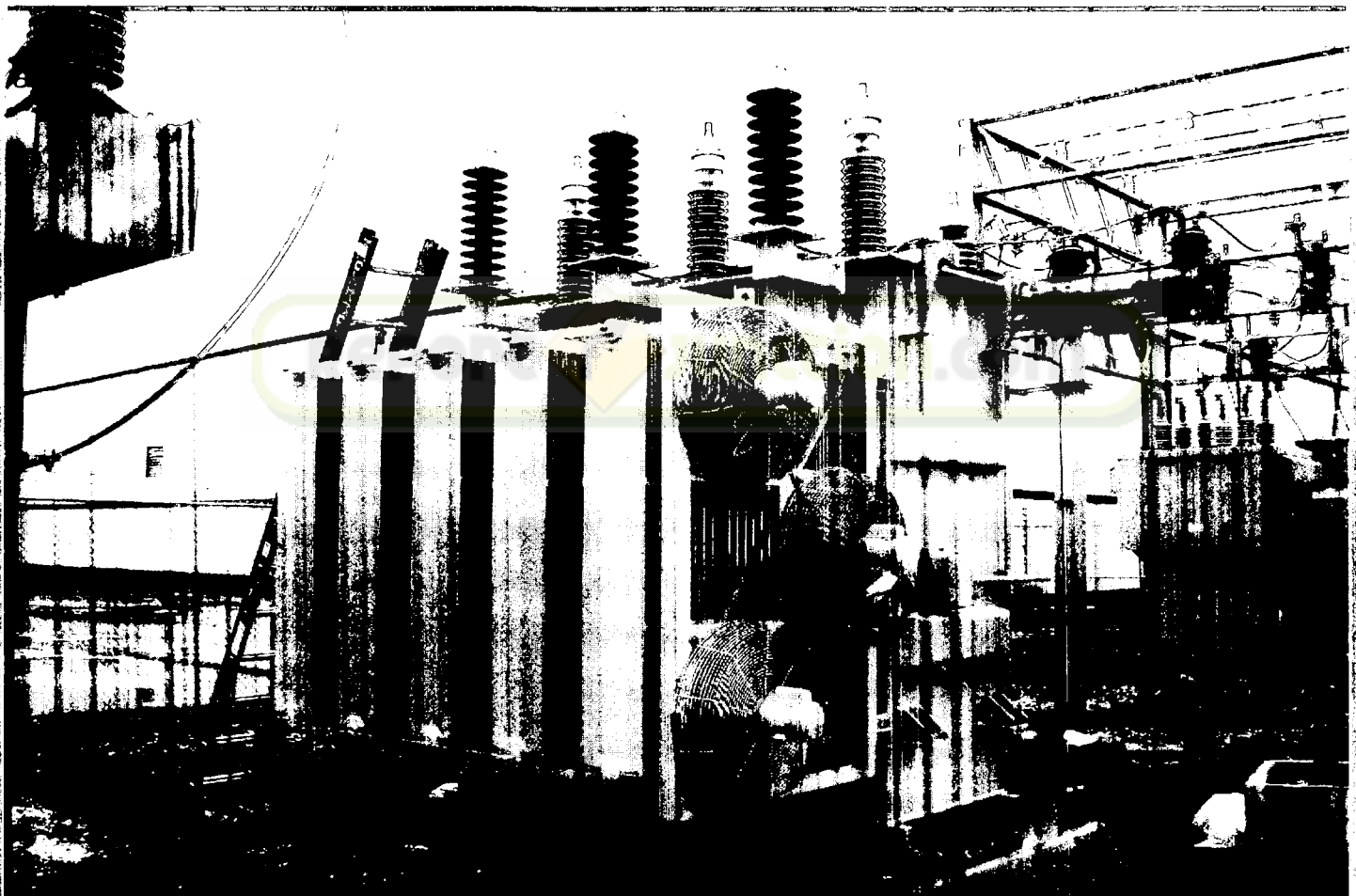


KANO HAR

KANO HAR ELECTRICALS LIMITED



**ANNUAL REPORT
2007-2008**

BOARD OF DIRECTORS

DINESH SINGHAL
Managing Director

ADESH SINGHAL
Executive Director

BRIJESH SINGHAL
Executive Director

MUKESH SINGHAL
Director

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AUDITORS

S. S. GUPTA & CO.

Chartered Accountants

REGISTERED OFFICE

RITHANI, DELHI ROAD, MEERUT - 250 103 (INDIA)

Tel. : ++91-121-2441706-09 (4 Lines)

Fax : ++91-121-2441704-05

E-mail : info@kanohar.com

Web: www.kanohar.com

WORKS

1. RITHANI, DELHI ROAD, MEERUT - 250 103

2. GANGOL ROAD, VILL. ACHHRONDA, MEERUT - 250 103

PHONE : 2440222

36th ANNUAL REPORT, 2007-2008**DIRECTORS' REPORT**

To the members,

Your Directors are pleased to present the 36th Annual Report together with the Audited Accounts of the company for the Financial Year ended 31st March 2008.

FINANCIAL RESULTS

The performance of the Company for the financial year ended 31st March, 2008 is summarised below:

	(Rs. in lacs)	
	<u>Year Ended</u> <u>31.03 2008</u>	<u>Year Ended</u> <u>31.03 2007</u>
Sales/Income from Operation	17640.23	11740.72
Other Income	193.51	87.42
Total Expenditure	14420.78	10070.84
Profit before Interest, Depreciation, & Taxation	3412.96	1757.30
Less:		
(i) Interest and Financial Charges	230.27	162.60
(ii) Depreciation	71.62	53.09
Profit before tax (available for appropriation)	3051.10	1535.61
Less: Provision for tax	1001.91	833.79
Profit after Tax	2049.19	701.82

APPROPRIATION

Balance brought forward from last year	1257.73	923.33
Excess provision for Income Tax written back	2.35	0.09
Income Tax paid for earlier years	9.59	16.53
Expenses relating to earlier years	0.00	1.03
Provision for Deferred Tax for earlier years	0.00	1.11
Balance Carried over to Balance Sheet	3230.53	1257.73

RESERVE AND SURPLUS :

General Reserve	4.63	4.63
Profit & Loss Account	3230.53	1257.73
Share Premium	253.85	253.85
Deferred Tax Liability	159.34	131.01

COMPANY'S WORKING PERFORMANCE

(a) Financial :

Your Company's financial performance this year was satisfactory and the Company showed healthy growth based on increased demand for its products. Some of the highlights are :

KANO HAR ELECTRICALS LIMITED

- ✓ Gross Turnover increased by more than 50% and reached the highest ever level of Rs. 17640.26 lacs (US \$ 41.51 million).
- ✓ Net Profits before taxation are almost double from the previous year's profits and increased from Rs. 1535.61 lacs to Rs. 3051.10 lacs (US \$ 7.18 million)
- ✓ Net Profits after Tax has also been increased by 116% from Rs. 949.82 lacs to Rs. 2049.19 lacs (US \$ 4.82 million)
- ✓ Earning Per Share (EPS) gone up from Rs. 25.82 to Rs. 55.70
- ✓ Net Worth increased to Rs. 4095.27 lacs (US \$ 9.64 million) by marking a growth of more than 102%

(b) Cross Border Operation :

The export turnover of the Company also showed a growth from Rs. 405.07 lacs to Rs. 466.78 lacs (US \$ 1.10 million). Your Company is optimistic about future growth in exports.

(c) Technical :

The Company is continuously upgrading it's technical competency.

DIVIDEND :

Your Directors have not recommended any dividend for this fiscal.

FUTURE PROSPECTS:

The company has strengthened its position in the Indian market as a key manufacturer of power and distribution transformers. With highly prestigious customers in its reference list and a wide product range, the company is optimistic about future growth, both in domestic and international markets. Reforms and Investment in Indian power sector and Capacity Expansion in industrial sector are expected to increase the demand of quality transformers and your company is fully geared up for the same.

ACCOUNTS :

The relevant notes on the Accounts of the company referred to in the Auditor's Report are self explanatory and do not call for any further comments.

DEPOSITS :

The company does not have any Fixed Deposits in hand as on 31st March 2008.

DIRECTORATE :

Shri Brijesh Singhal and Shri Mukesh Singhal Directors of the Company retire by rotation, and being eligible, offer themselves for appointment.

AUDITORS :

M/s S.S.Gupta & Co., Chartered Accountants, Meerut, statutory auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under section 224 (1-B) of the Companies Act, 1956.

PERSONNEL :

Yours company continues to place emphasis on enhancement of skills and capabilities of its people, their technological competence and its utilisation towards meeting customers requirement.

The particulars of employees as prescribed by the Companies (Particulars of Employees) Rules, 1975 are furnished in Annexure – A to this report.

36th ANNUAL REPORT, 2007-2008**LISTING OF SHARES :**

The shares of your company are listed at Kanpur, Mumbai and Delhi Stock Exchanges and the company has paid the listing fees to each such exchanges upto the year 2008-09.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies (Amendment) Act, 2006, the Directors confirm that;

- i) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed.
- ii) Appropriate accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the year ended on 31st March, 2008.
- iii) Proper and sufficient care has been taken 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 annual accounts have been prepared on a going concern basis.

CONSERVATION OF ENERGY :

The operations of the company are not energy intensive. However, the company has endeavored to conserve energy, where ever feasible

TECHNOLOGY ABSORPTION :

No technology has been imported.

Indigenous technology available is continuously being upgraded to improve over all performance.

RESEARCH AND DEVELOPMENT

Expenditure on research and development during the financial year 2007-08 is as under:

(a) Capital	Nil
(b) Revenue	Nil
(c) Total	Nil
(d) Total Research & Development Expenditure as a percentage of total turnover.	N.A.

FOREIGN EXCHANGE EARNING AND OUTGO :

1. Total Foreign Exchange used	Rs. 432.18 lacs
2. Total Foreign Exchange earned	Rs. 466.78 lacs

ACKNOWLEDGEMENT :

The Board of Directors acknowledge with deep appreciation for the assistance and co operation received from the Customers, Government Authorities, Vendors, Bank and Shareholders. Yours Directors also wish to place on record their deep sense of appreciation for the efforts and contribution made by the employees at all levels which made possible the significant achievements by your Company.

Place : Meerut
Date: 18th JULY, 2008

For and on behalf of the Board
.....sd.....
(DINESH SINGHAL)
(MANAGING DIRECTOR)

KANO HAR ELECTRICALS LIMITED

AUDITORS' REPORT

KANO HAR ELECTRICALS LIMITED,
MEERUT

We have audited the annexed Balance Sheet of KANO HAR ELECTRICALS LIMITED, MEERUT as at 31st March 2008, the Profit and Loss Account and also the Cash Flow Statement 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the 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 the 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 presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- (i) 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;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March 2008, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2008 from being appointed as a Director in terms of clause (g) of sub-clause (1) of Section 274 of the Companies Act, 1956; and
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the accounts; *read with the Notes forming part of the Accounts appearing thereon*; give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
 - (b) in the case of Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of the books of accounts and records as we considered appropriate and according to the information and explanations given to us, during the course of audit, we state as under :

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1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the management at the end of the year which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedure of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
3. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) The Company has taken unsecured loans from Companies or other parties covered in the register maintained under Section 301 of the Companies Act, 1956; and as on 31st March 2008 the number of such parties are 26 and the amount outstanding is Rs. 23,175,731.
- (c) The rate of interest and other terms and conditions of the unsecured loans taken by the Company are not *prima facie* prejudicial to the interest of the Company.
- (d) The payment of the principal amount and interest are also regular according to the stipulations with the parties from whom the unsecured loans are taken.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us there are no contracts or arrangements referred to in Section 301 of the Companies Act 1956 which need to be entered into the register in pursuance of Section 301 of the Act.
- (b) Thus the question of the reasonableness of the prices having regard to the prevailing market prices at the relevant time does not arise in the case of the Company.
6. The Company has not accepted any deposits from the public within the meaning of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed thereunder.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.