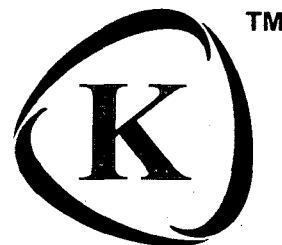


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Karma Ispat Limited

32nd Annual Report - 2009



Previously Known as Scana Color (India) Limited

www.reportjunction.com

Corporate Management**BOARD OF DIRECTORS**

Rajesh Mehta – Managing Director
Bhavna Mehta – Whole time Director
Hemang Sampat - Director
Narendra Sampat - Director

AUDITORS

Arvind Darji Associates

COMPANY SECRETARY

Martinho Ferrao & Associates

BANKERS

The Jammu & Kashmir Bank
 Canara Bank

Corporation Bank
 Union Bank of India

EQUITY SHARES LISTED ON

Bombay Stock Exchange
 Ahmedabad Stock Exchange
 Hyderabad Stock Exchange

REGISTRAR & TRANSFER AGENTS

System Support Services
 209, Shivai Industrial Estate
 89, Andheri Kurla Road,
 Saki Naka, Andheri (East), 400 072

REGISTERED OFFICE

'H' Wing, Office # 131, Raj Arcade, Mahavir Nagar, Kandivali (W), Mumbai, 400067

SCHEDULED AGM**Venue**

Kamla Vihar Sports Complex,
 Near Sukh Sagar Hotel,
 Mahavir Nagar, Kandivali (W),
 Mumbai 400 067

Day & Date

26th Saturday, September, 2009

Time

11.30 a.m..

Notice to Members

NOTICE is hereby given that the 32nd Annual General Meeting of the members of KARMA ISPAT LIMITED will be held on Saturday, the 26th day of September, 2009 at 11.30 am at the Kamala Vihar Sport Club., Mahavir Nagar, Kandivali West, Mumbai -400067 to transact the following business:

Ordinary Business

- 1] To receive, consider and adopt the Audited Balance Sheet as at March 31, 2009 and Profit and Loss Account for the year ended March 31, 2009 together with the Reports of the Directors and Auditors thereon.
- 2] To appoint a Director in place of Mr. Hemang Sampat who retires from office by rotation, and being eligible offers himself for re-appointment.
- 3] To appoint Auditors, to hold the office from the conclusion of this Annual General meeting until the conclusion of the next Annual General Meeting.
- 4] To consider, and if thought fit, to pass, with or without modification as an Ordinary Resolution:

"RESOLVED THAT Mr. Narendra Sampat who was appointed as an Additional Director at the meeting of the Board of Directors held on February 04, 2009 and who holds office as such upto the date of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Narendra Sampat as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Regd. Office

Karma Ispat Limited
H Wing, Office No. 131, Raj Arcade, Mahavir Nagar,
Kandivali West,
Mumbai -400067, Maharashtra, India
Place: Mumbai
Date: 30th June, 2009

For and behalf of the Board of Directors

Karma Ispat Limited
Sd/-
(Rajesh Mehta)
Managing Director

Notes

- 1] A Member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself / herself and that proxy need not be a member of the company.
The instrument appointing a proxy should however be deposited at the registered office of the company duly completed not less than forty-eight hours before the commencement of the meeting.
- 2] The register of Members and the Share Transfer Books of the Company will remain closed from Saturday, September 19, 2009 to Saturday, September 26, 2009 [both days inclusive].
- 3] Members who desire to seek any information concerning the Accounts of the Company are requested to address their queries in writing to the Company at least seven days before the date of the meeting so that the requested information can be made available at the time of the meeting.
- 4] Members / Proxies are requested to please bring their copies of the Annual Report to the meeting since copies of the Annual Report will not be distributed at the meeting.
- 5] The Company its shares are listed on The Stock Exchange, Mumbai, The Stock Exchange, Ahmadabad and The Stock Exchange, Hyderabad.
- 6] Members holding Shares in Physical form are requested to notify immediately any change in their address with PIN CODE to the Registrar and Transfer Agent of the Company at the address given below and in case their shares are held in Demat, this information should be passed on directly to their respective Depository Participants and not to the Company.
- 7] All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all working days except public holidays between 11.00 am and 1.00 pm upto the date of the Annual General Meeting.

- 8] Members / Proxies holding their Shares in Physical mode are requested to fill the enclosed attendance slip and handover the same at the entrance with signature. In the absence thereof, they may not be admitted to the meeting venue.
- 9] Members who are holding shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification at the meeting.
- 10] In all correspondence with the Company, members are requested to quote their Folio No. and in case their shares are held in Demat form, they must quote their DP ID and Client ID Number.
- 11] The explanatory statement U/s. 173 of the Companies Act, 1956 is enclosed herewith.

Explanatory Statement as required U/S 173[2] of the Companies Act, 1956

Item 4:

Mr. Narendra Sampat has been appointed as an additional director of the Company pursuant to section 260 of the Companies Act, 1956 on 04th February, 2009 and would hold office till the date of the ensuing Annual General Meeting.

Mr. Narendra Sampat is an Electronics Engineer. He has vast knowledge and experience in technical and commercial operation in the field of Iron and Steel industry. He does not hold Directorship in any other Company.

Pursuant to section 257 of the Companies Act, 1956 the Company has received notices from members signifying their intention to propose the candidature of Mr. Narendra Sampat for the office of Director. The Board of Directors recommend passing of the resolution set out in item No. 4 of the accompanying Notice.

None of the Directors of the Company other than Mr. Hemang Sampat is deemed to be concerned or interested in the Resolution

Director's Report to the Share Holders

Your Directors have great pleasure in presenting the 32nd Annual Report together with the Audited Accounts for the year ended on March 31, 2009.

Financial Results

Particulars	2009	2008
	Amount in Rs.	Amount in Rs.
Sales & Other Income	2,773,557,443	11,91,149,434
Expenditure	2,757,793,684	11,78,010,329
Depreciation	3,377,396	2,905,992
Profit / Loss before tax / appropriations	12,386,354	10,233,113
Profit / Loss after tax	7,505,187	9,790,231
Add: Balance brought forward from previous year	(7,008,640)	(16,798,871)
Surplus carried to Balance Sheet	496,547	(7,008,640)

Dividend

With a view to conserve the resources of the Company the Board of Directors have not recommended any dividend for the year ended 31st March 2009.

Operations

The Company has commenced trading in broad range of steel products, including hot and cold rolled sheets and coils, galvanized sheets, electrical sheets, structural, plates, bars and rods, stainless steel and other alloy steels. The Company would be starting manufacturing activity shortly.

The turnover of the Company rose from Rs. 1,19,11,46,132/- in the previous year to Rs. 2,76,69,54,225/- in the year under review. However the Profit after tax declined from Rs. 97,90,231/- in the previous year to Rs. 75,05,187/- for the year ended March 31, 2009, due to high material cost and tight margins arising out of the global recession.

Capital

During the year under review the Company allotted 2,85,00,000 equity shares of Rs. 10/- each at a premium of Rs. 15/- per share and 15,00,000 equity shares of Rs. 10/- at a premium of Rs. 38/- respectively, consequent to the exercise of the option by investors for conversion of convertible warrants into equity shares. The Company's present paid up capital stands at Rs.33,00,00,000/- comprising 3,30,00,000 equity shares of Rs. 10/-. The shares have been listed on the Bombay Stock Exchange.

Board of Directors

Mr. Amish Modi resigned from the Board of Directors of the Company on 04th February, 2009. The Board wishes to place on record its appreciation for the services rendered by them during their tenure with the Company.

Mr. Narendra Sampat was appointed as Additional Director on 04th February, 2009 to hold office upto the ensuing Annual General Meeting.

Mr. Hemang Sampat, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

Corporate Governance

The Company has taken proactive steps to ensure that the conditions of Corporate Governance stipulated in Clause 49 of the Listing Agreement with the Stock Exchange are complied with. A separate report on Corporate Governance together with Auditors' Certificate on its compliance are included in the Annual Report.

Directors Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

- 1] In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- 2] Appropriate accounting policies have been selected and applied consistently and judgments and estimates wherever made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the 31st March 2009.
- 3] 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.
- 4] The Annual Accounts have been prepared on a going concern basis.

Auditors

M/s. Arvind Darji Associates, Chartered Associates, the retiring Auditors have expressed their willingness to be re-appointed. It has been proposed to reappoint M/s. Arvind Darji Associates, Chartered Accountants as Auditors of the Company. The Company has received a Certificate from them that they are qualified under Section 224 (1) of the Companies Act, 1956 for appointment as Auditors of the Company. Members are requested to consider their appointment at a remuneration to be decided by the Board of Directors for the Financial year ending 31st March, 2010 as set out in the Notice convening the Meeting.

Auditor's Observations

The observations of the Auditors contained in their Report are self explanatory and does not require any clarification..

Audit Committee

In accordance with the provisions of the Section 292A of the Companies Act, 1956 and the Corporate Governance requirements as per the Listing Agreement of the Company has reconstituted the Audit Committee comprising of the following Directors viz., Mr. Hemang Sampat, as Chairman, Mr. Rajesh Mehta and Mr. Narendra Sampat as members. The Audit Committee acts in accordance with the terms of reference specified from time to time by the Board.

Depository Services

The Company's Equity Shares have been admitted to the depository mechanism of the National Securities Depository Limited [NSDL]. As a result the investors have an option to hold the shares of the Company in a dematerialized form. The Company has been allotted ISIN No.INE416F01019. Shareholders therefore are requested to take full benefit of the same and lodge their holdings with Depository Participants [DPs] with whom they have their Demat Accounts for getting their holdings in electronic form.

Particulars regarding conservation of energy, technology absorption and foreign exchange earnings and outgo:

The Company has taken effective steps to conserve and minimize power and fuel consumption and has also installed capacitor for minimizing the power consumption. No Technology was imported during the year by the Company. Foreign Exchange Earning and Outgoing was NIL.

Particulars of Employees

None of the employees of the Company come within the purview of the information required u/s 217[2A] of the Companies Act, 1956 read with the Companies [particulars of Employees] Rules, 1975 as amended.

Listing

The Company has listed its shares on The Stock Exchange, Mumbai, The Stock Exchange, Ahmadabad and The Stock Exchange, Hyderabad.

Research & Development

The Company has been arduously working to improve the R & D so as to provide quality and value for money to the customers in keeping with market trends.

Fixed Deposits

Your Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 from Public and the rules made there under.

Safety, Environmental Control & Protection

The Company has taken all the necessary steps for safety and environmental control and protection.

Acknowledgement

The Directors wish to convey their appreciation to the Company's Shareholders, Customers, Suppliers, Bankers, and Distributors for their support they have given to the Company over the past years and the confidence, which they have reposed in its management and the employees for the commitment and dedication shown by them.

Cautionary Statement

Statement in the Management Discussion and Analysis describing the Company's objectives, expectations, estimates or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, input availability and prices, changes in Government regulations, tax laws, economic developments within the country and other incidental factors. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis, of any subsequent developments, events or information.

Registered Office

H-wing Office No. 131,
Raj Arcade, Mahavir Nagar,
Kandivli West,
Mumbai 400 067, Maharashtra, India

Karma Ispat Limited

sd/-

(Rajesh Mehta)

Chairman & Managing Director

Management Discussions and Analysis

Overview

(1) Global Economy

The global economy initially estimated to grow over 3% in 2008, declined in the second half of 2008 bringing down the overall growth to 2.1%. Even though US economy has been slowing down since 2007 due to sub-prime crisis, the depth and duration of these crisis and the domino effect on the world economy could not be predicted accurately by Experts/Analysts.

The financial system was paralyzed with mounting sub-prime losses leading to collapse of certain large global Financial Institutions in the second half of 2008. The failure of major financial institution had a devastating impact on the real economy with widening credit spreads, liquidity crunch, steep fall in demand and falling margins. The de-coupling theory of developing economies remained unaffected with the recession/slow down in the advanced economies was proved invalid after having seen the swift slow down in these economies. However, developing economies constitute 25% share in the global economy in terms of nominal GDP and about 44% in terms of PPP. The growth in the developing economies even though at a slower pace is expected to cushion the impact of global melt down in the world economy.

Real GDP growth

(%)

Region	2004	2005	2006	2007	2008	2009(F)
World	4.0	3.4	3.9	3.8	2.1	(2.5)
Advanced economies	3.2	2.6	3.0	2.7	0.9	(3.8)
Developing economies	7.5	7.1	8.0	8.3	6.1	1.6

(Source: IMF)

IMF estimates that the world economy in 2009 contracts by 2.5% while developing countries continue to grow at a slower pace of 1.6%. The central banks and the governments of various countries acted swiftly to counter the global economic melt down in a coordinated manner by announcing massive stimulus packages and by easing monetary system. These measures are expected to lessen the impact of the crisis and also make the recovery faster.

(2) Global Steel Industry

Steel industry accounts for approximately 2% of the global economy and 3.5% of the global merchandise trade. The Global Steel Industry witnessed two sharply divergent trends in 2008; the first half witnessed a surge in steel demand leading to a record prices followed by a steep slide in demand and prices in the second half.

The slow down in investment activity, the primary driver for steel consumption coupled with lower consumption demand due to declining income caused by job losses led to accelerated fall in demand for steel. Responding to the collapsing demand and prices, the Global Steel Industry announced production cuts, resulting into 25% fall in world steel production in October to December 2008. World Crude Steel production declined by 1.6% from 1,351 Mn tonnes in 2007 to 1,330 Mn tonnes in 2008, as steel output de-grew for the first time in six years and the top ten steel companies declared production cuts in the later part of 2008.

In 2008, steel production declined nearly in all major steel producing regions including the EU, North America, South America and CIS. Overall, Asia produced 750 Mn tonnes of crude steel in 2008, accounting for 56% of world's total production and reporting a 1.6% degrowth over the previous year.

Of the top 10 largest steel producing nations, only China, India and South Korea registered production increases in 2008.

Top-10 steel producing countries (Crude Steel Production)

Country	Rank	2008 (Mn Tonnes)	2007 (Mn Tonnes)	% growth
China	1	500.5	489.9	2.2
Japan	2	118.7	120.2	(1.2)
US	3	91.5	98.1	(6.7)
Russia	4	68.5	72.4	(5.4)
India	5	55.1	53.1	3.7
South Korea	6	53.8	51.5	4.5
Germany	7	45.8	48.5	(5.5)
Ukraine	8	37.1	42.8	(13.3)
Brazil	9	33.7	33.8	(0.27)
Italy	10	30.5	31.5	(3.2)
Top-10		1,035.2	1,041.8	(0.6)
World		1,329.7	1,351.3	(1.6)

(Source: WSA)

World Finished Steel Consumptions:

The global finished steel consumption showed a negative growth of 1.4% during 2008 as against production degrowth of 1.6% which established the de-stocking of inventory. The fall in production was steeper than the decline in apparent consumption which is a positive sign for the steel industry.

(Mn Tonnes)

Steel Consumption	2007	2008
Advanced economies	402.0	365.9
China	413.7	425.7
Rest of the world	398.7	405.9
World	1214.4	1197.4

(Source: WSA)

Though the decline in consumption was significant in advanced economies, the China and rest of the world registered a growth in consumption in spite of global melt down.

(3) The China Factor

China had a steel manufacturing capacity of 677 Mn tonnes at the end of 2008 compared with 588 Mn tonnes at the end of 2007. China is the first country to produce more than 500 Mn tonnes in a year. Steel Production in 2008 was 500.5 Mn tonnes against 489 Mn tonnes in 2007 even when world steel production de-grew. China's production volume tripled in eight year from 151 Mn tonnes in 2001.

China is a leading player in the world steel industry with production and consumption constituting about 40% of the world. Any slowdown in the Chinese economy is expected to create surplus to be exported to world markets creating further pressure on demand and prices. In view of the massive increase in capacities created in China, the production outpaced the demand and China became the net exporter of steel. It is therefore relevant to track the developments in china to formulate a reasonable steel industry outlook during 2009.

China Outlook:

Even in the current global melt down, China is one of the fastest growing economies in the world. The large stimulus package announced by the Chinese government is expected to mitigate the impact of falling exports replaced by higher incremental domestic demand. While the steel production is expected to be lower in the year 2009, it is estimated that the exports will also be lower in the current year over 2008. Hence China is not expected to increase steel exports during 2009 which was also demonstrated by lower exports in the first quarter of 2009.

4) Indian Economic Review

As per estimates of RBI the Indian economy is likely to grow 6.5% in 2008-09 as against 9% in 2007-08. The six core infrastructure segments of finished steel, cement, crude petroleum, petroleum refinery, power and coal grew by 2.7% in 2008-09 compared with 5.9% in 2007-08.

Economy booster shots

The Indian Government announced stimuli packages to revive the economy through monetary, fiscal and export promotion measures. The key features of these packages include:

- Reduced Excise duty by 4% to 10%, this will reduce the cost of goods.
- Reduced Excise duty to 4% on petroleum products.
- Increased infrastructure investment for port and highways. Concessional finance for home loans and loans to small and medium enterprises.
- Incentives to certain ailing sectors to boost demand.

(5) The Indian Steel Industry

Overview

- The Indian steel industry has an installed capacity of 60 Mn tonnes.
- Around 35% of the total steel was produced by the public sector, 35% by large private manufacturers and 30% by small players.
- The Indian steel industry witnessed divergent trends in 2008-09; while the first half was buoyant with steel prices and demand touching an all-time high, the second half was muted as the steel demand contracted.
- Starting 2007-08, India emerged as net steel importing country, giving ample opportunity to domestic players to meet the growing demand.

India's crude steel production registered a growth of 1.2% from 53.9 Mn tones in 2007-08 to 54.5 Mn tonnes in 2008-09 (Source: JPC). The positive growth in steel production even during the period of severe global meltdown is quite encouraging.

The finished steel production for the FY 2008-09 registered a growth of 0.6% over FY 2007-08. Steered by a robust demand from semi-urban and rural area coupled with an accelerating investment-led economic growth, the Indian steel demand was less impacted by global slow down relative to most other economies. The domestic production grew at CAGR of 8.1% for the last 8 years.

The first half of fiscal 2008-09 witnessed an unprecedented demand spurt on account of expanding oil and gas sector, large infrastructure spend and higher disposable incomes triggering demand in housing/ Consumer durables/Auto sectors. Finished steel consumption growth slackened significantly in the third quarter of 2008-09 due to the domino effect of the global financial crisis on the Indian financial markets.

Although the steel demand fell during the third quarter of fiscal 08-09 mainly due to tight liquidity conditions following the various monetary and fiscal initiatives announced by Reserve Bank of India and the Central government the demand started picking up during fourth quarter of fiscal 2008-09. The following are the main reasons for such smart recovery

- Timely announcement of monetary and fiscal stimulus measures with a focus on infrastructure and consumer spending.
- High density of semi-urban and rural demography, that was relatively unaffected by global turmoil, coupled with rising affordability due to the falling inflation.
- Inventory levels nearly bottomed out at the producer, user and dealer level – creating fresh demand.
- Opportunity to substitute imports with domestic supplies.

Per capita consumption

India's per capita steel consumption continued to be low at 46 kg compared to global average of 198 kg in 2008. The National Steel Policy aspires to double the rural per capita steel consumption to 4 kg per person in the next few years. This will present an attractive opportunity for the industry to expand the existing capacities and create further green field capacities, considering that around 70% of the Indian population is rural. (Source: WSA)

Opportunities, Threats, Risks, Concerns And Outlook

Domestic demand is expected to grow at a rate of 7% on a compounded basis over the next decade. Additionally, global demand is expected to grow by over 6%, creating enormous opportunities for being explored by main-line steelmakers. The positive growth outlook is expected to propel additional investment and production of high-grade value-added steel products to meet the growing needs of end-users.

Consolidation has enabled steel Companies to lower production costs and has also allowed stringent supply-side discipline. Value added approach to steel would ensure concentration of efforts on manufacture of high-end products with resultant positive multiplier effect on margins. Better demand forecasting and availability of suitable information on capacity development would enable steelmakers to rapidly change and adjust their product portfolios.

Threats

Indian Steel Industry faces the following threats :-

- a) Tightening of monetary policy to contain rising inflationary pressures, with consequent impact on spending on infrastructure etc.
- b) Per capital consumption of steel continuing to remain low.
- c) Strengthening Rupee denominating lower export realizations.
- d) Continuing exports of iron ore and implications thereof on domestic availability and prices.
- e) High transportation costs.
- f) Higher duties of Excise on Finished Steel Products.
- g) Shortening business cycles and volatile economies.
- h) Growing steel capacity in China and resultant concerns of overcapacity.
- i) Volatility in long-term supplies of raw materials.
- j) Surge in prices of oil.

Performance of the Company

The Company had an overall good performance in the year ended March 31, 2009. However increased material cost and tight margins saw a drop in the profitability of the Company. With the experience of the new management in the Steel business, the Company intends to re-engineer its business processes, establish its cost leadership in a liberalized scenario and modernize its operations to become one of the most efficient steel producers in the world. The Company realizes the need to grow in size and regional diversity to match Indian and global players.

The Company plans to achieve these long term objectives through the following strategic initiatives which is discussed below:

India is one of the best countries to produce steel at a competitive cost by virtue of availability of key raw materials viz. iron-ore, coal (to some extent) and skilled labour. Steel consumption in India is likely to increase at a rapid pace in the future due to large investments planned in infrastructure development, increased urbanization and growth in key steel consuming sectors viz. automotive, construction, capital goods and other manufacturing sectors. The per capita steel consumption in India is quite low compared to the world average and also compared to the countries like China, USA, Europe, Japan and others. Considering the future economic climate in India, the per capita consumption of steel in the next decade is expected to increase significantly from the current levels. As part of its strategy to retain its pre-eminent position in the Indian markets, the Company has drawn elaborate plans to significantly enhance its presence in India in the near future.

The Company's plan to set up its factory at Tarapur.