



**Karma Ispat Limited**



*future focused...*

33rd  
annual report  
2010

Dear Shareholders,

The global economy has witnessed a sharp recovery due to the huge fiscal stimulus and infusion of liquidity. Whilst the developed economies are yet to emerge out of the crisis, the growth has been stronger and more sustainable in the BRIC economies, especially India. The concentration of economic growth rates, manufacturing capacities, market size and control over natural resources will shift noticeably towards Asia, Latin America and the CIS countries. Over the next few decades China, India and Brazil will become important centers of economic growth.

It is a matter of pride and deep satisfaction that the Company has emerged triumphant out of the worst global financial crisis and extra-ordinary economic environment that we witnessed in the fiscal 2008-09. In the year ended March 31, 2010, the Company achieved a stupendous turnover of Rs. 428.40 Crores which is reflective of the Company's performance in the years ahead. As the economies of several nations return to normalcy, the demand for iron and steel-based goods will assume new growth levels. This is already starting to be evident in large construction activity and various infrastructure projects. Steel has been and will always be the basic requirement for India's growth story and will be the backbone of Indian industry for economic recovery. Keeping these in mind I am confident that the Company will scale new heights in the years ahead.

In the coming years KARMA ISPAT plans to shift its focus from trading to manufacturing. In this direction the Company has acquired land at Valsad for manufacturing ferrous & non-ferrous metals products more particularly Lead Ingots and Billets. The Company has embarked upon the growth trajectory and will focus on its strategy to grow in the value added steel products. Karma Ispat shall continue to create value and deliver sustainable growth while achieving best standards of safety, corporate governance, corporate social responsibility and investor communication.

The Company is looking forward to the opportunity of fulfilling its objective of being a viable and innovative manufacturer and stockiest in ferrous & non-ferrous metals in the years ahead.

**RAJESH MEHTA**

Chairman & Managing Director

Mumbai,  
31st May, 2010





**Board of Directors**

**Managing Director** Rajesh Mehta

**Whole Time Director** Bhavna Mehta

**Independent Directors** Hemang Sampat  
Narendra Sampat

**Auditors** Arvind Darji Associates,  
Chartered Accountants

**Company Secretary** Martinho Ferrao & Associates,  
Company Secretaries

**Bankers** Union Bank of India

**Registered Office** 'H' Wing, Office No. 131, Raj Arcade,  
Mahavir Nagar, Kandivali (W),  
Near Kamla Vihar Sports Club,  
Mumbai 400 067

**Equity Shares Listed on** The Bombay Stock Exchange  
The Ahmedabad Stock Exchange  
The Hyderabad Stock Exchange

**Registrar and Transfer Agent** System Support Services  
209, Shivai Industrial Estate,  
89, Andheri Kurla Road,  
Sakinaka, Andheri (E),  
Mumbai 400 072

**Day & Date of A. G. M** Saturday, September 25<sup>th</sup> 2010

**Venue** Kamla Vihar Sports Club  
Near Sukh Sagar Hotel, Mahavir Nagar,  
Kandivali (W), Mumbai 400 067.

**Time** 11.30 AM

**NOTICE TO THE MEMBERS**

NOTICE is hereby given that the 33<sup>rd</sup> Annual General Meeting of the members of KARMA ISPAT LIMITED will be held on Saturday, the 25<sup>th</sup> day of September, 2010 at 11.30 am at Kamala Vihar Sports Complex, Near Sukh Sagar Hotel, 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, 2010 and Profit and Loss Account for the year ended March 31, 2010 together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Narendra Sampat who retires from the 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.

For and behalf of the Board of Directors  
For Karma Ispat Limited

Sd/-  
**Rajesh Mehta**  
Managing Director

Registered Office

**KARMA ISPAT LIMITED**

H Wing, Office No. 131,  
Raj Arcade, Mahavir Nagar,  
Kandivali West, Mumbai –400067

Date: 31<sup>st</sup> May, 2010

**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-EIGHTY 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 18<sup>th</sup>, 2010 to Saturday, September 25<sup>th</sup>, 2010 [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, Ahmedabad 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.

## **DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Directors have great pleasure in presenting the 33<sup>rd</sup> Annual Report together with the Audited Accounts for the year ended on March 31, 2010.

## **FINANCIAL RESULTS**

	Year Ended 31.03.2010 Amt in Rs.	Year Ended 31.03.2009 Amt in Rs.
Sales & Other Income	4,288,510,321	2,773,557,443
Less : Expenditure	4,272,124,111	2,757,793,683
Depreciation.	3,806,832	3,377,396
Profit / (Loss) before tax and appropriations	12,579,378	12,386,353
Profit / (Loss) after tax	9,935,109	7,505,187
Add: Balance brought forward from previous year	496,547	(7,008,640)
Surplus carried to Balance Sheet	10,431,656	496,547

## **DIVIDEND**

With a view to conserve the resources of the company the Board of Director's have not recommended any dividend for the year ended 31<sup>st</sup> March, 2010.

## **OPERATIONS**

The Company is presently trading in broad range of steel products, including C.R. Coils & Sheets, C.T.D. Bars, H.R. Sheets & Plates and Hot Rolled Steel Plates, Ingot irons M.S. Plates, Angles, Channels, Chequered Plates, Wires, T.M.T Bars, Rebars and Tor Steel, Stainless Steel and other Alloy Steels and had a good year in terms of turnover and performance. The Company would be starting manufacturing activity shortly, the land for manufacturing facility is already purchase by the company.

The turnover of the Company rose from Rs. 2,773,557,443/- in the previous year to Rs. 4,288,510,321/- in the year under review. However the Profit after tax marginally increased from Rs. 7,505,187/- in the previous year to Rs. 9,935,109/- for the year ended March 31, 2010, due to high material cost and tight margins arising out of the global recession.

## **CAPITAL**

The Company's present paid up capital stands at Rs.33,00,00,000/- comprising 3,30,00,000 equity shares of Rs. 10/- which is listed on Bombay, Ahmedabad and Hyderabad Stock Exchange..

## **BOARD OF DIRECTORS**

The Board of Directors of the company is duly constituted and has a combination of Executive and Non-executive directors.

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

## **SUBSIDIARIES**

Your company has the following Two wholly-owned subsidiaries namely M/s. Karma Commodities Ltd., M/s. KIL Infrastructure Ltd. and a subsidiary M/s. Karma Stock Trade Limited where company hold 60% of Paid up share capital of the company.

1. KIL Infrastructure Limited which was incorporated to carry out the business of construction, development, repairing, roads, path, streets, bridge etc.
2. Karma Commodities Limited was incorporated to do the business of commodity trading with the Commodity Exchanges. The Company in is the process of starting its operations shortly. The Company has taken membership of MCX/NMCE/ICEX/Reliance Spot Exchange. The Company has

also applied for the Membership of NCDEX & NCDEX Spot.

3. Karma Stock Trade Limited which was incorporated to carry out the business as share and stock broker, sub-broker, finance broker, dealer, jobber, market maker, portfolio manager, underwriter, sub-underwriter, dealers or broker or agent in any shares, securities, financial instruments, capital market money market instruments of all kinds. However the company has not started its operations yet and is in the process of starting its operations. The Company has taken membership of Deposit Base Trading Membership of BSE and also Membership of NSE.

The consolidated financial Statements of the subsidiaries are attached with the Annual Report.

### **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 reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the March 31, 2010.
- 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**

Messrs. Arvind Darji Associates, Chartered Accountants, the retiring Auditors have not sought re-appointment. It has been proposed to appoint Messrs. AMD & Company, 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 March 31, 2010 as set out in the Notice convening the Meeting.

### **AUDITORS' 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, the Audit Committee comprises 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.

### **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.

**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 AND PROTECTION**

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

**ACKNOWLEDGMENT**

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.

For and behalf of the Board of Directors  
**For Karma Ispat Limited**

Sd/-  
Director

Registered Office

**KARMA ISPAT LIMITED**

H Wing, Office No. 131,  
Raj Arcade, Mahavir Nagar,  
Kandivali West,  
Mumbai –400067

Date: 31<sup>st</sup> May, 2010



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

#### **(1) Global Economy**

The global economy has witnessed a sharp recovery largely driven by the large stimulus packages announced by various countries which has created liquidity and stimulated demand, leading to the speedy recovery of the world GDP growth. The Chinese and Indian economies have been the fastest economies to recover.

The steel industry has also seen a strong recovery in demand and increase in production volumes especially in China and India.

In contrast to most developed and emerging economies, China and India were able to avoid recession and recorded GDP growth of around 10% and 7.2% respectively in spite of a slowdown from pre-crisis growth rates as export demand collapsed across many sectors.

The Eurozone economy declined by 2.7% in 2009-10 following a contraction of 1.3% in 2008-09 and emerged from recession in the third quarter of calendar year 2009.

The IMF estimates suggest a positive economic rebound in 2010 with the Global economy registering a 4.2% growth; Advanced economies and the Emerging world growing by 2.3% & 6.3% respectively. Further the WTO projects world trade to expand by 9.5% with the Advanced world growing by 7.5% and the Emerging world by 11%.

#### **(2) Global Steel Industry**

Steel being at the core of economic progress witnessed an unprecedented downturn in 2009. Advanced economies buckled under pressure of large inventories coupled with stand still demand; the rest of the world (excluding China and India) suffocated under low domestic demand; their high degree of export dependency on the advanced world added to their woes. This reconfirmed the concept of increasing global integration and global trade coupling (except China and India).

The impact of the global crisis loomed large on global trade of steel which declined about 30% (estimated at 300 mn tonnes). This was largely due to the relatively high dependence of the emerging world on advanced world which collapsed under the pressure of the global meltdown. As a result, the export dependency on the advanced world declined substantially which was compensated by stimulated domestic demand in emerging economies especially China and India.

#### **Top 10 Steel Producing**

Nations		(Mn tonnes)		
Rank	Nation	2009	2008	Variance
1	China	567.8	500.3	+13.5%
2	Japan	87.5	118.7	-26.3%
3	Russia	59.9	68.5	-12.5%
4	The US	58.1	91.4	-36.4%
5	India	60.2	57.8	4.2%
6	RoK	48.6	53.6	-9.4%
7	Germany	32.7	45.8	-28.7%
8	Ukraine	29.8	37.3	-20.2%
9	Brazil	26.5	33.7	-21.4%
10	Turkey	25.3	26.8	-5.6%
	Top-10	992.8	1,031.2	-3.7%
	World	1,223	1,329	-8.0%

(Source: Worldsteel)

#### (4) Indian Economic Review

India registered a strong come-back in 2009-10. This was largely due to the timely economic stimulus fueling investment and consumption. The key drivers to India's economic growth during the year 2009-10 were:

- Strong IIP Growth: 10.4%
- Core Infrastructure Industry Growth: 5.5%
- Automobile Production: 26%

#### (5) The Indian Steel Industry

##### Overview

Indian steel industry stood out in the global steel industry due to its resilience during the downturn. While the steel production in the world dipped by 8% in 2009, it registered a growth of around 4% in this period. This clearly demonstrates India's strong domestic consumption story. Even though the real estate and housing sector showed marked decline during this period, the same was compensated by sustained growth in sectors like infrastructure, manufacturing and automobile. Government intervention in the form of fiscal stimulus helped to propel growth in the end user industry.

India is the 5th Largest producer of steel in the world and it was expected that it will become 2nd largest by 2015 on the back of the capacity addition. India is also the world's largest producer of DRI with around 21 Mn tonnes of production during 2009-10. India's per capita steel consumption is 48 kg in F.Y. 2009-10 compared to the world average of 190 kg. Within the country the semi-urban and rural sector has significant growth opportunities due to its low per capita consumption as compared to urban area.

##### Per capita consumption

India's per capita steel consumption is 48 kg in F.Y. 2009-10 compared to the world average of 190 kg. Within the country the semi-urban and rural sector has significant growth opportunities due to its low per capita consumption as compared to urban area.

(Source: Worldsteel)

#### **OPPORTUNITIES, THREATS, RISKS, CONCERNS AND OUTLOOK**

##### **Opportunities**

Domestic demand is expected to grow at a rate of 7.5% 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.