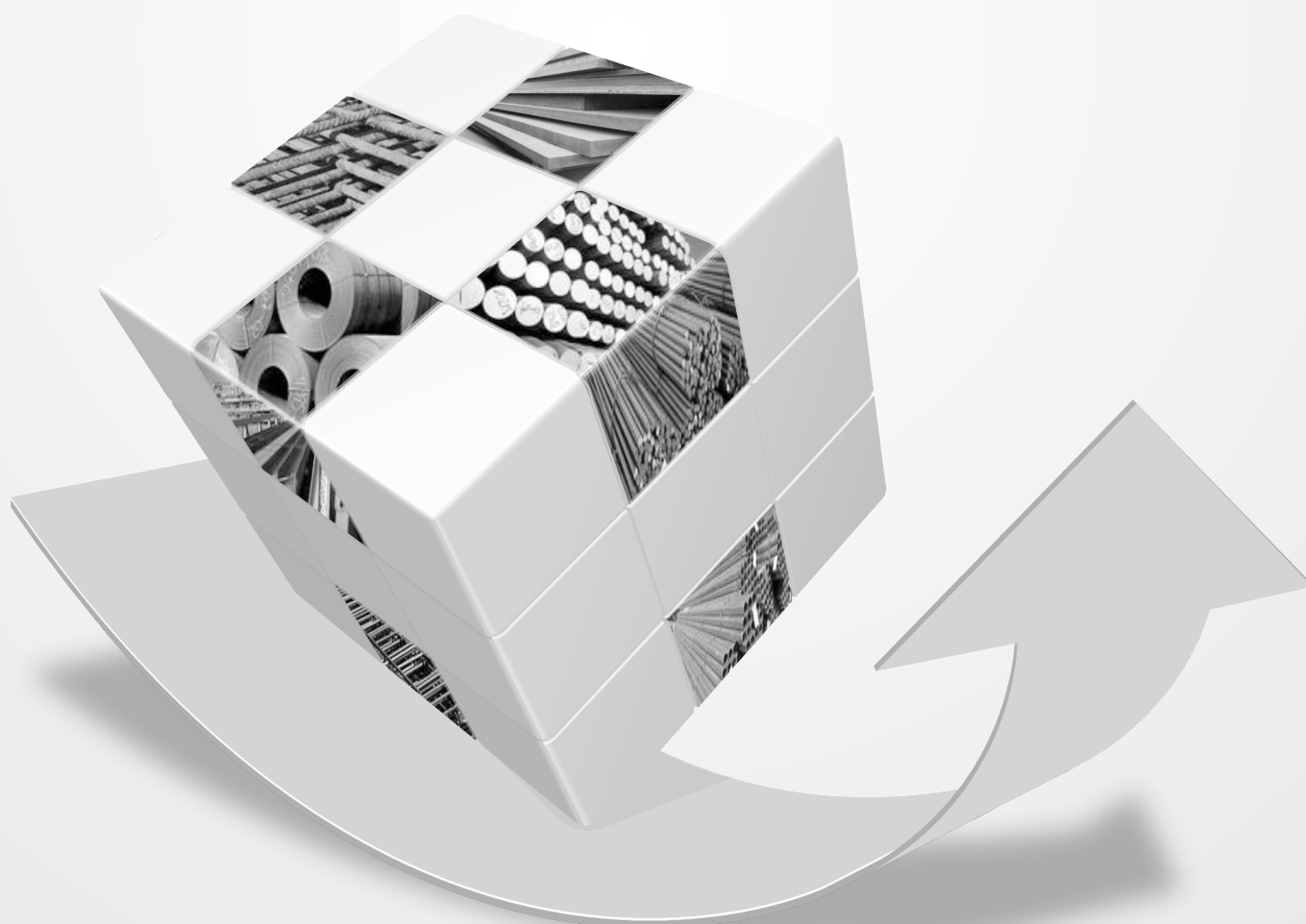


Karma Industries Limited



35 Annual Report 2011-2012





Dear Shareholders,

The global economy has continued to witness a sustained growth due to growth in emerging economies led by China and India and also due to the additional stimulus in US and bailout packages in Europe. However, this had resulted in inflationary pressures which have forced many Central Banks, especially in China and India to raise interest rates.

In spite of the volatile and challenging environment on raw material availability and pricing, the Company has delivered healthy growth in performance. 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 2011-12. In the year ended March 31, 2012, the Company achieved a stupendous turnover of Rs. 746.50 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.

During the year your company has completed the manufacturing setting –up a state-of-art lead and lead alloys manufacturing plant in Valsad, Gujarat with an installed capacity of **66,000 MTPA**. The proposed project will commissioned in two phase – first a 24000 MTPA indigenous lead smelting – refining and casting line (hereafter referred as " Line-I") which will operational from **November, 2012** and another **42,000 MTPA** imported lead smelting-refining and casting line (hereafter referred as "Line-II") which will be import from abroad. The licensed capacity of the plant is **54,000 MTPA**. In addition to the lead manufacturing, the company will import a battery breaking plant from abroad which will have capacity of **10 MTPA per hour** of battery scrap.

We will build on our consistent and well executed strategy to grow in the value added lead products, while being focused on allocation of captive mines for raw materials and captive power generation. Your company 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

Place : Mumbai,

Date : 31st May, 2012



Board of Directors:

Mr. Rajesh Mehta	Managing Director
Mrs. Bhavna Mehta	Wholetime Director
Mr. Hemang Sampat	Director
Mr. Mahesh Jethva	Director
Mr. Bhavesh Vora	Director

Auditors :

AMD & CO.,
Chartered Accountants

Company law Consultants:

Martinho Ferrao & Associates , Company Secretaries

Bankers :

State Bank of India

Registered Office :

H Wing, Office No. 131, Raj Arcade,
Mahavir Nagar, Kandivali West, Mumbai - 400 067

Equity Shares

Listed On :

The Bombay Stock Exchange,
The Ahmedabad Stock Exchange,
The Hyderabad Stock Exchange

Registrar and share transfer agent:

System Support Services
209, Shivai Industrial Estate,
89, Andheri Kurla Road, Sakinaka, Andheri (East),
Mumbai - 400 072.

Day & Date of A.G.M :

Friday , 28th day of September, 2012

Venue:

H - 131, Raj Arcade, Mahavir Nagar, Kandivli (West),
Mumbai - 400 067.

Time:

11.00 a.m.



NOTICE TO THE MEMBERS

NOTICE is hereby given that the 35th Annual General Meeting of the members of KARMA INDUSTRIES LIMITED will be held on Friday, the 28th day of September, 2012 at 11.00 am at H – 131, Raj Arcade, Mahavir Nagar, Kandivali West, Mumbai – 400 067 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 and Profit and Loss Account for the year ended March 31, 2012 together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Bhavna Mehta who retires from office by rotation, and being eligible offers herself for reappointment.
3. To appoint Auditors to hold the office from the conclusion of ensuing Annual General meeting until the conclusion of the next Annual General Meeting.

For and behalf of the Board of Directors
Karma Industries Limited

Sd/-
(Rajesh Mehta)
Managing Director

Registered Office
KARMA INDUSTRIES LIMITED
H Wing, Office No. 131,
Raj Arcade, Mahavir Nagar,
Kandivali West,
Mumbai – 400067
Date: 31st May, 2012

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 Friday, September 21st , 2012 to Friday, September 28th , 2012 [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 up to 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.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Yours Directors have great pleasure in presenting the 35th Annual Report together with the Audited Accounts for the year ended on March 31, 2012.

CONSOLIDATED FINANCIAL RESULTS

Particular	Year Ended 31.03.2012 Amt in Rs.	Year Ended 31.03.2011 Amt in Rs.
Sales & Other Income	7,469,964,698	6,591,044,638
Less: Expenditure	7,444,264,823	6,556,446,580
Depreciation	1,256,190	2,311,656
Profit/(Loss) before tax and appropriations	25,429,875	32,286,402
Profit/(Loss) after tax	16,556,119	20,449,411
Add: Balance brought forward from Previous year	19,342,999	10,431,656
Surplus carried to Balance Sheet	35,899,118	19,342,999

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 31st March, 2012.

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, In got 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 has already established factory at valsad and would be starting manufacturing activity shortly.

The turnover of the Company rose from Rs. 6,587,997,822/- in the previous year to Rs. 7,465,034,795/- in the year under review. However the Profit after tax substantially decreased from Rs. 20,449,411/- in the previous year to Rs. 16,556,119/- for the year ended March 31, 2012.

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 Director's of the Company is duly constituted and has a combination of Executive and Non-executive directors.

Mrs. Bhavna Mehta, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible offer herself 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 Associate Group Concern M/s. Karma Stock Trade Limited where company holds 44% 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 applied for 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 Auditor's Certificate on its compliance is 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, 2012.
- 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. AMD & Co., Chartered Accountants, the retiring Auditors have expressed their willingness to be re-appointed. It has been proposed to reappoint M/s. AMD & Co., 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, 2012 as set out in the Notice convening the Meeting.

AUDITORS' OBSERVATIONS

The observations of the Auditors contained in their Report regarding the non-payment of dividend of 99,00,000 till date which was approved by the shareholders in Annual General Meeting for F.Y 2010-11. The Company is taking necessary steps during the current year to pay the dividend to those shareholders who has not received.

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. Mahesh Jethva 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. The Company has not exported or imported any goods during the year. Therefore Foreign Exchange Earning and Outgoing is 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 from time to time.

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
Karma Industries Limited

Sd/-
Rajesh Mehta
Managing Director

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Global Economy

The global economy is witnessing another period of uncertainty due to the European Sovereign debt crisis. The increase in inflation in emerging economies has led to a sharp hike in interest rates, which has resulted in slowdown in demand. The global financial uncertainty has also resulted in volatility in exchange rates.

The global Steel industry has witnessed reasonable demand growth and Steel making capacities have gradually shifted to emerging markets such as China and India. However, the high cost of raw materials and increased volatility in prices has put pressure on margins.

The Indian Steel Industry

The Steel industry in India has suffered due to non availability and high prices of Iron Ore which has impacted Steel production. The Iron Ore mining ban in Karnataka and subsequent impact in Iron Ore production in Goa and Odisha has forced many Steel Companies to operate at reduced capacities and even close down operations. It is expected that the raw material constraints shall ease towards second half of FY'2012-13 and mines will gradually get back to normal production.

The Government of India has imposed an export tax of 30% on export of Iron Ore and Chrome Ore which should discourage exports and encourage value addition within the Country. The removal of 5% import duty on thermal coal is also a relief for the Sponge Iron based Steel producers.

The Indian economy is expected to grow at 7.6% in 2012-13 against 6.9% in 2011-12. The economy is likely to grow significantly over the next decade driven by the infrastructure (power, road, railways, ports etc.) and consumption (automobile, real estate etc.) sectors which will result in sustained growth in demand for various Iron and Steel products.

The States of Orissa, Chhattisgarh and Jharkhand which account for majority of the iron ore and coal reserves in the country will remain the most attractive locations for setting up iron and steel manufacturing capacity.

The Odisha Government is currently reviewing the renewal of all expired mining leases which are operating under deemed extension, which will offer an opportunity for Steel producers in Odisha. Meanwhile, the draft MMDR Bill is also under discussion.

OPPORTUNITIES, THREATS, RISKS, CONCERNS AND OUTLOOK

Opportunities & Threats:

The Company caters to construction, infrastructure, power, telecom and engineering industries. Though there are large no. steel factories across the length and breadth of the country, they are by and large concentrated in local level. Due to its reputation as traders of quality products and the company's plan to start manufacturing shortly, the Company has not only been able to retain its existing customers but is also adding new customers.

Though there is competition not only from local players but also from un-organized sector, the company is fully geared to meet these challenges and move towards achieving its set goals.

Three factors, however, will need to be watched carefully in order to ensure preparedness and to be able to take timely steps to manage risk are: a) Price Volatility b) Sourcing of key raw materials and c) cost of borrowing d) high interest costs and taxes & duties.

Nonetheless, the Board continues to believe that this year is yet another year of opportunity to focus on further growth and consolidation.

Risks and concerns:

The cost of power (including fuel) and its availability continues to be a major concern. High power tariffs and volatility in input prices may adversely affect the profitability of the Company. However, it is not significant considering the level of operations of the Company and normal correlation in the price of raw material and finished goods.

The economy continues to witness inflationary trends. The headline inflation has continued to be fuelled by

high food inflation and rising prices of crude and commodities. The Reserve Bank of India's action to consistently raise interest rates and suck liquidity out of the system to tame inflation together with high commodity prices is likely to make new investment less attractive, contract demand and lead to slow down in the industry. This remains a serious concern. Management has already identified these risks and taking necessary steps to mitigate the risks such as exploring the possibilities to having captive power plant to become self sufficient, linkage to coal and iron ore mines for uninterrupted production and to reduce cost of borrowing by various means.

Outlook:

The Indian Steel Industry plays a significant role in the country's economic growth. The industry continues to remain in growth mode. It continues to hold a strong hold in the traditional sectors such as infrastructure & constructions, automobile, transportation and industrial application. With the Government's pro-active incentive plans to boost economic growth by injecting funds in various industries such as construction, infrastructure, automobile and power will drive the steel industry in future. Steel consumption in India is expected to grow significantly in the coming years as per capita finished steel consumption is far less than its regional counterparts.

PERFORMANCE OF THE COMPANY

The PAT of the Company has decreased by 19.04% to Rs.16,556,119 during the year ended March 31, 2012, due to increase in the cost of Raw Materials, high cost of borrowings. The current business of the company is trading in steel and iron 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.

The Company has established a Factory at Valsad, Gujarat during the year for manufacturing of Lead & Lead Alloys which will be operational shortly. This will help the Company for sustaining in the long run in the competitive steel industry.

HUMAN RESOURCES

The Company considers the quality of its human resources to be its most important asset and focuses on attracting, motivating and retaining the best talent. Communication exercises are treated as continuous process to keep the employees in formed of the challenges being faced by the Company and also motivate them to take up higher responsibilities, in tune with the requirements of the Company

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

Internal Control accountability of executive action to the management's authorization. The Statutory Auditors have evaluated the system of internal controls of the Company and have reported that the same are adequate and commensurate with the size of the Company and nature of its business.

The internal control systems are reviewed by the top Management and by the Audit Committee of the Board and proper follow up action ensured wherever required.

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 off in is had goods, in put 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.

REPORT ON CORPORATE GOVERNANCE

1] COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance refers to the structures and processes for direction and control of the companies. It is the process carried out by the Board of Directors and its related committees, on behalf of and for the benefit of the Company's stakeholders, to provide direction, authority and oversights to the management. It also provides the structure through which the objectives of the Company are set and the means of