

KARMA ISPAT LIMITED
31st Annual Report 2007 –2008

Board of Directors

Mr. Rajesh Mehta
Mrs. Bhavna Mehta
Mr. Hemang Sampat
Mr. Amish Modi

Managing Director
Wholetime Director
Director
Director

Auditors

Arvind Darji Associates,
Chartered Accountants

Bankers

The Jammu and Kashmir Bank
Corporation Bank
Canara Bank

Registered Office

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

Equity shares are listed on

The Stock Exchange, Mumbai
The Stock Exchange, Ahmedabad
The Stock Exchange, Hyderabad

**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.

Saturday, September 27, 2008

Time

11.30 a.m.

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 31st Annual General Meeting of the members of **KARMA ISPAT LIMITED** will be held on Saturday, the 27th day of September, 2008 at 11.30 am at the Registered Office of the Company at H Wing, Office No. 131, Raj Arcade, Mahavir Nagar, Kandivali West, Mumbai –400067 to transact[s] the following business:

ORDINARY BUSINESS:

- 1] To receive, consider and adopt the Audited Balance Sheet as at March 31, 2008 and Profit and Loss Account for the year ended March 31, 2008 together with the Reports of the Directors and Auditors thereon.
- 2] To appoint a Director in place of Mr. Amish Modi 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.

SPECIAL BUSINESS:

- 4] To consider, and if thought fit, to pass, with or without modification as an Ordinary Resolution :

“**RESOLVED THAT** Mr. Rajesh Mehta who was appointed as an Additional Director at the meeting of the Board of Directors held on September 13, 2007 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. Rajesh Mehta 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.”

“**RESOLVED FURTHER THAT** in supersession of the resolution passed by the Board of Directors at their meeting held on November 05, 2007 and subject to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr. Rajesh Mehta be and is hereby appointed as Managing Director of the Company for a period of five years from April 01, 2008 to March 31, 2013, on the terms and conditions (including the terms of remuneration as approved by the Remuneration Committee) as mentioned below:

I. Fixed Compensation:

Fixed Compensation shall include Basic Salary and the Company's Contribution to Provident Fund and Gratuity Fund.

The Basic Salary shall be in the range of Rs. 1,00,000/- to Rs. 5,00,000/- per month, payable monthly. The Annual Basic Salary and increments will be decided by the Remuneration Committee/Board of Directors depending on the performance of the Managing Director, the profitability of the Company and other relevant factors.

II. Performance Linked Variable Remuneration (PLVR)

Performance Linked Variable Remuneration for each of the financial years as may be decided by the Remuneration Committee/Board of Directors of the Company based on Economic Value Added in the business and other relevant factors and having regard to the performance of the Managing Director for each year.

III. Flexible Compensation:

In addition to the Fixed Compensation and PLVR, the Managing Director will be entitled to the following allowances, perquisites, benefits, facilities and amenities as per rules of the Company and subject to the relevant provisions of the Companies Act, 1956 (collectively called “perquisites and allowances”).

These perquisites and allowances shall be granted to the Managing Director as per the rules of the Company and in the manner as the Board may decide.

- i. Housing i.e. unfurnished residential accommodation and House Rent Allowance at applicable rate as per Company's rules OR House Rent Allowance as per Company's rules;
- ii. Furnishing at residence;
- iii. Supplementary Allowance;
- iv. Leave Travel Assistance;
- v. Payment/reimbursement of medical expenses for self and family;
- vi. Payment/reimbursement of Food Vouchers, petrol reimbursement;

- vii. Company cars with driver for official use, provision of telephone(s) at residence;
- viii. Payment/reimbursement of telephone expenses / electricity / gas expenses;
- ix. Housing Loan, Contingency Loan as per rules of the company. These loans shall be subject to Central Government approval, if any;
- x. Earned/privilege leave, on full pay and allowance, not exceeding 30 days in a financial year. Encashment/accumulation of leave will be permissible in accordance with the Rules specified by the Company. Casual/Sick leave as per the rules of the Company;
- xi. Encashment of leave, club facilities, group insurance cover, group hospitalisation cover and group accident cover.
- xii. Such other perquisites and allowances as per the policy/rules of the Company in force and/or as may be approved by the Board from time to time.

The maximum cost to the Company per annum for the grant of the perquisites and allowances listed above for the Managing Director shall be Rs. 25,00,000/- plus 75% of the annual basic salary.

Explanation

- i) For the Leave Travel Assistance and reimbursement of medical and hospitalisation expenses, 'family' means the spouse and dependent children and dependent parents.
- ii) Perquisites shall be evaluated at actual cost or if the cost is not ascertainable the same shall be valued as per Income Tax Rules.

IV. Overall Remuneration

The aggregate of salary and perquisites as specified above or paid additionally in accordance with the rules of the Company in any financial year, which the Board in its absolute discretion pay to the Managing Director from time to time, shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may for the time being, be in force.

Notes :

- a) The following shall not be included in the computation of perquisites:-
 - i) Provision for use of Company's cars for official use.
 - ii) Provision of free telephone facilities or reimbursement of telephone expenses at residence, including payment of local calls and long distance official calls.
- b) Unless otherwise stipulated, for the purpose of the above, the perquisites shall be evaluated as per Income Tax Rules wherever actual cost cannot be determined.
- c) Notwithstanding the foregoing, where in any Financial Year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the remuneration by way of salary, commission and perquisites shall not exceed, the maximum limits prescribed in Schedule XIII to the Companies Act, 1956 except with the approval of the Central Government.
- d) The limits specified above are the maximum limits and the Remuneration Committee / Board may in its absolute discretion pay to the Managing Director lower remuneration and revise the same from time to time within the maximum limits stipulated above.
- e) In the event of any re-enactment or re-codification of the Companies Act, 1956 or the Income Tax Act, 1961 or amendments thereto, the foregoing shall continue to remain in force and the reference to various provisions of the Companies Act, 1956 or the Income Tax Act, 1961 shall be deemed to be substituted by the corresponding provisions of the new Act or the amendments thereto or the Rules and notifications issued thereunder.
- f) If at any time the Managing Director ceases to be in the employment of the Company for any cause whatsoever, he shall cease to be the Managing Director of the Company.
- g) The Managing Director is appointed by virtue of his employment in the Company and the appointment is subject to the provisions of Section 283(1) of the Companies Act, 1956 while at the same time the Managing Director is liable to retire by rotation. The appointment is terminable by giving three months' notice in writing on either side.

- h) The Managing Director shall not, during the continuance of his employment or at any time thereafter, divulge or disclose to whomsoever or make any use whatsoever, whether for his own or for any other purpose other than that of the Company, any information or knowledge obtained by him during his employment to the business or affairs or other matters whatsoever of the Company and the Managing Director shall, during the continuance of his employment hereunder, also use his best endeavour to prevent any other person from disclosing the afore-said information.
- i) If the Managing Director be guilty of such inattention to or negligence in the conduct of the business of the Company or of misconduct or of any other act or omission inconsistent with his duties as Managing Director or any breach of this resolution, as in the opinion of all other Directors renders his retirement from the office of the Managing Director desirable, the opinion of such other Directors shall be final, conclusive and binding on the Managing Director and the Company may by giving thirty days notice in writing to the Managing Director determine this resolution and he shall cease to be a Director and Managing Director of the Company, upon expiration of such notice.
- j) The terms and conditions of this resolution are subject to such alterations/ variations as may be mutually agreed upon between the Company and the Managing Director.

5] To consider, and if thought fit, to pass, with or without modification as an **Ordinary Resolution** :

“RESOLVED THAT Mrs. Bhavna Mehta who was appointed as an Additional Director at the meeting of the Board of Directors held on September 13, 2007 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 Mrs. Bhavna Mehta 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.”

“RESOLVED FURTHER THAT subject to the approval of the shareholders at the Annual General Meeting and the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Mrs. Bhavna Mehta be and is hereby appointed as Wholetime Director of the Company for a period of five years from April 01, 2008 to March 31, 2013, on the terms and conditions (including the terms of remuneration as approved by the Remuneration Committee) as mentioned below:

I. Fixed Compensation :

Fixed Compensation shall include Basic Salary and the Company's Contribution to Provident Fund and Gratuity Fund.

The Basic Salary shall be in the range of Rs. 50,000/- to Rs. 3,00,000/- per month, payable monthly. The Annual Basic Salary and increments will be decided by the Remuneration Committee/Board of Directors depending on the performance of the Wholetime Director, the profitability of the Company and other relevant factors.

II. Performance Linked Variable Remuneration (PLVR)

Performance Linked Variable Remuneration for each of the financial years as may be decided by the Remuneration Committee/Board of Directors of the Company based on Economic Value Added in the business and other relevant factors and having regard to the performance of the Wholetime Director for each year.

III. Flexible Compensation:

In addition to the Fixed Compensation and PLVR, the Wholetime Director will be entitled to the following allowances, perquisites, benefits, facilities and amenities as per rules of the Company and subject to the relevant provisions of the Companies Act, 1956 (collectively called “perquisites and allowances”).

These perquisites and allowances shall be granted to the Wholetime Director as per the rules of the Company and in the manner as the Board may decide.

- i. Housing i.e. unfurnished residential accommodation and House Rent Allowance at applicable rate as per Company's rules OR House Rent Allowance as per Company's rules;
- ii. Furnishing at residence;
- iii. Supplementary Allowance;
- iv. Leave Travel Assistance;

- v. Payment/reimbursement of medical expenses for self and family;
- vi. Payment/reimbursement of Food Vouchers, petrol reimbursement;
- vii. Company cars with driver for official use, provision of telephone(s) at residence;
- viii. Payment/reimbursement of telephone expenses / electricity / gas expenses;
- ix. Housing Loan, Contingency Loan as per rules of the company. These loans shall be subject to Central Government approval, if any;
- x. Earned/privilege leave, on full pay and allowance, not exceeding 30 days in a financial year. Encashment/accumulation of leave will be permissible in accordance with the Rules specified by the Company. Casual/Sick leave as per the rules of the Company;
- xi. Encashment of leave, club facilities, group insurance cover, group hospitalisation cover and group accident cover.
- xii. Such other perquisites and allowances as per the policy/rules of the Company in force and/or as may be approved by the Board from time to time.

The maximum cost to the Company per annum for the grant of the perquisites and allowances listed above for the Wholetime Director shall be Rs. 25,00,000/- plus 75% of the annual basic salary.

Explanation

- i) For the Leave Travel Assistance and reimbursement of medical and hospitalisation expenses, 'family' means the spouse and dependent children and dependent parents
- ii) Perquisites shall be evaluated at actual cost or if the cost is not ascertainable the same shall be valued as per Income Tax Rules.

IV. Overall Remuneration

The aggregate of salary and perquisites as specified above or paid additionally in accordance with the rules of the Company in any financial year, which the Board in its absolute discretion pay to the Wholetime Director from time to time, shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act as may for the time being, be in force.

Notes :

- a) The following shall not be included in the computation of perquisites:-
 - i) Provision for use of Company's cars for official use.
 - ii) Provision of free telephone facilities or reimbursement of telephone expenses at residence, including payment of local calls and long distance official calls.
- b) Unless otherwise stipulated, for the purpose of the above, the perquisites shall be evaluated as per Income Tax Rules wherever actual cost cannot be determined.
- c) Notwithstanding the foregoing, where in any Financial Year during the currency of the tenure of the Wholetime Director, the Company has no profits or its profits are inadequate, the remuneration by way of salary, commission and perquisites shall not exceed, the maximum limits prescribed in Schedule XIII to the Companies Act, 1956 except with the approval of the Central Government.
- d) The limits specified above are the maximum limits and the Remuneration Committee / Board may in its absolute discretion pay to the Wholetime Director lower remuneration and revise the same from time to time within the maximum limits stipulated above.
- e) In the event of any re-enactment or re-codification of the Companies Act, 1956 or the Income Tax Act, 1961 or amendments thereto, the foregoing shall continue to remain in force and the reference to various provisions of the Companies Act, 1956 or the Income Tax Act, 1961 shall be deemed to be substituted by the corresponding provisions of the new Act or the amendments thereto or the Rules and notifications issued thereunder.
- f) If at any time the Wholetime Director ceases to be in the employment of the Company for any cause whatsoever, he shall cease to be the Wholetime Director of the Company.

- g) The Wholetime Director is appointed by virtue of his employment in the Company and the appointment is subject to the provisions of Section 283(1) of the Companies Act, 1956 while at the same time the Wholetime Director is liable to retire by rotation. The appointment is terminable by giving three months' notice in writing on either side.
- h) The Wholetime Director shall not, during the continuance of his employment or at any time thereafter, divulge or disclose to whomsoever or make any use whatsoever, whether for his own or for any other purpose other than that of the Company, any information or knowledge obtained by him during his employment to the business or affairs or other matters whatsoever of the Company and the Wholetime Director shall, during the continuance of his employment hereunder, also use his best endeavour to prevent any other person from disclosing the afore-said information.
- i) If the Wholetime Director be guilty of such inattention to or negligence in the conduct of the business of the Company or of misconduct or of any other act or omission inconsistent with his duties as Wholetime Director or any breach of this resolution, as in the opinion of all other Directors renders his retirement from the office of the Wholetime Director desirable, the opinion of such other Directors shall be final, conclusive and binding on the Wholetime Director and the Company may by giving thirty days notice in writing to the Wholetime Director determine this resolution and he shall cease to be a Director and Wholetime Director of the Company, upon expiration of such notice.
- j) The terms and conditions of this resolution are subject to such alterations/ variations as may be mutually agreed upon between the Company and the Wholetime Director.
- 6) To consider, and if thought fit, to pass, with or without modification as an **Ordinary Resolution** :
"RESOLVED THAT the Board of Directors of the Company , be and are hereby authorised pursuant to Section 293 (1) (e) of the Companies Act, 1956 on behalf of the Company to contribute and / or subscribe from time to time in any financial year to any body, institute, society, person, trust or fund for any charitable or other purposes not directly related to the business of the Company or to the welfare of employees, any amount, the aggregate of which in any financial year of the Company exceed an amount of Rs. 50,000 or 5% of the Company's average net profits as determined in accordance with the provisions of Section 349 and 350 of the said Act during the three financial years immediately preceding, subject to a maximum of Rs. 25,00,000/ 5 % of the Company average profit determined as above whichever is greater"
"RESOLVED FURTHER THAT the donation amounting to Rs.1476111/- paid during the financial year ended March 31, 2008 be and are hereby approved, confirmed and ratified"
- 7) To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT consent of the Company be and is hereby accorded pursuant to section 293 (1) (d) of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time, any sum or sums of money upon such terms and conditions and with or without security as the Board of Directors may in its discretion think fit, notwithstanding that the money or monies to be so borrowed by the Company (apart from the temporary loans obtained or to be obtained from time to time from the Company's bankers in the ordinary course of business) together with the sums already borrowed may exceed the aggregate of the paid up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purposes, provided however that the sums so borrowed and remaining outstanding on account of principal shall not, at any time exceed Rs.500 Crores (Rupees Five Hundred Crores only)."

For and behalf of the Board of Directors
Karma Ispat Limited

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

(Rajesh Mehta)
 Managing Director

29th July 2008

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 Monday, September 22, 2008 to Saturday, September 27, 2008 [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 dematerialised 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 ACTS, 1956**ITEM 4 :**

Mr. Rajesh Mehta has been appointed as an additional director of the Company pursuant to section 260 of the Companies Act, 1956 on 13th September, 2007 and would hold office till the date of the ensuing Annual General Meeting.

Mr. Rajesh Mehta is a commerce graduate from Mumbai University. He has vast knowledge and experience in the field of Iron and Steel industry. He has been dealing in mild sheet plates, hot rolled plates, cold rolled sheets & coils, boiler plates, mild sheet structures, squares, rounds and bars for the past 20 years as a broker and commission agent.

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. Rajesh Mehta for the office of Director. The Board of Directors recommend passing of the resolution set out in item No. 5 of the accompanying Notice.

None of the Directors of the Company other than Mrs. Bhavna Mehta and Rajesh Mehta is deemed to be concerned or interested in the Resolution.

ITEM 5 :

Mrs. Bhavna Mehta has been appointed as an additional director of the Company pursuant to section 260 of the Companies Act, 1956 on 13th September, 2007 and would hold office till the date of the ensuing Annual General Meeting.

Mrs. Bhavna Mehta has acquired a sound knowledge of accounting and Management Information System (MIS). She has vast experience of running various businesses successfully, it would be immensely beneficial to the Company to have her as a director.

Pursuant to section 257 of the Companies Act, 1956 the Company has received notices from members signifying their intention to propose the candidature of Mrs. Bhavna Mehta for the office of Director. The Board of Directors recommend passing of the resolution set out in item No. 6 of the accompanying Notice.

None of the Directors of the Company other than Mrs. Bhavna Mehta and Rajesh Mehta is deemed to be concerned or interested in the Resolution

ITEM 6

Section 293(1)(e) of the Companies act, 1956, inter alia, provides the any amount contributed to any charitable or other funds not directly relating to the business of the Company or other funds not directly relating to the business of the Company or the welfare of the employees, the aggregate of which exceeds Rs. 50,000 or 5% of the Company's average net profits as determined in accordance with the provisions of Section 349 and 350 of the Companies Act, 1956 during the 3 financial years immediately preceding the year in which the contribution has been made needs the approval of the members of the Company. The Board of directors consider that keeping in view the Company obligations to the Society at large and other social welfare and charitable funds / causes the limits provided under Section 293(1)(e) of the Companies Act, 1956 requires upward revision.

During the year ended March 31, 2008 the Company made donations amounting to Rs. 14,76,111/- to charitable and other funds. In view of the past losses incurred by the Company the donations exceeded the limit stipulated in Section 293(1)(d).

This resolution is therefore recommended for your acceptance.

None of the Directors of the Company is concerned or interested in this resolution.

ITEM 7

In order to meet the requirements of additional working capital and to finance the implementation of new projects, it would be necessary to resort to additional borrowings from Banks, institutions, etc. It was therefore felt necessary that the Board of Directors be empowered to raise a sum not exceeding Rs. 500 Crores as and when the need arose. Since the borrowing limit is in excess of the paid up capital and free reserves of the Company the approval of the members is required pursuant to section 293(1)(d) of the Companies Act 1956.

Your Directors recommend the resolution for your approval.

None of the Directors of the Company is concerned or interested in this resolution.

For and behalf of the Board of Directors
Karma Ispat Limited

(Rajesh Mehta)
Managing Director

Registered Office

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

Date: 29th July, 2008

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have great pleasure in presenting the 31ST Annual Report together with the Audited Accounts for the year ended on March 31, 2008.

FINANCIAL RESULTS

	Year Ended 31.03.2008 Rs. in'000	Year Ended 31.03.2007 Rs. in'000
Sales & Other Income	11,91,149	-
Less : Expenditure	11,78,010	261
Depreciation	2,906	720
Profit / (Loss) before tax and appropriations	10,233	(981)
Profit / (Loss) after tax	9,790	(910)
Add: Balance brought forward from previous year	(16,798)	(15,888)
Loss carried to Balance Sheet	(7,008)	(16,798)

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 2008.

OPERATIONS

The Company has diversified into trading in broad range of steel products, including hot and cold rolled sheets and coils, galvanized sheets, electrical sheets, structurals, plates, bars and rods, stainless steel and other alloy steels. The Company intends to start manufacturing activity shortly.

The year witnessed sustained global economic growth and strong demand for steel in the new emerging markets. Consolidation in steel industry was prompted by growth in emerging economies as well as increasing opportunities in new markets. The global consolidation in the steel industry has resulted in a mature and stable market behaviour and facilitated synergy in marketing efforts.

The turnover of the Company rose from Nil in the previous year to Rs. 1,19,11,46,132 in the year under review. Likewise the Profit after tax also rose from a loss of Rs. 9,10,906 in the previous year to profit of Rs. 97,90,231 in the year ended March 31, 2008.

CHANGE IN MANAGEMENT

Mr. Rajesh Mehta and Mrs. Bhavna Mehta had entered into a Share Purchase Agreement with the earlier promoters of the Company for purchase of a majority stake in the company. They collectively made an open offer to the public as per the SEBI Regulations in the month of August 2007. With the completion of the process there was a change in management / control of the Company to Mr. Rajesh Gunvantrai Mehta and Mrs. Bhavna Rajesh Mehta

CHANGE IN NAME OF THE COMPANY

The Company has changed its name from Scana Color India Limited to Karma Ispat Limited which has been approved by the Registrar of Companies, Maharashtra.

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.

BOARD OF DIRECTORS

Consequent to the change in management of the Company, Mr. Rajeev Jain, Mr. Rajendra Modi and Mrs. Nandita Damani resigned from the Board of Directors of the Company on September 13, 2007. The Board wishes to place on record its appreciation for the services rendered by them during their tenure with the Company.

Mr. Rajesh Mehta and Mrs. Bhavna Mehta were appointed as Additional Directors on September 13, 2007 to hold office upto the ensuing Annual General Meeting.

Mr. Amish Modi, 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 March 31, 2008.
- 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 Associates, the retiring Auditors have expressed their willingness to be re-appointed. It has been proposed to reappoint Messrs. 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 March 31, 2009 as set out in the Notice convening the Meeting.

AUDITORS' OBSERVATIONS

The observations of the Auditors contained in their Report regarding the Donation of Rs.14,76,111/- given which in excess of the limit prescribed under Section 293 (1) (e) of the Companies Act 1956 without taking the consent in General Meeting. The Company is taking necessary steps for obtaining shareholders approval at the ensuing Annual general meeting.

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. Amish Modi, as Chairman, Mr. Rajesh Mehta and Mr. Hemang 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 dematerialised 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, Ahmedabad and The Stock Exchange, Hyderabad.

ISSUE OF CONVERTIBLE WARRANTS

The Company has issued and allotted 2,85,00,000 Convertible Warrants of Rs. 15/- each on 14th day of April, 2008 on preferential issue basis. These warrants are convertible into equity shares within a period of 18 months from the date of allotment. The Company has obtained in-principal approval from Bombay Stock Exchange for this convertible warrants issue.

SAFETY, ENVIRONMENTAL CONTROL AND PROTECTION

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

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.

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 with in 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.

For and behalf of the Board of Directors
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: 29th July, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

In India, the growth in automotive sector, investments in housing projects, thrust on infrastructure development and the increase in disposable incomes of households are expected to trigger a growth in demand for steel by over 10% during 2007-08. The growth in overall steel demand is likely to be influenced by growth in demand for both flat and long products.

BUSINESS OVERVIEW

STEEL BUSINESS OUTLOOK

A) Global Steel Industry Overview

Global crude steel output, which closely tracks demand, grew by 8.9% to 1,244 million tonnes in 2006 as compared to 1,142 million tonnes in 2005 mainly driven by strong growth of 18% in China. In 2006, the top five steel producing countries were China (422.7 million tonnes), Japan (116.2 million tonnes), USA (98.6 million tonnes), Russia (70.8 million tonnes) and South Korea (48.5 million tonnes). The finished steel consumption grew by 8.5% at 1,113 million tonnes in 2006 as compared to 1,026 million tonnes in 2005. China accounted for 33% of global steel consumption and 50% of global demand growth. The Asian region especially China witnessed the most remarkable growth over the past ten years. In 1996, China produced 101 million tonnes of crude steel. By 2001, crude steel production increased to 151 million tonnes, at a CAGR of 8%. In 2006, China produced 422.7 million tonnes of crude steel, registering a CAGR of 23% in last five years. China's share of world crude steel production also increased exponentially. In 1996, China became the largest steel producing country in the world for the first time, accounting for 13.5% of global crude steel production. In 2006, this share increased to around one third of the total crude steel produced in the world. The global steel consumption increased both in developing and developed countries in 2006, with double digit growth in Europe, CIS, NAFTA and South and Central America. In Europe, the increase in demand was accompanied by a substantial increase in steel imports primarily from China, which emerged as a significant net exporter of steel in 2006. Construction was the key driver of demand across the EU in 2006, notably in Germany, which recovered very strongly.

The demand for raw materials viz. iron ore, coal, scrap, energy etc. have increased significantly due to robust growth in global crude steel production led by China. The shortages of raw materials and constraints of logistics, led to increase in prices of raw materials. Iron ore prices increased for the last five years consecutively. Iron ore fines prices increased by 19% in 2006, 71.5% in 2005, 18.6% in 2004 and 9% in 2003. There is a further increase in contracted prices of iron ore fines by 9.5% in 2007. China's crude steel production increased by 18% or 63 million tonnes in 2006 and to support this production, iron ore imports into China increased by 19%. In order to respond to the tightening supply-demand balance, major iron ore and coal producers are investing in new mines to increase production capacity.

The hard coking coal prices decreased by 7% in 2006, after a steep increase by 117% in 2005 and 24% in 2004. There is a further decline in the contracted prices of hard coking coal in 2007 due to increased supply coming on stream. The steel industry and all commodities related industries have witnessed an upward shift in their respective cost curves and hence prices for both raw materials and steel products are likely to settle at much higher levels than the average prices that prevailed in the past.

B) Domestic Steel Industry Overview

Indian Steel Industry registered a strong growth in steel consumption driven by strong growth in all steel consuming sectors viz. automotive (13.6%), capital goods (18.3%), construction (10.7%), consumer non-durables (10.5%) and consumer durables (9.1%) etc. During the fiscal year 2006-07, India's apparent steel consumption grew by 11.7% to 43.8 million tonnes. The flat products and long products consumption grew by 11.5% and 12.3% respectively. Domestic steel production grew by 11.1% to 49.4 million tonnes. Steel exports grew by 6.1% to 4.7 million tonnes and steel imports increased by 6.4% to 4.1 million tonnes.

C) Steel Industry Outlook for 2007-08

Driven by the continued growth in developing and emerging economies, global growth is likely to remain robust. World GDP is expected to grow by 3.4% in 2007. China and India are expected to continue its march towards high growth, though controlling inflationary pressures may be a challenge for the Indian Government.

The International Iron and Steel Institute (IISI) forecasts global steel consumption to grow by 5.9% in 2007 and 6.1% in 2008, driven by strong demand from Asia, Africa and South America. The apparent steel demand is likely to increase by 65 million tonnes in 2007 and 72 million tonnes in 2008 to reach a level of 1,250 million tonnes in 2008. China is expected to remain the largest market with steel demand likely to increase by 13% (46 million tonnes) in 2007, which represents 71% of global steel consumption growth in 2007.

The Indian Steel Industry is now believed to be at an inflexion point. It is poised for a demand growth of 10% in FY 2007-08. Demand for flat products and long products is expected to grow by 12% and 9% respectively.

Rise in personal disposable incomes and easy access to funds from banks has led to new housing projects in last 3-5 years. The Automotive sector also grew at a significant rate of over 15% due to easy availability of consumer finance, excise duty reduction and higher disposal income with households. Recent increase in interest rates is likely to dampen this sentiment somewhat, but the growth rate is likely to remain robust. The Committee on Infrastructure in India constituted under the Chairmanship of the Prime Minister in August 2004 planned for an expenditure of approximately Rs. 14,50,000 crores (USD 320 billion) in the 11th Five Year Plan (2007-2012) on Irrigation, Urban Infrastructure, Power, Roads, Railways, Ports, Airports, Telecom projects etc. This may lead to increased steel consumption in foreseeable future. India's steel consumption is expected to increase to 65 million tonnes by FY 2009-10 and over 125 million tonnes by FY 2014-15.

OPPORTUNITIES, THREATS, RISKS, CONCERNS AND OUTLOOK

Opportunities

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 outstanding performance in the year ended March 31, 2008. 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 is to set up its factory at Nasik.

HUMAN RESOURCES

The Company recognizes the need for continuous growth and development of its employees in order to provide greater job satisfaction and also to equip them to meet growing organizational challenges.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

Internal Control Systems are designed to ensure the reliability of financial and other record and 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.

REPORT ON CORPORATE GOVERNANCE

1] COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The main object of Corporate Governance is to create transparency and full disclosure regarding the working of the Company. Corporate Governance's aim is to create long-term value for all stakeholders viz. investors, employees, creditors, customers, Government and society at large. It is crucial to the progress of every business enterprise as it builds confidence and trust, which eventually leads to a more stable and sustained resource flow and long-term partnership with its investors and other stakeholders. The Company firmly believes in and continues to practice good corporate Governance. The Company's essential character is shaped by the very values of transparency, professionalism and accountability. The Company continuously endeavors to improve on these aspects on an ongoing basis. The disclosures required by Clause 49 of the Listing Agreement are as under:

2] BOARD OF DIRECTORS

As per the listing Agreement the Board should have an optimum combination of both Executive and Non-Executive Directors, and at least one half of the Board has to comprise of independent Directors where the Chairman is Executive.

The Board of your Company as on March 31, 2008 has 2 Executive Director and 2 Non-Executive Directors. The number of independent Directors are 2.

The details of composition of the Board, category, attendance of Directors at Board Meetings and last Annual General Meeting, number of other Directorships and other Committee Memberships are given below:

	Category	No. of Board Meeting Attended	Attendance At Last AGM	No. of Other Directorships Held As on 31.03.08		Outside Committee Held As on 31/3/08	
				Public	Private	Mem	Chmn.
*SHRI RAJESH MEHTA	MD/ED	6	NO	NO	NO	NO	NO
SHRI AMISH MODI	IND/NED	9	YES	NO	NO	NO	NO
SHRI HEMANG SAMPAT	IND/NED	9	YES	NO	NO	NO	NO
*SMT. BHAVNA MEHTA	ED	6	NO	NO	NO	NO	NO

MD stands for Managing Director.

NED stands for Non Executive Director AND IND for Independent Director.

During the financial year ended March 31, 2008, Board meetings were held on April 27, 2007, July 31, 2007, September 01, 2007, September 13, 2007, October 01, 2007, October 31, 2007, November 05, 2007, December 05, 2007 and January 31, 2008.

Mr. Rajeev Jain, Mr. Rajendra Modi and Mrs. Nandita Damani resigned as Directors of the Company on September 13, 2007.

*Mr. Rajesh Mehta and Mrs. Bhavna Mehta were appointed as Additional Directors on September 13, 2007.

3] **COMMITTEES OF DIRECTORS**

Non Executive Directors provide guidance to operating management on policy matters as well as in monitoring the actions of operating management. This involvement provides regular exchange of information and ideas between the non-executive Directors and the operating management.

To conform to the requirement of clause 49 of the Listing Agreement with the Stock Exchange and Companies Act, 1956, the Board has constituted the required Committees.

3.1] **AUDIT COMMITTEE**

The Company has a qualified and independent Audit Committee comprising of 2 Non Executive Director and the Managing Director. The broad terms of reference of the Audit Committee are in consonance with the provisions of Clause 49 of the Listing Agreement.

The Committee held 5 meetings during the year on April 27, 2007, July 31, 2007, September 01, 2007, October 27, 2007 and January 23, 2008.

The audit committee was reconstituted on November 24, 2007. The names of Members of the present Committee and their attendance are as follows:

Name of the Members	Status	No. of Meetings Attended
SHRI AMISH MODI	CHAIRMAN	5
SHRI HEMANG SAMPAT	MEMBER	5
SHRI RAJESH MEHTA	MEMBER	2

Note:

- 1) Shri Rajendra Modi was the chairman of the audit committee till September 13, 2007 and he attended 3 meeting during his tenure.
- 2) Shri Rajeev Jain was a member of the audit committee till September 13, 2007 and he attended 3 meetings during his tenure.
- 3) Shri Hemang Sampat and Shri Rajesh Mehta were appointed on the audit committee with effect from September 13, 2007.

3.2] **REMUNERATION**

Although Remuneration Committee has been constituted by the Company, all matters relating to review and approval of compensation payable to the Executive and Non Executive Directors are considered by the Board within the overall limits approved by the Members.

The Managing Director is entitled to Salary, perquisites and allowances. Salary is paid within the range as approved by the Shareholders. However considering the present situation of the Company the Managing Director has not drawing any salary for the financial year under consideration. The Committee approves all the revisions in salary, allowances and perquisites subject to the overall ceiling prescribed by Section 198, 309 and Schedule XIII of the Companies Act, 1956

Given below are the details of remuneration paid to Directors during the financial year 2007-08:

Director	Sitting Fees Rs.	Salary & allowances Rs.	Perquisites Rs.
SHRI RAJESH MEHTA	NIL	6,60,000.00	NIL
SMT. BHAVNA MEHTA	NIL	1,72,000.00	NIL
SHRI AMISH MODI	NIL	30,000.00	NIL
SHRI HEMANG SAMPAT	NIL	48,000.00	NIL

Note: The Directors have voluntarily waived the sitting fees for attending meeting

3.3] **SHAREHOLDERS' GRIEVANCE COMMITTEE**

The Company has constituted a Shareholders' Committee to specifically look into Investors' complaints, if any, and to redress the same expeditiously. The Committee redresses complaints of investors like transfer of shares, non-receipt of Balance Sheet and non-receipt of declared Dividend etc. The Shareholder's Grievance Committee met 1 [Once] during the year ended March 31, 2008.

The composition of the Shareholder's Grievances Committee and details of the meetings attended by the Directors are given below:

Name of Members	Category	No. Of Meetings attended during the year 2007-2008
SHRI AMISH MODI	CHAIRMAN	1
SHRI HEMANG SAMPAT	MEMBER	1
SHRI RAJESH MEHTA	MEMBER	1

Mr. Rajesh Mehta is the Compliance Officer of the Company.

4] **DETAILS OF INVESTORS COMPLAINTS RECEIVED DURING THE YEAR**

Sr. No	Nature of Complaints	Received	Disposed	Pending
1.	Non-receipt of Dividend Warrants.	NIL	NIL	NIL
2.	Non-receipt of Share Certificate after Transfer	NIL	NIL	NIL
3.	Non -receipts of annual report	NIL	NIL	NIL
	TOTAL	NIL	NIL	NIL

5] **GENERAL BODY MEETINGS**

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Venue
31.03.2007	29.09.2007	11.30 A.M	Registered Office
31.03.2006	30.09.2006	11.30 A.M.	Registered Office
31.03.2005	30.09.2005	11.30 A.M.	Registered Office

All the matters as set out in the respective notices were passed by the Shareholders. No special resolution was required to be put through postal ballot last year.

6] **DISCLOSURES**

During the year, the Company did not enter into any materially significant related party transactions with its Promoters, Directors or the Management, their Subsidiaries or relatives etc., which may have a potential conflict with the interest of the Company at large.

Transaction with related parties as per the requirements of Accounting Standards 18 are disclosed in Schedule / Notes on Accounts.

The company has complied with the requirements of the Stock Exchange, SEBI, and other Statutory Authorities on all matters relating to Capital Markets during the last three years. The Company has paid its listing fees for the 2007-08.

7] **MEANS OF COMMUNICATION**

Quarterly results are published in prominent daily newspapers viz., Free Press & Nav Shakti/Economics Times/Maharashtra Times

All items required to be covered in the Management Discussion and Analysis have been included in the Management Discussion and Analysis as attached to this Report.

The Company has its own website and all the vital information relating to the Company and its products are displayed on the web site. Address of the website is www.karmaispat.com

So far, the company has not displayed the results on its website.

8] **GENERAL SHAREHOLDERS INFORMATION**

ANNUAL GENERAL MEETING : 31st Annual General Meeting
DAY & DATE : Saturday, September 27, 2008
TIME : 11.30 A.M.
VENUE : Registered Office.

9] **FINANCIAL CALENDAR**

- * Financial reporting for the quarter ended June 30, 2008: End of July 2008
- * Financial reporting for the quarter ended Sept. 30, 2008: End of Oct. 2008
- * Financial reporting for the quarter ended Dec. 31, 2008: End of Jan. 2009
- * Financial reporting for the Year ended March 31, 2009: End of April 2009

10] **DATE OF BOOK CLOSURE:**

22/09/2008 to 30/09/2008 [Both days inclusive]
Dividend payment date – not applicable

11] **SHARE TRANSFER SYSTEM**

The turnaround time for completion of transfer of shares in physical mode is generally 15 days, if the documents are clear in all respects. The Board has delegated the responsibility of Share Transfers to Share Transfer Committee & Registrar & transfer agent under Demat mode are transferred by the Registrar for this purpose within 15 days.

12] **TRANSFER UNDER PHYSICAL AND DEMAT MODE**

M/S. SYSTEM SUPPORT SERVICES,
[Unit: Karma Ispat Limited]
209, Shivai Industrial Estate, 89, Andheri Kurla Road,
Sakinaka, Andheri [East], Mumbai – 400 072
Telephone No. 022-28500835

13] **COMPLIANCE OFFICER**

Mr. Rajesh Mehta
H -Wing, Office No. 131, Raj Arcade, Mahavir Nagar,
Kandivali West, Mumbai –400067.
E-mail: support@karmaispat.com
Telephone No.022- 67251166/77

14] **ADDRESS FOR CORRESPONDENCE**

KARMA ISPAT LIMITED
 H Wing, Office No. 131, Raj Arcade,
 Mahavir Nagar, Kandivali West, Mumbai –400067.
 E-mail: support@karmaispat.com
 Telephone No. 022-67251166/77

15] **LISTING**

The Stock Exchange, Mumbai.
 The Stock Exchange, Ahmedabad.
 The Stock Exchange, Hyderabad.

16] **STOCK CODE OF THE COMPANY**

The Stock Exchange, Mumbai
 Script Name: KARMA ISPAT LIMITED
 Script Code : 512585
 Electronic Mode: INE416F01019.

17] **DEPOSITORY CONNECTIVITY:**

NSDL & CDSL.

18] **ISIN NO. FOR THE COMPANY'S SECURITY:**

INE416F01019.

19] **DEMATERIALISATION OF SHARES**

As on March 31, 2008, 20,63,500 Shares representing 68.78% of total Equity Shares were held in dematerialized form with NSDL. Member can hold shares in electronic forms and trade the same in Depository System. However, they may hold the same in physical form also.

20] **STOCK PRICE DATA:**

Stock Market price data for the year

Month	High (Rs.)	Company's Share	
		Low (Rs.)	No. of Shares
April 2007	7.35	5.45	12400
May 2007	7.60	5.47	11900
June 2007	7.97	5.58	4000
July 2007	6.28	4.50	4500
August 2007	9.72	6.59	25600
September 2007	11.89	9.01	53700
October 2007	12.77	8.90	56900
November 2007	15.20	9.40	95700
December 2007	20.40	12.50	54800
January 2008	27.10	14.75	88000
February 2008	28.90	21.50	37100
March, 2008	20.90	16.25	9800

21] **SHAREHOLDING PATTERN AS ON MARCH 31, 2008:**

<u>Category</u>	<u>No. Of shares held</u>	<u>% of shareholding</u>
Promoters	11,72,500	39.08
Private Bodies Corporate	1,39,810	4.66
Banking / Financial Inst.	1,500	0.05
Indian Public	16,86,190	56.21
NRI / OCBs	-	-
Total	30,00,000	100.00

22] **DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2008 :**

No. of Equity Shares held	No. of Share Holders	No. of Shares held	% of Equity Capital
Upto 500	5425	8,70,700	29.02
500 - 1000	216	1,87,200	6.24
1001 - 2000	80	1,23,300	4.11
2001 - 3000	24	63,700	2.12
3001 - 4000	06	22,500	0.75
4001 - 5000	09	42,500	1.41
5001 - 10000	10	76,200	2.54
10001 & above	20	16,13,900	53.81
Total	5790	30,00,000	100.00

23] **COMPLIANCE**

A certificate has been obtained from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance and is attached to this report.

For and behalf of the Board of Directors
Karma Ispat Limited

(Rajesh Mehta)
Managing Director

Registered Office

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

Date : 29th July, 2008

NOTE : Non-mandatory requirements not implemented.

AUDITOR'S REPORT

The Members of
KARMA ISPAT LIMITED,

1. We have audited the attached Balance Sheet of Karma Ispat Limited, as at 31st March 2008 and the Profit and Loss Account for the years 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.
2. We conducted our audit in accordance with the 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.
3. As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further 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 and 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 and 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 is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 subject to,

Company has given Donation of Rs.14,76,111/- which in excess of the limit prescribed under Section 293 (1) (e) of the Companies Act 1956 without taking the consent in General Meeting.

- (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 the Profit and Loss Account, of the profit for the year ended on that date.
- (c) In case of cash flow statement, of the cash flows for the year ended on that date.

**FOR ARVIND DARJI ASSOCIATES
CHARTERED ACCOUNTANTS**

**ARVIND M DARJI
PROPRIETOR**

Membership No.: 41748

PLACE : MUMBAI
DATE : 29th July, 2008

ANNEXURE TO THE AUDITORS REPORT

Referred to in paragraph 3 of our report of even date,

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) All the assets have been physically verified by the management during the year. No material discrepancies were noticed on such verification.
(c) During the year, the company has not disposed off a major part of the fixed assets.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has taken loan from one party covered in the register maintained under Section 301 of the Companies Act 1956. The Maximum amount involved during the year was 56,280/- and the year end balance of loan taken from such parties was Rs. 56,280/-. The Company has not given loans to any party whose name is covered in the Register maintained under Section 301 of the Companies Act 1956.
(b) No interest is charged and other terms and conditions of such loans are not prima-facie prejudicial to the interest of the company.
(c) The payment of principal amount and interest are regular.
(d) There is no overdue amount of more than one lakh, from any party.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
(b) The transactions are made at prevailing market prices at relevant time.
- (vi) The company has not accepted the deposit from public.
- (vii) The company does not have formal Internal Audit system.
- (viii) Central Government has not prescribed any rules for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956.
- (ix) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, cess and other material statutory dues applicable to it.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, and cess were in arrears, as at 31st March, 2008 for a period of more than six months from the date they became payable.
(c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) In our opinion, company has accumulated losses at the end of the financial year which is less than fifty percent of the Net Worth. The company has not incurred cash losses during the financial year covered by our audit. However, the Company had incurred cash losses in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

- (xii) Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) The company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) The company has not raised any term loans during the years under consideration.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- (xviii) According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. However, the Company had accepted application money for Convertible Warrants.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the company had not issued debentures.
- (xx) Company has not received any fund by way of public issues.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**FOR ARVIND DARJI ASSOCIATES
CHARTERED ACCOUNTANTS**

**ARVIND M DARJI
PROPRIETOR**

MEMBERSHIP NO.: 41748

PLACE: MUMBAI
DATE: 29th July, 2008

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

The Member of
KARMA ISPAT LIMITED

We have examined the compliance of the conditions of Corporate Governance by **Karma Ispat Ltd.**, for the year ended March 31, 2008 as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement.

We state that no investors grievances are pending for the period exceeding one month against the Company as per the records maintained by the Shareholders/Investor Grievances Committee. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**FOR ARVIND DARJI ASSOCIATES
CHARTERED ACCOUNTANTS**

**ARVIND M DARJI
PROPRIETOR**

MEMBERSHIP NO.: 41748

PLACE: MUMBAI
DATE: 29th July, 2008

BALANCE SHEET AS AT 31ST MARCH 2008

Particulars	Schedule No.	As at 31st March, 2008	As at 31st March, 2007
Sources of Funds			
SHAREHOLDERS FUNDS			
Share Capital	1	30,000,000	30,000,000
Reserves and Surplus	2	15,269,059	15,269,059
Convertible Warrant Application Money		103,988,000	-
Deferred Tax (Net)		1,596,809	2,678,927
Loan Funds			
Unsecured Loans	3	289,930	294,805
TOTAL		151,143,798	48,242,791
Application Of Funds			
Fixed Assets			
Gross Block	4	60,990,864	60,870,224
Less: Depreciation		53,727,526	50,821,534
Net Block		7,263,338	10,048,690
Investments	5	-	2,900
Current Assets, Loans and Advances			
Stock in Hand		22,047,853	-
Sundry Debtors	6	291,044,087	20,062,622
Cash and Bank Balance	7	14,553,908	475,600
Loans and Advances	8	3,984,586	928,920
		331,630,434	21,467,142
Less: Current Liabilities and Provisions			
Current Liabilities	9	194,914,378	74,812
Provisions	10	1,525,000	-
Net Current Assets		135,191,056	21,392,330
Miscellaneous Expenditure (To the extent not written off)			
Expenses for Increase in Authorised Capital		1,680,764	-
PROFIT & LOSS A/C (Dr. Balance)		7,008,640	16,798,871
TOTAL		151,143,798	48,242,791

Significant Accounting Policies &
Notes to the Accounts
As per Our Report of even date attached

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FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

For ARVIND DARJI ASSOCIATES
CHARTERED ACCOUNTANTS

RAJESH MEHTA
DIRECTOR

ARVIND M DARJI
PROPRIETOR

AMISH MODI
DIRECTOR
PLACE : MUMBAI
DATE : 29th July, 2008

PLACE : MUMBAI
DATE : 29th July, 2008

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

Particulars	Schedule No.	Year ended 31st March 2008	Year ended 31st March, 2007
Income			
Sales		1,191,146,132	-
Other Income	11	3,302	-
		1,191,149,434	-
Expenditure			
Material Cost	12	1,168,935,612	-
Other Expenses	13	4,960,839	260,681
Interest	14	3,693,687	-
Preliminary Expenses written off		420,191	-
		1,178,010,329	260,681
Profit/(Loss) before Depreciation		13,139,105	(260,681)
Depreciation		2,905,992	720,868
Profit/(Loss) Before Tax		10,233,113	(981,549)
Less: Provision for Taxation		1,510,000	
Provision for FBT		15,000	
Add : Deferred Tax		1,082,118	70,643
Profit/(Loss) after Tax		9,790,231	(910,906)
Balance in P & L Account B/F		(16,798,871)	(15,887,965)
Balance carried to Balance Sheet		(7,008,640)	(16,798,871)
Earning Per Share (Rs.)		3.26	(0.30)

Significant Accounting Policies &
Notes to the Accounts

15

**FOR AND ON BEHALF OF THE BOARD
OF DIRECTORS**

As per Our Report of even date attached
**For ARVIND DARJI ASSOCIATES
CHARTERED ACCOUNTANTS**

**RAJESH MEHTA
DIRECTOR**

**ARVIND M DARJI
PROPRIETOR**

**AMISH MODI
DIRECTOR
PLACE :MUMBAI
DATE : 29th July, 2008**

PLACE :MUMBAI
DATE : 29th July, 2008

**SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT
31ST MARCH, 2008**

Particulars	As at 31st March, 2008	As at 31st March, 2007
<u>SCHEDULE 1</u>		
SHARE CAPITAL		
Authorised 3,32,50,000 (32,50,000) Equity Shares of Rs. 10/- each	332,500,000	32,500,000
Issued, Subscribed and Paid-up: 30,00,000 Equity Shares of Rs. 10/- each	30,000,000	30,000,000
	30,000,000	30,000,000
<u>SCHEDULE 2</u>		
RESERVE AND SURPLUS		
Share Premium Account	11,000,000	11,000,000
General Reserve	4,067,445	4,067,445
Investment Allowance Reserve Utilised	201,614	201,614
	15,269,059	15,269,059
<u>SCHEDULE - 3</u>		
UNSECURED LOANS		
Loans from Others	289,930	294,805
	289,930	294,805

SCHEDULE '4' :
FIXED ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	AS ON 1st APRIL 2007	ADDI- TIONS	AS ON 31st March 2008	AS ON 1st April 2007	FOR THE YEAR	AS ON 31st March 2008	AS ON 31st March 2008	AS ON 31st March 2007
1. Plant & Machinery	58,793,493	-	58,793,493	49,344,576	2,792,691	52,137,267	6,656,226	9,448,917
2. Electric Installations	1,234,176	-	1,234,176	859,548	58,623	918,171	316,005	374,628
3. Furniture & Fixtures	842,555	-	842,555	617,410	53,334	670,744	171,811	225,144
4. Computers	-	55,640	55,640	-	838	838	54,802	-
5. Office Equipments	-	65,000	65,000	-	506	506	64,494	-
TOTAL	60,870,224	120,640	60,990,864	50,821,534	2,905,992	53,727,526	7,263,338	10,048,690

SCHEDULE FORMING PART OF THE ACCOUNTS**SCHEDULE 5****INVESTMENTS**

	Face Value	As at 31st March, 2008		As at 31st March, 2007	
		Nos	Rs.	Nos.	Rs.
<u>Non Convertible Debentures</u>					
12.5% Tata Chemicals Ltd.	50	-	-	58	2,900
TOTAL			-		2,900

Aggregate market value of Quoted Investment	-	2,900
---	---	-------

	As at 3/31/08	As at 3/31/07
SCHEDULE 6		
SUNDRY DEBTORS (Unsecured, considered goods) Other Debts	291,044,087	-
Debts Outstanding For a Period Exceeding 6 mths	-	20,062,622
	291,044,087	20,062,622
SCHEDULE 7		
CASH AND BANK BALANCES		
Cash In Hand	6,346,955	90,943
Balance with Schedule Bank in Current Account	8,206,953	362,657
Fixed Deposits	-	22,000
	14,553,908	475,600

SCHEDULES FORMING PART OF ACCOUNTS

Particulars	As at 31st March, 2008	As at 31st March, 2007
<u>SCHEDULE 8</u>		
LOANS AND ADVANCES		
(Unsecured Considered Good)		
Advance recoverable in cash or kind or for value to be received	3,302,277	412,382
Deposits	5,000	435,410
Advance to Supplier	673,994	81,128
Advance FBT	3,315	-
	3,984,586	928,920
 <u>SCHEDULE 9</u>		
CURRENT LIABILITIES		
Sundry Creditors	189,330,981	57,812
Creditors for Expenses	2,022,012	17,000
Advance from Customers	3,561,385	-
	194,914,378	74,812
 <u>SCHEDULE 10</u>		
PROVISIONS		
Provision for Income Tax	1,510,000	-
Provision for Fringe Benefit Tax	15,000	-
	1,525,000	-

**SCHEDULE FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON
31ST MARCH, 2008**

Particulars	As at 31st March, 2008	As at 31st March, 2007
<u>SCHEDULE 11</u>		
OTHER INCOME		
Miscellaneous Income	3,302	-
	3,302	-
<u>SCHEDULE 12</u>		
MATERIAL COST		
Opening Stock	-	-
Add : Purchases	1,187,765,518	-
Carriage Inward	3,583,910	-
	1,191,349,428	-
Less: Closing Stock	22,047,853	-
Less: VAT @ 4%	365,963	-
	1,168,935,612	-

	2007 - 08	2006 - 07
SCHEDULE 13		
OTHER EXPENSES		
Salaries, Bonus	482,000	-
Directors Remuneration	910,000	-
Bank Charges	306,081	-
Staff Welfare Expenses	79,619	-
Brokerage & Commission	705,581	-
Computers Maintenance charges	4,800	-
Computer Software Expenses	66,100	-
Listing Fees	17,765	-
Travelling & Conveyance	44,268	-
Advertisement and Sales Promotion	42,614	24,421
Postage and Courier Expenses	1,840	53,496
Printing and stationery	52,610	8,528
Legal and Professional Charges	94,663	55,000
Discount Allowed	296	-
Donations	1,476,111	-
Electricity Charges	83,160	-
Motorcar Expenses	78,631	-
Registrars Fees	46,511	-
Repairs & Maintenance	280	-
Subscription & Membership Fees	1,500	-
Telephone Expenses	83,179	-
Warehousing Charges	302,089	-
NSDL Fees	10,141	-
Miscellaneous Expenses	-	109,236
Payment to Auditors:		
Audit fees	60,000	10,000
Tax Audit Fees	11,000	-
	4,960,839	260,681
SCHEDULE 14		
INTEREST COST		
L/C Discounting charges	3,648,802	-
Bank Interest	44,885	-
	3,693,687	-

Cash flow statement pursuant to Clause 32 of the Listing Agreement for the year ended 31st March, 2008

A) CASH FLOW FROM OPERATING ACTIVITIES	As at 31st March, 2008	As at 31st March, 2007
	(Rs./Thousand)	(Rs./Thousand)
Net Profit before Taxes and Extra ordinary item.	10,233	(981)
Adjustments	-	-
Amortisation of Expenses	420	-
Depreciation	2,906	721
Interest	3,694	-
Profit / (Loss) on Fixed Assets Sold (Net)	-	-
Income from Investments	-	-
Operating Profit before Working Capital Changes	17,253	(260)
Adjustments	-	-
Increase / Decrease in Inventory	(22,048)	-
Increase / Decrease in trade & Other receivable	(270,981)	331
Increase / Decrease in Loan & Advances	(3,056)	385
Increase / Decrease in Sundry Creditors	194,839	(65)
Cash generated from operations	(83,993)	391
Interest Paid	(3,694)	-
	(87,687)	391
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(121)	(395)
Sale of Fixed Assets	-	-
Deferred Revenue Expenditure	(2,100)	-
Sale/Redemption of Investments	-	-
Income from Investments	3	-
	(2,218)	(395)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) Long Term borrowing	(5)	294
Application Money received for Convertible Warrant	103,988	-
NET CHANGE IN CASH AND CASH EQUIVALENT (A+B+C)	14,078	290
CASH AND CASH EQUIVALENT AS AT 01.04.2007	476	186
CASH AND CASH EQUIVALENT AS AT 31.03.2008	14,554	476

Auditors Certificate

We have examined the attached cash flow statement of Karma Ispat Ltd., for the year ended 31st March, 2008. The statement has been prepared by the Company in accordance with the requirements of listing agreement Clause 32 with the Stock Exchanges, and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of 29th July, 2008 to the members for the Company.

**For Arvind Darji Associates
Chartered Accountants**

**Arvind M Darji
Proprietor**

Place : Mumbai
Dated : 29th July, 2008

SCHEDULES FORMING PART OF ACCOUNTS**SCHEDULE A: SIGNIFICANT ACCOUNTING POLICIES****1. BASIS OF PRESENTATION**

The accounts have been prepared in accordance with Indian Generally Accepted Accounting principles (GAAP) on the accrual basis and in compliance with the Accounting Standards referred to in Section 211(3C) and other requirements of the Companies Act, 1956.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumption that affect the reported amounts of incomes and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Actual result could differ from the estimates. Any revisions to accounting estimates are recognised prospectively in the current and future periods. Wherever changes in presentation are made, comparative figures of the pervious year are regrouped accordingly.

2. SIGNIFICANT ACCOUNTING POLICIES:**1. ACCOUNTING CONVENTION**

The Accompanying Financial statements have been prepared in accordance with the historic cost convention on accrual basis in accordance with the requirements of the companies Act, 1956.

2. FIXED ASSETS

- I. Fixed assets are capitalized at acquisition cost including directly attributable costs for bringing the assets to working condition for use.
- II. Expenditure relating to existing fixed assets is added to the cost of the assets, where it increases the performance / life of the asset as assessed earlier.

3. DEPRECIATION

Depreciation on fixed assets is provided at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956, on Straight Line method.

4. INVENTORIES

Inventories are valued at the lower of cost or net realizable value whichever is lower.

5. FOREIGN EXCHANGE EARNING/EXPENDITURE

The company does not have any earning and expenditure in foreign currency.

6. RETIREMENT BENEFITS

Provision for / contribution to retirement benefit schemes are made as not done since the Company does not have more than Ten employees.

The rules of the company do not provide for encashment of unutilized leave.

7. BORROWING COST

All borrowing costs that are not attribute to the acquisition, constructed or production of qualifying assets are recognized as an expenses in the period in which they are incurred.

8. TAXES ON INCOME

- a. Tax on income for the current period is determined on the basis of estimated taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on the expected outcome of assessments / appeals.
- b. Deferred tax is recognized on timing differences between the accounting income and the estimated taxable income for the year and quantified using the tax rates and laws enacted or substantially enacted as on the balance sheet date.

- c. Deferred tax assets/Liabilities, other than brought forward business loss and unabsorbed depreciation are recognized and carried forward to the extent there is reasonable certainty that sufficient future taxable income will be available against which deferred tax assets/Liabilities can be adjusted.

9. FRINGE BENEFIT TAX :

Provision for fringe benefit tax has been recognized on the basis of harmonious, contextual, interpretation of provision of Income Tax Act, 1961.

10. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

- a. The company has made adequate provision for all expenses for which bills have been received but not accounted / services rendered etc. during the period ended 31st March, 2008.
- b. Accounting for contingencies (gains and losses) arising out of contractual obligation, are accounted on the basis of mutual acceptances.
- c. Contingent Assets are neither recognized nor disclosed.
- d. Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

10. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Where material, events occurring after the date of the Balance Sheet are considered upto the date of approval of accounts by the Board of Directors.

SCHEDULE B: NOTES ON ACCOUNTS

1. Contingent liabilities not provided for:
 - (i) Guarantees given to various authorities / customers Rs. Nil (previous year Rs. Nil)
 - (ii) Cheque Purchase / Bill discounted – Rs. Nil (previous year Rs. Nil)
2. The authorized share capital of the company has been increased from thirty lakhs equity shares of Rs.10/- each to three hundred thirty lakhs equity shares of Rs.10/- each during the year. Accordingly, the relevant clause in the Memorandum of Association has been altered.
3. Breakup of Convertible Warrant Application Money Pending Allotment:

Sr. No.	Particulars	Amount
1	Abhishek Mehta	2,250,000
2	Akhtar	1,500
3	Ashraf Qureshi	1,500
4	Atul R Shah	75,000
5	Basant Marketing Pvt Ltd	13,500,000
6	Bhavna R Mehta	5,250,000
7	Blue Star Gems & Jewellery Pvt Ltd	3,000,000
8	Breakthrough millenium Trading & Mktg.	750,000
9	Chandrakant Chitalia	9,000,000
10	Chhatark Goushal	750,000
11	C K Goushal & Sons (HUF)	150,000
12	Dharmendra Darji	9,000,000
13	D K Goushal & Sons (HUF)	750,000
14	Fayaz Al Siddiquie	15,000
15	P. Ganpat Bokadia	165,000
16	ISK Trading Co. Pvt. Ltd.	7,500,000
17	Jatin Chitalia	9,000,000
18	Karsan K Chitroda	1,500,000
19	KRC Trading Co. Pvt. Ltd.	8,900,000
20	Manish B Shah (HUF)	75,000
21	Manju Goushal	600,000
22	Mohd Muzaffar	1,500
23	Nasreen Khan	1,500
24	Nisarg Salvi	1,500
25	Nisar Ahmed Janwar	1,500
26	Padam Lakshmi Steel & Alloys Pvt Ltd	3,000,000
27	Pet Plastics Limited	3,000,000
28	Rachana Maloo	1,200,000
29	Rajesh G Mehta (P)	4,400,000

30	Sakha Ram Shirooke	1,500
31	Sameer Natwarlal Bhalani	75,000
32	Sanjay Devruskar	1,500
33	Sanjay Bhat	1,500
34	Sanjay Maloo (HUF)	300,000
35	Sanjeev kumar Shah	1,500
36	Saroj Pathak	9,000,000
37	Savitri Sinha	1,500
38	Shashi Goswami	150,000
39	Snifar Infocom P.Ltd	6,500,000
40	Sunil P Mehta	1,100,000
41	Sushel Bamzai	1,500
42	Veno Krishen Peshi	15,000
43	Young & Grow Mktg P Ltd	3,000,000
		103,988,000

4. Managerial Remuneration charged to accounts (included in employee cost):

Particulars	Current year Rs.	Previous Year Rs.
Rajesh Mehta	6,60,000	Nil
Bhavna Mehta	1,72,000	Nil
Hemang Sampat	48,000	Nil
Amish Modi	30,000	Nil

5. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs. Nil/- (Previous year Rs. Nil)

7. The Company has not incurred any borrowing cost as per Accounting Standard 16 "Borrowing Costs".

8. i) Sundry debtors, Loans and Advances and creditors balances are subject to confirmation, reconciliation and consequent adjustments, if any.

9. Earnings par Share:

	Current Year (Rs.)	Previous Year (Rs.)
a) Numerator Profit after tax and taxation adjustments of earlier years	97,90,232	(9,10,906)
b) Denominator Weighted average number of equity shares	30,00,000	30,00,000
c) Earnings per equity share (EPS) (Basic and diluted) Numerator EPS = Denominator	3.26	(0.3)
d) Nominal value of equity share	Rs.10	Rs.10

12. (i) In compliance with Accounting Standard 22 on "Accounting for Taxes on Income" issued by the "Institute of Chartered Accountants of India", the company has recognised deferred tax on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
13. There were no Micro, Small and Medium Enterprise to whom the company owes Dues which were outstanding for more than 45 days as at 31st March, 2008. The said information pertaining to small scale industrial undertakings have been determined to the extent such parties have been identified on the basis of the information available with the company. This has been relied upon by the Auditors.
15. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.
16. Figures for the current year have been regrouped / reclassified wherever necessary.
17. Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General business profile:

I.	Registration Details: Registration No. State Code Balance Sheet Date	019837 011 31st March, 2008
II.	Capital Raised during the Year: Public Issue Rights Issue Bonus Issue Private Placement	(Amounts in Thousands) Nil Nil Nil Nil
II.	Position of Mobilization and Deployment of Funds: Total Liabilities Total Assets Sources of funds Paid-up Capital Share Application Money Reserves and Surplus Secured Loans Unsecured Loans Deferred Tax Liability Application Of Funds Fixed Assets Deferred tax Asset Investments Net Current Assets Miscellaneous Expenditure Accumulated Losses	(Amount in Thousands) 1,51,144 30,000 1,03,988 15,269 Nil 290 1,597 7,263 Nil Nil 1,35,191 1,681 7,009

IV.	Performance of the Company:	(Amount in Thousands)
	Turnover (including other income)	11,91,149
	Total Expenditure	11,80,916
	Profit / (Loss) before tax	10,233
	Profit / (Loss) after tax and tax adjustment	9,790
	Earnings per Equity Share in Rs.	
	(Refer Note 9 of Schedule B)	3.26
	Dividend Rate (Interim Dividend) (%)	Nil

For and on Behalf of Board of Directors

**For Arvind Darji Associates
Chartered Accountants**

**Rajesh Mehta
Director**

**Arvind M Darji
Proprietor.**

Membership No. 41748

**Amish Modi
Director**

Place: Mumbai
Date: 29th July, 2008

Place: Mumbai
Date: 29th July, 2008

KARMA ISPAT LIMITED

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

ATTENDANCE SLIP
31st Annual General Meeting

Please fill attendance slip and hand it over at the entrance of the meeting hall.
Joint Shareholders may obtain additional Attendance Slip on request.

DP. ID. Register Folio No. Client ID

Name and Address of the shareholder :

No. of Share(s) held :

I hereby record my presence at the 31th Annual General Meeting of the Company held on Saturday 27th day of September, 2008 at 11.30 a.m. at H Wing, Office No. 131, Raj Arcade, Mahavir Nagar, Kandivali West, MUMBAI – 400067.

Signature of the shareholder or proxy _____

*Applicable for investors holding shares in electronic form.

----- **TEAR HEAR** -----

Proxy form

KARMA ISPAT LIMITED

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

DP. ID. Register Folio No. Client ID

I/We _____ of being a member/members of _____ hereby appoint _____ of _____ or failing him _____ of _____ as my/our proxy to vote for me/us and on my/our behalf at the 31th Annual General Meeting to be held on Saturday, 27th September 2008 at 11.30 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2008

Place : _____

* Applicable for investors holding shares in electronic form.

Note : This form, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting. The proxy need not be a member of the Company.