

12th Annual Report 2003-2004



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For, Karnavati Alfa International Ltd.

[Signature]
Director/Managing Director

KARNAVATI ALFA INTERNATIONAL LIMITED

KARNAVATI ALFA INTERNATIONAL LIMITED**BOARD OF DIRECTORS**

Shri Hemangbhai A. Shah	—	<i>Chairman and Managing Director</i>
Shri Kirittbhai P. Mehta	—	<i>Director</i>
Shri Harshadbhai N. Mehta	—	<i>Director</i>
Shri Premjibhai P. Patel	—	<i>Director</i>
Shri Kushalbhai M. Shah	—	<i>Director</i>
Shri Birenabhai V. Nanavati	—	<i>Director</i>

Shri Virag Y. Joshi — **Company Secretary**

AUDITORS

M/s P. K. Modi & Co.
Chartered Accountants
Ahmedabad.

REGISTERED OFFICE AND FACTORY

Survey No. 189/1,
Kailash Industrial Estate,
Village : Iyava - Vasna,
Taluka : Sanand,
Dist : Ahmedabad,
Pin code - 382110

BANKERS

The Kalupur Commercial Co-operative
Bank Limited
Indusind Bank Limited
Development Credit Bank Limited
State Bank of Travancore
UCO Bank

REGISTRAR & TRANSFER AGENT

Intime Spectrum Registry Limited
C-13, Pannalal Silks Mills Compound,
LBS Marg,
Bhandup [West],
Mumbai

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**NOTICE**

NOTICE is hereby given that the Twelfth Annual General Meeting of the Members of **KARNAVATI ALFA INTERNATIONAL LIMITED** will be held on **Thursday, 30th September, 2004 at 11.30 A.M. at the Registered Office of the Company** at Survey No.189/1, Kailash Industrial Estate, Village: Iyava-Vasana, Taluka: Sanand, District : Ahmedabad to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance-sheet as at 31st March, 2004, Profit and Loss Account for the year ended on that date and the Reports of Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Shri Kirit P.Mehta, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Harshad N.Mehta, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution. "RESOLVED THAT pursuant to the provisions contained in Section 198, 269, 309 and 310 of the Companies Act, 1956 read with Schedule XIII and other applicable provisions, if any, of the said Act and subject to such other approvals and consents as may be necessary, Shri Hemang A. Shah be and is hereby reappointed as Managing Director of the Company for a period of five years w.e.f. 6th August, 2004 on the under mentioned terms and conditions including remuneration as may be determined and agreed to between the Board of Directors and Mr. Hemang A.Shah from time to time within the limits specified below.

Remuneration :

1. **Salary:** Rs.12,000 per month in the grade of Rs.12,000-2000- 20000.
2. **Perquisites :** In addition to the above remuneration the Managing Director shall be entitled to the perquisites like Housing, Medical benefits, Leave Travel Concession, Use of car and telephone, Leave, Personal Accident Insurance, in such form and manner as the Board of Directors of the Company may decide but the total perquisites payable to the Managing Director shall not exceed Rs 60,000 per Annum.
The company's contribution to Provident Fund, Super Annuation Fund, or Annuity Fund as per the rules framed under the Company's relevant scheme. Gratuity according to the rules of the company, earned leave on full pay and allowances not exceeding 21 days in a financial year.
The perquisites and allowances as mentioned above shall be evaluated as per Income Tax rules wherever applicable, in the absence of any such rules, the perquisites shall be evaluated at actual cost.
3. **Minimum Remuneration :** Notwithstanding the foregoing, wherein any financial year during the currency of the tenure of the Managing Director, the Company has not profits or its profits are inadequate, the company will pay remuneration by way of salary, perquisites and allowances as specified above.

Place : Sanand.

Date : 25th August, 2004

By Order of the Board of Directors
For Karnavati Alfa International Ltd.

(Virag Y. Joshi)
Company Secretary

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxy, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from **Monday, 27th September, 2004 to Thursday, 30th September, 2004** (both days inclusive) for the purpose of Annual General Meeting.
3. Members are requested to :
 - a) Intimate immediately any change in their address to the Company's Share Transfer Agents M/s. Intime Spectrum Registry Limited at C-13, Pannalal Silks Mills Compound, LBS Marg, Bhandup [West], Mumbai-400 078.
 - b) Quote Folio No. in all correspondence and in case the shares are held in dematerialized form, to quote client ID and DP ID number.
 - c) Consolidate holdings into one folio in case of multiplicity of folios with names in identical orders
4. Shareholders intending to require information about the accounts to be approved in the meeting are requested to inform the Company in writing atleast 7 days in advance of the Annual General Meeting.
5. The documents referred to in the notice are open for inspection at the Registered Office of the Company on all working days except Sunday and Public holidays, between 11.30 a.m. to 1.30 p.m. up to the date of Annual General Meeting.
6. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of the Annual Report to the Meeting. Members/Proxies for members holding shares in dematerialized form may also bring their latest statement of account held with the concerned Depository Participant for attending meeting.

**ANNEXURE TO THE NOTICE
EXPLANATORY STATEMENT FORMING PART OF THE NOTICE PURSUANT TO SECTION 173(2)
OF THE COMPANIES ACT, 1956**

Item No. 5

The shareholders in the Annual General Meeting held on 29.09.2000, appointed Mr. Hemang A. Shah as Managing Director of the company to hold the office for a period of five years till 05.08.2004. The Board of Directors at its meeting held on 30.06.2004 passed the resolution to reappoint him for a further period of five years from 06.08.2004 to 05.08.2009, subject to the approval of shareholders of the company and such other approval as may be necessary. The remuneration, as also approved by remuneration committee, by way of salary, perquisites and allowances payable to Mr. Hemang A. Shah are as per the resolution and the draft agreement to be entered into between the company and Mr. Hemang A. Shah.

The terms and conditions of the said reappointment may be altered and varied from time to time by the Board including the remuneration payable to him in its discretion, deem fit within the limit specified in the resolution.

The Notice together with the explanatory statement attached herewith may be treated as an abstract of the terms of the contract and a memorandum specifying the concern or interest of the director under section 302 of the companies Act, 1956.

Except Hemang A. Shah, no other director of the company is in any way concerned or interested in the said resolution.

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By Order of the Board of Directors
For Karnavati Alfa International Ltd.

Place : Sanand.

Date : 25th August, 2004

(Virag Y. Joshi)
Company Secretary

**DIRECTORS' REPORT**

**TO
THE MEMBERS OF
KARNAVATI ALFA INTERNATIONAL LIMITED,**

Your Directors have pleasure in presenting the Twelfth Annual Report together with the Audited Accounts of the Company for the Financial Year ended on **31st March, 2004.**

FINANCIAL RESULTS :

	2003-2004 (Rs. in Lacs)	2002-2003 (Rs. in Lacs)
Sales and Other Income	1528.16	707.45
Profit/(Loss) before Interest and depreciation	43.65	54.54
Less: Interest & Financial charges	29.42	34.19
Depreciation	32.33	31.11
Profit/(Loss) before Tax	(18.10)	(10.76)
Less: Provision for taxation	00	00
Profit/(Loss) after Tax	(18.10)	(10.76)
Add: Loss brought forward from last year	(176.19)	(165.43)
Total accumulated Loss	(194.29)	(176.19)
Appropriation	00	00
Balance Loss carried forward to Balance Sheet	(194.29)	(176.19)

DIVIDEND

In view of the losses, the Directors unable to recommend any dividend.

REVIEW OF BUSINESS OPERATIONS

As made out from the above. The turnover of the Company rose from Rs.707.45 lacs to Rs.1528.16 lacs on account of trading activity undertaken by the company. The company has earned profit before interest and depreciation amounting to Rs. 43.65 lacs during the year under review. However the company has incurred loss of Rs. 18.10 lacs during the year as compared to a loss of Rs. 10.76 lacs of the previous year on account of under absorption of fixed overheads due to under utilization of installed capacity.

FIXED DEPOSITS

The Company has not accepted any deposit within the meaning of section 58A of the Companies Act, 1956 and the Rules made there-under.

DIRECTORS

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Shri Kirit P. Mehta and Shri Harshad N. Mehta, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The term of appointment of Mr. Hemang A. Shah, as a Managing Director will expire on 5.08.2004. The Board of Directors recommends reappointment of Shri Hemang A. Shah as Managing Director for the further period of five years.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

1. That in the preparation of the annual accounts for the financial year ended 31st March, 2004, all applicable accounting standards have been followed along with proper explanation relating to material departures, if any, have been furnished.

2. That the Directors have selected appropriate accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the company for the year under review.
3. That the Directors have taken proper and sufficient care to the best of their knowledge and ability, 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. That the Directors have prepared the annual accounts for the financial year ended 31st March, 2004 on a 'going concern' basis.

AUDITORS AND AUDITORS' REPORT

M/s. P. K. Modi & Co., Chartered Accountants, Statutory Auditors of the Company, retire at ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if appointed. They have issued a certificate stating that their appointment, if made, would be within the prescribed limits under section 224(1B) of the Companies Act, 1956.

The observations made in the Auditors' Report read together with the relevant notes thereon are self explanatory, and therefore, do not call for any further comments or explanations Under Section 217 of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

There are no employees whose particulars are required to be shown in terms of provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

DEPOSITORY SYSTEM

Your company's shares are tradable compulsorily in electronic form and your company has got connectivity with both the depositories i.e. National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). M/s. Intime Spectrum Registry Limited is the Registrar and Share Transfer Agent of the company and the members are requested to avail of their services as and when required.

CORPORATE GOVERNANCE

As required under the Listing Agreement with Stock Exchanges, Report on "Corporate Governance" as well as " Management Discussion and Analysis " are attached herewith and forming part of the Directors Report.

A certificate from the Auditors of the Company regarding compliance of the conditions of the Corporate Governance as stipulated under the Listing Agreement is annexed to the Report on Corporate Governance.

CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION FOREIGN EXCHANGE EARNINGS AND OUTGO

The additional information required to be disclosed pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with the companies (Disclosures of Particulars in the Report of Board of Directors) Rules 1988 is given in the Annexure- I forming part of this Report.

ACKNOWLEDGEMENT

Your directors would like to place on record their appreciation for the dedication and whole hearted support and commitment of all the employees across the company as well as the Bankers, its valued customers, various Government, Semi- Government and Local Authorities, suppliers and other business Associates . Last but not the least, the Board of Directors wish to thank the investor shareholders for their unstinted support and co-operation.

For and on behalf of the Board of Directors

Hemang A. Shah
Chairman and Managing Director

Place : Sanand.

Date : 25th August, 2004

KARNAVATI ALFA INTERNATIONAL LIMITED**Annexure to the Directors' Report****Annexure I**

Information under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 forming part of the Directors' Report for the year ended on 31st March, 2004.

A. Conservation of Energy

The operations of your Company are not energy intensive. Nonetheless, energy optimization measures continue to be pursued during the year.

Total Energy Consumption and Energy-Consumption per unit of Production is as under :

A. Power and Fuel Consumption

	<u>2003-2004</u>	<u>2002-2003</u>
1. Electricity		
Purchased Units	12,45,520	11,68,056
Total Cost (Rs.)	58,32,370	55,45,900
Rate per unit (Rs.)	4.68	4.75
Consumption (in Units) per unit of production	0.99	0.70
2. Own Generation Through Diesel Generator		
Purchased Units	29,711	39,233
Total Cost (Rs.)	6,87,051	8,80,615
Rate per unit (Rs.)	23.12	22.45
Consumption (in Units) per unit of production	0.02	0.05

B. Technology absorption, adaptation and innovation :

The Company has not maintained any separate R& D cell. It has a quality assurance department to check and constantly adopt measures to enhance the quality. As there is no imported/ foreign technology involved, question of its adoption/ absorption does not arise.

C. Foreign Exchange Earnings and Outgo :

	2003-2004	(Rs. In Lacs) 2002-2003
i) Foreign Exchange Earning	Nil	Nil
ii) Foreign Exchange Outgo	Nil	Nil

For and on behalf of the Board of Directors

Place : Sanand
Date : 25th August, 2004

HEMANG A. SHAH
Chairman & Managing Director

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company lays great emphasis on the broad principles of Corporate Governance. Given below is the report on Corporate Governance.

1. THE CORPORATE GOVERNANCE CODE

The company believes in good Corporate Governance. The Company's philosophy is aimed at assisting the top management of the company in the efficient conduct of the business and in meeting its obligations to shareholders, customers, employees and the community in which the company operates.

2. A. BOARD OF DIRECTORS

As at 31.03.2003 the Board comprises of 6 Directors of whom 5 are non executive directors. The chairman of the Board is executive Director. Out of five non executive Directors four directors are independent directors. The other details as at 31.03.2004 are as under :

Name of Directors	Category	No of Board Meetings Attended*	Attendance at last AGM Held on 30.09.2003	Directorship in other Public Limited companies	Committee membership	
					Member	Chairman
Shri Hemang A. Shah	Executive	11/11	Yes	Nil	1	-
Shri Kirit P. Mehta	Non Executive Independent	4/11	Yes	Nil	-	-
Shri Harshad N. Mehta	Non - Executive Independent	8/11	Yes	Nil	1	-
Shri Premji P. Patel	Non Executive-promoter	3/11	No	Nil	-	-
Shri Kushal M. Shah*	Non Executive-Independent	2/9	Yes	Nil	2	-
Shri Biren V. Nanavati*	Non Executive-Independent	8/9	Yes	Nil	-	2

* Appointed on 30.06.2003

During the year 2003-2004, 11 Board Meetings were held on 28.04.2003, 30.05.2003, 30.06.2003, 30.07.2003, 26.08.2003, 30.10.2003, 13.11.2003, 15.12.2003, 07.01.2004, 29.01.2004, 04.02.2004, The last Annual General Meeting of the Company was held on September 30, 2003.

2.B. INFORMATION ABOUT DIRECTOR SEEKING REAPPOINTMENT

- (1) **Shri Kirit P. Mehta** : Aged 48 years is a businessman having wide experience in various fields including marketing. He is a director on the Board of the Company since last 5 years. He is also member of the remuneration committee of the company.
- (2) **Shri Harshad N. Mehta** : Aged 43 years is a businessman having wide experience in various fields including administration. He is a director on the Board of the Company since last 5 years. He is also member of the audit committee and remuneration committee of the company.
- (3) **Shri Hemang A. Shah** : Aged 33 years and to his credit having rich experience in the field of purchase, production & marketing of plastic packaging products. He is holding position as Managing Director of the Company since last 5 years. He is presently a member of investor grievances committee of the company.

**3. AUDIT COMMITTEE****Composition and terms of reference :**

The company has an Audit Committee consists of three Non executive independent Directors. Shri Biren V. Nanavati is the chairman of the committee. The members of the committee are well versed in finance matters, accounts, and general business practices. It's terms of reference are as laid down under the clause 49 of the Listing Agreement.

During the financial year ended 31.03.2004, Four Audit Committee meetings were held on 30.06.2003, 30.07.2003, 30.10.2003, 29.01.2004. The attendance at the Audit Committee Meetings are as under:

Audit Committee Members	Category	Status	No. of Meetings held and attended
Shri Biren V. Nanavati	Non Executive - Independent	Chairman	4/4
Shri Kushal M. Shah	Non Executive - Independent	Member	2/4
Shri Harshad N. Mehta	Non Executive Independent	Member	4/4

The committee was reconstituted on 30th June, 2003 appointing Shri Biren V. Nanavati and Shri Kushal M. Shah, Non Executive Independent Director as Chairman and Member of the committee respectively in place of Shri Kirit P. Mehta and Shri Premji P. Patel.

Company Secretary of the Company is a secretary to the committee.

4. REMUNERATION PAID TO DIRECTORS

The Remuneration Committee was constituted on 15.04.2004 comprising of three Non-executive directors, namely Shri Biren V. Nanavati - Chairman, Shri Harshad N. Mehta - Member, Shri Kirit P. Mehta - Member, to review and recommend compensation payable to Executive Directors and Senior Management of Company.

Details of remuneration to all directors for the year ended March 31, 2004 are as under :

(i) Executive Directors :

Name	Period of appointment	Salary	Perks and other Allowances	Contribution to PF & SA	Total
Shri Hemang A. Shah	06.10.1999 to 05.08.2004	1,44,000	Nil	Nil	1,44,000

(ii) Non Executive Directors :

The company has not paid any remuneration, sitting fees to its non executive Directors.

5. INVESTORS GRIEVANCES COMMITTEE

During the financial year ended 31.03.2004, Four Investors Grievances Committee meetings were held on 30.06.2003, 30.07.2003, 30.10.2003, 29.01.2004. The constitution and attendance at the Investors Grievances Committee Meetings are as under:

Committee Members	Category	Status	No. of Meetings held and attended
Shri Biren V. Nanavati	Non Executive-Independent	Chairman	4/4
Shri Kushal M. Shah	Non Executive - Independent	Member	2/4
Shri Hemang A. Shah	Executive	Member	4/4

The committee was reconstituted on 30th June, 2003 appointing Mr. Biren V. Nanavati and Mr. Kushal M. Shah, Non Executive Independent Director as Chairman and Member of the committee respectively in place of Mr. Harshad N. Mehta and Mr. Kirit P. Mehta.