

KARNAVATI ALFA INTERNATIONAL LIMITED



For, Karnavati Alfa International Ltd.

[Signature]
Director/Managing Director

13th Annual Report
2004-2005

KARNAVATI ALFA INTERNATIONAL LIMITED**BOARD OF DIRECTORS**

Shri Hemang A. Shah	—	<i>Chairman and Managing Director</i>
Shri Kirit P. Mehta	—	<i>Director</i>
Shri Harshad N. Mehta	—	<i>Director</i>
Shri Premjibhai P. Patel	—	<i>Director</i>
Shri Kushal M. Shah	—	<i>Director</i>
Shri Biren V. Nanavati	—	<i>Director</i>

Shri Suresh S. Gondalia — **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 Kalapur Commercial
Co-operative Bank Limited
State Bank of Travancore
UCO Bank
Indusind Bank Limited
Development Credit Bank Limited

REGISTRAR & SHARE TRANSFER AGENT

Intime Spectrum Registry Limited
211, Sudarshan Complex,
Nr. Mithakhali Underbridge, Navrangpura,
Ahmedabad-380009. Telefax: 079-26465179
Email : ahmedabad@intimespectrum.com

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NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of **KARNAVATI ALFA INTERNATIONAL LIMITED** will be held on **Monday, 26th September, 2005 at 2.00 P.M. at the Registered Office of the Company** at Survey No.189/1, Kailash Industrial Estate, Village: Iyava-Vasna, Taluka: Sanand, District : Ahmedabad- 382 110 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance-Sheet as at 31st March, 2005, 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 Kushal Shah, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Biren Nanavati, 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 Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

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

Place : Sanand
Date : 11th August, 2005

(Suresh Gondalia)
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 **Wednesday, 21st September, 2005 to Monday, 26th September, 2005** (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 211, Sudarshan Complex, Nr. Mithakhali Under Bridge, Navrangpura, Ahmedabad- 380 009.
 - 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 seeking further information about the accounts to be approved in the meeting are requested to inform the Company in writing 7 days before the date of Annual General Meeting.
5. 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.

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

Place : Sanand
Date : 11th August, 2005

(Suresh Gondalia)
Company Secretary

DIRECTORS' REPORT

TO
THE MEMBERS OF
KARNAVATI ALFA INTERNATIONAL LIMITED,

Your Directors have pleasure in presenting the 13th Annual Report together with the Audited Accounts of the Company for the Financial Year ended on **31st March, 2005**.

FINANCIAL RESULTS :

	2004-2005 (Rs. in Lacs)	2003-2004 (Rs. in Lacs)
Sales and Other Income	524.15	1528.16
Profit/(Loss) before Interest and depreciation	122.44	43.65
Less: Interest & Financial charges	16.75	29.42
Depreciation	35.92	32.33
Profit/(Loss) before Tax	69.77	(18.10)
Less: Provision for taxation	0.00	0.00
Profit/(Loss) after Tax	69.77	(18.10)
Add: Loss brought forward from last year	(194.29)	(176.19)
Total accumulated Loss	(124.51)	(194.29)
Balance Loss carried forward to Balance Sheet	(124.51)	(194.29)

DIVIDEND

In view of the accumulated losses for the previous financial year, your Directors are unable to recommend any dividend.

REVIEW OF BUSINESS OPERATIONS

The turnover of the Company was Rs. 524.15 lacs as compared to Rs. 1528.16 lacs of previous financial year. However your directors are pleased to inform you that the company has earned net profit of Rs. 69.77 lacs during the year under review as against loss of Rs. 18.10 Lacs of previous financial year. The creditable returns of the company during the year under review was due to efficient utilization of operational activities and overall cost cutting measures undertaken by the Management. The financial, manufacturing & administrative charges were reduced as compared to that of previous financial year. Your directors are hopeful to achieve better result in future.

FIXED DEPOSITS

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

DIRECTORS

In accordance with the provisions of section 255 and section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Kushal Shah and Mr. Biren Nanavati, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

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, 2005, 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 profit of the company for the year under review.

KARNAVATI ALFA INTERNATIONAL LIMITED

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, 2005 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 of the Statutory Auditors, if re-appointed. They have issued a certificate stating that their re-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.

CORPORATE GOVERNANCE

As required under the clause 49 of Listing Agreement executed with Stock Exchanges, Report on "Corporate Governance" as well as " Management Discussion and Analysis " are attached herewith and forming part of Annual Report of the Company.

A certificate as issued by M/s. P. K. Modi & Co., Chartered Accountants, a Statutory Auditors of the Company for compliance of the conditions of the Corporate Governance as stipulated under clause 49 of the Listing Agreement executed by the Company with the Exchanges is annexed to the Annual Report on Corporate Governance.

DEMATERIALISATION

Your company's shares are traded in compulsory 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.

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 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 express their gratitude to the continued support extended to the company by Bankers, its valued customers, various Government, Semi-Government, Local Authorities, Suppliers, Business Associates and devoted employees for their contribution to the growth and progress of the company.

The Directors also take an opportunity to thank the shareholders across the country for the confidence reposed in the Management.

For and on behalf of the Board of Directors

Place : Sanand.

Date : 11th August, 2005

Hemang A. Shah
Chairman and Managing Director

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, 2005.

A. Conservation of Energy

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

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

A. Power and Fuel Consumption

	<u>2004-2005</u>	<u>2003-2004</u>
1. Electricity		
Purchased Units	11,57,180	12,45,520
Total Cost (Rs.)	54,07,119	58,32,370
Rate per unit (Rs.)	4.67	4.68
Consumption (in Units) per unit of production	0.98	0.99
2. Own Generation Through Diesel Generator		
Purchased Units	13610	29,711
Total Cost (Rs.)	3,69,190	6,87,051
Rate per unit (Rs.)	27.13	23.12
Consumption (in Units) per unit of production	0.01	0.02

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 :

	2004-2005	(Rs. In Lacs) 2003-2004
i) Foreign Exchange Earning	Nil	Nil
ii) Foreign Exchange Outgo	Nil	Nil

For and on behalf of the Board of Directors

Place : Sanand
Date : 11th August, 2005

Hemang A. Shah
Chairman & Managing Director



CORPORATE GOVERNANCE REPORT

As required under clause 49 of the Listing Agreement, as Report on Corporate Governance is given below for the financial year ended as on 31st March, 2005 alongwith certificate issued by the Statutory Auditors of the Company.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your company always followed fair business and corporate practices. The company believes that adherence of good corporate governance practice is a milestone for survival and long term growth. Your company also firmly believing the meeting its obligations to shareholders, customers, employees and the community in which the company operates.

2. A. BOARD OF DIRECTORS

(i) Composition of Board :

There are optimum combination of Board. The Board comprises of 6 Directors, majority of them are non executive-independent directors. The chairman of the Board is executive Director.

(ii) Attendance of each Director at meeting and AGM :

Name of Directors	Category	No of Board Meetings Attended	Attendance at last AGM Held on 30.09.2004	Directorship in other Public Limited companies	Committee membership	
					Member	Chairman
Shri Hemang A. Shah	Executive Promoter	6/6	Yes	Nil	1	-
Shri Kirit P. Mehta	Non Executive Independent	6/6	Yes	Nil	-	-
Shri Harshad N. Mehta	Non - Executive Independent	6/6	Yes	1	1	-
Shri Premjibhai P. Patel	Non Executive-promoter	Nil	No	Nil	-	-
Shri Kushal M. Shah	Non Executive-Independent	2/6	Yes	Nil	2	-
Shri Biren V. Nanavati	Non Executive-Independent	6/6	Yes	Nil	-	3

(iii) Meeting of Board of Directors :

During the financial year 2004-2005, 6 (Six) board mettings were held on following dates :

15th April, 2004, 30th June, 2004, 31st July, 2004, 25th August, 2004, 29th October, 2004, 28th January, 2005.

2.B. INFORMATION ABOUT DIRECTORS SEEKING REAPPOINTMENT

Name of the Director	Shri Kushal Shah	Shri Biren Nanavati
Expertise in functional Area	Accounts, Marketing and finance	Finance and Banking
Brief Resume	Age : 25 years. Young and dynamic person. He is Master of Business Administration He is having experience of in areas of Marketing and accounts.	Age : 41 years. He is having wide experience in the areas of Finance and Banking.
Name of the Companies in which he holds directorship/ Committee memberships	<u>Directorship in</u> The company <u>Committee Membership</u> He is member of Audit Committee and Investors Grievances Committee of the Company.	<u>Directorship in</u> The company <u>Committee Membership</u> Chairman of Audit Committee, Remuneration Committee and Investors Grievances Committee of the company.

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

The company has constituted an Audit Committee consisting of three Non executive independent Directors. Shri Biren Nanavati, non executive independent Director, is a chairman of the committee. The members of the committee are well versed with finance matters, accounts, and general business practices. It's terms of reference as laid down under the clause 49 of the Listing Agreement executed by the Company with the Exchanges.

During the financial year ended as on 31.03.2005, four Audit Committee meetings were held on 29th June, 2004, 31st July, 2004, 29th October, 2004 and 28th January, 2005 respectively. 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

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

4. REMUNERATION COMMITTEE :

The company has constituted a Remuneration Committee to review and recommend fair remuneration payable to the executive director and other senior management personals. Remuneration Committee consists following Non-executive independent directors namely :

1. Shri Biren Nanavati - Chairman
2. Shri Harshad Mehta - Member
3. Shri Kirit Mehta - Member

Details of remuneration paid to the executive director for the year ended March 31, 2005 are as under :

(i) Executive Director :

Name	Period of appointment	Salary	Perks and other Allowances	Contribution to PF & SA	Total
Shri Hemang Shah	06.08.2004 to 05.08.2009	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 as on 31st March, 2005, four Investors Grievances Committee meetings were held on 15.04.2004, 31.07.2004, 29.10.2004 and 28.01.2005. 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 Nanavati	Non Executive-Independent	Chairman	4/4
Shri Kushal Shah	Non Executive - Independent	Member	2/4
Shri Hemang Shah	Executive	Member	4/4

KARNAVATI ALFA INTERNATIONAL LIMITED

During the year total two complaints were received by the company. All complaints have been attended.

COMPLIANCE OFFICER : The Company has appointed Shri Suresh Gondalia, Company Secretary as the Compliance Officer of the company on 30th July, 2005 in place of Shri Virag Joshi.

6. GENERAL BODY MEETINGS

(i) Location and the time where the last three Annual General meeting were held are given below :

Year	Date	Location	Time
2001-2002	30.09.2002	Survey No. 189/1, Kailash Industrial Estate, Village : Iyava - Vasna, Taluka : Sanand, District : Ahmedabad -382110	11.30 A.M
2002-2003	30.09.2003	Survey No. 189/1, Kailash Industrial Estate, Village : Iyava - Vasna, Taluka : Sanand, District : Ahmedabad -382110	11.30 A.M
2003-2004	30.09.2004	Survey No. 189/1, Kailash Industrial Estate, Village : Iyava - Vasna, Taluka : Sanand, District : Ahmedabad -382110	11.30 A.M

(ii) Whether Special Resolution -

- (1) Were put through postal ballot last year : No
 Details of voting Pattern : N.A
 Person who conducted postal ballot exercise : N.A
- (2) Are proposed to be conducted through postal ballot
 this year : No
 procedure for postal ballot : N.A

7. DISCLOSURES

Sr. No	Particulars	
I.	Materially Significant related party transactions.	There are no transactions of the Company of material nature with its Promoters, Directors, Management, subsidiaries or relatives etc. which would have potential conflict with the interest of the Company at large. Related party transactions have been included in the Notes to the Annual Accounts of the Company for the year ended 31 st March, 2005
II.	Details of non compliance by the company, penalties, strictures, imposed on the company by the Stock Exchange or SEBI or any authority on any matter related to capital markets during last three years	The Company has complied with the requirement of statutory/regulatory authorities on capital market during the year. The trading in the shares of the company have been suspended w.e.f. 27 th August, 1996 by the Stock Exchange, Mumbai. The company has made an application to the Stock Exchange, Mumbai for revocation of suspension of trading. The Company has also paid reinstatement fees of Rs. 40,000/- to the Mumbai Stock Exchange.

8. MEANS OF COMMUNICATION

- (i) The quarterly Financial results are published in Western Times Gujarati and English Edition after approvals by Board of Directors of the Company.
- (ii) Company has not made any presentations to any Institutional Investors/Analyst during the year.
- (iii) Management Discussion and Analysis is attached to and forming part of Directors Report.