

# KARNAVATI ALFA INTERNATIONAL LIMITED



**14<sup>th</sup> Annual Report  
2005-2006**



## KARNAVATI ALFA INTERNATIONAL LIMITED

### BOARD OF DIRECTORS

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

### 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  
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 Fourteenth Annual General Meeting of the Members of **KARNAVATI ALFA INTERNATIONAL LIMITED** will be held on **Saturday, 30th September, 2006 at 2.00 P.M. at the Registered Office of the Company** at Survey No.189/1, Kailash Industrial Estate, Village: Iyava-Vasana, 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, 2006, 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 Mr. Premjibhai Patel, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Harshad 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** subject to the provisions contained in Section 198, 269, 309 and 310 of the Companies Act, 1956 read with Schedule XIII to the said Act and all other applicable provisions, if any, of the said Act and subject to such other approvals and consents as may be necessary, consent of the members of the Company be and is hereby accorded to the revision of the remuneration of Shri Hemang A. Shah, Managing Director of the Company, with effect from 7th August, 2006 to 5th August, 2009 on 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. 20000 per month in the grade of Rs. 20000-2000-30000.
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, 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. 180000 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 no profits or its profits are inadequate the company will pay Remuneration by way of Salary, perquisites and allowances as specified above.

**FURTHER RESOLVED THAT** for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, and things as it may deem expedient in the interest of the company.

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

Place: Sanand  
Dated: 7th August, 2006

(Hemang A. Shah)  
Chairman & Managing Director

**KARNAVATI ALFA INTERNATIONAL LIMITED****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, 25th September, 2006 to Saturday, 30th September, 2006 (both days inclusive) for the purpose of Annual General Meeting.
3. A relative explanatory statements pursuant to section 173(2) of the Companies Act, 1956, in respect of special business under item No. 5 of the above notice is annexed thereto.
4. 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
5. 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.
6. 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 meeting.
7. 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.

**EXPLANATORY STATEMENT FORMING PART OF THE NOTICE**

(PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956)

The Board of Directors of the Company had appointed Mr. Hemang A. Shah as Managing Director of the Company for a period of 5 years with effect from 6th August, 2004. The Members of the company at their General Meeting held on 30th September, 2004 have confirmed the appointment and its terms and condition including remuneration payable to Mr. Hemang A. Shah.

Keeping in view the valuable services in various fields and the responsibility being undertaken by Mr. Hemang A. Shah, the Board of Directors of the company at their meeting held on 7th August, 2006 have resolved to increase his salary as scale from 12000-2000-20000 to scale 20000-2000-30000 with effect from 7th August, 2006.

This explanatory statement along with resolution at item No.5 be considered as and abstract under Section 302 of the Companies Act, 1956. The Board recommends passing of the resolution.

Except Mr. Hemang A. Shah, none of the other directors of the company is any way concerned or interested in this resolution.

By Order of the Board of Directors

**For Karnavati Alfa International Ltd.**

**Place: Sanand**

**(Hemang A. Shah)**

**Date: 7th August, 2006**

Chairman & Managing Director

**DIRECTORS' REPORT**

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

Your Directors have pleasure in presenting the 14th Annual Report together with the Audited Accounts of the Company for the Financial Year ended on **31<sup>st</sup> March, 2006.**

**FINANCIAL RESULTS :**

	<b>2005-2006 (Rs. in Lacs)</b>	<b>2004-2005 (Rs. in Lacs)</b>
<b>Sales and Other Income</b>	<b>7012.59</b>	<b>524.15</b>
<b>Profit/(Loss) before Interest and depreciation</b>	<b>115.94</b>	<b>122.44</b>
Less: Interest & Financial charges	22.39	16.75
Depreciation	35.88	35.92
<b>Profit/(Loss) before Tax</b>	<b>57.67</b>	<b>69.77</b>
Less: Provision for taxation	0.55	00.00
<b>Profit/(Loss) after Tax</b>	<b>57.12</b>	<b>69.77</b>
<b>Add: Loss brought forward from last year</b>	<b>(124.51)</b>	<b>(194.29)</b>
<b>Total accumulated Loss</b>	<b>(67.39)</b>	<b>(124.51)</b>
<b>Balance Loss carried forward to Balance Sheet</b>	<b>(67.39)</b>	<b>(124.51)</b>

**DIVIDEND**

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

**REVIEW OF BUSINESS OPERATIONS**

During the year under review the turnover of the Company has increased to Rs.7012.59 Lacs as against Rs. 524.15 lacs of the previous year. Your company has earned net profit of Rs. 57.12 Lacs as compared to Rs. 69.77 Lacs of previous financial year. The Company is in planning to modernize its plants and machineries in upcoming years. Hence, directors of the Company are hopeful to achieve better results in years to come.

**FIXED DEPOSITS**

During the year under review, 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 provisions of section 255 and section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Premjibhai P. Patel and Mr. Harshad A. Mehta, 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, 2006, 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.
3. That the Directors have taken proper and sufficient care to the best of their knowledge and ability, for the



**KARNAVATI ALFA INTERNATIONAL LIMITED**

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, 2006 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:**

A report on Corporate Governance as stipulated in amended Clause 49 of the Listing Agreement with the stock exchanges for the year ended 31st March, 2006 and certificate issued by the statutory auditors of the company are attached herewith and forming part of the Annual Report of the Company. Management discussion and analysis report are also appended herewith and forming part of the Annual Report of the Company.

**CFO CERTIFICATION:**

The Managing Director and Chief Financial Officer has submitted a certificate to the Board of Directors of the Company regarding the financial statements and other matters as required under clause 49(v) of the Listing Agreement.

**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.

**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 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.

The Board of Directors also wish to thank the shareholders for the confidence reposed in the Management.

**For and on behalf of Board of Directors**

Place: Sanand.

Date: 7th August, 2006

**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, 2006.

**A. Conservation of Energy**

Energy conservation remains one of the most important areas of plants performance and is being continuously monitored. Some of the majors taken are :

- (i) Separate panels have been installed for effectively monitoring the plants energy consumption.
- (ii) Additional capacitors banks have been installed in different section of plant.

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

**a) Power and Fuel Consumption**

	<u>2005-2006</u>	<u>2004-2005</u>
<b>1. Electricity</b>		
Purchased Units	13,55,612	11,57,180
Total Cost (Rs.)	60,27,880	54,07,119
Rate per unit (Rs.)	4.45	4.67
<b>2. Own Generation Through Diesel Generator</b>		
Purchased Units	6,410	13610
Total Cost (Rs.)	2,15,459	3,69,190
Rate per unit (Rs.)	33.61	27.13

**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 :**

	<b>2005-2006</b>	<b>(Rs. In Lacs) 2004-2005</b>
i) Foreign Exchange Earning	Nil	Nil
ii) Foreign Exchange Outgo	Nil	Nil

**For and on behalf of the Board of Directors**

Place : Sanand  
Date : 7<sup>th</sup> August, 2006

**Hemang A. Shah**  
**Chairman & Managing Director**



## CORPORATE GOVERNANCE REPORT

As required under clause 49 of the Listing Agreement, a Report on Corporate Governance is given below for the financial year ended as on 31<sup>st</sup> March, 2006 alongwith certificate issued by the Statutory Auditors of the Company.

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is a continuous process to attain high standards of efficiency, transparency, integrity and ethical behavior with a view to maximize benefits from the business for all constituents with due regard to and compliance with applicable laws of Nation. Your Company always believes in promoting corporate fairness, transparency and accountability. The 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 :

The Company's Board comprises an appropriate combination headed by an executive Chairman and Managing Director. 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 26.09.2005	Directorship in other Public Limited companies	Committee membership	
					Member	Chairman
Mr. Hemang A. Shah	Executive-Promoter	6/6	Yes	Nil	1	-
Mr. Kirit P. Mehta	Non Executive Independent	6/6	Yes	Nil	-	-
Mr. Harshad N. Mehta	Non - Executive Independent	6/6	Yes	Nil	1	-
Mr. Premjibhai P. Patel	Non - Executive promoter	Nil	No	Nil	-	-
Mr. Kushal M. Shah	Non - Executive Independent	6/6	Yes	Nil	2	-
Mr. Biren V. Nanavati	Non - Executive Independent	6/6	Yes	Nil	-	3

#### (iii) Meeting of Board of Directors :

6 Board meetings were held during the financial year 2005-2006 on 30.04.2005, 30.07.2005, 11.08.2005, 28.10.2005, 10.01.2006 and 27.01.2006.

### 2.B. INFORMATION ABOUT DIRECTORS SEEKING REAPPOINTMENT

Name of the Director	Mr. Harshad N. Mehta	Mr. Premjibhai P. Patel	Mr. Hemang A. Shah
Age	45 year	50 years	35 years
Expertise in functional Area	Marketing	Plastic and Construction	Purchase, Production and Marketing
Brief Resume	He is a businessman having wide experience in various fields including marketing. He is a director on the Board of the Company since last 7 years. He is also member of the remuneration committee of the company.	He is industrialist and having more than 25 year experience in Manufacturing of Plastics and related products.	He has 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 7 years. He is presently a member of investor grievances committee of the company.
Name of other Companies in which he holds directorship/ Committee memberships	Nil	Nil	Nil



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

The company has an Audit Committee consists of three Non executive independent Directors. Mr. Biren V. Nanavati is a non executive independent Director, is a 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 executed by the Company with the Exchanges.

During the financial year ended as on 31.03.2006, Four Audit Committee meetings were held on 30.04.2005, 30.07.2005, 28.10.2005 and 27.01.2006. The attendance at the Audit Committee Meetings are as under:

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

**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:

<b>Audit Committee Members</b>	<b>Category</b>	<b>Status</b>	<b>No. of Meetings held and attended</b>
Mr. Biren V. Nanavati	Non Executive- Independent	Chairman	1/1
Mr. Kirit P. Mehta	Non Executive-Independent	Member	1/1
Mr. Harshad N. Mehta	Non Executive-Independent	Member	1/1

Details of remuneration paid to the executive director for the year ended March 31, 2006 are as under :

**(i) Executive Director :**

<b>Name</b>	<b>Period of appointment</b>	<b>Salary</b>	<b>Perks and other Allowances</b>	<b>Contribution to PF &amp; SA</b>	<b>Total</b>
Mr. Hemang A. Shah	06.08.2004 to 05.08.2009	1,44,000	Nil	Nil	1,44,000

Executive director is not paid sitting fees for attending the meeting of Board of Directors and committee thereof.

**(ii) Non Executive Directors :**

Remuneration/sitting fees paid/payable to non executive-independent Directors during the financial year 2005-06 are as under:

<b>Name of Director</b>	<b>Sitting fees</b>
Mr. Biren V. Nanavati	Rs. 9000/-
Mr. Harshad N. Mehta	Rs. 9000/-
Mr. Kushal M. Shah	Rs. 9000/-
Mr. Kirit P. Mehta	Rs. 9000/-

**5. INVESTORS GRIEVANCES COMMITTEE**

During the financial year ended as on 31<sup>st</sup> March, 2006, three Investors Grievances Committee meetings were held on 30.4.2005, 28.10.2005, and 27.01.2006. The constitution and attendance at the Investors Grievances Committee Meetings are as under :