

KARNAVATI ALFA INTERNATIONAL LIMITED



**15th Annual Report
2006-2007**

KARNAVATI ALFA INTERNATIONAL LIMITED**KARNAVATI ALFA INTERNATIONAL LIMITED****BOARD OF DIRECTORS**

Mr. Hemang A. Shah	-	<i>Chairman and Managing Director</i>
Mr. Harshad N. Mehta	-	<i>Director</i>
Mr. Premjibhai P. Patel	-	<i>Director</i>
Mr. Jayesh S Jagtap	-	<i>Director</i>
Mr. Pravin H. Halvadia	-	<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 : 382 170

BANKERS

The Kalupur Commercial
Co-operative Bank Limited
State Bank of Travancore
AXIS Bank

REGISTRAR & SHARE TRANSFER AGENT

Intime Spectrum Registry Limited
211, Sudarshan Complex,
Nr. Mithakhali Underbridge, Navrangpura,
Ahmedabad -380 009. Telefax : 079-26465179
E-Mail : ahmedabad@intimespectrum.com

CONTENTS

	Page No.
Notice along with Explanatory Statement.....	1
Director's Report with Annexure.....	4
Corporate Governance Report along with Auditor's Report On Corporate Governance.....	7
Management Discussion & Analysis Report.....	13
Auditor's Report.....	14
Balance Sheet.....	18
Profit & Loss Account.....	19
Schedule Forming Part of the Accounts.....	20
Cash Flow Statement.....	30
Attendance Slip & Proxy Form	

15TH ANNUAL REPORT 2006-2007**NOTICE**

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of **KARNAVATI ALFA INTERNATIONAL LIMITED** will be held on Thursday, the 20th December 2007 at 2.00 pm at the Registered Office of the Company at Survey No.189/1, Kailash Industrial Estate, Village: Iyava-Vasana, Taluka: Sanand, District: Ahmedabad-382170 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance-sheet as at 31st March, 2007, Profit and Loss Account for the year ended on that date and the Reports 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 consider and if thought fit to pass with or without modification the following as an ordinary resolution:-

"RESOLVED THAT M/S Shah Kantilal & Co, Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the ensuing Annual General Meeting at the remuneration to be decided by M/S Shah Kantilal & Co, and the Board of Directors."

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 Shri Jayesh Sudhakar Jagtap a Director appointed as an additional Director in the meeting of the Board of Directors and who holds office upto the date of ensuing Annual General Meeting and in respect of whom a notice u/s 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Shri Jayesh Sudhakar Jagtap as candidate for the office of Director of the Company be and is hereby appointed as Director of the Company liable to retire by rotation"

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **ordinary Resolution**.

"RESOLVED THAT Shri Pravin H. Halvadia a Director appointed as an additional Director in the meeting of the Board of Directors and who holds office upto the date of ensuing Annual General Meeting and in respect of whom a notice u/s 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Shri Pravin H. Halvadia as candidate for the office of Director of the Company be and is hereby appointed as Director of the Company liable to retire by rotation"

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

Place : Sanand
Date : 20th November, 2007

(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 forty eight hours before the commencement of the Meeting.
2. The Register of Members and Share Transfer Book of the Company will remain closed from Tuesday, 15th December, 2007 to Thursday, 20th December, 2007 (both days inclusive) for the purpose of Annual General Meeting.
3. Relative explanatory statements pursuant to section 173(2) of the Companies Act, 1956, in respect of special business under item No.5 & 6 of the above notice is annexed thereto.
4. Members are request to:
 - a) Intimate immediately any change in their address to the Company's Share Transfer Agent 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.

15TH ANNUAL REPORT 2006-2007**ANNEXURE TO NOTICE****EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.**

In conformity with the provision of Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to Special Business mentioned in the accompanying Notice and should be taken as forming part of the Notice.

ITEM NO.5

The Board of Directors had appointed Shri Pravin H Halvadia as an additional Director of the Company with effect from 21/08/06 to hold the office upto the date of Annual General Meeting.

As required under section 257 of the Companies Act, 1956 notices has been received by the Company from a Member of the Company signifying his intention to propose shri Pravin H Halvadia as the candidate for the office of Director of the Company. The Company has also received the deposits of Rs. 500/- from the Member as required under the Act.

The Board of Directors recommend his appointment as Director.

None of the Director except Shri Pravin H Halvadia is in any way concerned or interested in passing of the Resolution.

ITEM NO.6

The Board of Directors had appointed Shri Jayesh S Jagtap as an additional Director of the Company with effect from 03/09/07 to hold the office upto the date of Annual General Meeting.

As required under section 257 of the Companies Act, 1956 notices has been received by the Company from a Member of the Company signifying his intention to propose shri Jayesh S Jagtap as the candidate for the office of Director of the Company. The Company has also received the deposits of Rs. 500/- from the Member as required under the Act.

The Board of Directors recommend his appointment as Director.

None of the Director except Shri Jayesh S Jagtap is in any way concerned or interested in passing of the Resolution.

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

Place : Sanand
Date : 20/11/2007

(Hemang A. Shah)
Chairman & Managing Director

KARNAVATI ALFA INTERNATIONAL LIMITED**DIRECTORS' REPORT**

TO

THE MEMBER OF
KARNAVATI ALFA INTERNATIONAL LIMITED,

Your Directors have pleasure in presenting the 15th Annual Report together with the Audited Accounts of the Company for the Financial Year ended on 31st March, 2007.

FINANCIAL RESULTS:

	2006-2007. (Rs. In Lacs)	2005-2006. (Rs. In Lacs)
Sales and Other Income	1144.52	7012.59
Profit/(Loss) before interest and depreciation	146.03	115.94
Less: Interest & Financial charges	30.31	22.39
Depreciation	36.32	35.88
Profit/(Loss) before Tax	79.40	57.67
Less: Provision for taxation	7.93	0.55
Profit/(Loss) after Tax	71.47	57.12
Add: Loss brought forward from last year	(67.39)	(124.51)
Total accumulated losses	Nil	(67.39)
Balance Profit/(Loss)carried forward to Balance Sheet	4.06	(67.39)

DIVIDEND

The Directors are unable to recommend any Dividend for the year due to carry forward losses of previous years and non availability of enough reserves.

REVIEW OF BUSINESS OPERATIONS

During the year under review the turnover of the Company has decreased to Rs. 1144.52 lacs as against Rs. 7012.59 lacs of the previous year due to the reduction in the trading activities. Your company has earned net profit of Rs. 71.47 lacs as compared to Rs. 57.12 lacs of previous financial year. The Company is concentrating on operating activities and for increase and expansion of the manufacturing activities, the Company has already started the construction of the Big Factory Shed wherein we can install our new machineries and shifting of the some departments. Due to the expansion, 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, 1965 and the Rules made there-under.

DIRECTORS

The Board of Directors had appointed Shri Pravin Halvadia and Shri Jayesh Jagtap as additional Directors of the Company with effect from 21.08.06 and 03.09.07 respectively to hold the office up to the date of Annual General Meeting. Your Directors recommended their appointment.

Shri Kirit Mehta and Shri Kushal Shah, Directors of the company have resigned from the office of the directors w.e.f. 21.08.06 and Shri Biren Nanavati, Directors of company w.e.f. 03.09.07. Board express gratitude towards for their services rendered during the tenure.

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, 2007, all applicable accounting standards have been followed along with proper explanation relating to material departures if any have been furnished

15TH ANNUAL REPORT 2006-2007

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 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 financial year ended 31st March, 2007 on a 'Going concern' basis.

AUDITORS AND AUDITORS' REPORT

M/s P.K Modi & Co., Chartered Accountants, Statutory Auditors of the Company, has expressed their unwillingness to be re-appointed as auditors on their retirement at forthcoming Annual General Meeting.

The Board therefore recommends the appointment of M/s Shah Kantilal & Co., Chartered Accountants as auditors of the company from the conclusion of the forthcoming Annual General Meeting until the conclusion of the next Annual General Meeting of the company on such remuneration as may be decided by M/s. Shah Kantilal & Co and Board of Directors. M/s Shah Kantilal & Co. have also confirmed to the company that, if appointed as an auditors of the company, their appointment will be in accordance with the provisions of the Company.

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 exchange for the year ended 31st March, 2007 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 than the shareholders for the confidence reposed in the Management.

For and on behalf of Board of Directors

Place : Sanand

Date : 20th November, 2007

(Hemang A. Shah)
Chairman & Managing Director

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, 2007.

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) We have installed necessary equipments for reducing the energy consumption.
- (ii) We have replaced the obsolete equipments by new one.

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

a) Power and Fuel Consumption

	2006-2007	2005-2006
1. Electricity		
Purchased Units	10,57,456	13,55,612
Total Cost (Rs.)	50,64,368	60,27,880
Rate per unit (Rs.)	4.80	4.45
2. Own Generation Through Diesel Generator		
Purchased Units	NIL	6,410
Total Cost (Rs.)	NIL	2,15,459
Rate per unit (Rs.)	NIL	33.61

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 dose not arise.

C. Foreign Exchange Earning and Outgo:

	(Rs. In Lacs)	
	2006-2007	2005-2006
i) Foreign Exchange Earning	Nil	Nil
ii) Foreign Exchange Outgo	Nil	Nil

For and on behalf of Board of Directors

Place : Sanand

Date : 20th November, 2007

(Hemang A. Shah)
Chairman & Managing Director

15TH ANNUAL REPORT 2006-2007**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 31st March, 2007 along with 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 standard 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 headed by an executive Chairman and Management 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 30.09.2006	Directorship in other public limited companies	Committee Membership	
					Member	Chairman
Mr. Hemang A. Shah	Executive-Promoter	6/6	Yes	Nil	2	-
Mr. Kirit P. Mehta	Non-Exe. Independent	1/6	No	Nil	1	-
Mr. Harshad N. Mehta	Non-Exe. Independent	6/6	Yes	Nil	3	1
Mr. Premjibhai P. Patel	Non-Exe. Independent	2/6	Yes	Nil	-	-
Mr. Biren V. Nanavati	Non-Exe. Independent	6/6	Yes	Nil	3	2
Mr. Pravin Halvadia	Non-Exe. Independent	5/6	Yes	Nil	1	

(iii) Meeting of Board of Directors:

6 Board Meetings were held during the financial year 2006-2007 on 19.06.2006, 07.08.2006, 21.08.2006, 26.09.2006, 30.10.2006 and 01.03.2007

2.B. INFORMATION ABOUT DIRECTORS SEEKING REAPPOINTMENT

Name of the Director	Mr. Pravin H. Halvadia	Mr. Jayesh S. Jagtap
Age	50 years	35 years
Expertise in function Area	Trading	Consumer trading
Brief Resume	He is a businessman having wide experience in fields of trading activities in Timber, Plywood and Hardware items. He is working in various committees of the Company	He is a practical businessman looking after the Wholesale and Retail Trading of Stationery items for various Business Houses
Name of other Companies in which he holds Directorship/Committee Memberships	Nil	Nil

KARNAVATI ALFA INTERNATIONAL LIMITED**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 31.03.2007, Four Audit Committee meetings were held on 19.06.2006, 26.09.2006, 30.10.2006 and 01.03.2007. The attendance at the Audit Committee meeting is as under:

Audit Committee Members	Category	Status	No. of Meetings Held and attended
Mr. Biren V. Nanavati	Non-Executive Independent	Chairman	4/4
Mr. Hemang A 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 personnels. One Meeting of Remuneration Committee was held on 29.9.2006 during financial year 2006-2007. Remuneration Committee consists following Non-executive independent directors:

Committee Members	Category	Status	No. of Meetings Held and attended
Mr. Harshad N.Mehta	Non Executive- independent	Chairman	1/1
Mr. Biren V Nanavati	Non Executive- independent	Member	1/1
Mr. Kiritbhai P Mehta	Non Executive- independent	Member	1/1
Mr. Pravin H. Halvadia	Non Executive- independent	Member	1/1

Details of remuneration paid to the executive director for the year ended March 31, 2007 are as under:

(i) Executive Director:

Name	Period of appointment	Salary	Perks and Other Allowances	Contribution To PF & SA	Total
Mr.Hemang A.Shah	06.08.2006 to 05.08.2009	2,06,452	Nil	Nil	2,06,452

5. INVESTORS GRIEVANCES COMMITTEE

During the financial year ended as on 31st March,2007, Their were no any Grievances from the Investors. Three Committee meetings were held on 19.06.2006, 26.09.2006, and 01.03.2007. The constitution and attendance at the investors Grievances Committee Meetings are as under:

Committee Members	Category	Status	No.of Meetings held And attended
Mr. Biren V.Nanavati	Non-Executive Independent	Chairman	3/3
Mr. Harshad N. Mehta	Non-Executive Independent	Member	3/3
Mr. Hemang A.Shah	Non-Executive Independent	Member	3/3

During the year under review company has not received any complaints from the shareholders.

COMPLIANCE OFFICER: Mr. Hemang A. Shah, is a Compliance officer of the Company