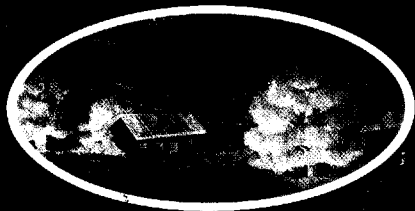
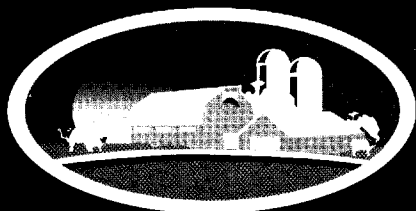


Fresh. Delicious. Buttery Taste



Nutralite™



Dairy-licious™

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Dairy-licious™

Taste and spread of real butter

Buttery
NUTRALITE™



CARNATION NUTRA-ANALOGUE FOODS LTD.

ANNUAL REPORT 2004-2005

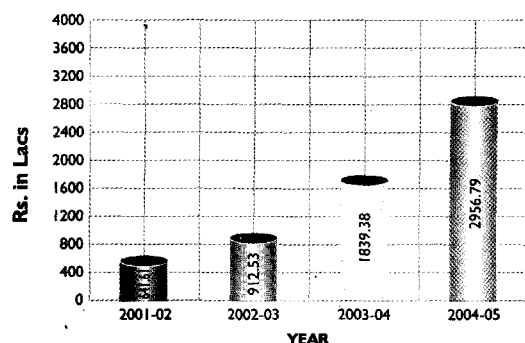


CARNATION NUTRA-ANALOGUE FOODS LTD.

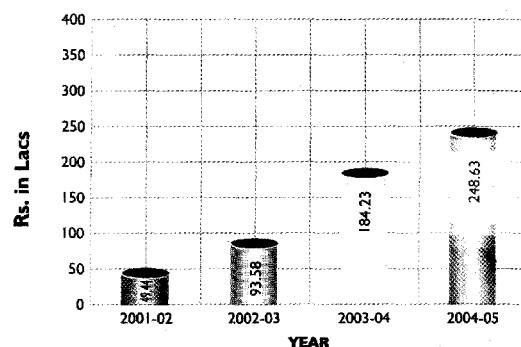
Four years at a Glance

	2004-05	2003-04	2002-03	2001-02
Sales & Other Income	2956.79	1839.38	912.53	641.61
Cost of Materials	1529.85	995.18	488.66	321.99
Operating Expenses	1001.87	553.35	270.48	220.04
Interest	1.09	0.81	2.30	6.13
Depreciation	30.76	32.53	34.52	38.91
Profit Before Tax	393.22	257.51	116.57	54.54
Tax	144.60	73.28	23.00	7.94
Profit After Tax	248.62	184.23	93.57	46.60
Dividend	46.61	37.29	27.96	0.00
Net Fixed Assets	227.70	217.53	244.25	260.69
Net Current Assets	657.19	462.82	312.59	210.57
Misc. Exp.	5.02	10.05	15.08	20.11
Profit & Loss Account	-	-	-	40.14
Net Assets	889.91	690.40	571.92	531.51
Share Capital	511.80	511.80	511.80	511.80
Reserves & Surplus	359.44	161.19	21.89	0.00
Loan Funds	-	0.00	18.10	16.87
Deferred Tax Liability	18.67	17.41	20.13	2.84
Total Liability	889.91	690.40	571.92	531.51
Net Worth	866.22	662.93	518.61	451.55
Earning Per Share	5.33	3.95	2.01	1.00
Dividend Per Share	1.00	0.80	0.60	-
Book Value Per Share	18.69	14.22	11.13	9.69
Debt - Equity Ratio	0.00	0.00	1:28	1:30

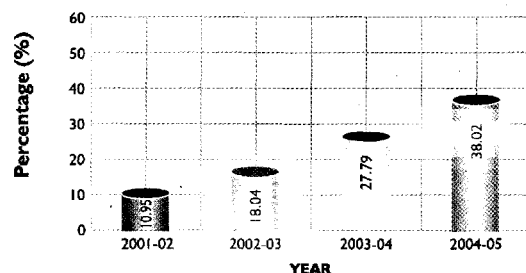
Revenues



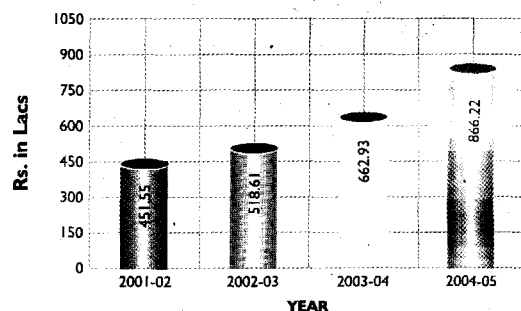
Profit After Tax



Return on Capital Employed



Networth





CARNATION NUTRA-ANALOGUE FOODS LIMITED

ELEVENTH ANNUAL GENERAL MEETING

Date : 29th September, 2005

Day : Thursday

Time : 11.00 a.m.

Place : A-204, Samudra, S. P. Nagar,
C. G. Road, Ahmedabad - 380 006.

BOARD OF DIRECTORS

Chairman

Shri Jayantibhai Amin

Managing Director

Shri Ashish Amin

Directors

Shri Manubhai Patel

Shri Kamal Patel

Shri Shekhar Patel

Shri Bharat Patel

AUDITORS

M/s. Rajendra N. Shah & Co.
Chartered Accountants
Ahmedabad.

BANKERS

Central Bank Of India
S. M. Road Branch,
Ahmedabad.

REGISTERED OFFICE

A-204, Samudra, Sardar Patel Nagar,
C. G. Road, Ahmedabad - 380 006.

WORKS

7A, 7B & 8, Saket Industrial Estate,
Sarkhej Bawala Road,
Gam-Moraiya, Sanand,
Dist. Ahmedabad.



NOTICE

NOTICE IS HEREBY given that the **ELEVENTH** Annual General Meeting of **Carnation Nutra-Analogue Foods Limited** will be held at A-204, Samudra, Sardar Patel Nagar, Navrangpura, Ahmedabad-380 006 on 29th September, 2005 at 11.00 A.M. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt Audited Balance Sheet as at 31st March, 2005 and Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri Shekhar Patel, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Bharat Patel, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Rajendra N. Shah, Chartered Accountants, the retiring Auditors of the Company, as auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT in partial modification of the resolution fixing remuneration payable to Mr. Ashish Amin, Managing Director passed by the members at the 10th Annual General Meeting held on 30th September, 2004 and pursuant to the provisions of section 198, 268, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the following changes in the terms and conditions of remuneration of Mr. Ashish J Amin, Managing Director of the Company w.e.f from 1st April, 2005 for the remainder of the tenure of his agreement (i.e. upto 24-7-2007) and as set out in the draft supplemental agreement to be entered into between Mr. Ashish J. Amin and the Company, a copy whereof is submitted to this meeting and for identification signed by the Chairman thereof.

- a) Salary : Rs. 1,75,000/- (Rupees One Lac Seventy Five Thousand) per month
- b) House Rent Allowance : Rs. 75,000/- (Rupees Seventyfive Thousand Only) per month
- c) Provident Fund, Superannuation benefits and Gratuity as per the rules of the Company

"RESOLVED FURTHER THAT Mr. Ashish Amin, Managing Director, shall perform such duties as entrusted to him from time to time by the Board of Directors and shall perform such other duties from time to time, subject to supervision and control of Board of Directors."

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of the Section 73 and other applicable provisions, if any, of the Companies Act, 1956 or any other Act time being in force, and also subject to the provisions of the Guideline 4, 5, 6, 7 Schedule I and, other applicable provisions, if any, of the **SEBI** (Delisting of Securities) Guidelines, 2003 as amended from time to time and also subject to such approvals, permissions etc. that may be required from Securities and Exchange Board of India, Stock Exchange(s) or from any other statutory or other bodies, the consent of the members be and is hereby accorded to the delisting of equity shares of the Company from the Stock Exchange, Ahmedabad."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take the necessary steps for delisting of the Equity Shares of the Company as proposed and to authorize Managing Director or any other officer of the Company to take necessary steps for delisting of the Equity Shares from the Stock Exchange, Ahmedabad."

Registered Office :

A-204, Samudra,
Sardar Patel Nagar,
C. G. Road, Ahmedabad - 380006.

Date : 29th August, 2005

For and on behalf of the Board

Jayantibhai Amin
Chairman

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE 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, NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 relating to the Special business to be transacted at the meeting is annexed hereto.
3. Members / proxies should bring the attendance slips duly filled in and signed for attending the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday 22nd September, 2005 to Thursday 29nd September, 2005, (both days inclusive).
5. The dividend as recommended by the board, if sanctioned at the meeting, will be paid to those members whose name appear on the company's Register of Members on 29th september 2005. In respect of the shares in electronics form, the dividend will be payable on the basis of beneficial ownership as per detail furnished by National securities Depository Limited and Central Depository Services (India) Ltd. for the purpose.
6. All the documents referred to in the accompanying Notice and Explanatory statment are open for inspection at the registered office of the Company on all working days, except Sundays between 12.00 p.m. and 2.00 p.m. upto the date of Annual General Meeting.
7. Members are requested to bring their copy of the Annual Report to the meeting, as no exrtra copies will be distributed at the meeting as a measure of economy.
8. Members desiring any information as regads accounts are requested to write to the company at last seven days before the meeting to enable the managment to keep information ready.
9. Members are requested to intimate change of regitered address, if any, at the registered office of the compay or to the Company's Registrar and Share Transfer Agent at their address mentioned elsewhere in this report.
10. The company has signed Triparite Agreement with NSDL and CDSL for demateializing of its Equity shares. The ISIN allotted to your company is **INE768C01010**.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**Item No. 6**

The remuneration payable to Mr. Ashish Amin, Managing Director, was approved by shareholders at the 10th Annual General Meeting held on 30th September, 2004. At its meeting held on 29th April, 2005 the Board of Directors decided to recommend to the Company in the General Meeting that the terms and con-



ditions of service of Mr. Ashish J. Amin as to his remuneration be varied in terms of the draft supplemental agreement to provide for the payment of the following:

- a) Salary : Rs. 1,75,000/- (Rupees One Lac Seventyfive Thousand only) per month.
- b) House Rent Allowance : Rs. 75,000/- (Rupees Seventy Five Thousand only) per month.
- c) Provident Fund, Superannuation benefits and Gratuity as per the rules of the Company.

The above proposal will not require the approval of the Central Government under section 268 and section 310 of the Act as the increase in remuneration by way of incremental salary proposed to be paid is within the limits laid down in Part II of Section II of Schedule XIII of the Companies Act, 1956.

Copies of the draft supplemental agreement are open for inspection at the registered office of the Company during business hours on any working day between 12.00 P.M. to 5.00 P.M. till the date of Annual General Meeting of the company.

Abstract under Section 302:

The above terms and conditions may be treated as an abstract of the draft supplemental agreement proposed to be entered into between the Company and Shri Ashish Amin pursuant to Section 302 of the Companies Act, 1956.

The Board recommends this resolution to the members as an ordinary Resolution for their approval.

Mr. Ashish Amin is interested in the resolution to the extent of additional remuneration proposed to be paid to him. Shri Ashish Amin being related to the Mr. Jayantibhai K. Amin may be deemed to be interested in the resolution. No other director is concerned or interested in this resolution.

Item No. 7

The Securities and Exchange Board of India (SEBI) has issued the guidelines viz. SEBI (Delisting of Securities) Guidelines; 2003 which would enable the companies to delist their securities listed on various Stock Exchanges. These guidelines will be useful in case where the shares are listed on the stock exchange but there is no trading in the past few years and therefore Company's security whether or not remain listed on Stock Exchange (i.e. Ahmedabad Stock Exchange) would not matter as all the investors who are dealing in Company's Securities deal only on Stock Exchange, Mumbai i.e. with Nation Wide Terminals. This would not only reduce the administrative formalities for the company but also would save on account of the listing fees payable to Ahmedabad Stock Exchange where listing has become more or less redundant.

It is therefore proposed that the Company should voluntarily delist its Equity Shares from the Ahmedabad Stock Exchange.

In view of this, your Directors recommend the passing of the resolution at item No. 7 as a Special Resolution.

Registered Office :
A-204, Samudra,
Sardar Patel Nagar,
C. G. Road, Ahmedabad - 380006.
Date : 29th August, 2005

For and on behalf of the Board

Jayantibhai Amin
Chairman

DIRECTORS' REPORT

To,
The Members,

Your Directors present the **ELEVENTH** Annual Report and Audited Statements of Accounts of the Company for the Financial year ended 31st March, 2005.

FINANCIAL HIGHLIGHTS

Particulars	(Rs. in Lacs)	
	Current year	Previous Year
Sales and Other Income	2,956.79	1,839.38
Profit before Interest, Depreciation & Tax	425.07	290.85
Less : Interest	1.09	0.81
Depreciation	30.76	32.53
Provision for Tax	143.34	76.00
Profit after Interest, Depreciation & Tax	249.88	181.51
B/F Surplus/(Deficit) in Profit & Loss A/c	163.96	21.89
Deferred Tax (Liability)/Assets	(1.26)	2.72
Profit available for Distribution	412.58	206.12
Proposed Dividend	46.61	37.29
Dividend Tax	6.53	7.64
Balance carried to Balance Sheet	359.44	161.19

- **Revenues** : Sales and other Income of the Company is 2956.79 Lacs as compared to 1839.38 Lacs during previous year, which shows a rise of nearly 60.75%.
- **Expenditure** : The expenditure of the Company this year is 2563.56 Lacs as compared to 1581.87 Lacs of last year, which shows an increase of 62.05%.
- **Net Profit** : The Net Profit of the Company is Rs. 248.63 Lacs as compared to Rs. 184.23 Lacs during the previous year, which shows an increase of 34.96%.

DIVIDEND

The Directors recommend a dividend of Re. 1.00 Per Equity Share of Rs. 10/- for the year 2004-2005, if approved by the Shareholders at the ensuing Annual General Meeting. The Dividend will absorb Rs. 46.61 lacs including dividend tax.

RE-ISSUE OF FORFEITED EQUITY SHARES

During the year, the Board of Directors of the company at its meeting held on 19th March, 2005 proposed to re-issue of 9,14,200/- equity shares of Rs.10/- each at a premium of Rs.60/- per share aggregating Rs.6,39,94,000/-. The said re-issue of shares was approved by the members at their extra-ordinary general meeting held on 18th April, 2005 and the said shares were allotted on 2nd June 2005.

DEPOSITS

During the year under review, the Company has not accepted any deposits from the public.

DIRECTORS

Shri Shekhar Patel and Shri Bharat Patel Directors of the Company, retire by rotation and being eligible offer themselves for reappointment.

Brief resume of the Directors, nature of their experience in specific functional areas and names of Companies in which they hold the directorship and the membership/chairmanship of committees of the Board, as stipulated under clause 49 of the Listing Agreement with the Stock Exchange, are given in the section on Corporate Governance elsewhere in the Annual Report.



DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors responsibility statement your directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such 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;
- (iii) that the directors have taken proper and sufficient care 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;
- (iv) that the Directors have prepared the annual accounts for the financial year ended 31st March 2005 on a "going concern" basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report as required under the Listing Agreement with the Stock Exchange is annexed hereto.

CORPORATE GOVERNANCE

The report on Corporate Governance as required under clause 49 of the listing agreement is annexed hereto.

AUDITORS

The Shareholders are requested to re-appoint M/s. Rajendra N. Shah & Co., Chartered Accountants as the Auditors of the Company and authorize the Audit Committee to fix their remuneration. The Company has received a letter from the said auditors to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

Notes forming part of Accounts are self-explanatory and therefore, do not call for any further comments.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

Information in accordance with the provisions of section 217 (1) (e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules 1988 regarding the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed.

PARTICULARS OF EMPLOYEES

There was no employee drawing remuneration in excess of limits prescribed under section 217(2A) of the Companies Act, 1956, and Companies (Particulars of Employees) Rules, 1975.

ACKNOWLEDGEMENTS

Your directors would like to place on record their grateful appreciation for the assistance and co-operation received from the Banks, Government Authorities and Shareholders during the year under review. Your directors also express their deep sense of appreciation for the devoted services of the executives, staff and workers of the company for its success.

CONSERVATION OF ENERGY

1. Energy Conservation measures taken:

Several energy conservation projects were initiated at the manufacturing site such as Reduction in lighting load, Rationalization in running hours of non-critical equipments, Improvement of power factor, etc.

The site continued their commitment to safety and environmental preservation as an on-going process by conducting regular safety audits, carrying out hazard operability studies, risk assessment of routine operations, assessment and control of substances which are hazardous to health.

Noise level at various work places is routinely measured. Necessary noise reduction measures are initiated to keep the noise levels within acceptable limits.

2. Impact of measures taken:

The adoption of energy conservation measures indicated above has resulted in considerable savings and its awareness among employees.

3. Total energy consumption and energy consumption per unit of production:

(Amount in Rupees)

Particulars	Current Year	Previous Year
1. Purchased Units	6,24,562	4,02,558
Rate per Unit	4.69	4.87
Total Amount	29,28,937	19,59,703
2. LDO: Litres Purchased	17,025	32,000
Rate per Unit	21.81	19.19
Total Amount	3,71,393	6,14,200
3. Solid Fuel (Wood): Kg. Purchased	1,92,340	Nil
Rate per Kg.	1.80	Nil
Total Amount	3,46,212	Nil

B. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION

The required technology is being developed indigenously and being absorbed effectively. Benefits derived as a result of the above efforts include product improvement, cost reduction, product development, import substitution, etc.

The benefits to the company of these efforts have been cost containment in an inflationary environment, substitution of imported raw materials to some extent, product quality improvement and better stability.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Amount in Rupees)

Particulars	Current Year	Previous Year
Earnings	Nil	Nil
Outgo	16,930	2,26,773

For and on behalf of the Board

Place : Ahmedabad
Date : 29th August, 2005

Jayantibhai Amin
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development

During the fiscal 2004-05 the performance of the food processing industry was commendable. Demand for dairy products grew by about 15 % in 2004-05. Due to the increased focus on the health consciousness among the populace the demand for healthy substitutes or analogues have increased manifold.

A Review of our Commodity wise performance

Margarine

Margarine is similar to butter in appearance & taste and used as a healthy alternative. Manufactured with state-of-the-art technology on imported European machinery, the Company has created a niche market for **NUTRALITE – TABLE MARGARINE**, first successfully introduced margarine in India, covering a major chunk of the market in the country.

Butter

The Company also manufactures regular butter in the brand name of **"DAIRY-LICIOUS Pasteurised Butter"**. The quality of business in this particular item has improved significantly with the addition of new markets.

Cheese

With a strong distribution network spanning the entire country, the Company also started manufacturing Cheese in the brand name of **"DAIRY-LICIOUS Processed Cheese"**.

Competition / Outlook on Opportunities

Margarine is an analogue (similar/substitute) product to Butter. The product is widely known & used in the western countries as a healthier butter substitute. In fact, a study by Nicholas Piramal India's nutritional scientists in 2000 observed that the problem of Vitamin A deficiency exists in alarming proportions in India & the answer could be the analogue products like Margarine & edible oils, which, if fortified with the necessary vitamins could be a cost effective solution.

Our main product "Table Margarine" incorporates all these qualities along with satisfying the Indian taste. Moreover, it is virtually free from Trans Fatty Acids (TFA) as well as the medically dreaded Low Density Lipo-protein (LDL) Cholesterol. In most western countries, Nestle is manufacturing & marketing Margarine as a niche product.

In India, the competition for Carnation Nutra comes from other Dairy Majors, which offer closely similar products. Our market for margarine extends to the length and breadth of the India. During the current year, the Company is planning to reach out to unexplored areas such as Madhya Pradesh, West Bengal and the North-East. Our Company will continue to focus on its core strength of manufacturing analogues or healthier food alternatives at a time when health consciousness was spreading in a big way.

Risk and Concern

The Company uses imported raw material in the manufacturing of Margarine and other products, therefore, it is exposed to risk of price fluctuations on raw materials as well as finished products. These risks are not significant considering the efficient inventory management and strategic procurement of raw materials. It is also exposed to foreign exchange risk as selling price of its products are linked to the cost of imported raw material. Any bottlenecks in road transport system will adversely affect the availability of inputs as well as the delivery of goods to the consumption centers.

Internal Control Systems and their Adequacy

The Company has an adequate and effective internal control system to commensurate with its size and complexity. These internal control systems safeguards against misuse of assets of the Company. They provide reasonable assurance that deviations from the norms are promptly reported and corrective actions are taken. An independent internal audit function is an important element of Company's internal control system. The Company has instituted a system of internal controls and checks which are supplemented by an ongoing program of internal audit. All major findings and suggestions are compiled and reported to the Audit Committee.