

28th Annual Report 2010-2011



CARNATION INDUSTRIES LTD.

BOARD OF DIRECTORS

MR. SHEKHAR CHATTERJEE	-	Chairman
MR. R. P. SEHGAL	-	Managing Director
MR. SUVOBRATA SAHA	-	Joint Managing Director
MR. ARUN KUMAR BOSE	-	Whole time Director
MR. R. C. JHA	-	Director
MR. B. K. DATTA	-	Director

REGISTERED OFFICE

28/1, Jheel Road
Salkia, Howrah - 711 106
Telephone : (033) 2645 4785

AUDIT COMMITTEE

Mr. Shekhar Chatterjee
Mr. R. C. Jha
Mr. B. K. Datta

REMUNERATION COMMITTEE

Mr. Shekhar Chatterjee
Mr. R. C. Jha
Mr. B. K. Datta

**SHARE HOLDERS'/ INVESTORS'
GRIEVANCE COMMITTEE**

Mr. R. C. Jha
Mr. R. P. Sehgal

COMPANY SECRETARY

Mr. Sanjay Agarwal

CORPORATE & HEAD OFFICE

222, A. J. C. Bose Road
1st Floor, Room No. 4 & 5
Kolkata – 700 017
Phone : (033) 2290 2256 / 2287 8229
Fax : (033) 2287 9938
E-Mail: carnation.ltd@gmail.com
Website: carnationindustries.com

REGISTRAR & SHARE TRANSFER AGENT

R&D Infotech Pvt.Limited
7A, Beltala Road, 1st Floor
Kolkata – 700 026
Phone: (033) 2419 2641, 2419 2642

SOLICITORS & ADVOCATES

R. Ginodia & Co.
4E & F, Hastings Chamber
7C, Kiran Shankar Roy Road
Kolkata – 700 001

AUDITORS

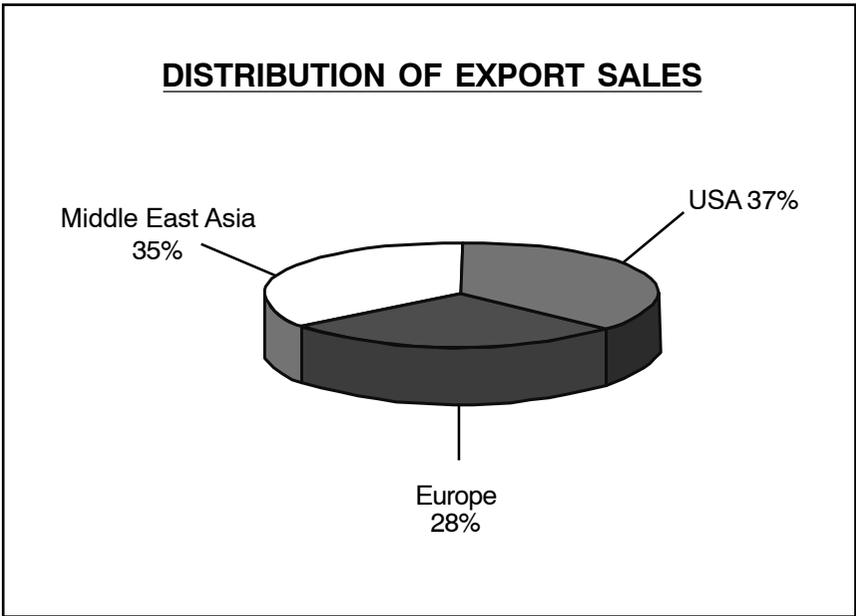
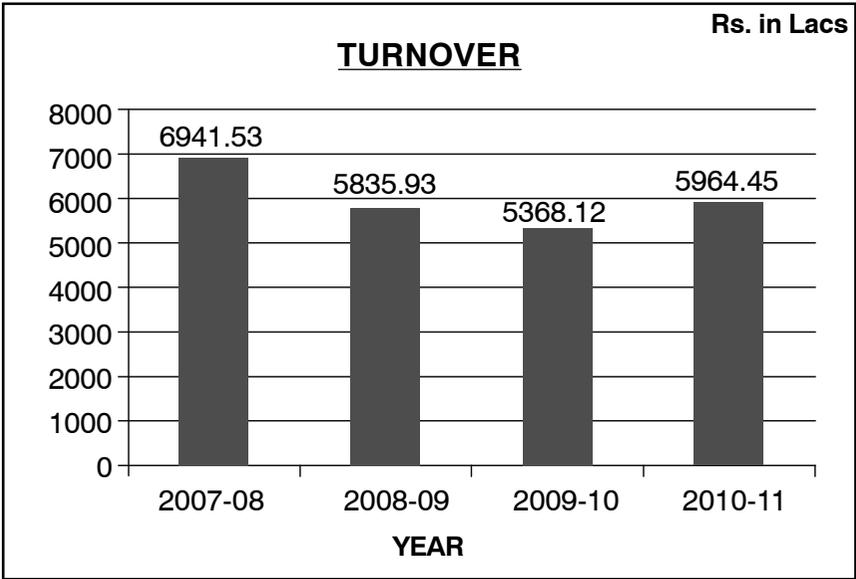
M/s. Jain & Bagaria
Chartered Accountants
27/8A, Waterloo Street
Kolkata-700 069

BANKERS

State Bank of Hyderabad
Punjab National Bank

CONTENTS

	<u>Page No.</u>
Notice	1
Directors Report & Management Discussion and Analysis Report	7
Corporate Governance Report	13
Auditors Report	24
Balance Sheet	28
Profit & Loss Account	29
Schedule to Accounts	30
Cash Flow Statement	46





Mr. R.P. Sehgal, Managing Director, Carnation Industries Ltd., with Hon'ble Chief Minister of West Bengal Smt. Mamata Banerjee during a courtesy call to her office.



Mr. Suvabrata Saha, Jt. Managing Director

NOTICE

Notice is hereby given that the 28th Annual General Meeting of the Members of Carnation Industries Limited will be held on Friday, the 23rd September, 2011 at 10.00 A.M. at "SARAT SADAN", 5, Mahatma Gandhi Road, Howrah- 711 101 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended 31st March, 2011 and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Shekhar Chatterjee, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. Jain and Bagaria, Chartered Accountants, (Regn. No. 310045E), be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESS

5. Revision of Borrowing Powers

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

"RESOLVED THAT in supersession of the Resolution passed at the 13th Annual General Meeting of the Company held on 23rd September, 1996 and pursuant to clause (d) of sub section(1) of Section 293 of the Companies Act, 1956, and all other enabling provisions, if any, approval of the members be and is hereby accorded to the Board of Directors of the Company to borrow money and obtain loans and credits upto the limit of Rs. 65 crore from the existing limit of Rs. 25 crore (including public deposits but excluding temporary loans obtained from the Company's bankers in the ordinary course of business) for the purpose of financing working capital requirements as also for acquisition of capital assets and/or for the purpose of any other requirements of the Company both capital/ revenue in nature, notwithstanding that the moneys to be borrowed and already outstanding will exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose provided that the total amount so borrowed shall not at any time exceed the limit of Rs. 65 crore(Rupees Sixty Five Crore only)."

6. Re-appointment of Whole - time Director

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

“RESOLVED THAT subject to such consents, permissions and approvals as may be required and pursuant to Section 198,269,309,310,311 and other applicable provisions of the Companies Act,1956 (“the Act”) read with Schedule XIII (including any statutory modifications or re-enactment thereof) of the Act, the Company hereby accords its approval for the re-appointment of Mr. Arun Kumar Bose as a Whole-time Director of the Company for a period of 2(two) years with effect from 5th September, 2011 on such terms and conditions as specified in the Explanatory Statement annexed hereto with liberty of the Board of Directors of the Company (“the Board”) to alter and/or vary such terms and conditions of appointment including remuneration in such manner or as may be agreed to by and between the Board and Mr. Bose provided that the total remuneration (including the perquisites) shall be within the overall ceiling as provided under different applicable provisions and Schedule XIII of the Companies Act, 1956.”

By Order of the Board of Directors

Place : Kolkata
Date : 17th August, 2011

SANJAY AGARWAL
(Company Secretary)

NOTES

1. An Explanatory Statement under Section 173(2) of the Companies Act, 1956 is annexed herewith and forms part of this Notice.
2. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting.**
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, September 19, 2011 to Friday, September 23, 2011 (both days inclusive).
4. Members holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change of address immediately to the Company/ Registrar and Transfer Agent, M/s R&D Infotech Private Limited.

5. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
6. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
7. The facility for making nomination is available to the members in respect of the shares held by him.
8. All documents referred to in the Notice and Explanatory Statement are open for inspection to the members at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on all working days upto the date of this Annual General Meeting.
9. Members desirous of seeking any further information about the accounts and / or operations of the Company are requested to address their queries to the Company Secretary of the Company atleast ten days in advance of the meeting, so that the information, to the extent practicable, can be made available at the meeting.
10. SEBI has made it mandatory for all Companies to use bank details furnished by the investors for distributing dividend to them through National Electronic Clearing Services (NECS), wherever NECS and bank details are available. In the absence of NECS facility, the Companies are required to print the bank details, if available, on payment instrument, for distribution of dividends to the investors. Therefore, members holding shares in physical mode are requested to provide their bank details to the Company/Registrar. Members holding shares in demat mode are requested to record the NECS mandate with their Depository Participants.
11. Pursuant to the provisions of Section 205A (5) and 205C of the Companies Act, 1956 the Company has transferred the unpaid or unclaimed dividends, upto the financial year ended 31.3.2004, to the Investor Education and Protection Fund (the IEPF) established by the Central Government.
12. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrar and Transfer Agent, M/s R & D Infotech Pvt. Limited.

By Order of the Board of Directors

Place : Kolkata
Date : 17th August, 2011

SANJAY AGARWAL
(Company Secretary)

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

ITEM No. 5

The members of the Company at the Annual General Meeting held on 23rd September, 1996, had granted necessary authority to the Board of Directors to borrow in excess of the paid-up capital and free reserves upto a limit of Rs. 25 crore (including public deposits but excluding temporary loans obtained from the Company's bankers in the ordinary course of business).

In view of the increased business operations and future growth plans, it is expected that the borrowings shall exceed the present limit of Rs. 25 crore. In view of this, it is felt appropriate to enhance the authority of the Board of Directors, under Section 293(1)(d) of the Companies Act, 1956, to borrow funds in excess of the paid up share capital and free reserves of the Company, to the extent of Rs. 65 crore.

As per the provisions of Section 293(1)(d) of the Companies Act, 1956, consent of the members in general meeting is required, to enable the Board of Directors to borrow moneys, where moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the bankers in the ordinary course of business) exceed the aggregate paid-up capital and free reserves, that is to say, reserves not set apart for any specific purpose. Article 66 of the Articles of Association of the Company provides for borrowing powers of the Board subject to such limits as may be imposed by the members of the Company.

The Board of Directors recommends the resolution set out under Item No. 5 of the Notice for adoption by the members.

None of the Directors of the Company are in any way concerned or interested in the said resolution.

ITEM No. 6

Mr. Arun Kumar Bose was appointed by the Board of Directors as a Whole-time Director of the Company from 5.9.2009, for a period of two years. Mr. Bose holds office upto 4th September, 2011. The Board of Directors of the Company at its meeting held on 17th August, 2011 extended the term of Mr. Arun Kumar Bose, Whole-time Director, for a further period of two years i.e. till 5.9.2013, subject to the approval of the members of the Company.

The profile of Mr. Bose is given in the annexure to this notice.

Mr. Arun Kumar Bose was recommended by the Board for re-appointment as the Whole-time Director of the Company w.e.f. 05.09.2011 on the following terms and conditions with the entitlement to the following remuneration within the overall ceiling as specified in Schedule XIII of the Companies Act, 1956.

REMUNERATION

Salary : Salary Rs.26,500/- per month remaining fixed till the end of tenure i.e 5.9.2013.

Part - A

Perquisites : House Rent Allowance of Rs 3,500 per month remaining fixed till the end of tenure i.e 5.9.2013.
Value of perquisites shall be done as per Income-Tax Act.

PART - B

- a. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service. However, this will not be included in computation of the ceiling on remuneration.
- b. Encashment of leave at the end of the tenure. Encashment of leave at the end of the tenure will not be included in computation of the ceiling on remuneration.

PART - C

Car for use on Company's business and telephone at the residence will not be considered as perquisites. Use of car for private purpose and personal long distance calls on telephone shall be billed by the Company to the Whole-time Director.

MINIMUM REMUNERATION

Notwithstanding anything contained to the contrary contained herein where during the currency of the tenure of his service, the Company has no profits or inadequacy of profits in any financial year during the tenure of service, payment of salary, perquisites and other allowances shall be governed by provisions of Section II of Part II of Schedule XIII, provided the following will not be included in computation of the ceiling limit.

- a. Gratuity payable at the rate of half month's salary for each year of completed service.
- b. Encashment of leave at the end of the tenure.

The Board of Directors recommends the resolution set out under Item No.6 of the Notice for adoption by the members.

None of the Directors except for Mr. Arun Kumar Bose shall be deemed to be concerned or interested in the said resolution.

By Order of the Board of Directors

Place : Kolkata
Date : 17th August, 2011

SANJAY AGARWAL
(Company Secretary)

28th Annual Report 2010-2011

Details of Directors seeking Appointment / Re-appointment at the 28th Annual General Meeting

Name of the Director	Mr. Shekhar Chatterjee	Mr. Arun Kumar Bose
Date of Birth	09.10.1938	05.01.1937
Date of Appointment	27.06.2007	28.08.2008
Qualification	B.A.(Hons), F.C.A	Metallurgical Engineer(UK) Furnace Technologist (Germany)
Expertise in Functional Areas	Has over 40 years experience in Accounts and Finance Areas. Worked in large Corporate Houses in very senior positions	Has 40 years experience in Foundry Industry
List of Companies in which other Directorship held	NIL	NIL
Chairman/Member of the Committee of the Board of the Companies in which he is a Director	NIL	NIL
Shareholding in the Company (No. of Equity Shares)	100	200

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Directors are pleased to present the Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2011.

FINANCIAL PERFORMANCE

	For Year ended	(Rs. in Lakhs)
	31.3.2011	For Year ended
		31.03.2010
Export Sales (Net of Freight)	5833.99	5260.80
Local Sales	130.46	107.32
Other Income	465.21	386.62
Gross Profit (before Interest & Finance Charges, etc., Depreciation & Amortisation and Extra-ordinary item)	202.74	408.90
Interest & Finance charges	310.30	246.13
Depreciation & Amortisation	155.65	139.62
Profit/Loss before Taxation and Extra-ordinary item	(263.21)	23.15
Extra-ordinary item	11.61	—
Profit/Loss before Tax	(274.82)	23.15
Provision for Tax		
— Current	—	3.88
— Deferred	(2.03)	11.19
— Fringe Benefit Tax for earlier year	0.08	—
— Tax for Earlier Year	(2.19)	(49.40)
Profit/(Loss) after Tax	(270.68)	57.48
Surplus brought forward from previous year	211.49	178.19
Available Surplus/ (Deficit) for Appropriation	(59.19)	235.67
Proposed Dividend	13.83	20.74
Dividend Distribution Tax	2.24	3.44
Surplus/(Deficit) carried to Balance Sheet	(75.26)	211.49

FINANCIAL REVIEW

The Export Sale (net of freight) at Rs. 5833.99 lakhs during the year as against Rs. 5260.80 lakhs during the previous year, 2009-10, recorded an increase of about 11%, resulting from increase in volume and price by about 5% on each count. The increase in selling price was more than off-set by significant increase in raw material price as the same could not be passed

28th Annual Report 2010-2011

over to the customer for competitive pressure. Besides, the increases in the selling price lagging increase in raw material price almost throughout the year without affording any opportunity to the business to recover the increase in raw material cost. Adverse exchange fluctuation also took its toll as the loss in exchange fluctuation during the time interval of quotation and firm order was not allowed to be recouped through any system of price escalation on this account. These factors of raw material and price mismatch along with volatility in price exchange fluctuation significantly contributed to the Company's loss.

Extraordinary item refers to estimated liability of Rs. 11.61 lacs in respect of the damages suffered by a vessel on 23.11.2010 carrying six containers of our exported goods, involved in the collision with another vessel at Hooghly river passage.

The redeeming factor was however increase in export incentives by about 23% from DEPB and Focus License.

FINANCE

Internal cash generation suffered a setback, apart from the loss, on account of significant increase in debtors, for their severe liquidity problems. The problem of working capital was further compounded on account of extremely slow progress in the refund of Input Tax Credit, captured in protracted process. These problems of internal cash generation had to be overcome through increased borrowings involving higher interest cost.

FOREIGN EXCHANGE EARNINGS AND OUTGO

	For Year ended 31.03.2011	(Rs. in Lakhs) For Year ended 31.03.2010
Earning - Export (F.O.B.)	5833.99	5260.80
Outgoings		
Travelling & Conveyance	19.83	15.39
Certification Charge	5.82	1.65
Commission	39.21	46.06
Foreign Bank Charges	11.62	12.78
Grinding, Painting & Finishing	—	11.91
Raw Material & Other Purchase(CIF Value)	77.17	130.12

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

Global Census on Foundries now show that India is the second highest producer of castings in the world with a production of approx. 8 million tons per annum, second only to China which produces approx 32 million tons of castings. China produces 8 million tons of Ductile Iron which constitute 25% of their castings and India produces only 10% (of total castings) i.e. 0.8 million tons. This indicates the immense potential that India has in the future. With the massive shift of European buyers towards India – the export demand holds out strong potential. The domestic

increase in Automobiles, Tractors and Earth Moving equipments is giving rise to the increased domestic demand as well.

OPPORTUNITIES AND THREAT

India's low share in the global market, in a situation of the possible shift of bulk of the sourcing moving to China & India, holds out strong possibility of a larger market share for India and your Company.

Weak infrastructure and shortages of trained labour are the major threat to the industry and in-house training and retention of the skilled persons remains the strength of your Company.

Rising prices of Electricity, Diesel and Coal along with other raw materials continue to put pressure on costs and for which these need to be controlled inter-alia, through a process of cost price matching. The only positive factor is that the customers are showing signs of accepting the increases, though there is a time lag between the increase in the cost and the selling price, resulting in the possibility of un-recovered cost.

SEGMENT-WISE PERFORMANCE

The Management reviewed the disclosure requirement of segment wise reporting and is of the view that since the Company manufactures Castings & M.S. products which are subject to same risk and returns and hence there is one primary segment in terms of AS-17, a separate disclosure on reporting by business segments is not required. The analysis of geographical segments is based on the areas in which the Company operates.

FUTURE OUTLOOK

In the current fiscal year we expect to strengthen our presence in the US and in the German markets by addition to newer products and customers. We also have plans to do major business in domestic market. This should bring in additional growth in the turnover. The US Dollar and Euro are expected to remain steady and market volumes are expected to improve compared to the previous year. The current export incentive through DEPB is going to be discontinued w.e.f. October, 2011 and some alternative export incentive is expected to be introduced.

RISKS AND CONCERN

Being predominantly in export, your Company's revenue is always subject to risks of exchange fluctuations. The Company has adopted a comprehensive risk management review system wherein it actively hedges its foreign exchange exposures within defined parameters, through use of hedging instruments such as forward contracts. The matter of concern however remains the shortage of skilled labour resulting in higher labour cost. In order to overcome this problem your Company is laying stress on in-house training and skill development, besides retention of the skilled workers.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your company has an adequate system of internal control commensurate with the size and nature of its business which ensures that all transactions are recorded, authorized and correctly

reported apart from safeguarding its assets against loss from wastage, unauthorized use and removal. The internal audit process strives to ensure compliance of internal control systems through submission of detailed internal audit reports periodically to the Management and the Audit Committee. The Audit Committee reviews the adequacy of internal controls based on such reports and provides guidelines for improvement of the same.

Your Company's Statutory Auditors have in their report confirmed the adequacy of the internal control procedures.

EXPANSION AND NEW PROJECT

Your Company continues to upgrade its process and products.

At the Ductile Plant the new moulding machine and the furnace are expected to be commissioned in this fiscal year. This would enable the Company to add volumes to the sale of castings both in the domestic and export market.

HUMAN RESOURCES DEVELOPMENT

Your Company continued to have cordial and harmonious relations with its employees at all levels during the period under review. The operations of the Company across functions have been strengthened through induction of appropriately qualified and experienced personnel. Management of your Company strongly focuses on the performance of the managers. The Board acknowledges its thanks to all the shop floor personnel and other employees for making significant contribution to your Company.

The Company has conducted several training programs for its employees to improve the working. Besides this the training programs have been conducted for improving safety and health standards of the employees.

DIVIDEND

Your Directors are pleased to recommend a Dividend of 4% (Re. 0.40 per Equity Share of Rs.10 each) for the financial year ended March 31, 2011 subject to approval of the shareholders at the Annual General Meeting. The dividend together with the dividend tax will entail a cash outlay of Rs. 16.07 Lakhs. The dividend payout for the year under review has been recommended keeping in view the Company's approach of continuing with uninterrupted dividend payment.

POLLUTION CONTROL MEASURE

The Pollution control measure installed in the units of the Company are in full operation as required under the statutes. The Company has taken immediate steps to rectify the Pollution Control devices wherever minor variations were noticed by the Management during the year under review.

DIRECTORS

Mr. Arun Kumar Bose was appointed as a Whole-time Director of the Company for a period of two years with effect from 5.9.2009. The Board of Directors in its meeting held on 17.8.2011 approved the re-appointment of Mr. Arun Kumar Bose for a further period of two years effective from 5.9.2011. The members are requested to consider the re-appointment of Mr. Arun Kumar Bose at the ensuing Annual General Meeting.

In terms of Section 256 of the Companies Act, 1956, Mr. Shekhar Chatterjee retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

STATUTORY AUDITORS

The Auditors of the Company M/s. Jain & Bagaria, Chartered Accountants, retire at the ensuing Annual General Meeting of the Company and have given their consent for re-appointment. The Company has also received their Certificate pursuant to Section 224(1B) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND RESEARCH AND DEVELOPMENT

The particulars in respect of energy conservation as per Companies (Disclosure of Particulars) Rules, 1988 is not required to be provided by your Company as it is not the industry included in the Schedule to the Rules. The Company has however taken measures for conservation of energy. The Company has installed a Divided Blast Cupola in the units at Liluah which has significantly reduced the coke consumption. Further a new Cupola has been installed at the Uluberia unit of the Company which will significantly reduce the energy consumption in the above unit. The production was carried using the previous technology. The Company has a quality cell which ensures the quality of the product before being sent to the customers.

PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is not applicable as none of the employees are drawing salary more than the limit prescribed under the aforesaid Rule.

PUBLIC DEPOSITS

The Company has not taken any Public Deposits during the year.

STOCK EXCHANGE

The Equity Shares of the Company are listed with The Calcutta Stock Exchange Limited and Bombay Stock Exchange Limited.

CORPORATE GOVERNANCE

Your Company attaches considerable significance to good Corporate Governance. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a compliance report on Corporate Governance and Management Discussion and Analysis Report form part of the Annual Report alongwith the Auditors Certificate on its compliance.

DIRECTORS RESPONSIBILITY STATEMENT

Your Directors confirm that in preparation of the Annual Accounts the applicable accounting standards have been followed along with proper explanation relating to material departures. The Directors have selected such accounting policies and applies them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31.03.2011 and of the Profit and Loss of the Company

for that period. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. The Directors have prepared the accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation and thanks to the Banks, Financial Institutions, various Government Authorities for their valuable assistance and co-operation and for the trust and confidence reposed in the Company by the Customers and Shareholders.

Your Directors also thank the Executives, Staff and Workforce of the Company for their efficient and dedicated services.



On Behalf of the Board

R.P. Sehgal
(Managing Director)

S. Saha
(Jt. Managing Director)

Place: Kolkata
Dated: 17th August, 2011

CORPORATE GOVERNANCE REPORT

In accordance with Clause 49 of the Listing Agreement entered into with the Stock Exchanges in India, the Company sets out its philosophy and the process followed in compliance as under.

1. COMPANY PHILOSOPHY ON CODE OF GOVERNANCE

Carnation Industries Limited believes in sound Corporate Governance and continuously endeavors to improve focus on it by increasing transparency and accountability to its shareholders in particular and other stake holders in general. Your Company believes in professionalism in management and sound business ethics. With these objectives in view timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the Company, is an integral part of Corporate Governance. Your Company is also committed to establish itself as a distinguished brand.

2. BOARD OF DIRECTORS

Composition of Board

The Company follows the policy to have an appropriate mix of Executive and Independent Non-Executive Directors to impart the right balance to the Board and bring independent judgment in its deliberations and decisions. As on 31.3.2011 the Board consisted of three Independent Non-Executive Directors and three Executive Directors. The Chairman is an Independent Non-Executive Director. During the financial year ended 31.03.2011, the Company had five Board Meetings which were held on 7.5.2010, 6.8.2010, 10.8.2010, 9.11.2010 and 8.2.2011. The Composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

None of the Directors on the Board is member in more than ten committees and does not act as Chairman of more than five committees across all Companies in which they are the Directors.

The agenda papers, alongwith explanatory statements, were circulated to the Directors in advance of these meetings. All relevant information, as per Clause 49 of the Listing Agreement, was placed before the Board from time to time.

Attendance of Directors at the Board Meetings of the Company held during the year ended March 31, 2011 and the last Annual General Meeting (AGM), Number of Other Directorship(s) and Other Board Committee Membership(s) held as on March 31, 2011.

Name of the Director	Category of Directorship	No. of Board meetings attended	Attendance at the last AGM	No. of other Directorship(s)*	Other Board Committee Membership(s) / Chairmanship(s)**
Mr. Shekhar Chatterjee	(Chairman) Non -Executive Independent Director	5	Yes	—	—
Mr. Ravindra Prakash Sehgal	Managing Director	5	Yes	—	—
Mr. Suvabrata Saha	Joint Managing Director	4	Yes	—	—
Mr. Arun Kumar Bose	Whole-time Director	5	Yes	—	—
Mr. R. C. Jha	Non -Executive Independent Director	5	Yes	—	—
Mr. B. K. Datta	Non -Executive Independent Director	5	Yes	2	2

28th Annual Report 2010-2011

- * The Directorships held by Directors as mentioned above , do not include Alternate Directorships and Directorships in foreign companies, companies registered under Section 25 of the Companies Act, 1956 and private limited companies.
- ** In accordance with Clause 49 of the Listing Agreement, Membership/ Chairmanship of only the Audit Committee and Shareholders'/Investors' Grievance Committee in all public limited companies(excluding Carnation Industries Limited) have been considered.

Details of Remuneration paid to Directors

The remuneration payable to Directors is determined at the Board Meeting. The Company does not have an incentive plan which is linked to performance. The Company does not have stock option scheme. The remuneration paid to the Executive Directors during the year are:

Name	Directorship	Salary	Perquisites & Allowances	Total
Ravindra Prakash Sehgal	Managing Director	545000	282524	827524
Suvabrata Saha	Joint Managing Director	545000	280766	825766
Arun Kumar Bose	Whole time Director	267000	42000	309000

The Company pays Rs. 10,000/- as sitting fees for attending the Board Meetings, Rs.3,000/- for attending the Audit Committee & Remuneration Committee Meetings and Rs.1,000/- for attending Shareholders'/ Investors' Grievance Committee Meetings to both Executive and Non- Executive Directors.

Details of the Shares held by the Non Executive Directors of the Company as on March 31, 2011 are as follows :

Name	No. of shares held
Mr. Shekhar Chatterjee	100
Mr. R. C. Jha	Nil
Mr. B. K. Datta	Nil

3. COMMITTEES OF THE BOARD

A) AUDIT COMMITTEE

As a measure of good Corporate Governance and to provide assistance to the Board in fulfilling its responsibilities, an Audit Committee has been constituted as a sub-committee to the Board. The Company has since adopted its "Internal Audit Policy" for the Company.

The powers and terms of reference of the Audit Committee are based on Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. Mr. Sanjay Agarwal is the Secretary to the Audit Committee.

The terms of reference/powers of the Audit Committee are as under:

i) Powers of the Audit Committee:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain legal or other professional advice.
4. To secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

ii) The role of the Audit Committee includes:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the Statutory Auditors and the fixation of fees.
3. Approval of payments of fees for any other services rendered by the Statutory Auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board, focusing primarily on:
 - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - Any changes in accounting policies and practices and reasons for the same.
 - Compliance with accounting standards.
 - Major accounting entries involving estimates based on the exercise of judgment by the management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications in draft audit report.
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.

7. Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors and the executive management's response on matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with the Statutory Auditor before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. Reviewing the Company's financial and risk management policies.
13. Considering such other matters as may be required by the Board.
14. Review of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.).
15. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
16. To review the following information:
 - Management discussion and analysis of financial condition and results of operations;
 - Statement of significant related party transactions submitted by the management;
 - Internal audit reports relating to internal control weaknesses; and
 - The appointment, removal and terms of remuneration of the Chief Internal Auditor/ appointment of External Firm of Chartered Accountants as internal auditor shall be subject to review by the Audit Committee.

iii) Composition of Audit Committee

The Audit Committee comprises of three Independent Directors, i.e. Mr. Shekhar Chatterjee, Mr. R. C. Jha and Mr. B. K. Datta.

During the financial year ended 31st March, 2011, six Audit Committee meetings were held on 7.5.2010, 6.8.2010, 10.8.2010, 9.11.2010, 8.2.2011 and 1.3.2011. The gap between any two consecutive meetings did not exceed four months. The attendance of the members at these meetings was as follows:

Name of the Member	No. of meetings held	No. of meetings attended
Mr. Shekhar Chatterjee, Chairman	6	6
Mr. R. C. Jha	6	6
Mr. B. K. Datta	6	6

B) SHAREHOLDERS’/ INVESTORS’ GRIEVANCE COMMITTEE

The Committee consists of Mr. R.C. Jha and Mr. R. P. Sehgal. The Committee has been constituted to oversee and redress the shareholders complaints and to oversee the performance of the Registrar and the Transfer Agent.

During the year five meetings were held on 7.5.2010, 3.8.2010, 16.9.2010, 4.11.2010 and 17.2.2011.

Attendance of each Member at the Shareholders’/Investors’ Grievance Committee Meetings held during the year was as follows :

Name of the Member	No. of meetings held	No. of meetings attended
Mr. R. C. Jha, Chairman	5	5
Mr. R. P. Sehgal	5	5

The Company has authorized Mr. Sanjay Agarwal, Company Secretary, to approve the Share Transfers and also appointed him as the Compliance Officer of the Company. The Company has received no complaints from any shareholder of the Company during the year 2010-11.

C) REMUNERATION COMMITTEE

The Remuneration Committee comprises of three Independent Directors, namely, Mr. Shekhar Chatterjee, Mr. R.C. Jha and Mr. B.K. Datta. The Committee is responsible for recommending to the Board remuneration package of Managing Director, Jt. Managing Director and the Wholetime Director including their annual increments, variable compensation pay etc., after reviewing their performance. The details of the Committee Members and their attendance at the meeting held on Thursday, August 5, 2010 was as follows :

Name of the Member	No. of meetings held	No. of meetings attended
Mr. Shekhar Chatterjee, Chairman	1	1
Mr. R. C. Jha	1	1
Mr. B. K. Datta	1	1

4. GENERAL BODY MEETINGS

The last three Annual General Meetings of the Company were held as under:

Financial Year	Date of AGM	Venue	Time
2009-10	24.09.10	Sarat Sadan 5, M.G.Road Howrah – 711 101	10.00 A.M.
2008-09	04.09.09	Bally Rabindra Bhavan 384, G.T. Road Bally, Howrah-711 201	10.00A.M.
2007-08	27.08.08	Sarat Sadan 5, M.G.Road Howrah – 711 101	10.00 A.M.

Note:

No postal Ballots were used/ invited for voting at these meetings in respect of special resolution. At the forthcoming Annual General Meeting there is no item in the Agenda which requires approval by postal ballot. The Company shall comply with the requirement of postal ballot as and when required.

5. DISCLOSURES

- a) **Disclosure on materially significant related party transactions i.e., transactions of the Company of material nature, with its Promoters, the Directors and the Management, their Subsidiaries or Relatives etc., that may have potential conflict with the interests of the Company at large.**

None of the transactions with any of the related parties were in conflict with the interest of the Company, except for extension of additional credit terms for which interest has been charged.

- b) **Details of non-compliance by the Company, penalties strictures imposed on the Company by Stock Exchanges or SEBI, or any other statutory authority, on any matter related to capital market during the last three years.**

There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority.

6. MEANS OF COMMUNICATION

- a) The Quarterly, Half Yearly and the Annual results of the Company are communicated to all the Stock Exchanges where the shares of the Company are listed as soon as the same are approved by the Board of Directors of the Company. Further the results of the Company are published in one leading prominent business daily in English and a regional newspaper published in Bengali.
- b) The Company has designated, for the Investors, an exclusive email ID- investor@carnationindustries.com
- c) The Management Discussion and Analysis report forms part of the Directors' Report.

7. GENERAL SHAREHOLDER INFORMATION

- i) **Annual General Meeting**

Date & Time : 23.9.2011 at 10.00 A.M.
Venue : SARAT SADAN
5, M.G. Road
Howrah – 711 10

ii) Financial Calendar 2011-2012 (Tentative)

Financial Reporting for the quarter ended 30.06.2011	:	1 st /2 nd week of August, 2011
Financial Reporting for the quarter ended 30.09.2011	:	1 st /2 nd week of November, 2011
Financial Reporting for the quarter ended 31.12.2011	:	1 st /2 nd week of February, 2012
Financial Reporting for the quarter ended 31.03.2012	:	1 st /2 nd week of May, 2012

iii) Date of Book closure

The Share Transfer Books and Register of Members of the Company will remain closed from Monday, 19th September, 2011 to Friday, 23rd September, 2011 (both days inclusive).

iv) Dividend Payment Date

The dividend warrants will be posted on and from 26.09.2011.

- v) Listing of Stock Exchanges** : Bombay Stock Exchange Limited
The Calcutta Stock Exchange Limited

The Company has paid the listing fees for the financial year 2011-12 to the above Stock Exchanges.

vi) Stock Codes of Equity Shares of the Company are as under :

Bombay Stock Exchange Limited	:	Scrip Code No 530609
Calcutta Stock Exchange Limited	:	Scrip Code No 13067
Corporate Identity(CIN)	:	L27209WB1983PLC035920
Demat ISIN No	:	INE 081B01010

vii) Market Price Data & Comparison with BSE Sensex

	Bombay Stock Exchange		BSE Sensex	
	<u>High</u> (Rs.)	<u>Low</u> (Rs.)	<u>High</u>	<u>Low</u>
April'10	19.55	15.90	18047.86	17276.80
May'10	21.20	16.00	17536.86	15960.15
June'10	25.35	16.85	17919.62	16318.39
July'10	22.60	18.80	18237.56	17395.58
August'10	37.25	19.25	18475.27	17819.99
September'10	25.50	19.60	20267.98	18027.12
October'10	22.60	19.05	20854.55	19768.96
November'10	20.30	17.00	21108.64	18954.82
December'10	19.00	15.60	20552.03	19074.57
January'11	19.45	16.15	20664.80	18038.48
February'11	18.80	15.25	18690.97	17295.62
March'11	16.20	12.45	19575.16	17792.17

viii) **Registrar and Share Transfer Agent** : R&D Infotech Pvt. Ltd.
7A, Beltala Road, 1st Floor
Kolkata – 700 026
Tel : (033) 24192641, 24192642
Email : rdinfotec@yahoo.com

ix) **Share Transfer System:**

Share transfers are registered and returned within the period of 30 days from the date of lodgment if the documents are complete in all respects. As per the directives issued by SEBI, it is compulsory to trade in the Company's equity shares in dematerialized form. Shares of the Company equivalent to 68% of the total Equity Share Capital has been dematerialized as on 31.3.2011.

x) **Demat Your Shares**

Members are requested to convert their physical holding to demat form through any of the nearest Depository Participant (DPs) to avoid hassles with physical shares such as possibility of loss, mutilation and to ensure safe and speedy transaction in securities.

xi) **Green Initiative**

The Ministry of Corporate Affairs has introduced a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to send e-mail at investor@carnationindustries.com to update their e-mail address.

xii) **Distribution of Shareholding as on 31.3.2011:**

No. of Shares	No. of Share Holders	% of Shareholders	Total No. of shares	% of Total holding
1-500	1644	83.32	300432	8.69
501-1000	170	8.62	143908	4.16
1001-2000	62	3.14	94013	2.72
2001-3000	29	1.47	73954	2.14
3001-4000	16	0.81	55985	1.62
4001-5000	13	0.66	60766	1.76
5001-10000	12	0.61	94072	2.72
10001-50000	15	0.76	358883	10.38
50001-100000	2	0.10	108894	3.15
100001 and above	10	0.51	2166253	62.66
	1973	100.00	3457160	100.00

xiii) Shareholding Pattern as on 31.3.2011

	(Holding %)
Promoter & Promoter Group	44.33
Bodies Corporate	3.21
NRIs	3.48
Mutual Funds & UTI	1.40
Public Shareholding	<u>47.58</u>
	<u>100.00</u>

xiv) Outstanding GDR/ADR/Warrants or any convertible instrument, conversion date and likely impact on equity

The Company has not issued any GDR/ADR warrant or convertible warrant as on 31.3.2011.

xv) Plant Location

- a) 10, Station Road, Liluah, Howrah
- b) 23, 'O' Road, Belgachia, Howrah
- c) Mauza Rauta, Kajuri, Uluberia, Howrah.

8. NON-MANDATORY REQUIREMENT

i) Chairman of the Board

The Chairman of the Company is entitled to reimbursement of expenses incurred for maintenance of Chairman's office.

ii) Remuneration Committee

Details already given under the caption "Remuneration Committee" in an earlier part of the report.

iii) Shareholder Rights

The company publishes the quarterly, half-yearly and annual results in the newspapers.

iv) Postal Ballot

The company shall comply with the requirement of postal ballot as and when it is required.

9. OTHER INFORMATION

i) CEO / CFO Certification:

The Managing Director (CEO) and the Manager Finance & Accounts(CFO) of the Company have certified to the Board that all the requirements of Clause 49 (V) of the Listing Agreement, inter alia, dealing with the review of financial statements and cash flow statement for the year ended March 31, 2011, transactions entered into by the Company during the said year, their responsibility for establishing and maintaining

internal control systems for financial reporting and evaluation of the effectiveness of the internal control system and making of necessary disclosures to the Auditors and the Audit Committee have been duly complied with.

ii) Code of Conduct

The company has laid down a code of conduct for all the Board Members and Senior Management Personnel of the Company.

iii) Certificate on Corporate Governance

The Company has complied with the requirements as laid down in Clause 49 of the Listing Agreement with the Stock Exchanges for the purpose of Corporate Governance. A certificate from M/s. Jain & Bagaria, Chartered Accountants, the Statutory Auditors of the Company, to this effect has been attached to this Annual Report.

10. DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING COMPLIANCE WITH CODE OF CONDUCT.

In accordance with Clause 49 (I) (D) (ii) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Board Members and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct for the year ended March 31, 2011.

For Carnation Industries Ltd.

Place : Kolkata
Date : 17th August, 2011

R.P. Sehgal
Managing Director

CERTIFICATE

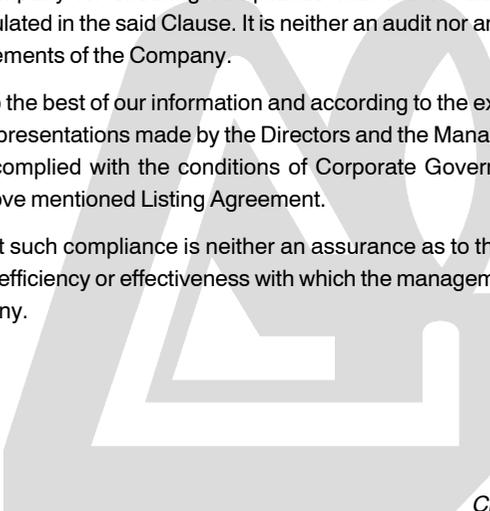
**To the Members of
CARNATION INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by Carnation Industries Limited, for the year ended on 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.



*For Jain & Bagaria
Chartered Accountants*

27/8A, Waterloo Street
Kolkata-700 069
Dated : 17th August, 2011

J. K. Jain
(Partner)
Membership No. 050019
FRN: 310045E

JAIN & BAGARIA
CHARTERED ACCOUNTANTS

REPORT OF THE AUDITORS TO THE MEMBERS
OF CARNATION INDUSTRIES LIMITED

We have audited the attached Balance Sheet of CARNATION INDUSTRIES LIMITED as at 31st March, 2011 and also the Profit & Loss Account & Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the companies (Auditors Report) Order, 2003 and on the basis of such examination of the books and records of the company, as we considered appropriate and on the information and explanations given to us during the course of our audit, we report that in our opinion :

1. The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. As informed to us all fixed assets (except lying with outside parties) have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification. There was no disposal of fixed assets during the year.
2. The management has conducted physical verification of inventory at the end of the year (except stock lying with outside parties). The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. The company is maintaining proper records of inventory and no material discrepancies were noticed on such physical verification.
3. The company has neither granted nor taken any loan, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instance of a continuing failure to correct major weakness in the aforesaid internal control procedures.
5. In respect of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

- (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register, maintained under the said Section has been so entered.
- (b) Where each of such transactions is in excess of Rs. 5 lacs in respect of any party, to the best of our knowledge and as explained, these have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted any deposits from the public.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. To the best of our knowledge and as explained, for the period under audit, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the products of the company.
9. According to the records of the company, the company is generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income tax, Sales-tax, Wealth tax, Service tax, Custom duty, Excise duty, Cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, custom duty and excise duty were outstanding at the year end for a period of more than six months from the date they became payable. Further according to the records of the company, there are no dues outstanding of sales tax, income tax, custom duties, wealth tax, service tax, excise duty, cess on account of any dispute other than the following :

Name of the Status	Nature of Dues	Amount (Rs.)	Forum Where Dispute is Pending
Income Tax Act, 1961	Income Tax penalty for the Assessment Year 2003-04	12.75 Lacs	Before the Commissioner of Income Tax (Appeals)
West Bengal Value Added Tax Act, 2003	Value Added Tax for the Financial Year 2007-2008	11.38 Crore	Before the Jt. Commissioner of Sales Tax
Central Excise Act, 1944	Duty and Penalty	136.56 lacs	Before the Commissioner (Appeal – I & II) of Central Excise

10. The company has no accumulated losses at the end of the financial year, however it has incurred cash losses in the current financial year but not in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to Bank.

12. According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund /societies.
14. In respect of dealing/trading in securities and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities and other investments have been held by the company, in its own name.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others, from Bank or Financial Institution.
16. The term loans were applied for the purpose for which the loans were obtained.
17. We have been informed by the management that the fund raised on short term basis have not been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The company has not raised any money through a public issue during the year.
20. Based upon the procedures performed by us for expressing our opinion on these financial statements and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.
21. Other provisions of the aforesaid order are not applicable to the company for the period under review.

Further to the above we report that :-

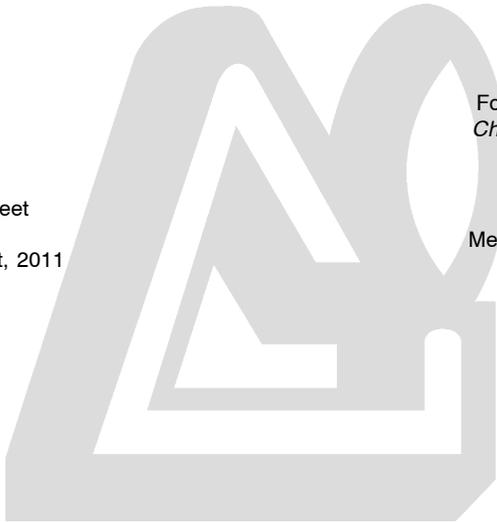
- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books.
- iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section 3 (C) of Section 211 of the Companies Act, 1956.
- v) On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with Schedules and other Notes thereon and statements on significant accounting policies, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
- a) In the case of the Balance Sheet, of the State of Affairs of the company as at 31st March, 2011.
 - b) In the case of the Profit & Loss Account of the LOSS for the year ended on that date; and
 - c) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

27/8A, Waterloo Street
Kolkata – 700 069
Dated : 17th August, 2011

For **JAIN & BAGARIA**
Chartered Accountants

J. K. JAIN
Partner
Membership No. 050019
FRN: 310045E



28th Annual Report 2010-2011

BALANCE SHEET AS AT 31ST MARCH, 2011

(Rs. in Lacs)

	Schedule	As at	
		31. 03. 2011	31. 03. 2010
I. SOURCES OF FUNDS			
1) Shareholders' Funds			
a) Share Capital	1	345.72	345.72
b) Reserves & Surplus	2	800.01	1086.76
2) Loan Funds			
a) Secured Loans	3	3048.83	2529.72
3) Deferred Tax Liability		90.82	92.85
TOTAL		4285.38	4055.05
II. APPLICATION OF FUNDS			
1) Fixed Assets			
a) Gross Block	4	2486.42	2178.61
b) Less : Depreciation		1108.21	954.28
c) Net Block		1378.21	1224.33
2) Investments			
	5	0.22	0.22
3) Current Assets, Loans and Advances			
a) Inventories	6	1233.52	866.83
b) Sundry Debtors	7	1987.96	1691.08
c) Cash & Bank Balances	8	125.56	148.14
d) Other Current Assets	9	1248.07	981.80
e) Loans & Advances	10	507.06	484.23
		5102.17	4172.08
Less : Current Liabilities and Provisions			
a) Current Liabilities	11	1798.26	926.29
b) Provisions		396.96	416.25
		2195.22	1342.54
Net Current Assets		2906.95	2829.54
4) Miscellaneous			
Expenditure	12	-	0.96
(To the extent not written off or adjusted)			
TOTAL		4285.38	4055.05
NOTES ON ACCOUNTS			
	19		

As per our report annexed of even date

For **JAIN & BAGARIA**

Chartered Accountants

J.K.Jain

Partner

Membership No. 050019

FRN : 310045E

27/8A, Waterloo Street

Kolkata - 700 069

Dated : 17th August, 2011

Sanjay Agarwal
(Company Secretary)

On behalf of the Board

R.P.SEHGAL

(Managing Director)

Suvabrata Saha
(Jt. Managing Director)

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs. in Lacs)

	Schedule	2010-2011	2009-2010
I. INCOME			
Sales	13	5964.45	5368.12
Other Income	14	465.21	386.62
		6429.66	5754.74
II. EXPENDITURE			
a) Accretion to stock of Finished Goods			
Opening Stock		532.73	978.90
Less : Closing Stock		890.98	532.73
		(358.25)	446.17
b) Purchase of Finished and Semi Finished Goods		34.22	165.72
c) Manufacturing Expenses	15	5345.06	3855.22
d) Administrative & Selling Expenses	16	594.26	472.49
e) Payments and benefits to employees	17	611.63	406.24
		6226.92	5345.84
III. GROSS OPERATING PROFIT		202.74	408.90
Interest & Finance Charges	18	310.30	246.13
IV. PROFIT/(LOSS) BEFORE DEPRECIATION AMORTISATION, EXTRA ORDINARY ITEMS & TAXATION ETC.		(107.56)	162.77
Depreciation/Amortisation		154.69	138.46
Amortisation of Miscellaneous Expenditure		0.96	1.16
V. PROFIT / (LOSS) BEFORE TAXATION & EXTRA ORDINARY ITEMS		(263.21)	23.15
Extraordinary Items (See Note (xviii) of Sch -19)		11.61	—
VI. PROFIT / (LOSS) BEFORE TAXATION		(274.82)	23.15
Provision For Tax			
Current Tax for the year		—	3.88
Fringe Benefit Tax for Earlier Year		0.08	—
Deferred Tax		(2.03)	11.19
Tax for Earlier Year		(2.19)	(49.40)
		(4.14)	(34.33)
VII. PROFIT / (LOSS) AFTER TAX		(270.68)	57.48
Surplus brought forward from previous year		211.49	178.19
AVAILABLE SURPLUS/(DEFICIT)		(59.19)	235.67
Proposed Dividend		13.83	20.74
Dividend Distribution Tax thereon		2.24	3.44
SURPLUS/(DEFICIT) CARRIED TO BALANCE SHEET		(75.26)	211.49
Basic & diluted earning per Equity Share of Rs.10/- each		(7.83)	1.66
NOTES ON ACCOUNTS	19		

As per our report annexed of even date

For **JAIN & BAGARIA**

Chartered Accountants

J.K.Jain

Partner

Membership No. 050019

FRN : 310045E

27/8A, Waterloo Street

Kolkata - 700 069

Dated : 17th August, 2011

On behalf of the Board

R.P.SEHGAL

(Managing Director)

Sanjay Agarwal
(Company Secretary)

Suvabrata Saha
(Jt. Managing Director)

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31. 03. 2011	(Rs. in Lacs) As at 31. 03. 2010
1. SHARE CAPITAL		
Authorised		
7000000 Equity shares of Rs.10/- each	<u>700.00</u>	<u>700.00</u>
Issued, Subscribed and Paid-Up		
3457160 Equity Shares of Rs. 10/- each fully paid up	345.72	345.72
(Of the above shares 945900 shares were allotted as fully paid up by way of bonus shares by capitalisation of General Reserves created out of Profit)	<u>345.72</u>	<u>345.72</u>
2. RESERVES & SURPLUS		
Share Premium A/c		
As per last Balance Sheet	306.30	306.30
General Reserve		
As per last Balance Sheet	493.24	493.24
Capital Reserve		
As per Last Balance Sheet	48.84	48.84
Export Business Reserve		
As per Last Balance Sheet	26.89	26.89
Profit & Loss Account		
Balance (Dr.) as per Profit & Loss A/c	<u>(75.26)</u>	<u>211.49</u>
	<u>800.01</u>	<u>1086.76</u>
3. SECURED LOANS		
From Scheduled Banks		
(Secured against purchase of bills, hypothecation of stock in trade, Book Debts, and receivables, Term Deposits, Equitable Mortgage of Land / Buildings owned by the Company as well as by some Directors, charge on the existing and future plant & machinery owned by the Company and personal guarantee of some Directors and guarantee by ECGC on pari-passu basis amongst the Bankers).		
Packing Credit	1458.50	962.07
Bills Purchase Account	927.26	1159.20
Standby Line of Credit	450.00	275.00
Term Loan	198.74	131.06
Interest Accrued but not due on above	<u>2.25</u>	<u>2.16</u>
	<u>3036.75</u>	<u>2529.49</u>
From ICICI Bank Ltd.		
Car Loan	<u>12.08</u>	<u>0.23</u>
	<u>3048.83</u>	<u>2529.72</u>

4. FIXED ASSETS (AT COST)

(Rs. in Lacs)

DESCRIPTION	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK			
	ASAT 01.04.2010	ADDITIONS DURING THE YEAR	SALES/ ADJUST- MENTS	ASAT 31.03.2011	UPTO 31.03.2010	PROVIDED DURING THE YEAR	SALES/ ADJUST- MENTS	UPTO 31.03.2011	ASAT 31.03.2011	ASAT 31.03.2010
1) LAND	160.45	2.46	—	162.91	—	—	—	—	162.91	160.45
2) OFFICE PREMISES	32.09	—	—	32.09	8.79	0.95	—	9.74	22.35	23.30
3) TYPE WRITERS	0.48	—	—	0.48	0.43	0.01	—	0.44	0.04	0.05
4) FURNITURE & FIXTURES	29.84	1.21	—	31.05	20.02	1.78	—	21.80	9.25	9.82
5) AIR CONDITIONERS	8.10	—	—	8.10	3.41	0.50	—	3.91	4.19	4.69
6) OFFICE EQUIPMENTS	13.32	2.26	—	15.58	6.44	0.88	—	7.32	8.26	6.88
7) MOTOR CAR	28.03	24.33	—	52.36	20.41	6.30	—	26.71	25.65	7.62
8) MOTOR CYCLE	2.15	—	—	2.15	1.26	0.20	—	1.46	0.69	0.89
9) COMPUTERS P.C.	55.91	5.27	—	61.18	30.84	10.43	—	41.27	19.91	25.07
10) FACTORY SHEDS	580.18	40.62	—	620.80	198.72	27.90	—	226.62	394.18	381.46
11) PLANT & MACHINERIES	820.85	35.18	2.84	853.19	425.16	58.57	0.76	482.97	370.22	395.69
12) PATTERN & DICES **	280.72	49.40	—	330.12	167.89	30.09	—	197.98	132.14	112.83
13) TOOLS & IMPLEMENTS	17.42	7.32	—	24.74	5.62	1.12	—	6.74	18.00	11.80
14) ELECTRIC INSTALLATION	74.41	5.60	—	80.01	39.22	3.50	—	42.72	37.29	35.19
15) TELEX (ELECTRONICS)	0.23	—	—	0.23	0.23	—	—	0.23	—	—
16) TUBEWELL	6.97	—	—	6.97	3.08	0.25	—	3.33	3.64	3.89
17) POLLUTION CONTROL EQUIPMENT	11.07	—	—	11.07	0.48	0.53	—	1.01	10.06	10.59
18) INTANGIBLE ASSETS										
a) ERP SOFTWARE	28.96	—	—	28.96	16.65	6.15	—	22.80	6.16	12.31
b) LICENCE	13.50	7.95	—	21.45	5.63	5.53	—	11.16	10.29	7.87
19) CAPITAL WORK IN PROGRESS	13.93	183.04	53.99	142.98	—	—	—	—	142.98	13.93
TOTAL	2178.61	364.64	56.83	2486.42	954.28	154.69	0.76	1108.21	1378.21	1224.33
PREVIOUS YEAR	1972.57	467.60	261.56	2178.61	815.83	138.45	—	954.28	1224.33	—

** Pattern & Dices includes Rs 6.62 lacs lying with Supplier abroad

28th Annual Report 2010-2011

	As at	(Rs. in Lacs)
	<u>31. 03. 2011</u>	<u>31. 03. 2010</u>
5. INVESTMENTS (AT COST)		
Quoted (Long Term)		
700 Fully paid Equity Shares of Rs.10/- each, at a premium of Rs.21/- each in Punjab National Bank.	<u>0.22</u>	<u>0.22</u>
Market Value Rs. 854105/- (Previous year Rs. 709100/-)		
6. INVENTORIES (As taken, valued and certified by the Management)		
Finished Goods	890.98	532.73
Raw Materials	231.57	250.72
Consumable Stores, Spares and Power & Fuels	89.46	61.70
Packing Materials	<u>21.51</u>	<u>21.68</u>
	<u>1233.52</u>	<u>866.83</u>
7. SUNDRY DEBTORS		
Unsecured Considered Good :		
More than Six months	326.02	101.97
Other Debts	<u>1661.94</u>	<u>1589.11</u>
	<u>1987.96</u>	<u>1691.08</u>
8. CASH & BANK BALANCES		
Cash in hand (As certified by the Management)	7.48	7.88
Balances with Scheduled Banks		
On Current Accounts	24.59	29.00
Fixed Deposits (lying with Bank)	79.57	102.99
Interest accrued but not due on above	13.32	8.27
Margin Money	0.60	-
	<u>125.56</u>	<u>148.14</u>
9. OTHER CURRENT ASSETS		
UNSECURED CONSIDERED GOOD		
Export Incentive Receivable	226.88	140.18
Cenvat & Service Tax Receivable	218.88	178.14
Input Tax Credit Receivable (VAT)	787.14	663.48
Other Receivable	15.17	-
	<u>1248.07</u>	<u>981.80</u>
10. LOANS & ADVANCES		
UNSECURED CONSIDERED GOOD		
Advances recoverable in cash or in kind or for the value to be received	155.20	110.99
Advance & Self Assessment Income Tax	287.55	304.46
Advance Fringe Benefit Tax	5.41	9.93
Tax Deducted at Source	9.07	9.76
Income Tax Refund Receivable	6.97	6.97
Security Deposit	36.10	35.74
Prepaid Expenses	-	0.46
Advances to Staff	<u>6.76</u>	<u>5.92</u>
	<u>507.06</u>	<u>484.23</u>

(Rs. in Lacs)

	<u>As at</u> <u>31. 03. 2011</u>	<u>As at</u> <u>31. 03. 2010</u>
11. CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors :		
For Goods Supplied	1434.33	612.54
For Expenses	275.85	213.65
Bank Overdrafts	65.21	48.14
Creditors for Capital Goods	4.99	33.92
Unclaimed Dividend	12.88	13.04
Advance from Customer	5.00	5.00
	<u>1798.26</u>	<u>926.29</u>
B. PROVISIONS		
Provision for Contingencies [See Note (xii) of Sch-19]	50.00	50.00
For Income Tax	296.00	305.42
“ Fringe Benefit Tax	5.41	9.93
“ Gratuity	27.22	24.53
“ Leave Encashment	2.26	2.19
“ Proposed Dividend	13.83	20.74
“ Dividend Distribution Tax	2.24	3.44
	<u>396.96</u>	<u>416.25</u>
12. MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Deferred Revenue Expenditure	—	0.96
	—	<u>0.96</u>
	For 2010-2011	For 2009-2010
13. SALES		
Export	5944.90	5347.63
Less : Freight	<u>110.91</u>	<u>86.83</u>
Local	—	—
	<u>5964.45</u>	<u>5368.12</u>
14. OTHER INCOME		
Export Incentives	411.39	334.27
Liability No Longer Required Written Back	20.43	24.14
Interest [Gross (TDS Rs. 0.18 lacs)]	3.45	1.86
Interest Subsidy	15.17	—
Dividend	0.08	0.21
Others	14.69	26.14
	<u>465.21</u>	<u>386.62</u>

28th Annual Report 2010-2011

	(Rs. in Lacs)	
	<u>For</u>	<u>For</u>
	<u>2010-2011</u>	<u>2009-2010</u>
15. MANUFACTURING EXPENSES		
Raw Materials Consumed :		
Opening Stock	250.72	323.83
Add : Purchases (Net)	<u>3968.50</u>	<u>2707.67</u>
	4219.22	3031.50
Less : Closing Stock	<u>231.57</u>	<u>250.72</u>
Consumable Stores & Spares Consumed	419.38	342.49
Power & Fuel	611.41	461.49
Other Manufacturing Expenses	97.85	93.14
Clearing & Forwarding Import	1.30	1.93
Customs Duty	0.20	2.54
Conversion Charge	5.18	32.59
Factory Rent	4.32	4.32
Carriage Inwards	90.26	57.99
Pollution Control Expenses	9.41	0.30
Purchase Tax	9.11	1.42
Repairs & Maintenance :		
To Machinery & Others	60.49	40.22
To Shed & Godown	<u>31.77</u>	<u>16.09</u>
Patterns & Dices Written Off	<u>16.73</u>	<u>19.92</u>
	<u>5345.06</u>	<u>3855.22</u>
16. ADMINISTRATIVE, SELLING & OTHER EXPENSES		
Clearing & Forwarding Expenses (Export) (Including Carriage Out)	88.41	73.19
Repairs & Maintenance		
To Other Assets	27.42	23.08
Rates & Taxes	9.56	6.93
Commission	39.21	46.06
Insurance	1.20	1.69
Packing Charge	125.78	79.15
Directors Remuneration	19.62	12.32
Auditors Remuneration	2.55	2.55
Exchange Rate Difference	21.92	6.44
Directors Meeting Fees	3.90	2.45
Inspection Service Charges	42.37	39.63
Discount Allowed	4.09	—
Office Rent	9.00	9.00
Loss on Sale of Fixed Assets	0.82	—
Sundry Debit Balance Written Off	7.63	14.21
Miscellaneous Expenses	<u>190.78</u>	<u>155.79</u>
	<u>594.26</u>	<u>472.49</u>

	(Rs. in Lacs)	
	<u>2010-2011</u>	<u>2009-2010</u>
17. SALARIES, WAGES & OTHER EMPLOYEES BENEFITS		
Salaries	158.68	120.91
Wages	391.46	232.41
Bonus to Staff & Contractors	18.47	14.81
ESI Contribution	8.66	8.22
Workmen & Staff Welfare Expenses	6.43	6.36
Contribution to PF and other Funds	22.48	19.07
Gratuity	5.45	4.46
	<u>611.63</u>	<u>406.24</u>
18. INTEREST, FINANCE CHARGES ETC.		
Interest :		
To Bank (Net)	190.15	154.88
To Bank on Term Loan	13.10	19.23
To Others	—	0.18
Bank Charges	50.81	40.69
Export Guarantee Fees	28.00	18.23
Finance Charges	28.24	12.92
	<u>310.30</u>	<u>246.13</u>
19. NOTES ON ACCOUNTS		

i) Estimated amount of contracts remaining to be executed on Capital Account is Rs. 103.79 Lacs (Net of advance of Rs. 34.60 lacs) (Previous year Rs.53.33 lacs, net of advance Rs. 14.67 lacs).

ii) Contingent liability not provided for in respect of :

	(Rs. in lacs)	
	<u>2011</u>	<u>2010</u>
a. Outstanding Bank Guarantee	44.90	20.02
b. Disputed Income Tax Penalty for the assessment year 2003-04	12.75	12.75
c. Disputed Duty & Penalty under Central Excise Law	86.56	86.56
d. Departmental appeals before the Income Tax Appellate Tribunal for the assessment years 2000-2001, 2001-2002 & 2002 -2003	136.99	—

iii) Charge of hypothecation over Current Assets & Raw Materials procured under letter of credit in favour of bankers has been created for letter of credit issued. Aggregate value of such letter of credit outstanding as on 31st March 2011 is Rs. 512.59 lacs. (Previous Year Rs.107.77 lacs).

iv) The Company, in respect of its claim for refund of Input Tax Credit amounting to Rs.106.03 lacs for the Financial Year 2005-06 is filing a revision petition u/s 87 of the VAT Act, 2003 against the Appellate Authority's order dt. 25.03.2011, rejecting the appeal. The Company has filed an appeal before Joint Commissioner of Sales Tax , Kolkata (South) Circle against the assessment order dt. 14.06.2010 for the financial year 2007-08 in respect of rejection of claim for refund of Input Tax Credit amounting to Rs. 162.21lacs , the appeal is still pending. Claims for the refund of Input Tax Credit in respect of other financial years are at various stages of adjudication with the Sales Tax Department . The Company is hopeful about their early recovery, since it has

been advised by its lawyer that the said claims are worked out and made in conformity and compliance with the stipulated rules and procedures. During the current financial year the company has received provisional refund of Input Tax Credit amounting to Rs.39.03 lacs, which constitutes 50% of the amount of accepted claims for the financial year 2009-2010 against submission of Indemnity Bond equivalent to the amount of claim.

- v) The Additional Commissioner of Central Excise, Kol-II and Haldia Commissionerate have raised two separate demands with penalty aggregating to Rs. 136.56 lacs out of which Rs. 50.00 lacs was paid in the financial year 2007-08. The Company had filed Appeals against the above demands before the Commissionerate (Appeal - I & II) of Central Excise Kolkata which are still pending.

vi) **Gratuity and Other Post-Employment Benefit Plans :**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The Company also provides Leave Encashment Benefit to employees, whereby unutilised leave is carried forward and eligible for encashment upon retirement / termination.

The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account and amounts recognised in the Balance Sheet for the respective plans.

Profit and Loss Account

Net employee benefit expense (recognised in Employee Cost)

	2010-11		2009-10	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	(Rs.in Lacs)			
Current Service Cost	3.96	0.72	3.99	0.62
Interest Cost	2.02	0.18	1.91	0.16
Expected return on plan assets	-	-	-	-
Curtailment Cost / (Credit)	-	-	-	-
Settlement Cost / (Credit)	-	-	-	-
Amortization of Past Service Cost	-	-	-	-
Actuarial Losses / (Gains)	(0.54)	1.21	(1.43)	0.98
Total Expenses recognised in the statement of Profit & Loss	5.44	2.11	4.47	1.76

	2010-11		2009-10	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	(Rs. in Lacs)			
Present Value of Defined Benefit Obligation	27.22	2.26	24.53	2.19
Fair Value of Plan Assets	-	-	-	-
Funded Status [Surplus/(Deficit)]	(27.22)	(2.26)	(24.53)	(2.19)
Effect of Balance Sheet Asset Limit	-	-	-	-
Unrecognised Past Service Costs	-	-	-	-
Net Asset/(Liability) recognised in Balance Sheet	(27.22)	(2.26)	(24.53)	(2.19)

Changes in the present value of defined benefit obligation are as follows:

	(Rs. in Lacs)			
	2010-11		2009-10	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Opening defined benefit obligation	24.53	2.19	26.33	1.98
Current Service Cost	3.96	0.72	3.99	0.62
Interest Cost	2.02	0.18	1.91	0.16
Curtailment Cost / (Credit)	-	-	-	-
Settlement Cost / (Credit)	-	-	-	-
Employee Contribution	-	-	-	-
Plan Amendments	-	-	-	-
Acquisitions	-	-	-	-
Actuarial (gains)/Losses	(0.54)	1.21	(1.43)	0.98
Benefits Paid	(2.75)	(2.04)	(6.27)	(1.55)
Closing defined benefit obligation	27.22	2.26	24.53	2.19

Change in the fair value of Plan Assets are as follows:

	(Rs. in Lacs)			
	2010-11		2009-10	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Opening fair value of plan assets	-	-	-	-
Actual return on plan assets	-	-	-	-
Actual Company Contributions	2.75	2.04	6.27	1.55
Employee Contributions	-	-	-	-
Benefits paid	(2.75)	(2.04)	(6.27)	(1.55)
Closing fair value of plan assets	-	-	-	-

The principal assumptions are the (1) discount rate & (2) Salary increase.

The discount rate should be based upon the market yields available on Government bonds at the accounting date with a term that matches that of the liabilities and the salary increase should take account of inflation, seniority, promotion and other relevant factors.

The financial assumptions employed for the calculations are as follows:

	2010-11		2009-10	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Discount Rate per annum compounded	8.25%	8.25%	7.50%	7.50%
Rate of increase in salaries	5.00%	5.00%	5.00%	5.00%
Expected Average remaining working lives of employees (years)	20.92	21.00	21.86	20.43

Scheme is not funded through any trust fund and therefore no assumption regarding expected rate of return on assets is applicable.

28th Annual Report 2010-2011

Amount for the current period are as follows:

	(Rs. in Lacs)			
	2010-11		2009-10	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Defined benefit obligation	27.22	2.26	24.53	2.19
Plan Assets	-	-	-	-
Surplus / (deficit)	(27.22)	(2.26)	(24.53)	(2.19)

The above informations and data are certified by the actuary .

- vii) In view of insufficient information from the suppliers regarding their status as Micro, Small and Medium Enterprises, the amount remaining unpaid to such undertakings could not be ascertained for separate disclosure in our accounts.
- viii) In the opinion of the Board, all Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the accounts.
- ix) Advance includes Rs. 14.86 lacs due from M/s. The Salkia Industrial Works. Legal suit has been filed by the Company for the recovery of this due. The suit is still pending .
- x) Exchange rate difference includes exchange loss of Rs. 3.55 lacs (P.Y. - Rs. 0.12 lacs) arising out of cancellation of forward contract.
- xi) In the opinion of the Board there is no loss on account of impairment of any asset during the year.
- xii) **Provision for contingencies**

	(Rs. in Lacs)
	Excise
Opening Balance as at 01.04.2010	50.00
Amount provided during the year	-
Amount utilised against provision	-
Unused amount released during the year	-
Closing Balance as at 31.03.2011	50.00

- xiii) Borrowing cost capitalised during the year Rs. 5.10 lacs (Previous Year Rs. NIL).
- xiv) The following table shows the distribution of the Company's consolidated sales by geographical market, regardless of where the goods were produced.

Sales Revenue By Geographical Market

	(Rs. in Lacs)	
	2010-11	2009-10
Export Sales (Net of Freight)		
USA	2121.32	1783.85
Middle East Asia	2038.54	2653.81
Europe	1674.13	823.14
Domestic Sale	130.46	107.32

The Company has common cost, fixed assets and liabilities for all geographical segments, hence separate figures for segment results, fixed assets/addition to fixed assets and liabilities have not been furnished.

- xv) The major components of the Deferred tax assets/liabilities based on the tax effect on the timing difference as at 31st March, 2011 are as under:

Deferred Tax Liability/(Assets)

	(Rs. in Lacs)	
	<u>2011</u>	<u>2010</u>
Depreciation	99.93	100.81
Deferred Revenue Expenditure	–	0.30
Provision for Leave Encashment	(0.70)	(0.68)
Provision for Gratuity	(8.41)	(7.58)
Net Deferred Tax Liability/(Assets)	<u>90.82</u>	<u>92.85</u>

- xvi) Related party disclosures and transactions:

Sl. No.	Name	Relationship	Nature of Transaction	(Rs. in Lacs)	
				Amount (Rs.)	Out- standing (Rs.)
1.	Mr. R.P.Sehgal	Managing Director	Remuneration	8.28	0.57
			Meeting fees	0.67	
2.	Mr. Suvabrata Saha Jt.	Managing Director	Remuneration	8.26	0.64
			Meeting fees	0.43	
3.	North American Cast Iron Products, INC.	Enterprises over which key Management personnel are able to exercise significant influence.	Export Sale	910.98	731.91
			Import	5.45	–
			Interest charged for additional credit period	14.01	14.01

Note : The company extended additional credit terms to North American Cast Iron Products Inc. for which an interest of Rs.14.01 lacs has been charged.

- xvii) Forward exchange contract outstanding as on 31.03.2011 to cover foreign currency risk of a firm commitment or a highly probable forecast transactions, marked to market at the year end works out to a loss of Rs. 6.11 lacs (Previous Year - NIL), which has not been provided in the books of accounts in view of expected favourable exchange rate after the Balance Sheet date.
- xviii) On 23.11.2010 a vessel carrying six containers of our exported goods collided with another vessel at Hooghly river passage and suffered damages. The company estimated liability of Rs.11.61 lacs on that account and provided the same in the books of accounts.

	31st March 2011	(Rs. in Lacs) 31st March 2010
xix) Computation of Net Profit u/s 349 of the Companies Act, 1956		
Profit before tax as per P & L a/c	(274.82)	23.15
Add - Directors Remuneration	19.62	12.32
Directors Meeting Fees	2.45	2.45
	<u>(252.75)</u>	<u>37.92</u>
Managerial Remuneration u/s 198 of the Companies Act, 1956		
Salaries & Allowances	17.26	10.68
Perquisites & Benefits	2.36	1.64
	<u>19.62</u>	<u>12.32</u>
xx) Auditor's Remuneration Includes		
Audit Fees	2.22	2.22
Tax Audit Fees	0.33	0.33
	<u>2.55</u>	<u>2.55</u>
xxi) Additional information pursuant to the provisions of paragraphs 3, 4c, 4d of Part-II of schedule VI of the Companies Act, 1956	Unit	
A. Class of goods, capacity, production & purchases		
1. Class of Goods Manufactured		
a) Castings		
b) M.S.Product		
2. Capacity		
a) Licenced	N.A	N.A
i) Castings		
ii) M.S.Product		
b) Installed (As certified by the Management)		
i) Castings	M.T. 20000	17500
ii) M.S. Product	M.T. N.A	N.A
3. Actual Production		
a) Castings (including process from outside NIL)	M.T. 14301	11225
b) M.S.Product (Process from outside)	M.T. 26	209
4. Purchases		
a) Castings	M.T. 2	363
b) M.S.Product	M.T. 6	14

		(Rs. in Lacs)				
		31st March 2011		31st March 2010		
<u>Unit</u>	<u>Qty</u>	<u>FOB Value (Rs.)</u>		<u>Qty</u>	<u>FOB Value (Rs.)</u>	
B. Turnover						
a) Castings	M.T.	13497	5947.55	12663	5153.28	
b) M.S.Product	M.T.	32	16.90	252	214.84	

C. Raw Material Consumed
(Including Wastage)

	2 0 1 1				2 0 1 0		
	<u>Unit</u>	<u>Qty</u>	<u>%</u>	<u>Value</u>	<u>Qty</u>	<u>%</u>	<u>Value</u>
<u>Indigenous</u>							
Pig Iron	M.T.	8123	50.95	1958.94	5883	46.11	1114.92
Scrap & Skull	M.T.	7661	48.05	1842.74	5437	42.62	1221.38
M.S.Materials	M.T.	23	0.14	12.21	232	1.82	71.97
Others		-		147.20	-		134.17
<u>Imported</u>							
Scrap	M.T.	136	0.85	26.56	1206	9.45	238.34
		15943	100.00	3987.65	12758	100.00	2780.78

Note : Others items are numerous and none of these individually exceeds 10% of the total consumption.

D. STOCK

	Opening Stock			Closing Stock	
	<u>Unit</u>	<u>Qty</u>	<u>Value</u>	<u>Qty</u>	<u>Value</u>
Castings	M.T.	1438	482.67	2244	889.58
		(2513)	(902.86)	(1438)	(482.67)
M.S.Product	M.T.	96	51.62	2	1.40
		(125)	(76.04)	(96)	(51.62)
Pig Iron & Scrap	M.T.	973	223.98	837	210.09
		(1565)	(305.55)	(973)	(223.98)
M.S.Materials	M.T.	14	4.81	1	0.46
		(40)	(12.79)	(14)	(4.81)
Others			21.92		21.01

- Note :
- 1) Out of above closing stock 1.164 M.T. (P.Y.- 13.888 M.T.) of M.S.Materials lying with processors.
 - 2) Out of above closing stock 1.500 M.T. (P.Y.- 0.578 M.T.) of Castings lying with processors.
 - 3) Out of above closing stock 301.631 M.T. (P.Y. - 69.083 M.T.) of Castings are in transit.
 - 4) Out of above closing stock 84.020 M.T . (P.Y. - Nil) of Raw Materials are in transit.

- 5) Stocks are Net off shortage / excess which are not material.
- 6) Others items are numerous and none of these individually exceeds 10% of the total consumption.
- 7) 93.810 MT of M.S. Product has been scrapped and used as Raw Materials for production of Castings during the year.

	<u>31st March</u>	<u>(Rs. in Lacs)</u> <u>31st March</u>
	2011	2010
E. <u>Earning in Foreign Exchange during the year</u>		
Exports of goods (F.O.B.)	5804.79	5142.79
Overseas Trading	29.20	118.01
F. <u>Expenditure in Foreign Currency</u>		
a. Travelling & Conveyance	19.83	15.39
b. Certification Charge	5.82	1.65
c. Commission	39.21	46.06
d. Foreign Bank Charge	11.62	12.78
e. Grinding, Painting & Finishing	—	11.91
G. <u>CIF Value of Import</u>		
Raw Material & Consumable	51.92	25.42
Overseas Trading	25.25	104.70

xxii) **Significant accounting policies**

A. Accounting Convention

The accounts are prepared on accrual basis under the historical cost convention in accordance with the provisions of the Companies Act, 1956 and mandatory accounting standards issued by the Companies Accounting Standards Rules, 2006 except otherwise stated.

B. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. The cost represents the cost of acquisition inclusive of duties, taxes, incidental expenses, erection / commissioning expenses and interest etc. upto the date the assets is put to use.

The assets are assessed for possible impairment at Balance Sheet dates based on external and internal sources of information. Impairment of losses if any are recognised as an expense in the Profit & Loss Account.

Software expected to provide future enduring economic benefits is stated at cost less amortization.

All upgradation / enhancements are charged off as revenue expenditure unless they bring significant additional benefits.

C. Depreciation/Amortisation

- i) Depreciation is provided at the rates specified in the schedule XIV to the Companies Act, 1956, in respect of the fixed assets at the factory in Uluberia on Straight Line Method and on remaining assets on Written Down Value Method. However, depreciation on Factory Shed & Tubewell located at the factory at Liluah has been provided @ 13.91% (WDV) & Depreciation on Factory Shed located at Uluberia has been provided @ 4.75% (SLM) which is not lower than the depreciation stipulated in Schedule XIV of the Companies Act, 1956.
- ii) Depreciation on fixed assets added / disposed off during the year is provided on prorata basis.
- iii) Assets costing less than or equal to Rs.5,000/- are fully charged to revenue in the year of purchase.
- iv) Intangible Assets
Computer Software is normally amortised over its useful life of 3 years as estimated by the management.
Computer Software acquired but not found suitable is fully amortised in the year of acquisition.
Licences representing right to use are amortised over a period of 3 years.

D. Investments

Long term investments are carried at cost less provisions for permanent diminution in value of such investments.

E. Inventories

- i) Raw material, Consumable stores, Spares, Power & Fuels and Packing Materials are valued at cost on FIFO basis. Inventories of Rejected/ Scrapped finished goods are treated as raw materials and valued at current Market Price.
- ii) Finished goods are valued at cost or net realisable value whichever is lower. Cost is determined on average cost basis including proportionate fixed manufacturing overheads based on actual capacity.

F. Foreign Currency Transaction (other than for Fixed Assets)

Export Sales in Foreign Currency are accounted at the Exchange rates prevailing on the date of negotiation of export documents by bank or at the exchange rates under the related forward exchange contracts. Receivables & Payables not covered by forward exchange contracts are translated at year end exchange rates and the Profit / Loss so determined and also the realised exchange gains/ losses are recognised in Profit / Loss Account.

G. Cenvat

Excise Duty and Service Tax credit on purchase of Raw Materials, Consumables and Capital Goods and on services received are deducted from the cost of such materials, capital goods and services.

H. **Value Added Tax**

Input tax credit on purchase of Raw Materials, Consumables and Capital Goods are deducted from the cost of such materials and capital goods.

I. **Export Benefit**

Export benefits under Duty Entitlement Pass Book scheme, based on shipment date, are accounted when there is no reasonable doubt of collection.

J. **Gratuity & Encashment of Leave**

The Gratuity and Encashment of Leave are provided on Actuarial Valuation as required under AS-15 (revised).

K. **Bonus**

Bonus is provided for on the basis of liability incurred.

L. **Taxes on Income**

In case of the Company, provision for tax is made for current and deferred taxes. Current Tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing differences, which are capable of reversal in subsequent period are recognized using tax rates and tax laws, which have been enacted or substantially enacted. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets will be realized. In case of carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is "virtual certainty" that such deferred tax assets can be realized against future taxable profits.

M. **Interest and Finance Charges**

Interest and Finance Charges charged to Profit & Loss Account include interest and bank charges on bank borrowings, short term and long term and discounting of inland, foreign L/Cs including those in favour of bankers. Interest on negotiation of Purchases/Sale documents are charged to revenue account on the basis of recognition of Purchases/Sale. Interest attributable to qualifying assets only in specific borrowing cases are capitalised as cost of assets.

N. **Purchases**

Purchases are inclusive of carriage charged by the suppliers in their invoices.

O. **Segment Reporting Policies**

The Company is engaged in the manufacture of Castings & M.S. products which are subject to the same risk & returns and hence there is one primary segment. The analysis of geographical segments is based on the areas in which the Company operates.

P. **Subsidies**

Government grants and subsidies are accounted when there is no reasonable doubt of collection.

xxiii) Previous year's figures have been regrouped / revised wherever found necessary.

PART IV

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details :-

Registration No. : 35920 State Code : 21
Balance Sheet Date : 31.03.2011

II. Capital Raised During the year : NIL

III. Position of Mobilisation and Deployment of funds : (Amount Rs.in thousands)

Total Liabilities 648060 Total Assets 648060

Source of Funds

Paid Up Capital 34572 Reserve & Surplus 81608
Secured Loan 304883 Deferred Tax Liability 9082

Application of Funds

Net Fixed Assets 137821 Investments 22
Net Current Assets 292302 Miscellaneous Expenditure -

IV. Performance of Company

Turnover 642966 Total Expenditure 670448
Profit / (Loss) Before Tax (27482) Profit / (Loss) After Tax (27068)
Earning Per Share (7.83) Dividend Rate 4%

V. Generic Name of Products / Services of the Company

(as per monetary terms)

Item Code No : 732599
(ITC Code) : 730890
Product Description : Cast Iron Castings.
M.S.Product

On behalf of the Board

R.P.SHEGAL
(Managing Director)

Place : Kolkata
Dated : 17th August, 2011

Sanjay Agarwal
(Company Secretary)

Suvabrata Saha
(Jt. Managing Director)

28th Annual Report 2010-2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	(Rs. in Lacs)			
	<u>AS ON 31.03.2011</u>		<u>AS ON 31.03.2010</u>	
	Rs.	Rs.	Rs.	Rs.
A. NET PROFIT BEFORE TAXES & EXTRA-ORDINARY ITEM	(263.21)		23.15	
Adjustments for :-				
Depreciation	154.69		138.46	
Interest & Finance Charges	231.49		187.21	
Foreign Exchange (Gain)/Loss	0.64		(0.02)	
Loss on Sale of Fixed Assets	0.82		-	
Deferred Revenue Expenditure Written Off	0.96		1.16	
Dividend	(0.08)		(0.21)	
	<u>125.31</u>		<u>349.75</u>	
Operating Profit before working Capital Changes		125.31		349.75
Adjustments for Inventories	(366.69)		473.17	
Trade & Other Receivable	(608.10)		(714.08)	
Trade Payable	<u>875.17</u>	(99.62)	<u>151.67</u>	(89.24)
Cash Generated from Operations		25.69		260.51
Direct Taxes Paid		(10.29)		6.28
Cash Flow Before Extra Ordinary Item		35.98		254.23
Extra Ordinary Item		(11.61)		-
Increase in Trade Payable for Extra Ordinary Item		11.61		-
Net Cash Flow from Operating Activities (A)		35.98		254.23
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets including Capital Work in Progress	(310.65)		(206.04)	
Sale of Fixed Assets	1.25		-	
Secured Loan for Capital Goods	79.53		(51.27)	
Creditors for Capital Goods	(28.93)		17.76	
Dividend	0.08		0.21	
Net Cash Flow From Investing Activities (B)		(258.72)		(239.34)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Secured Borrowings (Incl.Interest)	439.49		170.24	
Interest & Finance Charges	(231.40)		(187.07)	
Dividend & Dividend Distribution Tax Paid Thereon	(24.34)		(21.65)	
Net Cash Flow From Financing Activities (C)		183.75		(38.48)
Net Increase in Cash & Cash Equivalents (A+B+C)		(38.99)		(23.59)
Cash & Cash Equivalents as at 01.04.2010/01.04.2009		99.98		123.57
Cash & Cash Equivalents as at 31.03.2011/31.03.2010		60.99		99.98

Notes to the Cash Flow Statement

Cash & Cash Equivalents included in the Cash Flow Statements comprises the following items

Cash in Hand & Balances with Banks	60.35	100.00
Effect of Exchange Rate Change	0.64	(0.02)
	<u>60.99</u>	<u>99.98</u>

On behalf of the Board

R.P.SEHGAL

(Managing Director)

Sanjay Agarwal

(Company Secretary)

Suvobrata Saha

(Jt. Managing Director)

Place : Kolkata
Dated : 17th August, 2011



PROXY FORM

CARNATION INDUSTRIES LIMITED

Registered Office : 28/1, Jheel Road, Salkia, Howrah - 711 106

Reg. Folio No. No. of Shares held

I/We..... of.....

being a Member/Members of the above named Company, hereby appoint.....

..... or failing him/her.....

of

as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at "Sarat Sadan", 5, Mahatma Gandhi Road, Howrah - 711 101, on Friday, 23rd September, 2011 at 10.00 a.m. and at any adjournment thereof.

Affix
Revenue
Stamp of
Re. 1/-

Signed this day of 2011

Signature

Note : The Proxy must reach the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

This attendance slip filled in and signed in accordance with the specimen signature registered with the Company, to be handed over before the meeting.



ATTENDANCE SLIP

CARNATION INDUSTRIES LIMITED

Registered Office : 28/1, Jheel Road, Salkia, Howrah - 711 106

Name of the Member(s).....

Member/s Folio Number Number of Shares held.....

Name of Proxy (in Block Letters)

(To be filled in if the Proxy attends instead of the Member/s)

I hereby record my presence at the Annual General Meeting at "Sarat Sadan", 5, Mahatma Gandhi Road, Howrah - 711 101 on Friday, 23rd September, 2011 at 10.00 a.m.

To be signed at the time of
handing over this slip

Member's / Proxy's Signature

As no extra copy of this attendance slip will be available, Members are therefore requested to bring it with them positively.

Book Post



If undelivered please return to :

CARNATION INDUSTRIES LTD.

222, A.J.C. Bose Road, Kolkata - 700 017, INDIA