

# 29th Annual Report 2011-12



**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, Liluah  
P.O. 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

**AUDITORS**

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

**BANKERS**

State Bank of Hyderabad  
Punjab National Bank

**CORPORATE & HEAD OFFICE**

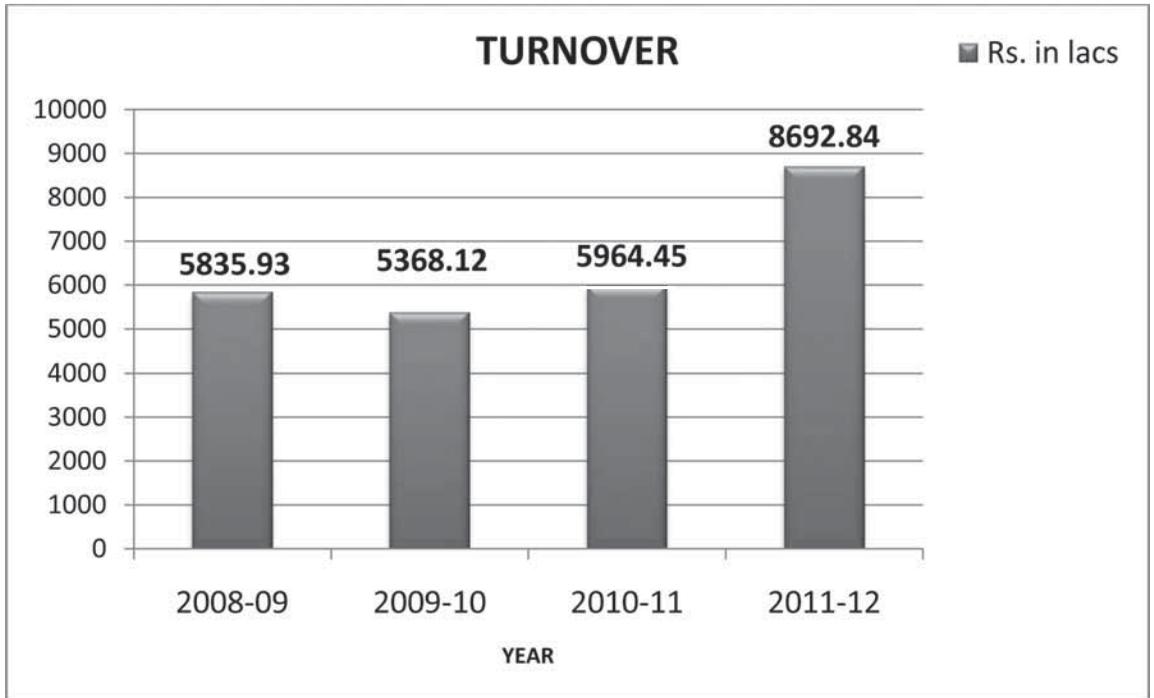
222, A. J. C. Bose Road  
1<sup>st</sup> Floor, Room No. 4 & 5  
Kolkata – 700 017  
Phone : (033) 2290 2256 / 2287 8229  
Fax : (033) 2287 9938  
E-Mail: info@carnationindustries.com  
Website: www.carnationindustries.com

**REGISTRAR & SHARE TRANSFER  
AGENT**

R&D Infotech Private Limited  
7A, Beltala Road, 1st Floor  
Kolkata – 700 026  
Phone: (033) 2419 2641, 2419 2642  
Email : rd.infotec@vsnl.net

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**Mr. R.P. Sehgal, Managing Director, Carnation Industries Ltd., with Hon'ble Chief Minister Smt. Mamata Banerjee and Minister of Commerce and Industries, Govt. of West Bengal, Shri Partha Chatterjee, at the Howrah Foundry Park.**



**Mr. Suvabrata Saha, Jt. Managing Director**

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## NOTICE

Notice is hereby given that the 29<sup>th</sup> Annual General Meeting of the Members of Carnation Industries Limited will be held on Friday, the 28<sup>th</sup> September, 2012 at 10.00 A.M. at "SARAT SADAN", 5, Mahatma Gandhi Road, Howrah- 711 101 to transact the following business:

### ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at March 31, 2012, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. B. K. Datta, 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 appointed as 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."

By Order of the Board of Directors

Place: Kolkata  
Date : 29th May, 2012

**SANJAY AGARWAL**  
(Company Secretary)

## NOTES

1. **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.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, September 24, 2012 to Friday, September 28, 2012 (both days inclusive).
3. 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/ Registrars and Transfer Agents, M/s R&D Infotech Private Limited.

4. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
5. 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.
6. The facility for making nomination is available to the members in respect of the shares held by him.
7. 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.
8. 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.
9. 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 31.3.2005, to the Investor Education Protection Fund (the IEPF) established by the Central Government.
10. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in the 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 Private Limited.

By Order of the Board of Directors

Place: Kolkata  
Date : 29th May, 2012

**SANJAY AGARWAL**  
(Company Secretary)

Details of Directors seeking Re-Appointment at the 29th Annual General Meeting

Name of the Director	Mr. B. K. Datta
Date of Birth	30.11.1945
Date of Appointment	28.10.2009
Qualification	First Class Post Graduate (M.SC) from Kalyani University, West Bengal
Expertise in Functional Areas	Has rich experience in the Banking Sector. Former Executive Director of UCO Bank.
Directorship held in other Public Companies (excluding Foreign Companies and section 25 Companies)	Budge Budge Company Limited
Memberships / Chairmanships of Committee of Public Companies (includes only Audit Committee and Share-holders' / Investors' Grievance Committee)	Budge Budge Company Limited - Member Audit Committee
Shareholding in the Company (No. of Equity Shares)	Nil

## **DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Your Directors are pleased to present the 29th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2012.

### **FINANCIAL PERFORMANCE**

			(Rs. in Lakhs)	
	<u>For Year Ended</u> <u>31.3.2012</u>		<u>For Year Ended</u> <u>31.03.2011</u>	
Revenue from operation and other operating revenue:				
Export Sales (Net of Freight)	8222.18		5833.99	
Domestic Sales( Net of Central Excise and Vat)	470.66		130.46	
Export Incentives	473.95		411.39	
Other Income	<u>84.54</u>	9251.33	<u>53.82</u>	6429.66
Profit before Finance Costs, Depreciation & Amortisation, Extra Ordinary Item and Tax		823.22		202.74
Finance Costs		510.85		310.30
Depreciation & Amortisation		178.23		155.65
Profit/(Loss) before extra-ordinary item and tax		134.14		(263.21)
Extra-Ordinary Item		—		11.61
Profit/ (Loss) before Tax		134.14		(274.82)
Provision for Tax				
— Current		29.44		—
— Deferred		14.19		(2.03)
— Tax for Earlier Year		(2.93)		(2.11)
Profit/(Loss) after Tax		93.44		(270.68)
Surplus brought forward from previous year		(75.26)		211.49
Available Surplus/ (Deficit) for Appropriation		18.18		(59.19)
Proposed Dividend		20.74		13.83
Dividend Distribution Tax		3.36		2.24
Surplus/(Deficit) carried to Balance Sheet		(5.92)		(75.26)

**FINANCIAL REVIEW**

During the financial year ended 31st March, 2012 the Company achieved total revenue (net) from operations of Rs. 9251.33 lacs against Rs 6429.66 lacs in the previous year registering a growth of about 45%. The profit before depreciation, financial costs and extra ordinary item was Rs 823.22 lacs against Rs 202.74 lacs in the previous year recording an improvement in excess of 300% (3 times). The profit before tax was Rs 134.14 lacs (2010-2011, loss of Rs 274.82 lacs) and the profit after tax was Rs 93.44 lacs (2010-2011, loss of Rs 270.68 lacs) representing significant turnaround in operation. This turnaround was mainly attributable to improved export earnings and a favourable exchange rate.

**FINANCE**

Finance costs during the year under review was higher than the previous year, based on higher trade receivables as well as higher sales achieved. The extremely slow progress in the refund of input tax credit compounded the liquidity problems further. This level of increase in working capital required additional fund and non fund based borrowing which resulted in the higher finance cost. The Management has taken appropriate steps to ensure expeditious realization of the input tax credit and the export proceeds.

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

	<b>For Year Ended 31.03.2012</b>	<b>(Rs. in Lakhs) For Year Ended 31.03.2011</b>
Earnings - Export (F.O.B.)	8222.18	5833.99
<b>Expenditure</b>		
Travelling & Conveyance	21.59	19.83
Certification Charge	-	5.82
Commission	42.67	39.21
Foreign Bank Charges	31.18	11.62
Raw Material & Other Purchase(CIF Value)	110.45	77.17
Licence Fees	5.08	-
Inspection Charges	2.93	-

**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 of castings per annum, second only to China which produces approx 32 million tons of castings. However the strange fact is that 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 THREATS**

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 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. Basic raw materials prices remained steady over a range, however the Ferro Alloys and Foundry Chemicals registered an increase.

### **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 of newer products and customers. We also have plans to do major business in domestic market. This should bring an additional growth in the turnover. The US Dollar and Euro are expected to remain buoyant and market volumes are expected to improve compared to the previous year. The Export incentive through DEPB was discontinued w.e.f. October, 2011 and the drawback scheme has come in place and is operating well.

### **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 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 in operation now. 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 6% (Re. 0.60 per Equity Share of Rs.10 each) for the financial year ended March 31, 2012 subject to the approval of the shareholders at the Annual General Meeting. The dividend together with the dividend tax will entail a cash outlay of Rs. 24.10 lakhs.

### **POLLUTION CONTROL MEASURES**

The pollution control measures 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**

In terms of section 256 of the Companies Act, 1956, Mr. B. K. Datta retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

### **STATUTORY AUDITORS**

M/s Jain & Bagaria, Chartered Accountants, Statutory Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as statutory auditors for the financial year 2012-13. The Company has received a letter dated 29th May, 2012 from them to the effect that their re-appointment, if made, would be within the limit prescribed under section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of section 226 of the Companies Act, 1956.

### **COST AUDITOR**

Mr. Deep Narayan Bandyopadhyay, Cost Accountant, was re-appointed as Cost Auditor for the financial year 2012-13 to conduct cost audit of the accounts maintained by the Company, in respect of the various products prescribed under Cost Audit Rules, 2011.

### **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 unit 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 by 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 as amended from time to time 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 Exchanges, 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 31.03.2012 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 of Director

**R. P. Sehgal**  
(Managing Director)

**Arun Kumar Bose**  
(Whole time Director)

Place: Kolkata  
Date : 29th May, 2012

## **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 31st March, 2012 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 31st March, 2012 the Company had seven Board Meetings which were held on 11.5.2011, 4.8.2011, 17.8.2011, 14.11.2011, 6.2.2012, 8.2.2012 and 28.3.2012. 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, last Annual General Meeting(AGM) and number of other Directorships and Chairmanships/Memberships of Committees of each Director in various companies:**

Name of the Director	Category of Directorship	Attendance of meetings during 2011-2012		No. of other Directorship(s)*	No. of Membership(s)/ Chairmanship(s) of Board Committees in other Companies**
		Board Meetings	Last AGM		
Mr. Shekhar Chatterjee	(Chairman) Non-Executive Independent Director	7	Yes	-	-
Mr. Ravindra Prakash Sehgal	Managing Director	7	Yes	-	-
Mr. Suvabrata Saha	Joint Managing Director	6	Yes	-	-
Mr. Arun Kumar Bose	Whole-time Director	6	Yes	-	-
Mr. R. C. Jha	Non- Executive Independent Director	6	No	-	-
Mr. B. K. Datta	Non- Executive Independent Director	7	Yes	1	1

\* 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.

Video/Tele-conferencing facilities are also used to facilitate directors travelling abroad or present at other locations to participate in the meetings.

### **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:

(Amount in Rs.)

<b>Name of Director</b>	<b>Designation</b>	<b>Salary</b>	<b>Perquisites &amp; Allowances</b>	<b>Total</b>
Ravindra Prakash Sehgal	Managing Director	720000	323538	1043538
Suvabrata Saha	Joint Managing Director	720000	341857	1061857
Arun Kumar Bose	Whole time Director	302654	42000	344654

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, 2012 are as follows:**

<b>Name</b>	<b>No. of shares held</b>
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 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 including Cost Auditors and the fixation of audit fees.
3. Approval of payment to Statutory Auditors including Cost Auditors for any other services rendered by them.
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 Directors' 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 Auditors including Cost Auditors and Internal Auditors, 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 Auditors including Cost Auditors 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 Internal Auditors.

**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 31<sup>st</sup> March, 2012, five Audit Committee meetings were held on 11.5.2011, 4.8.2011, 16.8.2011, 14.11.2011 and 8.2.2012. The gap between any two consecutive meetings did not exceed four months. The attendance of the members at these meetings are as follows:

<b>Name of the Member</b>	<b>No. of meetings held</b>	<b>No. of meetings attended</b>
Mr. Shekhar Chatterjee, Chairman	5	5
Mr. R. C. Jha	5	4
Mr. B. K. Datta	5	5

**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, two meetings were held on 13.12.2011 and 6.2.2012.

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

Name of the Member	No. of meetings held	No. of meetings attended
Mr. R. C. Jha, Chairman	2	2
Mr. R. P. Sehgal	2	2

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 2011-12.

### 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 Tuesday, August 16, 2011 are 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
2010-11	23.09.11	Sarat Sadan 5, M. G. Road Howrah – 711 101	10.00 A.M.
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	10.00 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 transaction, 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.

- 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 : 28.9.2012 at 10.00 A.M.  
Venue : SARAT SADAN  
5, M.G. Road  
Howrah – 711 101

**ii) Financial Calendar 2012-2013(Tentative)**

Financial Reporting for the quarter ended 30.06.2012	:	2 <sup>nd</sup> week of August, 2012
Financial Reporting for the quarter ended 30.09.2012	:	1 <sup>st</sup> /2 <sup>nd</sup> week of November, 2012
Financial Reporting for the quarter ended 31.12.2012	:	1 <sup>st</sup> /2 <sup>nd</sup> week of February, 2013
Financial Reporting for the quarter ended 31.03.2013	:	1 <sup>st</sup> /2 <sup>nd</sup> week of May, 2013

**iii) Date of Book Closure**

The Share Transfer Books and Register of Members of the Company will remain closed from Monday, 24<sup>th</sup> September, 2012 to Friday, 28<sup>th</sup> September, 2012 (both days inclusive).

**iv) Dividend Payment Date**

The dividend warrants will be posted on and from October 6<sup>th</sup>, 2012.

**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 2012-13 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
The 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		BSE Sensex	
	High (Rs.)	Low (Rs.)	High	Low
April'11	15.65	12.96	19811.14	18976.19
May'11	16.18	12.46	19253.87	17786.13
June'11	14.20	12.02	18873.39	17314.38
July'11	13.45	11.13	19131.70	18131.86
August'11	14.16	11.44	18440.07	15765.53
September'11	15.89	10.28	17211.80	15801.01
October'11	17.59	10.75	17908.13	15745.43
November'11	19.20	15.20	17702.26	15478.69
December'11	19.00	16.00	17003.71	15135.86
January'12	17.95	10.70	17258.97	15358.02
February'12	12.83	10.75	18523.78	17061.55
March'12	13.20	10.50	18040.69	16920.61

**viii) Registrar and Share Transfer Agent :**

R & D Infotech Pvt. Ltd.  
7A, Beltala Road, 1<sup>st</sup> Floor  
Kolkata – 700 026  
Tel : (033) 24192641/24192642  
Email : rd.infotech@vsnl.net

**ix) Share Transfer System:**

The Company's shares, which are in compulsory dematerialised (demat) list, are transferable through the depository system. Shares in physical form are processed by the Registrar and Transfer Agent, R & D Infotech Pvt. Ltd. The share transfers are processed within a period of 15 days from the date of receipt of the transfer documents.

**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 transactions 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 31st March, 2012 :**

<b>No. of Share</b>	<b>No. of Share holders</b>	<b>% of Share Holders</b>	<b>Total No. of shares</b>	<b>% of Total holding</b>
1-500	1628	83.06	298006	8.62
501-1000	171	8.73	145523	4.21
1001-2000	65	3.32	99275	2.87
2001-3000	33	1.68	86524	2.50
3001-4000	18	0.92	64245	1.86
4001-5000	9	0.46	42200	1.22
5001-10000	10	0.51	80569	2.33
10001-50000	14	0.71	365691	10.58
50001-100000	2	0.10	108894	3.15
100001 and above	10	0.51	2166233	62.66
	1960	100.00	3457160	100.00

**xiii) Shareholding Pattern as on 31st March, 2012 :**

	<b>(Holding %)</b>
Promoter & Promoter Group	44.34
Bodies Corporate	3.81
NRIs	3.10
Mutual Funds & UTI	1.39
Public Shareholding	47.36
	<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 31st March, 2012.

**xv) Plant Location**

- a) 10, Station Road, Liluah, Howrah.
- b) 23, 'O' Road, Belgachia, Howrah.
- c) Mauza Rauta, Kaijuri, 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, 2012, 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 31<sup>st</sup> March, 2012.

For Carnation Industries Ltd.

Place: Kolkata  
Date : 29th May, 2012

**R. P. Sehgal**  
*(Managing Director)*

**CERTIFICATE**

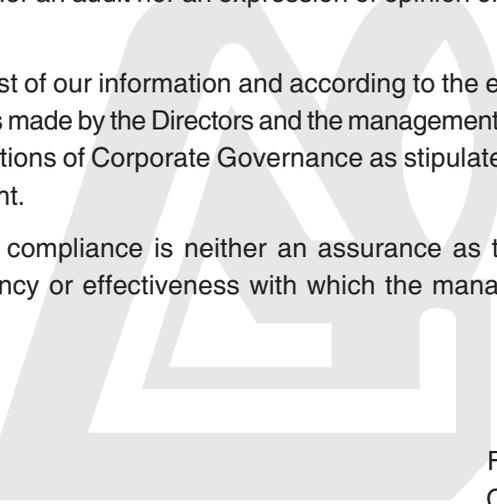
**To the Members of  
CARNATION INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by Carnation Industries Limited, for the year ended on 31st March, 2012 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: 29th May, 2012

**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 31<sup>st</sup> March, 2012 and also the statement of Profit & Loss and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements and notes thereon are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and notes thereon 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 and notes thereon are free of material misstatement. An audit includes examining, on test basis, evidences supporting the amounts and disclosures in the financial statements and notes thereon. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements 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. During the current year the Central Government has 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. The Company has commenced the maintenance of such records which are in progress.
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:

<b>Name of the Status</b>	<b>Nature of Dues</b>	<b>Amount (Rs.)</b>	<b>Forum Where Dispute is Pending</b>
West Bengal Value Added Tax Act, 2003	Value Added Tax for the Financial Year 2007-2008	100.13 lacs	Before the West Bengal Commercial Taxes Appellate & Revisional Board.
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 in excess of fifty percent of its net worth at the end of the financial year and it has not incurred any cash losses in the current financial year but has incurred cash losses 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 Banks or financial institutions.
16. The term loans were applied for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the Company has temporarily used funds raised on short term basis 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, statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Balance Sheet, statement of Profit & Loss 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 31<sup>st</sup> March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2012 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 financial statements, read together with Notes to Accounts, 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 31<sup>st</sup> March, 2012.
  - b) In the case of the statement of Profit & Loss of the PROFIT 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.

For **JAIN & BAGARIA**  
Chartered Accountants

27/8A, Waterloo Street  
Kolkata – 700 069  
Dated: 29<sup>th</sup> May, 2012

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

**BALANCE SHEET AS AT 31ST MARCH, 2012**

Particulars	Note No.	(Rs. in Lacs)	
		As at 31.03.2012	As at 31.03.2011
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' Funds</b>			
a) Share Capital	3	345.72	345.72
b) Reserves and Surplus	4	869.35	1215.07
			800.01
			1145.73
<b>2. Non-Current Liabilities</b>			
a) Long-Term Borrowings	5	121.64	128.13
b) Deferred Tax Liabilities (Net)	6	105.01	90.82
c) Long-Term Provisions	7	83.17	309.82
			79.48
			298.43
<b>3. Current Liabilities</b>			
a) Short-Term Borrowings	8	3283.39	2918.45
b) Trade Payables	9	3088.61	1690.72
c) Other Current Liabilities	10	127.91	44.58
d) Short-Term Provisions	11	50.97	6550.88
			21.48
			4675.23
<b>TOTAL</b>		<b>8075.77</b>	<b>6119.39</b>
<b>ASSETS</b>			
<b>1. Non-Current Assets</b>			
a) Fixed Assets	12		
i) Gross Carrying Amount		2886.14	2486.42
ii) Less : Depreciation		1286.44	1108.21
iii) Net Carrying Amount		1599.70	1378.21
b) Non-Current Investments	13	0.22	0.22
c) Long Term Loans and Advances	14	52.34	50.96
<b>2. Current Assets</b>			
a) Inventories	15	1420.86	1233.52
b) Trade Receivables	16	3432.78	1987.96
c) Cash and Bank Balances	17	75.96	60.35
d) Short Term Loans and Advances	18	131.39	160.10
e) Other Current Assets	19	1362.52	1248.07
<b>TOTAL</b>		<b>8075.77</b>	<b>6119.39</b>

**Summary of Significant Accounting Policies 2**

The accompanying notes are an integral part of the financial statements.

As per our report annexed of even date

For **JAIN & BAGARIA**

Chartered Accountants

On behalf of the Board

**J.K.Jain**

(Partner)

Membership No. 050019

FRN : 310045E

27/8A, Waterloo Street

Kolkata - 700 069

Dated : 29th May, 2012

**Sanjay Agarwal**

(Company Secretary)

**R. P. SEHGAL**

(Managing Director)

**Arun Kumar Bose**

(Whole time Director)

**STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2012**

(Rs. in Lacs)

Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
<b>INCOME :</b>			
I. Revenue From Operations	20	9242.70	6410.96
II. Other Income	21	8.63	18.70
III. <b>Total Revenue ( I + II )</b>		9251.33	6429.66
<b>IV. Expenses :</b>			
Manufacturing Expenses	22	7133.70	5345.06
Purchases of Finished/Semi Finished Goods	23	46.35	34.22
(Increase)/Decrease in Stock of Finished Goods	24	(231.90)	(358.25)
Employee Benefits Expenses	25	791.34	611.63
Finance Costs	26	510.85	310.30
Depreciation and Amortization Expense		178.23	155.65
Other Expenses	27	688.62	594.26
<b>Total Expenses</b>		9117.19	6692.87
V. <b>Profit Before Exceptional and Extraordinary Items and Tax : (III - IV)</b>		134.14	(263.21)
VI. <b>Exceptional Items</b>		-	-
VII. <b>Profit before extraordinary items and tax :</b>		134.14	(263.21)
VIII. <b>Extraordinary Items</b>		-	11.61
IX. <b>Profit Before Tax (VII - VIII)</b>		134.14	(274.82)
<b>X. Tax expenses :</b>			
(1) Current Tax		29.44	-
(2) Tax adjustments for earlier years		(2.93)	(2.11)
(3) Deferred Tax		14.19	(2.03)
		40.70	(4.14)
XI. <b>Profit(Loss) for the period from Continuing Operations (IX-X)</b>		93.44	(270.68)
XII. <b>Profit (Loss) for the period</b>		93.44	(270.68)
Basic & diluted earning per Equity Share of Rs.10/- each		2.70	(7.83)

**Summary of Significant Accounting Policies 2**

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 : 29th May, 2012

**Sanjay Agarwal**  
(Company Secretary)

On behalf of the Board

**R. P. SEHGAL**  
(Managing Director)

**Arun Kumar Bose**  
(Whole time Director)

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012**

	(Rs. in Lacs)	
	<u>31 March, 2012</u>	<u>31 March, 2011</u>
<b>Cash flow from operating activities</b>		
Profit before tax from continuing operations	134.14	(263.21)
Profit before tax	<u>134.14</u>	<u>(263.21)</u>
Depreciation/amortization on continuing operation	178.23	155.65
Loss/(profit) on sale of fixed assets	–	0.82
Unrealized foreign exchange loss / (gain)	(0.05)	0.64
Interest expense	394.44	231.49
Dividend income	(0.15)	(0.08)
Operating profit before working capital changes movements in working capital :	<u>706.61</u>	<u>125.31</u>
Increase/(Decrease) in trade payables	1397.89	830.28
Increase/(Decrease) in long-term provisions	3.69	2.76
Increase/(Decrease) in other current liabilities	50.68	20.51
Decrease/(Increase) in trade receivables	(1444.82)	(296.88)
Decrease/(Increase) in inventories	(187.34)	(366.69)
Decrease/(Increase) in long-term loans and advances	(1.38)	(0.36)
Decrease/(Increase) in short-term loans and advances	25.62	(44.59)
Decrease/(Increase) in other current assets	<u>(129.86)</u>	<u>(248.52)</u>
Cash generated from/(used in) operations	421.09	21.82
Direct taxes paid (net of refunds)	(4.97)	(10.29)
Extra Ordinary Item	–	(11.61)
Increase in Trade Payable for Extra Ordinary Item	–	11.61
<b>Net cash flow from/(used in) operating activities (A)</b>	<u>426.06</u>	<u>32.11</u>
<b>Cash flow from Investing activities</b>		
Purchase of fixed assets , including intangible assets, CWIP and capital advances	(399.72)	(310.65)
Proceeds from sale of fixed assets	–	1.25
Creditors for Capital Goods	26.10	(28.93)
Dividend received	0.15	0.08
<b>Net cash flow from/(used in) Investing activities (B)</b>	<u>(373.47)</u>	<u>(338.25)</u>

	(Rs. in Lacs)	
	<u>31 March, 2012</u>	<u>31 March, 2011</u>
<b>Cash flow from Financing activities</b>		
Proceeds from long-term borrowings	77.77	139.39
Repayment of long-term borrowings	(73.62)	(59.86)
Proceeds from short-term borrowings	354.31	439.49
Repayment of short-term borrowings	-	-
Interest paid	(388.03)	(209.78)
Dividends paid on equity shares	(20.60)	(20.90)
Tax on equity dividend paid	(2.24)	(3.44)
<b>Net cash flow from/(used in) Financing Activities (C)</b>	<u>(52.41)</u>	<u>284.90</u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	0.18	(21.24)
Effect of exchange differences on cash & cash equivalents held in foreign currency	0.05	(0.64)
Cash and cash equivalents at the beginning of the year	(33.14)	(11.26)
<b>Cash and cash equivalents at the end of the year</b>	<u>(32.91)</u>	<u>(33.14)</u>
<b>Components of cash and cash equivalents</b>		
Cash in Hand	9.04	7.48
With banks- on current account	2.18	11.72
Temporary Bank Overdraft	(57.14)	(65.21)
- Unpaid dividend accounts*	13.01	12.87
- Unpaid matured deposits*	-	-
- Unpaid matured debentures*	-	-
<b>Total cash and cash equivalents (note 17)</b>	<u>(32.91)</u>	<u>(33.14)</u>

Summary of significant accounting policies 2

\* The company can utilize these balances only toward settlement of the respective unpaid dividend, unpaid matured deposits and unpaid matured debenture liabilities .

As per our report annexed of even date  
For **JAIN & BAGARIA**  
Chartered Accountants

On behalf of the Board

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

**R. P. SEHGAL**  
(Managing Director)

27/8A, Waterloo Street  
Kolkata - 700 069  
Dated : 29th May, 2012

**Sanjay Agarwal**  
(Company Secretary)

**Arun Kumar Bose**  
(Whole time Director)

**NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012**

**1. General Information**

Carnation Industries Limited (the Company) is a public company domiciled and incorporated under the provisions of the Indian Companies Act, 1956. The company is engaged in the manufacture of foundry based engineering goods namely Cast Iron, Ductile Iron and Mild Steel Castings predominantly for export and also for domestic market having plants at various locations in West Bengal. Its shares are listed on two stock exchanges in India (Bombay Stock Exchange and The Calcutta Stock Exchange).

**2. Summary of 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.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule-VI to the Companies Act, 1956 based on the time taken between the acquisition of the assets for processing and their realisation in cash and cash equivalents and the nature of other receivables, the Company expects its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

**B. Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation. The cost represents the cost of acquisition inclusive of duties & taxes which are not recoverable, 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 lossess 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. Impairment**

Cash generating units/assets are assessed for possible impairment at Balance Sheet date based on external and internal sources of information. Impairment losses, if, any are recognised as an expenses in statement of Profit and Loss Account.

**E. Investments**

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

**F. 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.

**G. 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.

**H. 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, consumables, capital goods and services.

**I. 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.

**J. Export Benefit**

Export benefits are recognised in the year of export when there is no reasonable doubt of collection.

**K. Gratuity & Encashment of Leave**

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

**L. Bonus**

Bonus is provided for on the basis of liability incurred.

**M. 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 under the applicable tax laws and tax rates. Deferred tax assets and liabilities arising on account of timing differences, which are capable of reversal in subsequent period are recognised under the tax laws and tax rates which have been or subsequently 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 realised against future taxable profits.

**N. 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.

**O. Purchases**

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

**P. 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.

**Q. Subsidies**

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

**NOTES FORMING PART OF THE BALANCE SHEET FOR THE YEAR  
ENDED 31st March, 2012**

	<u>As at 31.03.2012</u>	<u>(Rs. in Lacs) As at 31.03.2011</u>
<b>3. SHARE CAPITAL</b>		
<b>Authorised</b>		
7000000 Equity Shares of Rs.10/- each	700.00	700.00
<b>Issued, Subscribed and Paid-Up</b>		
3457160 Equity Shares of Rs. 10/ each fully paid up (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 Profits.)	345.72	345.72
	<u>345.72</u>	<u>345.72</u>

**a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period:**

Equity Shares	<b>(No. &amp; Rs. in Lacs)</b>			
	<b>As at 31.03.2012</b>		<b>As at 31.03.2011</b>	
	<u>No.</u>	<u>Rs.</u>	<u>No.</u>	<u>Rs.</u>
At the Beginning of the period	34.57	345.72	34.57	345.72
Outstanding at the end of the period	34.57	345.72	34.57	345.72

**b) Terms/rights attached to equity shares**

The Company has only one class of equity shares having face value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31st March, 2012 the amount of per share dividend recognised as distributable to equity shareholders is Re: 0.60 (31st March, 2011: Re. 0.40). The total dividend appropriation for the year ended 31-03-2012 amounted to Rs. 24.10 lacs including corporate dividend tax of Rs. 3.36 lacs.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Details of shareholders holding more than 5% shares in the Company

	As at 31.03.2012		As at 31.03.2011	
	No.	% holding	No.	% holding
Equity Shares of Rs.10/ each fully paid				
Ravindra Prakash Sehgal	563240	16.292%	563240	16.292%
Suvobrata Saha	548348	15.861%	548368	15.862%
Madan Mohan Kundu	399110	11.544%	399110	11.544%
Sanatan Kundu	397960	11.511%	397960	11.511%
Sumati Sehgal	175050	5.063%	175050	5.063%

	As at 31.03.2012		(Rs. in Lacs) As at 31.03.2011	
<b>4. RESERVES &amp; SURPLUS</b>				
<b>Capital Reserves</b>		48.84		48.84
<b>Securities Premium Reserves</b>		306.30		306.30
<b>General Reserves</b>		493.24		493.24
<b>Export Business Reserves</b>		26.89		26.89
<b>Statement of Profit &amp; Loss Account</b>				
Opening Balance	(75.26)		211.49	
Surplus/(Deficit) for the period	93.44	18.18	(270.68)	(59.19)
Less: Appropriations				
Proposed Equity Dividend		20.74		13.83
Dividend Distribution Tax thereon		3.36		2.24
		<u>(5.92)</u>		<u>(75.26)</u>
Total Reserves and Surplus		<u>869.35</u>		<u>800.01</u>

**5. LONG-TERM BORROWINGS**

**From 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, including for short term borrowings).

	As at 31.03.2012		(Rs. in Lacs) As at 31.03.2011	
Term Loan	208.08		198.74	
Less: Current maturity classified as Short Term borrowings	87.22	120.86	77.50	121.24
Car Loan	6.88		12.08	
Less : Current maturity classified as Short Term borrowings	6.10	0.78	5.19	6.89
		<u>121.64</u>		<u>128.13</u>

a) Repayment terms for Rupee Term Loans are as follows :

Bank	31-03-2012 Rs. in Lacs	31-03-2011 Rs. in Lacs	Repayments Terms
State Bank of Hyderabad	29.74	59.74	Repayable in twenty equal quarterly instalments. Interest is payable monthly @ 15% pa.
State Bank of Hyderabad	121.81	121.52	Repayable in sixteen equal quarterly instalments. Interest is payable monthly @ 15% pa.
Punjab National Bank	7.48	17.48	Repayable in twenty equal quarterly instalments. Interest is payable monthly @ 16.75% pa.
Punjab National Bank	49.05	–	Repayable in sixteen equal quarterly instalments. Interest is payable monthly @ 16.75% pa.
ICICI Bank (Car Loans)	6.88	12.08	Repayable in thirty six equal monthly instalments including interest at the rate 9.26% pa and 9.49% pa.

6. DEFERRED TAX LIABILITIES (NET)

The major components of the Deferred tax assets/liabilities based on the tax effect on the timing difference as at 31st March, 2012 are as under:

Deferred Tax Liability/(Assets)	As at 31.03.2012	(Rs. in Lacs) As at 31.03.2011
Timing differences for Depreciation	115.77	99.93
Provision for Leave Encashment	(0.88)	(0.70)
Provision for Gratuity	(9.88)	(8.41)
<b>Net Deferred Tax Liability/(Assets)</b>	<b>105.01</b>	<b>90.82</b>

7. LONG TERM PROVISIONS

Provision for Contingencies	50.00	50.00
Provision for Gratuity	30.47	27.22
Provision for Leave Encashment	2.70	2.26
	<b>83.17</b>	<b>79.48</b>

	(Rs. in Lacs) Excise
a) <b>Provision for contingencies</b>	
Opening Balance as at 01.04.2011	50.00
Amount provided during the period	–
Amount utilised against provision	–
Unused amount released during the period	–
Closing Balance as at 31.03.2012	50.00

**8. SHORT-TERM BORROWINGS**

**From 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 including for long term borrowings.)

	<b>As at 31.03.2012</b>	<b>(Rs. in Lacs) As at 31.03.2011</b>
<b>Loans Repayable on Demand</b>		
Packing Credit	1593.68	1458.50
Bills Purchase Account	1196.92	927.26
Standby Line of Credit	399.47	450.00
<b>Other Loans</b>		
Term Loan (Repayable within 12 months)	87.22	77.50
Car Loan (Repayable within 12 months)	6.10	5.19
	<u>3283.39</u>	<u>2918.45</u>
<b>9. TRADE PAYABLES</b>		
For Goods Supplied	2695.89	1434.33
For Expenses	392.72	256.39
	<u>3088.61</u>	<u>1690.72</u>

- a) 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.
- b) 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, 2012 is Rs.617.77 lacs. (Previous Year Rs. 512.59 lacs.)

	<b>As at 31.03.2012</b>	<b>(Rs. in Lacs) As at 31.03.2011</b>
<b>10. OTHER CURRENT LIABILITIES</b>		
Unclaimed Dividend	13.02	12.88
Interest accrued and due on Bank borrowing	28.12	21.71
Loss on unexpired Forward Exchange Contract	50.65	-
Advance from Customer	5.03	5.00
Creditors for Capital Goods	31.09	4.99
	<u>127.91</u>	<u>44.58</u>
<b>11. SHORT TERM PROVISIONS</b>		
For Income Tax (Net)	26.87	-
” Fringe Benefit Tax	-	5.41
” Proposed Dividend	20.74	13.83
” Dividend Distribution Tax	3.36	2.24
	<u>50.97</u>	<u>21.48</u>

**12. FIXED ASSETS (AT COST)**

**(Rs. in Lacs)**

DESCRIPTION	GROSS CARRYING AMOUNT			DEPRECIATION / AMORTISATION			NET CARRYING AMOUNT			
	AS AT 31/03/2011	ADDITIONS DURING THE YEAR	SALES/ ADJUST- MENTS	AS AT 31/03/2012	UP TO 31/03/2011	PROVIDED DURING THE YEAR	SALES/ ADJUST- MENTS	UP TO 31/03/2012	AS AT 31/03/2011	AS AT 31/03/2012
<b>Tangible Assets</b>										
1) LAND	162.91	1.44	-	164.35	-	-	-	-	164.35	162.91
2) OFFICE PREMISES	32.09	-	-	32.09	9.74	0.91	-	10.65	21.44	22.35
3) PLANT & MACHINERIES	853.19	249.88	-	1103.07	482.97	63.96	-	546.93	556.15	370.22
4) FURNITURE & FIXTURES	31.05	0.86	-	31.91	21.80	1.69	-	23.49	8.42	9.25
5) MOTOR CAR	52.36	-	-	52.36	26.71	6.32	-	33.03	19.33	25.65
6) MOTOR CYCLE	2.15	-	-	2.15	1.46	0.16	-	1.62	0.53	0.69
7) OFFICE EQUIPMENTS	15.81	0.26	-	16.07	7.55	0.93	-	8.48	7.60	8.26
8) <b>Others :</b>										
i) TYPE WRITERS	0.48	-	-	0.48	0.44	0.01	-	0.45	0.03	0.04
ii) AIR CONDITIONERS	8.10	-	-	8.10	3.91	0.44	-	4.35	3.75	4.19
iii) COMPUTERS P.C.	61.18	2.95	-	64.13	41.27	8.07	-	49.34	14.79	19.91
iv) FACTORY SHEDS	620.80	59.19	-	679.99	226.62	29.98	-	256.60	423.39	394.18
v) PATTERN & DICES	330.12	84.25	-	414.37	197.98	35.47	-	233.45	180.92	132.14
vi) TOOLS & IMPLEMENTS	24.74	2.35	-	27.09	6.74	1.32	-	8.06	19.03	18.00
vii) ELECTRIC INSTALLATION	80.01	68.36	-	148.37	42.72	5.87	-	48.59	99.79	37.29
viii) TUBEWELL	6.97	-	-	6.97	3.33	0.23	-	3.56	3.41	3.64
ix) POLLUTION CONTROL EQUIPMENT	11.07	1.03	-	12.10	1.01	0.54	-	1.55	10.55	10.06
<b>INTANGIBLE ASSETS</b>										
1) ERP SOFTWARE	28.96	-	-	28.96	22.80	6.15	-	28.95	0.01	6.16
2) COMPUTER SOFTWARE	-	27.12	-	27.12	-	9.04	-	9.04	18.08	-
3) LICENCE	21.45	-	-	21.45	11.16	7.15	-	18.31	3.14	10.29
<b>CAPITAL WORK IN PROGRESS</b>										
TOTAL	142.98	212.16	310.13	45.00	-	-	-	-	45.00	142.98
PREVIOUS YEAR	2486.42	709.85	310.13	2886.14	1108.21	178.24	0.00	1286.45	1599.70	1378.21
	2178.61	564.64	56.63	2486.42	954.28	154.69	0.76	1108.21	1378.21	-

Note : 1) In the opinion of the Board there is no loss on account of impairment of any asset during the period.

2) Pattern & Dice includes Rs 6.62 lacs lying with Supplier abroad .

3) Borrowing cost capitalised during the period Rs.17.55 lacs (Previous Year Rs. 5.10 lacs). The Company capitalised this borrowing cost in the capital work in progress (CWIP).

	<b>As at 31.03.2012</b>	<b>(Rs. in Lacs) As at 31.03.2011</b>
<b>13. NON-CURRENT INVESTMENT</b>		
<b>Quoted (Long Term)</b>		
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. 648235/- (Previous year Rs. 854105/-)		
<b>14. LONG TERM LOANS AND ADVANCES</b>		
(Unsecured Considered Good)		
Advances recoverable in cash or in kind or for the value to be received	14.86	14.86
Security Deposit	37.48	36.10
	<u>52.34</u>	<u>50.96</u>
a) Advance represents due from M/s. The Salkia Industrial Works. Execution case has been filed by the company on failure by the party to pay as per the Court order.		
<b>15. INVENTORIES</b> (As taken, valued and certified by the management, for mode of valuation refer Note No. 2F)		
Finished Goods [Refer Note No.24(a)]	1122.88	890.98
Raw Materials [Refer Note No.24(b)]	179.56	231.57
Consumable Stores, Spares and Power & Fuels	99.00	89.46
Packing Materials	19.42	21.51
	<u>1420.86</u>	<u>1233.52</u>
<b>Note :</b>		
1) Out of the above, Raw Materials of Rs.11.52 lacs are in transit. (Previous Year - Rs.16.80 lacs)		
2) Out of the above, Consumable Stores of Rs.0.59 lacs are in transit.(Previous Year - Rs.Nil)		
3) Out of the above, Finished Goods of Rs. 154.99 lacs are in transit.(Previous Year - Rs.115.70 lacs)		
4) Out of the above, Finished Goods of Rs.0.06 lacs lying with processors.(Previous Year - Rs.0.82 lacs)		
<b>16. TRADE RECEIVABLES</b>		
Unsecured Considered Good :		
More than Six months from the due date	267.20	47.41
Other Debts	3165.58	1940.55
	<u>3432.78</u>	<u>1987.96</u>

- a) Export proceeds in foreign exchange of Rs.222.89 lacs could not be realised within 12 month from the dates of export as at the end of the year. However, substantial amounts out of this have since been realised.

	As at 31.03.2012	(Rs. in Lacs) As at 31.03.2011
<b>17. CASH AND BANK BALANCES</b>		
<b>Cash and Cash Equivalents</b>		
Cash In hand (As certified by Management)	9.04	7.48
Balances with Banks		
On Current Accounts (Including balances of Rs.13.01 lacs Lying in dividend account) (Previous year Rs.12.87 lacs)	(41.95)	(40.62)
	<u>(32.91)</u>	<u>(33.14)</u>
<b>Other Bank Balances</b>		
Fixed Deposits (lying with Bank as security deposit) (Including fixed deposits of Rs.29.06 lacs with more than 12 months maturity)	89.44	79.57
Interest accrued but not due on above Margin Money	19.43	13.32
	—	0.60
	<u>75.96</u>	<u>60.35</u>
<b>18. SHORT TERM LOANS &amp; ADVANCES</b>		
<b>UNSECURED CONSIDERED GOOD</b>		
Advances recoverable in cash or in kind or for the value to be received	67.10	90.34
Advance,Self Assessment Tax & TDS (Net)	—	0.62
Advance Fringe Benefit Tax	—	5.41
Income Tax Refund Receivable	9.91	6.97
Advances to Staff	4.38	6.76
Other Advance [Refer Note No.28(v)]	50.00	50.00
	<u>131.39</u>	<u>160.10</u>
<b>19. OTHER CURRENT ASSETS</b>		
<b>UNSECURED CONSIDERED GOOD</b>		
Export Incentive Receivable	199.99	226.88
Cenvat & Service Tax Receivable	195.50	218.88
Input Tax Credit Receivable [Refer Note No.28(iv)]	951.47	787.14
Other Receivable	15.56	15.17
	<u>1362.52</u>	<u>1248.07</u>

**NOTES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2012**

	<b>As at</b>		<b>(Rs. in Lacs)</b>	
	<b>31.03.2012</b>		<b>As at</b>	
			<b>31.03.2011</b>	
<b>20. REVENUE FROM OPERATION</b>				
Export Sale	8365.05		5944.90	
Less : Freight	<u>142.87</u>	8222.18	<u>110.91</u>	5833.99
Domestic Sale (Net of Central Excise / Vat)		<u>470.66</u>		<u>130.46</u>
		8692.84		5964.45
<b>Other operating revenue</b>				
Export Incentives		473.95		411.39
Discounts		25.31		12.10
Others		<u>50.60</u>		<u>23.02</u>
		<u>9242.70</u>		<u>6410.96</u>
<b>Details of Products Sold</b>				
a) Castings		8664.28		5947.55
b) M.S.Product		<u>28.56</u>		<u>16.90</u>
		<u>8692.84</u>		<u>5964.45</u>
<b>21. OTHER INCOME</b>				
Interest	0.22		1.96	
Dividend	0.15		0.08	
Others	<u>8.26</u>	8.63	<u>16.66</u>	18.70
<b>22. MANUFACTURING EXPENSES</b>				
<b>Raw Materials Consumed</b>				
Opening Stock	231.57		250.72	
Add : Purchases (Net of Central Excise and VAT)	<u>5303.61</u>		<u>3968.50</u>	
	5535.18		4219.22	
Less : Closing Stock	<u>179.56</u>	5355.62	<u>231.57</u>	3987.65
Consumable Stores & Spares Consumed		609.09		419.38
Power & Fuel		802.95		611.41
Other Manufacturing Expenses		117.52		114.58
Clearing & Forwarding Import		4.60		1.30
Custom Duty		3.10		0.20
Conversion Charge		4.34		5.18
Factory Rent		4.32		4.32
Carriage Inward		111.33		90.26
Pollution Control Expenses		3.36		9.41
Purchase Tax		2.41		9.11
Repairs & Maintenance :				
To Machinery & Others	94.88		60.49	
To Shed & Godown	<u>20.18</u>	115.06	<u>31.77</u>	92.26
		<u>7133.70</u>		<u>5345.06</u>

	As at 31.03.2012	(Rs. in Lacs) As at 31.03.2011
<b>a) Details of Raw Material Consumed</b> (Including Wastage)		
<b>Indigenous</b>		
Pig Iron	2445.34	1958.94
Scrap	2632.16	1842.74
M.S.Materials	3.99	12.21
Others	189.67	147.20
<b>Imported</b>		
Scrap	84.46	26.56
	<u>5355.62</u>	<u>3987.65</u>
<b>b) Details of Closing Stock of Raw Materials</b>		
<b>Raw Materials</b>		
Pig Iron & Scrap	152.50	210.09
M.S.Materials	2.99	0.46
Others	24.07	21.02
	<u>179.56</u>	<u>231.57</u>
<b>23. PURCHASE OF FINISHED/ SEMI FINISHED GOODS</b>		
Casting	33.21	28.87
M.S.Product	13.14	5.35
	<u>46.35</u>	<u>34.22</u>
<b>24. (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS</b>		
Closing Stock	1122.88	890.98
Opening Stock	890.98	532.73
	<u>(231.90)</u>	<u>(358.25)</u>
<b>a) Details of Closing Stock of Finished Goods</b>		
Casting	1121.32	889.58
M.S.Product	1.56	1.40
	<u>1122.88</u>	<u>890.98</u>

	<b>As at 31.03.2012</b>	<b>(Rs. in Lacs) As at 31.03.2011</b>
<b>25. EMPLOYEE BENEFIT EXPENSES</b>		
Salaries	191.18	158.68
Wages	524.22	391.46
Bonus to Staff & Contractors	21.71	18.47
ESI Contribution	13.04	8.66
Workmen & Staff Welfare Expenses	6.71	6.43
Contribution to PF and other Funds	27.20	22.48
Gratuity	7.28	5.45
	<b>791.34</b>	<b>611.63</b>
<b>26. FINANCE COST</b>		
Interest :		
To Bank on other than term loan (Net)	314.14	190.15
To Bank on Term Loan	17.61	13.10
To Others	1.08	-
Bank Charges	75.18	50.81
Export Guarantee Fees	41.23	28.00
Finance Charges	61.61	28.24
	<b>510.85</b>	<b>310.30</b>
<b>27. OTHER EXPENSES</b>		
Clearing & Forwarding Expenses (Export) (Including Carriage Outward)	121.67	97.66
Repairs & Maintenance		
To Other Assets	22.49	27.42
Rates & Taxes	10.34	9.56
Commission	42.67	39.21
Discount Allowed	0.71	4.09
Insurance	6.99	1.20
Packing Charge	165.20	125.78
Directors Remuneration	24.50	19.62
Auditors Remuneration	3.55	2.55
Exchange Rate Difference (Net)	15.08	21.92
Director's Meeting Fees	4.66	3.90
Inspection Service Charges	42.01	42.37
Office Rent	9.00	9.00
Loss on Sale of Fixed Assets	-	0.82
Sundry Debit Balance Written Off	18.09	7.63
Miscellaneous Expenses	201.66	193.14
	<b>688.62</b>	<b>605.87</b>

**28. OTHER NOTES**

- i) Estimated amount of contracts remaining to be executed on Capital Account is Rs.182.25 lacs (Net of advance of Rs.131.75 lacs) (Previous year Rs.103.79 lacs, net of advance Rs. 34.60 lacs.)

	<b>(Rs. in Lacs)</b>	
	<b>As at</b>	<b>As at</b>
	<b><u>31.03.2012</u></b>	<b><u>31.03.2011</u></b>
ii) Contingent liability not provided for in respect of :		
a) Outstanding Bank Guarantee	49.33	44.90
b) Disputed Duty & Penalty under Central Excise Law	86.56	86.56
c) Disputed Vat Demand for the Financial Year 2007-08	100.13	–

- iii) In view of favourable judgement by the Supreme Court the company does not envisage any liability in respect of pending departmental appeals for the assessment year 2000-2001, 2001-2002 and 2002-2003 amounting to Rs. 136.99 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 has filed 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 the West Bengal Commercial Taxes Appellate and Revisional Board for the financial year 2007-08 against the order passed by the Joint Commissioner of Sales Tax, Kolkata (South) Circle, rejecting the total claim of ITC for that year and also raised a demand for Rs.100.13 lacs. 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 expects realisation of these refund claims not later than 12 months from 31st March, 2012. The Company had also been advised by its lawyer that these claims were 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.21.84 lacs and Rs.21.01 lacs, which constitute 75% of the amount of accepted claims for the last quarter of the financial year 2009-2010 and first quarter of the financial year 2010-2011 against submission of Indemnity Bonds 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)

	(Rs. in Lacs)			
	2011-12		2010-11	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Current Service Cost	4.74	0.15	3.96	0.72
Interest Cost	2.31	0.19	2.02	0.18
Expected return on plan assets	-	-	-	-
Curtailment Cost / (Credit)	-	-	-	-
Settlement Cost / (Credit)	-	-	-	-
Amortization of Past Service Cost	-	-	-	-
Actuarial Losses / (Gains)	0.23	1.50	(0.54)	1.21
<b>Total Expenses recognised in the Statement of Profit &amp; Loss</b>	<b>7.28</b>	<b>1.84</b>	<b>5.44</b>	<b>2.11</b>

**Balance Sheet**

	(Rs. in Lacs)			
	2011-12		2010-11	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Present Value of Defined Benefit Obligation	30.47	2.70	27.22	2.26
Fair Value of Plan Assets	-	-	-	-
Funded Status [Surplus/(Deficit)]	(30.47)	(2.70)	(27.22)	(2.26)
Effect of Balance Sheet Asset Limit	-	-	-	-
Unrecognised Past Service Costs	-	-	-	-
<b>Net Asset/(Liability) recognised in Balance Sheet</b>	<b>(30.47)</b>	<b>(2.70)</b>	<b>(27.22)</b>	<b>(2.26)</b>

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

	(Rs. in Lacs)			
	2011-12		2010-11	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Opening defined benefit obligation	27.22	2.26	24.53	2.19
Current Service Cost	4.74	0.15	3.96	0.72
Interest Cost	2.31	0.19	2.02	0.18
Curtailement Cost / (Credit)	-	-	-	-
Settlement Cost / (Credit)	-	-	-	-
Employee Contribution	-	-	-	-
Plan Amendments	-	-	-	-
Acquisitions	-	-	-	-
Actuarial (gains)/Losses	0.23	1.50	(0.54)	1.21
Benefits Paid	(4.03)	(1.40)	(2.75)	(2.04)
<b>Closing defined benefit obligation</b>	<b>30.47</b>	<b>2.70</b>	<b>27.22</b>	<b>2.26</b>

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

	(Rs.in Lacs)			
	2011-12		2010-11	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Opening fair value of plan assets	-	-	-	-
Actual return on plan assets	-	-	-	-
Actual Company Contributions	4.03	1.40	2.75	2.04
Employee Contributions	-	-	-	-
Benefits paid	(4.03)	(1.40)	(2.75)	(2.04)
<b>Closing fair value of plan assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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:

	2011-12		2010-11	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Discount Rate per annum compounded	8.50%	8.50%	8.25%	8.25%
Rate of increase in salaries	5.00%	5.00%	5.00%	5.00%
Expected Average remaining working lives of employees (years)	21.68	21.64	20.92	21.00

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

Amount for the current period are as follows:

	2011-12		(Rs. in Lacs) 2010-11	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Defined benefit obligation	30.47	2.70	27.22	2.26
Plan Assets	-	-	-	-
<b>Surplus / (deficit)</b>	<b>(30.47)</b>	<b>(2.70)</b>	<b>(27.22)</b>	<b>(2.26)</b>

The above information and data are based on actuarial certification.

- vii) In the opinion of the Board, all Current Assets and Non-Current Assets 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.
- viii) The assets and liabilities which are expected to be realised and payable in the ordinary course of business not later than 12 months from the reporting date have been classified as current assets and current liabilities in the Balance Sheet. All other assets and liabilities have been classified as non-current.
- ix) Foreign Exchange loss of Rs.15.08 lacs are net of exchange loss of Rs. 50.65 lacs arising out of conversion of unexpired forward exchange contract at marked to market and Rs.70.06 Lacs (P.Y. Rs. 3.55 lacs) arising out of cancellation of forward exchange contract during the year.
- x) 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)	
	2011-12	2010-11
<b>Export Sales (Net of Freight)</b>		
USA	3099.09	2121.32
Middle East Asia	2467.61	2038.54
Europe	2655.48	1674.13
<b>Domestic Sale</b>	<b>470.66</b>	<b>130.46</b>

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.

- xi) Provision for current tax has been made on the Book Profit of the Company under Provisions of the Minimum Alternate Tax and asset in respect thereof has not been recognised.
- xii) Related party disclosures and transactions:

SL. No.	Name	Relationship	Nature of Transaction	Amount	(Rs. in Lacs) Outstanding
1.	Mr. R. P. Sehgal	Managing Director	Remuneration Meeting Fees	10.43 0.84	0.02
2.	Mr. Suvobrata Saha	Jt. Managing Director	Remuneration Meeting Fees	10.62 0.60	
3.	Bellona Stationery (P) Ltd.	Enterprises over which key Management personel and their relatives are able to exercise significant influence.	Office Rent	9.00	

Note: Based on the legal opinion obtained North American Cast Iron Products INC (NACIP) is not a related party as it is not an "Enterprise" as per the definition of the Enterprise in Rule 2(e) of the Companies Accounting Standards Rule, 2006, not requiring disclosures of transactions under Accounting Standards (AS) 18.

	(Rs. in Lacs)	(Rs. in Lacs)
xiii) Auditor's Remuneration Includes	<b>31.03.2012</b>	<b>31.03.2011</b>
Audit Fees	3.22	2.22
Tax Audit Fees	0.33	0.33
	<u>3.55</u>	<u>2.55</u>

xiv) Additional information pursuant to the provisions of paragraphs 5 of Part-II of Schedule VI of the Companies Act, 1956

	<u>31.03.2012</u>	<u>(Rs. in Lacs)</u> <u>31.03.2011</u>
<b>i) Earnings in Foreign Exchange during the year</b>		
Export of Goods (F.O.B)	8192.03	5804.79
Overseas Trading	30.15	29.20
<b>ii) Expenditure in Foreign Currency</b>		
a. Travelling & Conveyance	21.59	19.83
b. Licence Fees	5.08	–
c. Commission	42.67	39.21
d. Foreign Bank Charge	31.18	11.62
e. Inspection Charges	2.93	–
f. Certification Charge	–	5.82
<b>iii) CIF Value of Import</b>		
Raw Material, Consumable & Spares	84.31	51.92
Overseas Trading	26.14	25.25

xv) The financial statements for the year ended 31st March, 2012 have been prepared as per Revised Schedule VI under the Companies Act, 1956. Previous year figures have been reclassified / regrouped/rearranged to confirm to the current year's classification of Revised Schedule VI or otherwise wherever necessary.



**PROXY FORM  
CARNATION INDUSTRIES LIMITED**

Registered Office : 28/1, Jheel Road, Liluah, P.O. 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, 28th September, 2012 at 10.00 a.m. and at any adjournment thereof.

Signed this ..... day of ..... 2012

Signature .....

Affix  
Revenue  
Stamp of  
Re. 1/-

**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, Liluah, P.O. 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, 28th September, 2012 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