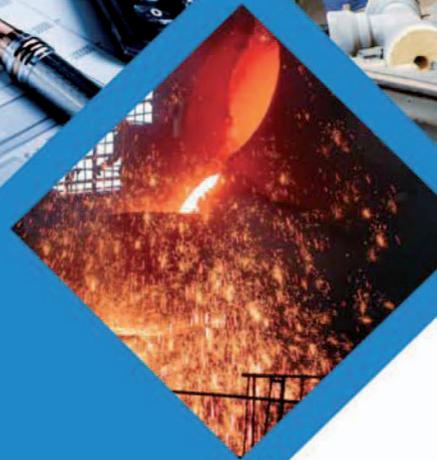


31st Annual Report 2013 - 2014



CARNATION INDUSTRIES LTD.

BOARD OF DIRECTORS

Mr. Ramesh Chandra Jha	– Chairman
Mr. Ravindra Prakash Sehgal	– Managing Director
Mr. Suvabrata Saha	– Joint Managing Director
Mr. Arun Kumar Bose	– Whole Time Director
Mr. Manoj Bose	– Director
Mr. Debajyoti Chakrabarti	– Director

REGISTERED OFFICE

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

AUDIT COMMITTEE

Mr. Ramesh Chandra Jha
Mr. Manoj Bose
Mr. Debajyoti Chakrabarti
Mr. Ravindra Prakash Sehgal

**NOMINATION & REMUNERATION
COMMITTEE**

Mr. Ramesh Chandra Jha
Mr. Manoj Bose
Mr. Debajyoti Chakrabarti

**STAKEHOLDERS RELATIONSHIP
COMMITTEE**

Mr. Ramesh Chandra Jha
Mr. Ravindra Prakash 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

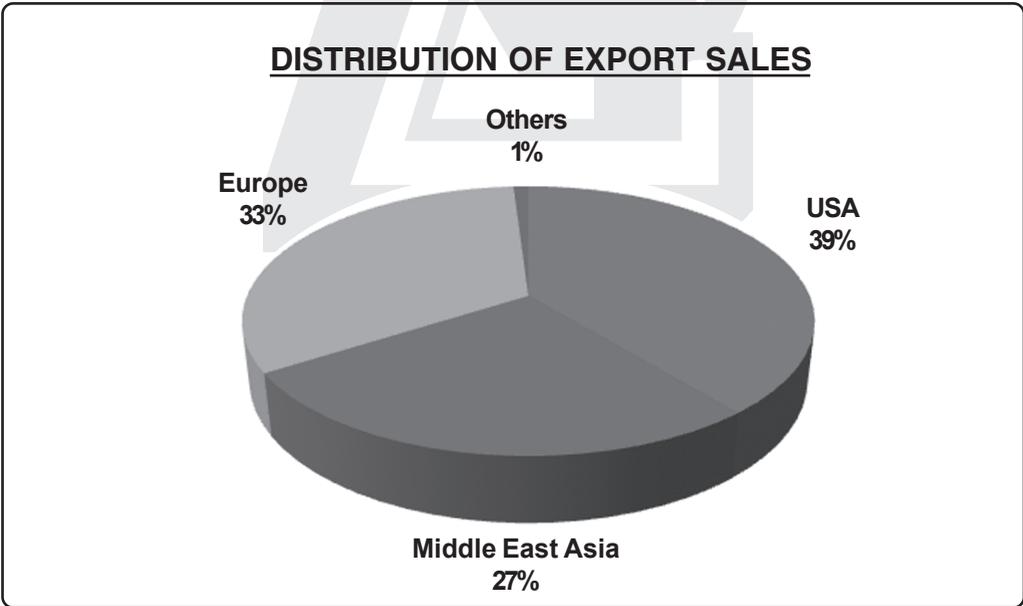
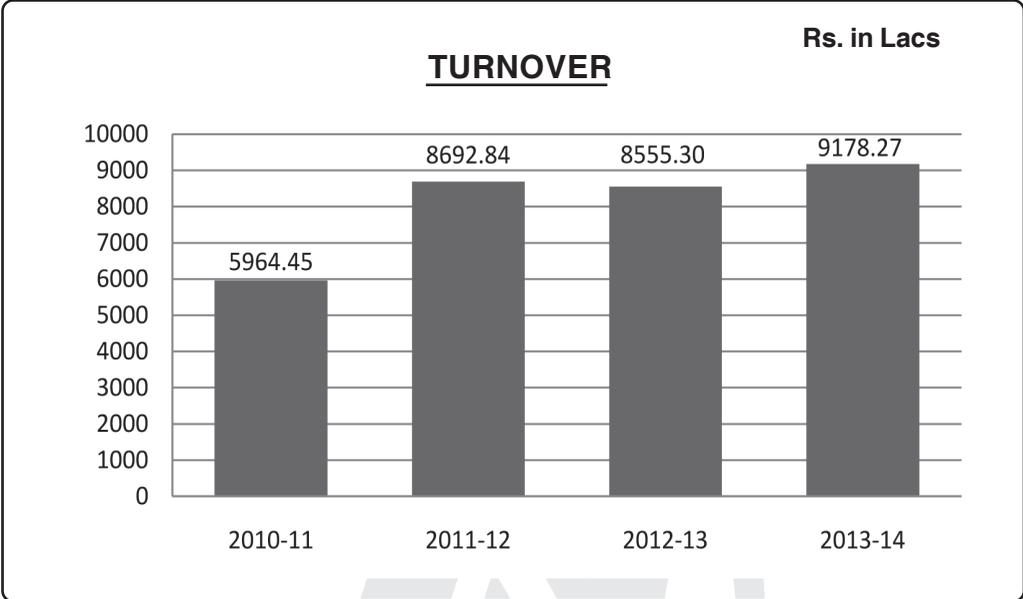
222, A. J. C. Bose Road
1st Floor, Room No. 4 & 5, Kolkata – 700 017
Phone: (033) 2290 2256/2287 8229
Fax: (033) 2287 9938
E-Mail: info@carnationindustries.com
Website:www.carnationindustries.com

REGISTRAR & SHARE TRANSFER AGENT

R&D Infotech Private Limited
7A, Beltala Road, 1st Floor
Kolkata – 700 026
Phone: (033) 24192641, 24192642
Email: rd.infotec@vsnl.net

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Mr. R. P. Sehgal, Managing Director, Carnation Industries Ltd., receiving an award from Shri Saurabh Patel, Minister of Finance, Energy and Petrochemicals, Govt. of Gujarat, at the Institute of Indian Foundrymen Awards Ceremony at Ahmedabad, in February 2014, where Carnation Industries received the highest honour for Foundry Goods Exports.



Mr. Suvabrata Saha, Jt. Managing Director

NOTICE

Notice is hereby given that the 31st Annual General Meeting of the Members of Carnation Industries Limited will be held on Friday, 26th September, 2014 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 Financial Statements of the Company for the financial year ended March 31, 2014 together with the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr. Suvabrata Saha who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors 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 (Registration No. 310045E) be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the Thirty Fourth (34th) Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors."

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013 and Clause 49 of the Listing Agreement consent of the Company be and is hereby given to the appointment of Mr. Ramesh Chandra Jha (DIN: 01538982), whose period of office was liable to determination by retirement of Directors by rotation and in respect of whom the Company has received a notice in writing in terms of Section 160 of the Act, as an Independent Director of the Company who shall hold office from the date of this Annual General Meeting till 31st March, 2019 and whose office shall not, henceforth, be liable to determination by retirement of Directors by rotation."
6. To consider and if thought fit to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable

provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013 and Clause 49 of the Listing Agreement consent of the Company be and is hereby given to the appointment of Mr. Manoj Bose (DIN: 06645209), whose period of office was liable to determination by retirement of Directors by rotation and in respect of whom the Company has received a notice in writing in terms of Section 160 of the Act, as an Independent Director of the Company who shall hold office from the date of this Annual General Meeting till 31st March, 2019 and whose office shall not, henceforth, be liable to determination by retirement of Directors by rotation.”

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

“**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013 and Clause 49 of the Listing Agreement consent of the Company be and is hereby given to the appointment of Mr. Debajyoti Chakrabarti (DIN: 06655796), whose period of office was liable to determination by retirement of Directors by rotation and in respect of whom the Company has received a notice in writing in terms of Section 160 of the Act, as an Independent Director of the Company who shall hold office from the date of this Annual General Meeting till 31st March, 2019 and whose office shall not, henceforth, be liable to determination by retirement of Directors by rotation.”

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

“**RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, the Company hereby ratifies the remuneration of Rs.30,000/- all inclusive payable to Mr. Deep Narayan Bandyopadhyay who is appointed as Cost Auditor of the Company to conduct Cost Audits relating to such business of the Company as may be ordered by the Central Government under the Act and the Rules thereunder, for the year ending 31st March, 2015.”

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

“**RESOLVED THAT** in supersession of all earlier resolutions passed under Section 293(1)(a) of the Companies Act, 1956 and pursuant to Section 180 (1)(a) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, the consent of the Company

be and is hereby accorded to the creation by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution) of such mortgages, charges, hypothecations or any other encumbrances as may be necessary on all moveable and immoveable assets and properties of the Company, both present and future, in such manner as the Board/Committee of the Board may direct, to or in favour of financial institutions, foreign financial institutions, investment institutions and their subsidiaries, banks, mutual funds, trusts, any other bodies corporate (hereinafter referred to as the "Lending Agencies") and Trustees for the holders of debentures/bonds and/or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, debentures, bonds and other instruments of an outstanding aggregate value not exceeding Rs. 65 crore together with interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the Trustees under the Trust Deed and to the Lending Agencies under their respective Agreements/Loan Agreements/ Debenture Trust Deeds entered/to be entered into by the Company in respect of the said borrowings.

RESOLVED FURTHER THAT the Board be and is hereby authorized to finalize with the Lending Agencies/Trustees, the documents for creating the aforesaid mortgages, charges and/or hypothecations and to accept any modifications to, or to modify, alter or vary, the terms and conditions of the aforesaid documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to this Resolution."

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

"RESOLVED THAT pursuant to Section 14 and all other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification(s), enactment(s) or re-enactment(s) thereof for the time being in force, the draft regulations contained in the Articles of Association submitted to this meeting be and are hereby approved and adopted in substitution, and to the entire exclusion, of the regulations contained in the existing Articles of Association of the Company;

RESOLVED FURTHER THAT the Board of the Company, be and are hereby severally authorized to perform all acts, deeds and things, execute documents, and make all filings, as may be necessary to give effect to the above resolution and to take all such steps for giving any such direction as may be necessary or desirable and to settle any questions or difficulties whatsoever that may arise for the purpose of giving effect to this resolution."

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

“**RESOLVED THAT** pursuant to the provisions contained in Section 188 of the Companies Act, 2013 and all other applicable provisions of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 and in terms of applicable provisions of Listing Agreement executed with the Stock Exchanges (including any amendment, modification or re-enactment thereof), the consent of the members be and is hereby accorded to the Board of Directors (hereinafter referred to as the “Board”, which term shall include any committee constituted by the Board of Directors of the Company or any person(s) authorized by the Board to exercise the powers conferred on the Board of Directors of the Company by this Resolution) to supply Grey Iron /Ductile Iron Castings, Steel fabrications & other related products to NACIP Inc. on such terms and conditions as it may deem fit, for an aggregate value not exceeding Rs. 17 Crores (Rupees Seventeen Crores only) in a financial year.

RESOLVED FURTHER THAT subject to prior approval of Audit Committee of Board of Directors of the Company for the related party transactions, the Board of Directors of the Company be and are hereby authorized to finalize the terms and to execute agreements, deeds or writings required to be executed in relation to the proposed related party transactions and to do all acts, things and deeds as may be deemed necessary to give effect to this resolution.”

By Order of the Board of Directors

Place: Kolkata
Date : 13th August, 2014

SANJAY AGARWAL
(Company Secretary)

NOTES

1. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.
2. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the Company.** Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting.

A person can act as proxy on behalf of member or members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

3. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
4. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
5. Statement containing details of the Directors seeking appointment/re-appointment at the Meeting as required under Clause 49 of the Listing Agreement is annexed.
6. Pursuant to the provision of Section 91 of the Companies Act, 2013, the Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, September 23, 2014 to Friday, September 26, 2014 (both days inclusive) for determining the names of members eligible for dividend on Equity Shares, if declared at the Meeting.
7. The dividend on Equity Shares, if declared at the Meeting, will be credited/dispatched between September 30, 2014 to 15th October, 2014 to those members whose name shall appear on the Company's Register of Members on 22nd September, 2014, in respect of the shares held in dematerialized form, the dividend will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owner as on that date.
8. 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.
9. The facility for making nomination is available to the members in respect of the shares held by him.
10. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on all working days upto the date of the Meeting.

11. 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.
12. 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/Registrars. Members holding shares in demat mode are requested to record the NECS mandate with their Depository Participants.
13. In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to inform that all the resolutions as stated in the notice can be transacted by electronic voting system and the Company has provided members facility to exercise their right to vote at the 31st Annual General Meeting (AGM) by electronic means through e-Voting Services provided by NSDL. The instruction for e-Voting has been enclosed and sent along with the notice.
14. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrar and Transfer Agent, M/s R & D Infotech Private Limited.
15. Members who have not registered their e-mail address so far are requested to register their e-mail address so that they can receive the Annual Report and other communications from the company electronically.

By Order of the Board of Directors

Place: Kolkata
Date : 13th August, 2014

SANJAY AGARWAL
(Company Secretary)

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No 5 to 7

In accordance with the relevant provisions of the Articles of Association of the Company and the erstwhile provisions of the Companies Act, 1956, Mr. Ramesh Chandra Jha, Mr. Manoj Bose and Mr. Debajyoti Chakrabarti, Independent Directors, were appointed by the Members of the Company. The provisions of the Companies Act, 2013 with respect to appointment and tenure of the Independent Directors have come into effect. As per the said provisions, the Independent Directors shall be appointed for not more than two terms of five years and shall not be liable to retire by rotation at every AGM.

Accordingly, in compliance with Section 149, 150 and 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013, Mr. Ramesh Chandra Jha, Mr. Manoj Bose and Mr. Debajyoti Chakrabarti, being eligible and offering themselves for appointment, are proposed to be appointed as Independent Directors of the Company who shall hold office from the date of this Annual General Meeting for a term upto 31st March, 2019. A Notice pursuant to Section 160 of the Companies Act, 2013, with the required deposit has been received from the shareholders signifying their intention to propose the appointment of above persons as Directors of the Company.

In the opinion of the Board, Mr. Ramesh Chandra Jha, Mr. Manoj Bose and Mr. Debajyoti Chakrabarti fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for appointment as Independent Directors of the Company and they are independent of the management. A copy of the draft Letter of Appointment for Independent Directors, setting out terms and conditions of their appointment, is available for inspection at the Registered Office of the Company during business hours on any working day.

The Board considers that their continued association would be of immense benefit to the Company and it is desirable to continue to avail their services as Independent Directors. Accordingly, the Board recommends the resolution in relation to appointment of Mr. Ramesh Chandra Jha, Mr. Manoj Bose and Mr. Debajyoti Chakrabarti as Independent Directors, for the approval by the shareholders of the Company. A brief profile of proposed Independent Directors, including nature of their expertise, is provided as Annexure to the Notice.

None of the Directors or Key Managerial Personnel of the Company and their relatives, other than Independent Directors for their respective appointment, are concerned or interested, financially or otherwise, in these Resolutions set out at Item Nos. 5-7.

Item No 8.

The Board of Directors in its meeting held on 23rd May, 2014, had appointed Mr. Deep Narayan Bandhyopadhyay, Cost Accountant at a remuneration of Rs. 30000/- all inclusive for conducting audit of the cost records of the Company as applicable to the Company for the Year ending 31st March 2015. As per the provisions of Section 148 of the Companies Act, 2013 and the Rules made

thereunder, the remuneration to be paid to the Cost Auditor is subject to ratification by the members of the Company.

The Board therefore recommends the resolution under Section 148 of the Companies Act, 2013 as an ordinary resolution for your approval.

None of the Directors or key managerial personnel of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 8.

ITEM No 9.

In order to secure the borrowings made by the Company by suitable mortgage/charge on all or any of the movable and/or immovable properties of the Company, the Company in its general meeting held on 23rd September 1996 had granted necessary authorization to the Board of Directors under Section 293(1)(a) of the Companies Act, 1956, upto a limit of Rs. 25 crores.

In view of increased business requirements, the Board of Directors of your Company considers it necessary to enhance the limit from the existing Rs. 25 crores to Rs. 65 crore.

In terms of Section 180(1)(a) of the Companies Act, 2013, which corresponds to Section 293(1)(a) of the Companies Act, 1956 approval of shareholders is required by way of Special Resolution for authorizing the Board u/s 180(1)(a) of the Companies Act, 2013.

Accordingly, your Directors recommend the resolution for the approval of the shareholders.

None of the Directors or Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 9.

Item No 10.

The present Articles of Association of the Company was last amended on 26th September, 2013 and were based on the Companies Act, 1956, as amended till that point of time. With the enactment of Companies Act, 2013 and its allied rules, the provisions of Companies Act, 1956 are getting repealed in a phased manner.

The Board of Directors of the Company believe that it is desirable that the relevant clauses in the Articles of Association of the Company be revised so that they fully reflect not only the laws governing the Company and rules and regulations made thereunder, but must also be in conformity with the provisions of the Companies Act, 2013 and Rules made thereunder and must also comply with the revised Clause 49 of the SEBI Guidelines which will come into effect from October 1, 2014.

Since the required alterations, deletions, insertions, etc. to the present Articles of Association would be numerous, it is felt prudent to substitute the existing articles and adopt the New Articles.

Pursuant to the provisions of Section 14 of the Companies Act, 2013, the amendment of Articles of Association requires approval of the members by way of special resolution.

The Board therefore, submits the proposed resolution for your consideration and recommends it to be passed as a special resolution set out in Item No. 10.

None of the Directors or Key Managerial Personnel of the Company and their relatives are in any way, concerned or interested in the proposed special resolution, except to the extent of securities of

the Company held by them.

A copy of the Articles of Association of the Company is available for inspection by the members of the Company at the Registered Office of the Company between 11.00 am and 1.00 pm on all working days.

Item No 11.

The Company in the normal course of business supplies Grey Iron /Ductile Iron Castings, Steel fabrications & other related products to M/s Nacip Inc. for the purpose of its business. The Company for the purpose of its business intends to continue to supply Grey Iron /Ductile Iron Castings, Steel fabrications & other related products to NACIP Inc. in the future. The said transaction has been approved by the Board of Directors in their meeting held on 23rd May, 2014 and is subject to the approval of shareholders by passing a Special Resolution.

The details of the transaction are as follows:

1. Name of Related Party: NACIP Inc.
2. Name of Director or Key Managerial Personnel who is related : Mr. S. Saha, Mr. R. P. Sehgal.
3. Nature of Relationship: President and Vice President in Nacip Inc.
4. The nature, duration of the contract and particulars of the contract or arrangement: To supply Grey Iron /Ductile Iron Castings, Steel fabrications & other related product to M/s Nacip Inc., from April 1, 2014 from time to time as may be required by the Company for the purpose of its business upto an amount of Rs. 17 Crores (Rupees Seventeen Crores only) per financial year.
5. Any other information relevant or important for the members to take a decision on the proposed transaction:
 - i. The prices for grey iron products would be based on the prevailing floor price declared by the related Govt. Authorities namely Engineering Export Promotion Council.
 - ii. The prices for the ductile iron products would be based on the prevailing market price.

Your Directors recommends the Special Resolution for approval of the members set out at Item No.11.

Except for Mr. R. P. Sehgal and Mr. S. Saha, none of the Directors/ Key Managerial Personnel of the Company are in any way concerned/interested in the said resolution.

By Order of the Board of Directors

Place: Kolkata
Date : 13th August, 2014

SANJAY AGARWAL
(Company Secretary)

Details of Directors seeking Appointment / Re-appointment at the 31st Annual General Meeting

Name of the Director	Mr. Suvobrata Saha	Mr. Ramesh Chandra Jha
Date of Birth	04.09.1961	18.10.1942
Date of Appointment	21.08.2006	30.01.2008
Qualification	B. Com	Bachelor Degree in Metallurgical Engineering
Expertise in	Has long experience in managing big Organization and Marketing of casting products all over the World.	Has rich experience in Iron & Steel Industry. Former Managing Director of Rourkela Steel Plant and former Director of Vizag Steel Plant.
List of Companies in which other Directorship held	NIL	Rescon (India) Pvt. Ltd.
Chairman/Member of the Committee of the Board of the Companies in which he is a Director	NIL	NIL
Shareholding in the Company (No. of Equity Shares)	573598	NIL

Details of Directors seeking Appointment / Re-appointment at the 31st Annual General Meeting

Name of the Director	Mr. Debajyoti Chakrabarti	Mr. Manoj Bose
Date of Birth	05.12.1948	09.12.1938
Date of Appointment	05.08.2013	05.08.2013
Qualification	Graduate Engineer from B.E. College, Shibpur Chartered Engineer Cost Accountant	Intermediate Science from Calcutta University in 1957. Engineering Apprentice in Calcutta Tramways Nonapukur workshop for three years. Trained and educated in Multi Disciplinary Engineering Activities.
Expertise in Functional Areas	Has rich experience in Technical Audit, Cost Audit, Managing large Projects, Cost Control Reporting, Restructuring of Running Industry, Viability Report, Insurance Surveying and Valuation.	A Professional Foundry Technologist having working experience in 16 organisations of various status for a long period of 53 years approximately which includes about 44 years of managerial experience.
List of Companies in which other Directorship held	NIL	NIL
Chairman/Member of the Committee of the Board of the Companies in which he is a Director	NIL	NIL
Shareholding in the Company (No. of Equity Shares)	NIL	NIL

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Directors are pleased to present the 31st Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2014.

FINANCIAL PERFORMANCE

	For Year ended 31.03.2014	(Rs. in Lakhs) For Year ended 31.03.2013
Revenue from operation and other operating revenue:		
Export Sales (Net of Freight)	8970.96	8164.37
Domestic Sales (Net of Central Excise and Vat)	207.31	390.93
Export Incentives	482.38	405.53
Other Income	<u>172.81</u>	<u>209.81</u>
	9833.46	9170.64
Profit before Finance Costs, Depreciation & Amortisation, and Tax	1022.24	902.38
Finance Costs	558.53	560.02
Depreciation & Amortisation	180.20	205.66
Profit/(Loss) before Tax	283.51	136.70
Provision for Tax		
– Current	58.40	30.00
– Deferred	(13.81)	(8.27)
– Tax for Earlier Years	0.76	0.00
Profit/(Loss) after Tax	238.16	114.97
Surplus brought forward from previous year	84.78	(5.92)
Available Surplus/ (Deficit) for Appropriation	322.94	109.05
Proposed Dividend	27.66	20.74
Dividend Distribution Tax	4.70	3.53
Surplus/(Deficit) carried to Balance Sheet	290.58	84.78

FINANCIAL REVIEW

During the financial year ended 31st March, 2014 the Company achieved total revenue (net) from operations of Rs.9833.46 lacs against Rs.9170.64 lacs in the previous year. The profit before Finance Cost, Depreciation & Amortisation and Tax was Rs.1022.24 lacs against Rs.902.38 lacs in the previous year recording an increase of approx 13%. The profit before tax was Rs.283.51 lacs against Rs.136.70 lacs in 2012-2013. The profit after tax was Rs.238.16 lacs against Rs.114.97 lakhs in 2012-2013.

FINANCE

Cash generation from operation was at a lower level than the previous year due to increase in sundry debtors. The refund of input tax credit is better but still slow which has compounded the liquidity problem. The management has taken appropriate steps to ensure expeditious realization of the input tax credit and the export proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

There is a general upward trend in demand in all the markets, however, there are pockets of growth in selected markets and selected sectors. The Iron and Steel prices remained steady through out the year with a tendency to move up in the later part of the year. The Domestic market is sluggish but with the Government taking over freshly, growth in infrastructure and housing is expected. Gulf market is poised for growth whereas USA, Europe and UK are expected to maintain a steady upward trend.

OPPORTUNITIES AND THREAT

A steady US Dollar gives your Company an opportunity to grow further in the export markets coupled with this is the strong signs of good infrastructure growth in the Gulf Region.

Weak infrastructure and shortages of trained labour are the major threat to the industry, 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 raw materials prices remained steady over a range.

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 UK and Gulf markets by addition of newer products. We also have plans to do steady business in the domestic market. This should bring an additional growth in the turnover. The US Dollar and Euro are expected to remain strong and market volumes are expected to improve compared to the previous year.

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. In the current year the management plans to consolidate on all the production facilities and develop more value-added products bringing in better realization.

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.

Your 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 have recommended a dividend of 8% (Re. 0.80 per Equity Share of Rs.10 each) for the financial year ended March 31, 2014 subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company. The dividend together with the dividend tax will entail a cash outlay of Rs.32.36 lakhs. The dividend will be paid to members whose names appear in the Register of Members as on 22nd September, 2014 in respect of shares held in dematerialized form, it will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as beneficial owners as on that date.

POLLUTION CONTROL MEASURES

The pollution control measures installed in the units of the Company are in full operation as required under the statutes.

SUBSIDIARY COMPANIES

The Company does not have any Subsidiary Company.

DIRECTORS

In accordance with the provisions of the Companies Act, 2013 and as per the Articles of Association of the Company Mr. Suvabrata Saha, Joint Managing Director, will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

The Companies Act, 2013 provides for appointment of Independent Directors. Section 149 of the Act (effective from April 1, 2014) provides that Independent Directors shall not hold office for more than two consecutive terms of upto five years each provided that the Director is re-appointed by passing a special resolution on completion of his first term. Independent Directors are no longer liable to retire by rotation. Further as per explanation provided under Section 149 of the Act, any term of an Independent Director on the date of commencement of this Section, i.e., April 1, 2014 shall not be counted as a term.

Accordingly, the Board of Directors in their meeting held on 23rd May, 2014 has proposed the appointment of Mr. R. C. Jha (DIN:01538982), Mr. Manoj Bose (DIN: 06645209) and Mr. Debajyoti Chakrabarti (DIN: 06655796), all existing Independent directors of the Company, as Independent Directors of the Company and shall hold office from the date of this Annual General Meeting till 31st March, 2019. They shall not, henceforth, be liable to determination by retirement of directors by rotation.

None of the Directors of the Company are disqualified for being appointed as Directors, as specified in Section 164 of the Companies Act, 2013.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

The Board recommends the appointment of the above directors with a view to avail their valuable advices and wise counsel. A brief profile of the above Directors seeking appointment/re-appointment required under Clause 49 of the Listing Agreement, is given in the Notice of AGM.

STATUTORY AUDITORS

M/s. Jain & Bagaria, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The members are requested to consider their appointment as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the Thirty Fourth (34th) Annual General Meeting of the Company on such remuneration as approved by the members.

The Company has received a letter dated May 21, 2014 from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 142 of the Companies Act, 2013, and that they are not disqualified for such re-appointment within the meaning of Section 141 of the Companies Act, 2013.

The observations of the Auditors, together with the notes to Accounts referred to in the Auditors' Report, are self-explanatory and do not call for any further explanation from the Directors.

COST AUDITOR

The Company has appointed Mr. Deep Narayan Bandhyopadhyay, Cost Accountant, to carry out the Cost Audit of the Company for the F.Y. 2014-2015.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND RESEARCH AND DEVELOPMENT

The information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is appended as **Annexure A** and forms part of this Report.

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 Rules.

PUBLIC DEPOSITS

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

STOCK EXCHANGE

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

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- i) in the preparation of the annual accounts for the year ended March 31, 2014, the applicable accounting standards read with the requirements set out under Schedule VI to the Companies Act, 1956 have been followed and there are no material departures from the same;
- ii) the Directors have selected such accounting policies and applied 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 at March 31, 2014 and of the profit of the Company for the year ended on that date;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the Directors have prepared the annual accounts of the Company 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 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 : 13th August, 2014

ANNEXURE – A to the Directors’ Report

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A) CONSERVATION OF ENERGY:

Your Company is not included in the list of industries under Schedule to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. Therefore, Form A and the disclosures contained therein are not applicable to the Company. 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. Effective measures have been taken to reduce the consumption of energy of Dual Track electric furnaces at Ductile unit at Uluberia.

B) TECHNOLOGY ABSORPTION :

The particulars with respect to technology absorption as per Form-B is given below:

a) Research and Development (R&D):

1. Specific areas in which the R&D carried out by the Company

The R&D effort in our industry is an ongoing process. Continuous efforts are taken in various areas of the manufacturing activity.

2. Benefits derived as a result of the above R&D

The Company has been able to reduce the cost of production of certain components through their process engineering.

3. Future Plan Action

The Company will focus on more areas of reduction of cost and process optimization.

4. Expenditure on R&D

The Company has not incurred any expenditure on Research and Development.

b) Technology absorption, adaptation and innovation

1. Efforts, in brief, towards technology absorption, adaptation and innovation

Continuous efforts are being made on conservation of raw material by improving design and layout of dies.

2. Benefits derived as a result of above efforts

Reduction in Raw Material Consumption.

3. Technology imported during the last 5 years

Nil

C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services & export plans	The Company has identified development of new export market as a thrust area. Vigorous efforts are also being made to develop new customers.	
Total foreign exchange used and earned	FY 2013-14 (Rs. in Lakhs)	FY 2012-13 (Rs. in Lakhs)
Foreign Exchange earnings		
Export (F.O.B.)	8970.96	8027.48
Overseas Trading	—	136.89
Others	28.09	31.27
Foreign Exchange outgo		
Travelling & Conveyance	14.82	14.16
Commission	9.53	12.20
Foreign Bank Charges	19.68	16.74
Raw Material, Consumable & Spares	—	50.69
Overseas Trading	—	127.92
Licence Fees	2.57	—
Inspection Charges	4.77	6.57
Bad Debts written off	48.13	6.73

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, 2014 the Board consisted of three Independent Non-Executive Directors and three Executive Directors. The Chairman is an Independent Non-Executive Director. 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 a 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.

Board Meetings & Procedure

The Board ensures that the Company's reporting and disclosure practices meet the highest standards of Corporate Governance and that the business practices followed by the Company are oriented towards meeting obligations towards various stakeholders and enhancing shareholders value.

The Board meets at regular intervals to discuss and decide on Company's business policy and strategy apart from normal business. 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.

Number and dates of Board Meetings held during the year

During the financial year ended 31st March, 2014, the Company had four Board Meetings. The details of Board Meetings are given below:

Sl. No.	Date of Board Meeting	Total Strength of the Board	No. of Directors present
1.	May 23, 2013	5	5
2.	August 5, 2013	6	5
3.	November 12, 2013	6	5
4.	February 12, 2014	6	6

The maximum time gap between any two meetings was less than four months as stipulated under Clause 49 of the Listing Agreement.

Attendance of Directors at 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 2013-2014		No. of other Directorship(s) (a)	No. of Membership(s)/ Chairmanship(s) of Board Committees in other Companies(b)
		Board Meetings	Last AGM		
Mr. Ramesh Chandra Jha	(Chairman) Non-Executive Independent Director	3	Yes	-	-
Mr. Ravindra Prakash Sehgal	Managing Director	4	Yes	-	-
Mr. Suvabrata Saha	Jt. Managing Director	3	Yes	-	-
Mr. Arun Kumar Bose	Whole-time Director	4	Yes	-	-
Mr. Bijay Krishna Datta*	Non-Executive Independent Director	1	N.A.	-	-
Mr. Manoj Bose **	Non-Executive Independent Director	3	Yes	-	-
Mr. Debajyoti Chakraborti **	Non-Executive Independent Director	3	Yes	-	-

*Ceased to be Director w.e.f. 27.05.2013. ** Appointed as Director w.e.f. 05.08.2013.

Notes:

- a) No of Directorships excludes Directorships in Foreign Companies, Alternate Directorship, Private Limited Companies and Companies registered under Section 25 of the Companies Act, 1956.
- b) In accordance with Clause 49 of the Listing Agreement, Membership/ Chairmanship of only the Audit Committees and Shareholders'/Investors' Grievance Committees 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.

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.

Composition of Audit Committee

The Audit Committee comprises of four Directors, who bring with them vast experience in the field of operations, finance and accounts and the Company has immensely benefited from the deliberations of the Audit Committee. The Committee comprises of:

SI. No.	Name	Category	Designation
1.	Mr. R. C. Jha	Non-Executive Independent	Chairman
2.	Mr. Manoj Bose	Non-Executive Independent	Member
3.	Mr. Debajyoti Chakrabarti	Non-Executive Independent	Member
4.	Mr. R. P. Sehgal	Executive	Member

The Chairman of the Audit Committee is an Independent Director and the Company Secretary acts as the Secretary to the Committee.

The Committee's composition and its terms of reference meet the requirements of Section 177 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

During the financial year ended 31st March, 2014, four Audit Committee meetings were held on 23.5.2013, 5.8.2013, 12.11.2013 and 12.2.2014. The attendance of the members at these meetings are as follows:

Name of the Member	No. of meetings held	No. of meetings attended
Mr. B. K. Datta, Chairman*	1	1
Mr. R. C. Jha, Chairman**	4	3
Mr. R P. Sehgal	4	4
Mr. Manoj Bose ***	2	2
Mr. Debajyoti Chakrabarti****	1	1

* Ceased to be Chairman & Member w.e.f. 27.5.2013. One meeting was held during his tenure.

** Appointed as Chairman w.e.f. 5.8.2013. Three meetings were held during his tenure as Chairman.

*** Appointed as Member w.e.f. 5.8.2013. Two meetings were held during his tenure.

**** Appointed as Member w.e.f. 12.11.2013. One meetings was held during his tenure.

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 payments 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 sub-section (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. Discussion with internal auditors any significant findings and follow up thereon.
8. 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.
9. 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.
10. 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.

11. Considering such other matters as may be required by the Board.
12. Review of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.).
13. 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 auditor.

The Audit Committee inter alia has reviewed the following information:

1. Management discussion and analysis of financial condition and results of operations.
2. Statement of related party transactions submitted by the management.
3. Recommend the appointment of the Statutory Auditors to the Board.
4. Discussion on the internal audit report and the appointment, removal and terms of remuneration of the internal auditors.
5. The Quarterly/Half yearly/Annual financial performance of the Company before being presented to the Board.

B) STAKEHOLDERS RELATIONSHIP COMMITTEE

The Committee was re-named on 23rd May, 2014 to align with the requirements of Section 178 of the Companies Act, 2013. The composition and the terms of reference of the Committee meet with the requirements of Clause 49 of the Listing Agreement and provisions of the Companies Act, 2013. The Company Secretary acts as a Secretary to the Committee.

The Committee has been constituted to oversee and redress the shareholders complaints and to oversee the performance of the Registrar and Transfer Agents M/s R&D Infotech Private Limited.

The Committee consists of Mr. R. C. Jha and Mr. R. P. Sehgal.

During the year, three meetings were held on 23.5.2013, 5.8.2013 and 28.1.2014.

Attendance of each Member at the Stakeholders Relationship 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	3	3
Mr. R. P. Sehgal	3	3

The Company has authorized Mr. Sanjay Agarwal, Company Secretary, to approve the Share Transfers and appointed him as the Compliance Officer of the Company. The Company received no complaints from any shareholder of the Company during the year 2013-14. There are no share transfers pending as on 31.3.2014.

C) NOMINATION & REMUNERATION COMMITTEE

The Nomination & Remuneration Committee comprises of three Independent Directors comprising of Mr. R. C. Jha, Mr. Manoj Bose and Mr. Debajyoti Chakrabarti.

The Committee was re-named by the Board of Directors in their meeting held on 23rd May, 2014 to align with the requirements of Section 178 of the Companies Act, 2013. The Committee's constitution and terms of reference are in compliance with the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement. The Company Secretary acts as a Secretary to the Nomination & Remuneration Committee.

During the year, one meeting was held on 5.8.2013.

Attendance of each Member at the Nomination & Remuneration Committee held during the year are as follows:

Name of the Member	No. of Meetings held	No. of Meetings Attended
Mr. R. C. Jha, Chairman	1	1
Mr. Manoj Bose	1	1
Mr. Debajyoti Chakrabarti	1	1

Terms of Reference of the Committee, inter alia, includes the following:

- Determine the remuneration package for executive directors.
- To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

Details of Remuneration paid to Directors

The remuneration payable to Directors is determined at the Board Meeting. The remuneration paid to the Executive Directors during the year are:

(Amount in Rs.)

Name of Director	Designation	Salary	Perquisites & Allowances	Total
Mr. Ravindra Prakash Sehgal	Managing Director	720000	420015	1140015
Mr. Suvabrata Saha	Joint Managing Director	720000	398047	1118047
Mr. Arun Kumar Bose	Whole time Director	326538	94000	420538

Criteria for payment to Non- Executive Directors

As per the present policy, the Company does not pay any remuneration to any Independent Director except sitting fees for attending the meetings of the Board / Committees.

During the year, there were no pecuniary relationships or transactions between the Company and

any of its Non-Executive Directors except payment of sitting fees. The Company has not granted any Stock Options to any of its Non-Executive Directors.

The Non Executive Directors do not hold any shares of the Company, as on 31st March, 2014.

No Commission was paid to Directors during the year ended 31st March 2014.

4. GENERAL BODY MEETINGS

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

Financial Year	Date of AGM	Venue	Time
2012-2013	26.09.13 5, M. G. Road Howrah – 711 101	Sarat Sadan	10.00 A.M.
2011-2012	28.09.12 5, M. G. Road Howrah – 711 101	Sarat Sadan	10.00 A.M.
2010-2011	23.09.11 5, M. G. Road Howrah – 711 101	Sarat Sadan	10.00 A.M.

ii. **Details of Special Resolutions passed in the previous three Annual General Meeting**

Date of AGM	Details of the Special Resolution Passed
September 23, 2011	Special Resolution was passed at the 28 th Annual General Meeting of the Company for the re-appointment of Mr Arun Kumar Bose as a Whole time Director of the Company for a period of two years w.e.f. 5.9.2011.
September 26, 2013	Special Resolution was passed at the 30 th Annual General Meeting of the Company for the re-appointment of Mr Arun Kumar Bose as a Whole time Director of the Company for a period of three years w.e.f. 6.9.2013 and for altering the Articles of Association of the Company.

iii. **Special resolution passed through Postal Ballot:**

No special resolution was passed through Postal Ballot during the Financial Year 2013-2014. None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through Postal Ballot.

No Extra-Ordinary General meeting of the shareholders was held during the year.

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.

- c) The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement. The details of these compliances have been given in the relevant sections of this report.

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.
- d) The Company has its own website www.carnationindustries.com and all vital information relating to the company and its performance including financial results are regularly posted on the Company's website.

7. GENERAL SHAREHOLDER INFORMATION

i) Annual General Meeting

Date & Time : 26.9.2014 at 10.00 A.M.
Venue : SARAT SADAN
5, M.G. Road
Howrah – 711 101

ii) Financial Calendar 2014-2015 (Tentative)

Financial Year- 1st April, 2014 to 31st March, 2015

Financial reporting for the Year 2014-15:

Q.E. June 30, 2014 : By August 14, 2014

Q.E. September 30, 2014 : By November 14, 2014

Q.E. December 31, 2014 : By February 14, 2015

Q./Year ended March 31, 2015 : Audited Accounts by May 30, 2015

iii) Date of Book Closure

The Share Transfer Books and Register of Members of the Company will remain closed from Tuesday, 23rd September, 2014 to Friday, 26th September, 2014 (both days inclusive).

iv) Dividend Payment Date

The dividend warrants will be credited/despatched between 30th September, and 15th October, 2014.

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

The Company has paid the listing fees for the financial year 2014-15 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

There are no transactions in the equity shares of the Company listed at the Calcutta Stock Exchange, hence monthly high and low quotation and volume of shares traded on the Bombay Stock Exchange during the year are only given:

Month	Share Price BSE (Rs.)		BSE Sensex	
	High (Rs.)	Low (Rs.)	High	Low
Apr-13	10.40	8.59	19622.68	18144.22
May-13	9.66	8.17	20443.62	19451.26
Jun-13	11.40	9.70	19860.19	18467.16
Jul-13	11.96	10.84	20351.06	19126.82
Aug-13	11.00	9.90	19569.20	17448.71
Sep-13	11.00	11.00	20739.69	18166.17
Oct-13	14.70	10.30	21205.44	19264.72
Nov-13	13.39	12.80	21321.53	20137.67
Dec-13	14.70	11.02	21483.74	20568.70
Jan-14	16.00	11.64	21409.66	20343.78
Feb-14	15.16	10.38	21140.51	19963.12
Mar-14	13.85	14.98	22467.21	20920.98

viii) Registrar and Share Transfer Agent : R&D Infotech Pvt. Ltd.
7A, Beltala Road, 1st 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 dematerialized (demat) list, are transferable through the depository system. Shares in physical form are processed by the Registrar and Share Transfer Agent, R & D Infotech Pvt. Ltd. The share transfers are processed within a period of 15 days from the date of the transfer documents if documents are completed in all respects.

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) Secretarial Audit for Reconciliation of Share Capital

The Securities and Exchange Board of India has directed vide Circular No. CIR/MRD/DP/30/2010 dated 6th September, 2010 that all issuer Companies shall submit a "Certificate of Reconciliation of Share Capital" reconciling the total shares held in both the depositories, viz. NSDL and CDSL and in physical form with the total issued/paid-up capital.

The said certificate, duly certified by the Company Secretary in practice is submitted to the Stock Exchanges where the securities of the Company are listed within 30 days of the end of each quarter and the certificate is also placed before the Board of Directors of the Company.

xii) Management Discussion and Analysis Report

It forms part of the Annual Report.

xiii) 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.

xiv) Distribution of Shareholding as on 31st March, 2014:**CARNATION INDUSTRIES LIMITED
DISTRIBUTION SCHEDULE AS ON 31/03/2014**

No. of Shares	No. of Share Holders	Total No. of Shares	% of Total Holding
1 to 500	1586	277594	8.03%
501 to 1000	151	126801	3.67%
1001 to 2000	68	103634	3.00%
2001 to 3000	27	67463	1.95%
3001 to 4000	17	61323	1.77%
4001 to 5000	11	50456	1.46%
5001 to 10000	14	108039	3.13%
10001 to 50000	16	341673	9.88%
50001 to 100000	1	58394	1.69%
100001 and Above	9	2261783	65.42%
G R A N D	1900	3457160	100.00%

xv) Shareholding Pattern as on 31st March, 2014:

	(Holding %)
Promoter & Promoter Group	45.79
Bodies Corporate	3.69
NRIs	1.63
Mutual Funds & UTI	0.32
Public Shareholding	48.57
	100.00

xvi) 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, 2014.

xvii) Details of Public Funding obtained in the last three years

The Company has not obtained any public funding in the last three years.

xviii) Plant Location

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

- xix) During the year under review, the Company has credited Rs. 0.46 lakhs, lying in the unpaid/unclaimed dividend account, to the Investor Education Protection Fund(IEPF) pursuant to Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001.

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) Nomination & Remuneration Committee

Details already given under the caption "Nomination & 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, 2014, 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 obtained from M/s. Jain & Bagaria, Chartered Accountants, 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 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 31st March, 2014.

For Carnation Industries Ltd.

Place: Kolkata
Date : 13th August, 2014

R. P. Sehgal
(Managing Director)

CERTIFICATE

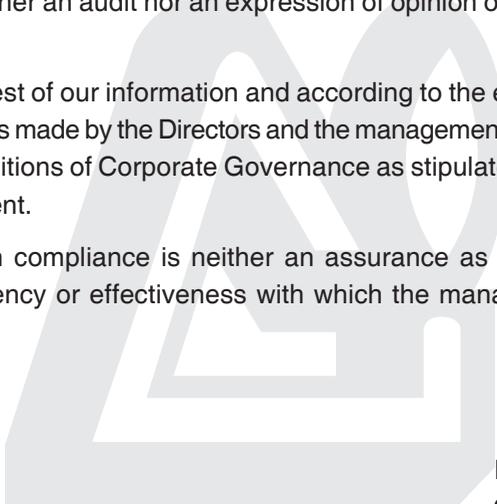
**To the Members of
CARNATION INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by Carnation Industries Limited, for the year ended on 31st March, 2014 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 : 13 August, 2014

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

**REPORT OF THE AUDITORS TO THE MEMBERS OF
CARNATION INDUSTRIES LIMITED**

1. Report on the Financial Statements

We have audited the accompanying financial statements of CARNATION INDUSTRIES LIMITED (“the company”), which comprises the Balance Sheet as at March, 31, 2014, the statement of Profit & Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

2. Management’s Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 (“the Act”). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements read with notes thereon give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- a) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2014.
- 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.

5. Report on Other Legal and Regulatory Requirements

5.1 As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

5.2 As required by Section 227(3) of the Act, 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 31st March 2014 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2014 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
- vi) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Act nor has it issued any rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the company.
- vii) We have relied upon the management's representation relating to the disclosures in the financial statements regarding (a) Segment reporting (Note No. 28 (x)) & (b) related party disclosures (Note No. 28(xii)).

For JAIN & BAGARIA
Chartered Accountants

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

27/8A, Waterloo Street
Kolkata - 700 069
Dated : 23rd May, 2014

Annexure to the Auditors' Report
Referred to in paragraph 5 of our report of even date

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. The company has not disposed off substantial part of its 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. We have broadly reviewed the books of accounts maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Act in respect of the Company's products to which the said Rules are made applicable and are of the opinion that prima facie, the prescribed records have been made and maintained. We have however not made a detailed examination of the said records with a view to determine whether they are accurate or complete.

9. According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and Other Statutory Dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Service Tax, Custom Duty and Excise Duty were outstanding at the year end for a period of more than six months from the date they became payable. Further according to the records of the Company, there are no dues outstanding of Sales Tax, Income Tax, Custom Duties, Wealth Tax, Service Tax, Excise Duty, Cess on account of any dispute other than the following:

Name of the Status	Nature of Dues	Amount (Rs.)	Forum Where Dispute is Pending
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 does not have any accumulated losses as at the end of the year and it has not incurred any cash losses in the current financial year and the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to bank.
12. According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund /societies.
14. In respect of dealing/trading in securities and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities and other investments have been held by the company, in its own name.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others, from Bank or financial institution.

16. The term loans were applied for the purpose for which the loans were obtained.
17. 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 not 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.

27/8A, Waterloo Street
Kolkata – 700 069
Dated: 23rd May, 2014



For **JAIN & BAGARIA**
Chartered Accountants

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

BALANCE SHEET AS AT 31ST MARCH, 2014

Particulars	Note No.	(Rs. in Lacs)	
		As at 31.03.2014	As at 31.03.2013
EQUITY AND LIABILITIES			
1. Shareholders' Funds			
a) Share Capital	3	345.72	345.72
b) Reserves and Surplus	4	<u>1165.85</u>	<u>960.05</u>
		1511.57	1305.77
2. Non-Current Liabilities			
a) Long-Term Borrowings	5	27.35	73.01
b) Deferred Tax Liabilities (Net)	6	82.93	96.74
c) Long-Term Provisions	7	104.96	92.26
d) Creditor for Capital Goods		<u>2.38</u>	<u>30.88</u>
		217.62	292.89
3. Current Liabilities			
a) Short-Term Borrowings	8	3324.95	3225.02
b) Trade Payables	9	3312.38	3488.69
c) Other Current Liabilities	10	81.92	72.54
d) Short-Term Provisions	11	<u>81.23</u>	<u>49.98</u>
		6800.48	6836.23
TOTAL		<u>8529.67</u>	<u>8434.89</u>
ASSETS			
1. Non-Current Assets			
a) Fixed Assets	12		
i) Gross Carrying Amount		3074.16	3034.21
ii) Less : Depreciation		<u>1664.99</u>	<u>1484.79</u>
iii) Net Carrying Amount		1409.17	1549.42
b) Non-Current Investments	13	0.22	0.22
c) Long Term Loans and Advances	14	52.80	52.65
2. Current Assets			
a) Inventories	15	819.08	1107.75
b) Trade Receivables	16	4796.01	4381.31
c) Cash and Bank Balances	17	125.11	(1.60)
d) Short-Term Loans and Advances	18	130.17	115.50
e) Other Current Assets	19	<u>1197.11</u>	<u>1229.64</u>
		8529.67	8434.89
TOTAL		<u>8529.67</u>	<u>8434.89</u>

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

J.K.Jain

Partner

Membership No. 050019

FRN : 310045E

27/8A, Waterloo Street, Kolkata - 700 069

Dated : 23rd May, 2014

On behalf of the Board

R. P. SEHGAL

(Managing Director)

Sanjay Agarwal

(Company Secretary)

Arun Kumar Bose

(Whole time Director)

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

(Rs. in Lacs)

Particulars	Note No.	As at 31.03.2014	As at 31.03.2013
INCOME :			
I. Revenue From Operations	20	9716.62	9026.76
II. Other Income	21	116.84	143.88
III. Total Revenue (I + II)		9833.46	9170.64
IV. Expenses :			
Manufacturing Expenses	22	6806.51	6230.89
Purchases of Finished/Semi Finished Goods	23	10.12	132.63
(Increase)/Decrease in Stock of Finished Goods	24	123.03	363.52
Employee Benefits Expenses	25	1071.57	844.84
Finance Costs	26	558.53	560.02
Depreciation and Amortization Expense		180.20	205.66
Other Expenses	27	799.99	696.38
Total Expenses		9549.95	9033.94
V. Profit Before Exceptional and Extraordinary Items and Tax (III - IV)		283.51	136.70
VI. Exceptional Items		-	-
VII. Profit before Extraordinary Items and Tax		283.51	136.70
VIII. Extraordinary Items		-	-
IX. Profit Before Tax (VII - VIII)		283.51	136.70
X. Tax Expenses :			
(1) Current Tax		58.40	30.00
(2) Tax adjustments for earlier years		0.76	-
(3) Deferred Tax		(13.81)	(8.27)
		45.35	21.73
XI. Profit/(Loss) for the period from Continuing Operations (IX-X)		238.16	114.97
XII. Profit/(Loss) for the period		238.16	114.97
Basic & diluted earning per Equity Share of Rs.10/- each		6.89	3.33

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 : 23rd May, 2014

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, 2014

	(Rs. in Lacs)	
	<u>31st March, 2014</u>	<u>31st March, 2013</u>
Cash flow from Operating Activities		
Profit before tax from continuing operations	283.51	136.70
Profit before tax	283.51	136.70
Depreciation/amortization on continuing operation	180.20	205.66
Loss/(profit) on sale of fixed assets	-	-
Unrealized foreign exchange loss / (gain)	-	-
Interest expense	416.97	439.29
Dividend income	(0.26)	(0.15)
Operating profit before working capital changes movements in working capital :	880.42	781.50
Increase/(Decrease) in trade payables	(176.31)	400.08
Increase/(Decrease) in long-term provisions	12.70	9.09
Increase/(Decrease) in long-term liability	-	-
Increase/(Decrease) in other current liabilities	17.24	(52.14)
Decrease/(Increase) in trade receivables	(414.70)	(948.53)
Decrease/(Increase) in inventories	288.67	313.11
Decrease/(Increase) in long-term loans and advances	(0.15)	(0.31)
Decrease/(Increase) in short-term loans and advances	(14.67)	15.89
Decrease/(Increase) in other current assets	35.42	138.89
Cash generated from/(used in) operations	628.62	657.58
Direct taxes paid (net of refunds)	36.00	31.16
Extra Ordinary Item	-	-
Increase in Trade Payable for Extra Ordinary Item	-	-
Net Cash flow from/(used in) Operating Activities (A)	<u>592.62</u>	<u>626.42</u>
Cash flow from Investing Activities		
Purchase of fixed assets, including intangible assets, CWIP and Capital advances	(39.95)	(156.03)
Proceeds from sale of fixed assets	-	0.65
Creditors for Capial Goods	(31.97)	33.11
Dividend received	0.26	0.15
Net Cash flow from/(used in) Investing Activities (B)	<u>(71.66)</u>	<u>(122.12)</u>

(Rs. in Lacs)

31st March, 2014 31st March, 2013

Cash flow from Financing Activities

Proceeds from long-term borrowings	–	–
Repayment of long-term borrowings	(45.66)	(48.63)
Proceeds from short-term borrowings	99.93	–
Repayment of short-term borrowings	–	(58.37)
Interest paid	(421.36)	(444.75)
Dividends paid on equity shares	(20.74)	(20.74)
Tax on equity dividend paid	(3.53)	(3.36)
Net cash flow from/(used in) Financing Activities (C)	<u>(391.36)</u>	<u>(575.85)</u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	129.60	(71.55)
Effect of exchange differences on cash & cash equivalents held in foreign currency	–	–
Cash and cash equivalents at the beginning of the year	(104.46)	(32.91)
Cash and cash equivalents at the end of the year	<u>25.14</u>	<u>(104.46)</u>
Components of cash and cash equivalents		
Cash in hand	13.42	18.40
With banks- on current account	12.37	7.55
Temporary bank overdraft	(6.11)	(133.86)
- Unpaid dividend accounts*	5.46	3.45
- Unpaid matured deposits*	–	–
- Unpaid matured debentures*	–	–
Total cash and cash equivalents (Note 17)	<u>25.14</u>	<u>(104.46)</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

J.K.Jain

Partner

Membership No. 050019

FRN : 310045E

27/8A, Waterloo Street, Kolkata - 700 069

Dated : 23rd May, 2014

Sanjay Agarwal
(Company Secretary)

On behalf of the Board

R. P. SEHGAL
(Managing Director)

Arun Kumar Bose
(Whole time Director)

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

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 in two stock exchanges in India (Bombay Stock Exchange Limited and The Calcutta Stock Exchange Limited).

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.

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 each 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.

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. Receivable & Payables not covered by forward exchange contracts are translated at year end exchange rates or at the amounts which is likely to be realised from and the gains / losses so determined and also the realised exchange gains/ losses are recognised in the Statement of Profit and Loss.

H. Cenvat

Central 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 Incentives which are in the nature of post realisation benefit are recognised on the basis of the claim made till the date of financial statements are approved and to the extent of certainty of collection and export incentives which are in the nature of pre-realisation benefit recognised in the year of export irrespective of actual realisation.

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 Statement of Profit & Loss 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 subsidies are accounted when there is no reasonable doubt of collection.

**NOTES FORMING PART OF THE BALANCE SHEET FOR THE YEAR
ENDED 31ST MARCH, 2014**

	As at 31.03.2014	(Rs. in Lacs) As at 31.03.2013
3. SHARE CAPITAL		
Authorised		
7000000 Equity Shares of Rs.10/- each	<u>700.00</u>	<u>700.00</u>
Issued, Subscribed and Paid-Up		
3457160 Equity Shares of Rs. 10/ each fully paid up (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).	<u>345.72</u>	<u>345.72</u>
	<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	As at 31.03.2014		(No. & Rs. in Lacs) As at 31.03.2013	
	<u>No.</u>	<u>Rs.</u>	<u>No.</u>	<u>Rs.</u>
At the Beginning of the period	<u>34.57</u>	<u>345.72</u>	<u>34.57</u>	<u>345.72</u>
Outstanding at the end of the period	<u>34.57</u>	<u>345.72</u>	<u>34.57</u>	<u>345.72</u>

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 2014, the amount of per share dividend recognised as distributable to equity shareholders is Re. 0.80 (31st March 2013, Re. 0.60). The total dividend appropriation for the year ended 31-03-2014 amounted to Rs. 32.36 lacs (Previous year Rs.24.27 lacs) including corporate dividend tax of Rs.4.70 lacs (Previous year Rs.3.53 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 31.03.2014		As at 31.03.2013	
	No.	% holding	No.	% holding
Equity Shares of Rs.10/ each fully paid				
Ravindra Prakash Sehgal	575865	16.657%	563240	16.292%
Suvobrata Saha	573598	16.591%	548348	15.861%
Madan Mohan Kundu	399110	11.544%	399110	11.544%
Sanatan Kundu	397960	11.511%	397960	11.511%
Sumati Sehgal	187675	5.428%	175050	5.063%

	As at 31.03.2014		(Rs. in Lacs) As at 31.03.2013	
	4. RESERVES & SURPLUS			
Capital Reserves		48.84		48.84
Securities Premium Reserves		306.30		306.30
General Reserves		493.24		493.24
Export Business Reserves		26.89		26.89
Statement of Profit & Loss Account				
Opening Balance	84.78		(5.92)	
Surplus/(Deficit) for the period	238.16	322.94	114.97	109.05
Less: Appropriations				
Proposed Equity Dividend		27.66		20.74
Dividend Distribution Tax thereon		4.70		3.53
		<u>290.58</u>		<u>84.78</u>
Total Reserves and Surplus		<u>1165.85</u>		<u>960.05</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 31.03.2014		(Rs. in Lacs) As at 31.03.2013	
	Term Loan	76.87		120.63
Less: Current maturity classified as Short Term borrowings	<u>50.00</u>	26.87	<u>50.00</u>	70.63
Car Loan	2.38		5.28	
Less : Current maturity classified as Short Term borrowings	<u>1.90</u>	<u>0.48</u>	<u>2.90</u>	<u>2.38</u>
		<u>27.35</u>		<u>73.01</u>

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

Bank	31-03-2014	31-03-2013	Repayments Terms
State Bank of Hyderabad	46.81	84.31	Repayable in sixteen equal quarterly instalments. Interest is payable monthly @ 14.45% pa.
Punjab National Bank	30.06	36.32	Repayable in sixteen equal quarterly instalments. Interest is payable monthly @ 15.25% pa.
ICICI Bank (Car Loans)	2.38	5.28	Repayable in fifteen equal monthly instalment including interest @ 12.75% 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, 2014 are as under:

Deferred Tax Liability/(Assets)	As at 31.03.2014	(Rs. in Lacs) As at 31.03.2013
Timing differences for Depreciation	99.91	110.45
Provision for Leave Encashment	(1.21)	(1.23)
Provision for Gratuity	(15.77)	(12.48)
Net Deferred Tax Liability/(Assets)	82.93	96.74

7. LONG TERM PROVISIONS

Provision for Contingencies	50.00	50.00
Provision for Gratuity	51.03	38.48
Provision for Leave Encashment	3.93	3.78
	<u>104.96</u>	<u>92.26</u>

	(Rs. in Lacs) Excise
Provision for contingencies	
Opening Balance as at 01.04.2013	50.00
Amount provided during the period	—
Amount utilised against provision	—
Unused amount released during the period	—
Closing Balance as at 31.03.2014	50.00

8. SHORT-TERM BORROWINGS

From Banks

(Secured against purchase of bills, hypothecation of Stock in Trade, Book Debts, 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).

	As at 31.03.2014	(Rs. in Lacs) As at 31.03.2013
Loans Repayable on Demand		
Packing Credit	1319.92	1242.66
Bills Purchase Account	1417.96	1466.97
Cash Credit	135.40	63.02
Standby Line of Credit	399.77	399.47
Other Loans		
Term Loan (Repayable within 12 months)	50.00	50.00
Car Loan (Repayable within 12 months)	1.90	2.90
	<u>3324.95</u>	<u>3225.02</u>

9. TRADE PAYABLES

For Goods Supplied	2718.91	3049.30
For Expenses	593.47	439.39
	<u>3312.38</u>	<u>3488.69</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, 2014 is Rs.695.36 lacs. (Previous Year Rs.710.04 lacs).

	As at 31.03.2014	(Rs. in Lacs) As at 31.03.2013
10. OTHER CURRENT LIABILITIES		
Unclaimed Dividend	5.48	4.88
Interest accrued and due on Bank borrowing	18.27	22.66
Loss on unexpired Forward Exchange Contract	-	7.90
Advance from Customer	28.32	3.78
Creditors for Capital Goods	29.85	33.32
	<u>81.92</u>	<u>72.54</u>
11. SHORT TERM PROVISIONS		
For Income Tax (Net)	48.87	25.71
" Proposed Dividend	27.66	20.74
" Dividend Distribution Tax	4.70	3.53
	<u>81.23</u>	<u>49.98</u>

(Rs. in Lacs)

12. FIXED ASSETS (AT COST)

DESCRIPTION	GROSS CARRYING AMOUNT			DEPRECIATION / AMORTISATION			NET CARRYING AMOUNT			
	AS AT 31/03/2013	ADDITIONS DURING THE YEAR	SALES/ ADJUST- MENTS	AS AT 31/03/2014	UP TO 31/03/2013	PROVIDED DURING THE YEAR	SALES/ ADJUST- MENTS	UP TO 31/03/2014	AS AT 31/03/2013	AS AT 31/03/2014
TANGIBLE ASSETS										
1) LAND	164.35	1.17	-	164.52	-	-	-	-	165.52	164.35
2) OFFICE PREMISES	122.09	-	-	122.09	16.02	5.00	-	21.02	101.07	106.07
3) PLANT & MACHINERIES	1106.21	1.34	-	1107.55	624.50	58.42	-	682.92	424.64	481.72
4) FURNITURE & FIXTURES	32.04	-	-	32.04	25.06	0.93	-	25.99	6.05	6.98
5) MOTOR CAR	51.19	-	-	51.19	30.74	4.07	-	34.81	16.38	20.45
6) MOTOR CYCLE	2.15	-	-	2.15	1.75	0.14	-	1.89	0.26	0.40
7) OFFICE EQUIPMENTS	16.07	0.11	-	16.18	9.31	0.76	-	10.07	6.12	6.77
8) OTHERS :										
i) TYPE WRITERS	0.48	-	-	0.48	0.46	-	-	0.46	0.02	0.02
ii) AIR CONDITIONERS	8.56	0.71	-	9.27	4.78	0.45	-	5.23	4.04	3.78
iii) COMPUTERS P.C.	75.15	3.47	-	78.62	57.68	7.30	-	64.98	13.64	17.47
iv) FACTORY SHEDS	682.49	0.61	-	683.10	287.35	30.05	-	317.40	365.70	395.14
v) PATTERN & DICES	430.08	26.17	-	456.25	273.15	40.12	-	313.27	142.98	156.93
vi) TOOLS & IMPLEMENTS	27.27	1.18	-	28.45	9.41	1.35	-	10.76	17.69	17.86
vii) ELECTRIC INSTALLATION	148.37	-	-	148.37	55.55	6.82	-	62.37	86.00	92.82
viii) TUBEWELL	6.97	-	-	6.97	3.77	0.20	-	3.97	3.00	3.20
ix) POLLUTION CONTROL EQUIPMENT	12.10	-	-	12.10	2.12	0.58	-	2.70	9.40	9.98
INTANGIBLE ASSETS										
1) ERP SOFTWARE	74.44	-	-	74.44	44.11	14.22	-	58.33	16.11	30.33
2) COMPUTER SOFTWARE	27.12	2.24	-	29.36	18.08	9.30	-	27.38	1.98	9.04
3) LICENCE	21.45	2.95	-	24.40	20.96	0.49	-	21.45	2.95	0.49
CAPITAL WORK IN PROGRESS										
TOTAL	25.62	39.95	-	25.62	1484.80	180.20	-	1664.99	1409.17	1549.42
PREVIOUS YEAR	2886.14	207.71	59.64	3034.21	1286.45	205.65	7.30	1484.79	1549.42	-

Note : 1) Pattern & Dice includes Rs. 6.62 lacs lying with Supplier abroad.
2) The above figures of gross carrying amount and accumulated depreciation are inclusive of Rs.304.31 Lacs in respect of items of Plant & Machinery and Rs.76.20 Lacs for other fixed assets which has fully depreciated in the books of accounts and net book value is nil.

	As at 31.03.2014	(Rs. in Lacs) As at 31.03.2013
13. NON-CURRENT INVESTMENT		
Quoted (Long Term)		
700 Fully paid Equity Shares of Rs.10/- each, at a premium of Rs.21/- each in Punjab National Bank.	0.22	0.22
Market Value Rs. 520870/- (Previous year Rs. 507500/-)		
14. LONG TERM LOANS AND ADVANCES		
(Unsecured Considered Good)		
Advances recoverable in Cash or in kind or for the value to be received	14.86	14.86
Security Deposit	37.94	37.79
	<u>52.80</u>	<u>52.65</u>
a) Advance represents due from M/s.The Salkia Industrial Works. Execution Case had been filed by the company on failure by the party to pay as per the Court Order, which is still pending.		
15. INVENTORIES (As taken, valued and certified by the management, for mode of valuation refer Note No. 2F)		
Finished Goods [Refer Note No.24(a)]	636.33	759.36
Raw Materials [Refer Note No.22(b)]	85.79	246.81
Consumable Stores, Spares and Power & Fuels	77.28	88.83
Packing Materials	19.68	12.75
	<u>819.08</u>	<u>1107.75</u>

Note :

- 1) Out of the above, Raw Materials of Rs.4.32 lacs are lying with Jobber (Previous Year - Rs. 4.80 lacs).
- 2) Out of the above, Finished Goods of Rs.176.47 lacs are in transit. (Previous Year - Rs.184.02 lacs).
- 3) Out of the above, Finished Goods of Rs. 5.85 lacs lying with processors. (Previous Year - Nil).

16. TRADE RECEIVABLES

Unsecured Considered Good :

More than Six months from the due date	739.47	737.06
Other Debts	4056.54	3644.25
	<u>4796.01</u>	<u>4381.31</u>

- a) Export proceeds in foreign exchange from a Body Corporate of Rs.1403 lacs (Previous Year Rs.832 lacs) could not be realised within 12 month from the dates of export as at the end of the year. Out of that Rs.75.17 lacs have since been realised.

	As at 31.03.2014	(Rs. in Lacs) As at 31.03.2013
17. CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Cash in hand (As Certified by Management)	13.42	18.40
Balances with Banks		
On Current Accounts (Including balances of Rs.5.46 lacs Lying with dividend account) (Previous year Rs.3.45 lacs)	11.72	(122.86)
	<u>25.14</u>	<u>(104.46)</u>
Other Bank Balances		
Fixed Deposits (Lying with Bank as security deposit) [Including fixed deposits of Rs.24.97 lacs (Previous year Rs.24.97 lacs) with more than 12 months maturity]	93.61	98.62
Interest accrued but not due on above	6.36	4.24
	<u>125.11</u>	<u>(1.60)</u>
18. SHORT TERM LOANS & ADVANCES		
UNSECURED CONSIDERED GOOD		
Advances recoverable in Cash or in kind or for the value to be received	64.65	49.47
Advance, Self Assessment Tax & TDS (Net)	-	-
Income Tax Refund Receivable	9.91	9.91
Advances to Staff	5.61	6.12
Other Advance [Refer Note No.28(v)]	50.00	50.00
	<u>130.17</u>	<u>115.50</u>
19. OTHER CURRENT ASSETS		
UNSECURED CONSIDERED GOOD		
Export Incentive Receivable	103.64	179.89
Cenvat & Service Tax Receivable	339.80	285.34
Input Tax Credit Receivable [Refer Note No.28(iii)]	718.81	749.24
Profit on unexpired Forward Exchange Contract	1.00	-
Other Receivable	33.86	15.17
	<u>1197.11</u>	<u>1229.64</u>

**NOTES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED
31ST MARCH, 2014**

	As at 31.03.2014	(Rs. in Lacs) As at 31.03.2013
20. REVENUE FROM OPERATION		
Export Sale	9152.97	8325.82
Less : Freight	<u>182.01</u>	<u>161.45</u>
Domestic Sale (Net of Central Excise / Vat)	<u>207.31</u>	<u>390.93</u>
	<u>9178.27</u>	<u>8555.30</u>
Other operating revenue		
Export Incentives	482.38	405.53
Discounts	39.00	34.66
Others	<u>16.97</u>	<u>31.27</u>
	<u>9716.62</u>	<u>9026.76</u>
Details of Products Sold		
a) Castings	9177.68	8537.90
b) M.S.Product	<u>0.59</u>	<u>17.40</u>
	<u>9178.27</u>	<u>8555.30</u>
21. OTHER INCOME		
Interest	11.12	5.81
Dividend	0.26	0.15
Exchange Rate Difference (Net)	94.66	137.88
Others	<u>10.80</u>	<u>0.04</u>
	<u>116.84</u>	<u>143.88</u>
22. MANUFACTURING EXPENSES		
Raw Materials Consumed		
Opening Stock	246.81	179.56
Add : Purchases (Net of Central Excise and Vat)	<u>4658.27</u>	<u>4674.74</u>
	<u>4905.08</u>	<u>4854.30</u>
Less : Closing Stock	<u>85.79</u>	<u>246.81</u>
Consumable Stores & Spares Consumed	549.74	493.30
Power & Fuel	1005.09	843.72
Other Manufacturing Expenses	122.60	101.13
Clearing & Forwarding Import	0.57	4.62
Custom Duty	-	0.10
Conversion Charge	-	6.43
Factory Rent	4.32	4.32
Carriage Inward	79.04	70.75
Pollution Control Expenses	4.76	4.26
Purchase Tax	3.59	1.29
Repairs & Maintenance :		
To Machinery & Others	115.30	86.43
To Shed & Godown	<u>102.21</u>	<u>7.05</u>
	<u>217.51</u>	<u>93.48</u>
	<u>6806.51</u>	<u>6230.89</u>

	As at 31.03.2014	(Rs. in Lacs) As at 31.03.2013
a) Details of Raw Material Consumed		
(Including Wastage)		
Indigenous		
Pig Iron	3394.70	2053.22
Scrap	1251.52	2348.17
M.S.Materials	–	16.14
Others	173.07	142.03
Imported		
Scrap	–	47.93
	4819.29	4607.49
b) Details of Closing Stock of Raw Materials		
Raw Materials		
Pig Iron & Scrap	79.36	236.29
M.S.Materials	2.54	4.72
Others	3.89	5.80
	85.79	246.81
23. PURCHASE OF FINISHED/ SEMI FINISHED GOODS		
Casting	4.16	127.92
M.S.Product	5.96	4.71
	10.12	132.63
24. (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS		
Closing Stock	636.33	759.36
Opening Stock	759.36	1122.88
	123.03	363.52
a) Details of Closing Stock of Finished Goods		
Casting	634.71	757.21
M.S.Product	1.62	2.15
	636.33	759.36

	As at 31.03.2014	(Rs. in Lacs) As at 31.03.2013
25. EMPLOYEE BENEFIT EXPENSES		
Salaries	269.25	237.85
Wages	681.43	508.29
Bonus to Staff & Contractors	30.18	26.62
ESI Contribution	18.54	14.45
Workmen & Staff Welfare Expenses	11.81	9.75
Contribution to PF and other Funds	44.14	33.98
Gratuity	16.22	13.90
	<u>1071.57</u>	<u>844.84</u>
26. FINANCE COST		
Interest :		
To Bank on other than Term Loan (Net)	306.67	335.76
To Bank on Term Loan	14.88	24.51
To Others	2.30	1.50
Bank Charges	95.00	76.76
Export Guarantee Fees	46.56	43.97
Finance Charges	93.12	77.52
	<u>558.53</u>	<u>560.02</u>
27. OTHER EXPENSES		
Clearing & Forwarding Expenses (Export) (Including Carriage Outward)	138.74	122.66
Repairs & Maintenance		
To Other Assets	47.44	23.68
Rates & Taxes	25.64	15.16
Commission	9.53	12.20
Discount Allowed	1.23	-
Bad Debt written off	48.13	6.91
Insurance	6.59	7.66
Packing Charge	174.24	147.07
Directors Remuneration	25.36	25.25
Auditors Remuneration	5.00	5.00
Director's Meeting Fees	2.65	3.01
Inspection Service Charges	56.02	57.11
Sundry Debit Balance Written Off	25.72	56.68
Miscellaneous Expenses	233.70	213.99
	<u>799.99</u>	<u>696.38</u>

a) Sundry debit balance written off includes Rs.11.57 Lacs (Previous year Rs.44.62 Lacs) on account of rejected input credit for vat.

28. OTHER NOTES

- i) Estimated amount of contracts remaining to be executed on Capital Account is Rs.4.17 Lacs (Net of advance of Rs. 25.63 lacs) (Previous year Rs.4.17 lacs, net of advance Rs. 25.63 lacs).

	(Rs. in Lacs)	
	As at	As at
	<u>31.03.2014</u>	<u>31.03.2013</u>
ii) Contingent liability not provided for in respect of :		
a) Outstanding Bank Guarantee	57.33	49.33
b) Disputed Duty & Penalty under Central Excise Law	86.56	86.56
c) Disputed Vat Demand for the Financial Year 2007-08	100.13	100.13
d) Duty drawback received amounted to Rs. 27.00 lacs (Approx) (Previous year Rs.15.00 lacs) is subject to export realisation.		

- iii) 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 had 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 and also 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. The revision petition and the appeal are still pending. Claims for the refund of Input Tax Credit in respect of other financial years are at various stages of adjudication with the Sales Tax Department. The Company expects realisation of these refund claims not later than 12 months from 31st March, 2014. 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 constitute Rs. 39.54 lacs, Rs. 50.36 lacs and Rs. 33.08 lacs, which 75% of the amount of accepted claims for the quarter 3rd & 4th quarter of the financial year 2011-2012 and first for the financial year 2012-2013 against submission of Indemnity Bonds equivalent to the amount of claim.
- iv) The company recognises overdue interest on export sales as and when the sale proceeds is realised as mutually agreed.
- 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)			
	2013-14		2012-13	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Current Service Cost	8.08	0.39	6.18	0.61
Interest Cost	3.46	0.34	2.51	0.22
Expected return on plan assets	-	-	-	-
Curtailment Cost / (Credit)	-	-	-	-
Settlement Cost / (Credit)	-	-	-	-
Amortization of Past Service Cost	-	-	-	-
Actuarial Losses / (Gains)	4.67	7.75	5.21	3.45
Total Expenses recognised in the Statement of Profit & Loss	16.21	8.48	13.90	4.28

Balance Sheet

	(Rs. in Lacs)			
	2013-14		2012-13	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Present Value of Defined Benefit				
Obligation	51.03	3.93	38.48	3.78
Fair Value of Plan Assets	-	-	-	-
Funded Status [Surplus/(Deficit)]	(51.03)	(3.93)	(38.48)	(3.78)
Effect of Balance Sheet Asset Limit	-	-	-	-
Unrecognised Past Service Costs	-	-	-	-
Net Asset/(Liability) recognised in Balance Sheet	(51.03)	(3.93)	(38.48)	(3.78)

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

	(Rs. in Lacs)			
	2013-14		2012-13	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Opening defined benefit obligation	38.48	3.78	30.47	2.70
Current Service Cost	8.08	0.39	6.18	0.61
Interest Cost	3.46	0.34	2.51	0.22
Curtailement Cost / (Credit)	-	-	-	-
Settlement Cost / (Credit)	-	-	-	-
Employee Contribution	-	-	-	-
Plan Amendments	-	-	-	-
Acquisitions	-	-	-	-
Actuarial (gains)/Losses	4.67	7.74	5.22	3.45
Benefits Paid	(3.67)	(8.32)	(5.90)	(3.20)
Closing defined benefit obligation	51.02	3.93	38.48	3.78

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

	(Rs.in Lacs)			
	2013-14		2012-13	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Opening fair value of plan assets	-	-	-	-
Actual return on plan assets	-	-	-	-
Actual Company Contributions	3.67	8.32	5.90	3.20
Employee Contributions	-	-	-	-
Benefits paid	(3.67)	(8.32)	(5.90)	(3.20)
Closing fair value of plan assets	-	-	-	-

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

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

The financial assumptions employed for the calculations are as follows:

	(Rs. in Lacs)			
	2013-14		2012-13	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Discount Rate per annum compounded	9.00%	9.00%	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)	20.45	21.09	21.28	21.66

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:

	(Rs. in Lacs)			
	2013-14		2012-13	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Defined benefit obligation	51.03	3.93	38.48	3.78
Plan Assets	-	-	-	-
Surplus / (Deficit)	(51.03)	(3.93)	(38.48)	(3.78)

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. Balance confirmation from certain vendors are yet to be received by the company.
- 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 gain of Rs.94.66 lacs (Previous year gain Rs.137.88 lacs) are net of exchange gain of Rs.1.00 lacs (Previous year loss Rs.7.90 lacs) arising out of conversion of unexpired forward exchange contract at marked to market and loss of Rs. 21.06 lacs (P.Y. Rs.8.08 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)	
	2013-14	2012-13
Export Sales (Net of Freight)		
USA	3501.96	3035.95
Middle East Asia	2482.20	2978.06
Europe	2980.20	2146.02
China	5.20	4.34
Australia	1.40	-
Domestic Sale	207.31	390.93

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	10.73 0.67	0.78 -
2.	Mr. Suvabrata Saha	Jt. Managing Director	Remuneration Meeting Fees	10.82 0.36	0.78 -
3.	Bellona Stationery (P) Ltd.	Enterprises over which Key Management personel and their relatives are able to exercise significant influence.	Payment to Creditors for Capital Goods	28.50	30.88

	(Rs. in Lacs)	
	31.03.2014	31.03.2013
xiii) Auditor's Remuneration Includes		
Audit Fees	4.50	4.50
Tax Audit Fees	0.50	0.50
	5.00	5.00

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

	<u>31.03.2014</u>	<u>(Rs. in Lacs)</u> <u>31.03.2013</u>
i) Earnings in Foreign Exchange during the year		
Export of Goods (F.O.B)	8970.96	8027.48
Overseas Trading	–	136.89
Others	28.09	31.27
ii) Expenditure in Foreign Currency		
a. Travelling & Conveyance	14.82	14.16
b. Licence Fees	2.57	–
c. Commission	9.53	12.20
d. Foreign Bank Charge	19.68	16.74
e. Inspection Charges	4.77	6.57
f. Bad Debts written off	48.13	6.73
iii) CIF Value of Import		
Raw Material, Consumable & Spares	–	50.69
Overseas Trading	–	127.92

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



If undelivered please return to :
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CIN: L27209WB1983PLCO35920

FORM A
FORMAT OF COVERING LETTER OF THE ANNUAL AUDIT REPORT TO BE
FIELD WITH THE STOCK EXCHANGES

1.	Name of the Company	Carnation Industries Limited
2.	Annual Financial Results for the year ended	31 st March, 2014
3.	Type of observation	Un-qualified
4.	Frequency of observation	Repetitive
	To be signed by	
	Director	For CARNATION INDUSTRIES LTD. <i>Sun Kumar Bose</i> Director
	Manager Finance and Accounts	For Carnation Industries Ltd. <i>Biplab Ganguly</i> (Biplab Ganguly) Finance Manager
	Audit Committee Chairman	For CARNATION INDUSTRIES LTD. <i>[Signature]</i> Director
	Auditor of the Company	For Jain & Bagaria <i>J. Jain</i> Partner