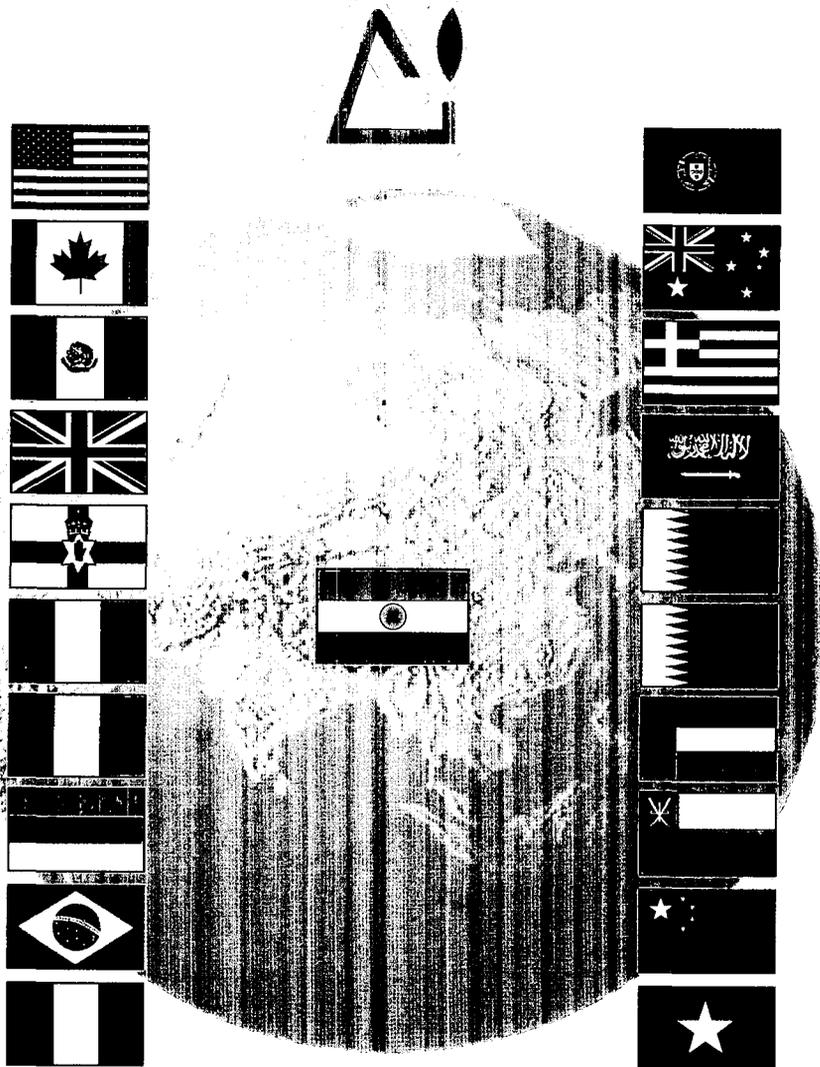


# Carnation Industries Ltd.



**25th Annual Report  
2007-08**

**BOARD OF DIRECTORS**

MR. P. M. NARIELVALA	- Non-Executive Chairman
MR. RAVINDRA P. SEHGAL	- Managing Director
MR. SUVOBHRATA SAHA	- Joint Managing Director
MR. ARUN BOSE	- Wholetime Director
MR. RAJESH KR. PANDEY	- Non-Executive Director
MR. SHEKHAR CHATTERJEE	- Non-Executive Director
MR R C JHA*	- Additional Non Executive Director

**REGISTERED OFFICE**

28/1, JHEEL ROAD,  
SALKIA, HOWRAH – 711 106.  
PHONE : (033) 2645 4785

**AUDIT COMMITTEE**

Mr. Shekhar Chatterjee  
Mr. P. M. Narielvala  
Mr. Rajesh Kr. Pandey

**SHARE HOLDERS/ INVESTORS  
GRIEVANCE COMMITTEE**

Mr. P. M. Narielvala  
Mr. Ravindra P. Sehgal  
Mr. Rajesh Kr. Pandey

**CHIEF FINANCIAL OFFICER &  
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

\*Appointed w.e.f. 30.1.2008

**CORPORATE & HEAD OFFICE**

222, A. J. C. BOSE ROAD,  
1 ST FLOOR, ROOM NO. 4 & 5,  
KOLKATA – 700 017.  
PHONE : (033) 2290 2256/2287 8229  
FAX NO.: (033) 2247 9938  
E-Mail : [carcast@vsnl.net](mailto:carcast@vsnl.net)  
Website : [carnationindustries.com](http://carnationindustries.com)

**REGISTRARS**

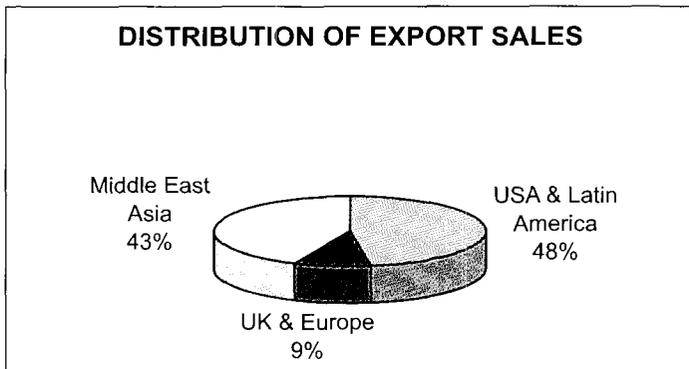
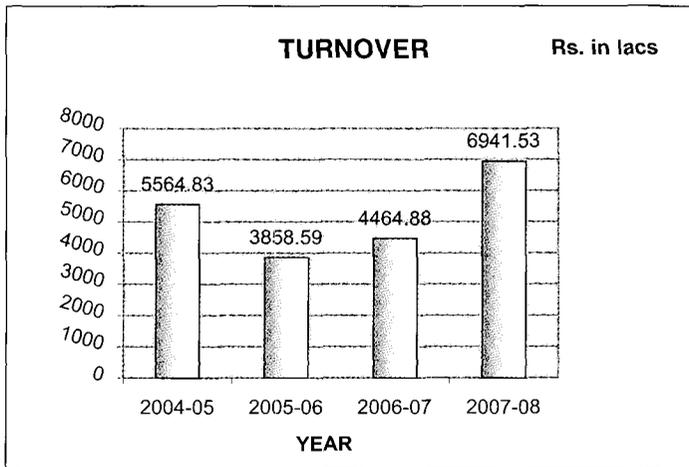
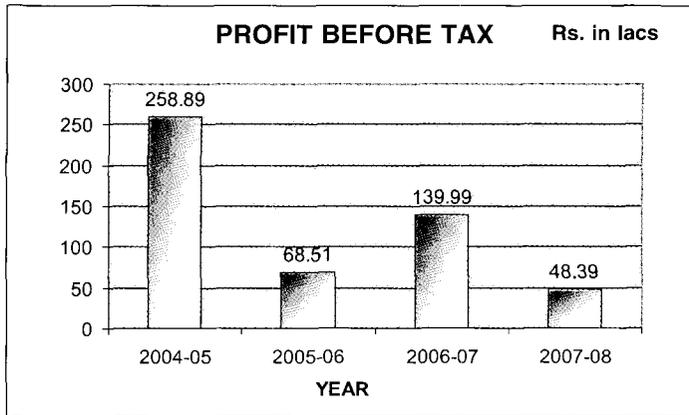
R&D Infotech Pvt.Ltd.,  
22/4, Nakuleashwar Bhattacharjee Lane,  
Ground floor, Kolkata – 700 026.  
PHONE : (033) 2463 1657 / 58

**SOLICITORS**

R. GINODIA & CO.  
4E & F, HASTINGS CHAMBER  
7C, KIRAN SHANKAR ROY ROAD  
KOLKATA – 700 001

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MD R. P. Sehgal with the Hon'ble Speaker of Lok Sabha Mr. Somnath Chatterjee at an award function in Kolkata



Chief Guest at an Award Function in Kolkata, Hon'ble Minister-in-charge Shri Manabendra Mukherjee, Micro & Small Scale Enterprise & Textiles & Tourism Department receiving the memento from Shri R. P. Sehgal, M.D.

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Mr. Suvabrata Saha - Jt. Managing Director

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**NOTICE**

Notice is hereby given that the 25<sup>th</sup> Annual General Meeting of the company will be held on Wednesday, 27<sup>th</sup> August, 2008 at 10.00 A.M. at Sarat Sadan, 5, Mahatma Gandhi Road, Howrah - 711 101 to transact the following business :

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2008 and the Balance Sheet as on that date alongwith the report of the Directors' and Auditors' thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. P M Narielvala who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditor of the company and to fix their remuneration.

**SPECIAL BUSINESS**

**ITEM NO. 5**

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

"RESOLVED THAT, Mr.R C Jha who was appointed as an Additional Director of the Company by the Board of Directors of the company under Section 260 of the Companies Act,1956 and Article 115 of the Article of Association of the company and who holds office upto the date of the Annual General Meeting and in respect of which the company has received a notice in writing proposing his candidature for the office of a Director be and is hereby appointed as a Director of the company liable to retire by rotation".

By order of the Board

Place : Kolkata  
Date : 28th June, 2008

**(SANJAY AGARWAL)**  
CFO & Company Secretary

**NOTES**

1. An explanatory statement under section 173(2) of the Companies Act, 1956 is annexed herewith and forms part of this Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The Instrument of Proxy should however be deposited at the Registered Office of the Company atleast 48 hours before the meeting.
4. The Register of Members and Share Transfer Books of the company will remain closed from 23.8.2008 to 27.8.2008 (both days inclusive) for ascertaining the eligibility of members for the purpose of payment of dividend on Equity Shares. The Dividend on Equity Shares as recommended by the Directors, if approved, at the meeting will be payable to those Shareholders whose name shall appear in the Register of Members as on 27th August 2008. In respect of shares held in electronic form, the dividend will be paid on the basis of the Beneficial Ownership as per details furnished by National Securities Depository Limited / Central Depository Services Limited for the above purpose.
5. Members are requested to send to the Registrar his / her Bank Account details to ensure safe and prompt receipt of dividend cheque / warrant and to avoid any fraudulent encashment of such cheque / warrant.
6. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
7. Members who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easy identification of attendance at the meeting.
8. The facility for making nomination is available to the members in respect of the shares held by him.
9. All documents referred to in the Notice and Explanatory Statement are open for inspection to the members at the Registered Office of the company between 11.00 A.M. and 1.00 P.M. on all working days upto the date of this Annual General Meeting.
10. Members desirous of seeking any further information about the accounts and / or operations of the company are requested to address their queries to the CFO & 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.

By order of the Board

Place : Kolkata  
Date : 28th June, 2008

**(SANJAY AGARWAL)**  
CFO & Company Secretary

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

**ITEM NO. 5**

Mr. R.C. Jha was appointed as an Additional Director of the company by the Board of Directors of the company at its meeting held on 30.01.08 in accordance with Section 260 of the Companies Act, 1956 and Article of Association of the company. He holds office upto the date of the Annual General Meeting of the company. The company has received notice proposing his candidature for the office of the Director of the company.

The Board recommends acceptance of the resolution by the members.

None of the Directors except Mr. R.C. Jha shall be deemed to be concerned or interested in the above resolution.

By order of the Board

Place : Kolkata  
Date : 28th June, 2008

**(SANJAY AGARWAL)**  
CFO & Company Secretary

**Details of Directors seeking appointment / Re-appointment at the 25th Annual General Meeting**

Name of the Director	Mr. P. M. Narielvala
Date of Birth	12.7.1926
Date of Appointment	26.12.1994
Qualification	B.A; L.L.B; FCA FCA (England and Wales)
Expertise in specific Functional Areas	Has rich experience in the field of Accounts, Taxation and Law.
	<b>Director</b>
List of Companies in which other Directorship held	Eri-Tech Ltd. Corporate Health Check Services Pvt. Ltd
Chairman/Member of the Committee of the Board of the Companies in which he is a Director	Carnation Industries Ltd
Shareholding in the Company (No. of Equity Shares)	500



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

Your Directors are pleased to present the Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2008.

**FINANCIAL PERFORMANCE**

	<b>(Rs. in Lakhs)</b>	
	For Year ended 31.03.2008	For Year ended 31.03.2007
Export Sales (Net of Freight)	6941.53	4464.15
Local Sale	—	0.73
Gross Profit (before Depreciation)		
Interest & Finance charges)	337.30	340.49
Interest & Finance charges	199.73	121.28
Depreciation	89.18	79.22
Profit before Tax	48.39	139.99
Provision for Tax		
- Current	47.93	47.57
- Deferred	(15.01)	6.30
- Fringe Benefit	2.88	2.53
Profit after Current Tax	12.59	83.59
Profit /(Loss) Brought forward	169.48	169.55
Available for Appropriation	182.07	253.14
Income-Tax for earlier years	—	59.39
Proposed Dividend	17.29	20.74
Dividend Tax	2.94	3.53
Provision for Gratuity	8.96	—
Provision for Leave Encashment	1.56	—
Surplus carried to Balance Sheet	151.32	169.48

**FINANCIAL REVIEW**

The Export Sale ( Net of freight) of the Company at Rs. 6941.53 lakhs during the year as against Rs. 4464.15 lakhs during the previous year, 2006-07, recorded an increase of about 55%. The significant increase in export sale was attributable to the Company's successful strategy to get orders in the international market due to its technical superiority , better quality of material and manufacturing efficiency. Moreover the share of value - added product in sales was higher during the year compared to the previous year.

This increase in sale was not however reflected in the commensurate profit before tax on account of significant cost escalations due to sharp increase in the prices of raw materials and the increased incidence could not be passed over to the customer for competitive pressures in the international market. This was further compounded by the unexpected depreciation of Dollar in comparison to Indian Rupee resulting in sharp erosion in the corresponding Rupee value of the dollar - denominated export sale. Moreover the current years profit was also adversely affected by the decision of the Directors to make a provision of Rs 70 lakhs for contingencies.

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

	(Rs. in Lakhs)	
	For Year ended <u>31.03.2008</u>	For Year ended <u>31.03.2007</u>
Earning - Export (F.O.B.)	6941.53	4464.15
- Other Income	—	—
Outgoings		
Traveling & Conveyance	20.44	12.04
Certification Charge	8.34	6.43
Commission	52.73	66.61
Foreign Bank Charges	16.62	8.75
Raw Material & Other Purchase (CIF Value)	2190.84	289.82

**MANAGEMENT DISCUSSION AND ANALYSIS**

**INDUSTRY STRUCTURE AND DEVELOPMENT**

Although the foundry industry is poised for growth due to demands in certain sectors of certain countries, there is severe pressure on profit of all the foundries due to hundred percent increase in raw material prices, over 180% increase in hard coke prices and over 100% increase in the prices of ferro - alloys.

All such price increases would allow only the survival of the fittest and this state can be sustained through strategic pricing, forward covers for raw materials and optimising the production cost. India today ranks 4<sup>th</sup> in the World Foundry Status and it shall not be easy under the circumstances even to move to the 3<sup>rd</sup> rank, though it is possible.

**OPPORTUNITIES AND THREAT**

There is high pressure on foundry industry to maintain the reputation of timely supply of quality products at reasonable price in the International market. The demand for quality and branded products is continuously increasing in the International market It has therefore become

necessary to improve the quality of the product on a continuing basis and also to acquire different quality certificates from agencies of International reputation. Indian Foundry Industry is thus trying to compete with global players by improving the quality of products, efficiency in operations, cost control, diversification into value added products.

Carnation has established itself in the global market for quality and branded products.

The company has also taken steps to modernize its Ductile iron unit and to remove bottlenecks so that production and productivity can be increased further. Your company is also expecting to receive orders from Indian Municipalities and Indian Infrastructural Projects.

To counter the fluctuation in raw material prices, dollar-rupee relationship, the support provided by the Government in the form of several incentives and concessions are vital for your company's profitability and its competitiveness in the International market. The prices of raw materials increased substantially and due to unexpected depreciation of Dollar in comparison to Rupee, the competitiveness and also the profitability of the company gets adversely affected.

### **RISKS AND CONCERN**

Continuous cost increase in the vital raw materials and possibilities of dollar rupee fluctuation in the future constitute the most critical risk and resultant concern in executing large export orders

### **FUTURE OUTLOOK**

The sudden spurts in cost led prices have changed the Market Outlook for the Company. Whereas USA constituted almost 75% of our total sales, the current export prices from India are now matching the US foundries sale price making it very difficult for us to sustain our sales in the US market. Canadian and Mexican foundries are now competing with us. The advantage of cost arbitrage for India is fast receding. Further the recessionary trends in the USA have reduced the demand and the need for buyers to stock larger quantities.

There is however a significant shift in the European Market. For the last decade China had dominated this market and now with Chinese prices moving up, customers from Europe are looking at India and we expect this market demand to increase in the coming year. However there shall always be pressure on the prices due to imports from China. With the soaring of OIL prices, the construction business in the Gulf is booming and this market is expected to sustain all through the year. Gulf market is expected to offer the cost-matched price but the only challenge is that orders in the Gulf are mostly for short duration projects for three to six months and prices have to be held firm for the full duration of the contract. This market will therefore need innovatively strategic pricing.

### **SEGMENTWISE PERFORMANCE**

The Management reviewed the disclosure requirement of segmentwise 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.

#### **EXPANSION AND NEW PROJECT**

Your Company has set up a new sand Plant in the Ductile Unit to improve and augment productions and is also awaiting clearance from Pollution Control Board for a new Cast Iron Unit, which will further increase production.

#### **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 transaction are recorded, authorized and reported correctly 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 and suggests for the improvement of the same.

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

#### **HUMAN RESOURCES DEVELOPMENT**

Your Company continues to have cordial and harmonious relations with its employees at all levels during the period under review. The Board acknowledges its thanks to all the shop floor personnel and other employees for making significant contribution to your Company.

#### **DIVIDEND**

Yours Directors are pleased to recommend a Dividend of Re. 0.50 per Equity Share of Rs. 10 each aggregating to a cash outflow of Rs.20.23 lakhs (inclusive of Dividend Distribution Tax) for the year ended 31<sup>st</sup> March, 2008. The Dividend will be paid to all those share holders whose names appear in the Register of Members as on 27/8/2008.

#### **POLLUTION CONTROL MEASURE**

The Pollution control measure installed for the units of the company are in full operation as required under the statutes. The company has also received No objection certificate (NOC) from West Bengal Pollution Control Board (WBPCB) in respect of expansion project of Uluberia unit of the company. The company used to take immediate steps to rectify the Pollution Control devices wherever even minor variations were noticed by the management during the year under review.

**DIRECTORS**

In terms of Section 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr.P.M Narielvala who retires by rotation and being eligible offers himself for re-appointment.

Mr.R C Jha was appointed as Additional Non-executive Director of the company and hold office upto the date of Annual General Meeting. The company has received notice proposing their candidature for the office of the Directorship of the company.

The code of conduct applicable to the Board and employees of the company has been adopted by the Board and all Directors and senior management of the company have confirmed compliance with the Code of Conduct.

**AUDITORS**

M/s. Jain & Bagaria, Chartered Accountants, retires at the conclusion of the forthcoming Annual General Meeting and are recommended for re-appointment. They have also furnished a certificate pursuant to Section 224(1B) of the Companies Act, 1956.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND RESEARCH AND DEVELOPMENT**

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

**PARTICULARS OF EMPLOYEES**

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

**PUBLIC DEPOSITS**

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

**STOCK EXCHANGE**

The Equity Shares of the company are listed at The Calcutta Stock Exchange and The Stock Exchange, Mumbai.

**CORPORATE GOVERNANCE**

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

**DIRECTORS RESPONSIBILITY STATEMENT**

Your Directors confirm that in preparation of the Annual Accounts the applicable accounting standards has been followed alongwith proper explanation relating to material departures. The Directors have selected such accounting policies and applies them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31.03.08 and of the Profit and Loss of the company for that period. The Directors has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. The Directors have prepared the accounts on a going concern basis.

**ACKNOWLEDGEMENT**

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

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

On Behalf of the Board.

**R. P. Sehgal**

Managing Director

**S. Saha**

Jt. Managing Director

Dated : 31st July,2008

Place : Kolkata

## 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 endeavor 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 distinguish brand equity in the global market place.

### 2. BOARD OF DIRECTORS(Board)

#### Composition of Board

The company follows the policy to have an appropriate mix of Executive and Independent Non-Executive Directors to impart balance to the Board and bring independent judgment in its deliberations and decisions. The Board consisted of four Independent Non-Executive Directors and three Executive Directors as on 31.03.2008. The Chairman is an independent non-executive director. During the year ended 31.03.2008, the company had five Board Meetings which were held on 7.4.2007, 27.06.2007, 28.07.2007, 27.10.2007 and 30.01.2008. The Composition of the Board is in conformity with clause 49 of the listing agreement entered into with the stock exchanges.

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

**Attendance of Directors at the Board Meetings, Last Annual General Meeting, Number of other directorships and Chairmanship/ other Board Committees memberships held.**

Name	Category of the Directorship	Attendance Particulars		No. of Directorship & Committee Member/ Chairmanship		
		Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Mr. P. M. Narielvala	NED&C	5	Yes	2	1	1
Mr. Ravindra Prakash Sehgal	MD	5	Yes	-	1	-
Mr. Suvobrata Saha	JMD	5	Yes	-	-	-
Mr. Arun Bose	WD	5	Yes	-	-	-
Mr. Rajesh Kr. Pandey	NED	1	Yes	1	2	-
Mr. Shekhar Chatterjee	NED	3	Yes	-	-	1
Mr. R C Jha*	NED	-	-	2	-	-

\* appointed w.e.f. 30/1/2008

- NED** - Non-Executive Director  
**C** - Chairman (Non Executive)  
**MD** - Managing Director  
**JMD** - Joint Managing Director  
**WD** - Wholetime Director

**Details of Remuneration paid to Directors**

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

<b>Name</b>	<b>Directorship</b>	<b>Salary</b>	<b>Others</b>	<b>Total</b>
Ravindra Prakash Sehgal	Managing Director	390000	72089	462089
Suvobrata Saha	Joint Managing Director	390000	69862	459862
Arun Kumar Bose	Whole time Director	224000		224000

The Salary represents Basic Salary. Others includes House Rent allowance, Medical Reimbursement, Electricity etc.

The Company pays Rs. 5000/- as sitting fees for attending the Board Meetings, Rs.3000/- for attending Audit Committee Meeting and Rs.1000/- for attending Shareholders'/ Investors' Grievance Committee Meeting to both Executive and Non- Executive Directors.

**3. COMMITTEE OF THE BOARD**  
**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 as mentioned in Clause 49 (C) and Section 292A of the Companies Act, 1956. The term of reference/powers of the Audit Committee are as under.

**A. 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 outside legal or other professional advice.
4. To secure attendance of outsiders with relevant experience, if it considers necessary.

**B. 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 statement is correct, sufficient and credible.



- 2) Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of the audit fees.
- 3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- 4) Reviewing with the management, the annual financial statements before submission to the Board, for approval, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Sec 217 of the Companies Act, 1956.
  - b) Changes, if any, in accounting policies and practices and reasons for the same.
  - c) Major accounting entries involving estimates based on the exercise of judgement by management.
  - d) Significant adjustments made in the financial statements arising out of audit findings.
  - e) Compliance with listing and other legal requirements relating to financial statements.
  - f) Disclosure of any related party transaction.
  - g) Qualification in draft audit report.
- 5) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- 5A). Reviewing, with the management the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) the statement of funds utilized for purposes other than those stated in the offer documents/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendation to the board to take up steps in this matter.
- 6) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- 7) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- 8) Discussion with internal auditors any significant findings and follow up thereon.
- 9) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

- 10) Discussion with statutory auditors before the audit commences about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- 11) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- 12) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee may also review such matters as considered appropriate by it or referred to it by the Board

The Audit Committee consists of 3 (three) Independent Non-Executive Directors, i.e., Mr. Shekhar Chatterjee, Mr. P. M. Narielvala, and Mr. Rajesh Kr. Pandey.

During the year under review, 5 meetings of the Audit Committee were held on 7.4.07, 27.06.07, 28.07.07, 27.10.07 and 30.01.08.

#### **SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE**

The Committee consists of Mr. P. M. Narielvala, Mr. R. P. Sehgal, and Mr. Rajesh Kr. Pandey. The Committee has been constituted to oversee and redress the shareholders complaint and to oversee the performance of the Registrar and Transfer Agents. The Company has authorised Mr. Sanjay Agarwal, CFO & Company Secretary, to approve the Share Transfers and also appointed him as Compliance Officer of the company. The Company has received 22 nos. of complaints/communications from the shareholders of the company during the year 2007-08 which were duly replied. No Investor complaints / queries were pending with the company during the year under review.

#### **4. GENERAL BODY MEETINGS**

The last 3 Annual General Meetings of the company were held on :

<b>Year</b>	<b>Location</b>	<b>Date</b>	<b>Time</b>
2006-07	"Sarat Sadan", 5, M.G.Road, Howrah – 711 101.	03.08.07	10.00 A.M.
2005-06	"Sarat Sadan", 5, M.G.Road, Howrah – 711 101.	02.08.06	10.00 A.M.
2004-05	"Sarat Sadan", 5, M.G.Road, Howrah – 711 101.	09.07.05	10.00 A.M.

#### **Note :**

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

#### **5. DISCLOSURE**

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

There were no materially significant related party transactions which are potentially in conflict with the interest of company at large.

**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 year.**

There has been no non-compliance, penalties/strictures imposed on the Company by Stock Exchange(s) or SEBI or any other statutory authority, on any matter related to Capital Markets.

### 6. MEANS OF COMMUNICATION

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.

The Management discussion and Analysis report forms part of the Directors' Report.

### 7. GENERAL SHAREHOLDER INFORMATION

**i) Annual General Meeting**

**Date & Time : 27.8.2008 at 10.00 A.M.**

**Venue : "Sarat Sadan", 5, Mahatma Gandhi Road,  
Howrah – 711 101.**

**ii) Financial Calendar**

Financial Reporting for quarter ended 30.06.08 : 3<sup>rd</sup>/4<sup>th</sup> week of July,'08

Financial Reporting for quarter ended 30.09.08 : 3<sup>rd</sup> /4<sup>th</sup> week of October,'08

Financial Reporting for quarter ended 31.12.08 : 3<sup>rd</sup>/4<sup>th</sup> week of January,'09

Financial Reporting for quarter ended 31.03.09 : 3<sup>rd</sup>/4<sup>th</sup> week of June,'09

**iii) Date of Book closure : 23.08.08 to 27.08.08**

**iv) Dividend Payment Date : 01.09.08**

**v) Listing of Stock Exchange : The Stock Exchange, Mumbai  
The Calcutta Stock Exchange  
Association Ltd.**

The company has paid the listing fees for the financial year 2008-09 to the above Stock Exchanges.

**vi) Stock Code : Demat ISIN Number is  
INE 081B01010**

**vii) Market Price Data & comparison with BSE Sensex**

	Stock Exchange Mumbai		BSE Sensex	
	High	Low	High	Low
April, '07	23.95	17.10	14383.72	12425.52
May, '07	25.50	16.00	14576.37	13554.34
June, '07	23.00	18.35	14683.36	13946.99
July, '07	24.00	18.15	15868.85	14638.88
August, '07	38.60	24.35	15542.40	13779.88
September, '07	43.00	30.00	17361.47	15323.05
October, '07	38.45	29.10	20238.16	17144.58
November, '07	55.90	32.25	20204.21	18182.83
December, '07	66.45	42.00	20498.11	18886.40
January, '08	55.10	28.10	21206.77	15332.42
February, '08	31.00	20.95	18895.34	16457.74
March, '08	24.90	13.30	17227.56	14677.24

**viii) Registrar and Transfer Agents :** R&D Infotech Pvt. Ltd.  
22/4, Nakuleshwar Bhattacharjee Lane,  
Kolkata – 700 026.

**ix) Share Transfer System :**

The Physical Share Transfer is processed within 15 days of receipt, subject to document being clear in all respect.

**x) Distribution of Shareholding :**

No. of Shares	No. of Share Holders	% of shareholders	Total No. of shares	% of Total holding
1-500	1673	83.44	329587	9.53
501-1000	173	8.63	144935	4.19
1001-2000	62	3.09	101644	2.94
2001-3000	22	1.10	56775	1.64
3001-4000	10	0.50	35418	1.02
4001-5000	13	0.65	61014	1.76
5001-10000	15	0.75	116521	3.37
10001-50000	23	1.15	519257	15.02
50001-100000	4	0.20	236394	6.85
100001 and above	10	0.49	1855615	53.68
	<u>2005</u>	<u>100.00</u>	<u>3457160</u>	<u>100.00</u>

**xi) Dematerialisation of Shares and Liquidity**

Shares of the company which is equivalent to 53% of the total Equity Share Capital has been dematerialised as on 31.03.2008. The trading in the shares of your company is in compulsory demat form as per the notification issued by Securities and Exchange Board of India.

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

There is no outstanding GDR/ADR/Warrant or convertible instrument as on 31.03.2008.

**xiii) Plant Location**

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

**xiv) Address for Correspondence**

**For Shares held in Physical form**

R&D Infotech Pvt. Ltd.  
22/4, Nakuleshwar Bhattacharjee Lane, Kolkata – 700 026.

**For Shares held in Demat Form**

To the Depository Participant

**8. NON-MANDATORY REQUIREMENT**

**i) Chairman of the Board**

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

**ii) Remuneration Committee**

The company has not constituted a remuneration committee.

**iii) Shareholder Rights**

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

**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 :**

Pursuant to the provisions of Sub-clause V of the revised Clause 49 of the Listing Agreement with the Stock Exchanges, the Managing Director (CEO) and the CFO have issued a certificate to the Board of Directors, for the financial year ended 31<sup>st</sup> March, 2008.

**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.

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

In accordance with Clause 49 I(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Board Members and Senior Management Personnel of the company have affirmed compliance with the Code of Conduct for the year ended 31<sup>st</sup> March,2008.

For Carnation Industries Ltd.

Dated : 31st July, 2008  
Place : Kolkata

**R.P.Sehgal**  
Managing Director

**CERTIFICATE**

**To the Members of  
CARNATION INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by the Carnation Industries Limited, for the year ended on 31st March, 2008 as stipulated in Clause-49 of the Listing Agreement of the said Company with Stock Exchange.

The Compliance of condition of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance of 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 explanation given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the condition of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that in respect of investor grievance received during the period ended 31st March, 2008, no grievance are pending with the company as on 31st July, 2008 as per the records maintained by the company and presented to the Shareholder's grievance Committee.

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*

**(J. K. Jain)**  
*Proprietor*

27/8A, Waterloo Street  
Kolkata-700 069  
Dated : 31st July, 2008

**JAIN & BAGARIA**  
**CHARTERED ACCOUNTANTS**

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

We have audited the attached Balance Sheet of CARNATION INDUSTRIES LIMITED as at 31<sup>st</sup> March 2008 and also the Profit & Loss Account & Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

1. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. All fixed assets (except lying with processors) have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification. There was no disposal of fixed assets during the year.
2. The management has conducted physical verification of inventory at the end of the year (except stock lying with outside parties). The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The company is maintaining proper records of inventory and no material discrepancies were noticed on such physical verification.
3. The Company has neither granted nor taken any loan, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instance of a continuing failure to correct major weakness in the aforesaid internal control procedures.
5. Based on audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the Company has not entered into such transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public.



7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
9. According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income tax, Sales-tax, Wealth tax, Service Tax, Custom Duty, Excise duty, Cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, custom duty and excise duty were outstanding at the year end for a period of more than six months from the date they became payable. Further according to the records of the Company, there are no dues outstanding of sales tax, income tax, custom duties, wealth tax, service tax, excise duty, cess on account of any dispute other than the following :

<b>Name of the Status</b>	<b>Nature of Dues</b>	<b>Amount (Rs.) Dispute is Pending</b>	<b>From Where</b>
Income Tax Act, 1961	Income Tax penalty for the Assessment Year 2003-04	12.75 Lacs	Before the Commissioner of Income Tax (Appeals)

10. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to bank.
12. According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund /societies.
14. In respect of dealing/trading in securities and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities and other investments have been held by the company, in its own name.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others, from Bank or financial institution.
16. The term loans were applied for the purpose for which the loans were obtained.
17. We have been informed by the management that the fund raised on short term basis have not been used for long-term investment.

18. The Company has not made any preferential allotment of shares to parties or companies covered in the the register maintained under section 301 of the Companies Act 1956.
19. The Company has not raised any money through a public issue during the year.
20. Based upon the procedures performed by us for expressing our opinion on these financial statements and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
21. Other provisions of the aforesaid order are not applicable to the Company for the period under review.

Further to the above we report that :-

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Balance Sheet , Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section 3 (C) of Section 211 of the Companies Act, 1956.
- v) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2008 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
- vi) In our opinion and to the best to our information and according to the explanations given to us, the said accounts, read together with Schedules and Notes thereon and statements on significant accounting policies give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
  - a) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31<sup>st</sup> March, 2008.
  - b) In the case of the Profit & Loss Account of the Profit for the year ended on that date; and
  - c) In the Case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **JAIN & BAGARIA**  
*Chartered Accountants*

27/8A, Waterloo Street  
Kolkata – 700 069  
Dated : 28th June, 2008

**J.K. JAIN**  
*Proprietor*  
Membership No. 050019

**BALANCE SHEET AS AT 31ST MARCH, 2008**

(Rs. in Lacs)

	Schedule	As at 31. 03. 2008	As at 31. 03. 2007
<b>I. SOURCES OF FUNDS</b>			
1) <b>Shareholders' Funds</b>			
a) Share Capital	1	345.72	345.72
b) Reserves & Surplus	2	<u>1026.59</u>	<u>1044.75</u>
2) <b>Loan Funds</b>			
a) Secured Loans	3	2591.89	1475.58
3) <b>Deferred Tax Liability</b>		<u>76.71</u>	<u>97.15</u>
<b>TOTAL</b>		<u>4040.91</u>	<u>2963.20</u>
<b>II. APPLICATION OF FUNDS</b>			
1) <b>Fixed Assets</b>	4		
a) Gross Block		1833.31	1490.58
b) Less : Depreciation		<u>690.38</u>	<u>602.68</u>
c) Net Block		1142.93	887.90
2) <b>Investments</b>	5	0.22	0.22
3) <b>Current Assets, Loans and Advances</b>			
a) Inventories	6	1460.06	1174.86
b) Sundry Debtors	7	1380.87	1032.50
c) Cash & Bank Balances	8	154.92	158.89
d) Other Current Assets	9	906.98	559.00
e) Loans & Advances	10	<u>628.71</u>	<u>437.58</u>
		<u>4531.54</u>	<u>3362.83</u>
Less : <b>Current Liabilities and Provisions</b>	11		
a) Current Liabilities		1134.83	924.60
b) Provisions		<u>502.83</u>	<u>363.75</u>
		<u>1637.66</u>	<u>1288.35</u>
Net Current Assets		2893.88	2074.48
4) Miscellaneous Expenditure	12	3.88	0.60
(To the extent not written off or adjusted)			
<b>TOTAL</b>		<u>4040.91</u>	<u>2963.20</u>

**NOTES ON ACCOUNTS 19**

As per our report annexed of even date

For **JAIN & BAGARIA**

Chartered Accountants

**J.K.Jain**

Proprietor

27/8A, Waterloo Street

Kolkata - 700 069

Dated : 28th June, 2008

On behalf of the Board

**R.P.SEHGAL**

(Managing Director)

**Sanjay Agarwal**

(CFO & Company Secretary)

**Shekhar Chatterjee**

(Director)

**CARNATION**  
**Industries Limited**

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

(Rs. in lacs)

	Schedule	2007-2008	2006-2007		
<b>I. INCOME</b>					
Sales	13	6941.53		4464.88	
Other Income	14	<u>460.37</u>	7401.90	<u>216.32</u>	4681.20
<b>II. EXPENDITURE</b>					
a) Accretion to stock of finished Goods					
Opening Stock		768.02		496.89	
Less : Closing Stock		<u>933.60</u>		<u>768.02</u>	
		(165.58)		(271.13)	
b) Purchase of finished and semi finished Goods		1681.26		95.87	
c) Manufacturing Expenses	15	4526.73		3690.76	
d) Administrative & Selling expenses	16	585.94		462.63	
e) Payments and benefits to employees	17	<u>357.59</u>	6985.94	<u>317.37</u>	4295.50
<b>III. GROSS OPERATING PROFIT</b>			415.96		385.70
Interest & Finance Charges	18		278.20		166.49
<b>IV. PROFIT BEFORE DEPRECIATION AMORTISATION &amp; TAXATION ETC.</b>			137.76		219.21
Depreciation			89.18		79.22
Amortisation of Miscellaneous expenditure			0.19		—
<b>V. PROFIT / (LOSS) BEFORE TAXATION</b>			<u>48.39</u>		<u>139.99</u>
<b>Provision For Tax</b>					
Current Tax for the year		47.93		47.57	
Fringe Benefit Tax		2.88		2.53	
Deferred Tax		<u>(15.01)</u>	35.80	<u>6.30</u>	56.40
<b>VI. PROFIT / (LOSS) AFTER CURRENT TAX</b>			12.59		83.59
Surplus brought forward from previous year			169.48		169.55
AVAILABLE SURPLUS			182.07		253.14
Provision for Income Tax for earlier years			—		59.39
Proposed Dividend			17.29		20.74
Dividend Distribution Tax thereon			2.94		3.53
Provision for Gratuity (See Note (xxi-A) on Sch-19)			8.96		—
Provision for Leave Encashment (See Note (xxi-A) on Sch-19)			1.56		—
SURPLUS CARRIED TO BALANCE SHEET			<u>151.32</u>		<u>169.48</u>
Basic & diluted earning per Equity Share of Rs.10/- each			0.36		0.70
NOTES ON ACCOUNTS	19				

As per our report annexed of even date

For **JAIN & BAGARIA**  
Chartered Accountants

**J.K.Jain**  
Proprietor

27/8A, Waterloo Street  
Kolkata - 700 069  
Dated : 28th June, 2008

**Sanjay Agarwal**  
(CFO & Company Secretary)

On behalf of the Board

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

**Shekhar Chatterjee**  
(Director)

## SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31. 03. 2008	(Rs. in Lacs) As at 31. 03. 2007
<b>1. SHARE CAPITAL</b>		
<b>Authorised</b>		
7000000 Equity shares of Rs.10/- each	700.00	700.00
<b>Issued, Subscribed and Paid-Up</b>		
3457160 Equity Shares of Rs. 10/ each fully paid up	345.72	345.72
(Of the above shares 945900 shares were allotted as fully paid up by way of bonus shares by capitalisation of General Reserves created out of Profit.)	<u>345.72</u>	<u>345.72</u>
<b>2. RESERVES &amp; SURPLUS</b>		
<b>Share Premium A/c</b>		
As per last Balance Sheet	306.30	306.30
<b>General Reserve</b>		
As per last Balance Sheet	493.24	493.24
<b>Capital Reserve</b>		
As per Last Balance Sheet	48.84	35.84
Addition During the year	<u>—</u>	<u>13.00</u>
	48.84	48.84
<b>Export Business Reserve</b>		
As per Last Balance Sheet	26.89	26.89
<b>Profit &amp; Loss Account</b>		
Balance (Cr.) as per Profit & Loss A/c	<u>151.32</u>	<u>169.48</u>
	<u>1026.59</u>	<u>1044.75</u>
<b>3. SECURED LOANS</b>		
<b>From Scheduled Banks</b>		
(Secured against purchase of bills, hypothecation of stock in trade, Book Debts, and receivables, Term Deposits, Equitable Mortgage of Land / Buildings owned by the Company as well as by some Directors, charge on the existing and future plant & machinery owned by the Company and personal guarantee of some Directors and guarantee by ECGC on pari-passu basis amongst the Bankers.)		
Packing Credit	1154.81	726.51
Bills Purchase Account	1055.74	685.15
Standby Line of Credit	150.00	—
Term Loan	225.44	59.25
Interest Accrued but not due on above	<u>0.50</u>	<u>—</u>
	2586.49	1470.91
<b>From ICICI Bank Ltd</b>		
Car Loan	5.40	4.67
	<u>2591.89</u>	<u>1475.58</u>

#### 4. FIXED ASSETS (AT COST)

(Rs. in lacs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT	ADDITIONS	SALES /	AS AT	UP TO	PROVIDED	SALES /	UP TO	AS AT	AS AT
	01.04.2007	DURING	ADJUST-	31.03.2008	31.03.2007	DURING	ADJUST-	31.03.2008	31.03.2008	31.03.2007
	THE YEAR	MENTS			THE YEAR	MENTS				
1) LAND	125.23	7.33		132.56					132.56	125.23
2) OFFICE PREMISES	22.15			22.15	7.06	0.49		7.55	14.60	15.09
3) TYPE WRITERS	0.48			0.48	0.40	0.01		0.41	0.07	0.08
4) FURNITURE & FIXTURES	22.62	4.82		27.44	15.25	1.14		16.39	11.05	7.37
5) AIR CONDITIONERS	3.79	1.47		5.26	2.31	0.26		2.57	2.69	1.48
6) OFFICE EQUIPMENTS	9.58	0.87		10.45	4.37	0.67		5.04	5.41	5.21
7) MOTOR CAR	25.06	4.31	1.34	28.03	14.23	3.08	1.34	15.97	12.06	10.83
8) MOTOR CYCLE	1.78		0.14	1.64	1.10	0.12	0.14	1.08	0.56	0.68
9) COMPUTERS P.C	12.94	3.54		16.48	9.84	2.06		11.90	4.58	3.10
10) FACTORY SHEDS	310.86	34.55		345.41	138.76	14.55		153.31	192.10	172.10
11) PLANT & MACHINERIES	555.09	12.40		567.49	280.37	39.55		319.92	247.57	274.72
12) PATTERN & DICES **	188.11	27.17		215.28	93.47	23.31		116.78	98.50	94.64
13) TOOLS & IMPLEMENTS	10.52	4.12		14.64	3.48	0.64		4.12	10.52	7.04
14) ELECTRIC INSTALLATION	65.85	1.74		67.59	29.59	3.01		32.60	34.99	36.26
15) TELEX (ELECTRONICS)	0.23			0.23	0.23			0.23	—	—
16) TUBEWELL	4.61	2.36		6.97	2.22	0.29		2.51	4.46	2.39
17) CAPITAL WORK IN PROGRESS	131.68	320.59	81.06	371.21					371.21	131.68
TOTAL	1490.58	425.27	82.54	1833.31	602.68	89.18	1.48	690.38	1142.93	887.90
PREVIOUS YEAR	1266.45	272.82	48.69	1490.58	523.47	79.21	0.00	602.68	887.90	—

\*\* Pattern & Dice includes Rs 7.28 lacs lying with processors / jobbers.

	(Rs. in Lacs)	
	<u>As at 31. 03. 2008</u>	<u>As at 31. 03. 2007</u>
<b>5. INVESTMENTS (AT COST)</b>		
<b>Quoted (Long Term)</b>		
700 Fully paid Equity Shares of Rs.10/- each, at a premium of Rs. 21/- each in Punjab National Bank.	<u>0.22</u>	<u>0.22</u>
Market Value Rs.355705/- (Previous year Rs. 297500/-)		
<b>6. INVENTORIES (As taken, valued and certified by the management)</b>		
Finished Goods	933.60	768.02
Raw Materials	477.10	366.38
Consumable Stores, Spares and Power & Fuels	39.65	40.46
Packing Materials	9.71	—
	<u>1460.06</u>	<u>1174.86</u>
<b>7. SUNDRY DEBTORS</b>		
Unsecured Considered Good :		
More than Six months	35.21	1.43
Other Debts	1345.66	1031.07
	<u>1380.87</u>	<u>1032.50</u>
<b>8. CASH &amp; BANK BALANCES</b>		
Cash In hand (As certified by Management)	6.02	8.53
Balances with Scheduled Banks		
On Current Accounts	52.94	51.32
Fixed Deposits (lying with Bank)	84.21	93.36
Interest accrued but not due on above	11.72	5.65
Margin Money	0.03	0.03
	<u>154.92</u>	<u>158.89</u>
<b>9. OTHER CURRENT ASSETS</b>		
<b>UNSECURED CONSIDERED GOOD</b>		
Export Incentive Receivable	123.68	66.99
Cenvat & Service Tax Receivable	262.62	187.63
Input Tax Credit Receivable (VAT)	434.50	274.06
Other Receivable	86.18	30.32
	<u>906.98</u>	<u>559.00</u>

(Rs. in Lacs)

	<u>As at</u> <u>31. 03. 2008</u>	<u>As at</u> <u>31. 03. 2007</u>
<b>10. LOANS &amp; ADVANCES</b>		
<b>UNSECURED CONSIDERED GOOD</b>		
Advances recoverable in cash or in kind or for the value to be received	287.88	168.42
Advance & Self Assessment Income Tax	282.93	220.95
Advance Fringe Benefit Tax	7.26	4.21
Tax Deducted at Source	9.14	7.38
Security Deposit	32.93	30.68
Prepaid Expenses	2.36	0.39
Advances to Staff	2.16	1.50
Earnest Money	0.14	0.14
Sales Tax Deposit with Suppliers	3.91	3.91
	<u>628.71</u>	<u>437.58</u>
<b>11. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
Sundry Creditors :		
For Goods Supplied	751.87	579.30
For Expenses	260.49	262.11
Bank Overdrafts	71.70	58.14
Creditors for Capital Goods	38.98	13.15
Unclaimed Dividend	11.61	11.90
Advance from Customer	0.18	—
	<u>1134.83</u>	<u>924.60</u>
<b>B. PROVISIONS</b>		
Provision for Contingencies (See Note (xii) on Sch-19)	70.00	—
For Income Tax	370.08	322.15
" Fringe Benefit Tax	7.64	4.76
" Gratuity	32.16	12.57
" Leave Encashment	2.72	—
" Proposed Dividend	17.29	20.74
" Dividend Distribution Tax	2.94	3.53
	<u>502.83</u>	<u>363.75</u>



		(Rs. in Lacs)	
		As at	As at
		<u>31. 03. 2008</u>	<u>31. 03. 2007</u>
<b>12. MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off or adjusted)			
Preliminary Expenses		0.60	0.60
Deferred Revenue Expenditure		<u>3.28</u>	<u>—</u>
		<u>3.88</u>	<u>0.60</u>
<b>13. SALES</b>			
Export	7164.60	4665.62	
Less : Freight	<u>223.07</u>	<u>201.47</u>	
	6941.53	4464.15	
Local (Net of VAT & Cenvat)	<u>—</u>	<u>0.73</u>	<u>4464.88</u>
		6941.53	
<b>14 OTHER INCOME</b>			
Export Incentives	401.03	168.59	
Exchange Rate Difference	21.31	13.83	
Liability No Longer Required Written Back	29.68	3.44	
Interest [Gross (TDS Rs. 0.25 lacs)]	1.22	0.03	
Interest Subsidy	—	13.47	
Dividend	0.04	0.07	
Others	<u>7.09</u>	<u>16.89</u>	<u>216.32</u>
		460.37	
<b>15 MANUFACTURING EXPENSES</b>			
Raw Materials Consumed :			
Opening Stock	366.38	126.95	
Add : Purchases (Net) (See Note (x) on Sch-19 )	<u>3301.02</u>	<u>2895.16</u>	
	3667.40	3022.11	
Less : Closing Stock	<u>477.10</u>	<u>366.38</u>	2655.73
Consumable Stores & Spares Consumed		420.53	355.19
Power & Fuel		464.05	383.47
Other Manufacturing Expenses		201.19	75.53
Clearing & Forwarding Import		32.12	12.44
Customs Duty		34.54	12.24
Conversion Charge		31.88	56.95
Factory Rent		4.32	4.32
Carriage Inwards		82.12	67.93
Pollution Control Expenses		7.15	7.99
Purchase Tax		0.91	-
Repairs & Maintenance :			
To Machinery & Others	39.61	42.94	
To Shed & Godown	<u>5.59</u>	<u>3.76</u>	46.70
Patterns & Dices Written Off		<u>12.42</u>	<u>12.27</u>
		<u>4526.73</u>	<u>3690.76</u>

**CARNATION**  
*Industries Limited*

	<u>2007 - 2008</u>	<u>(Rs. in Lacs)</u> <u>2006 - 2007</u>
<b>16 ADMINISTRATIVE, SELLING &amp; OTHER EXPENSES</b>		
Clearing & Forwarding Expenses (Export) (Including Carriage Out)	120.13	92.05
Repairs & Maintenance		
To Other Assets	14.36	10.75
Rates & Taxes	26.48	8.96
Commission	52.73	66.61
Insurance	1.15	1.40
Packing Charge	100.79	89.50
Directors Remuneration	11.46	13.58
Auditors Remuneration	1.75	1.35
Director's Meeting Fees	1.34	0.88
Inspection Service Charges	46.16	45.46
Fines & Penalties	—	2.40
Capital Work In Progress Written Off	1.23	12.28
Office Rent	4.50	—
Provision for Contingencies (See Note (xii) on Sch-19)	70.00	—
Miscellaneous Expenses	<u>133.86</u>	<u>117.41</u>
	<u>585.94</u>	<u>462.63</u>
<b>17 SALARIES, WAGES &amp; OTHER EMPLOYEES BENEFITS</b>		
Salaries	61.17	50.59
Wages	245.60	222.12
Bonus to Staff & Contractors	11.49	10.30
ESI Contribution	8.11	7.22
Workmen & Staff Welfare Expenses	4.22	3.94
Contribution to PF and other Funds	18.13	17.52
Gratuity	8.87	5.68
	<u>357.59</u>	<u>317.37</u>
<b>18 INTEREST, FINANCE CHARGES ETC.</b>		
Interest :		
To Bank (Net)	156.57	96.34
To Bank on Term Loan	6.19	6.77
To Others	0.60	7.23
Bank Charges	60.25	32.30
Export Guarantee Fees	18.22	12.91
Finance Charges	36.37	10.94
	<u>278.20</u>	<u>166.49</u>

**19 NOTES ON ACCOUNTS**

- i) Estimated amount of contracts remaining to be executed on Capital Account is Rs. 639.61 Lacs (Net of advance of Rs.7.87 lacs) (Previous year Rs.891.25 lacs, net of advance.)
- ii) Contingent liability not provided for in respect of :

	<u>2008</u>	<u>2007</u>
a. Outstanding Bank Guarantee	28.82	19.02
b. Differential Customs Duty Liability	29.80	29.80
c. Disputed Income Tax Penalty for the assessment year 2003-04	12.75	—

- iii) Charge of hypothecation over Current Assets & Raw Materials procured under letter of credit in favour of bankers has been created for letter of credit issued. Aggregate value of such letter of credit outstanding as on 31st March 2008 is Rs. 377.38 lacs. (Previous Year 239.94 lacs.)
- iv) The Income Tax Department has raised demands of Rs. 46.42 lacs, Rs. 16.65 lacs and Rs. 73.92 lacs including interest of Rs. 23.92 lacs, Rs. 7.47 lacs and Rs. 30.69 lacs for the Assessment Years 2000-01, 2001-02 and 2002-03 respectively. The Company had already provided for the tax amounts of the above demands in earlier years and in view of CBDT Circular No. 02/2006 Dated 17.01.2006 issued in connection with amendment of Section 80 HHC of the Income Tax Act, 1961 by Taxation Laws (Amendment) Act, 2005 interest shall not be payable on such demands hence, no provision has been made for the same. The Company has filed appeals against the above demands before the Commissioner of Income Tax (Appeals) which are still pending.

**v) 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)
	<u>Gratuity</u>	<u>Leave Encashment</u>
Current Service Cost	4.93	0.53
Interest Cost	2.19	0.19
Expected return on plan assets	—	—
Curtailment Cost / (Credit)	—	—
Settlement Cost / (Credit)	—	—
Amortization of Past Service Cost	—	—
Actuarial Losses / (Gains)	1.76	0.87
<b>Total Expenses recognised in the statement of Profit &amp; Loss</b>	<b>8.88</b>	<b>1.59</b>

**Balance Sheet**

		(Rs. in Lacs)
	<u>Gratuity</u>	<u>Leave Encashment</u>
Present Value of Defined Benefit Obligation	32.16	2.72
Fair Value of Plan Assets	—	—
Funded Status [Surplus/(Deficit)]	(32.16)	(2.72)
Effect of Balance Sheet Asset Limit	—	—
Unrecognised Past Service Costs	—	—
<b>Net Asset/(Liability) recognised in Balance Sheet</b>	<b>(32.16)</b>	<b>(2.72)</b>

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

		(Rs. in Lacs)
	<u>Gratuity</u>	<u>Leave Encashment</u>
Opening defined benefit obligation	26.15	2.37
Current Service Cost	4.93	0.53
Interest Cost	2.19	0.19
Curtailment Cost / (Credit)	—	—
Settlement Cost / (Credit)	—	—
Employee Contribution	—	—
Plan Amendments	—	—
Acquisitions	—	—
Actuarial (gains)/Losses	1.76	0.87
Benefits Paid	(2.87)	(1.24)
<b>Closing defined benefit obligation</b>	<b>32.16</b>	<b>2.72</b>

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

	<u>Gratuity</u>	<u>(Rs. in Lacs)</u> <u>Leave Encashment</u>
Opening fair value of plan assets	—	—
Actual return on plan assets	—	—
Actual Company Contributions	2.87	1.24
Employee Contributions	—	—
Benefits paid	(2.87)	(1.24)
<b>Closing fair value of plan assets</b>	<u>—</u>	<u>—</u>

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 :

	<u>Gratuity</u>	<u>Leave Encashment</u>
Discount Rate per annum compounded	7.50%	7.50%
Rate of increase in salaries	5.00%	5.00%
Expected Average remaining working lives of employees (years)	21.33	19.24

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:

	<u>Gratuity</u>	<u>(Rs. in Lacs)</u> <u>Leave Encashment</u>
Defined benefit obligation	32.16	2.72
Plan Assets	—	—
<b>Surplus / (deficit)</b>	<u>(32.16)</u>	<u>(2.72)</u>

Since AS-15(Revised) on Employee Benefits has been adopted from 1st April 2007, disclosures given above are only for the current year.

- vi) 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.
- vii) In the opinion of the board, all Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the accounts.

- viii) Since the matter relating to the resignation of Mr.Sanatan Kundu & Mr.Madan Mohan Kundu as Directors is pending in court, provision for their remuneration and other disclosure requirements will be dealt with accordingly.
- ix) Advance includes Rs. 14.86 lacs and Rs. 0.91 lacs due from M/s. The Salkia Industrial Works and M/s India Casting Corporation respectively. Legal suits have been filed by the Company for the recovery of these dues.
- x) In view of inability of a jobber to deliver finished products out of the raw materials of 300.585 MT given to him, a claim of Rs. 56.85 lacs has been raised based on the purchase value of the raw materials including excise duty as per the assessment of the management based on the written undertaking given by him.
- xi) In the opinion of the Board there is no loss on account of impairment of any asset during the year.
- xii) **Provision for contingencies**

	(Rs. in lacs)		
	<u>Excise</u>	<u>Others</u>	<u>Total</u>
Opening Balance as at 01.04.2007	—	—	—
Amount provided during the year	50.00	20.00	70.00
Amount utilised against provision	—	—	—
Unused amount released during the year	—	—	—
Closing Balance as at 31.03.2008	50.00	20.00	70.00

There was no provision in previous year.

The aforesaid provision is based on the inherent uncertainties attaching to the recovery / adjustment of the related accounts receivables. The possible date of recovery / adjustment is uncertain.

- xiii) Rs. 6.35 lacs of borrowing cost capitalised during the year.
- xiv) The following table shows the distribution of the Company's consolidated sales by geographical market, regardless of where the goods were produced.

**Sales Revenue By Geographical Market**

	(Rs. in lacs)	
	2007-08	2006-07
<b>Export Sales (Net of Freight)</b>		
USA	3300.81	2523.64
Middle East Asia	3024.76	1099.82
Europe	592.20	840.69
Latin America	23.76	—
<b>Domestic Sale</b>	—	0.73

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

- xv) Provision for current income tax has been made on the Taxable profit of the Company at the current tax rate.
- xvi) The major components of the Deferred tax assets/liabilities based on the tax effect on the timing difference as at 31st March, 2008 are as under:

**Deferred Tax Liability/(Assets)**

	(Rs. in lacs)	
	<u>2008</u>	<u>2007</u>
Depreciation	94.25	101.42
Deferred Revenue Expenditure	1.11	—
Provision for Contingencies against Others	(6.80)	—
Provision for Leave Encashment	(0.92)	—
Provision for Gratuity	(10.93)	(4.27)
<b>Net Deferred Tax Liability/(Assets)</b>	<u>76.71</u>	<u>97.15</u>

- xvii) Related party disclosures and transactions:

Sl No.	Name	Relationship	Nature of Transaction	(Rs. in lacs)	
				Amount (RS.)	Out-standing (RS.)
1.	Mr. R.P.Sehgal	Managing Director	Remuneration	4.91	—
2.	Mr. Suvobrata Saha	Jt. Managing Director	Remuneration	4.80	—
3.	Mrs. Sumati Sehgal	Wife of Managing Director	Service Contract	1.14	—

	(Rs. in lacs)	
	<u>31st March 2008</u>	<u>31st March 2007</u>

- xviii) Computation of Net Profit u/s 349 of the Companies Act, 1956

Profit before tax as per P & L a/c	48.39	139.99
Add - Directors Remuneration	11.46	8.58
" Directors' Meeting Fees	1.34	0.88
" Managerial Commission	—	5.00
	<u>61.19</u>	<u>154.45</u>

- Commission to Managing Director @ 3.50% p.a (Restricted to 5% of Net Profit as computed u/s 349 of the Companies Act, 1956)

Managerial Remuneration u/s 198 of the Companies Act 1956

Salaries & Allowances	10.04	8.02
Perquisites & Benefits	1.42	0.56
Commission	—	5.00
	<u>11.46</u>	<u>13.58</u>

**CARNATION**  
**Industries Limited**

		(Rs. in lacs)	
		31st March 2008	31st March 2007
xix)	Auditor's Remuneration Includes		
	Audit Fees	1.69	1.30
	Tax Audit Fees	0.28	0.22
		1.97	1.52
xx)	Additional information pursuant to the provisions of paragraphs 3, 4c, 4d of Part-II of schedule VI of the Companies Act, 1956	<b>Unit</b>	
	A. Class of goods, capacity, production & purchases		
	1. Class of Goods Manufactured		
	a) C.I.Castings		
	b) S.G.Castings		
	c) M.S.Product		
	2. Capacity		
	a) Licenced	N.A	N.A
	i) C.I.Castings		
	ii) S.G.Castings		
	iii) M.S.Product		
	b) Installed (As certified by the Management)		
	a) C.I.Castings	M.T. 12000	12000
	b) S.G.Castings	M.T. 5500	5500
	c) M.S.Product	M.T. N.A	N.A
	3. Actual Production		
	a) C.I.Castings (including process from outside 336 MT) (Previous Year - 969 MT)	M.T. 12158	11689
	b) S.G.Castings	M.T. 4491	4149
	c) M.S.Product (Process from outside)	M.T. 193	176
	4. Purchases		
	a) C.I.Castings	M.T. 485	127
	b) S.G.Castings	M.T. —	140
	c) M.S.Product	M.T. —	—



				(Rs. in lacs)		
	<u>Unit</u>	<u>Qty</u>	<u>31st March 2008 FOB Value (Rs.)</u>	<u>Qty</u>	<u>31st March 2007 FOB Value (Rs.)</u>	
<b>B. Turnover</b>						
a)	C.I.Castings	MT	12459	3324.75	11141	2765.33
b)	S.G.Castings	MT	4526	3528.92	4000	1580.49
c)	M.S.Product	MT	130	87.86	184	119.06

**C. Raw Material Consumed**  
(Including Wastage)

		<u>2 0 0 8</u>				<u>2 0 0 7</u>		
	<u>Unit</u>	<u>Qty</u>	<u>%</u>	<u>Value</u>	<u>Qty</u>	<u>%</u>	<u>Value</u>	
<u>Indigenous</u>								
Foundry Pig Iron	M.T	8346	43.01	1470.35	9422	53.48	1395.69	
C.I.Scrap & Skull	M.T	2362	12.17	316.99	2761	15.67	427.18	
S.G. Pig Iron	M.T	1981	10.21	369.04	2347	13.32	372.08	
Scrap for S.G	M.T	2260	11.65	385.07	1664	9.44	260.80	
M.S.Materials	M.T	185	0.95	56.17	170	0.96	45.15	
<u>Imported</u>								
C.I.Scrap	M.T	3472	17.89	482.79	824	4.68	99.68	
Scrap for S.G	M.T	801	4.13	109.89	430	2.44	55.15	
		19407	100.00	3190.30	17618	100.00	2655.73	

**D STOCK**

		<u>Opening Stock</u>			<u>Closing Stock</u>	
	<u>Unit</u>	<u>Qty</u>	<u>Value</u>	<u>Qty</u>	<u>Value</u>	
C.I.Castings	M.T	2696	582.10	2879	707.95	
		(2022)	(416.90)	(2696)	(582.10)	
S.G.Castings	M.T	513	174.43	479	183.82	
		(225)	(65.32)	(513)	(174.43)	
M.S.Product	M.T	23	11.49	86	41.83	
		(31)	(14.67)	(23)	(11.49)	
Foundry Pig Iron/ Scrap / Skull						
	M.T	1834	282.38	1253	276.53	
		(525)	(68.38)	(1834)	(282.38)	
S.G. Pig Iron & Scrap	M.T	424	71.39	852	169.92	
		(295)	(39.75)	(424)	(71.39)	
M.S.Materials	M.T	44	12.61	91	30.65	
		(91)	(18.82)	(91)	(18.82)	

- Note : 1) Out of above closing stock 0.082 MT (P.Y.- 370.642 MT) of Pig Iron / Scrap / Skull & 91.067 M.T (P.Y.- 37.778 MT) of M.S.Materials lying with processors.
- 2) Stocks are Net off shortage / excess which are not material.
- 3) Out of above closing Stock 214.389 MT (P.Y. - 551.595 MT) of C.I Castings, and 91.024 MT (P.Y. - 147.243 MT) of S.G.Castings and NIL (P.Y. - 21.156 MT) of M.S.Products are in transit.

	<b>31st March 2008</b>	<b>(Rs. in lacs) 31st March 2007</b>
<b>E. <u>Earning in Foreign Exchange during the year</u></b>		
Exports of goods (F.O.B)	5173.24	4393.32
Overseas Trading	1768.29	70.83
Other Income	—	—
<b>F. <u>Expenditure in Foreign Currency</u></b>		
a. Travelling & Conveyance	20.44	12.04
b. Certification Charge	8.34	6.43
c. Commission	52.73	66.61
d. Foreign Bank Charge	16.62	8.75
<b>G. <u>CIF Value of Import</u></b>		
Raw Material	617.75	219.15
Overseas Trading	1573.09	64.05
Capital Goods	—	6.62

xxi) **Significant accounting policies**

**A. Accounting Convention**

The accounts are prepared on accrual basis under the historical cost convention except otherwise stated.

**Adoption of Accounting Standard AS-15 (Revised 2005) Employee Benefits:**

The Company has adopted AS-15 (Revised) Employees Benefits and has accordingly changed its accounting policies for Gratuity and Leave Encashment. As a result of such change, profit for the year is lower by Rs. 10.46 lacs. Further, in accordance with the transitional provisions allowed in the standard, a sum of Rs. 10.52 lacs (net of Deferred Tax Assets of Rs. 5.43 lacs) being the impact of such change in the respect liabilities up to 1st April 2007 has been adjusted against the opening Profit and Loss Account balance.

**B. Fixed Assets**

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

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

The useful life of pollution control equipment is considered less than 12 months, therefore cost of pollution control equipments is fully charged to revenue.

**C. Depreciation**

- 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.
- 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.

**D. Investments**

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

**E. Inventories**

- i) Raw material, Consumable stores, Spares, Power & Fuels and Packing Materials are valued at cost on FIFO basis.
- ii) Finished goods are valued at cost or net realisable value whichever is lower. Cost is determined on average cost basis including proportionate fixed manufacturing overheads based on actual capacity.

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

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

**G. Cenvat**

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

**H. Value Added Tax**

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

I. **Export Benefit**

Export benefit under Duty Entitlement Pass Book scheme are accounted when there is no reasonable doubt of collection.

J. **Gratuity & Encashment of Leave**

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

K. **Bonus**

Bonus is provided for on the basis of liability incurred.

L. **Taxes on Income**

The Company provided for taxes on Income, on "Tax Effect Accounting" Method.

M. **Interest and Finance Charges**

Interest and Finance Charges charged to Profit & Loss Account include interest and bank charges on bank borrowings, short term and long term and discounting of inland, foreign L/Cs including those in favour of bankers. Interest attributable to qualifying assets are capitalised as cost of assets.

N. **Purchases**

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

O. **Segment Reporting Policies**

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

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

**PART IV**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details :-**

Registration No. : 35920 State Code : 21  
Balance Sheet Date : 31.03.2008

**II. Capital Raised During the year : NIL**

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

Total Liabilities 567857 Total Assets 567857

**Source of Funds**

Paid Up Capital 34572 Reserve & Surplus 102659  
Secured Loan 259189 Deferred Tax Liability 7671

**Application of Funds**

Net Fixed Assets 114295 Investments 22  
Net Current Assets 289386 Miscellaneous Expenditure 388

**IV. Performance of Company**

Turnover 740190 Total Expenditure 735351  
Profit / (Loss) Before Tax 4839 Profit / (Loss) After Tax 1259  
Earning Per Share 0.36 Dividend Rate 5%

**V. Generic Name of Products / Services of the Company**

(as per monetary terms)

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

On behalf of the Board

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

Place : Kolkata  
Dated : 28th June, 2008

**SANJAY AGARWAL**  
(CFO & Company Secretary)

**SHEKHAR CHATTERJEE**  
(Director)

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008**

	(Rs. in lacs)			
	AS ON 31.03.2008		AS ON 31.03.2007	
	Rs.	Rs.	Rs.	Rs.
<b>A. NET PROFIT BEFORE TAXES, &amp; EXTRA-ORDINARY ITEM</b>	48.39		139.99	
Adjustments for :-				
Depreciation	89.18		79.22	
Interest & Finance Charges	199.73		121.28	
Profit on Sale of Fixed Assets	(0.26)		—	
Foreign Exchange (Gain)/Loss	(0.08)		0.40	
Capital Work In Progress Written Off	1.23		12.28	
Deferred Revenue Expenditure Written Off	0.19		—	
Dividend	(0.04)		(0.07)	
	<u>338.34</u>		<u>353.10</u>	
Operating Profit before working				
Capital Changes		338.34		353.10
Adjustments for Inventories	(285.20)		(519.99)	
Trade & Other Receivable	(820.69)		321.76	
Trade Payable	<u>247.20</u>	(858.69)	<u>336.43</u>	138.20
Cash Generated from Operations		-520.35		491.30
Direct Taxes Paid	70.32		93.99	
Dividend Paid	<u>20.74</u>	91.06	<u>20.75</u>	114.74
Cash Flow From Operating Activities <b>(A)</b>		-611.41		376.56
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets including Capital				
Work in progress	(345.44)		(236.41)	
Sale of Fixed Assets	0.26		—	
Secured Loan for Capital Goods	167.42		(11.31)	
Creditors for Capital Goods	25.83		(7.47)	
Preliminary Expenses	(3.47)		(0.60)	
Dividend	<u>0.04</u>		<u>0.07</u>	
Net Cash Flow From Investing				
Activities <b>(B)</b>		(155.36)		(255.72)

**C. CASH FLOW FROM FINANCING ACTIVITIES**

Secured Borrowings (Incl.Interest)	948.89	140.62
Interest & Finance Charges	(199.73)	(131.72)
Unsecured Borrowing Taken	—	—
Unsecured Borrowing Repaid	—	(106.00)
Net Cash Flow From Financing Activities	<b>(C)</b> 749.16	(97.10)
Net Increase in Cash & Cash Equivalents	<b>(A+B+C)</b> -17.61	23.74
Cash & Cash Equivalents as at 01.04.2007/01.04.2006	100.75	77.41
Cash & Cash Equivalents as at 31.03.2008/31.03.2007	83.14	101.15

**Notes to the Cash Flow Statement**

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

Cash on Hand & Balances with Banks	83.22	100.75
Effect of Exchange Rate Change	(0.08)	0.40
	<u>83.14</u>	<u>101.15</u>

On behalf of the Board

**R.P.SEHGAL**

*(Managing Director)*

Place : Kolkata

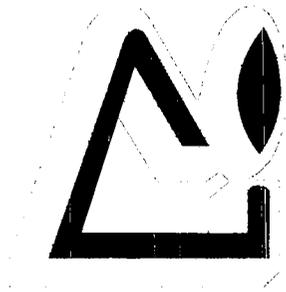
Dated : 28th June, 2008

**SANJAY AGARWAL**

*(CFO & Company Secretary)*

**SHEKHAR CHATTERJEE**

*(Director)*



**CARNATION**