



26th Annual Report
2008 - 2009



CARNATION INDUSTRIES LTD.

BOARD OF DIRECTORS

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

REGISTERED OFFICE

28/1, JHEEL ROAD,
SALKIA, HOWRAH – 711 106.
TELEPHONE : (033) 2645 4785/90

AUDIT COMMITTEE

Mr. Shekhar Chatterjee
Mr. R. C. Jha
Mr. Suvobrata Saha

**SHARE HOLDERS/ INVESTORS
GRIEVANCE COMMITTEE**

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

**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

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 NO.: (033) 2287 9938
E-Mail : carcast@vsnl.net
Website : carnationindustries.com

REGISTRARS

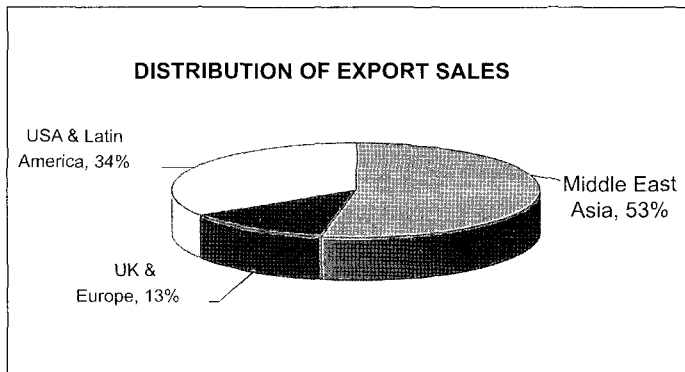
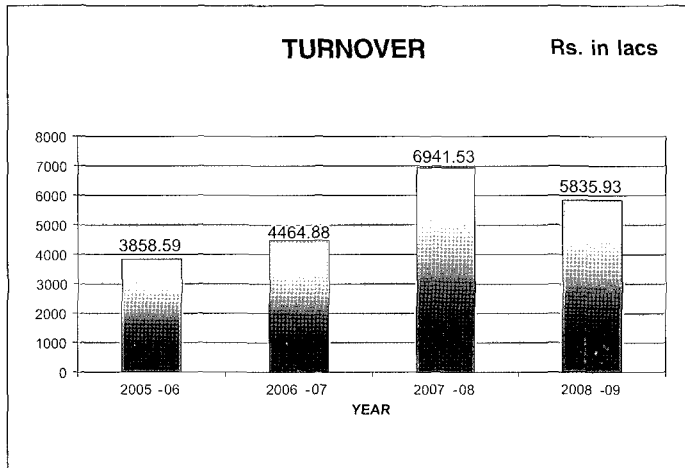
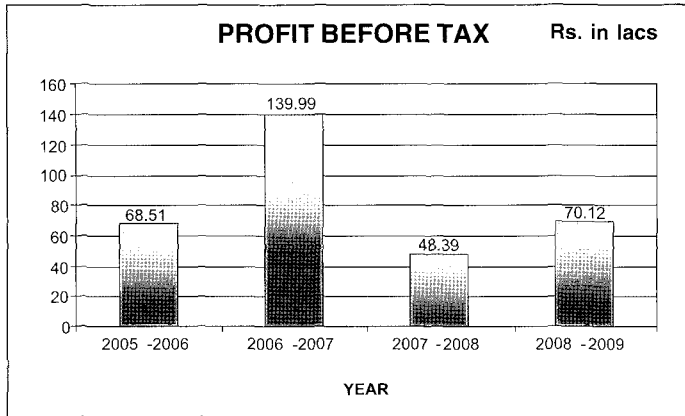
R&D Infotech Pvt.Ltd.,
22/4, Nakuleashwar Bhattacharjee Lane,
Ground floor, Kolkata – 700 026.
PHONE : (033) 2463 1657 / 58

SOLICITORS

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

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Mr. R. P. Sehgal MD with Mr Mao Siwei, Consul General, China at an award function in Kolkata.



Mr. Arun Kumar Bit, IAS, Development Commissioner, Falta, receiving a memento from Mr. R. P. Sehgal at a function in Kolkata.



Mr. Suvabrata Saha - Jt. Managing Director

NOTICE

Notice is hereby given that the 26th Annual General Meeting of the company will be held on Friday, 4th September, 2009 at 10.00 A.M.at Bally Rabindra Bhavan, 384, G.T. Road, Bally, Howrah – 711201 to transact the following business

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2009 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. Shekhar Chatterjee 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, subject to such consents, permissions and approvals as may be required and pursuant to Section 198,269,309,310,311 and other applicable provisions of the Companies Act,1956 read with Schedule XIII (including any statutory modifications or re-enactment thereof) of the Act, the company hereby accords its approval for the re-appointment of Mr. R.P. Sehgal as Managing Director of the company for a period of 5 (five) years with effect from 01.12.2009 on such terms and conditions as specified in the Explanatory Statement annexed hereto provided that the total remuneration (including the perquisites) shall be within the overall ceiling as provided under different applicable provisions and Schedule XIII of the Companies Act,1956.”

ITEM NO. 6

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

“RESOLVED THAT, subject to such consents, permissions and approvals as may be required and pursuant to Section 198,269,309,310,311 and other applicable provisions of the Companies Act,1956 read with Schedule XIII (including any statutory modifications or re-enactment thereof) of the Act, the company hereby accords its approval for the appointment of Mr. Arun Kumar Bose as Wholetime Director of the company for a period of 2 (two) years with effect from 5.9.2009 on such terms and conditions as specified in the Explanatory Statement annexed hereto provided that the total remuneration (including the perquisites) shall be within the overall ceiling as provided under different applicable provisions and Schedule XIII of the Companies Act,1956.”

By order of the Board

Place : Kolkata
Date : 5th August, 2009

(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 28.8.09 to 4.9.09 (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 4th September, 2009. 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 : 5th August, 2009

(SANJAY AGARWAL)
(CFO & Company Secretary)

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

ITEM NO. 5

The Members at the 22nd Annual General Meeting held on 9th July, 2005, appointed Mr. R. P. Sehgal as the Managing Director of the Company for a period of 5(five) years with effect from 01.12.2004.

As the tenure of the Managing Director would expire on 1.12.2009 the Board of Directors of the company at its meeting held on 5.8.2009 approved the re-appointment of Mr.R P.Sehgal as the Managing Director of the company with effect from 01.12.2009 for a period of 5 (five) years subject to the approval of the members of the company.

The profile of Mr. R. P. Sehgal is given in the annexure to this notice.

According to the terms and conditions on which Mr. R. P. Sehgal has been appointed as the Managing Director of the company he shall be entitled to the following remuneration within the overall ceiling as specified in Schedule XIII of the Companies Act, 1956.

REMUNERATION

- Salary : Basic Salary Rs.25000 per month in the range of Rs.25000/- – Rs.1,00,000/-. The Increment will be decided by the Board of Directors of the company.
- Percentage of Net Profit : 3.5% of Net Profit subject to the provision that the total remuneration (including the perquisites) does not exceed the ceiling as provided under different applicable provisions and Schedule XIII of the Companies Act, 1956.
- Perquisites : The Managing Director shall be entitled to the following perquisites provided the value thereof will be restricted to the amount equal to annual salary or actual expenditure incurred, whichever is less.
- a. Residential Accommodation: Furnished / Unfurnished Accommodation. In case no accommodation is provided by the company he shall be entitled to 30% of salary per month in lieu thereof as house rent allowance.
Value of perquisites shall be done as per Income-Tax Act.
 - b. Gas, Electricity and Water: The expenditure by the company on gas, electricity and water shall be valued as per Income-Tax Act.
 - c. Medical Reimbursement: Expenses incurred by the Managing Director and his family shall be subject to a ceiling of 1 (one) month's salary in a year or three month's salary over a period of three years.
 - d. Club Fees: Fees of the clubs subject to the maximum of two clubs. This will not include Admission and Life Membership fees.
 - e. Personal Accident Insurance: Premium not to exceed Rs.4, 000/- per annum.

Explanation: The term family means Spouse, dependant children and dependant parents of the Managing Director.

PART - B

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

PART - C

Car for use on company business and telephone at the residence will not be considered as perquisites. Use of Car for private purpose and personal long distance calls on telephone shall be billed by the company to the Managing Director.

MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the tenure of service, payment of salary, perquisites and other allowances shall be governed by provisions of Section II of Part II of Schedule XIII, provided the following will not be included in computation of the ceiling limit.

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

The Board recommends the acceptance of the resolution by the members.

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

ITEM NO. 6

The Board of Directors, at its meeting held on 28.8.2008 appointed Mr. Arun Kumar Bose as an Additional Director with effect from 28.8.2008 pursuant to Section 260 of the Companies Act, 1956, read with Article 115 of the Articles of Association of the Company. Mr. Bose holds office up to the date of the 26th Annual General Meeting of the Company as provided in the Articles read with Section 260 of the Act but is eligible for appointment. In terms of Section 257 of the Act the Company has received a notice in writing along with a deposit of Rs. 500/- from a Member signifying his intention to propose Mr. Bose for the office of the Director.

The Board of Directors of the company at its meeting held on 5.8.2009 appointed Mr. Arun Kumar Bose as the Whole time Director of the company with effect from 5.9.2009 for a period of 2 (two) years subject to the approval of the members of the company.

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

According to the terms and conditions on which Mr. Arun Kumar Bose has been appointed as the Whole time Director of the company he shall be entitled to the following remuneration within the overall ceiling as specified in Schedule XIII of the Companies Act, 1956.

REMUNERATION

- Salary : Salary Rs. 20500/- per month in the range of Rs.20500/- – Rs.40000/-.
The Increment will be decided by the Board of Directors of the company.
- Perquisites : The Wholetime Director shall be entitled to the following perquisites provided the value thereof will be restricted to the amount equal to annual salary or actual expenditure incurred, whichever is less.
- House Rent Allowance of Rs 3,500 per month.
- Value of perquisites shall be done as per Income-Tax Act.

PART - B

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

PART – C

Car for use on company business and telephone at the residence will not be considered as perquisites. Use of Car for private purpose and personal long distance calls on telephone shall be billed by the company to the Whole Time Director.

MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the tenure of service, payment of salary, perquisites and other allowances shall be governed by provisions of Section II of Part II of Schedule XIII, provided the following will not be included in computation of the ceiling limit.

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

The Board recommends acceptance of the resolution by the members.

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

By order of the Board

Place : Kolkata
Date : 5th August, 2009

(SANJAY AGARWAL)
CFO & Company Secretary

Details of Directors seeking Appointment / Re-appointment at the 26th Annual General Meeting

Name of the Director	Mr. R. P. Sehgal	Mr. Shekhar Chatterjee
Date of Birth	14.10.1955	09.10.1938
Date of Appointment	01.03.1983	27.06.2007
Qualification	Bachelor of Technology (Hons.), Diploma in Business & Industrial Management Diploma in Export Marketing	B.A(Hons.),F.C.A
Expertise in specific Functional Areas	More than 31 years of rich experience in Iron & Steel Industry in India and Abroad and in foreign trade. Ex Chairman of Engineering Export Promotion Council(ER) and President of the Institute of the Indian Foundrymen, Executive Committee member of Indian Foundry Association. Leading Carnation from the front enabling the company to win awards each year for its performance and growth. He has led several delegation overseas and made Carnation an International Brand name in Castings.	Has 40 years experience in Accounts and Finance Area. Worked in large corporate houses in very senior post including as a Director.
List of Companies In which other Directorship held	NIL	NIL
Chairman/Member of the Committee of the Board of the Compa nies in which he is a Director	NIL	NIL
Shareholding in the Company (No. of Equity Shares)	543240	100

Details of Directors seeking Appointment / Re-appointment at the 26th Annual General Meeting

Name of the Director	Mr. Arun Kumar Bose
Date of Birth	05.01.1937
Date of Appointment	28.8.2008
Qualification	Metallurgical Engineer(U.K) Furnace Technologist (Germany)
Expertise in specific Functional Areas	Has 40 years experience in Foundry Industry.
List of Companies In which other Directorship held	NIL
Chairman/Member of the Committee of the Board of the Companies in which he is a Director	NIL
Shareholding in the Company (No. of Equity Shares)	200

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Directors are pleased to present the Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2009.

FINANCIAL PERFORMANCE

	(Rs. in Lakhs)	
	For Year ended 31.03.2009	For Year ended 31.03.2008
Export Sales (Net of Freight)	5835.93	6941.53
Other Income	331.22	460.37
Gross Profit (before Depreciation Interest & Finance charges)	473.53	337.30
Interest & Finance charges	277.96	199.73
Depreciation & Amortisation	125.45	89.18
Profit before Tax	70.12	48.39
Provision for Tax		
- Current	9.43	47.93
- Deferred	4.95	(15.01)
- Fringe Benefit	4.60	2.88
Profit after Tax	51.14	12.59
Profit/(Loss) Brought forward	151.32	169.48
Profit Available for Appropriation	202.46	182.07
Proposed Dividend	20.74	17.29
Dividend Distribution Tax	3.53	2.94
Provision for Gratuity	—	8.96
Provision for Leave Encashment	—	1.56
Surplus carried to Balance Sheet	178.19	151.32

FINANCIAL REVIEW

The Export Sale (Net of freight) of the Company was Rs.5835.93 lakhs during the year as against Rs. 6941.53 lakhs during the previous year, 2007-08. The Gross Operating Profit, during the year, before Depreciation, Interest and Finance Charges at Rs. 473.53 lakhs was significantly higher than the previous year's level at Rs. 337.30. The fall in the income was mainly attributed to the recessionary trends in the global market in the second half of the year,

2008-09. The projects for which the company had successfully bid did not mature during the year because of the various countries' Governments slowing down on the projects. However, the company did significantly well in reducing the costs enabling it to earn higher profits as compared to the previous year. This was possible due to reduction in the manufacturing cost based on improved and more judicious purchase plan. During the year the Rupee appreciated significantly but the company could not reap the benefits as it had long term Dollar Bookings at the previous lower rates of Dollar.

FINANCE

Cash Generation from operations was a positive Rs. 661.23 lacs as compared to the net cash outflow of Rs. 611.41 lacs in the previous year, reflecting a significant gain of Rs. 1272.64 over the previous year. Such a positive shift was possible due to better working capital management. Higher interest and finance charges were attributable to expensing out the interest on term loan following commissioning of the plant during the year.

FOREIGN EXCHANGE EARNINGS AND OUTGO

	For Year ended	(Rs.in Lakhs)
	31.03.2009	31.03.2008
Earning - Export (F.O.B.)	5835.93	6941.53
<u>Outgoings</u>		
Travelling & Conveyance	24.86	20.44
Certification Charge	1.80	8.34
Commission	53.66	52.73
Foreign Bank Charges	13.01	16.62
Law Charges	0.67	—
Grinding, Painting & Finishing	17.50	91.06
Raw Material & Other Purchase(CIF Value)	1116.84	2190.84

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

The collapse of the Western Economy following the meltdown, triggered a sudden steep fall in demand worldwide and the slow fall of October, 2008 turned into a rapid fall in February, 2009. The year 2009-2010 is expected to begin on a slow note but in the second quarter it is expected to improve steadily as the Governments of Western Countries are having bail out packages with the primary focus on infrastructure with the potential for higher demand of castings. The prices of raw materials are expected to remain steady bringing some stability to the running of the foundries.

OPPORTUNITIES AND THREAT

Due to deep recession in the economy, the large foundries in USA and Europe will have difficulty in coping with the financial pressures and holding of large stocks. This may enable the Indian foundries to gain access to new markets in the West on considerations of cost arbitrage. With a hopefully steady rupee and a steady raw material price, the exports from India can stabilize after the rather tumultuous last year. With a few large foundries shutting down in Europe and in China, India stands to gain especially in view of better availability of bank finance. The Company is developing value added products for the domestic market as this market has good prospects in the future.

RISKS AND CONCERN

The area of concern is the potential exchange fluctuation throwing all hedging instruments out of gear exposing to exchange losses.

The other area of concern is the volatility in the coke price which affects the production cost of Pig Iron which is one of the prime raw materials used by the Company.

FUTURE OUTLOOK

After hitting the lowest levels, the demand for castings in the market is inching upwards and in the second half of the calendar year 2009 it is expected to improve further. With stocks depleting with the buyers and the construction activities beginning to pick up, the Company can expect a surge in demand which would be higher than the past few months. USA market could reach 80% of its last year's levels and the Gulf market could be in the same range of recovery. UK market is in the worst state and does not seem to recover but the European market is certain to show a growth for Indian Castings as compared to last year. Hence, overall, the Company is expected to retain its present level of income.

Domestic market for machined castings in several sectors is poised for a growth and the Company is taking steps to move in that direction.

SEGMENTWISE 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.

EXPANSION AND NEW PROJECT

Your Company has successfully commissioned the New Sand Plant and has also obtained the Consent to Operate from the West Bengal Pollution Control Board for the Uluberia unit. The Company expects improved quantity and quality of Sand, which would enable it to get into more intricate castings and also increase in productivity.

The Company has set up in Uluberia a grey iron production unit, which along with the existing capacity has raised the total producing capacity of grey iron from May, 2009. Meanwhile the personnel working in Unit-2 i.e. Belgachia grey iron plant were shifted to manage the grey production in Uluberia and the Belgachia Plant which is on temporary suspension will start operation once the market for grey iron picks up and that is expected in the coming year.

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 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.

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

DIVIDEND

Yours Directors are pleased to recommend a Dividend of 6% (Re.0.60 per Equity Share of Rs. 10 each) for the year 2008-09 as against 5% (Re. 0.50 per Equity Share) for the year 2007-08. The dividend together with the dividend tax will entail a cash outlay of Rs. 24.27 lacs (previous year Rs. 20.23 lacs). The Dividend will be paid to all those share holders whose names appear in the Register of Members as on 4/9/2009.

POLLUTION CONTROL MEASURE

The Pollution control measures installed for the units of the company are in full operation as required under the statutes. The company has also received Consent to Operate from West Bengal Pollution Control Board (WBPCB) in respect of expansion project of Uluberia unit of the company. The company has taken immediate steps to rectify the Pollution Control devices wherever minor variations were noticed by the management during the year under review.

DIRECTORS

Mr. R. P. Sehgal was appointed as the Managing Director of the company for a period of five years with effect from 1st December, 2004. The Board of Directors at its meeting held on 5th August, 2009 approved re-appointment of Mr. Sehgal for further period of five years effective from 1st December, 2009. The members are requested to consider the re-appointment of Mr. Sehgal at the ensuing AGM.

Mr. Arun Kumar Bose was appointed as Additional Executive Director of the company and holds office upto the date of Annual General Meeting. The company has received notice proposing his candidature for the office of the Directorship of the company.

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

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 are drawing salary more than the limit prescribed under the aforesaid Rule.

PUBLIC DEPOSITS

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

STOCK EXCHANGE

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

CORPORATE GOVERNANCE

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

DIRECTORS RESPONSIBILITY STATEMENT

Your Directors confirm that in preparation of the Annual Accounts the applicable accounting standards have been followed along with proper explanation relating to material departures. The Directors have selected such accounting policies and applies them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31.03.09 and of the Profit and Loss of the company for that period. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting frauds 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

Place : Kolkata
Dated : 5th August, 2009

S. Saha
Jt. Managing Director

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

2. BOARD OF DIRECTORS

Composition of Board

The company follows the policy to have an appropriate mix of Executive and Independent Non-Executive Directors to impart the right balance to the Board and bring independent judgment in its deliberations and decisions. As on 31.3.2009 the Board consisted of two Independent Non-Executive Directors and three Executive Directors. The Chairman is an Independent Non-Executive Director. During the year ended 31.03.2009, the company had seven Board Meetings which were held on 26.04.2008, 28.06.2008, 31.7.2008, 18.8.2008, 28.8.2008, 27.10.2008 and 30.1.2009. 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 well 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 as on 31.3.2009 is as under:-

Name	Category of 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	3	No	–	–	–
Mr. Shekhar Chatterjee	NED&C	7	Yes	–	–	1
Mr. R. P. Sehgal	MD	7	Yes	–	1	–
Mr. Suvabrata Saha	JMD	6	Yes	–	1	–
Mr. Arun Kumar Bose	WD	6	Yes	–	–	–
Mr. R. C. Jha	NED	5	Yes	2	1	1
Mr. Rajesh Kr. Pandey**	NED	–	No	1	–	–

* Expired on 8/8/2008

** Ceased to be a Director w.e.f. 27.10.2008

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:

Name	Directorship	Salary	Others	Total
Ravindra Prakash Sehgal	Managing Director	300000	156589	456589
Suvabrata Saha	Joint Managing Director	300000	174062	474062
Arun Kumar Bose	Whole time Director	123500	149500	273000

The Salary represents Basic Salary. Others include House Rent Allowance, Medical Reimbursement, Electricity etc.

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

Details of the shareholding of the Non Executive Directors as per Clause 49 of the Listing Agreement:

Name of the Director	Category	No of shares held (Rs. 10 paid up)
a) Mr. Shekhar Chatterjee	NED	100
b) Mr. R. C. Jha	NED	0

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 based on Clause 49 of the listing agreement as amended, as well as in 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 considered 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 judgment 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) Qualifications in draft audit report.
5. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the Management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, 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 2 (two) Independent Non-Executive Directors, i.e., Mr. Shekhar Chatterjee, and Mr. R. C. Jha and 1(one) Executive Director i.e. Mr. Suvabrata Saha.

During the year under review, 5 meetings of the Audit Committee were held on 26.4.2008, 27.6.2008, 31.7.2008, 27.10.2008 and 30.1.2009.

SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

The Committee consists of Mr. R.C. Jha and Mr. R. P. Sehgal, The Committee has been constituted to oversee and redress the shareholders complaint and to oversee the performance of the Registrar and Transfer Agents. The Company has authorised Mr. Sanjay Agarwal, Company Secretary, to approve the Share Transfers and also appointed him as the Compliance Officer of the company. The Company has received 8 nos. of complaints/communications from the shareholders of the company during the year 2008-09 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:

Year	Location	Date	Time
2007-08	"Sarat Sadan", 5, M.G.Road, Howrah – 711 101.	27.08.08	10.00 A.M.
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.

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 : 4.9.2009 at 10.00 A.M.
Venue : "Bally Rabindra Bhavan"
384, G.T. Road, Bally
Howrah – 711201

ii) **Financial Calendar 2009-2010(Tentative)**

Financial Reporting for quarter ended 30.06.09 : 3rd/4th week of July, '09
Financial Reporting for quarter ended 30.09.09 : 3rd /4th week of October, '09
Financial Reporting for quarter ended 31.12.09 : 3rd/4th week of January, '10
Financial Reporting for quarter ended 31.03.10 : 3rd/4th week of June, '10

iii) **Date of Book closure** : 28.8.09 to 4.9.09

iv) **Dividend Payment Date** : On or before 1st October, 2009

Listing of Stock Exchanges : Bombay Stock Exchange Limited
The Calcutta Stock Exchange Association Ltd.

The company has paid the listing fees for the financial year 2009-10 to the above Stock Exchanges.

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

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

vi) Market Price Data & comparison with BSE Sensex

	Stock Exchange Mumbai		BSE Sensex	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
April,'08	18.90	14.90	17480.74	15297.96
May,'08	20.50	16.05	17735.70	16196.02
June,'08	20.15	15.10	16632.72	13405.54
July,'08	16.90	12.25	15130.09	12514.02
August,'08	17.00	13.80	15579.78	14002.43
September,'08	18.90	13.00	15107.01	12153.55
October,'08	16.00	9.20	13203.86	7697.39
November,'08	11.94	7.78	10945.41	8316.39
December,'08	9.26	6.65	10188.54	8467.43
January,'09	11.13	8.75	10469.72	8631.60
February,'09	9.98	6.65	9724.87	8619.22
March,'09	9.78	7.00	10127.09	8047.17

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

viii) Share Transfer System:

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

ix) Distribution of Shareholding:

No. of Shares	No. of Share Holders	% of shareholders	Total No. of shares	% of Total holding
1-500	1636	83.21	315313	9.12
501-1000	171	8.70	141274	4.09
1001-2000	65	3.31	102106	2.95
2001-3000	24	1.22	62144	1.80
3001-4000	11	0.56	38194	1.10
4001-5000	12	0.61	56931	1.65
5001-10000	14	0.71	103555	3.00
10001-50000	20	1.02	455816	13.18
50001-100000	3	0.15	179312	5.19
100001 and above	10	0.51	2002515	57.92
	<u>1966</u>	<u>100.00</u>	<u>3457160</u>	<u>100.00</u>

x) Shareholding Pattern as on 31.3.2009

	(Holding %)
Promoter & promoter Group	41.44
Bodies Corporate	3.98
NRIs	5.95
Mutual Funds & UTI	1.40
Public Shareholding	47.23
	<u>100.00</u>

xi) Dematerialisation of Shares and Liquidity

Shares of the company equivalent to 53% of the total Equity Share Capital has been dematerialised as on 31.03.2009. 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 31.03.2009.

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 31st March, 2009.

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 (1)(D)(ii) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Board Members and Senior Management Personnel of the company have affirmed compliance with the Code of Conduct for the year ended 31st March, 2009.

For Carnation Industries Ltd.

Place : Kolkata

Dated : 5th August, 2009

R. P. Sehgal

Managing Director

CERTIFICATE

**To the Members of
CARNATION INDUSTRIES LIMITED**

We have examined the compliance of conditons of Corporate Governance by the Carnation Industries Limited, for the year ended on 31st March, 2009 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 Lisiting Agreement.

We state that in respect of investor grievance received during the period ended 31st March, 2009, no grievance are pending with the company as on 5th August, 2009 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*

27/8A, Waterloo Street
Kolkata-700 069
Dated : 5th August, 2009

(J. K. Jain)
Partner

JAIN & BAGARIA
CHARTERED ACCOUNTANTS

REPORT OF THE AUDITORS TO THE MEMBERS
OF CARNATION INDUSTRIES LIMITED

We have audited the attached Balance Sheet of CARNATION INDUSTRIES LIMITED as at 31st March 2009 and also the Profit & Loss Account & Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

1. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. As informed to us all fixed assets (except lying with processors/suppliers) 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 followings:

Name of the Status	Nature of Dues	Amount (Rs.)	Forum Where Dispute is Pending
Income Tax Act, 1961	Income Tax penalty for the Assessment Year 2003-04	12.75 Lacs	Before the Commissioner of Income Tax (Appeals)
West Bengal Value Added Tax Act, 2003	Value Added Tax for the Financial Year 2005-06	13.17 Lacs	Before the Jt. Commissioner of Sales Tax.
Central Excise Act, 1944	Duty and Penalty	86.56 lacs	Before the Commissioner (Appeal – I & II) of Central Excise

10. The Company has no accumulated losses at the end of the financial year 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 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 purpose of our audit.
- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- iii) The Balance Sheet , Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Balance Sheet , Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section 3 (C) of Section 211 of the Companies Act, 1956.
- v) On the basis of written representations received from the Directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2009 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with Schedules and Notes thereon and statements on significant accounting policies give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2009.
 - 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 : 5th August, 2009

J. K. JAIN
Partner
Membership No. 050019

BALANCE SHEET AS AT 31ST MARCH, 2009

(Rs. in Lacs)

	Schedule	As at 31. 03. 2009		As at 31. 03. 2008	
I. SOURCES OF FUNDS					
1) Shareholders' Funds					
a) Share Capital	1	345.72		345.72	
b) Reserves & Surplus	2	<u>1053.46</u>	1399.18	<u>1026.59</u>	1372.31
2) Loan Funds					
a) Secured Loans	3		2410.61		2591.89
3) Deferred Tax Liability			81.66		76.71
TOTAL			<u>3891.45</u>		<u>4040.91</u>
II. APPLICATION OF FUNDS					
1) Fixed Assets	4				
a) Gross Block		1972.57		1833.31	
b) Less : Depreciation		<u>815.83</u>		<u>690.38</u>	
c) Net Block			1156.74		1142.93
2) Investments	5		0.22		0.22
3) Current Assets, Loans and Advances					
a) Inventories	6	1340.00		1460.06	
b) Sundry Debtors	7	982.69		1380.87	
c) Cash & Bank Balances	8	191.41		154.92	
d) Other Current Assets	9	927.16		906.98	
e) Loans & Advances	10	<u>555.48</u>		<u>628.71</u>	
		<u>3996.74</u>		<u>4531.54</u>	
Less : Current Liabilities and Provisions	11				
a) Current Liabilities		772.34		1134.83	
b) Provisions		<u>492.03</u>		<u>502.83</u>	
		<u>1264.37</u>		<u>1637.66</u>	
Net Current Assets			2732.37		2893.88
4) Miscellaneous Expenditure (To the extent not written off or adjusted)	12		2.12		3.88
TOTAL			<u>3891.45</u>		<u>4040.91</u>

NOTES ON ACCOUNTS 19

As per our report annexed of even date

For **JAIN & BAGARIA**

Chartered Accountants

J.K.Jain

Partner

27/8A, Waterloo Street

Kolkata - 700 069

Dated : 5th August, 2009

On behalf of the Board

R.P.Sehgal

(Managing Director)

Sanjay Agarwal

(CFO & Company Secretary)

Suvabrata Saha

(Jt. Managing Director)

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at <u>31. 03. 2009</u>	(Rs. in Lacs) As at <u>31. 03. 2008</u>
1. SHARE CAPITAL		
Authorised		
7000000 Equity shares of Rs.10/- each	700.00	700.00
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 Profit)	345.72	345.72
	<u>345.72</u>	<u>345.72</u>
2. RESERVES & SURPLUS		
Share Premium A/c		
As per last Balance Sheet	306.30	306.30
General Reserve		
As per last Balance Sheet	493.24	493.24
Capital Reserve		
As per last Balance Sheet	48.84	48.84
Export Business Reserve		
As per last Balance Sheet	26.89	26.89
Profit & Loss Account		
Balance (Cr.) as per Profit & Loss A/c	178.19	151.32
	<u>1053.46</u>	<u>1026.59</u>
3. SECURED LOANS		
From Scheduled Banks		
(Secured against purchase of bills, hypothecation of stock in trade, Book Debts and Receivables, Term Deposits, Equitable Mortgage of Land / Buildings owned by the Company as well as by some Directors, charge on the existing and future plant & machinery owned by the Company and personal guarantee of some Directors and guarantee by ECGC on pari-passu basis amongst the Bankers.)		
Packing Credit	1108.24	1154.81
Bills Purchase Account	762.79	1055.74
Standby Line of Credit	355.00	150.00
Term Loan	180.32	225.44
Interest Accrued but not due on above	<u>2.02</u>	<u>0.50</u>
	2408.37	2586.49
From ICICI Bank Ltd		
Car Loan	2.24	5.40
	<u>2410.61</u>	<u>2591.89</u>

4. FIXED ASSETS (AT COST)

(Rs. in lacs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	AS AT	ADDITIONS	SALES /	AS AT	UPTO	PROVIDED	SALES /	UPTO	AS AT	AS AT
	01.04.2008	DURING	ADJUST-	31.03.2009	31.03.2008	DURING	ADJUST-	31.03.2009	31.03.2009	31.03.2008
	THE YEAR	MENTS			THE YEAR	MENTS				
1) LAND	132.56	7.75	—	140.31	—	—	—	—	140.31	132.56
2) OFFICE PREMISES	22.15	—	—	22.15	7.55	0.48	—	8.03	14.12	14.60
3) TYPE WRITERS	0.48	—	—	0.48	0.41	0.01	—	0.42	0.06	0.07
4) FURNITURE & FIXTURES	27.44	1.20	—	28.64	16.39	1.86	—	18.25	10.39	11.05
5) AIR CONDITIONERS	5.26	0.41	—	5.67	2.57	0.36	—	2.93	2.74	2.69
6) OFFICE EQUIPMENTS	10.45	0.21	—	10.66	5.04	0.65	—	5.69	4.97	5.41
7) MOTOR CAR	28.03	—	—	28.03	15.97	2.49	—	18.46	9.57	12.06
8) MOTOR CYCLE	1.64	—	—	1.64	1.08	0.10	—	1.18	0.46	0.56
9) COMPUTERS P.C	16.48	20.60	—	37.08	11.90	8.34	—	20.24	16.84	4.58
10) FACTORY SHEDS	345.41	90.30	—	435.71	153.31	19.52	—	172.83	262.88	192.10
11) PLANT & MACHINERIES	567.49	194.81	—	762.30	319.92	49.51	—	369.43	392.87	247.57
12) PATTERN & DICES	** 215.28	24.09	—	239.37	116.78	26.25	—	143.03	96.34	98.50
13) TOOLS & IMPLEMENTS	14.64	0.86	—	15.50	4.12	0.74	—	4.86	10.64	10.52
14) ELECTRIC INSTALLATION	67.59	1.40	—	68.99	32.60	3.21	—	35.81	33.18	34.99
15) TELEX (ELECTRONICS)	0.23	—	—	0.23	0.23	—	—	0.23	—	—
16) TUBEWELL	6.97	—	—	6.97	2.51	0.30	—	2.81	4.16	4.46
17) <u>INTANGIBLE ASSETS</u>										
a) ERP SOFTWARE	—	10.50	—	10.50	—	10.50	—	10.50	—	—
b) LICENCE	—	13.50	—	13.50	—	1.13	—	1.13	12.37	—
18) CAPITAL WORK IN PROGRESS	371.21	108.55	334.92	144.84	—	—	—	—	144.84	371.21
TOTAL	1833.31	474.18	334.92	1972.57	690.38	125.45	—	815.83	1156.74	1142.93
PREVIOUS YEAR	1490.58	425.27	82.54	1833.31	602.68	89.18	1.48	690.38	1142.93	—

** Pattern & Dice includes Rs 12.48 lacs lying with Supplier abroad

	As at	(Rs. in Lacs)
	31. 03. 2009	As at
	31. 03. 2008	
5. INVESTMENTS (AT COST)		
Quoted (Long Term)		
700 Fully paid Equity Shares of		
Rs.10/- each, at a premium of		
Rs. 21/- each in Punjab National Bank.	<u>0.22</u>	<u>0.22</u>
Market Value Rs.287630/-		
(Previous year Rs. 355705/-)		
6. INVENTORIES (As taken, valued and certified by the management)		
Finished Goods	978.90	933.60
Raw Materials	323.83	477.10
Consumable Stores, Spares and Power & Fuels	25.48	39.65
Packing Materials	11.79	9.71
	<u>1340.00</u>	<u>1460.06</u>
7. SUNDRY DEBTORS		
Unsecured Considered Good :		
More than Six months	20.88	35.21
Other Debts	961.81	1345.66
	<u>982.69</u>	<u>1380.87</u>
8. CASH & BANK BALANCES		
Cash in hand (As certified by Management)	7.20	6.02
Balances with Scheduled Banks		
On Current Accounts	82.61	52.94
Fixed Deposits (lying with Bank)	84.21	84.21
Interest accrued but not due on above	17.36	11.72
Margin Money	0.03	0.03
	<u>191.41</u>	<u>154.92</u>
9. OTHER CURRENT ASSETS		
UNSECURED CONSIDERED GOOD		
Export Incentive Receivable	54.62	123.68
Cenvat & Service Tax Receivable	311.89	262.62
Input Tax Credit Receivable (VAT)	547.05	434.50
Other Receivable	13.60	86.18
	<u>927.16</u>	<u>906.98</u>

CARNATION
Industries Limited

(Rs. in Lacs)

	<u>As at</u> <u>31. 03. 2009</u>	<u>As at</u> <u>31. 03. 2008</u>
10. LOANS & ADVANCES		
UNSECURED CONSIDERED GOOD		
Advances recoverable in cash or in kind or for the value to be received	165.68	287.88
Advance & Self Assessment Income Tax	332.41	282.93
Advance Fringe Benefit Tax	9.84	7.26
Tax Deducted at Source	11.17	9.14
Security Deposit	33.43	32.93
Prepaid Expenses	0.16	2.36
Advances to Staff	2.65	2.16
Earnest Money	0.14	0.14
Sales Tax Deposit with Suppliers	—	3.91
	<u>555.48</u>	<u>628.71</u>
11. CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors :		
For Goods Supplied	517.00	751.87
For Expenses	151.06	260.49
Bank Overdrafts	67.84	71.70
Creditors for Capital Goods	16.16	38.98
Unclaimed Dividend	10.42	11.61
Advance from Customer	9.86	0.18
	<u>772.34</u>	<u>1134.83</u>
B. PROVISIONS		
Provision for Contingencies (See Note (xv) of Sch-19)	50.00	70.00
For Income Tax	379.52	370.08
" Fringe Benefit Tax	9.93	7.64
" Gratuity	26.33	32.16
" Leave Encashment	1.98	2.72
" Proposed Dividend	20.74	17.29
" Dividend Distribution Tax	3.53	2.94
	<u>492.03</u>	<u>502.83</u>

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		(Rs. in Lacs)	
		As at <u>31. 03. 2009</u>	As at <u>31. 03. 2008</u>
12. MISCELLANEOUS EXPENDITURE			
	(To the extent not written off or adjusted)		
	Preliminary Expenses	—	0.60
	Deferred Revenue Expenditure	<u>2.12</u>	<u>3.28</u>
		<u>2.12</u>	<u>3.88</u>
		For <u>2008 - 2009</u>	For <u>2007 - 2008</u>
13. SALES			
	Export	6011.09	7164.60
	Less : Freight	<u>175.16</u>	<u>223.07</u>
		<u>5835.93</u>	<u>6941.53</u>
14 OTHER INCOME			
	Export Incentives	305.08	401.03
	Exchange Rate Difference	—	21.31
	Liability No Longer Required Written Back	—	29.68
	Interest [Gross (TDS Rs. 0.58 lacs)]	2.60	1.22
	Interest Subsidy	6.41	—
	Dividend	0.09	0.04
	Others	<u>17.04</u>	<u>7.09</u>
		<u>331.22</u>	<u>460.37</u>
15 MANUFACTURING EXPENSES			
	Raw Materials Consumed :		
	Opening Stock	477.10	366.38
	Add : Purchases (Net)	<u>3354.86</u>	<u>3301.02</u>
		3831.96	3667.40
	Less : Closing Stock	<u>323.83</u>	<u>477.10</u>
	Consumable Stores & Spares Consumed	359.24	420.53
	Power & Fuel	467.89	464.05
	Other Manufacturing Expenses	114.44	201.19
	Clearing & Forwarding Import	32.53	32.12
	Customs Duty	4.12	34.54
	Conversion Charge	16.49	31.88
	Factory Rent	4.32	4.32
	Carriage Inwards	75.93	82.12
	Pollution Control Expenses	3.55	7.15
	Purchase Tax	1.60	0.91
	Repairs & Maintenance :		
	To Machinery & Others	30.08	39.61
	To Shed & Godown	6.16	5.59
	Patterns & Dices Written Off	<u>8.01</u>	<u>12.42</u>
		<u>4632.49</u>	<u>4526.73</u>

CARNATION
Industries Limited

	<u>2008 - 2009</u>	<u>(Rs. in Lacs)</u> <u>2007 - 2008</u>
16 ADMINISTRATIVE, SELLING & OTHER EXPENSES		
Clearing & Forwarding Expenses (Export) (Including Carriage Out)	80.82	120.13
Repairs & Maintenance		
To Other Assets	11.86	14.36
Rates & Taxes	17.65	26.48
Commission	53.66	52.73
Insurance	2.23	1.15
Packing Charge	85.32	100.79
Directors Remuneration	12.04	11.46
Auditors Remuneration	1.75	1.75
Exchange Rate Difference	33.53	-
Director's Meeting Fees	2.36	1.34
Inspection Service Charges	43.20	46.16
Fines & Penalties	0.48	-
Capital Work In Progress Written Off	-	1.23
Office Rent	9.00	4.50
Provision for Contingencies	-	70.00
Bad Debt Written Off	45.51	
Less - Provision	<u>20.00</u>	-
Sundry Debit Balance Written Off	23.10	-
Miscellaneous Expenses	<u>166.62</u>	<u>133.86</u>
	<u>569.13</u>	<u>585.94</u>
17 SALARIES, WAGES & OTHER EMPLOYEES BENEFITS		
Salaries	82.93	61.17
Wages	205.86	245.60
Bonus to Staff & Contractors	13.14	11.49
ESI Contribution	7.85	8.11
Workmen & Staff Welfare Expenses	4.67	4.22
Contribution to PF and other Funds	18.23	18.13
Gratuity	3.41	8.87
	<u>336.09</u>	<u>357.59</u>
18 INTEREST, FINANCE CHARGES ETC.		
Interest :		
To Bank (Net)	220.61	156.57
To Bank on Term Loan	29.55	6.19
To Others	1.26	0.60
Bank Charges	44.52	60.25
Export Guarantee Fees	14.10	18.22
Finance Charges	26.54	36.37
	<u>336.58</u>	<u>278.20</u>

19 NOTES ON ACCOUNTS

i) Estimated amount of contracts remaining to be executed on Capital Account is Rs. 555.74 Lacs (Net of advance of Rs. 12.90 lacs) (Previous year Rs. 639.61 lacs, net of advance.)

ii) Contingent liability not provided for in respect of :

	<u>2009</u>	<u>2008</u>
a. Outstanding Bank Guarantee	28.82	28.82
b. Differential Customs Duty Liability	29.80	29.80
c. Disputed Income Tax Penalty for the assessment year 2003-04	12.75	12.75
d. Disputed Duty & Penalty under Central Excise Law	86.56	-
e. Disputed Vat Demand for the Financial Year 2005-06	13.16	-

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, 2009 is Rs. 200.43 lacs. (Previous Year 377.98 lacs.)

iv) The Income Tax Department had 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) The Sales Tax Department has rejected the claim for Input Tax Credit amounting to Rs. 106.03 Lacs for the Accounting Year 2005-06 vide their Order dated 25.11.2008. However, the Company has filed an appeal before the Joint Commissioner of Sales Tax, Kolkata (South) Circle which is still pending.

vi) 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 has filed Appeals against the above demands before the Commissionerate (Appeal - I & II) of Central Excise Kolkata which are still pending.

vii) 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)			
	2008-09		2007-08	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Current Service Cost	4.25	0.46	4.93	0.53
Interest Cost	2.19	0.18	2.19	0.19
Expected return on plan assets	—	—	—	—
Curtailment Cost / (Credit)	—	—	—	—
Settlement Cost / (Credit)	—	—	—	—
Amortization of Past Service Cost	—	—	—	—
Actuarial Losses / (Gains)	(3.03)	(0.15)	1.76	0.87
Total Expenses recognised in the statement of Profit & Loss	<u>3.41</u>	<u>0.49</u>	<u>8.88</u>	<u>1.59</u>

	(Rs. in Lacs)			
	2008-09		2007-08	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Balance Sheet				
Present Value of Defined Benefit Obligation	26.33	1.98	32.16	2.72
Fair Value of Plan Assets	—	—	—	—
Funded Status [Surplus/(Deficit)]	(26.33)	(1.98)	(32.16)	(2.72)
Effect of Balance Sheet Asset Limit	—	—	—	—
Unrecognised Past Service Costs	—	—	—	—
Net Asset/(Liability) recognised in Balance Sheet	<u>(26.33)</u>	<u>(1.98)</u>	<u>(32.16)</u>	<u>(2.72)</u>

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

	(Rs. in Lacs)			
	2008-09		2007-08	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Opening defined benefit obligation	32.16	2.72	26.15	2.37
Current Service Cost	4.25	0.46	4.93	0.53
Interest Cost	2.19	0.18	2.19	0.19
Curtailment Cost / (Credit)	—	—	—	—
Settlement Cost / (Credit)	—	—	—	—
Employee Contribution	—	—	—	—
Plan Amendments	—	—	—	—
Acquisitions	—	—	—	—
Actuarial (gains)/Losses	(3.03)	(0.15)	1.76	0.87
Benefits Paid	(9.24)	(1.23)	(2.87)	(1.24)
Closing defined benefit obligation	<u>26.33</u>	<u>1.98</u>	<u>32.16</u>	<u>2.72</u>

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

	(Rs. in Lacs)			
	2008-09		2007-08	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Opening fair value of plan assets	—	—	—	—
Actual return on plan assets	—	—	—	—
Actual Company Contributions	9.24	1.22	2.87	1.24
Employee Contributions	—	—	—	—
Benefits paid	(9.24)	(1.22)	(2.87)	(1.24)
Closing fair value of plan assets	<u>—</u>	<u>—</u>	<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 :

	(Rs. in Lacs)			
	2008-09		2007-08	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Discount Rate per annum compounded	7.50%	7.50%	7.50%	7.50%
Rate of increase in salaries	5.00%	5.00%	5.00%	5.00%
Expected Average remaining working lives of employees (years)	21.89	19.87	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:

	(Rs. in Lacs)			
	2008-09		2007-08	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Defined benefit obligation	26.33	1.98	32.16	2.72
Plan Assets	—	—	—	—
Surplus / (deficit)	<u>(26.33)</u>	<u>(1.98)</u>	<u>(32.16)</u>	<u>(2.72)</u>

AS-15(Revised) on Employee Benefits has been adopted from 1st April 2007.

- viii) 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.

- ix) 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.
- x) 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.
- xi) 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.
- xii) Exchange rate difference includes exchange loss of Rs. 32.00 lacs arising out of cancellation of forward exchange contracts.
- xiii) Forward exchange contract outstanding as on 31.03.2009 entered into to hedge foreign currency risk of a firm commitment or a highly probable forecast transactions, marked to market at the year end works out to a loss of Rs. 10.25 lacs. No provisions has been made for the same in view of favourable exchange rate after the Balance Sheet date.
- xiv) In the opinoin of the Board there is no loss on account of impairment of any asset during the year.
- xv) **Provision for contingencies**

	<u>Excise</u>	<u>Others</u>	(Rs. in lacs) <u>Total</u>
Opening Balance as at 01.04.2008	50.00	20.00	70.00
Amount provided during the year	—	—	—
Amount utilised against provision	—	(20.00)	(20.00)
Unused amount released during the year	—	—	—
Closing Balance as at 31.03.2009	50.00	—	50.00

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

- xvi) Rs. 9.27 lacs of borrowing cost capitalised during the year.
- xvii) 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

	2008-09	(Rs. in lacs) 2007-08
Export Sales (Net of Freight)		
USA	2001.18	3300.81
Middle East Asia	3063.95	3024.76
Europe	770.80	592.20
Latin America	—	23.76

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.

- xviii) Provision for current income tax has been made on the Taxable profit of the Company at the current tax rate.
- xix) The major components of the Deferred tax assets/liabilities based on the tax effect on the timing difference as at 31st March, 2009 are as under:

Deferred Tax Liability/(Assets)

	(Rs. in lacs)	
	2009	2008
Depreciation	89.75	94.25
Deferred Revenue Expenditure	0.66	1.11
Provision for Contingencies against Others	—	(6.80)
Provision for Leave Encashment	(0.61)	(0.92)
Provision for Gratuity	(8.14)	(10.93)
Net Deferred Tax Liability/(Assets)	81.66	76.71

- xx) 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	5.07	—
2.	Mr. Suvobrata Saha	Jt. Managing Director	Remuneration	5.10	—
3.	Mrs. Sumati Sehgal	Wife of Managing Director	Service Contract	1.24	—

	(Rs. in lacs)	
	31st March 2009	31st March 2008

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

Profit before tax as per P & L a/c	70.12	48.39
Add - Directors Remuneration	12.04	11.46
" Directors' Meeting Fees	2.36	1.34
	<u>84.52</u>	<u>61.19</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	10.53	10.04
Perquisites & Benefits	1.51	1.42
	<u>12.04</u>	<u>11.46</u>

CARNATION
Industries Limited

		(Rs. in lacs)	
		31st March 2009	31st March 2008
xxii)	Auditor's Remuneration Includes		
	Audit Fees	1.53	1.69
	Tax Audit Fees	0.22	0.28
		1.75	1.97
xxiii)	Additional information pursuant to the provisions of paragraphs 3, 4c, 4d of Part-II of schedule VI of the Companies Act, 1956	Unit	
	A. Class of goods, capacity, production & purchases		
	1. Class of Goods Manufactured		
	a) Castings		
	b) M.S.Product		
	2. Capacity		
	a) Licenced	N.A	N.A
	i) Castings		
	ii) M.S.Product		
	b) Installed (As certified by the Management)		
	a) Castings	M.T.	17500
	b) M.S.Product	M.T.	N.A
	3. Actual Production		
	a) Castings (including process from outside 7 MT) (Previous Year - 336 MT)	M.T.	11973
	b) M.S.Product (Process from outside)	M.T.	135
	4. Purchases		
	a) Castings	M.T.	209
	b) M.S.Product	M.T.	1

						(Rs. in lacs)
						31st March
	<u>Unit</u>	<u>Qty</u>	<u>31st March</u> <u>2009</u>	<u>Qty</u>	<u>2008</u>	
						<u>FOB Value</u>
						(Rs.)
B. Turnover						
a) Castings	MT	13026	5749.10	16985	6853.67	
b) M.S.Product	MT	97	86.83	130	87.86	

C. Raw Material Consumed
(Including Wastage)

	<u>2 0 0 9</u>				<u>2 0 0 8</u>		
	<u>Unit</u>	<u>Qty</u>	<u>%</u>	<u>Value</u>	<u>Qty</u>	<u>%</u>	<u>Value</u>
<u>Indigenous</u>							
Pig Iron	M.T	7082	51.36	1837.48	10327	53.21	1839.39
Scrap & Skull	M.T	3077	22.32	731.30	4622	23.82	702.06
M.S.Materials	M.T	138	1.00	48.98	185	0.95	56.17
Others		—	—	51.78	—	—	—
<u>Imported</u>							
Scrap	M.T	3490	25.32	838.59	4273	22.02	592.68
		13787	100.00	3508.13	19407	100.00	3190.30

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

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>
Castings	M.T	3358	891.77	2513	902.86
		(3209)	(756.53)	(3358)	(891.77)
M.S.Product	M.T	86	41.83	125	76.04
		(23)	(11.49)	(86)	(41.83)
Pig Iron & Scrap	M.T	2105	446.45	1565	305.55
		(2258)	(353.77)	(2105)	(446.45)
M.S.Materials	M.T	91	30.65	40	12.79
		(44)	(12.61)	(91)	(30.65)
Others		—	—	—	5.49

- Note :
- 1) Out of above closing stock NIL (P.Y.- 0.082 MT) of Pig Iron / Scrap / Skull & 39.630 M.T (P.Y.- 91.067 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 449.204 MT (P.Y. - 305.413 MT) of Castings and 1.286 MT (P.Y. - NIL) of M.S.Products are in transit.
 - 4) Out of above closing stock 11.652 MT (P.Y.- NIL) of Castings and NIL (P.Y.- 9.780 MT) of M.S.Product lying with processors.
 - 5) Others items are numerous and none of these individually exceeds 10% of the total stock.

CARNATION
Industries Limited

	31st March 2009	(Rs. in lacs) 31st March 2008
E <u>Earning in Foreign Exchange during the year</u>		
Exports of goods (F.O.B)	5687.84	5173.24
Overseas Trading	148.09	1768.29
F. <u>Expenditure in Foreign Currency</u>		
a. Travelling & Conveyance	24.86	20.44
b. Certification Charge	1.80	8.34
c. Commission	53.66	52.73
d. Foreign Bank Charge	13.01	16.62
e. Law Charge	0.67	—
f. Grinding, Painting & Finishing	17.50	91.06
G. <u>CIF Value of Import</u>		
Raw Material	982.19	617.75
Overseas Trading	134.65	1573.09

xxiv) **Significant accounting policies**

A. Accounting Convention

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

B. Fixed Assets

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

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

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/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.

- ii) Depreciation on fixed assets added / disposed off during the year is provided on prorata basis.
- iii) Assets costing less than or equal to Rs.5,000/- are fully charged to revenue in the year of purchase.
- iv) Intangible Assets

Computer Software is normally amortised over its useful life of 3 years as estimated by the management.

Computer Software acquired but not found suitable is fully amortised in the year of acquisition.

Licences representing right to use are amortised over a period of 3 years.

D. Investments

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

E. Inventories

- i) Raw Material, Consumable Stores, Spares, Power & Fuels and Packing Materials are valued at cost on FIFO basis.
- 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. Receivable & Payables not covered by forward exchange contracts are translated at year end exchange rates and the Profit / Loss so determined and also the realised exchange gains/ losses are recognised in Profit / Loss Account.

G. Cenvat

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

H. Value Added Tax

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

I. **Export Benefit**

Export 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 on negotiation of Purchases/Sale documents are charged to revenue account on the basis of recognition of Purchases/Sale. Interest attributable to qualifying assets only in specific borrowing cases are capitalised as cost of assets.

N. **Purchases**

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

O. **Segment Reporting Policies**

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

xxv) 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 :	31.03.2009		

II. Capital Raised During the year : NIL

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

Total Liabilities	515582	Total Assets	515582
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Source of Funds

Paid Up Capital	34572	Reserve & Surplus	105346
Secured Loan	241061	Deferred Tax Liability	8166

Application of Funds

Net Fixed Assets	115674	Investments	22
Net Current Assets	273237	Miscellaneous Expenditure	212

IV. Performance of Company

Turnover	616715	Total Expenditure	609703
Profit / (Loss) Before Tax	7012	Profit / (Loss) After Tax	5114
Earning Per Share	1.48	Dividend Rate	6%

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 : 5th August, 2009

Sanjay Agarwal
(CFO & Company Secretary)

Suvabrata Saha
(Jt. Managing Director)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

	(Rs. in lacs)			
	AS ON 31.03.2009		AS ON 31.03.2008	
	Rs.	Rs.	Rs.	Rs.
A. NET PROFIT BEFORE TAXES, & EXTRA-ORDINARY ITEM	70.12		48.39	
Adjustments for :-				
Depreciation	125.45		89.18	
Interest & Finance Charges	277.96		199.73	
Profit on Sale of Fixed Assets	—		(0.26)	
Foreign Exchange (Gain)/Loss	(0.34)		(0.08)	
Capital Work In Progress Written Off	—		1.23	
Deferred Revenue Expenditure Written Off	1.76		0.19	
Dividend	(0.09)		(0.04)	
	<u>474.86</u>		<u>338.34</u>	
Operating Profit before working				
Capital Changes		474.86		338.34
Adjustments for Inventories	120.06		(285.20)	
Trade & Other Receivable	505.32		(820.69)	
Trade Payable	(361.19)	264.19	<u>247.20</u>	(858.69)
Cash Generated from Operations		739.05		(520.35)
Direct Taxes Paid	59.34		70.32	
Dividend Paid	<u>18.48</u>	77.82	<u>20.74</u>	91.06
Cash Flow From Operating Activities (A)		661.23		(611.41)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets including Capital				
Work in progress	(139.25)		(345.44)	
Sale of Fixed Assets	—		0.26	
Secured Loan for Capital Goods	(45.12)		167.42	
Creditors for Capital Goods	(22.82)		25.83	
Preliminary Expenses	—		(3.47)	
Dividend	<u>0.09</u>		<u>0.04</u>	
Net Cash Flow From Investing				
Activities (B)		(207.10)		(155.36)

C. CASH FLOW FROM FINANCING ACTIVITIES

Secured Borrowings (Incl.Interest)	(136.16)	948.89
Interest & Finance Charges	(277.96)	(199.73)
Net Cash Flow From Financing Activities	(C)	
	(414.12)	749.16
Net Increase in Cash & Cash Equivalents (A+B+C)	40.01	(17.61)
Cash & Cash Equivalents as at 01.04.2008/01.04.2007	83.22	100.75
Cash & Cash Equivalents as at 31.03.2009/31.03.2008	123.23	83.14

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	123.57	83.22
Effect of Exchange Rate Change	(0.34)	(0.08)
	<u>123.23</u>	<u>83.14</u>

On behalf of the Board

R.P.Sehgal
(Managing Director)

Place : Kolkata
Dated : 5th August, 2009

Sanjay Agarwal
(CFO & Company Secretary)

Suvabrata Saha
(Jt. Managing Director)

PROXY FORM



CARNATION INDUSTRIES LIMITED

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

Reg. Folio No. No. of Shares held

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

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

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

of

as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at "Bally Rabindra Bhavan", 384, G. T. Road, Bally, Howrah - 711 201, on Friday, 4th September, 2009 at 10.00 a.m. and at any adjournment thereof.

Signed this day of 2009

Signature

Affix
Revenue
Stamp of
Re. 1/-

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

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

ATTENDANCE SLIP



CARNATION INDUSTRIES LIMITED

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

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

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

Name of Proxy (in Block Letters)

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

I hereby record my presence at the Annual General Meeting at "Bally Rabindra Bhavan", 384, G. T. Road, Howrah - 711 201 on Friday, 4th September, 2009 at 10.00 a.m.

To be signed at the time of
handing over this slip

Member's / Proxy's Signature

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



If undelivered please return to :

CARNATION INDUSTRIES LTD.

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