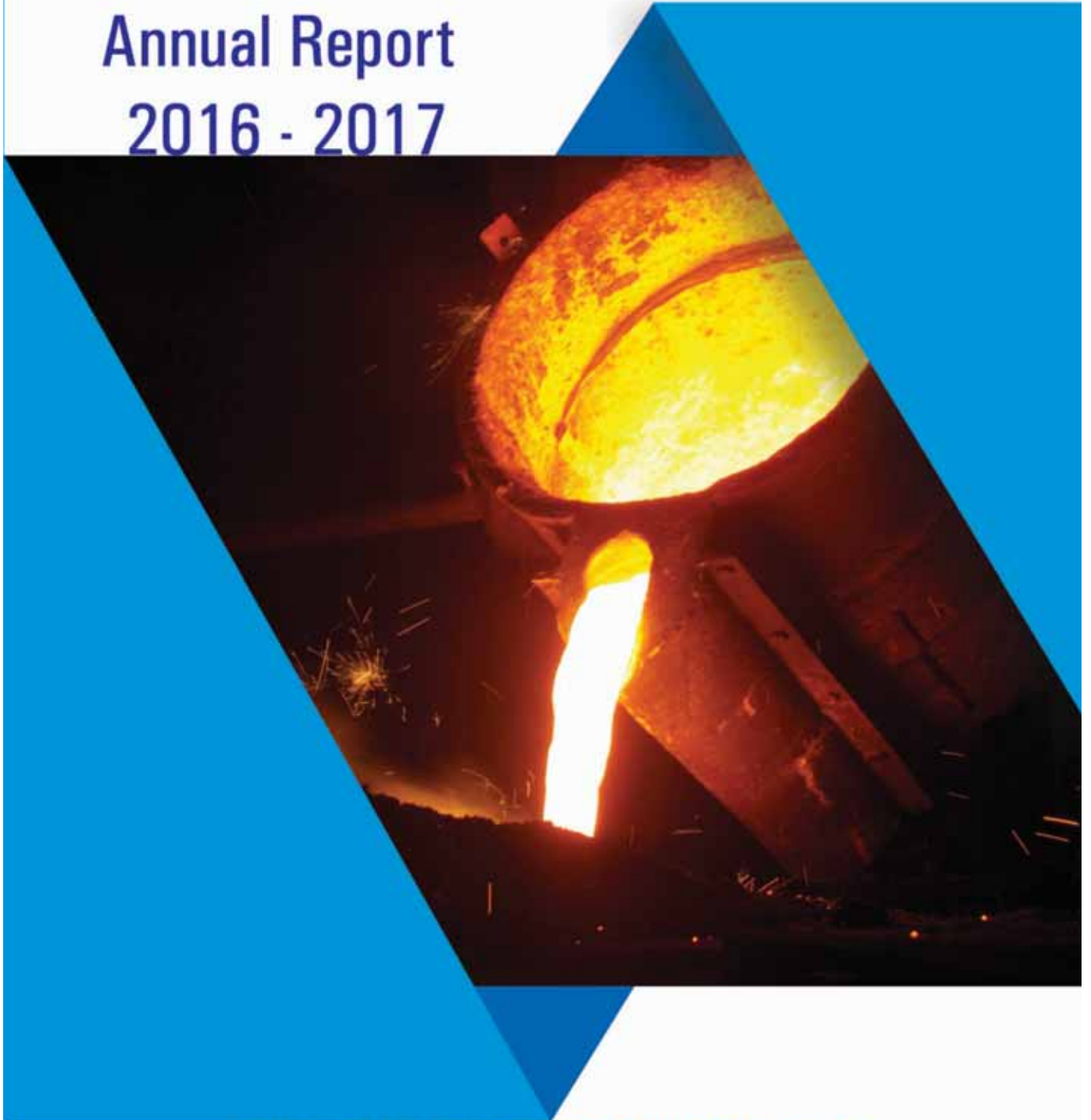


34th  
Annual Report  
2016 - 2017



**CARNATION INDUSTRIES LTD.**

**BOARD OF DIRECTORS**

Mr. Ravindra Prakash Sehgal  
Mr. Suvabrata Saha  
Mr. Arun Kumar Bose  
Mr. Manoj Bose  
Dr. Sephali Roy

- Managing Director
- Joint Managing Director
- Whole Time Director
- Independent Director
- Independent Director

**REGISTERED OFFICE**

28/1, Jheel Road  
Liluah, P.O. Salkia, Howrah - 711 106  
Telephone: (033) 2645 4785  
Fax : (033) 2287 9938  
CIN No. : L27209WB1983PLC035920

**CORPORATE OFFICE**

222, A. J. C. Bose Road  
1st Floor, Room No. 4 & 5  
Kolkata – 700 017  
Phone: (033) 2280 3127/2287 8229  
Fax: (033) 2287 9938  
E-Mail: info@carnationindustries.com  
Website: www.carnationindustries.com

**COMPANY SECRETARY**

Mr. Sanjay Agarwal

**AUDITORS**

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

**REGISTRAR & SHARE TRANSFER AGENTS**

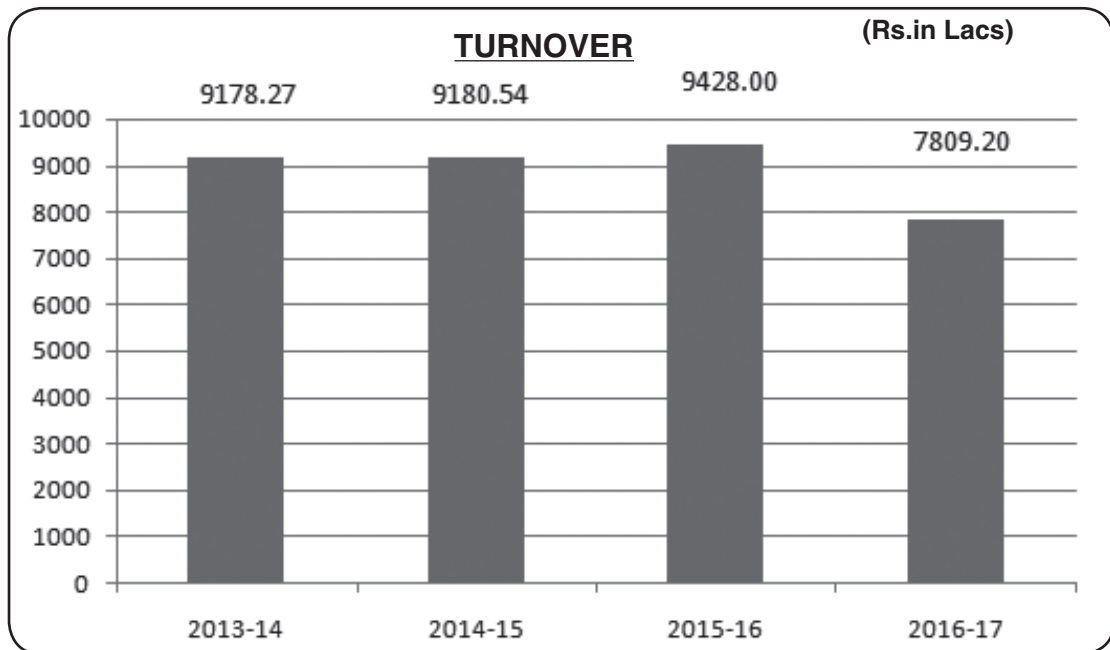
R&D Infotech Private Limited  
7A, Beltala Road, 1st Floor  
Kolkata – 700 026  
Phone: (033) 24192641, 24192642  
Email: rd.infotec@vsnl.net

**BANKERS**

State Bank of India\*  
Punjab National Bank  
\*(State Bank of Hyderabad - Our Banker in  
2016-17 has been taken over by State Bank of  
India on 1st April 2017)

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**Mr. Ravindra Prakash Sehgal, Managing Director**



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

**NOTICE**

Notice is hereby given that the 34th Annual General Meeting of the Members of Carnation Industries Limited will be held on Friday, 22nd September, 2017 at 10.00 A.M. at "SARAT SADAN", 5, Mahatma Gandhi Road, Howrah-711 101 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Financial Statements of the Company for the financial year ended March 31, 2017 together with the reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares for the year ended March 31, 2017.
3. To appoint a Director in place of Mr. Suvabrata Saha (DIN 00131180) who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to provisions of Sections 139 and 142 and other applicable provisions, if any, of the Companies Act, 2013 read with rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force) and the recommendation of the Audit Committee and the Board of Directors, M/s Jain Saraogi & Co, Chartered Accountants (Firm Regn. No. 305004E), 1 Crooked Lane, Kolkata 700 069 be and is hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of the 34th Annual General Meeting to the conclusion of the 39th Annual General Meeting i.e. for a term of 5(five) years, on such remuneration as may be fixed by the Board of Directors of the Company from time to time."

By Order of the Board of Directors

Place : Kolkata  
Date : 11th August, 2017

**(Sanjay Agarwal)**  
Company Secretary

**NOTES**

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and such proxy need not be a member of the Company. Proxy forms in order to be effective must be received by the Company at the Registered Office not less than 48 hours before the commencement of the meeting. A proxy form is enclosed herewith to be duly completed and signed.**  
**A person can act as proxy on behalf of member or members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.**
2. Statement pursuant to Clause B(iv) of Section II of Part II of Schedule V of the Companies Act, 2013 in respect of the special resolutions passed at the 32nd Annual General Meeting held on 28th September, 2015 regarding appointment and payment of remuneration to Mr. Ravindra Prakash Sehgal and Mr. Suvobrata Saha, and a special resolution passed at the 33rd Annual General Meeting held on 28th September, 2016 regarding appointment and payment of remuneration to Mr. Arun Kumar Bose, which was not furnished in the Notice dated 12th August, 2015 and Notice dated 11th August, 2016 convening the above said Annual General Meetings, is being provided as an Annexure to this Notice and should be read along with Notice dated 12th August, 2015 and Notice dated 11th August, 2016.
3. Members / Proxies /Authorized Representatives should bring the attendance slip duly filled in along with their copy of Annual Report to the meeting. Proxy / Authorized Representative of a member should mark on the Attendance Slip as “Proxy” or “Representative” as the case may be. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID No. for easy identification of attendance at the meeting.
4. In case of joint shareholders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. The business set out in the Notice will also be transacted through electronic voting system and the Company is providing facility for voting by electronic means. Instructions and other information relating to e-voting are given in this Notice under Note No. 25. The Company will also send communication relating to remote e-voting which inter-alia would contain details about User ID and Password along with a copy of this Notice to the members, separately.
6. Corporate members intending to send their authorized representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company at the Registered Office a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
7. Statement containing details of the Directors seeking re-appointment at the Meeting in terms of Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard -2 read with Section 164(2) and other applicable provisions of the Companies Act, 2013 including rules framed thereunder is annexed hereto

and forms part of the Notice. The Director concerned has furnished the requisite declaration for his re-appointment.

8. Pursuant to the provision of Section 91 of the Companies Act, 2013 the Register of Members and Share Transfer Books of the Company will remain closed from Saturday, September 16, 2017 to Friday, September 22, 2017 (both days inclusive) for determining the names of members eligible for dividend on Equity Shares, if declared at the Meeting.
9. The dividend on Equity Shares, as recommended by the Board, if declared at the Meeting, will be credited/dispatched on and from Wednesday, 4th October, 2017 to those members whose name shall appear on the Company's Register of Members on 15th September, 2017, after giving effect to all valid share transfers in physical form lodged with the Company or its Registrar and Share Transfer Agents. In respect of the shares held in dematerialized form, the dividend will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owner as on that date.
- 10.i) Members holding shares in electronic form may note that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrar and Share Transfer Agents, M/s. R & D Infotech Pvt. Ltd. cannot act on any request received directly from the members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participants of the members.
- ii) Members holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change of address immediately to the Company / Registrar and Share Transfer Agents, M/s R & D Infotech Private Limited, quoting their folio number.
11. The facility for making nomination is available to the members in respect of the shares held by him. The members may submit such information in the prescribed form SH-13/14 as required, to the Company's Registrar and Share Transfer Agent.
12. Non-Resident Indian Members are requested to inform the RTA immediately of:
  - Change in their residential status on return to India for permanent settlement.
  - Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number.
13. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on all working days, except Saturdays, upto the date of the Meeting.
14. SEBI has made it mandatory for all Companies to use bank details furnished by the investors for distributing dividend to them through National Electronic Clearing Services (NECS), wherever NECS and bank details are available. In the absence of NECS facility, the Companies are required to print the bank details, if available, on payment instrument, for distribution of dividends to the investors. Therefore members holding shares in physical mode are requested to provide their bank details to the Company/Registrar and Share



## 34th Annual Report 2016-17

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Transfer Agents. Members holding shares in demat mode are requested to record the NECS mandate with their Depository Participants.

15. Electronic copy of the Annual Report for 2016-17 and Notice of the 34th Annual General Meeting of the Company interalia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form, is being sent to all such members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report and Notice of the 34th Annual General Meeting of the Company interalia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode. Members may also note that Notice of 34th Annual General Meeting and Annual Report for 2016-17 will also be available on Company's website: [www.carnationindustries.com](http://www.carnationindustries.com) for their download.
16. In terms of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of the Listing Regulations, the Company is pleased to provide Members holding shares either in physical form or in dematerialized form the facility to exercise their right to vote at the 34th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services provided by National Securities Depository Limited ("NSDL"). The Board of Directors of the Company has appointed Mr. Arun Kumar Khandelia, Partner of M/s. K. Arun & Co., Company Secretaries in Practice, as the Scrutinizer for this purpose for conducting the entire process (including remote e-voting) in a fair and transparent manner.
- 17.i) Voting rights will be reckoned on the paid-up value of shares registered in the name of the Members as on 15th September, 2017 (cut-off date). Only those members whose names are recorded in the Register of Members of the Company or in the Register of Beneficial Owners maintained by the depositories as on the cut-off date will be entitled to cast their votes by remote e-voting or ballot paper at the AGM.
  - ii) The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
18. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
19. The scrutinizer shall after the conclusion of voting at the general meeting, first count the votes cast at the meeting by ballot papers and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company. The Results shall be declared after the AGM of the Company. The Scrutinizer shall submit a consolidated scrutinizer report of the total votes cast in favor or against, if any, to the Chairman of the Company not later than 48 hours of the conclusion of the AGM. The Chairman or any other person authorized by the Chairman shall countersign the same and shall declare the results of the voting forthwith.
- 20.i) The result, alongwith the scrutinizer's report, will be placed on the Company's

website : [www.carnationindustries.com](http://www.carnationindustries.com) and on the website of NSDL immediately after the result is declared by the Chairman or any other person authorized by the Chairman and the same shall be communicated to BSE Limited and The Calcutta Stock Exchange Limited where the shares of the Company are listed.

- ii) The voting rights of shareholders shall be in proportion to their share of the paid up equity share capital of the Company. Those who will become Members of the Company after dispatch of the AGM notice but on or before 15th September, 2017 (cut-off date) may write to NSDL at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or to the Company at [evoting@carnationindustries.com](mailto:evoting@carnationindustries.com) requesting for e-voting details. However, those members already registered with NSDL for remote e-voting can login to website: <https://www.evoting.nsdl.com> and exercise their votes using their existing password.
21. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrar and Share Transfer Agents, M/s R & D Infotech Private Limited.
22. The Company has transferred the unpaid or unclaimed dividends declared upto the financial year 2008-2009, within the due date to the Investor Education and Protection Fund (the IEPF) established by the Central Government as per Section 124 of the Companies Act, 2013. Members who have not yet encashed their dividend warrant(s) for the financial years ended 31st March, 2010 onwards, are requested to make their claim to the Company accordingly, without any delay. Members wishing to claim dividends, which remain unclaimed, are requested to write to the Company Secretary & Compliance Officer at the Registered Office or to the Registrar and Share Transfer Agent of the Company. Pursuant to the provisions of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company on the website of the Company. Members are requested to note that dividends not claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will be transferred to the Investor Education and Protection Fund on due dates. The due date for transfer of the unclaimed /unpaid dividend for the subsequent years to IEPF are as follows:

<b>Dividend for the Financial Year Ended</b>	<b>Due Date for the transfer to IEPF</b>
March 31, 2010	October 30, 2017
March 31, 2011	October 29, 2018
March 31, 2012	November 3, 2019
March 31, 2013	November 1, 2020
March 31, 2014	November 1, 2021
March 31, 2015	November 3, 2022
March 31, 2016	November 3, 2023

23. As per the requirements of the Investor Education and Protection Fund Authority (Accounting, Audit Transfer and Refund ) Rules, 2016 (“IEPF Rules 2016”), the Company had sent intimation to all the shareholders who have not claimed /encashed their dividends consecutively for last seven years informing them that in the event those shareholders who do not claim the same, the Company will be required to transfer the corresponding shares to the IEPF Suspense Account by the due date prescribed under the IEPF Rules, 2016 or such other extended date as may be notified. The Company had also simultaneously published notice in the leading newspapers in this regard and also uploaded on the Company’s website details of such shareholders and shares which are due for transfer to IEPF Suspense Account.
24. Members who have not registered their e-mail address so far are requested to register their e-mail address so that they can receive the Annual Report and other communications from the Company electronically.
25. Information and other instructions relating to e-voting are as under: -
- I. In case of Members who receive the Notice in electronic mode:
- (a) Open the e-mail and the PDF file viz. ‘CIL e-voting.pdf’ with your Client ID No. (in case you are holding shares in demat mode) or Folio No. (in case you are holding shares in physical mode) as password. The said PDF file contains your user ID and password for remote e-voting. Please note that the password is an initial password.
  - (b) Launch internet browser by typing the URL: <https://www.evoting.nsdl.com> and click on ‘Shareholder – Login’.
  - (c) Insert user ID and password as initial password stated in (a) above. Click on ‘Login’.
  - (d) Password change menu appears. Change the password with a new password of your choice with minimum eight digits / characters or combination thereof. Please do not share your password with any other person and take utmost care to keep your password confidential.
  - (e) Home page of remote e-voting opens. Click on ‘e-voting: Active Voting Cycles’ and select the Electronic Voting Event Number (EVEN) of CARNATION INDUSTRIES LIMITED for casting your votes.
  - (f) Now you are ready for remote e-voting as ‘Cast Vote’ page opens.
  - (g) Cast your vote by selecting appropriate option and click on ‘Submit’. Thereafter click on ‘Confirm’ when prompted. Upon confirmation, your vote is cast and you will not be allowed to change your vote.
  - (h) Thereafter the message ‘Vote cast successfully’ will be displayed.
  - (i) Corporate and institutional shareholders (companies, trusts, societies etc.) are required to send a scanned copy (in PDF / JPG format) of the relevant Board Resolution / appropriate authorization to the Scrutinizer through e-mail: [karun@cskarun.com](mailto:karun@cskarun.com) with a copy marked to NSDL’s e-mail : [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

- II. In case of Members who receive the Notice by post:
- (a) User ID and initial password is provided in the admission slip for the AGM.
  - (b) Please follow the steps from Sl. Nos. (b) to (i) mentioned in (I) above, to cast your vote.
- III. Members already registered with NSDL for remote e-voting can use their existing user ID and password for Login. Thereafter please follow the steps from Sl. Nos. (e) to (i) mentioned in (I) above, to cast your vote.
- IV. Those who became Members of the Company after dispatch of the AGM Notice but on or before 15th September, 2017 (cut-off date) may write to NSDL at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or to the Company at [evoting@carnationindustries.com](mailto:evoting@carnationindustries.com) requesting for user ID and Password. On receipt of user ID and Password, the steps from Sl. Nos. (b) to (i) mentioned in (I) above should be followed for casting of vote. However, those Members already registered with NSDL for remote e-voting can use their existing user ID and password for Login.
- V. In case of any queries, you may refer to the Frequently Asked Questions for Shareholders and e-voting User Manual for Shareholders available under the Downloads section of NSDL's e-voting website [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call toll free no. 1800-222-990. You may also send your queries to the e-mail : [evoting@carnationindustries.com](mailto:evoting@carnationindustries.com)
- VI. The period for remote e-voting starts at 9.00 a.m. on 19th September, 2017 and ends at 5.00 p.m. on 21st September, 2017. Remote e-voting will be blocked by NSDL at 5.00 p.m. on 21st September, 2017.
26. Pursuant to the prohibition imposed vide Secretarial Standard on General Meetings (SS-2) issued by the ICSI and the MCA Circular, no gifts/coupons shall be distributed at the meeting.
27. Members desirous of obtaining any information concerning accounts and operations of the Company are requested to send their queries at an early date so that the desired information may be made available at the Meeting.
28. The Route map of the venue of Annual General Meeting is annexed at the end of this Notice. Prominent Landmark is also marked therein for reference.

By Order of the Board of Directors

Place : Kolkata  
Date : 11th August, 2017

**Sanjay Agarwal**  
(Company Secretary)

## 34th Annual Report 2016-17

### STATEMENT PURSUANT TO CLAUSE B(iv) OF SECTION II OF PART II OF SCHEDULE V OF THE COMPANIES ACT, 2013

(In respect of special resolutions passed at the 32nd Annual General Meeting held on 28th September, 2015 regarding appointment and payment of remuneration to Mr. Ravindra Prakash Sehgal and Mr. Suvobrata Saha and special resolution passed at the 33rd Annual General Meeting held on 28th September, 2016 regarding appointment and payment of remuneration to Mr. Arun Kumar Bose).

#### GENERAL INFORMATION:

1. Nature of Industry : Manufacturing
2. Year of Commencement of Commercial Operation : April, 1983
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : N.A.
4. Financial Performance :

[Rs. in Lacs]

Financial Parameters	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Turnover	8716.75	9360.28	9353.26	9644.60	7942.63
Net Profit as per Profit & Loss Account (after extra-ordinary items)	114.97	238.16	140.25	233.78	21.66
Amount of Dividend paid (including Corporate Dividend Tax)	24.27	32.36	24.89	29.13	16.64
Rate of Dividend declared (%)	6	8	6	7	4

5. Foreign investments or collaborations, if any : None

#### INFORMATION ABOUT THE APPOINTEES:

		Mr. R. P. Sehgal	Mr. S. Saha	Mr. A. K. Bose
1.	Background details	Bachelor of Technology (Hons.), Diploma in Business & Industrial Management and Diploma in Export Marketing.	B.Com	Metallurgical Engineer (UK), Furnacetechnologist (Germany)

**CARNATION****Industries Limited**

		<b>Mr. R. P. Sehgal</b>	<b>Mr. S. Saha</b>	<b>Mr. A. K. Bose</b>
2.	Past Remuneration			
	F.Y 2013-2014	Rs. 11,40,015	Rs. 11,18,047	N.A.
	F.Y. 2014-2015	N.A.	N.A.	Rs. 4,54,000
3.	Recognition of awards	Scroll of Honour/ Fellow of Institute of Indian Foundrymen awarded by Institute of Indian Foundrymen in 2015.		
4.	Job profile and his suitability	More than 38 years of experience in Iron and Steel Industry in India and Abroad and in Foreign Trade. Presently National Sr. Vice Chairman of Engineering Export Promotion Council (EEPC). Former Regional Chairman of Engineering Export Promotion Council (ER) and former President of the Institute of Indian Foundrymen.	Has over 30 years experience in managing large Corporation & International Marketing.	Has 40 years6 experience in Foundry Industry.
5.	Remuneration Proposed			
	F.Y. 2014-2015	Rs. 13,32,867	Rs. 12,96,741	N.A.
	F.Y. 2015-2016	Rs. 13,32,867	Rs. 12,96,741	Rs. 5,81,000
	F.Y. 2016-2017	Rs. 14,00,013	Rs. 13,51,797	Rs. 5,81,000

### 34th Annual Report 2016-17

		<b>Mr. R. P. Sehgal</b>	<b>Mr. S. Saha</b>	<b>Mr. A. K. Bose</b>
6.	Comparative remuneration profile with respect to industry size of the Company, profile of the position and person.	The remuneration being paid to the Managing Director by the Company is in line with the remuneration being paid by the companies of comparable size.	The remuneration being paid to the Jt. Managing Director by the Company is in line with the remuneration being paid by the companies of comparable size.	The remuneration being paid to the Whole time Director by the Company is in line with the remuneration being paid by the companies of comparable size.
7.	Pecuniary relationship directly or indirectly with the Company or relationship with managerial person, if any.	Mr. R. P. Sehgal holds 575865 equity shares in the Company. Apart from receiving remuneration as stated above and dividend as the member of the Company, Mr. R. P. Sehgal does not have any other pecuniary relationship with the Company or with the managerial personnel of the Company.	Mr. S. Saha holds 573598 equity shares in the Company. Apart from receiving remuneration as stated above and dividend as the member of the Company, Mr. S. Saha does not have any other pecuniary relationship with the Company or with the managerial personnel of the Company.	Mr. A. K. Bose holds 200 equity shares in the Company. Apart from receiving remuneration as stated above and dividend as the member of the Company, Mr. A. K. Bose does not have any other pecuniary relationship with the company or with the managerial personnel of the Company.

#### OTHER INFORMATION:

1. The reason of loss or inadequate profits are as follows:

There was a steep fall in foreign currency rates affecting the realization. Demonetization lead to low productivity in the third and fourth quarters and also resulted in the restructuring of the purchases. High absenteeism of labour was there during that phase as the labour went for a change from cash payments to banking payments. There was also a steep rise in raw material prices.

2. Steps taken or proposed to be taken for improvement:

Management has been negotiating with overseas customers to increase the prices and also there is a close monitoring of foreign exchange with a team of experts.

## 3. Expected increase in Productivity and Profits in measurable terms :

Due to continuity in fluctuation of foreign exchange, threat of imposition of anti-dumping duty in Europe and crisis in the Gulf arising of wars and sanctions it is difficult to predict the turnover and profitability. However, the Company shall maintain its turnover and strive for reasonable profits.

**OTHER DISCLOSURES:**

All other disclosure are given below :

	<b>Mr. R. P. Sehgal</b>	<b>Mr. S. Saha</b>	<b>Mr. A. K. Bose</b>
Salary	Rs.70,000 pm in the range of Rs. 70,000-1,50,000/-.	Rs.70,000 pm in the range of Rs. 70,000-1,50,000/-.	Rs. 35,000 pm.
Perquisites :			
Residential Accommodation	30% of salary pm as rent allowance.	30% of salary pm as rent allowance.	Rs. 5,000 pm.
Medical Reimbursement / Allowance	One month salary in a year or three months salary over a period of three years.	One month salary in a year or three months salary over a period of three years.	Rs. 3,000 pm.
Club Fees	Fees subject to the maximum of two clubs.	Fees subject to the maximum of two clubs.	Nil
Personal Accident Insurance	Premium not to exceed Rs. 8,000/- pm .	Premium not to exceed Rs. 8,000/- pm.	Nil
Gratuity	Payable at a rate not exceeding half month's salary for each completed year of service.	Payable at a rate not exceeding half month's salary for each completed year of service.	Payable at a rate not exceeding half month's salary for each completed year of service.
Fixed Component and performance linked incentive	As given above	As given above	As given above
Service Contract	5 years	5 years	3 years
Notice Period	Nil	Nil	Nil
Severance Fees	Nil	Nil	Nil
Stock Options	Nil	Nil	Nil

By Order of the Board of Directors

Place : Kolkata  
Date : 11th August, 2017

**Sanjay Agarwal**  
(Company Secretary)



### 34th Annual Report 2016-17

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**Details of Directors seeking Re-appointment at the 34th Annual General Meeting as set out in the Notice in terms of Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SS2:**

Name	Mr. Suvabrata Saha
Date of Birth	4.9.1961
Date of Appointment	21.08.2006
Qualification	B.Com.
Expertise in Specific Functional Areas	Has over 30 years experience in managing large Corporation & International Marketing.
Terms and Conditions of Re-appointment	He is the Jt. Managing Director of the Company liable to retire by rotation.
Details of remuneration sought to be paid	Rs. 14,00,000
Last Drawn remuneration (F.Y. 2015-2016)	Rs. 12,96,741
(F.Y. 2016-2017)	Rs. 13,51,797
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)	573598
Relationship with other Directors and other Key Managerial Personnel of the Company	None
No. of meetings of the Board attended during the year	3

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

Your Directors are pleased to present the 34th Annual Report and the Audited Financial Statement of the Company for the financial year ended 31st March, 2017.

**FINANCIAL PERFORMANCE**

Financial Results of the Company for the year 2017 along with figures for the previous year are as follows:

	<b>For Year ended 31.3.2017</b>	<b>For Year ended 31.03.2016</b>
	<b>(Rs. in Lacs)</b>	
Revenue from operation and other operating revenue:		
Export Sales (Net of Freight)	7732.91	9383.38
Domestic Sales (Net of Central Excise and Vat)	76.29	44.62
Export Incentives	326.17	386.02
Other Income	<u>383.42</u>	<u>136.84</u>
	8518.79	9950.86
Profit before Finance Costs, Depreciation & Amortisation and Tax	652.48	985.47
Finance Costs	516.30	546.24
Depreciation & Amortisation	119.55	138.15
Profit/(Loss) before Tax	16.63	301.08
Provision for Tax		
– Current	3.17	71.00
– Deferred	(8.20)	(4.05)
– Tax for Earlier Years	–	0.35
Profit/(Loss) after Tax	21.66	233.78
Surplus brought forward from previous year	610.59	405.94
Available Surplus/ (Deficit) for Appropriation	632.25	639.72
Proposed Dividend	13.83	24.20
Dividend Distribution Tax	2.81	4.93
Surplus/(Deficit) carried to Balance Sheet	632.25	610.59

### **FINANCIAL REVIEW**

During the financial year ended 31st March, 2017 the Company has achieved total revenue from operations (net) of Rs. 8518.79 lacs against Rs. 9950.86 lacs in the previous year. The profit before Finance Cost, Depreciation & Amortization and Tax is Rs. 652.48 lacs against Rs. 985.47 lacs in the previous year. The profit before tax was Rs. 16.63 lacs against Rs. 301.08 lacs in F.Y. 2015-2016. The profit after tax is Rs. 21.66 lacs against Rs. 233.78 lacs in F.Y. 2015-2016.

There was no change in the nature of business of the Company during the financial year ended 31st March, 2017.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **INDUSTRY STRUCTURE AND DEVELOPMENT**

The Iron and Steel Industry worldwide has remained steady, however there is a trend of protectionism within each country. India is protecting the steel producers by way of duties and minimum import price levied on the importers resulting in domestic prices of iron and steel moving up by 10% to 13%. Similarly, USA has initiated anti-dumping inquiries into import of most type of steel. European Union is investigating India and China for dumping castings into Europe. Even though the demand is there, these protective measures have cautioned both the exporters in India and importers overseas resulting in short term orders and avoidance of keeping large stocks.

#### **OPPORTUNITIES AND THREAT**

The international threats are the Non-Tariff barriers including the overseas Government protecting their domestic products and finding ways to levy higher duties on imports. However, your Company takes all measures in keeping itself well protected by way of legal and financial advice from the counsels and private lawyers. The steep fall in US dollar has made a major impact in the last quarter of the last financial year. However, as per economists it is expected to remain steady at the current levels for the rest of the year.

The anti-dumping investigation against Indian castings by the European Union could affect business in that region from September'17 onwards but our Company has joined the group of exporters and hired Senior European lawyers and an Indian firm to come out of this in a strong manner. Besides this the fact that China is also being investigated and that they may land up with higher duties than India could be a boon for Indian exports and ourselves.

#### **SEGMENT-WISE PERFORMANCE**

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

## **FUTURE OUTLOOK**

Your Company has a good order booking position and the orders are evenly spread across the regions of Middle East, Europe and North America. Your Company is steadily moving towards new products required in the domestic and exports markets. Your Company has been able to renew contracts in several US City projects besides the Gulf projects.

## **RISKS AND CONCERN**

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

Some Overseas Customers are taking longer credit period for the payments and the Management is monitoring the same very closely. The risk management system of the Company is reviewed by the Audit Committee and the Board of Directors on a regular basis.

## **INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

### **Internal Financial Control System**

The Company has proper and adequate Internal Financial Controls which ensures that all assets are safeguarded and protected and that the transactions are authorized, recorded and reported correctly. The Internal Auditors independently evaluate the adequacy of internal controls. Independence of the audit and compliance is ensured by direct reporting to the Audit Committee of the Board.

### **Adequacy of Internal Financial Controls with reference to the financial statements.**

To ensure effective Internal Financial Controls the Company has laid down the following measures:

1. All legal and statutory compliances are ensured on a monthly basis.
2. Transactions are pre-approved at the levels designated by the Management and this is audited & reviewed periodically.
3. Transaction audits are conducted periodically to ensure accuracy of financial reporting, safeguard and protection of all the assets. Stock audit is conducted on an annual basis at all locations. Fixed Asset Verification is done on an annual basis at all locations.

4. The Company's Books of Accounts are maintained in Oracle (ERP) and transactions are executed through Oracle (ERP) setups to ensure correctness/ effectiveness of all transactions, integrity and reliability of reporting.
5. The Company has in place a well-defined Whistle Blower Policy.
6. Compliance of secretarial functions is ensured by way of Secretarial Audit.
7. Proper and adequate cost records are maintained as prescribed under the Companies (Cost Record and Audit) Amendment Rules, 2014.

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

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

Your Company has expanded into steel fabrication for the domestic and international markets and is getting serious inquiries and orders.

There has also been a major addition in development and approval of water distribution products and your Company shall be increasing sale of these in the domestic and international markets.

Your Company has received the approval of BIS for IS9523 fittings. This is a significant step for promotion of our goods in the domestic market.

#### **HUMAN RESOURCES DEVELOPMENT**

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

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

#### **DIVIDEND**

Your Directors have recommended a dividend of 4% ( Re. 0.40 per Equity Share of Rs.10 each) for the financial year ended March 31, 2017 subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company. The dividend together with the dividend tax will entail a cash outlay of Rs. 16.64 lacs. The dividend will be paid to members whose names appear in the Register of Members as on 15th September, 2017; in respect of shares held in dematerialized form, it will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as beneficial owners as on that date.

#### **POLLUTION CONTROL MEASURES**

The pollution control measures installed in the units of the Company are in operation in accordance with the norms specified by the West Bengal Pollution Control Board.

#### **SUBSIDIARY AND ASSOCIATE COMPANIES**

The Company does not have any Subsidiary or Associate Companies.

#### **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Mr. Ramesh Chandra Jha, Chairman of the Company, expired on 13.8.2016. The Board while condoling the death of Mr. Jha, places on record its appreciation for the valuable contributions rendered by him.

In accordance with the provisions of the Companies Act, 2013 and as per the Articles of Association of the Company Mr. Suvabrata Saha (DIN 00131180), Jt. Managing Director will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

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

The Board recommends the re-appointment of the above named Director with a view to avail his valuable advice and wise counsel. A brief profile of the Director seeking re-appointment required under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard -2, is given in the Notice of AGM.

#### **WOMEN DIRECTOR**

Dr. Sephali Roy (DIN 07151823) appointed on 9.4.2015 continues as the Women Director on the Company's Board in conformity with the requirement of Section 149(1) of the Companies Act, 2013 and Regulation 17 of the Listing Regulations.

#### **DECLARATION OF INDEPENDENCE**

Your Company has received declaration from the Independent Directors as prescribed under Section 149(7) of the Companies Act, 2013 that they meet the criteria of independence as provided in Section 149(6) of the Act read with Schedules and Rules issued thereunder as well as Regulation 16 (1) (b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### **FAMILIARIZATION PROGRAMME UNDERTAKEN FOR INDEPENDENT DIRECTORS**

The Independent Directors are familiarised with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. On appointment, the Independent Director is issued a Letter of Appointment setting out in detail, the terms of appointment, duties and responsibilities. The familiarisation programme is available on the Company's website: [www.carnationindustries.com](http://www.carnationindustries.com)

**ANNUAL EVALUATION OF BOARD'S PERFORMANCE**

Pursuant to the provisions of Section 134, 149 and Section 178 of the Companies Act, 2013 read with Rules framed thereunder and provision of Schedule IV of the Act as well as the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Board has carried out an annual performance evaluation of its own performance, that of its Committees and individual Directors.

A separate exercise was carried out to evaluate the performance of individual Directors, including the Chairman of the Board, on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the Company and its minority shareholders, etc. The performance evaluation of the Non Independent Directors and Board as a whole was also carried out by the Independent Directors.

**NUMBER OF MEETINGS OF THE BOARD**

During the Financial Year, four meetings of the Board of Directors were held on 27.5.2016, 11.8.2016, 11.11.2016 and 10.2.2017. The intervening gap between the Board meetings was within the period prescribed under the Companies Act, 2013 and the Listing Regulations.

The composition, number of meetings held and the attendance of the members at these meetings are as follows:

<b>Name of the Directors</b>	<b>Category of Directorship</b>	<b>No. of Board Meeting Held During 2016-2017</b>	<b>No. of Meetings Attended</b>
Mr. Ramesh Chandra Jha*	Independent Director	2**	1
Mr. Ravindra Prakash Sehgal	Managing Director	4	4
Mr. Suvobrata Saha	Joint Managing Director	4	3
Mr. Arun Kumar Bose	Whole-time Director	4	4
Mr. Manoj Bose	Independent Director	4	4
Dr. Sephali Roy	Independent Director	4	4

\*Expired on 13.8.2016 - He was the Chairman of the Board, Audit Committee and Stakeholders Relationship Committee.

\*\* During his tenure two meetings were held.

**COMMITTEES OF THE BOARD**

The Company has constituted /re-constituted the Audit Committee, Nomination and Remuneration Committee and Stakeholders' Relationship Committee in accordance with the requirements of

## CARNATION

### *Industries Limited*

Companies Act, 2013. Details of all the above Committees along with composition and meetings held during the year under review are provided below:

#### **AUDIT COMMITTEE**

During the financial year ended 31st March, 2017, four Audit Committee meetings were held on 27.5.2016, 11.8.2016, 11.11.2016 and 10.2.2017. The composition, number of meetings held and the attendance of the members at these meetings are as follows:

<b>Name of the Member</b>	<b>No. of Meetings Held</b>	<b>No. of Meetings Attended</b>
Mr. Ramesh Chandra Jha*	2**	1
Dr. Sephali Roy	4	4
Mr. Manoj Bose	4	4
Mr. Ravindra Prakash Sehgal	4	3
Mr. Suvabrata Saha	4	1

\* Expired on 13.8.2016

\*\* During his tenure two meetings were held.

#### **NOMINATION AND REMUNERATION COMMITTEE**

During the financial year ended 31st March, 2017 one meeting was held on 27.5.2016. The composition, number of meeting held and the attendance of the members at this meeting is as follows:

<b>Name of the Member</b>	<b>No. of Meeting Held</b>	<b>No. of Meeting Attended</b>
Dr. Sephali Roy, Chairman	1	1
Mr. Manoj Bose	1	1
Mr. Ramesh Chandra Jha*	1	1

\* Expired on 13.8.2016

#### **STAKEHOLDERS' RELATIONSHIP COMMITTEE**

During the financial year ended 31st March, 2017 no meeting of the Stakeholders' Relationship Committee was held. The details of the members of this Committee is given below:

<b>Name of the Member</b>
Mr. Manoj Bose, Chairman
Mr. Ravindra Prakash Sehgal

#### **MEETING OF INDEPENDENT DIRECTORS**

During the year under review, a meeting of Independent Directors was held on 10th February, 2017 wherein the performance of the Non-Independent Directors and the Board as a whole was reviewed. The Independent Directors at their meeting also assessed the quality, quantity and



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timeliness of flow of information between the Company's management and the Board of Directors of the Company.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 134(3)(c) and Section 134(5) of the Companies Act, 2013 with respect to Directors' Responsibility Statement, the Directors to the best of their knowledge hereby state and confirm that:

- i) In the preparation of the annual accounts for the year ended March 31, 2017 the applicable accounting standards read with the requirements set out under Schedule III to the Companies Act, 2013 have been followed and there were no material departures from the same;
- ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017 and of the profit of the Company for the year ended on that date;
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Directors have prepared the annual accounts of the Company on a "going concern" basis;
- v) Proper internal financial controls laid down by the Directors were followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- vi) Proper systems to ensure compliance with the provisions of all applicable laws are in place and that such systems are adequate and operating effectively.

### **TRANSFER TO RESERVES**

The Company did not transfer any amount to reserves.

### **PUBLIC DEPOSITS**

During the financial year 2016-17, your Company has not accepted any deposits within the meaning of Sections 73 and 74 of the Companies Act, 2013 read together with the Companies (Acceptance of Deposits) Rules, 2014.

### **CHANGES IN SHARE CAPITAL**

There was no change in the share capital of the Company for the F.Y. 2016-2017.

### **MATERIAL CHANGES AND COMMITMENTS AFTER THE BALANCE SHEET DATE**

There have been no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

**CORPORATE GOVERNANCE**

Your Company complies with the provisions relating to Corporate Governance to the extent applicable to it. Pursuant to Regulation 15(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company is exempted from Para C of Schedule V which requires disclosures to be made in the section on Corporate Governance of the Annual Report. Para D of Schedule V relating to declaration by CEO on compliance with the Code of Conduct and Para E of Schedule V relating to Compliance Certificate on Corporate Governance. In view thereof, the Corporate Governance report, declaration by CEO on Code of Conduct and Compliance Certificate has not been included in this Annual Report.

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

The information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as per Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, are provided in “**Annexure -A**” to this report.

**RELATED PARTY TRANSACTIONS**

During the financial year 2016-17, your Company has entered into a contract with related party as defined under Section 2(76) of the Companies Act, 2013 read with Companies (Specification of Definition Details) Rules, 2014 and which are in the ordinary course of business and on arms' length basis and in accordance with the provisions of the Companies Act, 2013. During the financial year 2016-17, there were no transactions with related party which qualify as material transactions under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Accordingly, the disclosure required under Section 134(3)(h) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014 in Form AOC-2 is not applicable to your Company.

**DISCLOSURES RELATING TO REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND PARTICULAR OF EMPLOYEES**

In accordance with Section 178 and other applicable provisions, if any, of the Companies Act, 2013 read with Rules issued thereunder and Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Board of Directors at its meeting held on 13th November, 2014 formulated the Remuneration Policy of the Company. The Remuneration Policy of the Company is being set out as “**Annexure-B**” to this report and this has also been uploaded on the website at its weblink: [www.carnationindustries.com](http://www.carnationindustries.com)

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is set out as “**Annexure-C**” to this report.

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of top ten employees are provided in the Annual Report.

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Having regard to the provisions of the first proviso to Section 136(1) of the Act and as advised, the Annual Report excluding the aforesaid information shall be sent to the members of the Company. The said information is available for inspection at the registered office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same shall be furnished on request.

### **EXTRACT OF ANNUAL RETURN**

The details forming part of the extract of the Annual Return in Form MGT-9 in accordance with Section 92(3) of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 are set out herewith as “**Annexure - D**” to this Report.

### **STATUTORY AUDITORS**

The Auditors M/s. Jain & Bagaria, Chartered Accountants, Statutory Auditors of the Company, were appointed at the 31st AGM to hold office till the conclusion of the 34th AGM. The Board in terms of Section 139 of the Act, on the recommendation of the Audit Committee, has recommended for the appointment of M/s Jain Saraogi & Co., Chartered Accountants from the conclusion of the ensuing AGM till the conclusion of the 39th AGM. Appropriate resolution in respect of the above is appearing in the Notice convening the 34th AGM of the Company.

In this regard, the Company has received a certificate from the Auditors to the effect that if they are appointed, it would be in accordance with the provisions of Section 141 of the Companies Act, 2013.

There are no reservations, qualifications or adverse remarks contained in Auditors' Report attached to the Balance Sheet as at 31st March, 2017.

### **COST AUDITOR**

Ministry of Corporate Affairs notification on 31.12.2014 under the Companies (Cost Records and Audit) Amendment Rules, 2014 has exempted your Company, being an export oriented company, from the purview of Cost Audit.

### **SECRETARIAL AUDIT**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 your Company had appointed M/s MKB & Associates, Practicing Company Secretaries to conduct the Secretarial Audit of your Company. The Secretarial Audit Report is annexed herewith as “**Annexure- E**” to this report.

With respect to the observation made by the Secretarial Auditors in MR-3, the members are hereby informed that consequent upon the sudden demise of Mr. Ramesh Chandra Jha, a Non-Executive (Independent) Director, the Company is at present left with only two Non-Executive independent Directors on its Board. The Company is looking for a suitable person to be appointed as Non-Executive Director of the Company and the Committee will be reconstituted accordingly.

### **LOANS, GUARANTEES AND INVESTMENTS**

The Company has not lent out any money or made any investment or provided any guarantee

during the year under review as covered under the provisions of Section 186 of the Companies Act, 2013.

**SIGNIFICANT MATERIAL ORDERS PASSED BY REGULATORS / COURT / TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE**

There are no significant material orders passed by the regulators/court/tribunals which would impact the going concern status of the Company and its future operations.

**CORPORATE SOCIAL RESPONSIBILITY**

Corporate Social Responsibility is not applicable to your Company pursuant to Section 135 of the Companies Act, 2013.

**VIGIL MECHANISM**

Your Company has formulated a Whistle Blower Policy pursuant to the provisions of Section 177(10) of the Companies Act, 2013 and Regulation 22 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The policy provides for a framework and process whereby employees can raise their issue against any kind of harassment, victimization or any other unfair practice being adopted against them. The Whistle Blower Policy has been uploaded on the Company's website : [www.carnationindustries.com](http://www.carnationindustries.com)

**STOCK EXCHANGE**

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

**POLICY ON PREVENTION OF SEXUAL HARASSMENT**

The Company has adopted a policy on Prevention of Sexual Harassment of Women at Workplace in accordance with The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the financial year ended 31st March, 2017 the Company has not received any complaints pertaining to sexual harassment.

**ACKNOWLEDGEMENT**

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

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

On Behalf of the Board of Director

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

Place: Kolkata  
Date: 11th August, 2017

**Suvabrata Saha**  
(Jt. Managing Director)

**ANNEXURE A TO THE DIRECTORS' REPORT**

**Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgoing required under the Companies (Accounts) Rules, 2014**

**A. CONSERVATION OF ENERGY:**

i) The steps taken or impact on conservation of energy.	The Company has initiated a Comprehensive Energy Audit to review consumption and have undertaken measures for further reduction of energy cost.
ii) The steps taken by the Company for utilizing alternate sources of energy.	
iii) The capital investment on energy conservation equipment.	

**B. TECHNOLOGY ABSORPTION:**

i) Efforts made towards technology absorption.	There is a continuous system of review of designs and development of newer, better models to make the products stronger, competitive and user friendly.
ii) Benefits derived like product improvement, cost reduction, product development or import substitution.	The Company has been able to reduce the cost of production of certain components by means of rigid process control engineering.
iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):  (a) Details of Technology imported. (b) Year of import. (c) Whether technology has been fully absorbed.	No technology was imported in the last three years.
iv) The expenditure incurred on research or development.	The Company has set up a new R&D team to work on development from April, 2015. The development expenditure in 2016-2017 was Rs.13,09,012/-.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

(Rs. in lacs)

	F.Y. 2016-17	F.Y. 2015-16
Foreign Exchange Earned	8047.41	9385.61
Foreign Exchange Outgo	213.00	375.00

## **ANNEXURE B TO THE DIRECTORS' REPORT**

### **Criteria for Selection and Remuneration of Directors and Persons in Senior Management**

#### **1. Introduction**

Carnation Industries Limited recognizes the importance of aligning the business objectives with specific and measurable individual objectives and targets. The Company has thus formulated the remuneration policy for its Directors, Key Managerial Personnel ("KMP") and other Senior Management Personnel ("SMP"). This policy sets out general guiding principles defining criteria for selection of Directors in the Board and Persons in Senior Management to assist the Board of Directors in performing their duties. The policy ensures constitution of the Board with optimum combination of Executive and Non-Executive Directors including Independent Directors who possess diverse experience and expertise in strategic management, governance and can provide long term vision and direction to the Company.

#### **2. Appointment of Board Members**

The Nomination and Remuneration Committee ("Committee"), along with the Board, reviews on an annual basis, appropriate skills, characteristics and experience required of the Board as a whole and its individual members. The objective is to have a Board with diverse background and experience in business, government, academics, technology and in areas that are relevant for the Company's global operations.

In evaluating the suitability of individual Board members, the Committee takes into account many factors, including general understanding of the Company's business dynamics, global business and social perspective, educational and professional background and personal achievements. Director's must possess experience at policy-making and operational levels which will indicate their ability to make meaningful contributions to the Board's discussion and decision-making in the array of complex issues facing the Company. Director's should possess the highest personal and professional ethics, integrity and values.

One of the roles of the Committee is to periodically identify competency gaps in the Board, evaluate potential candidates as per the criteria laid above, ascertain their availability and make suitable recommendations to the Board. The objective is to ensure that the Company's Board is appropriate at all points of time to be able to take decisions commensurate with the size and scale of operations of the Company. The Committee also identifies suitable candidates in the event of a vacancy being created on the Board on account of retirement, resignation or demise of an existing Board member. Based on the recommendations of the Committee, the Board evaluates the candidate and decides on the selection of the appropriate

member and invites the new member to join the Board as a Director. On acceptance of the same, the new Director is appointed by the Board.

**2.1 Procedure for selection and appointment of Executives other than Board Members**

The Committee liaisons with the relevant departments of the Company to study the requirement for management personnel, and for any requirement a search for candidates for the positions of KMP and SMP is made within the Company and on the human resources market. The professional, academic qualifications, professional titles, detailed work experience and all concurrently held positions of the initial candidates shall be compiled as a written document and this would be examined on the basis of the conditions for appointment of KMP and SMP. Once a candidate is selected the candidate is recommended to the Board of Directors for their approval.

**3. Compensation Structure**

**3.1 Remuneration to Executive Directors/KMP/SMP**

The Committee evaluates the remuneration of the Managing Director, Whole Time Directors, Key Managerial Personnel and Senior Management Personnel, on an yearly basis, taking into account the external competitive environment, track record, potential, individual performance and performance of the Company as well the industry standards, and the evaluation report is sent to the Board. The Board fixes the remuneration for Managing Director, Whole Time Directors, Key Managerial Personnel and Senior Management Personnel after taking into consideration the recommendation of the Nomination and Remuneration Committee and the compliance of the provisions of Companies Act, 2013.

**3.2 Remuneration to Non-Executive Directors**

The Non-Executive Directors of the Company are paid remuneration by way of sitting fees only, for attending the meetings of the Board of Directors and its Committees. Beside the sitting fees they are also entitled to reimbursement of expenses. The Non-Executive Directors of the Company are not paid any other remuneration or commission.

**Review**

The Nomination and Remuneration Committee reviews this Policy periodically and suggest revision to the Board to ensure the policy serves its purpose and accurately reflects the sense of the Board and the Company.

**ANNEXURE C TO THE DIRECTORS' REPORT**

**Information required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

**A. Ratio of remuneration of each Director to the median employees remuneration for the financial year 2016-2017:**

<b>Name of Director</b>	<b>Total Remuneration (Rs.)</b>	<b>Ratio of Remuneration of Director to the Median Remuneration</b>
Mr. RavindraPrakash Sehgal	14,00,013	8.48
Mr. Suvobrata Saha	13,51,797	8.19
Mr. Arun Kumar Bose	5,81,000	3.52
Mr. Manoj Bose	95,000	0.57
Dr. Sephali Roy	90,000	0.54
Mr. Ramesh Chandra Jha*	30,000	0.18

\* Expired on 13.08.2016

**Notes:**

- 1) The aforesaid details are calculated on the basis of remuneration for the financial year 2016-17.
- 2) Mr. Ramesh Chandra Jha (since deceased), Mr. Manoj Bose and Dr. Sephali Roy are the Independent Directors of the Company and only sitting fees has been paid to them.
- 3) Median Remuneration of employees of the Company during the financial year was Rs. 1,65,035/.

**B. Detailed percentage increase in the remuneration of each Director, Chief Financial Officer & Company Secretary or Manager, if any, in the financial year 2016-17 are as follows:**

<b>Name</b>	<b>Designation</b>	<b>Remuneration (Rs.)</b>		<b>Increase/ Decrease (%)</b>
		<b>2016-2017</b>	<b>2015-2016</b>	
Mr. Ravindra Prakash Sehgal	Managing Director	14,00,013	13,32,867	5.04
Mr. Suvobrata Saha	Jt. Managing Director	13,51,797	12,96,741	4.24
Mr. Arun Kumar Bose	Wholetime Director	5,81,000	4,56,000	27.41
Mr. Manoj Bose	Independent Director	95,000	95,000	0.00
Dr. Sephali Roy	Independent Director	90,000	60,000	50.00
Mr. Ramesh Chandra Jha*	Independent Director	30,000	83,000	-63.85
Mr. Biplab Ganguly	Chief Financial Officer	8,04,000	7,20,000	11.67
Mr. Sanjay Agarwal	Company Secretary	9,36,000	9,36,000	0.00

\* Expired on 13.08.2016



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### Notes:

1. The remuneration to Directors includes sitting fees paid to them.
2. The remuneration to Directors is within the overall limits approved by the shareholders of the Company.

### C. Percentage increase in the median remuneration of all employees in the financial year 2016-2017

	2016-2017 (Rs.)	2015-2016 (Rs.)	% Increase
Median remuneration of all employees per annum	165,035/-	161,640/-	2.10

### D. The permanent employees on the rolls of the Company, as on 31st March, 2017 is 177.

### E. Comparison of average percentage increase in salary of employees other than the managerial personnel and the percentage increase in the managerial remuneration.

	2016-17 (Rs.)	2015-16 (Rs.)	Increase (%)
Average salary of all employees (other than Managerial Personnel)	2,07,529	1,88,692	9.98
Managerial Personnel			
Salary of MD, Jt. MD and Wholetime Director	33,32,810	30,85,608	8.01
Salary of CFO and CS	17,40,000	16,56,000	5.07

The increase in remuneration of employees other than the managerial personnel is in line with the increase in remuneration of managerial personnel.

### F. Affirmation:

Pursuant to Rule 5(1) (xii) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 it is affirmed that the remuneration paid to the Directors, Key Managerial Personnel and Senior Management are as per the Remuneration Policy of the Company.

**ANNEXURE D TO THE DIRECTORS' REPORT****FORM NO. MGT-9****EXTRACT OF ANNUAL RETURN AS ON 31st MARCH, 2017**

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration Rules, 2014)

**1. REGISTRATION AND OTHER DETAILS**

i) CIN	L27209WB1983PLC035920
ii) Registration Date	05-01-1995
iii) Name of the Company	Carnation Industries Limited
iv) Category/Sub Category of the Company	Public Company/Limited by Shares
v) Address of the Registered Office and Contact Details	28/1, Jheel Road, Liluah, P.O. Salkia, Howrah-711 106 Tel: +91 33 26454785 Fax: +91 33 26458418
vi) Whether shares listed on recognized Stock Exchanges	Yes
Details of the stock exchanges where shares are listed	i) BSE Limited - 530609 ii) The Calcutta Stock -13067 Exchange Limited
vii) Name, Address and Contact details of Registrar and Share Transfer Agents	R & D Infotech Private Limited 7A, Beltala Road Kolkata 700 026 Tel: +91 33 24192641 +91 33 24192642

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of your Company :

<b>Name and Description of Main Products / Services</b>	<b>NIC Code of the Product/ Service</b>	<b>% to total turnover of the Company</b>
Castings of Iron and Steel	2431	100

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

The Company does not have any Subsidiary or Associate Companies.

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#### IV. Share Holding Pattern (Equity Share Capital Break up as Percentage of Total Equity) Statement showing Shareholding Pattern

##### i) Category-Wise Share Holding

STATEMENT SHOWING SHARE HOLDING PATTERN										
Sl. No.	Category of Shareholder	No. of shares at the beginning of year (as on 1.4.2016)				No. of shares at the end of the year (as on 31.3.2017)				% of Change during the year
		No. of Shares held in Dematerialized Form	No. of Shares held in Physical Form	Total Number of Shares	% of Total Number of Shares	No. of Shares held in Dematerialized Form	No. of Shares held in Physical Form	Total Number of Shares	% of Total Number of Shares	
(A)	<b>Promoter and Promoter Group</b>									
(1)	<b>INDIAN</b>									
a	Indian Individuals / Hindu Undivided Family	763934	0	763934	22.10	763934	0	763934	22.10	0.00
b	Central Government / State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
c	Body Corporates	0	0	0	0.00	0	0	0	0.00	0.00
d	Financial Institutions /Banks	0	0	0	0.00	0	0	0	0.00	0.00
e	Any Other	0	0	0	0.00	0	0	0	0.00	0.00
	<b>SubTotal (A)(1)</b>	<b>763934</b>	<b>0</b>	<b>763934</b>	<b>22.10</b>	<b>763934</b>	<b>0</b>	<b>763934</b>	<b>22.10</b>	<b>0.00</b>
(2)	<b>Foreign</b>									
a	Individuals (Non Resident Individuals/ Foreign Individuals)	745983	0	745983	21.58	745983	0	745983	21.58	0.00
b	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
c	Bankers/Financial Institutions	0	0	0	0.00	0	0	0	0.00	0.00
d	Any Other	0	0	0	0.00	0	0	0	0.00	0.00
	<b>SubTotal (A) (2)</b>	<b>745983</b>	<b>0</b>	<b>745983</b>	<b>21.58</b>	<b>745983</b>	<b>0</b>	<b>745983</b>	<b>21.58</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter and Promoter Group A=(A)(1)+ (A)(2)</b>	<b>1509917</b>	<b>0</b>	<b>1509917</b>	<b>43.68</b>	<b>1509917</b>	<b>0</b>	<b>1509917</b>	<b>43.68</b>	<b>0.00</b>
(B)	<b>Public Shareholding</b>									
(1)	<b>Institutions</b>									
a	Mutual Funds & UTI	0	10900	10900	0.32	0	10900	10900	0.32	0.00
b	Financial Institutions / Banks	0	0	0	0.00	0	0	0	0.00	0.00
c	Central Government /State Government(s).	0	0	0	0.00	0	0	0	0.00	0.00
d	Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
e	Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
f	Foreign Institutional Investors (SEBI- registered)	0	0	0	0.10	0	0	0	0.00	-0.10
g	Foreign Venture Capital Investor	0	0	0	0.00	0	0	0	0.00	0.00
h	Any Others	0	0	0	0.00	0	0	0	0.00	0.00
	<b>Sub Total (B)(1)</b>	<b>0</b>	<b>10900</b>	<b>10900</b>	<b>0.32</b>	<b>0</b>	<b>10900</b>	<b>10900</b>	<b>0.32</b>	<b>0.00</b>

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(2)	<b>Non Institutions</b>									
<b>a</b>	<b>Bodies Corporate</b>									
	i) Indian	43450	7300	50750	1.46	104958	7300	112258	3.25	1.79
	ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
<b>b</b>	<b>Individuals</b>									
	i) shareholders holding nominal share capital upto Rs.1 Lakh	500713	135026	635739	18.39	541435	130036	671471	19.42	1.03
	ii) shareholders holding nominal share capital excess of Rs.1 Lakh	619972	578110	1198082	34.65	858207	241850	1100057	31.81	-2.84
<b>c</b>	<b>Others</b>									
	Non Residential Indians	51072	700	51772	1.50	51857	700	52557	1.52	0.02
	<b>Sub Total (B) (2)</b>	<b>1215207</b>	<b>721136</b>	<b>1936343</b>	<b>56.00</b>	<b>1556457</b>	<b>379886</b>	<b>1936343</b>	<b>56.00</b>	<b>0.00</b>
	<b>Total Public Shareholding B=(B) (1) +(B)(2)</b>	<b>1215207</b>	<b>732036</b>	<b>1947243</b>	<b>56.32</b>	<b>1556457</b>	<b>390786</b>	<b>1947243</b>	<b>56.32</b>	<b>0.00</b>
	<b>Total Shareholding (A)+(B)</b>	<b>2725124</b>	<b>732036</b>	<b>3457160</b>	<b>100.00</b>	<b>3066374</b>	<b>390786</b>	<b>3457160</b>	<b>100.000</b>	<b>0.00</b>
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0.00	0	0	0	0.00	0.00
	<b>Grand Total (A)+(B)+(C)</b>	<b>2725124</b>	<b>732036</b>	<b>3457160</b>	<b>100.00</b>	<b>3066374</b>	<b>390786</b>	<b>3457160</b>	<b>100.00</b>	<b>0.00</b>

**ii) Shareholding and Change in Promoters Shareholding**

Sl. No.	Shareholder's Name	Shareholding as on 1.4.2016			Shareholding as on 31.3.2017			% change during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ Encumbered to Total Shares	No. of Shares	% of Total Shares of the Company	% of Shares Pledged/ Encumbered to Total Shares	
1.	R. P. Sehgal	575865	16.657	--	575865	16.657	---	---
2.	S. Saha	573598	16.591	--	573598	16.591	---	---
3.	Sumati Sehgal	187675	5.428	--	187675	5.428	---	---
4.	Alpana Saha	172385	4.986	---	172385	4.986	---	---
5.	Geeta Verma	394	0.011	---	394	0.011	----	---
	<b>TOTAL</b>	<b>1509917</b>	<b>43.673</b>	<b>--</b>	<b>1509917</b>	<b>43.673</b>	<b>--</b>	<b>--</b>

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#### iii) Shareholding Pattern of Top Ten Shareholders (Other than Directors, Promoters and holders of GDRs and ADRs)

Sl. No.	Shareholder's Name	Shareholding		Date of Purchase / Sale	Increase/ (Decrease) in Shareholding	Reasons for Increase/ Decrease	Cumulative Shareholding during the year 01.04.16 to 31.3.2017	
		No. of shares at the beginning 1.4.2016	% of total Shares of the Company				No. of shares	% of total Shares of the Company
1.	Madan Mohan Kundu	399110	11.54	--	--	--	399110	11.54
				15.7.2016	(2599)	Sale	396511	11.47
				22.7.2016	99	Purchase	396610	11.47
				30.9.2016	(11760)	Sale	384850	11.13
				9.12.2016	(2000)	Sale	382850	11.07
				27.1.2017	(2800)	Sale	380050	10.99
				3.2.2017	(30)	Sale	380020	10.99
31.3.2017			380020	10.99				
2.	Sanatan Kundu	397760	11.51	--	--	--	397760	11.51
				29.7.2016	(1200)	Sale	396560	11.47
				5.8.2016	(6100)	Sale	390460	11.29
				12.8.2016	(5500)	Sale	384960	11.14
				19.8.2016	(5331)	Sale	379629	10.98
				26.8.2016	(1890)	Sale	377739	10.93
				2.9.2016	(3621)	Sale	374118	10.82
				9.9.2016	(1607)	Sale	372511	10.78
				23.9.2016	(64899)	Sale	307612	8.90
				30.9.2016	(39313)	Sale	268299	7.76
				2.10.2016	(16750)	Sale	251549	7.28
				7.10.2016	(22947)	Sale	228602	6.61
				14.10.2016	(3910)	Sale	224692	6.50
				28.10.2016	(1700)	Sale	222992	6.45
				1.11.2016	(100)	Sale	222892	6.45
				4.11.2016	(100)	Sale	222792	6.44
				25.11.2016	(550)	Sale	222242	6.43
9.12.2016	(100)	Sale	222142	6.43				
16.12.2016	(85)	Sale	222057	6.42				
27.1.2017	(50)	Sale	222007	6.42				
31.3.2017			222007	6.42				
3.	Vijay Kumar Jain	76242	2.21	--	--	--	76242	2.21
				8.4.2016	(6242)	Sale	70000	2.02
				24.6.2016	16000	Purchase	86000	2.49
				12.8.2016	(6000)	Sale	80000	2.31
				30.9.2016	10000	Purchase	90000	2.60
				10.3.2017	(5000)	Sale	85000	2.46
31.3.2017			85000	2.46				

**CARNATION****Industries Limited**

4.	Kanta Suresh Jain	66977	1.94	--	--	--	66977	1.94
				30.9.2016	(675)	Sale	66302	1.92
				28.10.2016	10000	Purchase	76302	2.21
				25.11.2016	5000	Purchase	81302	2.35
				27.1.2017	(1590)	Sale	79712	2.31
				31.3.2017			79712	2.31
5.	Madan Bhagchand Melwani	49021	1.42	31.3.2017	--	--	49021	1.42
6.	Litty Thomas	----	---	---	---	---	---	--
				25.11.2016	12263	Purchase	12263	0.35
				2.12.2016	6120	Purchase	18383	0.53
				9.12.2016	6428	Purchase	24811	0.72
				16.12.2016	25000	Purchase	49811	1.44
				13.1.2017	(14811)	Sale	35000	1.01
31.3.2017			35000	1.01				
7.	Bhartiben Rajendra Gandhi	35000	1.01	---	--	---	35000	1.01
				27.1.2017	(1000)	Sale	34000	0.98
				31.3.2017			34000	0.98
8.	Dr. Ramesh Chimanlal Shah	--	--	20.1.2017	28000	Purchase	28000	0.81
				31.3.2017	---	---	28000	0.81
9.	Ranjana Hemant Agarwal	24193	0.70	31.3.2017	---	---	24193	0.70
10.	Jainco Projects (India) Ltd.	22156	0.64	31.3.2017	--	--	22156	0.64

**iv) Shareholding of Directors and Key Managerial Personnel**

Sl. No.	Name	Shareholding		Date	Increase (Decrease) in shareholding	Shareholding	
		No of shares at the beginning of the year (01.04.16)	% of total shares of the Company			No of shares at the end of the year (31.03.17)	% of total shares of the Company
1.	R. P. Sehgal	575865	16.657	--	--	575865	16.657
2.	S. Saha	573598	16.591	--	--	573598	16.591
3.	A. K. Bose	200	0.000	--	--	200	0.000
4.	R. C. Jha	--	--	--	--	--	--
5.	M. Bose	--	--	--	--	--	--
6.	B. Ganguly	--	--	--	--	--	--
7.	S. Agarwal	--	--	--	--	--	--

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### v) Indebtedness

(Rs. in crore)

	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the Financial Year (01.04.2016)</b>				
i) Principal Amount	36.31	0	0	36.31
ii) Interest due but not paid	0.11	0	0	0.11
iii) Interest accrued but not due	0.02	0	0	0.02
<b>TOTAL (i+ii+iii)</b>	<b>36.44</b>	<b>0</b>	<b>0</b>	<b>36.44</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	0	0.22	0	0.22
Reduction	2.90	0	0	2.90
<b>Net Change</b>	<b>2.90</b>	<b>0.22</b>	<b>0</b>	<b>2.68</b>
<b>Indebtedness at the end of the Financial Year (31.03.2017)</b>				
i) Principal Amount	33.52	0.22	0	33.74
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0.02	0	0	0.02
<b>TOTAL (i+ii+iii)</b>	<b>33.54</b>	<b>0.22</b>	<b>0</b>	<b>33.76</b>

### vi) Remuneration of Directors and Key Managerial Personnel

#### a. Remuneration of Managing Director and Whole-time Director

Sl. No.	Particulars of Remuneration	Name of Managing Director / Whole-time Director			Total Amount (Rs.)
		R. P. Sehgal (MD)	S. Saha (JMD)	A. K. Bose (WTD)	
1.	i) Basic Salary	840000	840000	420000	2100000
	ii) Perquisites	480013	461797	96000	1037810
2.	Stock Option	–	–	–	–
3.	Sweat Equity	–	–	–	–
4.	Commission	–	–	–	–
5.	Others	80000	50000	65000	195000
	<b>Total</b>	<b>1400013</b>	<b>1351797</b>	<b>581000</b>	<b>3332810</b>

**b. Remuneration to Independent Directors**

Sl. No.	Particulars of Remuneration	Name of Independent Directors			Total Amount (Rs.)
		R. C. Jha*	Manoj Bose	Dr. Sephali Roy	
1.	Sitting Fees	30,000	95,000	90,000	215000
2.	Commission	–	–	–	–
3.	Others	–	–	–	–
	<b>Total</b>	<b>30,000</b>	<b>95,000</b>	<b>90,000</b>	<b>215000</b>

\* Expired on 13.8.2016

**c. Remuneration to Key Managerial Personnel**

Sl. No.	Particulars of Remuneration	Name of Key Managerial Personnel		Total Amount (Rs.)
		Biplab Ganguly, CFO	Sanjay Agarwal, CS	
1.	Gross Salary	8,04,000	9,36,000	17,40,000
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission	–	–	–
5.	Others	–	–	–
	<b>Total</b>	<b>8,04,000</b>	<b>9,36,000</b>	<b>17,40,000</b>

**vii) Penalties/Punishment/Compounding of Offences**

There are no penalties/punishment or compounding of offences in the F.Y. 2016-2017.



**ANNEXURE E TO THE DIRECTORS' REPORT**

**FORM NO. MR-3  
SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017**

*[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To  
**The Members,  
CARNATION INDUSTRIES LIMITED**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **CARNATION INDUSTRIES LIMITED** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

The Company's Management is responsible for preparation and maintenance of secretarial and other records and for devising proper systems to ensure compliance with the provisions of applicable laws and Regulations.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2017 generally complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2017, to the extent applicable, according to the provisions of:

- i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii) The Securities Contracts (Regulation) Act, 1956 and Rules made thereunder;
- iii) The Depositories Act, 1996 and Regulations and Bye-laws framed thereunder;
- iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

- v) The Regulations and Guidelines prescribed under the Securities & Exchange Board of India Act, 1992 ("SEBI Act") or by SEBI, to the extent applicable:
  - a) The Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011.
  - b) The Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
  - c) The Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
  - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
  - e) The Securities & Exchange Board of India (Issue and listing of Debt Securities) Regulations, 2008.
  - f) The Securities & Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.
  - g) The Securities & Exchange Board of India (Delisting of Equity Shares) Regulations, 2009.
  - h) The Securities & Exchange Board of India (Buyback of Securities) Regulations, 1998.
- vi) Other than fiscal, labour and environmental Laws which are generally applicable to all manufacturing/trading companies, the following laws/Acts are also, inter alia, applicable to the Company:
  - a) The Environment Protection Act, 1986.
  - b) The Water (Prevention and Control of Pollution) Act, 1974.
  - c) The Air (Prevention and Control of Pollution) Act, 1981.

We have also examined compliance with the applicable clauses of the following:

- a) Secretarial Standards issued by The Institute of Company Secretaries of India.
- b) Provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above except that *the composition of the Nomination and Remuneration Committee of the Board of Directors of the Company is not as per the provisions of Section 178 of the Companies Act, 2013 upon the demise of one of the Non-Executive Director of the Company on 13.08.2016.*

We further report that :

- a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition

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of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

- b) Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- c) None of the Directors in any meeting dissented on any resolution and hence there was no instance of recording any dissenting member's view in the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there are no specific events/actions which have any major bearing on the Company's affairs.

This report is to be read with our letter of even date which is annexed as **Annexure – I** which forms an integral part of this report.

For **MKB & Associates**  
Company Secretaries

**Raj Kumar Banthia**  
[Partner]

ACS no. 17190

COP no. 18428

FRN: P2010WB042700

Date: 12.07.2017

Place: Kolkata

**Annexure- I**

To  
**The Members,**  
**CARNATION INDUSTRIES LIMITED**

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events, etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For **MKB & Associates**  
Company Secretaries

**Raj Kumar Banthia**  
[Partner]

ACS no. 17190

COP no. 18428

FRN: P2010WB042700

Date: 12.07.2017

Place: Kolkata

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

**Report on the financial statement**

We have audit the accompanying financial statements of **CARNATION INDUSTRIES LIMITED** (“the Company”) which comprise the balance sheet as at 31st March, 2017 the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management’s responsibility for the financial statements**

The Company’s Board of Director is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (“the Act”) with respect to the preparation and presentation of these financial statements that gives a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards, specified under Section 133 of the Act, read with Rule 7 of the Companies(Accounts) Rule, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provision of the act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor’s responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in audit report under the provision of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal financial

control relevant to the Company's preparation of the financial statements that gives a true and fair view in order to design Audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2017 and its Profit and its cash flows for the year ended on that date.

**Emphasis of Matters**

We draw attention to the following matters in the Notes to the financial statements:

- (i) Note 16(a) to the financial statements which describes the overdue receivables from a related party and others.
- (ii) Note 8(a) to the financial statements which describes the classification of bill discounting finance in foreign currency from a body corporate.

Our opinion is not modified in respect of these matters.

**Report on other legal and regulatory requirements**

- 1) As required by the Companies (Auditor's Report) order, 2016 ("the order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the annexure "A" a statement on the matters specified in Paragraphs 3 and 4 of the Order.
- 2) As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) 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;
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

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- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on records by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial control over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure "B"; and
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in opinion and to the best of our information and according to the explanations given to us;
  - i. The Company has disclose the impact of pending litigations on its financial position in its Standalone financial statement – Refer Note 28(ii) & 28 (vi) to the financial statements;
  - ii. The Company has made provisions, as require under the applicable law or accounting standards, for material foreseeable losses if any, as required on long-term contracts including derivative contracts-Refer Note 28(xvii) to the financial statements;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
  - iv. The Company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November, 2016 to 30 December, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer Note 28 (xv) to the financial statements.

For **JAIN & BAGARIA**  
Chartered Accountants

27/8A, Waterloo Street  
Kolkata - 700 069  
Dated : 26th May, 2017

**B. K. Agarwal**  
(Partner)  
Membership No.065361  
FRN : 310045E

## **Annexure “A” to the Independent Auditor’s Report**

The Annexure referred to in our Independent Auditor’s Report to the members of the Company on the financial statements for the year ended 31st March, 2017

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) As informed to us all fixed assets (except lying with outside parties) have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification.  
(c) We have examined the original title deed and xerox copies of title deeds in case of mortgaged properties. Based on our audit procedures and according to the information and explanations given to us, we report that all title deeds of immovable proprieties are held in the name of the Company.
2. The management has conducted physical verification of inventory at the end of the year (except stock lying with outside parties). The discrepancies noticed on verification between the physical stocks and book records, which in our opinion were not material, have been property dealt with in the books of account.
3. According to the Information and explanation given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firm, Limited Liability Partnerships or other parties covered in register maintained under Section 189 of the Act. Accordingly, the paragraphs 3 (iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanation given to us, the Company has not given any loan, made investment, given guarantees or security during the year which is covered under provisions of section 185 and 186 of the Act. Accordingly, the paragraph 3(iv) of the Order is not applicable to the Company.
5. According to the information and explanations provided by the management, we are of the opinion that the Company has not accepted any deposits from public covered under section 73 to 76 or any other relevant provision of the Companies Act and rules framed there under. Accordingly, the paragraph 3(v) of the order is not applicable to the company.
6. The Central Government has prescribed the maintenance of cost records under section 148(1) of the Companies Act, 2013 for the products of the company. We have broadly reviewed such records maintained by the company and are of the opinion that prima facie, the prescribed records have been made and maintained. We have however not made a detailed examination of the said records with a view to determine whether they are accurate or complete.



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- 7.A) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess and other material statutory dues with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess and other material statutory dues were outstanding, as on 31st March, 2017 for a period of more than six months from the date they became payable.

- B) According to the information and explanations given to us, and on the basis of our examination of the books of account, there are no dues of sales tax, duty of custom and value added tax which have not been deposited on account of any dispute. According to the information and explanations given to us, the following dues of income-tax, service tax and duty of excise have not been deposited by the Company on account of disputes:

Name of Statute	Nature of Dues	Amount (Rs. In Lacs)	Forum where Dispute is Pending
West Bengal Value Added Tax Act, 2003	Value Added Tax for the Financial Year 2007 – 2008	100.13 lacs	Before the West Bengal Commercial Taxes Appellate & Revisional Board.
Central Excise Act, 1944	Duty and Penalty	136.56 lacs	Before the Commissioner (Appeal – I & II) of Central Excise.

8. Based on our audit procedures and on the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to financial institutions or to any banks. The Company did not have any outstanding debentures, or loans or borrowings from Government during the year.
9. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year.
10. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
11. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration

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**CARNATION*****Industries Limited***

in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.

12. In our opinion and according to the information and explanation given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
13. According to the information and explanations given to us and based on our examination of the records of the Company, transaction with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transaction have been disclosed in the financial statements as required by the applicable accounting standards.
14. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
15. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
16. The Company is not required to be registered under section 45-1A of the Reserve Bank of India Act 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

For **JAIN & BAGARIA**  
Chartered Accountants

27/8A, Waterloo Street  
Kolkata - 700 069  
Dated : 26th May, 2017

**B. K. Agarwal**  
(Partner)  
Membership No.065361  
FRN : 310045E

## **Annexure “B” to the Independent Auditor’s Report**

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **CARNATION INDUSTRIES LIMITED** ("the Company") as of 31st March, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on 'the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India'. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by Institute of Chartered Accountants of India and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has in all material respects, an adequate internal financial controls system over financial reporting and such Internal financial controls over financial reporting were operating effectively as at 31st March 2017, based on 'the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India-.

For **JAIN & BAGARIA**  
Chartered Accountants

**B. K. Agarwal**  
(Partner)

Membership No.065361  
FRN : 310045E

27/8A, Waterloo Street  
Kolkata - 700 069  
Dated : 26th May, 2017

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### BALANCE SHEET AS AT 31ST MARCH, 2017

(Rs. in Lacs)

Particulars	Note No.	As at 31.03.2017		As at 31.03.2016	
<b>EQUITY AND LIABILITIES</b>					
<b>1. Shareholders' Funds</b>					
a) Share Capital	3	345.72		345.72	
b) Reserves and Surplus	4	<u>1507.52</u>	1853.24	<u>1485.86</u>	1831.58
<b>2. Non-Current Liabilities</b>					
a) Long-Term Borrowings	5	—		—	
b) Deferred Tax Liabilities (Net)	6	65.81		74.01	
c) Long-Term Provisions	7	<u>160.59</u>	226.40	<u>145.21</u>	219.22
<b>3. Current Liabilities</b>					
a) Short-Term Borrowings	8	3373.62		3626.07	
b) Trade Payables	9	3116.33		2901.24	
c) Other Current Liabilities	10	11.69		24.87	
d) Short-Term Provisions	11	—	<u>6501.64</u>	<u>76.15</u>	<u>6628.33</u>
<b>TOTAL</b>			<u>8581.28</u>		<u>8679.13</u>
<b>ASSETS</b>					
<b>1. Non-Current Assets</b>					
a) Fixed Assets	12				
i) Gross Carrying Amount		3196.77		3111.59	
ii) Less : Depreciation		<u>1988.71</u>		<u>1882.60</u>	
iii) Net Carrying Amount			1208.06		1228.99
b) Non-Current Investments	13		0.22		0.22
c) Long Term Loans and Advances	14		57.73		58.97
<b>2. Current Assets</b>					
a) Inventories	15	827.94		784.71	
b) Trade Receivables	16	5300.30		5427.73	
c) Cash and Bank Balances	17	139.90		195.28	
d) Short-Term Loans and Advances	18	146.70		114.13	
e) Other Current Assets	19	<u>900.43</u>	<u>7315.27</u>	<u>869.10</u>	<u>7390.95</u>
<b>TOTAL</b>			<u>8581.28</u>		<u>8679.13</u>

#### Summary of Significant Accounting Policies 2

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

As per our report annexed of even date

For **JAIN & BAGARIA**

Chartered Accountants

**B.K.Agarwal**

Partner

Membership No. 065361

FRN : 310045E

27/8A, Waterloo Street

Kolkata - 700 069

Dated : 26th May, 2017

**R.P.Sehgal**

(Managing Director)

**Biplab Ganguly**

(Chief Financial Officer)

On behalf of the Board

**Arun Kumar Bose**

(Whole Time Director)

**Sanjay Agarwal**

(Company Secretary)

**CARNATION***Industries Limited***STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2017**

(Rs. in Lacs)

Particulars	Note No.	As at 31.03.2017	As at 31.03.2016
<b>Income :</b>			
I. Revenue From Operations	20	8172.77	9842.13
II. Other Income	21	<u>346.02</u>	<u>108.73</u>
III. <b>Total Revenue ( I + II )</b>		8518.79	9950.86
<b>Expenses :</b>			
IV. Manufacturing Expenses	22	5747.94	6246.19
Purchases of Finished/Semi Finished Goods	23	16.11	1.57
(Increase)/Decrease in Stock of Finished Goods	24	(154.46)	275.66
Employee benefits expenses	25	1287.69	1262.11
Finance costs	26	516.30	546.24
Depreciation and amortization expense		119.55	138.15
Other Expenses	27	<u>969.03</u>	<u>1179.86</u>
<b>Total Expenses</b>		<u>8502.16</u>	<u>9649.78</u>
V. <b>Profit Before Exceptional and Extraordinary Items and Tax (III - IV)</b>		16.63	301.08
VI. <b>Exceptional Items</b>		-	-
VII. <b>Profit Before Extraordinary Items and Tax</b>		16.63	301.08
VIII. <b>Extraordinary Items</b>		-	-
IX. <b>Profit Before Tax (VII - VIII)</b>		16.63	301.08
<b>Tax Expenses :</b>			
(1) Current Tax		3.17	71.00
(2) Tax adjustments for earlier years		-	0.35
(3) Deferred tax		<u>(8.20)</u>	<u>(4.05)</u>
XI. <b>Profit/(Loss) for the period from continuing operations (IX-X)</b>		21.66	233.78
XII. <b>Profit/(Loss) for the period</b>		<u>21.66</u>	<u>233.78</u>
Basic & diluted earning per Equity Share of Rs.10/- each		0.63	6.76

**Summary of Significant Accounting Policies 2**

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

**B.K.Agarwal**  
Partner  
Membership No. 065361  
FRN : 310045E  
27/8A, Waterloo Street  
Kolkata - 700 069  
Dated : 26th May, 2017

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

**Biplab Ganguly**  
(Chief Financial Officer)

On behalf of the Board

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

**Sanjay Agarwal**  
(Company Secretary)

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2017****(Rs. in Lacs)**

	<u>31st March, 2017</u>	<u>31st March, 2016</u>
<b>Cash flow from Operating Activities</b>		
Profit before tax from continuing operation	16.63	301.08
Profit before tax	16.63	301.08
Depreciation/amortization on continuing operation	119.55	138.15
Profit/Loss on Sale of Fixed Assets	0.65	(0.38)
Interest expense	367.93	392.61
Dividend income	–	(0.12)
Operating profit before working capital changes movements in working capital :	504.76	831.34
Increase/(Decrease) in trade payables	215.09	(470.61)
Increase/(Decrease) in long-term provisions	15.38	18.52
Increase/(Decrease) in other current liabilities	0.82	(27.02)
Decrease/(Increase) in trade receivables	127.43	(346.58)
Decrease/(Increase) in inventories	(43.23)	279.09
Decrease/(Increase) in long-term loans and advances	1.24	(6.74)
Decrease/(Increase) in short-term loans and advances	(15.12)	(22.56)
Decrease/(Increase) in other current assets	(31.33)	84.78
Cash generated from/(used in) operations	775.04	340.22
Direct taxes paid (net of refunds)	79.68	49.04
<b>Net cash flow from/(used in) operating activities (A)</b>	<b>695.36</b>	<b>291.18</b>
<b>Cash flow from Investing Activities</b>		
Purchase of fixed assets , including intangible assets, CWIP and capital advances	(99.85)	(61.18)
Proceeds from sale of fixed assets	0.58	0.40
Creditors for Capital Goods	2.34	0.74
Dividend received	–	0.12
<b>Net cash flow from/(used in) Investing Activities (B)</b>	<b>(96.93)</b>	<b>(59.92)</b>

**CARNATION****Industries Limited**

(Rs. in Lacs)

	<u>31st March, 2017</u>	<u>31st March, 2016</u>
<b>Cash Flow from Financing Activities</b>		
Repayment of long-term borrowings	(5.11)	(22.24)
Proceeds from short-term borrowings	–	191.31
Repayment of short-term borrowings	(252.45)	–
Interest paid	(379.16)	(388.64)
Dividends paid on equity shares	(24.20)	(20.74)
Tax on equity dividend paid	(4.93)	(4.15)
<b>Net cash flow from/(used in) Financing Activities (C)</b>	<u>(665.85)</u>	<u>(244.46)</u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(67.42)	(13.20)
Cash and cash equivalents at the beginning of the year	67.72	80.92
<b>Cash and cash equivalents at the end of the year</b>	<u>0.30</u>	<u>67.72</u>
<b>Components of cash and cash equivalents</b>		
Cash in hand	2.01	12.06
With banks- on current account	(6.78)	51.17
Temporary Bank Overdraft	–	–
– Unpaid dividend accounts*	5.07	4.49
<b>Total cash and cash equivalents (note 17)</b>	<u>0.30</u>	<u>67.72</u>

**Summary of significant accounting policies 2**

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

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

**B.K.Agarwal**  
Partner  
Membership No. 065361  
FRN : 310045E  
27/8A, Waterloo Street  
Kolkata - 700 069  
Dated : 26th May, 2017

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

**Biplab Ganguly**  
(Chief Financial Officer)

On behalf of the Board

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

**Sanjay Agarwal**  
(Company Secretary)



**NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017**

**1. General Information**

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

**2. Summary of significant accounting policies**

**A. Accounting Convention**

The accounts are prepared on accrual basis under the historical cost convention in accordance with the provisions of the Companies Act 2013 ('Act') and mandatory accounting standards as prescribed under section 133 of the Act read with Rule, 7 of the Companies (Accounts) Rules 2014 except otherwise stated.

All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in the Schedule-III to the Companies Act, 2013 based on the time taken between the acquisition of the assets for processing and their realisation in cash and cash equivalents and the nature of other receivables, the company expects its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

**B. Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation. The cost represents the cost of acquisition inclusive of duties & taxes which are not recoverable, incidental expenses, erection / commissioning expenses and interest etc. upto the date the assets is put to use.

Software expected to provide future enduring economic benefits is stated at cost less amortization. All upgradation / enhancements are charged off as revenue expenditure unless they bring significant additional benefits.

**C. Depreciation/Amortisation**

- i) Depreciation on tangible assets is provided on the straight line method over the useful lives of assets as specified in the schedule II to the Companies Act 2013.
- ii) Depreciation on fixed assets added / disposed off during the year is provided on prorata basis.
- iii) Assets having useful life of less than 12 months are fully charged to revenue in the year of purchase.

iv) Intangible Assets –

Computer Software is normally amortised over its useful life of 3 years as estimated by the management. Computer Software acquired but not found suitable is fully amortised in the year of acquisition. Licences representing right to use are amortised over a period of 3 years.

**D. Impairment**

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

**E. Investments**

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

**F. Inventories**

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

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

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

**H. Cenvat**

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

**I. Value Added Tax**

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

**J. Export Benefit**

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

**K. Gratuity & Encashment of Leave**

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

**L. Bonus**

Bonus is provided for on the basis of liability incurred.

**M. Taxes on Income**

In case of the Company, provision for tax is made for current and deferred taxes. Current Tax is provided on the taxable income under the applicable tax laws and tax rates. Deferred tax assets and liabilities arising on account of timing differences, which are capable of reversal in subsequent period are recognised under the tax laws and tax rates which have been or subsequently enacted.

Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets will be realized. In case of carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is "virtual certainty" that such deferred tax assets can be realised against future taxable profits.

**N. Interest and Finance Charges**

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

**O. Purchases**

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

**P. Segment Reporting Policies**

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

**Q. Subsidies**

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

**NOTES FORMING PART OF THE BALANCE SHEET FOR THE YEAR ENDED  
31ST MARCH, 2017**

	<u>As at 31.03.2017</u>	<u>As at 31.03.2016</u>
<b>(Rs. in Lacs)</b>		
<b>3. SHARE CAPITAL</b>		
<b>Authorised</b>		
7000000 Equity shares of Rs.10/- each	700.00	700.00
<b>Issued, Subscribed and Paid-Up</b>		
3457160 Equity Shares of Rs. 10/ each fully paid up	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 Profits.)	<u>345.72</u>	<u>345.72</u>

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

	<u>As at 31.03.2017</u>		<u>(No. &amp; Rs. in Lacs) As at 31.03.2016</u>	
<b>Equity Shares</b>	<u>No.</u>	<u>Rs.</u>	<u>No.</u>	<u>Rs.</u>
At the Beginning of the period	34.57	345.72	34.57	345.72
Outstanding at the end of the period	<u>34.57</u>	<u>345.72</u>	<u>34.57</u>	<u>345.72</u>

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

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

During the year ended 31st March 2017, the amount of per share dividend proposed as distributable to equity shareholders is Re.0.40 (31st March, 2016 : Re.0.70). The total proposed dividend payable for the year ended 31-03-2017 amounted to Rs.16.64 lacs (Previous year Rs.29.13 lacs) including corporate dividend tax of Rs.2.82 lacs(Previous year Rs.4.93 lacs).

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

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

	As at 31.03.2017		As at 31.03.2016	
	No.	% Holding	No.	% Holding
Equity Shares of Rs.10/ each fully paid				
Ravindra Prakash Sehgal	575865	16.657%	575865	16.657%
Suvabrata Saha	573598	16.591%	573598	16.591%
Madan Mohan Kundu	380020	10.992%	399110	11.544%
Sanatan Kundu	222007	6.422%	397960	11.511%
Sumati Sehgal	187675	5.428%	187675	5.428%

	As at 31.03.2017		(Rs. in Lacs) As at 31.03.2016	
	<b>4. RESERVES &amp; SURPLUS</b>			
<b>Capital Reserves</b>		48.84		48.84
<b>Securities Premium Reserves</b>		306.30		306.30
<b>General Reserves</b>		493.24		493.24
<b>Export Business Reserves</b>		26.89		26.89
<b>Statement of Profit &amp; Loss Account</b>				
Opening Balance	610.59		405.94	
Surplus/(Deficit) for the period	<u>21.66</u>	632.25	<u>233.78</u>	639.72
Less: Appropriations				
Proposed Equity dividend		–		24.20
Dividend Distribution Tax thereon		–		<u>4.93</u>
		<u>632.25</u>		<u>610.59</u>
<b>Total Reserves and Surplus</b>		<u>1507.52</u>		<u>1485.86</u>

#### 5. LONG -TERM BORROWINGS

##### From Banks

(Secured against purchase of bills, hypothecation of stock in trade, Book Debts and receivables, Term Deposits, Equitable Mortgage of Land / Buildings owned by the Company as well as by some Directors, charge on the existing and future plant & machinery owned by the Company and personal guarantee of some Directors and guarantee by ECGC on pari-passu basis amongst the Bankers, including for short term borrowings)

	As at 31.03.2017		As at 31.03.2016	
Term Loan	–		5.11	
Less: Current maturity classified as Other Current Liabilities	–	–	<u>5.11</u>	–
Car Loan	–		–	
Less: Current maturity classified as Other Current Liabilities	–	–	–	–
	–	–	–	–

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

(Rs. in Lacs)

<u>Bank</u>	<u>31.03.2017</u>	<u>31.03.2016</u>	<u>Repayments Terms</u>
Punjab National Bank	–	5.11	Repayable in Sixteen equal quarterly instalments. Interest is payable monthly @ 15.25% pa.

6. **DEFERRED TAX LIABILITIES (NET)**

The major components of the Deferred tax assets/liabilities based on the tax effect on the timing difference as at 31st March, 2017 are as under:

	<u>As at</u> <u>31.03.2017</u>	<u>As at</u> <u>31.03.2016</u>
<b>Deferred Tax Liability/(Assets)</b>		
Timing differences for Depreciation	99.98	105.49
Provision for Leave Encashment	(3.65)	(3.19)
Provision for Gratuity	(30.52)	(28.29)
<b>Net Deferred Tax Liability/(Assets)</b>	<u>65.81</u>	<u>74.01</u>
<b>7. LONG TERM PROVISIONS</b>		
Provision for Contingencies	50.00	50.00
Provision for Gratuity	98.77	85.55
Provision for Leave Encashment	11.82	9.66
	<u>160.59</u>	<u>145.21</u>

a) **Provision for contingencies**

(Rs. in Lacs)

	<b>Excise</b>
Opening Balance as at 01.04.2016	50.00
Amount provided during the period	–
Amount utilised against provision	–
Unused amount released during the period	–
Closing Balance as at 31.03.2017	50.00

8. **SHORT-TERM BORROWINGS**

**From Banks**

(Secured against purchase of bills, hypothecation of stock in trade, Book Debts, and receivables, Term Deposits, Equitable Mortgage of Land / Buildings owned by the Company as well as by some Directors, charge on the existing and future plant & machinery owned by the Company and personal guarantee of some Directors and guarantee by ECGC on pari-passu basis amongst the Bankers including for long term borrowings.)

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	As at 31.03.2017	(Rs. in Lacs) As at 31.03.2016
<b>Loans Repayable on Demand</b>		
Packing Credit	1708.58	1423.66
Bills Purchase Account	1580.84	2182.20
Cash Credit	62.36	20.21
	<u>3351.78</u>	<u>3626.07</u>
<b>From a Body Corporate (Unsecured)</b>		
Bill Discounting finance in foreign currency	21.84	-
<b>Total</b>	<u>3373.62</u>	<u>3626.07</u>
a) The company has classified bill discounting finance taken from a company incorporated outside India as Unsecured based on expert opinion obtained.		
<b>9. TRADE PAYABLES</b>		
For goods Supplied	2278.95	2135.89
For Expenses	837.38	765.35
	<u>3116.33</u>	<u>2901.24</u>
a) In view of insufficient information from the suppliers regarding their status as Micro, Small and Medium Enterprises, the amount remaining unpaid to such undertakings could not be ascertained for separate disclosure in our accounts.		
b) Charge of hypothecation over Current Assets & Raw Materials procured under letter of credit in favour of bankers has been created for letter of credit issued. Aggregate value of such letter of credit outstanding as on 31st March, 2017 is Rs.762.88 lacs. (Previous Year Rs.763.67 lacs.)		
	As at 31.03.2017	(Rs. in Lacs) As at 31.03.2016
<b>10. OTHER CURRENT LIABILITIES</b>		
Current maturities of long term debt	-	5.11
Unclaimed Dividend	5.07	4.49
Interest accrued and due on Bank borrowing	-	11.11
Interest accrued but not due on Bank borrowing	2.31	2.43
Advance from Customer	0.48	0.24
Creditors for Capital Goods	3.83	1.49
	<u>11.69</u>	<u>24.87</u>
<b>11. SHORT TERM PROVISIONS</b>		
For Income Tax (Net)	-	47.02
" Proposed Dividend	-	24.20
" Dividend Distribution Tax	-	4.93
	<u>-</u>	<u>76.15</u>

**12. FIXED ASSETS (AT COST)** (Rs. in Lacs)

DESCRIPTION	GROSS CARRYING AMOUNT			DEPRECIATION / AMORTISATION			NET CARRYING AMOUNT			
	AS AT 31/03/2016	ADDITIONS DURING THE YEAR	SALES/ADJUST-MENTS	AS AT 31/03/2017	UP TO 31/03/2016	PROVIDED DURING THE YEAR	SALES/ADJUST-MENTS	UP TO 31/03/2017	AS AT 31/03/2017	AS AT 31/03/2016
<b>TANGIBLE ASSETS</b>										
1) LAND	165.83	1.39	-	167.22	-	-	-	-	167.22	165.83
2) BUILDINGS	833.90	-	-	833.90	377.91	16.57	-	394.48	439.42	455.99
3) PLANT & MACHINERIES	1030.65	1.79	2.78	1029.66	722.76	59.46	2.45	779.77	249.89	307.90
4) LABORATORY EQUIPMENT	78.46	1.27	-	79.73	55.65	5.17	-	60.82	18.91	22.81
5) PATTERN & DICES	514.79	59.39	-	574.18	341.51	17.08	-	358.59	215.59	173.28
6) TOOLS & IMPLEMENTS	28.45	-	-	28.45	14.46	1.60	-	16.06	12.39	13.99
7) FURNITURE & FITTINGS	61.21	0.70	0.71	61.20	53.18	1.98	0.67	54.49	6.71	8.04
8) ELECTRIC INSTALLATION	134.73	-	-	134.73	74.12	11.60	-	85.72	49.01	60.61
9) MOTOR VEHICLES	53.35	1.30	11.18	43.47	43.59	2.46	10.32	35.73	7.74	9.76
10) COMPUTERS P.C	81.81	1.57	-	83.38	75.15	2.13	-	77.28	6.10	6.66
<b>INTANGIBLE ASSETS</b>										
1) ERP SOFTWARE	74.44	-	-	74.44	72.16	-	-	72.16	2.28	2.28
2) COMPUTER SOFTWARE	29.36	0.72	-	30.08	28.78	0.57	-	29.35	0.73	0.58
3) LICENCE	24.40	-	-	24.40	23.31	0.93	-	24.24	0.16	1.09
<b>CAPITAL WORK IN PROGRESS</b>	0.20	31.72	-	31.92	-	-	-	-	31.92	0.20
TOTAL	3111.59	99.85	14.67	3196.77	1882.60	119.55	13.44	1988.71	1208.06	1228.99
PREVIOUS YEAR	3132.83	61.18	82.42	3111.59	1826.82	138.15	82.39	1882.60	1228.99	-

Note : 1) Pattern & Dice includes Rs.6.62 lacs lying with Supplier abroad

2) The above figures of gross carrying amount and accumulated depreciation are inclusive of Rs.304.31 Lacs in respect of items of Plant & Machinery and Rs.76.20 Lacs for other fixed assets which had fully depreciated in the books of accounts and net book value is nil.



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	<b>As at 31.03.2017</b>	<b>(Rs. in Lacs) As at 31.03.2016</b>
<b>13. NON-CURRENT INVESTMENT</b>		
<b>Quoted (Long Term)</b>		
3500 (Previous Year 3500) Fully paid Equity Shares of Rs.15.07/- each, in Punjab National Bank.	0.22	0.22
Market Value Rs.527450/- (Previous year Rs.296450/-)		
<b>14. LONG TERM LOANS AND ADVANCES</b>		
(Unsecured Considered Good)		
Advances recoverable in cash or in kind or for the value to be received	14.86	14.86
Security Deposit	42.87	44.11
	<u>57.73</u>	<u>58.97</u>
a) Advance represents due from M/s. The Salkia Industrial Works. Execution case had been filed by the company on failure by the party to pay as per the Court order, which is still pending.		
<b>15. INVENTORIES (As taken, valued and certified by the management, for mode of valuation refer Note No. 2F)</b>		
Finished Goods [Refer Note No.24(a)]	684.14	529.68
Raw Materials [Refer Note No.22(b)]	50.65	146.69
Consumable Stores, Spares and Power & Fuels	76.86	93.28
Packing Materials	16.29	15.06
	<u>827.94</u>	<u>784.71</u>
Note: 1) Out of the above, Raw Materials of Rs. 0.93 lacs are lying with Jobber (Previous Year Rs. 2.90 lacs)		
3) Out of the above, Consumable Stores of Rs. 0.45 lacs are in transit (Previous Year Rs.0.99 lacs)		
4) Out of the above, Finished Goods of Rs. 154.84 lacs are in transit.(Previous Year Rs.98.64 lacs)		
3) Out of the above, Finished Goods of Rs. 2.93 lacs lying with processors.(Previous Year Rs.1.63 lacs)		
<b>16. TRADE RECEIVABLES</b>		
Unsecured Considered Good :		
More than Six months from the due date	2580.00	2556.37
Other Debts	2720.30	2871.36
	<u>5300.30</u>	<u>5427.73</u>
a) Export proceeds in foreign exchange of Rs. 2239.10 lacs (Previous year Rs. 2544.19 lacs) and Rs. 216.89 lacs (Previous Year Rs.Nil) from a related party and other than related parties respectively could not be realised within 24 months and 12 months from the dates of export respectively. Out of that Rs. 58.40 Lacs (Previous year Rs.36.79 lacs ) and Rs.157.37 lacs (Previous Year Rs. Nil ) have since been realised from related party and other than related parties respectively. Total outstanding as on 31.03.2017 is Rs. 2239.10 lacs (Previous Year Rs. 2544.19 lacs) and Rs.1129.56 lacs (Previous Year Rs.1439.78 lacs) for related party and other than related parties respectively.		

**CARNATION****Industries Limited**

	<b>As at 31.03.2017</b>	<b>(Rs. in Lacs) As at 31.03.2016</b>
<b>17. CASH AND BANK BALANCES</b>		
<b>Cash and Cash Equivalents</b>		
Cash In hand (As certified by Management)	2.01	12.06
Balances with Banks		
On Current Accounts (Including Balances of Rs.5.06 lacs lying with dividend account) (Previous year Rs.4.49 lacs.)	(1.72)	55.66
	<u>0.29</u>	<u>67.72</u>
<b>Other Bank Balances</b>		
Fixed Deposits (lying with Bank as security deposit) [Including fixed deposits of Rs.89.45 lacs (Previous year Rs.102.29 lacs) with more than 12 months maturity]	114.77	113.25
Interest accrued but not due on above	24.84	14.31
	<u>139.90</u>	<u>195.28</u>
<b>18. SHORT TERM LOANS &amp; ADVANCES</b>		
<b>UNSECURED CONSIDERED GOOD</b>		
Advances recoverable in cash or in kind or for the value to be received	54.63	47.75
Advance, Self Assessment Tax & TDS (Net)	29.49	-
Income Tax Refund Receivable	9.91	9.91
Advances to Staff	2.67	6.47
Other Advance [Refer Note No.28(v)]	50.00	50.00
	<u>146.70</u>	<u>114.13</u>
<b>19. OTHER CURRENT ASSETS</b>		
<b>UNSECURED CONSIDERED GOOD</b>		
Export Incentive Receivable	43.10	30.68
Cenvat & Service Tax Receivable	205.26	221.55
Input Tax Credit Receivable [Refer Note No.28(iii)]	647.37	616.87
Profit on unexpired Forward Exchange Contract	4.00	-
Other Receivable	0.70	-
	<u>900.43</u>	<u>869.10</u>

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#### NOTES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2017

	As at		(Rs. in Lacs)	
	31.03.2017		As at 31.03.2016	
<b>20. REVENUE FROM OPERATION</b>				
Export Sale	7866.34		9599.98	
Less : Freight	133.43	7732.91	216.60	9383.38
Domestic Sale (Net of Central Excise / Vat)		76.29		44.62
		7809.20		9428.00
<b>Other operating revenue</b>				
Export Incentives - Realised	283.61		356.60	
Export Incentives - Unrealised	42.56	326.17	29.42	386.02
Discounts		36.17		25.88
Others		1.23		2.23
		8172.77		9842.13
<b>Details of Products Sold</b>				
Castings		7809.20		9428.00
		7809.20		9428.00
<b>21. OTHER INCOME</b>				
Dividend	—		0.12	
Exchange Rate Difference (Net)	—		99.19	
Liabilities no longer required written back	345.67		0.06	
Others	0.35	346.02	9.36	108.73
<b>22. MANUFACTURING EXPENSES</b>				
Raw Materials Consumed				
Opening Stock	146.69		138.03	
Add : Purchases (Net of Central Excise and VAT)	3689.46		4157.11	
	3836.15		4295.14	
Less : Closing Stock	50.65	3785.50	146.69	4148.45
Consumable Stores & Spares Consumed	563.46		634.51	
Power & Fuel	936.07		1037.87	
Other Manufacturing Expenses	201.73		148.48	
Clearing & Forwarding Import	1.98		3.40	
Custom Duty	0.05		—	
Conversion Charge	5.41		11.46	
Factory Rent	4.32		4.32	
Carriage Inward	81.43		102.73	
Pollution Control Expenses	3.08		9.05	
Purchase Tax	6.34		6.13	
Repairs & Maintenance :				
To Machinery & Others	127.38		116.06	
To Shed & Godown	31.19	158.57	23.73	139.79
		5747.94		6246.19

**CARNATION****Industries Limited**

	<b>As at 31.03.2017</b>	<b>(Rs. in Lacs) As at 31.03.2016</b>
<b>a) Details of Raw Material Consumed</b> (Including Wastage)		
<b>Indigenous</b>		
Pig Iron	2699.61	2980.30
Scrap	928.99	993.71
Others	156.90	174.44
	<u>3785.50</u>	<u>4148.45</u>
<b>b) Details of Closing Stock of Raw Materials</b>		
<b>Raw Materials</b>		
Pig Iron & Scrap	38.21	139.71
M. S. Materials for Fabricated Steel	1.10	2.90
Others	11.34	4.08
	<u>50.65</u>	<u>146.69</u>
<b>23. PURCHASE OF FINISHED/ SEMI FINISHED GOODS</b>		
Casting	16.11	1.57
	<u>16.11</u>	<u>1.57</u>
<b>24. (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS</b>		
Closing Stock	684.14	529.68
Opening Stock	529.68	805.34
	<u>(154.46)</u>	<u>275.66</u>
<b>a) Details of Closing Stock of Finished Goods</b>		
Casting	684.14	529.68
	<u>684.14</u>	<u>529.68</u>
<b>25. EMPLOYEE BENEFIT EXPENSES</b>		
Salaries	351.06	304.88
Wages	788.82	819.65
Bonus to Staff & Contractors	34.28	32.93
ESI Contribution	24.58	19.25
Workmen & Staff Welfare Expenses	11.84	13.07
Contribution to PF and other Funds	56.10	54.15
Gratuity	21.01	18.18
	<u>1287.69</u>	<u>1262.11</u>

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	<b>As at 31.03.2017</b>	<b>(Rs. in Lacs) As at 31.03.2016</b>
<b>26. FINANCE COST</b>		
Interest :		
To Bank on other than Term Loan (Net)	301.58	311.57
To Bank on Term Loan	0.02	1.65
To a Body Corporate	0.64	–
Bank Charges	115.18	107.96
Export Guarantee Fees	32.55	45.67
Finance Charges	66.33	79.39
	<u>516.30</u>	<u>546.24</u>
<b>27. OTHER EXPENSES</b>		
Clearing & Forwarding Expenses (Export) (Including Carriage Outward)	173.77	186.88
Repairs & Maintenance :		
To Other Assets	44.22	45.67
Rates & Taxes	25.58	18.66
Commission	131.38	194.74
Discount Allowed	7.44	118.40
Insurance	6.47	6.35
Packing Charge	195.42	189.83
Loss on Sale of Fixed Assets	0.66	0.02
Directors Remuneration	31.38	28.83
Exchange Rate Difference (Net)	40.82	–
Auditors Remuneration	4.54	5.53
Director's Meeting Fees	4.10	4.76
Inspection Service Charges	51.94	76.35
Sundry Debit Balance Written Off	3.75	45.36
Miscellaneous Expenses	247.56	258.48
	<u>969.03</u>	<u>1179.86</u>

**28. OTHER NOTES**

- i) Estimated amount of contracts remaining to be executed on Capital Account is Rs. 61.83 lacs (Net of advance of Rs.16.71 lacs) (Previous year Rs. Nil, net of advance Rs. Nil.)
- ii) Contingent liability not provided for in respect of : (Rs. in Lacs)

	As at 31.03.17	As at 31.03.16
a) Outstanding Bank Guarantee	107.67	107.76
b) Disputed Duty & Penalty under Central Excise Law	86.56	86.56
c) Disputed Vat Demand for the Financial Year 2007-08	100.13	100.13

- d) Duty drawback received amounted to Rs.47.28 lacs (Approx) (Previous year Rs.50.00 lacs) is subject to export realisation.
- e) Interest and Principal claimed by a micro,small and medium enterprise Rs.5.23 lacs & Rs.4.43 lacs respectively.
- f) In addition, the company has a few outstanding legal proceedings which have arisen in the ordinary course of business. However the company's management does not expect this legal proceedings,when concluded will have any material and adverse effect on the financial position of the company.
- iii) The Company, in respect of its claim for refund of Input Tax Credit amounting to Rs.106.03 lacs for the Financial Year 2005-06 had filed a revision petition u/s 87 of the VAT Act, 2003 against the Appellate Authority's order dt. 25/03/2011, rejecting the appeal and also filed an appeal before The West Bengal Commercial Taxes Appellate and Revisional Board for the financial year 2007-08 against the order passed by the Joint Commissioner of Sales Tax, Kolkata (South) Circle, rejecting the total claim of ITC for that year and also raised a demand for Rs.100.13 lacs.The revision petition and the appeal are still pending. Claims for the refund of Input Tax Credit in respect of other financial years are at various stages of adjudication with the Sales Tax Department. The Company expects realisation of these refund claims not later than 12 months from 31st March, 2017. The company had also been advised by its lawyer that these claims were worked out and made in confirmity and compliance with the stipulated rules and procedures. During the current financial year the company has partly received provisional refund of Input Tax Credit amounting to Rs. 78.91 lacs and Rs. 34.18 lacs out of claims made for the financial year 2015-2016 and 2016-2017 against submission of Indemnity Bonds equivalent to the amount of claim.
- iv) The company recognises overdue interest on export sales as and when the sale proceeds is realised as mutually agreed. During the year under audit the Company has not received/claimed any overdue interest on realisation of Export Sales.
- v) The Additional Commissioner of Central Excise, Kol-II and Haldia Commissionarate have raised two separate demands with penalty aggregating to Rs. 136.56 lacs out of which Rs. 50.00 lacs was paid in the financial year 2007-08. The Company had filed Appeals against the above demands before the Commissionarate (Appeal - I & II) of Central Excise Kolkata which are still pending.
- vi) Central Excise department has investigated and based on that the Company has part paid/reversed cenvat duty which the Company has claimed to be an advance. The matter is 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.

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#### Profit and Loss Account

Net employee benefit expense (recognised in Employee Cost)

	(Rs. in Lacs)			
	2016-17		2015-16	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Current Service Cost	11.75	1.80	11.74	1.73
Interest Cost	6.71	0.76	5.43	0.55
Expected return on plan assets	-	-	-	-
Curtailment Cost / (Credit)	-	-	-	-
Settlement Cost / (Credit)	-	-	-	-
Amortization of Past Service Cost	-	-	-	-
Actuarial Losses / (Gains)	2.55	1.85	1.01	0.82
<b>Total Expenses recognised in the statement of Profit &amp; Loss</b>	<u>21.01</u>	<u>4.41</u>	<u>18.18</u>	<u>3.10</u>

#### Balance Sheet

	(Rs. in Lacs)			
	2016-17		2015-16	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Present Value of Defined Benefit Obligation	98.77	11.82	85.55	9.66
Fair Value of Plan Assets	-	-	-	-
Funded Status [Surplus/(Deficit)]	(98.77)	(11.82)	(85.55)	(9.66)
Effect of Balance Sheet Asset Limit	-	-	-	-
Unrecognised Past Service Costs	-	-	-	-
<b>Net Asset/(Liability) recognised in Balance Sheet</b>	<u>(98.77)</u>	<u>(11.82)</u>	<u>(85.55)</u>	<u>(9.66)</u>

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

	(Rs. in Lacs)			
	2016-17		2015-16	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Opening defined benefit obligation	85.55	9.66	69.59	7.10
Current Service Cost	11.75	1.80	11.74	1.73
Interest Cost	6.71	0.76	5.42	0.55
Curtailment Cost / (Credit)	-	-	-	-
Settlement Cost / (Credit)	-	-	-	-
Employee Contribution	-	-	-	-
Plan Amendments	-	-	-	-
Acquisitions	-	-	-	-
Actuarial (Gains)/Losses	2.55	1.85	1.02	0.82
Benefits Paid	(7.79)	(2.25)	(2.22)	(0.54)
<b>Closing defined benefit obligation</b>	<u>98.77</u>	<u>11.82</u>	<u>85.55</u>	<u>9.66</u>

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

	(Rs. in Lacs)			
	2016-17		2015-16	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Opening fair value of plan assets	-	-	-	-
Actual return on plan assets	-	-	-	-
Actual Company Contributions	7.79	2.25	2.22	0.54
Employee Contributions	-	-	-	-
Benefits paid	(7.79)	(2.25)	(2.22)	(0.54)
<b>Closing fair value of plan assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

The financial assumptions employed for the calculations are as follows:

	2016-17		2015-16	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	Discount Rate per annum compounded	7.33%	7.33%	7.84%
Rate of increase in salaries	5.00%	5.00%	5.00%	5.00%
Expected Average remaining working lives of employees (years)	18.27	19.52	19.04	19.97

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:

	2016-17		2015-16	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	Defined benefit obligation	98.77	11.82	85.55
Plan Assets	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(98.77)</b>	<b>(11.82)</b>	<b>(85.55)</b>	<b>(9.66)</b>

The above information and data are based on actuarial certification.



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- viii) In the opinion of the Board, all Current Assets and Non-Current Assets have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the accounts. Balance confirmation from certain vendors are yet to be received by the company.
- ix) The assets and liabilities which are expected to be realised and payable in the ordinary course of business not later than 12 months from the reporting date have been classified as current assets and current liabilities in the Balance Sheet. All other assets and liabilities have been classified as non-current.
- x) Foreign Exchange Loss of Rs.40.82 lacs (Previous year gain Rs.99.19 lacs) are net of exchange gain of Rs. 4.00 lacs (Previous year Rs.Nil) arising out of conversion of unexpired forward exchange contract at marked to market and loss of Rs. Nil (Previous year Rs.2.10 lacs) arising out of cancellation of forward exchange contract during the year.
- xi) 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

	<u>2016-17</u>	<u>2015-16</u>
<b>Export Sales (Net of Freight)</b>		
North America	3573.67	3754.84
Middle East	2108.05	2824.71
Europe	2033.78	2768.05
Australia	17.41	35.78
<b>Domestic Sale</b>	<b>76.29</b>	<b>44.62</b>

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

- xii) Provision for current tax has been made on the taxable income at the applicable Tax rates.

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**Industries Limited**

xiii) Related party disclosures and transactions:

Sl. No.	Name	Relationship	Nature of Transaction	Amount (Rs.)		(Rs. in Lacs) Outstanding (Rs.)	
1.	Mr. R. P. Sehgal	Managing Director	Remuneration	13.20	(12.50)	0.91	(0.91)
			Meeting Fees	0.80	(0.83)	-	-
2.	Mr. Suvabrata Saha	Jt. Managing Director	Remuneration	13.02	(12.37)	0.91	(0.91)
			Meeting Fees	0.50	(0.60)	-	-
3.	Mr. Arun Kumar Bose	Whole time Director	Remuneration	5.16	(3.96)	0.40	(0.33)
			Meeting Fees	0.65	(0.60)	-	-
4.	Mr. Ramesh Chandra Jha (Since deceased)	Non Executive Director	Meeting Fees	0.30	(0.83)	-	-
			Chairman Office Expenses	-	(1.50)	-	-
5.	Mr. Manoj Bose	Non Executive Director	Meeting Fees	0.95	(0.95)	-	-
6.	Mr. Debajyoti Chakrabarti (Since Resigned)	Non Executive Director	Meeting Fees	-	(0.35)	-	-
7.	Dr. Sephali Roy	Non Executive Director	Meeting Fees	0.90	(0.60)	-	-
8.	Mr. Sanjay Agarwal	Company Secretary	Remuneration	9.36	(9.36)	1.35	(1.35)
9.	Mr. Biplab Ganguly	Chief Financial Officer	Remuneration	8.04	(7.20)	1.33	(1.15)
10.	Mr. Abhijit Biswas	Officer-Corporate Affairs	Remuneration	8.04	(7.80)	1.31	(1.32)
11.	Nacip INC	Body Corporate over which Key Management personel are able to exercise significant influence.	Export Sale	Nil	Nil	2201.55	(2508.91)
			Late payment Int.	Nil	Nil	37.55	(35.28)
			Export Proceeds Realised	307.60	(628.01)		

**(Rs. in Lacs)**

	<b>31.03.17</b>	<b>31.03.16</b>
xiv) Auditor's Remuneration Includes		
Audit Fees	4.04	5.03
Tax Audit Fees	0.50	0.50
	<u>4.54</u>	<u>5.53</u>

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- xv) Details of Specified Bank Notes (SBN) held and transacted during the period from 08th November, 2016 to 30th December 2016 pursuant to notification dated 30th March, 2017 issued by the Ministry of Corporate Affairs.

(Rs. in Lacs)

	SBNs	Other denomination notes	Total
Closing Cash in hand as on 08.11.2016	11.93	6.73	18.66
(+) Permitted receipts	–	10.13	10.13
(-) Permitted payments	–	12.93	12.93
(-) Amount deposited in Banks	11.93	–	11.93
Closing Cash in hand as on 30.12.2016	–	–	3.93

- xvi) Additional information pursuant to the provisions of paragraphs 5 of Part-II of schedule III of the Companies Act, 2013

(Rs. in Lacs)

	<u>31.03.17</u>	<u>31.03.16</u>
<b>i) Earnings in Foreign Exchange during the year</b>		
Export of Goods (F.O.B)	7732.91	9383.38
Liabilities no longer required written back	313.27	–
Others	1.23	2.23
<b>ii) Expenditure in Foreign Currency</b>		
a. Travelling & Conveyance	23.59	25.83
b. Licence Fees	6.19	4.95
c. Commission	131.38	194.74
d. Foreign Bank Charge	29.65	26.68
e. Inspection Charges	1.72	4.40
f. Salary	12.39	–
g. Discount Allowed	7.44	118.40
h. Interest	0.64	–

- xvii) Derivative instruments

Derivative contracts outstanding as at the Balance Sheet date:

Particulars	Purpose
<b>Forward Contract to sale US \$</b> US \$ 103576.92 (31st March, 2016 : US \$ Nil) Rs.71.33 lacs (31st March, 2016 : Rs. Nil)	Hedge of buyers credit.

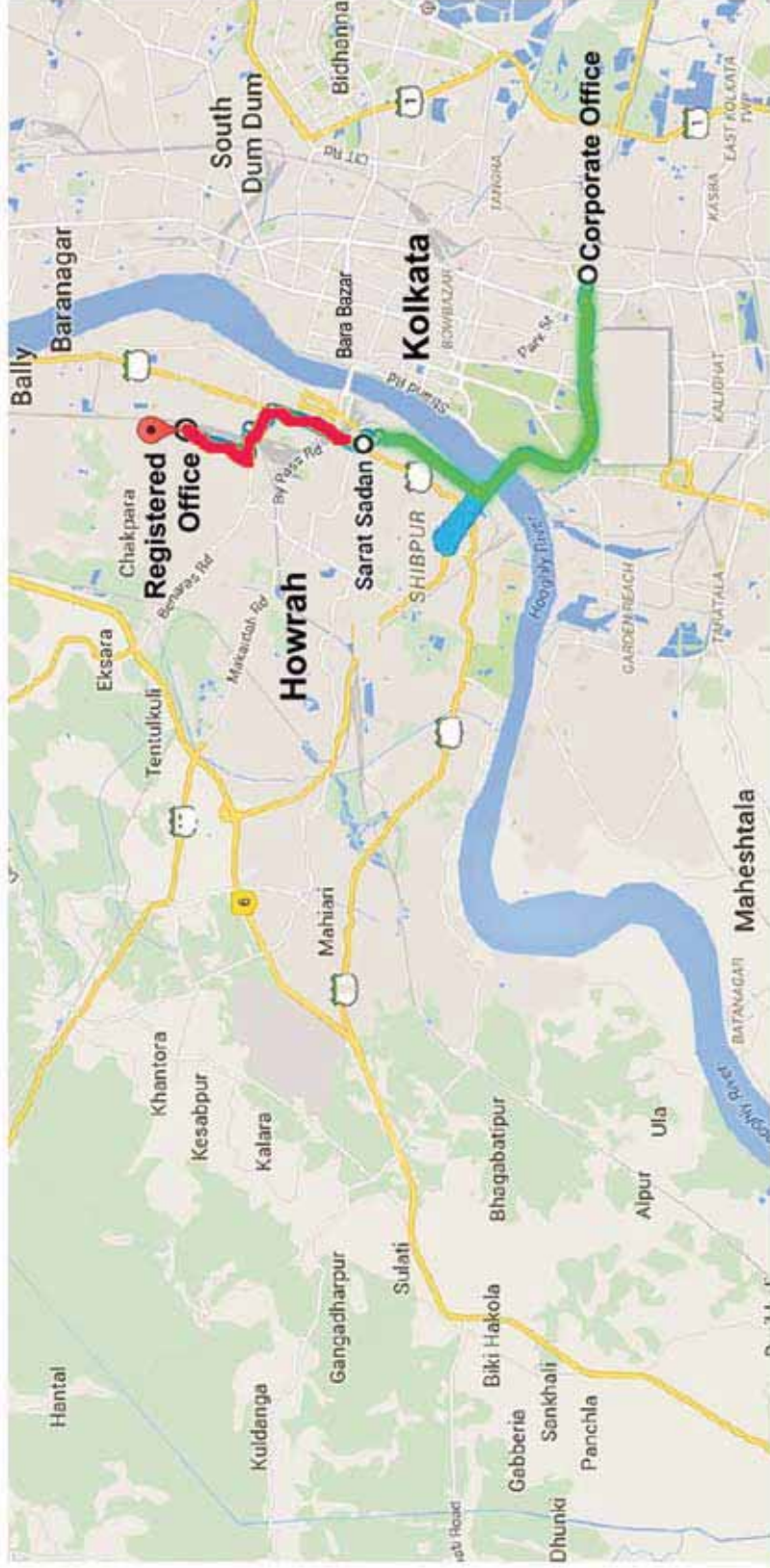
- xviii) Previous year's figures have been regrouped / revised wherever found necessary.

**NOTES**





**Route Map to the venue of the AGM - Sarat Sadan, Howrah**



**Corporate Office : 222, A. J. C. Bose Road, Kolkata**

**Registered Office : 28/1, Jheel Road, Howrah**



**CARNATION INDUSTRIES LTD.**  
222, A.J.C. Bose Road, Kolkata - 700 017, INDIA