

30th Annual Report 2012 - 2013



CARNATION INDUSTRIES LTD.

BOARD OF DIRECTORS

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

REGISTERED OFFICE

28/1, Jheel Road, Liluah,
P.O. Salkia, Howrah - 711 106

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

**SHARE HOLDERS'/ INVESTORS'
GRIEVANCE COMMITTEE**

Mr. Ramesh Chandra Jha
Mr. Ravindra Prakash Sehgal

COMPANY SECRETARY

Mr. Sanjay Agarwal

AUDITORS

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

BANKERS

State Bank of Hyderabad
Punjab National Bank

CORPORATE & HEAD OFFICE

222, A. J. C. Bose Road
1st Floor, Room No. 4 & 5
Kolkata – 700 017

Phone: (033) 2290 2256/2287 8229

Fax: (033) 2287 9938

E-Mail: info@carnationindustries.com

Website: www.carnationindustries.com

REGISTRAR & SHARE TRANSFER AGENT

R&D Infotech Private Limited
7A, Beltala Road, 1st Floor

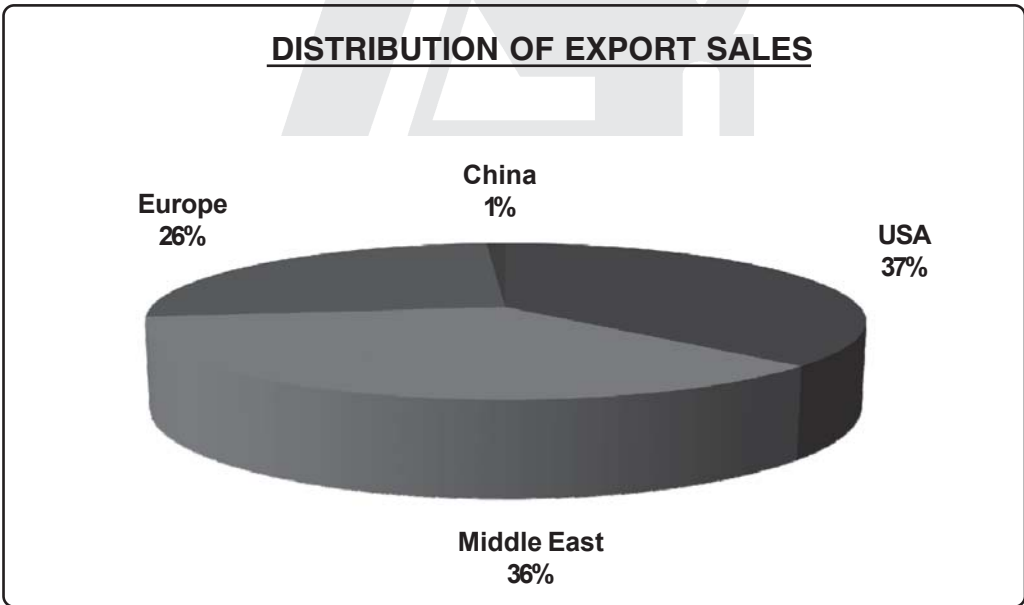
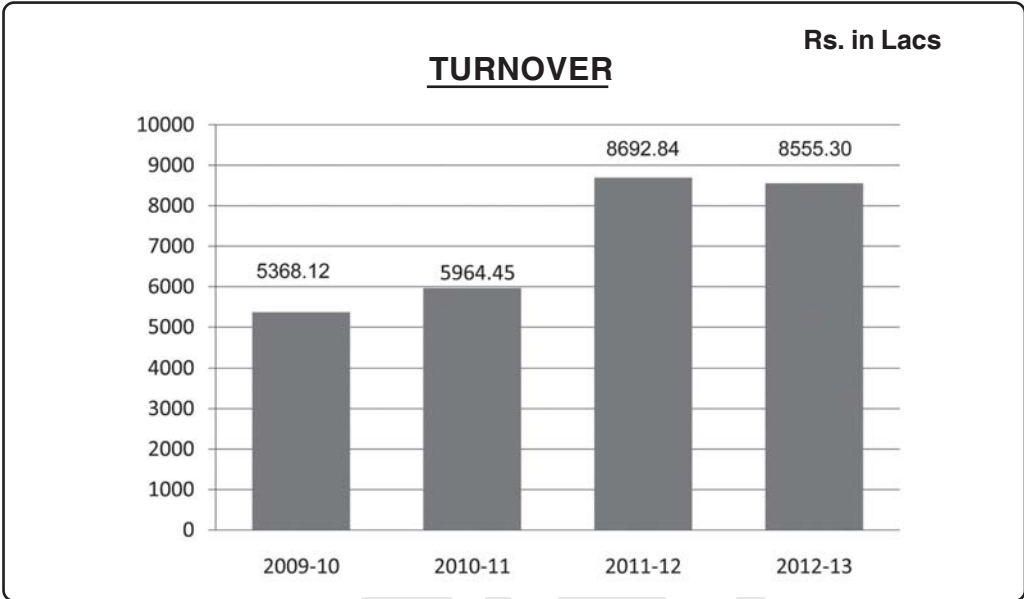
Kolkata – 700 026

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Mr. R. P. Sehgal, Managing Director, receiving the Top Exporter Award (EEPC-ER) from the hands of Dr. A. Pujari, IAS, Director General of Foreign Trade, Ministry of Commerce, Govt. of India, in the presence of the senior officials of Engineering Export Promotion Council.



Mr. Suvabrata Saha, Jt. Managing Director

NOTICE

Notice is hereby given that the 30th Annual General Meeting of the Members of Carnation Industries Limited will be held on Thursday, 26th September, 2013 at 10.00 A.M. at "SARAT SADAN", 5, Mahatma Gandhi Road, Howrah- 711 101 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at March 31, 2013, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr. R. C. Jha , 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 M/s. Jain and Bagaria, Chartered Accountants (Registration No. 310045E) be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Manoj Bose who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956 and Article 115 of the Article of Association of the Company and who holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of a Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Mr. Debajyoti Chakrabarti who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956 and Article 115 of the Article of Association of the Company and who holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office

of a Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

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

“RESOLVED THAT subject to such consents, permissions and approvals as may be required and pursuant to Section 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act, 1956 (“the Act”) read with Schedule XIII (including any statutory modifications or re-enactment thereof) of the Act, the Company hereby accords its approval for the re-appointment of Mr. Arun Kumar Bose as a Wholetime Director of the Company for a period of 3(three) years with effect from 6th September, 2013 on such terms and conditions as specified in the Explanatory Statement annexed hereto with liberty of the Board of Directors of the Company (“the Board”) to alter and/or vary such terms and conditions of appointment including remuneration in such manner or as may be agreed to by and between the Board and Mr. Bose provided that the total remuneration (including the perquisites) shall be within the overall ceiling as provided under different applicable provisions and Schedule XIII of the Companies Act, 1956.”

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

“RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or re-enactment thereof), and such other necessary approval(s) if any, as may be required, approval be and is hereby accorded to alter Articles of Association of the Company by adding the following new Article No. 75A after existing Article 75:

Article No. 75A

Participation by shareholders in the Postal Ballot/General Meeting through Electronic Mode

Subject to the provision of the Act and any other Law, any Notifications, Circular issued by the Central Government or any other Government authority/department, the shareholder(s) of the Company may participate in the Postal Ballot/General Meeting(s) of the Company through Electronic Mode/Video Conferencing or any other mode permissible from time to time.”

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

“RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or re-enactment thereof), and such other necessary approval(s) if any, as may be required, approval be and is hereby accorded to alter Articles of Association of the Company by adding the following new Article No. 80A after the existing Article 80:

Article No. 80A

Service of Document by E-Mode

Subject to the provisions of Section 53 of the Act and any other laws or Notifications, Circulars issued by the Central Government, the Company is authorized, entitled to send various documents to the Members through electronic mode.”

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

“RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or re-enactment thereof), and such other necessary approval(s) if any, as may be required, approval be is hereby accorded to alter Articles of Association of the Company by adding the following new Article No. 142A after the existing Article 142:

Article No. 142A

Participation by Director in Board/Committee Meeting through Electronic Mode

Subject to the provisions of the Act or any Notifications, Circular issued by the Central Government or any other Government authority/department, the Director(s) of the Company may participate in the meetings(s) of the Board/Committee through Electronic Mode/Video Conferencing or any other mode prescribed by law from time to time.”

By Order of the Board of Directors

Place: Kolkata
Date : 5th August, 2013

SANJAY AGARWAL
(Company Secretary)

NOTES

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.
2. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting.**
3. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
4. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
5. In terms of Article 129 of the Articles of Association of the Company, read with Section 256 of the Companies Act, 1956, Mr. R. C. Jha, Director, retires by rotation at the ensuing meeting and being eligible, offer himself for re-appointment. The Board of Directors of the Company recommends his respective re-appointment.
6. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, September 21, 2013 to Thursday, September 26, 2013 (both days inclusive) for determining the names of members eligible for dividend on Equity Shares, if declared at the Meeting.
7. The dividend on Equity Shares, if declared at the Meeting, will be credited/dispatched between September 30, 2013 to 7th October, 2013 to those members whose name shall appear on the Company's Register of Members on 20th September, 2013; 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 Service (India) Limited as beneficial owner as on that date.
8. Members holding shares in electronic form may note that bank particulars registered against their registered depository accounts will be used by the Company for payment of dividend. The Company or its Registrar and Transfer Agent, M/s R & D Infotech Private Limited 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 Participant of the members.
9. 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 Transfer Agent, M/s R&D Infotech Private Limited.
10. The facility for making nomination is available to the members in respect of the shares held by him.

11. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on all working days upto the date of the Meeting.
12. Members desirous of seeking any further information about the accounts and / or operations of the Company are requested to address their queries to the Company Secretary of the Company atleast ten days in advance of the meeting, so that the information, to the extent practicable, can be made available at the meeting.
13. SEBI has made it mandatory for all Companies to use bank details furnished by the investors for distributing dividend to them through National Electronic Clearing Services (NECS), wherever NECS and bank details are available. In the absence of NECS facility, the Companies are required to print the bank details, if available, on payment instrument, for distribution of dividends to the investors. Therefore members holding shares in physical mode are requested to provide their bank details to the Company/Registrar. Members holding shares in demat mode are requested to record the NECS mandate with their Depository Participants.
14. Pursuant to the provisions of Section 205A (5) and 205C of the Companies Act, 1956 the Company has transferred the unpaid or unclaimed dividends, upto the financial year ended 31.3.2006, to the Investor Education Protection Fund (the IEPF) established by the Central Government.
15. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrar and Transfer Agent, M/s R & D Infotech Private Limited.
16. Members who have not registered their e-mail addresses so far are requested to register their e-mail address so that they can receive the Annual Report and other communication from the Company electronically.

By Order of the Board of Directors

Place: Kolkata
Date : 5th August, 2013

SANJAY AGARWAL
(Company Secretary)

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

Item No 5.

Mr. Manoj Bose was appointed as an Additional Director of the Company on 5th August, 2013 by the Board of Directors of the Company. According to the provisions of Section 260 of Companies Act, 1956 he may hold office as a director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956 a notice has been received from a member signifying his intention to propose appointment of Mr. Manoj Bose as a director along with a deposit of Rs.500.

The Board of Directors recommends the passing of the resolution.

None of the Directors except Mr. Manoj Bose is in any way concerned or interested in the resolution.

ITEM No. 6

Mr. Debajyoti Chakrabarti was appointed as an Additional Director of the Company on 5th August, 2013 by the Board of Directors of the Company. According to the provisions of Section 260 of Companies Act, 1956 he may hold office as a director only upto the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956 a notice has been received from a member signifying his intention to propose appointment of Mr. Debajyoti Chakrabarti as a director along with a deposit of Rs.500.

The Board of Directors recommends the passing of the resolution.

None of the Directors except Mr. Debajyoti Chakrabarti is in any way concerned or interested in the resolution.

ITEM No. 7

The Board of Directors of the Company at its meeting held on 5.8.2013 re-appointed Mr. Arun Kumar Bose as the Whole time Director of the Company with effect from 6th September, 2013 for a period of three years.

The terms and conditions on which Mr. Arun Kumar Bose has been re-appointed as the Whole time Director of the Company shall contain the following remuneration with the overall ceiling as specified in Schedule XIII of the Companies Act, 1956.

REMUNERATION

Salary Salary Rs.27,500/- per month fixed till the expiry of tenure i.e. 5.9.2016

PART - A

Perquisites House Rent Allowance of Rs.3,500 per month fixed till the expiry of tenure i.e. 5.9.2016

Medical Allowance of Rs.2,000/- per month fixed till the expiry of tenure i.e. 5.9.2016

Value of perquisites shall be done as per Income-Tax Act.

PART - B

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

PART - C

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

MINIMUM REMUNERATION

Notwithstanding anything contained to the contrary contained herein where during the currency of the tenure of his service, the Company has no profits or there is inadequacy of profits in any financial year during the tenure of service, payment of salary, perquisites and other allowances shall be governed by provisions of Section II of Part II of Schedule XIII, provided the following will not be included in computation of the ceiling limit.

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

The Board of Directors recommends the resolution set out under Item No 7 of the Notice for adoption by the members.

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

The above should also be considered as an abstract of the terms of appointment of Mr. Arun Kumar Bose and a Memorandum as to the nature of concern or interest of the Directors in the said appointment, as required under Section 302 of the Companies Act, 1956.

ITEM NO. 8, 9, and 10

In the recent past the Ministry of Corporate Affairs (MCA) has come out with certain circulars and notifications, wherein the Companies have been permitted to hold the Board Meetings, General Meetings and Postal Ballot through Video Conference/Electronic Mode. Besides this the Companies have also been authorized to issue communications to its shareholders viz. Notices, Annual Reports, Annual Accounts/Auditors Report through electronic mode, instead of the physical form. For this purpose the Article of Association is required to be amended by insertion of new clauses i.e clause 75A, 80A and 142A.

By Order of the Board of Directors

Place: Kolkata
Date : 5th August, 2013

SANJAY AGARWAL
(Company Secretary)

Details of Directors seeking Appointment / Re-appointment at the 30th Annual General Meeting

Name of the Director	Mr. Arun Kumar Bose	Mr. Ramesh Chandra Jha
Date of Birth	5.1.1937	18.10.1942
Date of Appointment	28.08.2008	30.1.2008
Qualification	Metallurgical Engineer(UK) Furnace Technologist (Germany)	Bachelor Degree in Metallurgical Engineering
Expertise in Functional Areas	Has 40 years experience in Foundry Industry	Has rich experience in Iron & Steel Industry. Former Managing Director of Rourkela Steel Plant and former Director of Vizag Steel Plant.
List of Companies in which other Directorship held	NIL	NIL
Chairman/Member of the Committee of the Board of the Companies in which he is a Director	NIL	NIL
Shareholding in the Company (No. of Equity Shares)	100	NIL

**Details of Directors seeking Appointment / Re-appointment at the
30th Annual General Meeting**

Name of the Director	Mr. Manoj Bose	Mr. Debajyoti Chakrabarti
Date of Birth	9.12.1938	5.12.1948
Date of Appointment	5.8.2013	5.8.2013
Qualification	Intermediate Science from Calcutta University in 1957 from Calcutta University. Engineering Apprentice in Calcutta Tramways Nonapukur workshop for three years.Trained and educated in Multi Disciplinary Engineering Activities	Graduate Engineer from B.E. College, Shibpur. Chartered Engineer Cost Accountant
Expertise in Functional Areas	He is a professional Foundry Technologist having worked in senior positions for 44 years in more than 16 foundry based organisations. Has profound knowledge in all the operational activities of foundry industry	Has rich experience in Technical Audit, Cost Audit, Managing large Projects, Cost Control Reporting, Restructuring of Running Industry, Viability Report, Insurance Surveying and Valuation
List of Companies in which other Directorship held	Nil	Nil
Chairman/Member of the Committee of the Board of the Companies in which he is a Director	Nil	Nil
Shareholding in the Company (No. of Equity Shares)	Nil	Nil

DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Your Directors are pleased to present the 30th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2013.

FINANCIAL PERFORMANCE

	For Year ended 31.3.2013	(Rs. in Lakhs) For Year ended 31.03.2012
Revenue from operation and other operating revenue:		
Export Sales (Net of Freight)	8164.37	8222.18
Domestic Sales(Net of Central Excise and Vat)	390.93	470.66
Export Incentives	405.53	473.95
Other Income	<u>209.81</u>	<u>69.46</u>
	9170.64	9236.25
Profit before Finance Costs, Depreciation & Amortisation, and Tax	902.38	823.22
Finance Costs	560.02	510.85
Depreciation & Amortisation	205.66	178.23
Profit/(Loss) before Tax	136.70	134.14
Provision for Tax		
– Current	30.00	29.44
– Deferred	(8.27)	14.19
– Tax for Earlier Years	–	(2.93)
Profit/(Loss) after Tax	114.97	93.44
Surplus brought forward from previous year	(5.92)	(75.26)
Available Surplus/ (Deficit) for Appropriation	109.05	18.18
Proposed Dividend	20.74	20.74
Dividend Distribution Tax	3.53	3.36
Surplus/(Deficit) carried to Balance Sheet	84.78	(5.92)

FINANCIAL REVIEW

During the financial year ended 31st March, 2013 the Company achieved total revenue (net), from operations, of Rs.9170.64 lacs against Rs. 9236.25 lacs in the previous year. The profit before Finance Cost, Depreciation & Amortisation and Tax was Rs.902.38 lacs against Rs.823.22 lacs in the previous year, recording an increase of approx 10%. The profit before tax was Rs.136.70 lacs against Rs.134.14 lacs in 2011-2012. The profit after tax was Rs.114.97 lacs against Rs.93.44 lakhs in 2011-2012.

FINANCE

Internal cash generation was lower, on account of increase in debtors. Finance costs during the year under review were higher than the previous year, based on higher trade receivables. The refund of input tax credit was better but still slow. This level of increase in working capital required additional fund and non fund based borrowing which resulted in the higher finance cost. The Management has taken appropriate steps to ensure expeditious realization of the input tax credit and the export proceeds.

FOREIGN EXCHANGE EARNINGS AND OUTGO

	For Year ended 31.03.2013	(Rs. in Lakhs) For Year ended 31.03.2012
Earning - Export (F.O.B.)	8164.37	8222.18
Expenditure		
Travelling & Conveyance	14.16	21.59
Commission	12.20	42.67
Foreign Bank Charges	16.74	16.67
Raw Material, Consumable & Spares	178.61	110.45
Licence Fees	-	5.08
Inspection Charges	6.57	2.93

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

There has been a global slowdown in the iron and steel industry, however the foundry industry has remained steady. India is passing through a phase of economic slump but there are signs of large expansion in projects of infrastructure, automobile and other manufacturing and housing coming up in the near future. The demand of castings is expected to go up in the coming year.

OPPORTUNITIES AND THREAT

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

Weak infrastructure and shortages of trained labour are the major threat to the industry and in-house training and retention of the skilled persons remains the strength of your Company.

Rising prices of Electricity, Diesel and Coal continue to put pressure on costs and for which, these need to be controlled inter-alia, through a process of cost price matching. The only positive factor is that the raw materials prices remained steady over a range, and the strong foreign currency made up for the increase in the costs.

SEGMENT-WISE PERFORMANCE

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

FUTURE OUTLOOK

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

RISKS AND CONCERN

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

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your Company has an adequate system of internal control commensurate with the size and nature of its business which ensures that all transactions are recorded, authorized and correctly reported apart from safeguarding its assets against loss from wastage, unauthorized use and removal. The internal audit process strives to ensure compliance of internal control systems through submission of detailed internal audit reports periodically to the Management and the Audit Committee. The Audit Committee reviews the adequacy of internal controls based on such reports and provides guidelines for improvement of the same.

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

EXPANSION AND NEW PROJECT

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

At the Ductile Plant the new moulding machine and the furnace are in operation now. This would enable the Company to add volumes to the sale of castings both in the domestic and export market.

HUMAN RESOURCES DEVELOPMENT

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

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

DIVIDEND

Your Directors have recommended a dividend of 6% (Re. 0.60 per Equity Share of Rs.10 each) for the financial year ended March 31, 2013 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.24.27 lakhs. The dividend will be paid to members whose names appear in the Register of Members as on 20th September, 2013; in respect of shares held in dematerialized form, it will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as beneficial owners as on that date.

POLLUTION CONTROL MEASURES

The pollution control measures installed in the units of the Company are in full operation as required under the statutes. The Company has taken immediate steps to rectify the Pollution Control devices wherever minor variations were noticed by the management during the year under review.

DIRECTORS

In 2012-2013 Mr. Shekhar Chatterjee resigned as Chairman and Director of the Company.

In 2013-2014 Mr. Bijay Krishna Datta resigned as Director of the Company.

The Board placed on record its appreciation for the valuable contribution made by Mr. Chatterjee and Mr. Datta.

In terms of Section 256 of the Companies Act, 1956, Mr. Ramesh Chandra Jha retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

Mr. Manoj Bose and Mr. Debajyoti Chakrabarti were appointed as Additional Directors in the Board Meeting held on 5.8.2013. The members are requested to consider the appointment of Mr. Manoj Bose and Mr. Debajyoti Chakrabarti at the ensuing Annual General Meeting.

Mr. Arun Kumar Bose was appointed as a Whole-time Director of the Company for a period of two

years with effect from 5.9.2011 and his term of office expires on 5.9.2013. The Board of Directors in its meeting held on 5.8.2013, have approved the re-appointment of Mr. Arun Kumar Bose for a further period of three years w.e.f. 6.9.2013. The members are requested to consider the re-appointment of Mr. Arun Kumar Bose at the ensuing Annual General Meeting.

STATUTORY AUDITORS

M/s. Jain & Bagaria, Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received a letter dated May 15, 2013 from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956, and that they are not disqualified for such re-appointment within the meaning of Section 226 of the Companies Act, 1956.

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

COST AUDITOR

In compliance with the Central Government's Order your Board has appointed Mr. Deep Narayan Bandhyopadhyay, Cost Accountant, to carry out the Cost Audit of the Company. This appointment has to be made in each financial year and based on the application of your Company, the Central Government has approved the re-appointment of the Cost Auditor for F. Y. 2013-2014.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND RESEARCH AND DEVELOPMENT

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

PARTICULARS OF EMPLOYEES

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

PUBLIC DEPOSITS

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

STOCK EXCHANGE

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

CORPORATE GOVERNANCE

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the annual accounts for the year ended March 31, 2013, the applicable accounting standards read with the requirements set out under Schedule VI to the Companies Act, 1956 have been followed and there are no material departures from the same;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2013 and of the profit of the Company for the year ended on that date;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the Directors have prepared the annual accounts of the Company on a "going concern" basis.

ACKNOWLEDGEMENT

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

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

On Behalf of the Board of Director

R. P. Sehgal
(Managing Director)

Arun Kumar Bose
(Whole time Director)

Place: Kolkata
Date : 5th August, 2013

CORPORATE GOVERNANCE REPORT

In accordance with Clause 49 of the Listing Agreement entered into with the Stock Exchanges in India, the Company sets out its philosophy and the process followed in compliance as under.

1. COMPANY PHILOSOPHY ON CODE OF GOVERNANCE

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

2. BOARD OF DIRECTORS

Composition of Board

The Company follows the policy to have an appropriate mix of Executive and Independent Non-Executive Directors to impart the right balance to the Board and bring independent judgment in its deliberations and decisions. As on 31st March, 2013 the Board consisted of two Independent Non-Executive Directors and three Executive Directors. The Chairman is an Independent Non-Executive Director. During the financial year ended 31st March, 2013 the Company had four Board Meetings which were held on 29.5.2012, 10.8.2012, 14.11.2012 and 13.2.2013. The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

None of the Directors on the Board is member in more than ten committees and does not act as Chairman of more than five committees across all Companies in which they are the Directors.

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

Attendance of Directors at Board Meetings, last Annual General Meeting (AGM) and number of other Directorships and Chairmanships/Memberships of Committees of each Director in various companies:

Name of the Director	Category of Directorship	Attendance of meetings during 2012-2013		No. of other Directorship(s)*	No. of Membership(s)/ Chairmanship(s) of Board Committees in other Companies**
		Board Meetings	Last AGM		
Mr. Shekhar Chatterjee (a)	(Chairman) Non-Executive Independent Director	2	N.A.	–	–
Mr. Ramesh Chandra Jha (b)	(Chairman) Non-Executive Independent Director	4	Yes	–	–
Mr. Ravindra Prakash Sehgal	Managing Director	4	Yes	–	–
Mr. Suvabrata Saha	Joint Managing Director	4	Yes	–	–
Mr. Arun Kumar Bose	Whole-time Director	4	Yes	–	–
Mr. Bijay Krishna Datta	Non-Executive Independent Director	4	Yes	1	1

- (a) Ceased to be Chairman and Director w.e.f. 25.8.2012. Two meetings were held during his tenure.
- (b) Appointed as Chairman w.e.f. 14.11.2012.
- * The Directorships held by Directors as mentioned above, do not include Alternate Directorships and Directorships in foreign companies, Companies registered under Section 25 of the Companies Act, 1956 and private limited companies.
- ** In accordance with Clause 49 of the Listing Agreement, Membership/ Chairmanship of only the Audit Committees and Shareholders'/Investors' Grievance Committees in all public limited companies(excluding Carnation Industries Limited) have been considered.
- Video/Tele-conferencing facilities are also used to facilitate directors travelling abroad or present at other locations to participate in the meetings.

Details of Remuneration paid to Directors

The remuneration payable to Directors is determined at the Board Meeting. The Company does not have stock option scheme. The remuneration paid to the Executive Directors during the year are:

(Amount in Rs.)

Name of Director	Designation	Salary	Perquisites & Allowances	Total
Ravindra Prakash Sehgal	Managing Director	720000	343024	1063024
Suvabrata Saha	Joint Managing Director	720000	382435	1102435
Arun Kumar Bose	Whole time Director	318000	42000	360000

The Company pays Rs.10,000/- as sitting fees for attending the Board Meetings, Rs.3,000/- for attending the Audit Committee & Remuneration Committee Meetings and Rs.1,000/- for attending Shareholders'/ Investors' Grievance Committee Meetings to both Executive and Non-Executive Directors.

The Non Executive Directors do not hold any shares of the Company, as on 31st March, 2013.

3. COMMITTEES OF THE BOARD

A) AUDIT COMMITTEE

As a measure of good Corporate Governance and to provide assistance to the Board in fulfilling its responsibilities, an Audit Committee has been constituted as a sub-committee to the Board.

The powers and terms of reference of the Audit Committee are based on Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

Mr. Sanjay Agarwal is the Secretary to the Audit Committee.

The terms of reference/powers of the Audit Committee are as under:

i) Powers of the Audit Committee:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain legal or other professional advice.
4. To secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

ii) The role of the Audit Committee includes:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the Statutory Auditors including Cost Auditors and the fixation of audit fees.
3. Approval of payments to Statutory Auditors including Cost Auditors for any other services rendered by them.
4. Reviewing, with the management, the annual financial statements before submission to the Board, focusing primarily on:
 - Matters required to be included in the Directors' Responsibility Statement to be included in the Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956.
 - Any changes in accounting policies and practices and reasons for the same.
 - Compliance with accounting standards.
 - Major accounting entries involving estimates based on the exercise of judgment by the management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications in draft audit report.
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing with the management, performance of Statutory Auditors including Cost Auditors and Internal Auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up thereon.

9. Reviewing the findings of any internal investigations by the internal auditors and the executive management's response on matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with the Statutory Auditors including Cost Auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. Reviewing the Company's financial and risk management policies.
13. Considering such other matters as may be required by the Board.
14. Review of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.).
15. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
16. Approval of appointment of CFO (i.e. the whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.
17. To review the following information:
 - Management discussion and analysis of financial condition and results of operations;
 - Statement of significant related party transactions submitted by the management;
 - Internal audit reports relating to internal control weaknesses; and
 - The appointment, removal and terms of remuneration of internal auditor.

iii) Composition of Audit Committee

The Audit Committee comprises of two Independent Directors, i.e Mr. B. K. Datta and Mr. R. C. Jha and one Executive Director i.e. Mr. R. P. Sehgal. During the financial year ended 31st March, 2013, five Audit Committee meetings were held on 29.5.2012, 10.8.2012, 14.11.2012, 13.02.2013 and 1.3.2013. The gap between any two consecutive meetings did not exceed four months. The attendance of the members at these meetings is as follows:

Name of the Member	No. of meetings held	No. of meetings attended
Mr. S. Chatterjee, Chairman*	5	2
Mr. B. K. Datta, Chairman**	5	5
Mr. R. C. Jha	5	5
Mr. R. P. Sehgal***	5	2

* Ceased to be Chairman & Member w.e.f. 25.8.2012. Two meetings were held during his tenure.

** Appointed as Chairman w.e.f. 14.11.2012.

*** Appointed as Member w.e.f. 14.11.2012. Two meetings were held during his tenure.

B) SHAREHOLDERS’/INVESTORS’ GRIEVANCE COMMITTEE

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

During the year, six meetings were held on 29.5.2012, 18.7.2012, 10.8.2012, 14.11.2012, 13.2.2013 and 12.3.2013.

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

Name of the Member	No. of Meetings held	No. of Meetings Attended
Mr. R. C. Jha, Chairman	6	6
Mr. R. P. Sehgal	6	6

The Company has authorized Mr. Sanjay Agarwal, Company Secretary, to approve the Share Transfers and appointed him as the Compliance Officer of the Company. The Company received no complaints from any shareholder of the Company during the year 2012-13. There are no share transfers pending as on 31.3.2013.

C) REMUNERATION COMMITTEE

The Remuneration Committee has been constituted to recommend/review remuneration of the Managing Directors and Whole time Directors of the Company. The Remuneration Committee was reconstituted on 5.8.2013 with three Independent Directors comprising of Mr. R. C. Jha, Mr. M. Bose and Mr. D. Chakrabarti. During the financial year 2012-2013 there were no proposals for any change in the remuneration of Executive Directors.

4. GENERAL BODY MEETINGS

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

Financial Year	Date of AGM	Venue	Time
2011-2012	28.09.12	Sarat Sadan 5, M. G. Road Howrah – 711 101	10.00 A.M.
2010-2011	23.09.11	Sarat Sadan 5, M. G. Road Howrah – 711 101	10.00 A.M.
2009-2010	24.09.10	Sarat Sadan 5, M. G. Road Howrah – 711 101	10.00 A.M.

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

Date of AGM	Details of the Special Resolution Passed
September 23, 2011	A Special Resolution was passed at the 28 th Annual General Meeting of the Company for the re-appointment of Mr. Arun Kumar Bose as a Whole time Director of the Company and payment of remuneration pursuant to the provisions of Section 198,269,309,310 and 311 and other applicable provision of the Companies Act, 1956 read with Schedule XIII to the Act.

iii. Special resolution passed through Postal Ballot:

No special resolution was passed through Postal Ballot during the Financial Year 2012-2013. None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through Postal Ballot.

5. SUBSIDIARY COMPANIES

The Company does not have any Subsidiary Company.

6. DISCLOSURES

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

None of the transactions with any of the related parties were in conflict with the interest of the Company.

- b) Details of non-compliance by the Company, penalties strictures imposed on the Company by Stock Exchanges or SEBI, or any other statutory authority, on any matter related to capital market during the last three years.

There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority.

7. MEANS OF COMMUNICATION

- a) The Quarterly, Half Yearly and the Annual results of the Company are communicated to all the Stock Exchanges where the shares of the Company are listed as soon the same are approved by the Board of Directors of the Company. Further, the results of the Company are published in one leading prominent business daily in English and a regional newspaper published in Bengali.
- b) The Company has designated, for the investors, an exclusive email ID- investor@carnationindustries.com
- c) The Management Discussion and Analysis report forms part of the Directors' Report.

8. GENERAL SHAREHOLDER INFORMATION

i) Annual General Meeting

Date & Time : 26.9.2013 at 10.00 A.M.

Venue : SARAT SADAN

5, M.G. Road, Howrah – 711 101

ii) Financial Calendar 2013-2014 (Tentative)

Q.E. June 30, 2013 : By August 14, 2013

Q.E. September 30, 2013 : By November 14, 2013

Q.E. December 31, 2013 : By February 14, 2014

Q./Year ended March 31, 2014 : Audited Accounts by May 30, 2014

iii) Date of Book Closure

The Share Transfer Books and Register of Members of the Company will remain closed from Saturday, 21st September, 2013 to Thursday, 26th September, 2013 (both days inclusive).

iv) Dividend Payment Date

The dividend warrants will be credited/despatched between 30th September and 7th October, 2013.

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

The Company has paid the listing fees for the financial year 2013-14 to the above Stock Exchanges.

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

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

vii) Market Price Data & Comparison with BSE Sensex

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

	Bombay Stock Exchange		BSE Sensex	
	High (Rs.)	Low (Rs.)	High	Low
April'12	12.53	9.19	17664.10	17010.16
May'12	13.12	8.57	17432.33	15809.71
June'12	11.49	9.35	17448.48	15748.98
July'12	13.93	9.76	17631.19	16598.48
August'12	12.96	9.91	17972.54	17026.97
September'12	12.47	9.89	18869.94	17250.80
October'12	12.56	10.21	19137.29	18393.42
November'12	12.55	9.00	19372.70	18255.69
December'12	11.79	9.05	19612.18	19149.03
January'13	12.59	10.07	20203.66	19508.93
February'13	12.48	8.72	19966.69	18793.97
March'13	11.63	9.00	19754.66	18568.43

viii) **Registrar and Share Transfer Agent** : R&D Infotech Pvt. Ltd.
7A, Beltala Road, 1st Floor
Kolkata – 700 026
Tel: (033) 24192641/24192642
Email: rd.infotech@vsnl.net

ix) Share Transfer System :

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

x) Demat Your Shares

Members are requested to convert their physical holding to demat form through any of the nearest Depository Participant (DPs) to avoid hassles with physical shares such as possibility of loss, mutilation and to ensure safe and speedy transactions in securities.

xi) Green Initiative

The Ministry of Corporate Affairs has introduced a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to send e-mail at investor@carnationindustries.com to update their e-mail address.

xii) Distribution of Shareholding as on 31st March, 2013 :

No. of Share	No. of Share holders	% of Share Holders	Total No. of shares	% of Total holding
1-500	1608	83.01	288580	8.35
501-1000	170	8.78	143246	4.14
1001-2000	66	3.41	99513	2.88
2001-3000	30	1.55	75723	2.19
3001-4000	18	0.93	65433	1.89
4001-5000	8	0.41	37256	1.08
5001-10000	11	0.57	84696	2.45
10001-50000	14	0.72	342536	9.91
50001-100000	2	0.10	108894	3.15
100001 and above	10	0.52	2211283	63.96
	1937	100.00	3457160	100.00

xiii) Shareholding Pattern as on 31st March, 2013:

	<u>(Holding %)</u>
Promoter & Promoter Group	44.33
Bodies Corporate	3.91
NRIs	3.09
Mutual Funds & UTI	1.39
Public Shareholding	47.28
	<u>100.00</u>

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

The Company has not issued any GDR/ADR warrant or convertible warrant as on 31st March, 2013.

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

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

xvi) Plant Location

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

xvii) During the year under review, the Company has credited Rs. 8.88 lakhs, lying in the unpaid/unclaimed dividend account, to the Investor Education Protection Fund(IEPF) pursuant to Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001.

9. NON-MANDATORY REQUIREMENT

i) Chairman of the Board

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

ii) Remuneration Committee

Details already given under the caption "Remuneration Committee" in an earlier part of the report.

iii) Shareholder Rights

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

iv) Postal Ballot

The Company shall comply with the requirement of postal ballot as and when it is required.

10. OTHER INFORMATION

i) CEO / CFO Certification:

The Managing Director (CEO) and Manager Finance & Accounts(CFO) of the Company have certified to the Board that all the requirements of Clause 49(V) of the Listing Agreement, inter alia, dealing with the review of financial statements and cash flow statement for the year ended March 31, 2013, transactions entered into by the Company during the said year, their responsibility for establishing and maintaining internal control systems for financial reporting and evaluation of the effectiveness of the internal control system and making of necessary disclosures to the Auditors and the Audit Committee have been duly complied with.

ii) Code of Conduct

The Company has laid down a Code of Conduct for all the Board Members and Senior Management Personnel of the Company.

iii) Certificate on Corporate Governance

The Company has complied with the requirements as laid down in Clause 49 of the Listing Agreement with the Stock Exchanges for the purpose of Corporate Governance. A Certificate obtained from M/s. Jain & Bagaria, Chartered Accountants, Statutory Auditors of the Company, to this effect has been attached to this Annual Report.

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

In accordance with Clause 49 (I) (D) (ii) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct for the year ended 31st March, 2013.

For Carnation Industries Ltd.

Place: Kolkata
Date : 5th August, 2013

R. P. Sehgal
(Managing Director)

CERTIFICATE

**To the Members of
CARNATION INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by Carnation Industries Limited, for the year ended on 31st March, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.



For **JAIN & BAGARIA**
Chartered Accountants

27/8A, Waterloo Street
Kolkata – 700 069
Dated : 5 August, 2013

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

REPORT OF THE AUDITORS TO THE MEMBERS OF CARNATION INDUSTRIES LIMITED

1. Report on the Financial Statements

We have audited the accompanying financial statements of CARNATION INDUSTRIES LIMITED ('the company'), which comprises the Balance Sheet as at March, 31, 2013, the statement of Profit & Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

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

3. Auditor's Responsibility

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

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

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

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements read with Note No.28(v) regarding impact of change in method of accounting in respect of export incentive and other notes thereon give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- a) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2013.
- b) In the case of the statement of Profit & Loss of the PROFIT for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

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

5.2 As required by Section 227(3) of the Act, we report that:

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- iii) The Balance Sheet, statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Balance Sheet, statement of Profit & Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section 3 (C) of Section 211 of the Companies Act, 1956.
- v) On the basis of written representations received from the Directors, as on 31st March 2013 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2013 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
- vi) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Act nor has it issued any rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the company.
- vii) We have relied upon the management's representation relating to the disclosures in the financial statements regarding (a) Segment reporting (Note No. 28 (x)) & (b) related party disclosures (Note No. 28(xii)).

For JAIN & BAGARIA
Chartered Accountants

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

27/8A, Waterloo Street
Kolkata - 700 069
Dated : 23rd May, 2013

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

1. The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. As informed to us all fixed assets (except lying with outside parties) have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification. The company has not disposed off substantial part of its fixed assets during the year.
2. The management has conducted physical verification of inventory at the end of the year (except stock lying with outside parties). The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. The company is maintaining proper records of inventory and no material discrepancies were noticed on such physical verification.
3. The Company has neither granted nor taken any loan, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instance of a continuing failure to correct major weakness in the aforesaid internal control procedures.
5. In respect of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register, maintained under the said Section has been so entered.
 - (b) Where each of such transactions is in excess of Rs.5 lacs in respect of any party, to the best of our knowledge and as explained, these have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of accounts maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Act in respect of the Company's products to which the said Rules are made applicable and are of the opinion that prima facie, the prescribed records have been made and maintained. We have however not made a detailed examination of the said records with a view to determine whether they are accurate or complete.

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

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

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

16. The term loans were applied for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the company has not used funds raised on short term basis for long term investment.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not raised any money through a public issue during the year.
20. Based upon the procedures performed by us for expressing our opinion on these financial statements and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
21. Other provisions of the aforesaid order are not applicable to the Company for the period under review.

27/8A, Waterloo Street
Kolkata – 700 069
Dated: 23rd May, 2013



For **JAIN & BAGARIA**
Chartered Accountants

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

BALANCE SHEET AS AT 31ST MARCH, 2013

Particulars	Note No.	(Rs. in Lacs)	
		As at 31.03.2013	As at 31.03.2012
EQUITY AND LIABILITIES			
1. Shareholders' Funds			
a) Share Capital	3	345.72	345.72
b) Reserves and Surplus	4	960.05	1305.77
			<u>869.35</u>
2. Non-Current Liabilities			
a) Long-Term Borrowings	5	73.01	121.64
b) Deferred Tax Liabilities (Net)	6	96.74	105.01
c) Long-Term Provisions	7	92.26	83.17
d) Creditor for Capital Goods		30.88	292.89
			<u>-</u>
3. Current Liabilities			
a) Short-Term Borrowings	8	3225.02	3283.39
b) Trade Payables	9	3488.69	3088.61
c) Other Current Liabilities	10	72.54	127.91
d) Short-Term Provisions	11	49.98	50.97
			<u>6836.23</u>
			<u>50.97</u>
			<u>6550.88</u>
TOTAL			<u>8434.89</u>
			<u>8075.77</u>
ASSETS			
1. Non-Current Assets			
a) Fixed Assets	12		
i) Gross Carrying Amount		3034.21	2886.14
ii) Less : Depreciation		1484.79	1286.44
iii) Net Carrying Amount			1549.42
b) Non-Current Investments	13		0.22
c) Long Term Loans and Advances	14		52.65
			<u>1599.70</u>
			<u>0.22</u>
			<u>52.34</u>
2. Current Assets			
a) Inventories	15	1107.75	1420.86
b) Trade Receivables	16	4381.31	3432.78
c) Cash and Bank Balances	17	(1.60)	75.96
d) Short-Term Loans and Advances	18	115.50	131.39
e) Other Current Assets	19	1229.64	6832.60
			<u>1362.52</u>
			<u>6423.51</u>
TOTAL			<u>8434.89</u>
			<u>8075.77</u>

Summary of Significant Accounting Policies 2

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

As per our report annexed of even date

For **JAIN & BAGARIA**
Chartered Accountants

J.K.Jain

Partner

Membership No. 050019

FRN : 310045E

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

Dated : 23rd May, 2013

On behalf of the Board

R. P. SEHGAL

(Managing Director)

Sanjay Agarwal

(Company Secretary)

Arun Kumar Bose

(Whole time Director)

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

(Rs. in Lacs)

Particulars	Note No.	As at 31.03.2013	As at 31.03.2012
INCOME :			
I. Revenue From Operations	20	9026.76	9242.70
II. Other Income	21	143.88	(6.45)
III. Total Revenue (I + II)		9170.64	9236.25
IV. Expenses :			
Manufacturing Expenses	22	6230.89	7133.70
Purchases of Finished/Semi Finished Goods	23	132.63	46.35
(Increase)/Decrease in Stock of Finished Goods	24	363.52	(231.90)
Employee Benefits Expenses	25	844.84	791.34
Finance Costs	26	560.02	510.85
Depreciation and Amortization Expense		205.66	178.23
Other Expenses	27	696.38	673.54
Total Expenses		9033.94	9102.11
V. Profit Before Exceptional and Extraordinary Items and Tax : (III - IV)		136.70	134.14
VI. Exceptional Items		-	-
VII. Profit before Extraordinary Items and Tax :		136.70	134.14
VIII. Extraordinary Items		-	-
IX. Profit Before Tax (VII - VIII)		136.70	134.14
X. Tax Expenses :			
(1) Current Tax		30.00	29.44
(2) Tax adjustments for earlier years		-	(2.93)
(3) Deferred Tax		(8.27)	14.19
XI. Profit(Loss) for the period from Continuing Operations (IX-X)		114.97	93.44
XII. Profit (Loss) for the period		114.97	93.44
Basic & diluted earning per Equity Share of Rs.10/- each		3.33	2.70

Summary of Significant Accounting Policies 2

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

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

27/8A, Waterloo Street, Kolkata - 700 069
Dated : 23rd May, 2013

Sanjay Agarwal
(Company Secretary)

On behalf of the Board

R. P. SEHGAL
(Managing Director)

Arun Kumar Bose
(Whole time Director)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

	(Rs. in Lacs)	
	<u>31 March, 2013</u>	<u>31 March, 2012</u>
Cash flow from operating activities		
Profit before tax from continuing operations	136.70	134.14
Profit before tax	<u>136.70</u>	<u>134.14</u>
Depreciation/amortization on continuing operation	205.66	178.23
Loss/(profit) on sale of fixed assets	-	-
Unrealized foreign exchange loss / (gain)	-	(0.05)
Interest expense	439.29	394.44
Dividend income	(0.15)	(0.15)
Operating profit before working Capital changes movements in working Capital :	<u>781.50</u>	<u>706.61</u>
Increase/(Decrease) in trade payables	400.08	1397.89
Increase/(Decrease) in long-term provisions	9.09	3.69
Increase/(Decrease) in long-term liability	-	-
Increase/(Decrease) in other current liabilities	(52.14)	50.68
Decrease/(Increase) in trade receivables	(948.53)	(1444.82)
Decrease/(Increase) in inventories	313.11	(187.34)
Decrease/(Increase) in long-term loans and advances	(0.31)	(1.38)
Decrease/(Increase) in short-term loans and advances	15.89	25.62
Decrease/(Increase) in other current assets	<u>138.89</u>	<u>(129.86)</u>
Cash generated from/(used in) operations	657.58	421.09
Direct taxes paid (net of refunds)	31.16	(4.97)
Extra Ordinary Item	-	-
Increase in Trade Payable for Extra Ordinary Item	-	-
Net Cash flow from/(used in) operating activities (A)	<u>626.42</u>	<u>426.06</u>
Cash flow from Investing activities		
Purchase of fixed assets, including intangible assets, CWIP and Capital advances	(156.03)	(399.72)
Proceeds from sale of fixed assets	0.65	-
Creditors for Capital Goods	33.11	26.10
Dividend received	0.15	0.15
Net Cash flow from/(used in) Investing activities (B)	<u>(122.12)</u>	<u>(373.47)</u>

	(Rs. in Lacs)	
	<u>31 March, 2013</u>	<u>31 March, 2012</u>
Cash flow from Financing activities		
Proceeds from long-term borrowings	–	77.77
Repayment of long-term borrowings	(48.63)	(73.62)
Proceeds from short-term borrowings	–	354.31
Repayment of short-term borrowings	(58.37)	–
Interest paid	(444.75)	(388.03)
Dividends paid on equity shares	(20.74)	(20.60)
Tax on equity dividend paid	(3.36)	(2.24)
Net Cash flow from/(used in) Financing Activities (C)	(575.85)	(52.41)
Net increase/(decrease) in Cash and Cash equivalents (A+B+C)	(71.55)	0.18
Effect of exchange differences on Cash & Cash equivalents held in foreign currency	–	0.05
Cash and Cash equivalents at the beginning of the year	(32.91)	(33.14)
Cash and Cash equivalents at the end of the year	(104.46)	(32.91)
Components of Cash and Cash equivalents		
Cash in Hand	18.40	9.04
With banks-on current account	7.55	2.18
Temporary Bank Overdraft	(133.86)	(57.14)
- Unpaid dividend accounts*	3.45	13.01
- Unpaid matured deposits*	–	–
- Unpaid matured debentures*	–	–
Total Cash and Cash equivalents (note 17)	(104.46)	(32.91)

Summary of significant accounting policies 2

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

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

On behalf of the Board

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

R. P. SEHGAL
(Managing Director)

27/8A, Waterloo Street, Kolkata - 700 069
Dated : 23rd May, 2013

Sanjay Agarwal
(Company Secretary)

Arun Kumar Bose
(Whole time Director)

NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

1. General Information

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

2. Summary of significant accounting policies

A. Accounting Convention

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

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

B. Fixed Assets

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

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

C. Depreciation/Amortisation

- i) Depreciation is provided at the rates specified in the Schedule XIV to the Companies Act, 1956, in respect of the fixed assets at the factory in Uluberia on Straight Line Method and on remaining assets on Written Down Value method. However, Depreciation on Factory Shed & Tubewell located at the Factory at Liluah has been provided @ 13.91% (WDV) & Depreciation on Factory Shed located at Uluberia has been provided @ 4.75% (SLM) which is not lower than the depreciation stipulated in Schedule XIV of the Companies Act 1956.

- ii) Depreciation on fixed assets added / disposed off during the year is provided on prorata basis.
- iii) Assets costing less than or equal to Rs.5,000/- are fully charged to revenue in the year of purchase.
- iv) Intangible Assets –
Computer Software is normally amortised over its useful life of 3 years as estimated by the management. Computer Software acquired but not found suitable is fully amortised in the year of acquisition. Licences representing right to use are amortised over a period of 3 years.

D. Impairment

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

E. Investments

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

F. Inventories

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

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

Export Sales in Foreign Currency are accounted at the Exchange rates prevailing on the date of negotiation of export documents by bank or at the exchange rates under the related forward exchange contracts. Receivable & Payables not covered by forward exchange contracts are translated at year end exchange rates and the Profit / Loss 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, 2013**

	As at 31.03.2013	(Rs. in Lacs) As at 31.03.2012
3. SHARE CAPITAL		
Authorised		
7000000 Equity Shares of Rs.10/- each	<u>700.00</u>	<u>700.00</u>
Issued, Subscribed and Paid-Up		
3457160 Equity Shares of Rs. 10/ each fully paid up (Of the above shares 945900 shares, were allotted as fully paid up by way of bonus shares by Capitalisation of General Reserves created out of Profits.)	<u>345.72</u>	<u>345.72</u>
	<u>345.72</u>	<u>345.72</u>

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

Equity Shares	As at 31.03.2013		(No. & Rs. in Lacs) As at 31.03.2012	
	<u>No.</u>	<u>Rs.</u>	<u>No.</u>	<u>Rs.</u>
At the Beginning of the period	<u>34.57</u>	<u>345.72</u>	<u>34.57</u>	<u>345.72</u>
Outstanding at the end of the period	<u>34.57</u>	<u>345.72</u>	<u>34.57</u>	<u>345.72</u>

b) Terms/rights attached to equity shares

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

During the year ended 31st March 2013, the amount of per share dividend recognised as distributable to equity shareholders is Re: 0.60 (31st March 2012: Re: 0.60). The total dividend appropriation for the year ended 31-03-2013 amounted to Rs. 24.27 lacs (Previous year Rs.24.10 lacs) including corporate dividend tax of Rs. 3.53 lacs(Previous year Rs.3.36 lacs).

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

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

	As at 31.03.2013		As at 31.03.2012	
	No.	% holding	No.	% holding
Equity Shares of Rs.10/ each fully paid				
Ravindra Prakash Sehgal	563240	16.292	563240	16.292
Suvobrata Saha	548348	15.861	548348	15.861
Madan Mohan Kundu	399110	11.544	399110	11.544
Sanatan Kundu	397960	11.511	397960	11.511
Sumati Sehgal	175050	5.063	175050	5.063

	As at 31.03.2013		(Rs. in Lacs) As at 31.03.2012	
	4. RESERVES & SURPLUS			
Capital Reserves		48.84		48.84
Securities Premium Reserves		306.30		306.30
General Reserves		493.24		493.24
Export Business Reserves		26.89		26.89
Statement of Profit & Loss Account				
Opening Balance	(5.92)		(75.26)	
Surplus/(Deficit) for the period	114.97	109.05	93.44	18.18
Less: Appropriations				
Proposed Equity Dividend		20.74		20.74
Dividend Distribution Tax thereon		3.53		3.36
		84.78		(5.92)
Total Reserves and Surplus		<u>960.05</u>		<u>869.35</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 31.03.2013		(Rs. in Lacs) As at 31.03.2012	
	Term Loan	120.63		208.08
Less: Current maturity classified as Short Term borrowings	50.00	70.63	87.22	120.86
Car Loan	5.28		6.88	
Less : Current maturity classified as Short Term borrowings	2.90	2.38	6.10	0.78
		<u>73.01</u>		<u>121.64</u>

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

Bank	31-03-2013 Rs. in Lacs	31-03-2012 Rs. in Lacs	Repayments Terms
State Bank of Hyderabad	Nil	29.74	Repayable in twenty equal quarterly instalments. Interest is payable monthly @ 15% pa.
State Bank of Hyderabad	84.31	121.81	Repayable in sixteen equal quarterly instalments. Interest is payable monthly @ 15% pa.
Punjab National Bank	Nil	7.48	Repayable in twenty equal quarterly instalments. Interest is payable monthly @ 16.75% pa.
Punjab National Bank	36.32	49.05	Repayable in sixteen equal quarterly instalments. Interest is payable monthly @ 16.75% pa.
ICICI Bank (Car Loans)	5.28	6.88	Repayable in thirty six equal monthly instalments including interest at the rate 9.26% pa and 9.49% pa.

6. DEFERRED TAX LIABILITIES (NET)

The major components of the Deferred tax assets/liabilities based on the tax effect on the timing difference as at 31st March, 2013 are as under:

Deferred Tax Liability/(Assets)	As at 31.03.2013	(Rs. in Lacs) As at 31.03.2012
Timing differences for Depreciation	110.45	115.77
Provision for Leave Encashment	(1.23)	(0.88)
Provision for Gratuity	(12.48)	(9.88)
Net Deferred Tax Liability/(Assets)	96.74	105.01

7. LONG TERM PROVISIONS

Provision for Contingencies	50.00	50.00
Provision for Gratuity	38.48	30.47
Provision for Leave Encashment	3.78	2.70
	<u>92.26</u>	<u>83.17</u>

	(Rs. in Lacs) Excise
a) Provision for contingencies	
Opening Balance as at 01.04.2012	50.00
Amount provided during the period	—
Amount utilised against provision	—
Unused amount released during the period	—
Closing Balance as at 31.03.2013	50.00

8. SHORT-TERM BORROWINGS

From Banks

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

	As at 31.03.2013	(Rs. in Lacs) As at 31.03.2012
Loans Repayable on Demand		
Packing Credit	1242.66	1593.68
Bills Purchase Account	1466.97	1196.92
Cash Credit	63.02	–
Standby Line of Credit	399.47	399.47
Other Loans		
Term Loan (Repayable within 12 months)	50.00	87.22
Car Loan (Repayable within 12 months)	2.90	6.10
	<u>3225.02</u>	<u>3283.39</u>
9. TRADE PAYABLES		
For Goods Supplied	3049.30	2695.89
For Expenses	439.39	392.72
	<u>3488.69</u>	<u>3088.61</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, 2013 is Rs.710.04 lacs. (Previous Year Rs.617.77 lacs.)

	As at 31.03.2013	(Rs. in Lacs) As at 31.03.2012
10. OTHER CURRENT LIABILITIES		
Unclaimed Dividend	4.88	13.02
Interest accrued and due on Bank borrowing	22.66	28.12
Loss on unexpired Forward Exchange Contract	7.90	50.65
Advance from Customer	3.78	5.03
Creditors for Capital Goods	33.32	31.09
	<u>72.54</u>	<u>127.91</u>
11. SHORT TERM PROVISIONS		
For Income Tax (Net)	25.71	26.87
" Fringe Benefit Tax	–	–
" Proposed Dividend	20.74	20.74
" Dividend Distribution Tax	3.53	3.36
	<u>49.98</u>	<u>50.97</u>

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

DESCRIPTION	GROSS CARRYING AMOUNT			DEPRECIATION / AMORTISATION			NET CARRYING AMOUNT			
	AS AT 31/03/2012	ADDITIONS DURING THE YEAR	SALES/ ADJUST- MENTS	AS AT 31/03/2013	UP TO 31/03/2012	PROVIDED DURING THE YEAR	SALES/ ADJUST- MENTS	UP TO 31/03/2013	AS AT 31/03/2012	AS AT 31/03/2013
TANGIBLE ASSETS										
1) LAND	164.35	-	-	164.35	-	-	-	-	164.35	164.35
2) OFFICE PREMISES	32.09	90.00	-	122.09	10.65	5.37	-	16.02	106.07	21.44
3) PLANT & MACHINERIES	1103.07	3.14	-	1106.21	546.93	77.57	-	624.50	481.72	556.15
4) FURNITURE & FIXTURES	31.91	0.13	-	32.04	23.49	1.57	-	25.06	6.98	8.42
5) MOTOR CAR	52.36	6.78	7.95	51.19	33.03	5.01	7.30	30.74	20.45	19.33
6) MOTOR CYCLE	2.15	-	-	2.15	1.62	0.13	-	1.75	0.40	0.53
7) OFFICE EQUIPMENTS	16.07	-	-	16.07	8.48	0.83	-	9.31	6.77	7.60
8) OTHERS :										
i) TYPE WRITERS	0.48	-	-	0.48	0.45	0.01	-	0.46	0.02	0.03
ii) AIR CONDITIONERS	8.10	0.46	-	8.56	4.35	0.43	-	4.78	3.78	3.75
iii) COMPUTERS P.C.	64.13	11.02	-	75.15	49.34	8.34	-	57.68	17.47	14.79
iv) FACTORY SHEDS	679.99	2.50	-	682.49	256.60	30.75	-	287.35	395.14	423.39
v) PATTERN & DICES	414.37	15.71	-	430.08	233.45	39.70	-	273.15	156.93	180.92
vi) TOOLS & IMPLEMENTS	27.09	0.18	-	27.27	8.06	1.35	-	9.41	17.86	19.03
vii) ELECTRIC INSTALLATION	148.37	-	-	148.37	48.59	6.96	-	55.55	92.82	99.78
viii) TUBEWELL	6.97	-	-	6.97	3.56	0.21	-	3.77	3.20	3.41
ix) POLLUTION CONTROL EQUIPMENT	12.10	-	-	12.10	1.55	0.57	-	2.12	9.98	10.55
INTANGIBLE ASSETS										
1) ERP SOFTWARE	28.96	45.48	-	74.44	28.95	15.16	-	44.11	30.33	0.01
2) COMPUTER SOFTWARE	27.12	-	-	27.12	9.04	9.04	-	18.08	9.04	18.08
3) LICENCE	21.45	-	-	21.45	18.31	2.65	-	20.96	0.49	3.14
CAPITAL WORK IN PROGRESS	45.00	32.31	51.69	25.62	-	-	-	-	25.62	45.00
TOTAL	2886.14	207.71	59.64	3034.21	1286.45	205.65	7.30	1484.79	1549.42	1599.70
PREVIOUS YEAR	2486.42	709.85	310.13	2886.14	1108.21	178.24	-	1286.45	1599.70	-

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

	As at 31.03.2013	(Rs. in Lacs) As at 31.03.2012
13. NON-CURRENT INVESTMENT		
Quoted (Long Term)		
700 Fully paid Equity Shares of Rs.10/- each, at a premium of Rs.21/- each in Punjab National Bank.	0.22	0.22
Market Value Rs. 507500/- (Previous year Rs. 648235/-)		
14. LONG TERM LOANS AND ADVANCES		
(Unsecured Considered Good)		
Advances recoverable in Cash or in kind or for the value to be received	14.86	14.86
Security Deposit	37.79	37.48
	<u>52.65</u>	<u>52.34</u>
a) Advance represents due from M/s.The Salkia Industrial Works. Execution Case had been filed by the company on failure by the party to pay as per the Court order, which is still pending.		
15. INVENTORIES (As taken, valued and certified by the management, for mode of valuation refer Note No. 2F)		
Finished Goods [Refer Note No.24(a)]	759.36	1122.88
Raw Materials [Refer Note No.22(b)]	246.81	179.56
Consumable Stores, Spares and Power & Fuels	88.83	99.00
Packing Materials	12.75	19.42
	<u>1107.75</u>	<u>1420.86</u>
Note :		
1) Out of the above, Raw Materials of Rs. Nil are in transit. (Previous Year - Rs.11.52 lacs)		
2) Out of the above, Raw Materials of Rs.4.80 lacs are lying with Jobber. (Previous Year - Rs.Nil)		
3) Out of the above, Consumable Stores of Rs.Nil are in transit.(Previous Year - Rs.0.59 lacs)		
4) Out of the above, Finished Goods of Rs.184.02 lacs are in transit. (Previous Year - Rs.154.99 lacs)		
5) Out of the above, Finished Goods of Rs. Nil lying with processors. (Previous Year – Rs.0.06 lacs)		
16. TRADE RECEIVABLES		
Unsecured Considered Good :		
More than Six months from the due date	737.06	267.20
Other Debts	3644.25	3165.58
	<u>4381.31</u>	<u>3432.78</u>
a) Export proceeds in foreign exchange of Rs.832 lacs (Previous Year Rs.222.89 lacs) could not be realised within 12 month from the dates of export as at the end of the year. Out of that Rs.290.40 lacs have since been realised.		

	As at 31.03.2013	(Rs. in Lacs) As at 31.03.2012
17. CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Cash In hand (As certified by Management)	18.40	9.04
Balances with Banks		
On Current Accounts (Including balances of Rs.3.45 lacs Lying in dividend account) (Previous year Rs.13.01 lacs)	(122.86)	(41.95)
	<u>(104.46)</u>	<u>(32.91)</u>
Other Bank Balances		
Fixed Deposits (lying with Bank as security deposit) [Including fixed deposits of Rs.24.97 lacs (Previous year Rs.29.06 lacs) with more than 12 months maturity]	98.62	89.44
Interest accrued but not due on above	4.24	19.43
	<u>(1.60)</u>	<u>75.96</u>
18. SHORT TERM LOANS & ADVANCES UNSECURED CONSIDERED GOOD		
Advances recoverable in Cash or in kind or for the value to be received	49.47	67.10
Advance, Self Assessment Tax & TDS (Net)	-	-
Advance Fringe Benefit Tax	-	-
Income Tax Refund Receivable	9.91	9.91
Advances to Staff	6.12	4.38
Other Advance [Refer Note No.28(v)]	50.00	50.00
	<u>115.50</u>	<u>131.39</u>
19. OTHER CURRENT ASSETS UNSECURED CONSIDERED GOOD		
Export Incentive Receivable	179.89	199.99
Cenvat & Service Tax Receivable	285.34	195.50
Input Tax Credit Receivable [Refer Note No.28(iii)]	749.24	951.47
Other Receivable	15.17	15.56
	<u>1229.64</u>	<u>1362.52</u>

**NOTES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON
31ST MARCH, 2013**

	As at 31.03.2013	(Rs. in Lacs) As at 31.03.2012
20. REVENUE FROM OPERATION		
Export Sale	8325.82	8365.05
Less : Freight	<u>161.45</u>	<u>142.87</u>
Domestic Sale (Net of Central Excise / Vat)	<u>390.93</u>	<u>470.66</u>
	<u>8555.30</u>	<u>8692.84</u>
Other operating revenue		
Export Incentives	405.53	473.95
Discounts	34.66	25.31
Others	<u>31.27</u>	<u>50.60</u>
	<u>9026.76</u>	<u>9242.70</u>
Details of Products Sold		
a) Castings	8537.90	8664.28
b) M.S.Product	<u>17.40</u>	<u>28.56</u>
	<u>8555.30</u>	<u>8692.84</u>
21. OTHER INCOME		
Interest	5.81	0.22
Dividend	0.15	0.15
Exchange Rate Difference (Net)	137.88	(15.08)
Others	<u>0.04</u>	<u>8.26</u>
	<u>143.88</u>	<u>(6.45)</u>
22. MANUFACTURING EXPENSES		
Raw Materials Consumed		
Opening Stock	179.56	231.57
Add : Purchases (Net of Central Excise and Vat)	<u>4674.74</u>	<u>5303.61</u>
	<u>4854.30</u>	<u>5535.18</u>
Less : Closing Stock	<u>246.81</u>	<u>179.56</u>
Consumable Stores & Spares Consumed	493.30	609.09
Power & Fuel	843.72	802.95
Other Manufacturing Expenses	101.13	117.52
Clearing & Forwarding Import	4.62	4.60
Custom Duty	0.10	3.10
Conversion Charge	6.43	4.34
Factory Rent	4.32	4.32
Carriage Inward	70.75	111.33
Pollution Control Expenses	4.26	3.36
Purchase Tax	1.29	2.41
Repairs & Maintenance :		
To Machinery & Others	86.43	94.88
To Shed & Godown	<u>7.05</u>	<u>20.18</u>
	<u>93.48</u>	<u>115.06</u>
	<u>6230.89</u>	<u>7133.70</u>

	As at 31.03.2013	(Rs. in Lacs) As at 31.03.2012
a) Details of Raw Material Consumed (Including Wastage)		
Indigenous		
Pig Iron	2053.22	2445.34
Scrap	2348.17	2632.16
M.S.Materials	16.14	3.99
Others	142.03	189.67
Imported		
Scrap	47.93	84.46
	4607.49	5355.62
b) Details of Closing Stock of Raw Materials		
Raw Materials		
Pig Iron & Scrap	236.29	152.50
M.S.Materials	4.72	2.99
Others	5.80	24.07
	246.81	179.56
23. PURCHASE OF FINISHED/ SEMI FINISHED GOODS		
Casting	127.92	33.21
M.S.Product	4.71	13.14
	132.63	46.35
24. (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS		
Closing Stock	759.36	1122.88
Opening Stock	1122.88	890.98
	363.52	(231.90)
a) Details of Closing Stock of Finished Goods		
Casting	757.21	1121.32
M.S.Product	2.15	1.56
	759.36	1122.88

	As at 31.03.2013	(Rs. in Lacs) As at 31.03.2012
25. EMPLOYEE BENEFIT EXPENSES		
Salaries	237.85	191.18
Wages	508.29	524.22
Bonus to Staff & Contractors	26.62	21.71
ESI Contribution	14.45	13.04
Workmen & Staff Welfare Expenses	9.75	6.71
Contribution to PF and other Funds	33.98	27.20
Gratuity	13.90	7.28
	<u>844.84</u>	<u>791.34</u>
26. FINANCE COST		
Interest :		
To Bank on other than term loan (Net)	335.76	314.14
To Bank on Term Loan	24.51	17.61
To Others	1.50	1.08
Bank Charges	76.76	75.18
Export Guarantee Fees	43.97	41.23
Finance Charges	77.52	61.61
	<u>560.02</u>	<u>510.85</u>
27. OTHER EXPENSES		
Clearing & Forwarding Expenses (Export) (Including Carriage Outward)	122.66	121.67
Repairs & Maintenance		
To Other Assets	23.68	22.49
Rates & Taxes	15.16	10.34
Commission	12.20	42.67
Discount Allowed	-	0.71
Bad Debt written off	6.91	-
Insurance	7.66	6.99
Packing Charge	147.07	165.20
Directors Remuneration	25.25	24.50
Auditors Remuneration	5.00	3.55
Director's Meeting Fees	3.01	4.66
Inspection Service Charges	57.11	42.01
Office Rent	-	9.00
Loss on Sale of Fixed Assets	-	-
Sundry Debit Balance Written Off	56.68	18.09
Miscellaneous Expenses	213.99	201.66
	<u>696.38</u>	<u>673.54</u>

a) Sundry debit balance written off includes Rs.44.62 Lacs (Previous year Rs.15.48 Lacs) on account of rejected input credit for vat.

28. OTHER NOTES

- i) Estimated amount of contracts remaining to be executed on Capital Account is Rs.4.17 Lacs (Net of advance of Rs. 25.63 lacs) (Previous year Rs.182.25 lacs, net of advance Rs. 131.75 lacs.)

	(Rs. in Lacs)	
	As at	As at
	31.03.2013	31.03.2012
ii) Contingent liability not provided for in respect of :		
a) Outstanding Bank Guarantee	49.33	49.93
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. 15.00 lacs (Approx) is subject to export realisation.		

- iii) The Company, in respect of its claim for refund of Input Tax Credit amounting to Rs.106.03 lacs for the Financial Year 2005-06 had filed a revision petition u/s 87 of the VAT Act, 2003 against the Appellate Authority's order dt. 25/03/2011, rejecting the appeal and also filed an appeal before The West Bengal Commercial Taxes Appellate and Revisional Board for the financial year 2007-08 against the order passed by the Joint Commissioner of Sales Tax, Kolkata (South) Circle, rejecting the total claim of ITC for that year and also raised a demand for Rs.100.13 lacs. The revision petition and the appeal are still pending. Claims for the refund of Input Tax Credit in respect of other financial years are at various stages of adjudication with the Sales Tax Department. The Company expects realisation of these refund claims not later than 12 months from 31st March, 2013. The company had also been advised by its lawyer that these claims were worked out and made in conformity and compliance with the stipulated rules and procedures. During the current financial year the company has received provisional refund of Input Tax Credit amounting to Rs.30.05 lacs, Rs.38.04 lacs and Rs.51.27 lacs, which constitute 75% of the amount of accepted claims for the second quarter of the financial year 2010-2011 and first two quarters for the financial year 2011-2012 against submission of Indemnity Bonds equivalent to the amount of claim.
- iv) Export Incentives on Export Sales have been hitherto accounted for in the year of recognition of Export. In view of Hon'ble Supreme Court Judgement in the case of Topman Exports & also on the basis of assessments made in our case during past assessment years the company has changed the method of accounting in respect of export incentives under Focus Product Scheme and such export benefit is accounted for on the basis of claim made till the approval of the annual financial statements by the Board of Directors on actual or estimated realizable value as the case may be. As a consequence of this, current year export incentive income and profit is lower by Rs. 114.11 lacs.
- v) The Additional Commissioner of Central Excise, Kol-II and Haldia Commissionerate have raised two separate demands with penalty aggregating to Rs. 136.56 lacs out of which Rs. 50.00 lacs was paid in the financial year 2007-08. The Company had filed Appeals against the above demands before the Commissionerate (Appeal - I & II) of Central Excise Kolkata which are still pending.

vi) **Gratuity and Other Post-Employment Benefit Plans:**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The Company also provides Leave Encashment Benefit to employees, whereby unutilised leave is carried forward and eligible for encashment upon retirement / termination.

The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account and amounts recognised in the Balance Sheet for the respective plans.

Profit and Loss Account

Net employee benefit expense (recognised in Employee Cost)

	2012-13		2011-12	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	(Rs. in Lacs)			
Current Service Cost	6.18	0.61	4.74	0.15
Interest Cost	2.51	0.22	2.31	0.19
Expected return on plan assets	—	—	—	—
Curtailment Cost / (Credit)	—	—	—	—
Settlement Cost / (Credit)	—	—	—	—
Amortization of Past Service Cost	—	—	—	—
Actuarial Losses / (Gains)	5.21	3.45	0.23	1.50
Total Expenses recognised in the Statement of Profit & Loss	13.90	4.28	7.28	1.84

Balance Sheet

	2012-13		2011-12	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	(Rs. in Lacs)			
Present Value of Defined Benefit Obligation	38.48	3.78	30.47	2.70
Fair Value of Plan Assets	—	—	—	—
Funded Status [Surplus/(Deficit)]	(38.48)	(3.78)	(30.47)	(2.70)
Effect of Balance Sheet Asset Limit	—	—	—	—
Unrecognised Past Service Costs	—	—	—	—
Net Asset/(Liability) recognised in Balance Sheet	(38.48)	(3.78)	(30.47)	(2.70)

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

	(Rs. in Lacs)			
	2012-13		2011-12	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Opening defined benefit obligation	30.47	2.70	27.22	2.26
Current Service Cost	6.18	0.61	4.74	0.15
Interest Cost	2.51	0.22	2.31	0.19
Curtailment Cost / (Credit)	-	-	-	-
Settlement Cost / (Credit)	-	-	-	-
Employee Contribution	-	-	-	-
Plan Amendments	-	-	-	-
Acquisitions	-	-	-	-
Actuarial (gains)/Losses	5.22	3.45	0.23	1.50
Benefits Paid	(5.90)	(3.20)	(4.03)	(1.40)
Closing defined benefit obligation	38.48	3.78	30.47	2.70

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

	(Rs.in Lacs)			
	2012-13		2011-12	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Opening fair value of plan assets	-	-	-	-
Actual return on plan assets	-	-	-	-
Actual Company Contributions	5.90	3.20	4.03	1.40
Employee Contributions	-	-	-	-
Benefits paid	(5.90)	(3.20)	(4.03)	(1.40)
Closing fair value of plan assets	-	-	-	-

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

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

The financial assumptions employed for the calculations are as follows:

	(Rs. in Lacs)			
	2012-13		2011-12	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Discount Rate per annum compounded	8.25%	8.25%	8.50%	8.50%
Rate of increase in salaries	5.00%	5.00%	5.00%	5.00%
Expected Average remaining working lives of employees (years)	21.28	21.66	21.68	21.64

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

Amount for the current period are as follows:

	(Rs. in Lacs)			
	2012-13		2011-12	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
Defined benefit obligation	38.48	3.78	30.47	2.70
Plan Assets	-	-	-	-
Surplus / (deficit)	(38.48)	(3.78)	(30.47)	(2.70)

The above information and data are based on actuarial certification.

- vii) In the opinion of the board, all Current Assets and Non-Current Assets have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the accounts. Balance confirmation from certain vendors are yet to be received by the company.
- viii) The assets and liabilities which are expected to be realised and payable in the ordinary course of business not later than 12 months from the reporting date have been classified as current assets and current liabilities in the Balance Sheet. All other assets and liabilities have been classified as non-current.
- ix) Foreign Exchange gain of Rs.137.88 lacs (Previous year loss Rs.15.08 lacs) are net of exchange loss of Rs. 7.90 lacs (Previous year Rs.50.65 lacs) arising out of conversion of unexpired forward exchange contract at marked to market and Rs. 8.08 lacs (P.Y. Rs.70.06 lacs) arising out of cancellation of forward exchange contract during the year.

- x) The following table shows the distribution of the Company's consolidated sales by geographical market, regardless of where the goods were produced.

Sales Revenue By Geographical Market

	(Rs. in Lacs)	
	2012-13	2011-12
Export Sales (Net of Freight)		
USA	3035.95	3099.09
Middle East Asia	2978.06	2467.61
Europe	2146.02	2655.48
China	4.34	–
Domestic Sale	390.93	470.66

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

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

	SL. No.	Name	Relationship	Nature of Transaction	Amount	(Rs. in Lacs) Outstanding
	1.	Mr. R. P. Sehgal	Managing Director	Remuneration Meeting Fees	10.63 0.64	
	2.	Mr. Suvabrata Saha	Jt. Managing Director	Remuneration Meeting Fees	11.02 0.43	
	3.	Bellona Stationery (P) Ltd.	Enterprises over which key Management personel and their relatives are able to exercise significant influence.	Office Purchase	90.00	59.38

	(Rs. in Lacs)	
	31.03.2013	31.03.2012
xiii) Auditor's Remuneration Includes		
Audit Fees	4.50	3.22
Tax Audit Fees	0.50	0.33
	5.00	3.55

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

	<u>31.03.2013</u>	(Rs. in Lacs) <u>31.03.2012</u>
i) Earnings in Foreign Exchange during the year		
Export of Goods (F.O.B)	8027.48	8192.03
Overseas Trading	136.89	30.15
ii) Expenditure in Foreign Currency		
a. Travelling & Conveyance	14.16	21.59
b. Licence Fees	–	5.08
c. Commission	12.20	42.67
d. Foreign Bank Charge	16.74	16.67
e. Inspection Charges	6.57	2.93
iii) CIF Value of Import		
Raw Material, Consumable & Spares	50.69	84.31
Overseas Trading	127.92	26.14

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



PROXY FORM
CARNATION INDUSTRIES LIMITED

Registered Office : 28/1, Jheel Road, Liluah, P.O. Salkia, Howrah - 711 106

Reg. Folio No. No. of Shares held

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

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

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

of

as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at "Sarat Sadan", 5, Mahatma Gandhi Road, Howrah - 711 101, on Thursday, 26th September, 2013 at 10.00 a.m. and at any adjournment thereof.

Affix
Revenue
Stamp of
Re. 1/-

Signed this day of 2013

Signature

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

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



ATTENDANCE SLIP
CARNATION INDUSTRIES LIMITED

Registered Office : 28/1, Jheel Road, Liluah, P.O. Salkia, Howrah - 711 106

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

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

Name of Proxy (in Block Letters)

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

I hereby record my presence at the Annual General Meeting at "Sarat Sadan", 5, Mahatma Gandhi Road, Howrah - 711 101 on Thursday, 26th September, 2013 at 10.00 a.m.

To be signed at the time of
handing over this slip

Member's / Proxy's Signature

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

Book Post



If undelivered please return to :

CARNATION INDUSTRIES LTD.

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