

ANNUAL REPORT 1998-99



CARNATION INDUSTRIES LIMITED

CARNATION INDUSTRIES LIMITED

BOARD OF DIRECTORS

MR. P. M. NARIELVALA - CHAIRMAN
 MR. R. P. SEHGAL - MANAGING DIRECTOR
 MR. S. KUNDU - DY. MANAGING DIRECTOR
 MR. J. GHATAK
 MR. M. M. KUNDU
 MR. S. CHATTERJEE

AUDITORS

M/S JAIN & BAGARIA
 CHARTERED ACCOUNTANTS
 18, MANGOE LANE (2ND FLOOR)
 CALCUTTA - 700 001

BANKERS

STATE BANK OF HYDERABAD
 PUNJAB NATIONAL BANK

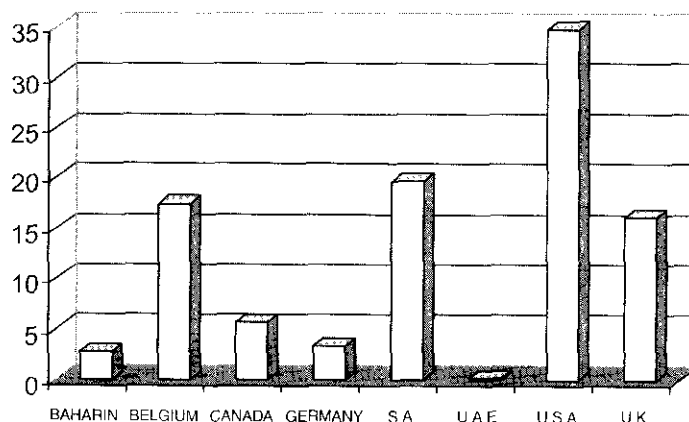
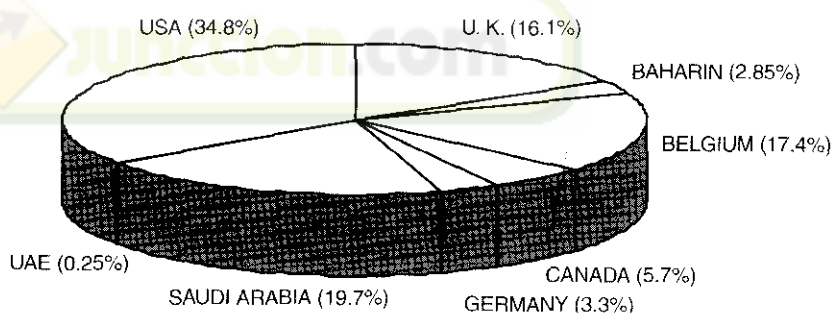
REGISTERED OFFICE

28/1, JHEEL ROAD
 LILUAH, HOWRAH - 711 204

CORPORATE & HEAD OFFICE

222, A.J.C. BOSE ROAD
 1ST FLOOR, ROOM NO. 4 & 5
 CALCUTTA - 700 017

COUNTRIES WITH CARNATION CASTINGS - A GLOBAL OUTLOOK



CARNATION INDUSTRIES LIMITED

DIRECTORS' REPORT

Dear Members,

Your Director's have pleasure in submitting their report and the statement of accounts for the year ended 31st March 1999.

1. FINANCIAL RESULTS AND OPERATIONS

	(Rs. in Lakhs)	
	For the year ended 31.3.99	For the year ended 31.3.98
Export Sales (net of freight)	1615.49	1615.43
Gross profit (before interest, depreciation & tax)	246.64	199.76
Less Interest and finance charges	161.54	169.65
Depreciation:		
Year's Charge	41.39	89.39
Less previous year's adjustment for change in basis	<u>45.92</u>	<u>—</u>
Profit/(loss) before tax	83.50	(65.88)
Provision for tax	-	0.05
Profit/(loss) after tax	83.50	(65.93)
Profit/(loss) brought forward	0.01	65.94
Surplus carried in Profit & Loss Account	83.51	0.01

Export sales (net of freight) for the year under review at Rs.16.15 crores is at the same level as previous year, but the corresponding volume suffered a decline by about 14% (1368 MT) mainly due to recession in the global market. The unit realisation price in rupee terms however improved over the previous year mainly due to the weakening of Indian rupee. Profit before tax is Rs.83.50 lakhs against the loss of Rs.65.88 lakhs in the previous year.

From the year under review your Directors have decided depreciation of all fixed assets at your Company's Uluberia plant to be on the straight line method which until the previous year was provided on written down value method. The rationale for this decision is spelt out in the Notes to the Accounts. This has resulted in a write back of Rs.45.92 lakhs relating to the adjustments of previous years aggregating to a net credit of Rs.4.53 lakhs during the year after setting off against Rs.41.39 lakhs being the depreciation charge for the current year. Adjusting for the depreciation on the basis as the previous year, profit for the year works out to Rs.4.57 lakhs as against a loss of Rs.65.88 lakhs showing an improvement of Rs.70.45 lakhs over the previous year. This recovery could be achieved in the face of difficult international market conditions through strict control over operations and costs as also lower interest burden

from inter alia better management of current assets.

Considering the difficult export market conditions, your company's overall performance can be considered satisfactory. The current year has commenced as per plan with access to certain new export markets and your Directors are hopeful of continued improved performance.

2. FOREIGN EXCHANGE EARNINGS AND OUTGO.

	For the year ended 31.3.99	For the year ended 31.3.98
Earnings- Exports	1615.49	1615.43
Outgoings-Travelling & conveyance	6.56	4.22
Agency commission	26.12	22.62
Legal charges	9.43	-
Foreign bank charges	5.11	3.14

3. DIVIDEND

In order to conserve the resources and strengthen the liquidity base of the company your Directors have decided not to recommend any dividend on equity shares in the year under report

4. ULUBERIA PROJECT

Uluberia plant has started commercial production

CARNATION INDUSTRIES LIMITED

since the last quarter of the financial year 1997-98 although it could not yet achieve full capacity utilisation as it required some changes in the operational design of the plant. Modification of design has started and it is expected to be completed soon, with the operation fully stabilising in the year 2000.

Efforts are on to have the ISO 9002 certification done for this unit as well, meanwhile this unit has been certified by SGS India Pvt. Ltd. as an EN 124 compliant industry following the Euro norms. The pressure pipe fittings have been very well accepted by the US market and the products should get the approval of Underwriter's Laboratory UL, USA shortly.

5. STATUS OF JOINT VENTURE AT ABU DHABI

The company has realised Rs.74.08 lakhs during the year in full and final settlement of the disinvestment proceeds of the joint venture at Abu Dhabi resulting in net loss of Rs.5.59 lakhs as compared to the cost of investment. This settlement through legal process has been done with the necessary approval of the RBI.

6. INDUSTRIAL RELATIONS AND PERSONNEL

The company continued to maintain good industrial relations throughout the year. The Board acknowledges its thanks to all the shop floor personnel and other employees for making significant contribution to your company. Your Directors have pleasure to inform that your company has received awards from National Productivity Council and others in recognition of its performance. The employees of your Company and the Board feel proud of this award.

7. POLLUTION CONTROL MEASURES

The appropriate Pollution control measures at all our manufacturing units are in full operation as required under statute.

8. DIRECTOR

Mr. Shekhar Chatterjee who is by profession a Chartered Accountant and earlier held various positions both in public sector and multinational corporations joined the Board with effect from 20.01.99 as an Additional Director. In terms of section 260 of the Companies Act 1956, his appointment will expire on the date of the forthcoming Annual General Meeting. Company has received a notice for his appointment as Director. Mr. Chatterjee is eligible for appointment as Director. In terms of the Companies

Act 1956 and Article of Association of your company Mr. M.M.Kundu retires by rotation and being eligible has offered himself for reappointment.

9. AUDITORS

M/S Jain & Bagaria, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting. They have furnished certificate pursuant to section 224 (1) of the Companies Act 1956 expressing their eligibility and willingness to be re-appointed.

10. CONSERVATION OF ENERGY, TECHNOLOGY - ABSORPTION AND RESEARCH & DEVELOPMENT.

The particulars in respect of energy conservation as per Companies (Disclosure of Particulars) Rules 1988 is not required to be provided for our Company as it is not an industry included in the schedule to the Rules. The Company has however taken measures for Conservation of energy.

The Company has gone for installation of Divided Blast Cupolas which will reduce consumption of coke and reduce pollution.

11. PARTICULARS OF EMPLOYEES

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

12. Y2K Compliance

The Company has taken steps for ensuring Y2K Compliance and incurred cost of Rs.2 lakhs (approx.) for this purpose.

13. PUBLIC DEPOSIT

The Company has neither taken any fresh Public Deposit during the year, nor any Public Deposit has matured for payment and has remained unpaid.

14. ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation and thanks to Banks, Financial Institutions, various Government Authorities for their valuable assistance and co-operation and for the trust and confidence reposed in the Company by the Shareholders. Your Directors also thank the Executives, Staff and workforce of the Company for efficient and dedicated services.

On behalf of the Board

R. P. SEHGAL
Managing Director

S. KUNDU
Dy. Managing Director

Calcutta

Dated : 27th June, 1999

JAIN & BAGARIA

CHARTERED ACCOUNTANTS

REPORT OF THE AUDITORS TO THE MEMBERS OF CARNATION INDUSTRIES LIMITED

We have audited the attached Balance Sheet of CARNATION INDUSTRIES LIMITED as at 31st March, 1999 and also the Profit & Loss Account of the Company for the year ended on that date which are in agreement with the books of accounts.

As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988 and on the basis of such checks of the books and records of the Company, as we considered appropriate and the information and explanations given to us during the course of our audit, we report that in our opinion:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of all its fixed assets. The fixed assets of the Company has been physically verified by the management wherever possible at the close of the year as confirmed by the management. No material discrepancies were noticed on such physical verification.
2. No revaluation of fixed assets of the Company has been made during the year.
3. The stock of finished goods, stores, spare parts and raw materials of the company in all its locations have been physically verified by the management during the year at reasonable intervals.
4. The procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on the physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.
6. In our opinion and as per the basis of our examination, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous accounting year.
7. The Company has not taken any loans secured or unsecured from the Companies, Firm, or other parties listed in the register maintained under section 301 of the Companies Act, 1956. As informed to us there is no Company under the same management as defined under section 370 (1B) of the Companies Act, 1956.
8. In respect of Loans and Advances in the nature of interest free loans given to employees, the principal and the interest thereon, wherever applicable, have been recovered as stipulated.
9. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, plant & machinery equipments and other assets and for the sale of goods.
10. The transaction of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register(s) maintained under section 301 of the Companies Act, 1956 (1 of 1956), as aggregating during the year to Rs. 50,000 (Rupees Fifty thousand) or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials, or services and the Company has not entered any transaction for similar goods or services with other parties.
11. As explained to us, there is no unserviceable and damaged stores, raw materials or finished goods as determined during the year.
12. The Company has accepted deposit from the public within the meaning of Section 58A of the Companies Act, 1956, and the rules framed thereunder. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
13. The Company has an internal audit system commensurate with the size and nature of its business.
14. The Company is regular in depositing Provident Fund and Employee's State Insurance dues with the appropriate authorities.
15. There were no undisputed amounts payable in re-

CARNATION INDUSTRIES LIMITED

spect of Income tax, Sales tax, Wealth tax, Custom duty and Excise duty outstanding as at 31st March, 1999 for a period of more than six months from the date they became payable.

16. In the course of our audit carried out in accordance with generally accepted auditing practices, we did not come across any personal expenses of the Directors or employees, which have been charged to revenue account.
17. The Company is not a Sick Industrial Company within the meaning of Section 3(1) (O) of the Sick Industrial Companies (Special Provision) Act, 1985.
18. Other provisions of the aforesaid order are not applicable to the Company for the period under review.

Further to the above we report that :-

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Profit & Loss Account and the Balance Sheet comply with the mandatory Accounting standards referred to in Subsection 3 (c) of section 211 of the Companies Act 1956.
- v) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with Schedules and Notes thereon and statement on significant Accounting Policies give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - a) In case of the Balance Sheet of the State of Affairs of the Company as at 31st March, 1999 and
 - b) In case of the Profit & Loss Account of the Profit for the year ended on that date.



18, Mangoe Lane
Calcutta - 700 001
Dated : 27th July, 1999

For **JAIN & BAGARIA**
Chartered Accountants
J.K. JAIN
Proprietor