

ANNUAL REPORT 1999-2000

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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. M. M. KUNDU
 MR. J. GHATAK
 MR. S. CHATTERJEE

REGISTRARS

AMI COMPUTERS INDIA LTD.
 60, A & B CHOWRINGHEE ROAD
 CALCUTTA - 700 020
 TELEPHONE : (033) 280 0812/0900
 FAX : (033) 240 6585

AUDITORS

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



BANKERS

STATE BANK OF HYDERABAD
 PUNJAB NATIONAL BANK

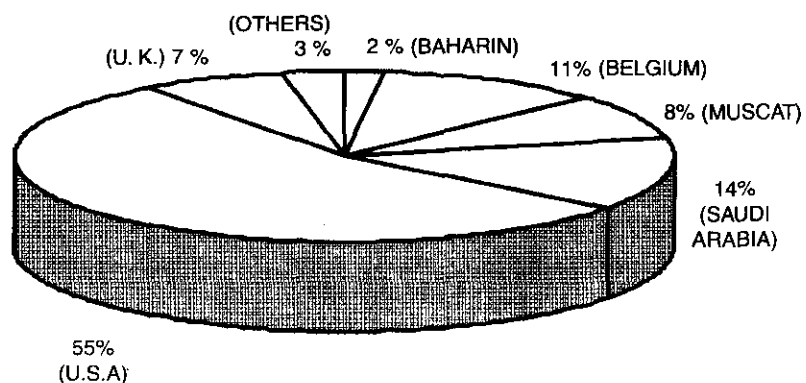
REGISTERED OFFICE

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**NOTICE.**

Notice is hereby given that the 17th Annual General Meeting of the company will be held at its Registered Office ,28/1,Jheel Road,Liluah .Howrah-711204 on 23rd day of September ,2000 at 11.30 A.M. to transact the business as stated below:

ORDINARY BUSINESS.

1. To receive,consider and adopt the Audited Profit and loss account for the year ended 31st March,2000 and the Balance Sheet as on that date alongwith the Directors Report and the Auditor's report thereon.
2. To appoint Director in place of Mr.S.Kundu,who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Director in place of Mr.P.M.Narielvala,who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint the Auditors and fix their remuneration.

SPECIAL BUSINESS.**ITEM NO.5.**

To Consider and if thought fit to pass with or without modification(s)the following resolution as a SPECIAL RESOLUTION:-

RESOLVED THAT pursuant to section 31 and other applicable provisions of the Companies Act 1956 ,the Articles of Association of the Company be and is hereby amended as follows:

A. In Article 2(1) of the Articles of Association the following definition of "Member" is added and inserted after the existing definition of Extraordinary General Meeting :

"Member" means the duly registered holder from time to time of shares of the company of any class and includes the subscriber(s) of the Memorandum of the Company and every person whose name is entered as the beneficial owner of any share in the records of the Depository but does not include the bearer of the share warrant of the company, if any, issued in pursuance of Articles of Association of the Company.

B. In Article 2 (1) of the Articles of Association the definition of " The Act" be substituted with:

"The Act " means the Companies Act 1956 and/ or Depositories Act 1996, and includes where the context so admits any re-enactment or statutory modification thereof for the time being in force.

C. In Article 2(1) of the Articles of Association the following definitions are added and inserted after the existing definition "person":

"Beneficial Owner" shall have the meaning assigned thereto by section 2 (1) (a) of the Depositories Act, 1996.

"Depository" shall have the meaning assigned thereto by section 2 (1) (e) of the Depositories Act, 1996.

" Depositories Act 1996 " shall mean Depositories Act 1996 and includes any statutory modification or re-enactment thereof for the time being in force.

" Securities & Exchange Board of India" means the Securities & Exchange Board of India established under section 3 of the Securities & Exchange Board of India Act, 1992.

D. The Article 22 of the Articles of Association shall be substituted by the following new Article 22:-

22. Save as herein otherwise provided, the Company shall be entitled to treat the person, whose name appears on the Register of members as the holder of any share or whose name appears as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not, except as ordered by the Court of competent jurisdiction or as by law required, be bound to recognise any benami trust or equity or equitable, contingent, future or partial or other claim or claims or rights to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof.

E. After Article 11 of the Articles of Association of the Company, the following new Article 11A shall be inserted:-

11A. The Company shall cause to be kept a Register and Index of Members in accordance with all applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996 with details of shares held in material and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The Company shall be entitled to keep in any state or country outside India a branch Register of Members resident in that state or country.

F. After Article 12 of the Articles of Association of the Company, the following new Article 12A shall be inserted:-

12A. The Shares in the Capital of the Company shall be numbered progressively according to their several

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denominations provided however, that the provisions relating to progressive numbering shall not apply to the shares of the Company which are held in dematerialised form, provided further that the Company shall not issue any share certificate in respect of shares held in depository or in dematerialised form.

G. After Article 51 of the Articles of Association of the Company, the new Article 51A shall be inserted:-

51A. The Company shall be entitled to dematerialise its share, debentures, or other securities which have been presently issued or which may be issued at a future date and also rematerialise its securities held in depository in accordance with the rules framed under the Depositories Act, 1996 provided that the company shall keep a Register of Transfer and distinctly enter therein particulars of every transfer or transmission of any share held in material form.

H. After Article 53 of the Article of Association of the Company, the new Article 53A shall be inserted:-

53A. In the case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificate and where such share or securities are being held in an electronic and fungible form in a depository, the provisions of the Depositories Act, 1996 shall apply.

I. After Article 188 of the Article of Association of the Company, the new Article 188A shall be inserted:

188A. Where securities are held in a depository the records of the beneficial ownership may be served by such depository on the company by means of electronic mode or by delivery of floppies or disks.

ITEM NO. 6.

To consider and if thought fit to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT pursuant to section 31 and other applicable provisions of the Companies Act 1956 the following article 56A be inserted after article 56 of the Articles of Association.

56A. Notwithstanding anything contained in any other clause or clauses of the Article of Association of the company, a holder or joint holder of shares or debentures, may nominate, in accordance with the provisions of section 109A of the Companies Act, 1956 and in the manner prescribed thereunder a person to whom all the rights of shares and debentures of the company shall vest in the event of the death of such holder(s). Any nomination so made shall be dealt with by the company in accordance with the provisions of section 109B and/or any other applicable provisions of the Companies Act, 1956."

ITEM NO. 7

To consider and if thought fit to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT pursuant to section 31 and other applicable provisions of the Companies Act, 1956 the following new Article 171B be added and inserted after Article 171A in the Articles of Association:-

171B. Any money transferred to unpaid dividend account of the Company in pursuance to section 205A of the Companies Act, 1956 which remains unpaid or unclaimed for the period of seven years from the date of such transfer shall be transferred by the Company to the Fund established under section 205C of the Companies Act, 1956 and no claims shall lie against the company of the individual amounts which were unpaid or unclaimed for a period of seven years from the date they have first become due for payment and no payment shall be made in respect of such payments."

ITEM NO. 8.

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

"RESOLVED THAT, subject to such consents, permissions and approvals as may be required and pursuant to section 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act (hereinafter referred to as "the Act") read with schedule XIII of the Act, the company hereby accords its approval for the re-appointment and entering into an agreement with Mr. R.P. Sehgal as Managing Director for the period of 5 years with effect from 01.12.1999 on such terms and conditions as specified in the Explanatory Statement annexed hereto provided that the total remuneration (including all perquisites) shall be within the overall ceiling of 5% or 10% of the net profits of the company."

ITEM NO. 9.

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

"RESOLVED THAT, subject to such consents, permissions and approvals as may be required and pursuant to section 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act (hereinafter referred to as "the Act") read with schedule XIII of the Act, the company hereby accords its approval for the re-appointment and entering into an agreement

with Mr.S.Kundu as the Whole Time Director,designated as Dy. Managing Director, for the period of 5 years with effect from 01.12.1999 on such terms and conditions as specified in the Explanatory Statement annexed hereto provided that the total remuneration (including all perquisites) shall be within the overall ceiling of 5% or 10 % of the net profits of the company."

ITEM NO.10.

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

"RESOLVED THAT ,subject to such consents ,permissions and approvals as may be required and pursuant to section 198,269,309,310,311 and other applicable provisions of the Companies Act (hereinafter referred to as "the Act") read with schedule XIII of the Act , the company hereby accords its approval for the re-appointment and entering into an agreement with Mr.M.M.Kundu as Whole-Time Director for the period of 5 years with effect from 01.12.1999 on such terms and conditions as specified in the Explanatory Statement annexed hereto provided that the total remuneration (including all perquisites) shall be within the overall ceiling of 5% or 10 % of the net profits of the company."

By ,Order of the Board.

Dated: 29.07.2000.

RAJESH MUNDHRA

Place : Calcutta.

Company Secretary.

NOTES:

1. An Explanatory statement under section 173(2) of the Companies Act,1956 in annexed herewith and forms part of this Notice.
2. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote on the poll instead of himself and the proxy may not be the member of the Company.Proxies in order to be effective must be received by the Company atleast 48 hours before the meeting.
3. The Share Transfer books & Register of Members will remain closed from 20.09.2000 to 23.09.2000(both days inclusive).
4. Members are requested to produce the enclosed Attendance Slip duly signed as per the specimen signature recorded with the Company.
5. Members who hold the Shares in Dematerialised form are requested to bring their Client ID and DP ID nos. for easier identification at the meeting.
6. Members are requested to notify the change in the address to the company or its share transfer agent and in case where the shares are held in dematerialised form ,this information must be passed on to the respective Depository Participant at the earliest.
7. In all correspondence to the company the members are requested to mention their folio numbers and in case the shares are held in dematerialised form ,they must quote the Client ID Number and their DP ID Number.
8. Members can now avail the facility of Nomination for the shares held by them pursuant to an amendment in the Companies Act,1956. The Prescribed Form (Form 2B) is being sent alongwith the notice. Members desiring to avail this facility must send in their form duly filled up and signed to the Company or the Share Transfer Agents of the Company by quoting their Folio Number and if the shares are held in Dematerialised form by quoting their Client ID Number and DP ID Number.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT,1956.**ITEM NO.5.**

Consequent to the passage of the Depositories Act,1996 and introduction of the depository system your company has entered into an agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India)Limited (CDSL) for dematerialisation of its Equity shares.On account of this some of the provisions of the Articles of Association of the Company are proposed to be changed to confirm with the requirements of the Depository Act,1996.

As the alteration of the Articles of Association requires the approval of the shareholders by a special resolution the following resolution is proposed to be passed.

CARNATION INDUSTRIES LIMITED

A copy of the Articles of Association of the Company is available for inspection at the Corporate office during business hours on any working day and will also be available at the meeting.

None of the Directors are interested in the said resolution.

ITEM NO. 6.

The Companies Act (Amendment) Act, 1999 has inter-alia, made provisions through section 109A and 109B whereby the holder or a joint holder of shares can nominate a person to whom all the rights in the shares and debentures shall vest in the event of the death of such holder(s). Where a nomination has been made in the prescribed manner by the shareholder(s) or the debentureholder(s) the nominee shall upon the death of the shareholder(s) or debentureholder(s) be entitled to all the rights in the shares or debentures of the company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

It is therefore proposed to enter a new Article in the Articles of Association of the company for which the approval of the shareholders is sought.

None of the Directors are interested in the above resolution.

ITEM NO. 7.

The Companies (Amendment) Act, 1999 has provided that money lying in the unpaid dividend account which remains unpaid or unclaimed for the period of 7 years from the date of the transfer shall be transferred to a fund set up in accordance to section 205C of the Companies Act, 1956.

In view of this a provision is proposed to be inserted in the Articles of Association of the Company for which the approval of the shareholders is sought.

None of the Directors are interested in the above resolution.

ITEM NO. 8.

At the meeting of the Board of Directors held on 30.10.1999 it was decided to re-appoint Mr. R. P. Sehgal as the Managing Director of the Company with effect from 01.12.1999 for the period of 5 years.

The terms and conditions on which Mr. R. P. Sehgal has been re-appointed as the Managing Director of the Company shall contain the following remuneration within the overall ceilings as specified in schedule XIII of the Companies Act, 1956.

REMUNERATION.

- | | | |
|--------------------------------|---|--|
| Salary | : | Rs.13800/- per month in the range of Rs.13800-30000. The Increment shall be decided by the remuneration committee /Board of Director of the company. |
| Perquisites | : | The Managing Director shall be entitled to the following perquisites provided the value thereof shall be restricted to the amount equal to annual salary or actual expenditure incurred, whichever is less. |
| a) Residential Accomodation | : | Furnished/ Unfurnished Accomodation. In case no accomodation is provided by the Company he shall be entitled to 30% of salary per month in lieu thereof as House Rent Allowance. Value of the perquisites shall be done as per Income tax Act. |
| b) Gas, Electricity and Water | : | The expenditure by the company on gas, electricity and water shall be valued as per Income Tax Rules, 1962. |
| c) Medical Reimbursement | : | Expenses incurred by the Managing Director and his family subject to ceiling of 1 month's salary in a year or three month's salary over the period of three years. |
| d) Leave Travel Concession | : | For the Managing Director and his family once in a year in accordance with the rules of the company. |
| e) Club Fees | : | Fees of the Clubs subject to the maximum of two clubs. This will not include Admission and Life Membership fees. |
| f) Personal Accident Insurance | : | Premium not to exceed Rs.4000 per month. |

Explanation : The term family means the spouse, dependent children and dependent parents of the Managing Director.

CARNATION INDUSTRIES LIMITED**PART B:**

- a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund shall be in accordance with the rules and regulations of the company. Such contribution shall not be included in the computation of the ceiling on remuneration to the extent that these either singly or put together shall not be taxable under the Income Tax Act, 1961.
- b) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service. However this will not be included in the computation of the ceiling on remuneration.
- c) Encashment of leave at the end of the tenure. This will not be included in computation of the ceiling on remuneration.

PART C:

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

MINIMUM REMUNERATION.

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

- a) Contribution to Provident fund, Superannuation fund or Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) Gratuity payable at the rate not exceeding half a month salary for each year of completed service.
- c) Encashment of leave at the end of the tenure.

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

ITEM NO.9.

At the meeting of the Board of Directors held on 30.10.1999 it was decided to re-appoint Mr. S. Kundu as the Wholtime Director, designated as Dy. Managing Director, of the Company with effect from 01.12.1999 for the period of 5 years.

The terms and conditions on which Mr. S. Kundu has been re-appointed as the Dy. Managing Director of the Company shall contain the following remuneration within the overall ceilings as specified in schedule XIII of the Companies Act, 1956.

REMUNERATION.

Salary : Rs.12650/- per month in the range of Rs.12650-30000. The increment shall be decided by the remuneration committee /Board of Director of the company.

Perquisites : The Dy. Managing Director shall be entitled to the following perquisites provided the value thereof shall be restricted to the amount equal to annual salary or actual expenditure incurred, whichever is less.

- a) **Residential Accomodation :** Furnished/ Unfurnished Accomodation. In case no accomodation is provided by the Company he shall be entitled to 30% of salary per month in lieu thereof as House Rent Allowance. Value of the perquisites shall be done as per Income tax Act.
- b) **Gas, Electricity and Water :** The expenditure by the company on gas, electricity and water shall be valued as per Income Tax Rules, 1962.
- c) **Medical Reimbursement :** Expenses incurred by the Dy. Managing Director and his family subject to ceiling of 1 Month's salary in a year or three month's salary over the period of three years.
- d) **Leave Travel Concession :** For the Dy. Managing Director and his family once in a year in accordance with the rules of the company.
- e) **Club Fees :** Fees of the Clubs subject to the maximum of two clubs. This will not include Admission and Life Membership fees.
- f) **Personal Accident Insurance :** Premium not to exceed Rs.4000 per month.

Explanation : The term family means the spouse, dependent children and dependent parents of the Dy. Managing Director.