

ANNUAL REPORT

2001-2002

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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. J. GHATAK
MR. AMAL BANERJEE - *Additional Director*
MR. MANOJ BOSE - *Additional Director*

AUDITORS

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

REGISTRARS

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



BANKERS

STATE BANK OF HYDERABAD
PUNJAB NATIONAL BANK

SOLICITORS

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

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
KOLKATA - 700 001

CARNATION INDUSTRIES LIMITED

NOTICE

Notice is hereby given that the 19th Annual General Meeting of the Company will be held on 21st August, 2002 at 10.30 a.m. at "Sarat Sadan", 5, Mahatma Gandhi Road, Howrah - 711 101 to transact the following business:-

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2002 and the Balance Sheet as on that date alongwith the Directors Report and the Auditors Report thereon.
2. To declare Dividend.
3. To appoint a Director in Place of Mr. P. M. Narielvala who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditor of the Company and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Amal Banerjee who was appointed as an Additional Director of the Company 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 upto the date of the Annual General Meeting and in respect of which the Company has received a notice in writing proposing his candidature for the office of a Director 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 the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Mr. Manoj Bose who was appointed as an Additional Director of the Company 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 upto the date of the Annual General Meeting and in respect of which the Company has received a notice in writing proposing his candidature for the office of a Director 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 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 and the applicable provisions of the Companies Act, 1956 (herein after referred to as an Act) read with Schedule XIII of the Act Mr. Manoj Bose be and is hereby appointed as a Whole Time Director of the Company for the period of 5 years with effect from 24.03.2002 on such terms and condition as provided in the Explanatory Statement".

NOTES

1. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act 1956 is annexed herewith and forms part of the Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The Instrument of Proxy should however be deposited at the Registered Office of the Company atleast 48 hours before the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 6th August to 14th August, 2002 (both days inclusive) for ascertaining the eligibility of members for the purpose of payment of dividend on Equity Shares. The Dividend on Equity Shares as recommended by the Directors, if approved at the meeting will be payable to those Shareholders whose name shall appear in the Register of Members on 14th August, 2002. In respect of shares held in electronic form, the dividend will be paid on the basis of the Beneficial Ownership as per details furnished by National Securities Depository Limited/ Central Depository Services Limited for the purpose.
5. Members are requested to send to the Registrar his /her Bank Account details to ensure safe and prompt receipt of dividend warrant and to avoid any fraudulent encashment of such warrants.

CARNATION INDUSTRIES LIMITED

6. Members/ Proxies should bring the attendance slip duly filled in for attending the meeting.
7. Members who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easy identification of attendance at the meeting.

By order of the Board

Place : Kolkata
Dated : 23rd July, 2002

RAJESH MUNDHRA
(Company Secretary)

Explanatory Statement pursuant to section 173 (2) of the Companies Act 1956.**Item No. 5.**

Mr. Amal Banerjee was appointed as an Additional Director of the Company by the Board in the meeting held on 10th of December 2001 in accordance with section 260 of the Companies Act 1956 and Article 115 of the Article of Association of the Company. He holds the office upto the Annual General Meeting of the Company. The Company has received notice proposing his candidature for the office of the Director of the Company. He has a rich experience of more than 26 years in foundry.

None of the Directors are interested and concerned in the above resolution except Mr. Amal Banerjee.

Item No. 6 & 7

Mr. Manoj Bose was appointed as an Additional Director of the Company by the Board in its meeting held on 24th March, 2002 in accordance with section 260 of the Companies Act, 1956 and Article 115 of the Article of Association of the Company. He holds the office upto the date of Annual General Meeting of the Company. The Company has received notice proposing his candidature for the office of the Director of the Company. The Board in the said meeting also appointed him as a Whole Time Director of the Company from 24.03.2002 for the period of 5 years on the undermentioned terms and conditions:

1. Salary : Rs. 12600/- per month in the range of Rs. 12600/- Rs. 25,000/-.
2. House Rent Allowance :- Rs. 1500/- per month in the range of Rs. 1500/- Rs. 5,000/-.

The increment if any, will be decided by the Board of Directors/Remuneration committee of the Company within the abovementioned parameters.

Perquisite

1. Medical Reimbursement Expense incurred by Mr. Manoj Bose and his family subject to a ceiling of 1 month salary in a year or 3 months salary over the period of 3 years.

Part-B

- a) Contribution to the Provident Fund, Super Annuation Fund and Annuity Fund in accordance to the Rules and Regulation of the Company.
- b) The payment of gratuity will be made in accordance with the Provision of The Gratuity Act.

Part- C

Car for use on Company business and telephone at the residence will not be treated as perquisite. However use of car for personal purpose and personal long Distance calls shall be billed by the Company to the Director.

None of the Directors are interested or concerned in the above resolution except Mr. Manoj Bose.

By order of the Board

Place : Kolkata
Dated : 23rd July, 2002

RAJESH MUNDHRA
(Company Secretary)

CARNATION INDUSTRIES LIMITED

DIRECTORS REPORT

Your Directors are pleased to present the Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2002.

FINANCIAL PERFORMANCE

	<u>(Rs.in Lakhs)</u>	
	<u>For Year ended 31.03.2002</u>	<u>For Year ended 31.03.2001</u>
Export Sales (Net of Freight)	2129.45	2246.90
Gross Profit (before Depreciation, Interest & Finance charges)	286.92	234.38
Interest & Finance charges	84.16	123.78
Depreciation	66.21	50.62
Profit before Tax	136.55	59.98
Provision for Tax	16.88	4.25
Profit after Tax	119.67	55.73
Profit /(Loss) Brought forward	187.87	155.87
Available for Appropriation	307.54	211.60
Proposed Dividend	20.39	16.99
Dividend Tax	—	1.74
Transfer to General Reserve	10.00	5.00
Surplus carried to Profit & Loss	277.15	187.87

The Export Sales (Net of Freight) was a little lower at Rs.2129.45 Lakhs in comparison to Rs.2246.90 Lakhs last year, however the Company had achieved a Profit after Tax of Rs.119.67 Lakhs this year in comparison to Rs.55.73 Lakhs last year registering a growth of about 115%. The increase is mainly on account of Cost control measures taken by the company, reduction of interest cost and a favourable exchange rate.

Your Company has achieved the major tenders at Qatar, Saudi Arabia and Bahrain besides maintaining its hold on the U.S. Market and is trying to enter new markets in Export and Domestic front.

Your Company has undertaken modernisation programme at the Ductile Plant at Uluberia which will greatly help in improving productivity and quality of castings besides making them cost competitive.

FOREIGN EXCHANGE EARNINGS AND OUTGO

	<u>(Rs. in Lakhs)</u>	
	<u>For Year ended 31.03.2002</u>	<u>For Year ended 31.03.2001</u>
Earning - Export	2129.45	2246.90
Outgoings.		
Travelling & Conveyance	15.05	12.41
Commission	71.51	77.55
Foreign Bank Charges	6.42	6.95
Membership Subscription	—	0.04
Rebate & Discount	—	0.88
ISO 9002 Expenses	4.51	—

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.0.60 per Equity Share of Rs.10 each (Subject to Tax Deduction at Source) aggregating Rs.20.39 lakhs for the year ended 31st March, 2002. The dividend will be paid to all those Equity Shareholders whose name appears in the Register of Members as on 14th August, 2002.

BUSINESS OUTLOOK

Your Company is very optimistic of the prospects of exports to Gulf Market. Major construction activities are coming up in the Gulf Market and as your Company is the leading supplier in Bahrain and Saudi Arabian Market and is among the first Companies from India to get a full approval of the Ductile Iron Sanitary Castings in Qatar it is well placed to exploit the opportunities. The European Market is under tremendous pressure from China and the Indian export of castings have virtually come to a negligible value. However the Company is participating in business promotion exhibition to promote business in the depressed market.

In the U.S although we were sceptical that the market would collapse after the 11th September, 2001 episode things have moved very positively. The market is showing an uptrend and there is a market shift to higher grade of castings and your company is fully geared to meet the challenge.

INDUSTRIAL RELATION AND PERSONNEL

Your Company continued to maintain good industrial

relation during the year. The Board acknowledges its thanks to all the shop floor personnel and other employees for making significant contribution to your Company.

POLLUTION CONTROL MEASURES

The pollution control measures installed for the units of the company are in full operation as required under the statues.

DIRECTORS

In terms of Section 256 of the Companies Act, 1956 and Articles of Association of the Company Mr. P. M. Narielvala who retires by rotation and being eligible offers himself for re-appointment. Mr. S. Kundu and Mr. M. M. Kundu have resigned from the Board of Directors but have challenged the resignations in a Suit which is pending before the Hon'ble High Court at Calcutta.

AUDITORS

M/s. Jain & Bagaria, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and are recommended for re-appointment. They have also furnished a certificate pursuant to Section 224(1) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND RESEARCH AND DEVELOPMENT

The particulars in respect of energy conservation as per Companies (Disclosure of Particulars) Rules 1988 is not required to be provided by your company as it is not the industry included in the Schedule to the Rules. The Company has however taken measures for conservation of energy. The Company has installed a Divided Blast Cupola in the units at Liluah which has significantly reduced the coke consumption. The production was carried using the previous technology. The company has a quality cell which ensures the quality of the product before being sent to customers.

PARTICULARS OF EMPLOYEES.

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

PUBLIC DEPOSITS

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

STOCK EXCHANGE

The Equity Shares of the company are listed in Five(5) Stock Exchanges as follows:

1. The Calcutta Stock Exchange Association Limited.
6, Lyons Range. Kolkata - 700 001.
2. The Mumbai Stock Exchange
Phiroze Jeejeebhoy Towers. Dalal Street.
Mumbai - 400 001.
3. The Delhi Stock Exchange.
DSE House.
3/1, Asaf Ali Road. New Delhi - 110 002.
4. The Ahmedabad Stock Exchange .
Kamdheni Complex. Opp. Sahajannda College.
Panjarapole. Ahmedabad - 380 015.
5. The Hyderabad Stock Exchange.
3-6-275, Himayatnagar. Hyderabad - 500 029.

The Annual Listing Fees for the year ended 2002-2003 has been paid to all the Stock Exchanges in which the Shares of the Company are listed.

DIRECTORS RESPONSIBILITY STATEMENT

Your Directors confirm that in preparation of the Annual Accounts the applicable accounting standards has been followed alongwith proper explanation relating to material departures. The Directors have selected such accounting policies and applies them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31.03.2002 and of the Profit and Loss of the company for that period. The Directors has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assests of the company and for preventing and detecting fraud and other irregularities. The Directors have prepared the accounts on a going concern basis.

ACKNOWLEDGEMENT.

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

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

On Behalf of the Board.

R. P. Sehgal
(Managing Director)

Manoj Bose
(Director)

Dated : 23rd July, 2002

Place : Kolkata

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 2002 and also the attached statement of Profit & Loss Account for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Manufacturing and other Companies (Auditors Report) Order, 1988 and on the basis of such examination 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. As explained to us stock of stores and spares, raw materials and finished goods are verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the company and nature of its business.
4. In our opinion and according to the information and explanations given to us, 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. As explained to us, there is no material discrepancies noticed on the physical verification of stores & spares, raw materials and finished goods, having regard to the size of the operations of the company.
6. In our opinion and on 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, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
8. The Company has not granted any loans secured or unsecured to the Companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
9. In respect of Loans and Advances in the nature of interest free loans given to employees, the principal and interest thereon, wherever applicable, have been recovered as stipulated.
10. 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 equipment and other assets and for the sale of goods.
11. The transaction of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in 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