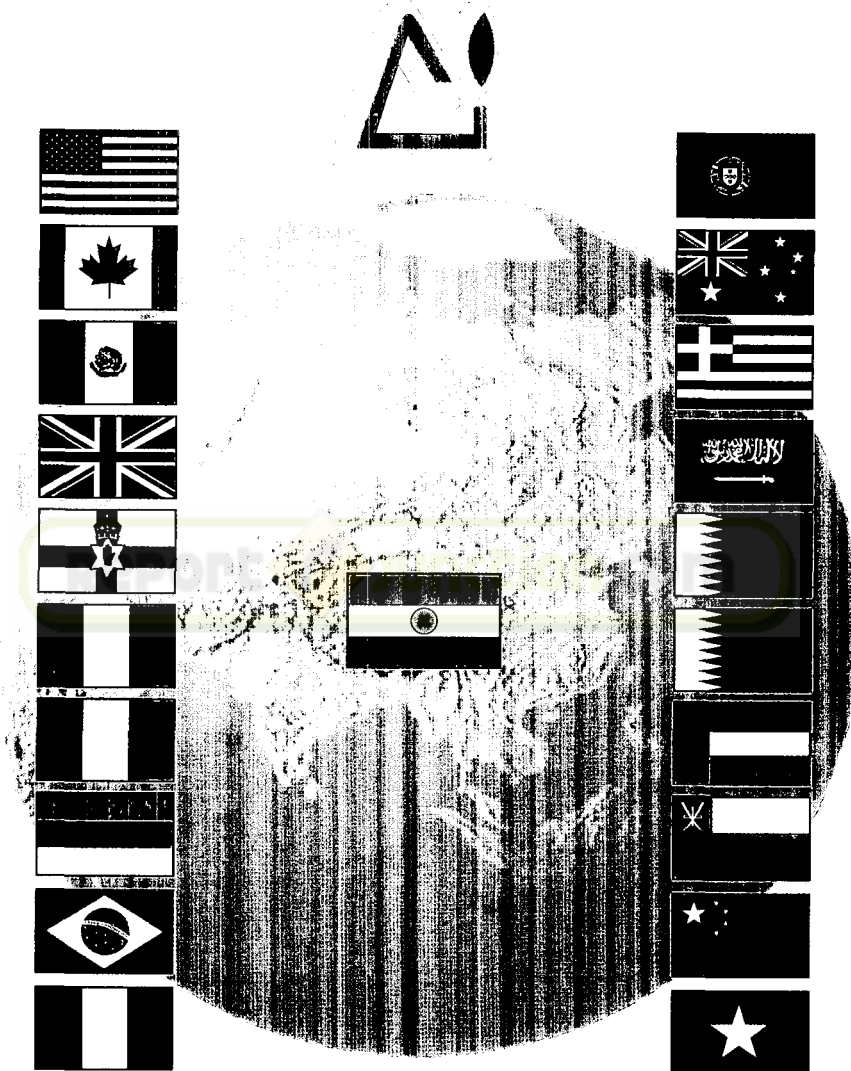


Carnation Industries Ltd.



**25th Annual Report
2007-08**

CARNATION *Industries Limited*

BOARD OF DIRECTORS

MR. P. M. NARIELVALA	- Non-Executive Chairman
MR. RAVINDRA P. SEHGAL	- Managing Director
MR. SUVOBRATA SAHA	- Joint Managing Director
MR. ARUN BOSE	- Wholetime Director
MR. RAJESH KR. PANDEY	- Non-Executive Director
MR. SHEKHAR CHATTERJEE	- Non-Executive Director
MR R C JHA*	- Additional Non Executive Director

REGISTERED OFFICE

28/1, JHEEL ROAD,
SALKIA, HOWRAH – 711 106.
PHONE : (033) 2645 4785

AUDIT COMMITTEE

Mr. Shekhar Chatterjee
Mr. P. M. Narielvala
Mr. Rajesh Kr. Pandey

SHARE HOLDERS/ INVESTORS GRIEVANCE COMMITTEE

Mr. P. M. Narielvala
Mr. Ravindra P. Sehgal
Mr. Rajesh Kr. Pandey

CHIEF FINANCIAL OFFICER & 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

*Appointed w.e.f. 30.1.2008

CORPORATE & HEAD OFFICE

222, A. J. C. BOSE ROAD,
1 ST FLOOR, ROOM NO. 4 & 5,
KOLKATA – 700 017.
PHONE : (033) 2290 2256/2287 8229
FAX NO.: (033) 2247 9938
E-Mail : carcast@vsnl.net
Website : carnationindustries.com

REGISTRARS

R&D Infotech Pvt.Ltd.,
22/4, Nakuleashwar Bhattacharjee Lane,
Ground floor, Kolkata – 700 026.
PHONE : (033) 2463 1657 / 58

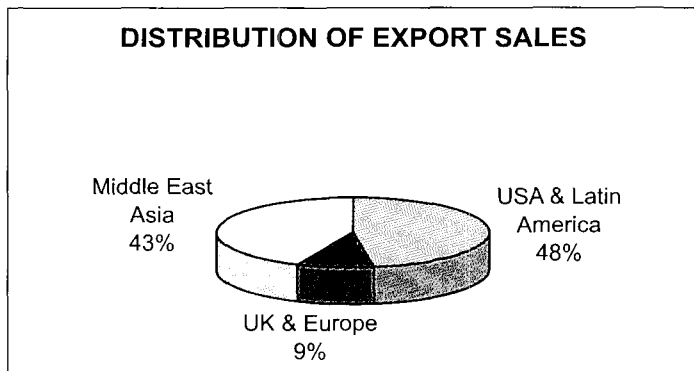
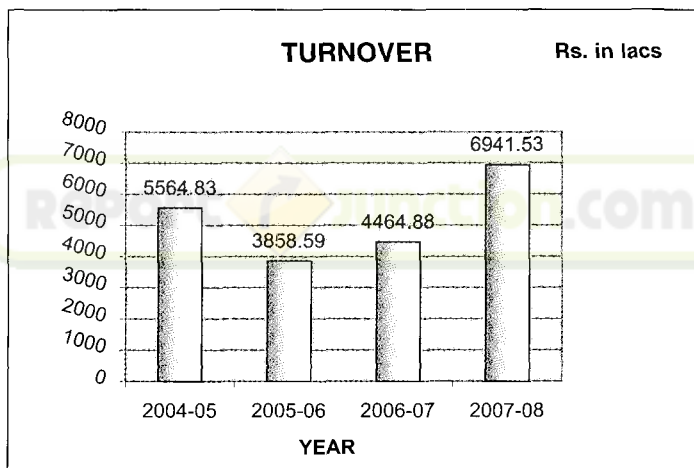
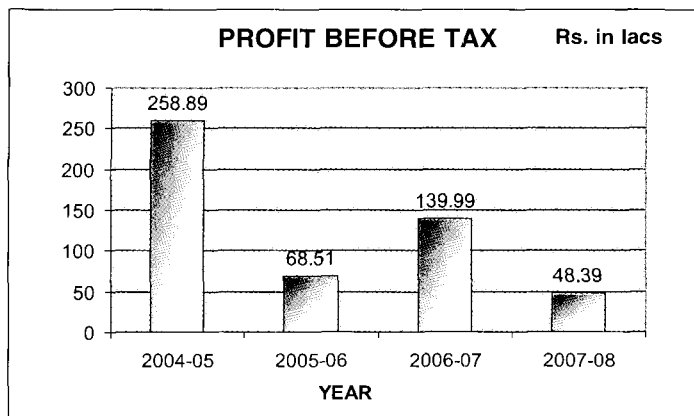
SOLICITORS

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

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CARNATION
Industries Limited



MD R. P. Sehgal with the Hon'ble Speaker of Lok Sabha Mr. Somnath Chatterjee at an award function in Kolkata



Chief Guest at an Award Function in Kolkata, Hon'ble Minister-in-charge
Shri Manabendra Mukherjee, Micro & Small Scale Enterprise &
Textiles & Tourism Department receiving the
memento from Shri R. P. Sehgal, M.D.



Mr. Suvabrata Saha - Jt. Managing Director

CARNATION
Industries Limited

NOTICE

Notice is hereby given that the 25th Annual General Meeting of the company will be held on Wednesday, 27th August, 2008 at 10.00 A.M. at Sarat Sadan, 5, Mahatma Gandhi Road, Howrah - 711 101 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2008 and the Balance Sheet as on that date alongwith the report of the Directors' and Auditors' thereon.
2. To declare dividend on equity shares.
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 to 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 an ORDINARY RESOLUTION :

"RESOLVED THAT, Mr.R C Jha who was appointed as an Additional Director of the Company by the Board of Directors of the company 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".

By order of the Board

Place : Kolkata
Date : 28th June, 2008

(SANJAY AGARWAL)
CFO & Company Secretary

25th Annual Report 2007-2008

NOTES

1. An explanatory statement under section 173(2) of the Companies Act, 1956 is 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 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 Share Transfer Books of the company will remain closed from 23.8.2008 to 27.8.2008 (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 as on 27th August 2008. 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 above purpose.
5. Members are requested to send to the Registrar his / her Bank Account details to ensure safe and prompt receipt of dividend cheque / warrant and to avoid any fraudulent encashment of such cheque / warrant.
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.
8. The facility for making nomination is available to the members in respect of the shares held by him.
9. All documents referred to in the Notice and Explanatory Statement are open for inspection to 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 this Annual General Meeting.
10. Members desirous of seeking any further information about the accounts and / or operations of the company are requested to address their queries to the CFO & 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.

By order of the Board

Place : Kolkata
Date : 28th June, 2008

(SANJAY AGARWAL)
CFO & Company Secretary

CARNATION
Industries Limited

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

ITEM NO. 5

Mr. R.C. Jha was appointed as an Additional Director of the company by the Board of Directors of the company at its meeting held on 30.01.08 in accordance with Section 260 of the Companies Act, 1956 and Article of Association of the company. He holds office upto the date of the 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 recommends acceptance of the resolution by the members.

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

By order of the Board

Place : Kolkata
Date : 28th June, 2008

(SANJAY AGARWAL)
CFO & Company Secretary

Details of Directors seeking appointment / Re-appointment at the 25th Annual General Meeting

Name of the Director	Mr. P. M. Narielvala
Date of Birth	12.7.1926
Date of Appointment	26.12.1994
Qualification	B.A; L.L.B; FCA FCA (England and Wales)
Expertise in specific Functional Areas	Has rich experience in the field of Accounts, Taxation and Law.
	Director
List of Companies in which other Directorship held	Eri-Tech Ltd. Corporate Health Check Services Pvt. Ltd
Chairman/Member of the Committee of the Board of the Companies in which he is a Director	Carnation Industries Ltd
Shareholding in the Company (No. of Equity Shares)	500

25th Annual Report 2007-2008**DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Your Directors are pleased to present the Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2008.

FINANCIAL PERFORMANCE

	(Rs. in Lakhs)	
	For Year ended 31.03.2008	For Year ended 31.03.2007
Export Sales (Net of Freight)	6941.53	4464.15
Local Sale	—	0.73
Gross Profit (before Depreciation		
Interest & Finance charges)	337.30	340.49
Interest & Finance charges	199.73	121.28
Depreciation	89.18	79.22
Profit before Tax	48.39	139.99
Provision for Tax		
- Current	47.93	47.57
- Deferred	(15.01)	6.30
- Fringe Benefit	2.88	2.53
Profit after Current Tax	12.59	83.59
Profit /(Loss) Brought forward	169.48	169.55
Available for Appropriation	182.07	253.14
Income-Tax for earlier years	—	59.39
Proposed Dividend	17.29	20.74
Dividend Tax	2.94	3.53
Provision for Gratuity	8.96	—
Provision for Leave Encashment	1.56	—
Surplus carried to Balance Sheet	151.32	169.48

FINANCIAL REVIEW

The Export Sale (Net of freight) of the Company at Rs. 6941.53 lakhs during the year as against Rs. 4464.15 lakhs during the previous year, 2006-07, recorded an increase of about 55%. The significant increase in export sale was attributable to the Company's successful strategy to get orders in the international market due to its technical superiority , better quality of material and manufacturing efficiency. Moreover the share of value - added product in sales was higher during the year compared to the previous year.

CARNATION **Industries Limited**

This increase in sale was not however reflected in the commensurate profit before tax on account of significant cost escalations due to sharp increase in the prices of raw materials and the increased incidence could not be passed over to the customer for competitive pressures in the international market. This was further compounded by the unexpected depreciation of Dollar in comparison to Indian Rupee resulting in sharp erosion in the corresponding Rupee value of the dollar - denominated export sale. Moreover the current years profit was also adversely affected by the decision of the Directors to make a provision of Rs 70 lakhs for contingencies.

FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rs. in Lakhs)	
	For Year ended 31.03.2008	For Year ended 31.03.2007
Earning - Export (F.O.B.)	6941.53	4464.15
- Other Income	—	—
Outgoings		
Traveling & Conveyance	20.44	12.04
Certification Charge	8.34	6.43
Commission	52.73	66.61
Foreign Bank Charges	16.62	8.75
Raw Material & Other Purchase (CIF Value)	2190.84	289.82

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

Although the foundry industry is poised for growth due to demands in certain sectors of certain countries, there is severe pressure on profit of all the foundries due to hundred percent increase in raw material prices, over 180% increase in hard coke prices and over 100% increase in the prices of ferro - alloys.

All such price increases would allow only the survival of the fittest and this state can be sustained through strategic pricing, forward covers for raw materials and optimising the production cost. India today ranks 4th in the World Foundry Status and it shall not be easy under the circumstances even to move to the 3rd rank, though it is possible.

OPPORTUNITIES AND THREAT

There is high pressure on foundry industry to maintain the reputation of timely supply of quality products at reasonable price in the International market. The demand for quality and branded products is continuously increasing in the International market It has therefore become