

CARNATION INDUSTRIES LIMITED

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Notes:-

- 1.** The Results were reviewed by the Audit Committee and approved at the meeting of the Board of Directors of the Company held on 14th September, 2020.
- 2.** Figures for the previous periods are re-classified / re-arranged / re-grouped, wherever necessary, to correspond with the current period's classification / disclosure.
- 3.** The Company is engaged in the manufacture of Castings & M.S. Products (Fabricated Steel) which are subject to the same risk & returns and hence constitute one primary segment. The analysis of geographical segments is based on the areas in which the Company operates.
- 4.** The figures for quarter ended March 31, 2020 are the balancing figure between audited figures in respect of the full financial year and the published year to date figures upto the end of the third quarter of the financial year which were subject to limited review.
- 5.** No provision has been made for taxation owing to losses, both carried forward and currently incurred.
- 6.** Trade Receivable includes Overdue Export proceeds in foreign exchange Rs. 1871.14 Lacs [including Rs. 1800.55 Lacs exceeding 5 years].
- 7.** The “Turnaround Plan” of the Company as approved by the Board of Directors is in the process of implementation. In accordance with the turnaround plan, the company was able to successfully sell off part of its undertaking and also realise money against the claim lodged with ECGC and was able to pay and settle the dues under One Time Settlement entered into with secured lenders Viz. State Bank of India and Punjab National Bank. However, the Company has posted a loss of Rs 16.81 Lacs during the quarter. Moreover, the accumulated losses as at the end of the quarter is Rs. 498.75 Lacs and there are substantial payments overdue to creditors and others. These conditions together with losses coupled with tight liquidity conditions pose serious challenge to the Company indicating the existence of material uncertainty that may cast significant doubt on the Company's ability to

continue as a going concern. To address this and improve upon its operating and financial performance, the Company is in the process of implementing a comprehensive 'Turnaround Plan' by focusing on a number of measures viz.

- i. Collection agency have been engaged from the panel available with ECGC to recover foreign debtors
- ii. Initiation of Legal Cases against foreign debtors
- iii. Increasing the production level at Unit 1 by scaling of operation
- iv. Identifying more domestic buyers in order to reduce the dependency on foreign buyers and thereby de risk the business and revenue stream.
- v. Continuing its efforts to Identify Strategic Investors having International presence to join the company which will help to scale up the operations.
- vi. Increase efforts to ensure early realisation of amount i.e. refundable taxes or duties lying with different Revenue Authorities.
- vii. Efforts to negotiate with creditors in order to arrive at mutually agreed settlement and payment to them in accordance with the terms finalised in order to avoid litigation and thereby renewing business relationship so that the supply chain can be streamlined.
- viii. Arrangement for financial resources to meet the working capital requirement.

The above plan has been approved by the Board of Directors. Accordingly, the financial results continue to be prepared on a going concern basis, which contemplates realization of assets and settlement of liabilities in the normal course of business.

8. Impact of the COVID-19 pandemic on the business; In view of the pandemic the entire business cycle and environment has apparently slowed down and the company is also affected. The order position of the company is good but it can be significantly affected by lower availability of skilled and unskilled labour. Accordingly, the company operation may be significantly impacted due to the same and the revenue will take a beating.

Ability to maintain operations including the factories/units/office spaces functioning and closed down; The company management has taken all measures to keep its operations unaffected however despite having given assurance to the skilled and unskilled labour some of them have chosen to return to their native places. Accordingly, it would be apparently difficult to get them all back soon and accordingly production of goods at factory will suffer which will impact the revenue of the company.

Schedule, if any, for restarting the operations; The company management has taken appropriate safety measures at its factory, warehouse and office which have all been regularly sanitized and the company has started the production at works with limited labor strength and only the essential staff .

Steps taken to ensure smooth functioning of operations; The management of the company is also in touch with the labours who were previously employed to come back and resume their duty.

Estimation of the future impact of CoVID-19 on its operations; The management of the company as stated herein above foresee some downfall in production due to lack of human resource as well as frequent lock down in the state.

Details of impact of CoVID-19 on Company -

- **capital and financial resources;** The problem of adequate capital and financial resources were already posing challenge in front of the company even before the pandemic but due to pandemic the same stands more aggravated.
- **profitability;** If arrangement of adequate working capital and negotiation of credit terms with creditors is not successfully worked out then the company will not be able to show significant profit in the coming financial year.
- **liquidity position;** The liquidity position of the company continues to be grim and which has further deteriorated with the outbreak of the pandemic.
- **ability to service debt and other financing arrangements;** The company does not have substantial debt to service though with the curtailed business operation the same can also pose challenge.
- **assets;** The major fund of the company is entangled as Receivables and only on successful realisation of the same the company will be able to streamline its operations. However the Company does have land and property which are not mortgaged and free of any charge.
- **internal financial reporting and control;** The company's business operation and business activity are at low level and with the existing staff strength the management of the company perceives no hurdle in internal financial reporting and control.
- **supply chain;** The supply chain consists of unsecured creditors who have been supporting the company during the hard time it is passing through. The company is in negotiation with them in order to liquidate their dues in phases and has resumed supply of goods and services on revised credit terms.

- **demand for its products/services;** The products manufactured by the company are accepted and certified by all the European and American standards and continues to be in demand. However, due to non availability of adequate working capital and financial resources the company is not able to manufacture larger volumes and cater to the demand of its products in foreign markets. Accordingly, the company is now focussing on domestic demand and in order to scale up is also identifying new domestic customers.

Existing contracts/agreements where non-fulfillment of the obligations by any party will have significant impact on the listed entity's business; there are no material existing contracts and agreement with any of the party where non-fulfilment of the obligations by any party will have significant impact on the companies business operation.

By Order of the Board

(R. P. Sehgal)
(Managing Director)

Place: Kolkata
Date: 14.09.2020

(S. Saha)
(Joint Managing Director)