

CARNATION INDUSTRIES LIMITED

Regd. Office : 28/1, JHEEL ROAD, LILUAH, P.O.-SALKIA, HOWRAH-711106.

CIN:L27209WB1983PLCO35920

Email: sanjay@carnationindustries.com, Website : www.carnationindustries.com

Statement of Unaudited Financial Results for the Quarter and Six months ended 30th September, 2020

SL. No.	Particulars	Quarter -Ended			Half Year Ended		(Rs. in lakhs)
		30.09.2020	30.06.2020	30.09.2019	30.09.2020	30.09.2019	Year - Ended
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1.	Revenue From Operations	328.05	41.36	336.71	369.41	551.85	782.34
2.	Other Income	(7.59)	31.33	55.47	23.74	98.65	1,802.08
3.	Total Income (1+2)	320.46	72.69	392.18	393.15	650.50	2,584.43
4.	Expenses						
	a) Cost of Materials Consumed and other manufacturing expenses	291.10	28.99	252.68	320.09	406.04	660.94
	b) Cost of Goods Traded	-	-	0.36	-	7.93	9.46
	c) Changes in inventories of Finished Goods	(11.24)	1.74	21.20	(9.50)	33.42	(1.38)
	d) Employee benefits expense	36.63	36.18	56.76	72.81	113.54	194.05
	e) Finance costs	19.89	4.70	(0.26)	24.59	13.15	194.10
	f) Depreciation and amortisation expense	3.44	3.41	20.54	6.85	43.23	58.39
	g) Impairment Cost	-	-	-	-	-	8.06
	h) Other expenses	67.34	13.85	1,312.04	81.19	1,364.79	1,470.84
	Total Expenses	407.16	88.87	1,663.32	496.03	1,982.10	2,594.45
5.	Profit/(Loss) before exceptional items and tax (3-4)	(86.70)	(16.18)	(1,271.14)	(102.88)	(1,331.60)	(10.03)
6.	Exceptional Items	-	-	-	-	-	-
7.	Profit/(Loss) before tax (5-6)	(86.70)	(16.18)	(1,271.14)	(102.88)	(1,331.60)	(10.03)
8.	Tax Expense:						
	(1) Current Tax	-	-	-	-	-	-
	(2) Deferred Tax	0.11	0.63	(37.07)	0.74	(36.17)	(44.67)
	(3) Tax for Earlier Year	-	-	-	-	-	0.47
9.	Profit/(Loss) for the period (7±8)	(86.81)	(16.81)	(1,234.07)	(103.62)	(1,295.43)	34.18
10.	Other Comprehensive Income						(28.67)
11.	Total Comprehensive Income for the period (9 ± 10)	(86.81)	(16.81)	(1,234.07)	(103.62)	(1,295.43)	5.50
12.	Earnings per Share (of Rs. 10/-each) (for continuing operations)						
	a) Basic	(2.51)	(0.49)	(35.70)	(3.00)	(37.47)	0.99
	b) Diluted	(2.51)	(0.49)	(35.70)	(3.00)	(37.47)	0.99

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Statement of Assets and Liabilities

			(Rs. in lakhs)	
SL. No.	Particulars	As at 30.09.2020 (Unaudited)	As at 31.03.2020 (Audited)	
A	ASSETS			
1	Non-current assets			
	Property, plant and equipment	297.25	303.86	
	Capital work in progress	-	-	
	Intangible Assets	0.04	0.04	
	Financial Assets			
	Investments	1.00	1.13	
	Other Non-current assets	27.72	27.72	
2	Current assets			
	Inventories	104.22	76.87	
	Financial Assets			
	a) Trade Receivables	1,827.37	1,860.89	
	b) Cash and cash equivalents	8.68	7.39	
	c) Bank balance other than included in cash and cash equivalentst	3.66	3.66	
	Current Tax Assets (net)	34.25	34.11	
	Other current assets	495.35	509.29	
3	Assets classified as held for sale	9.60	11.59	
	TOTAL - ASSETS	2,809.15	2,836.57	
B	EQUITY AND LIABILITIES			
1	Equity and Liabilities			
	Equity			
	Equity Share Capital	345.72	345.72	
	Other Equity	289.71	393.33	
2	Liabilities			
	Non-current liabilities			
	Financial liabilities			
	a) Borrowings	134.75	131.90	
	Provisions	60.64	63.65	
	Deferred Tax Liabilities (net)	24.15	23.41	
3	Current Liabilities			
	Financial Liabilities			
	a) Borrowings			
	b) Trade payables			
	(i) total outstanding dues of micro enterprises and small enterprises	215.84	190.19	
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	1,435.59	1,420.45	
	c) Other financial liabilities	33.70	33.75	
	Other current liabilities	269.05	234.18	
	TOTAL - EQUITY AND LIABILITIES	2,809.15	2,836.57	

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 Statement of Cash Flows for the six months ended 30th September, 2020

PARTICULARS		(Rs. In Lacs)	
		Six months ended 30.09.2020	Six months ended 30.09.2019
(A)	<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
	Profit/(loss) before exceptional items and tax		
	Adjustments for:	(102.88)	(1,331.60)
	-Depreciation, Impairment and Amortisation Expenses	6.85	43.23
	-Fair Valuation of Investment	0.13	1.17
	-(Profit)/Loss on sale/discard of Property Plant and Equipment(net)	(19.04)	(59.51)
	-Interest on Term Deposit		(0.07)
	-Finance Cost	24.59	13.15
	Operating Profit Before Working Capital Changes		
	Adjustments for:	(90.35)	(1,333.63)
	-(Decease)/ Increase in Trade Payables	28.12	(2.37)
	-(Decease)/ Increase in Non Current Provisions	(3.01)	(16.64)
	-(Decease)/ Increase in Other current Liabilities	50.80	(17.16)
	-Decrease/ (Increase) in other Non Current Assets	-	(0.98)
	-Decrease/ (Increase) Trade Receivables	33.52	1,900.76
	-Decrease/ (Increase) Other Current Asset	13.94	(571.43)
	-Decrease/ (Increase) Inventories	(27.35)	29.71
	Cash Generated from Operations :		
	Income Tax Paid (including Tax deducted at source)	5.67	(11.74)
	Net Cash generated from Operating Activities	0.14	(0.17)
		5.53	(11.91)
(B)	<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
	Purchase of Property, Plant and Equipments, Intangible and Capital Work in Progress	(0.25)	-
	Sale of Property, Plant and Equipments, Intangible, Assets held for and Capital Work in Progress	21.04	63.09
	Term Deposit other than cash & Cash equivalents (including accrued interest)	-	19.57
	Advance received/ (Adjusted) for sale of Property, Plant & Equipment	(19.13)	-
	Interest on Term Deposit	-	0.07
	Net Cash generated/ (used) in Investing Activities	1.66	82.73
(C)	<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
	Changes in other Financial Liabilities	-	(1.46)
	Changes in Current Borrowings (Net)	-	(45.78)
	Non Current Borrowings (Net)	4.58	(6.08)
	Finance cost paid	(10.48)	(13.15)
	Tax Paid on dividend		
	Net Cash generated/(used) in Financing Activities	(5.90)	(66.47)
	Net Increase/(Decrease) in Cash and Cash Equivalents(A+B+C)		
	Opening Cash and Cash Equivalents	1.29	4.35
	Closing Cash and Cash Equivalents	7.39	4.11
		8.68	8.46

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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 13th November, 2020 and the Statutory Auditor have carried out the limited review of the same .
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. No provision has been made for taxation owing to losses, both carried forward and currently incurred.
5. Trade Receivable includes Overdue Export proceeds in foreign exchange Rs. 1823.13 Lacs [including Rs. 1754.36 Lacs exceeding 5 years].
6. 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. 103.62 Lacs during the half year ended on 30th september, 2020. Moreover, the accumulated losses as at 30th September,2020 is Rs. 585.56 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.

7. 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 disruption in public transportation.

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 contacts 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.