

RSWM/SECTT/2020
May 30, 2020

BSE Limited Corporate Relationship Department, 1st Floor, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, MUMBAI - 400 001. Scrip Code: 500350	National Stock Exchange of India Limited Listing Department, Exchange Plaza, C-1, Block - G, Bandra-Kurla Complex, Bandra (East), MUMBAI - 400 051. Scrip Code: RSWM
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Dear Sirs,

Sub: Disclosure on Material Impact of Covid-19 Pandemic.

Ref: Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020 as issued by the Securities and Exchange Board of India (SEBI).

With reference to the captioned subject and reference, we would like to disclose as under:

1. Impact of the Covid-19 pandemic on the Business:

The pandemic that has spread all across due to the novel corona virus, Covid-19, is an unexpected and unprecedented incident for the Company too. Till March 21, 2020, the business operations were normal. Thereafter, on announcement of lockdown, there was no operating or business activity from March 22, 2020 till April 19, 2020. These started again from April 20, 2020 to some extent at lower capacities. The initial forecasts and estimates suggest that it will take 4 to 6 months' time to bring the business to its normal. Till then, it is estimated that capacity utilizations shall be low, with reduced off takes and higher lead times in the supply chains all across.

Upto the 9 months ended December 31, 2019, the Company reported a net profit before tax (PBT) to the tune of ₹ 28.23 Cr. Especially the third quarter of the financial year 2019-20 indicated signs of recovery and even better results were expected for the fourth quarter. However, due to the pandemic a significant drop in sales volumes is expected in this fourth quarter of the year 2019-20. This drop will be accentuated in the first quarter of the year 2020-21.

2. Ability to maintain operations:

The Company has already restarted its operations from April 20, 2020 in its Yarn Segment and from May 4, 2020 in its Denim/Fabric Segment in gradual manner. However, due to the external

(Formerly Rajasthan Spinning & Weaving Mills Limited)

Corporate Office :
Bhilwara Towers, A-12, Sector-1
Noida - 201 301 (NCR-Delhi), India
Tel: +91-120-4390300 (EPABX)
Fax: +91-120-4277841
Website: www.rswm.in
GSTIN: 09AAACR9700M1Z1

Regd. Office:
Kharigram, Post Office Gulabpura - 311 021
Distt. Bhilwara, (Rajasthan), India
Tel: +91-1483-223144 to 223150, 223478
Fax: +91-1483-223361, 223479
Website: www.lnjbhilwara.com
GSTIN: 08AAACR9700M1Z3

Corporate Identification Number: L17115RJ1960PLC008216

constraints and supply chain disturbances the capacity utilizations are between 30% to 50%. The Company expects normal operations by the end of June, 2020 when the situation all across is expected to improve.

3. Steps taken to ensure smooth functioning of operations:

The Company operates through its 10 plant locations in the state of Rajasthan. Before, restarting the operations (partially) it has followed all the directives that have been issued by the Central Government, the State Government and the local administration. It is also in regular compliance with all the medial, health, safety and social distancing guidelines for the safety of all the employees and other stakeholders of the Company. At all the locations necessary arrangements of sanitization, self-quarantine and screening etc., have been made and are continuing.

4. Estimation of the future impact of the pandemic on its operations:

Since this disruption during lockdown continued till April 20, 2020, and the plants are still operating at very low levels the Company expects that the operational performance will be under stress. However, the Company is putting all efforts to convert this challenge into opportunity by rationalizing the manpower cost and downsizing the other cost centres, while also putting its efforts to retain and add more customers for sustaining and increasing the demand.

5. The way forward:

Despite of all the limitations and the factors beyond the control of the Company, it has made and is in the process of making all possible efforts to bring the operations of the Company back to its normal. These efforts include:

5.1 Financial Arrangements and Liquidity:

The Company has kept sufficient cash reserves in its working capital to meet immediate cash requirements. It has also got sanctioned additional working capital limits of ₹ 6,210 Lakhs. Besides this, the Company is availing the extended dates of making statutory payments and in order to maintain the liquidity further, it is opting for other modes of payments to its suppliers like LCs etc. Customers are also incentivized to make the timely payments. Better terms of credit are also being negotiated with the suppliers. The Company has also availed the moratorium facility for 3 months and is also in the process of availing additional moratorium facility for 3 months further till August, 2020 for repayment of term loan installments and interest. While doing all these efforts it is also being tried to maintain the financial covenants.

5.2 Profitability:

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RSWM Limited

an LNJ Bhilwara Group Company



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The Company is putting all efforts to reach all its customers to maintain the demand and also in continuous touch with new and potential customers to make the demand grow. The Company is using all its resources and technology to make the products reach to the existing and the new buyers. There is increased emphasis on the new product development and its selling. All the processes are being reviewed to curtail costs and minimise wastages. There is increased emphasis on use of technology so that the travel and movement costs could be minimized. The lenders are also continuously apprised to save on finance cost front also.

5.3 Internal Financial Controls:

The Company has a robust internal financial control system both through the technology, computer systems and otherwise also. It has also a system of regular internal audit. There is also a system of continues review of policies and procedures to make them more effective according to the time and circumstances.

5.4 Supply Chain:

The Company is in continuous touch with all the stake holders to bring the supply chain to its normal. No sooner the effect of the pandemic comes down, the supply chain will improve further.

5.5 Demand of Company's Products:

No sooner the supply chain disruptions are over, the demand of company's products will improve. The Company is in constant touch with all of its existing as well as potential buyers. As such there are no chances of cancellation of major existing orders. In some cases there have been delayed for obvious reasons.

You are requested to take note of the above.

Thanking you,

Yours faithfully,

For RSWM LIMITED

SURENDER GUPTA
AVP – LEGAL & COMPANY SECRETARY
FCS-2615

rswm.investor@lnjbhilwara.com

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