

# FREDUN PHARMACEUTICALS LIMITED

*Compassionate Healthcare*



**CIN No :** L24239MH1987PLC043662

Date: 30<sup>th</sup> July, 2020

To,  
**BSE Ltd.,**  
Listing Department,  
Phiroze Jeejeebhoy Towers,  
Dalal Street - Fort,  
Mumbai – 400 001  
Ref.: **BSE Scrip Code – 539730**

**Sub: Disclosure of material impact of COVID-19 pandemic on listed entities under LODR (Listing Obligations and Disclosure Requirements) Regulations, 2015**

With reference to the above captioned subject, please find the attached herewith the detailed update on impact of COVID-19 on the operations of the Company pursuant to SEBI's advisory Circular dated May 20, 2020.

Kindly take the same on your record.

Thanking you,

For **Fredun Pharmaceuticals Limited**



**Ankita Joshi**  
Company Secretary Cum Compliance Officer  
Membership No : ACS43193.

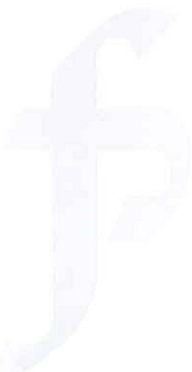
**Office Address:** Manoj Industrial Premises, G.D. Ambekar Marg, Wadala (W), Mumbai - 400 031, (INDIA)

**Phone No.:** 91-22- 4031 8111 **Fax :** 91-22-4031 8133

**Factory Address:** 14,15,16, Zorabian Industrial Complex, Vevoor, Palghar (E), Dist: Palghar - 401 404.

**Phone No.:** +917045957828, +917045957829, +917045957830, +917045956857

**E-Mail:** business@fredungroup.com **Web:** www.fredungroup.com





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## Effect in the financial year 2019-20

- The effects of Covid-19 were immediately seen for us in the last quarter of 2019-20
- As the country is dependent on China for its API supply and China did not open up after mid Jan 2020, the API prices started to rise in India.
- This caused the company to hold procurement for many products which were rendered commercially nonviable at that moment due the high API rates
- Later on due to the export ban imposed on molecules which are generally used as container fillers, a list of other exports which were ready goods were also dropped.
- This lowered the sales of the third quarter by almost 39-43% percent
- Our last quarter profitability was also hampered due to high cost of Raw Materials and the manufacturing unit being in complete shut down for 9 days in March 2020

## Effect in the financial year 2020-21

- The company was able to start limited operations around the 30th of March 2020 after a total shut down from the 22nd of March, 2020.
- The company was able to run with bare essentials in the month of April with its peak output at around 10% of the installed capacity .
- All Salaries were paid on time
- Change in dollar rate has no adverse effects on the company
  - All Employees were timely covered under appropriate law.
- This was achieved even after most villages were still under partial or complete lockdown till 21st April, 2020..
- The strength of the workers increased to around 20% by the last week of April 2020.
- The purchases were bare minimum as well during this quarter as all API prices remained unsuitable for procurement for orders at Hand
- The worker strength had increased to around 25% by second week of May 2020.
- The cost of Labor was 22% higher due to the extensive transportation costs and also additional benefits given to those reporting for duty during lockdown.

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- The company also took care of all its employees and not a single employee was let go.

The company did not face any liquidity issues during the first three months of the lock-down as it had sufficient cash flows to maintain operations and contingency expenses. However the company does foresee a strain in liquidity over the second quarter and first 45 days of the third quarter as revenue was drastically reduced in the first quarter. The company however has made appropriate arrangements and stringently planned its outflows to wade through this period.

- The revenues of the company has reduced by over 70% from our estimates of the first quarter due to inability to export ready goods and manufacture new goods due to labor and cost of API

- The company still is sure of the next three quarters and will achieve a higher growth compared to the last year even with a weak first quarter and a fairly stable second quarter

- The attendance is still at 50% at the plant however as of last week of July the plant is now operational at 60% capacity.

- We aim to reach 80% capacity by August end and optimum utilization by September provided no further arbitrary lockdown of villages and towns around the location of the plant.

As our partner companies across the world had also gone in a lockdown their requirements will come in staggered lots to avoid over stocking at their ends

- The availability of API for our formulations was not an issue as of July 2020 however the pricing still remained higher than usual.

- The export ban was lifted on a few products in June 2020 therefore our dispatches which were held up will now be dispatched in staggered lots as requirements from buying countries have changed in terms of priorities.

- The company is also focused right now on businesses which improve cash flow cycles and will avoid transactions which entail reduction in existing liquidity

- The company has continued to pay of all its debts on time and appropriately. The company does not foresee any delay in its target of achieving 143 new registrations of products in this calendar year .

- The company foresees a hit on its profitability for the next two quarters due to the cost of the production going up and the cost of the materials still at the higher end of the spectrum . However post December 2020 it will see its profitability increase in comparison to the first two quarters.

- The company foresees no immediate expenses on capital expenditure of more than Rs. 3 crores, but it does intend to continue procurement of machinery as per plan

- There is no cancellation of any order from any buyer across all continents. However the company will decide on the execution of orders based on relevant market conditions in the country of procurement.

Facility augmentation started in January 2020 this year to further increase our coating capacity to 13 million tablets a day is on track and shall be completed by September 2020

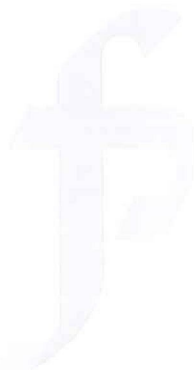
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- The launch of latest molecules of anti diabetic range, cardiac range and renal disorders is on track and shall not be postponed. We are hoping for registrations by end of this calendar year.
- The company also received it's WHO cGMP certification for its new plants of pellets and ointments in the first quarter of this financial year. This will now allow fast track registrations in various countries for the same.
- We are further going to strenghten our FnD Team and continue our expenditure on formulation development
- We are planning further registrations of over 433 products in the next 27 months. We are planning to add six new countries for first time registrations and we are sure of first supply by November 2021.

Our in-roads into the anti-diabectic market will get stronger with the new molecules being registered in our existing markets as well.

## Outset

- Covid-19 has changed the way we do business not in terms of execution but in terms of planning .
- Businesses have to be more cautious in terms of understanding cash flows and we at FPL are aware of this reality.

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