

15th June, 2020

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001. Scrip Code: 532782	National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No. C/1, G-Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051. Scrip Code : SUTLEJTEX
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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)

Dear Sirs

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

With reference to the captioned SEBI Circular, we would like to disclose as under:

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

The extended lockdown and restrictions imposed on various activities due to COVID-19 pandemic, while being a necessary measure to contain novel coronavirus spread, has posed unprecedented challenges and impacted the business of the Company.

The Company operates through its four plants located in the state/union territory of Rajasthan, Jammu and Kashmir, Himachal Pradesh and Gujarat. On announcement of lockdown, there was no operation or business activity from March 22, 2020 till 3rd week of April 2020. Up to March 21, 2020 the business operations of the Company were normal and the Company had good business pickup with high capacity utilization.

For the period of nine months ended on December 31, 2019, the Company reported a Total Income of Rs.1,880 crore with Profit Before Tax of Rs. 64.96 crore on consolidated basis. However, due to Covid-19 pandemic there was drop in sales volume in Q4FY20. This drop will be further accentuated in the year 2020-21.

2. Ability to maintain operations:

The Company has restarted manufacturing operations at all its four plants from 3rd week of April 2020 adhering to all safety protocols stipulated by the government with limited capacity utilization which was gradually ramped up and is presently operating at around 50% capacity. The Company is trying to further ramp up the capacity as early as possible.

However the situation continues to be very challenging and uncertain. The Company is fully geared to withstand the challenges as the situation unfolds on the back of its financial and operational strengths.

3. Steps taken to ensure smooth functioning of operations:

The government has commenced unlocking of the economy and the Company is making efforts to establish its supply chain impacted due to COVID-19.

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

Considering that the situation is unprecedented and is changing dynamically, the Company is not in a position to gauge with certainty, the future impact on its operations. The impact of COVID-19 is going to be challenging for the year 2020 – 21. However, the Company is confident about adapting to the changing business environment and respond suitably to fulfil the needs of its customers and all stakeholders by virtue of the Company's financial strength and resilience.

5. Details of impact of CoVID-19 on capital, financial resources, liquidity, profitability, internal financial controls, Supply Chain and demand for company's product:

The Company is having a comfortable liquidity position to meet its commitments with adequate banking limits being in place. The Company has also implemented stringent cost control measures across the organization to conserve cash to address any evolving situation resulting from the pandemic. The Company enjoys long term and short term CARE rating of A+ and A1+ respectively. Even before Covid-19 pandemic, the Company had taken initiatives to bring down its working capital utilization with close monitoring. The Company has not availed any moratorium for repayment of term loan instalments and working capital interest offered by the banks. The Company does not foresee major challenge or incremental risk in realizing/recovering its assets.

The Company is putting all efforts to reach all its customers to revive the demand. The Company is using all its resources and technology to ensure that products reach the existing and new customers. There is increased emphasis on new product development and sales. All the processes are being reviewed to curtail costs and minimise wastages. There is increased emphasis on use of technology so that costs can be minimized.

The Company has adequate internal financial control system both through technology, computer systems and otherwise. There is no impact on internal financial controls due to the COVID-19 situation.

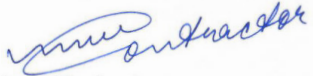
The Company is in continuous touch with all its vendors to bring the supply chain to normal. No sooner the effect of the pandemic comes down, the supply chain will improve further. The despatches have started and the Company is seeing inflow of orders and enquiries since May. The Company is expecting gradual recovery of demand from domestic and international markets as economies world over are opened up by respective Governments and various restrictions on business activities are relaxed.

6. Existing contracts/agreements where non-fulfilment of the obligations by any party will have significant impact on its business:

The Company is well positioned to fulfil its obligations and existing contracts/arrangements. At present, we do not foresee any contract/agreements which will have significant impact on the business in case of non-fulfilment of obligations by any party.

Thanking you

Yours faithfully
For **Sutlej Textiles and Industries Limited**



Manoj Contractor
Company Secretary and Compliance Officer

