

June 16, 2020

To,
The Manager
Dept. of Corporate Services
Bombay Stock Exchange Ltd.
25th Floor, P.J. Towers,
Dalal Street,
Mumbai-400001.

Script Code –542862

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).

Dear Sir/Madam,

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 22, 2020, the business operations were normal. Thereafter, on announcement of lockdown, there was no operating or business activity from March 23, 2020 till April 26, 2020. From April 27, 2020, the manufacturing plants operations partially resumed 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 below, with reduced off takes and higher lead times in the supply chains all across.

For the 9 months ended December 31, 2019, the Company reported a net profit before tax (PBT) to the tune of Rs.562.46 Lakhs. The management expected better results for the fourth quarter but due to the pandemic effect there is an adverse effect on margins and net profits of the company. This drop will be accentuated in the first quarter of the year 2020-21.

2. Ability to maintain operations:

The Surat offices were shut down during lockdown phase, but the company adopted the work from home policy for office related work during the entire lockdown duration. With the lifting of the partial lockdown restrictions the Company has restarted its operations at manufacturing plants and at Surat offices, in a gradual manner from April 27, 2020. However, due to the external



constraints and supply chain disturbances the capacity utilizations are between 20% to 30%. The Company expects normal operations by the end of September / October, 2020 when the situation all across is expected to improve.

3. Steps taken to ensure smooth functioning of operations:

The Company is having its plant locations and administrative offices in the Surat District in the state of Gujarat. Before, restarting the operations, 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 medical, 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.

Further, the Company has received certification from "The South India Textile Research Association (SITRA)" for production of Fabric meant for Body Coverall of Personal Protective Equipment (PPE) for Covid-19. Further looking at the capabilities of our Company, SITRA has conferred the approval for manufacturing PPE Body coverall. These all developments have been informed to you from time to time through our submissions on your website.

Thus, the Company are working towards fighting against the COVID-19 crisis by serving the nation during this time of pandemic.

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

Since this disruption during lockdown continued till April 27, 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:

a) Financial Arrangements and Liquidity:

The company has approached its bankers for sanction of emergency credit line to meet temporary liquidity mismatch arising out of COVID-19 as per norms of Bank/RBI. The Company has availed 1st moratorium facility for 3 months from March'20 to May'20 and



also in the process of availing 2nd moratorium facility for further 3 months from June'20 to August'20 for repayment of term loan instalments and interest and working capital interest. Customers are also incentivized to make the timely payments. Better terms of credit are also being negotiated with the suppliers. While doing all these efforts it is also being tried to maintain the financial covenants.

b) Profitability:

The Company is putting all efforts to reach its major 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. We expect there will be lower volumes / turnover and stress on margins in the initial two quarters which will effect the overall annual result of the company.

c) Assets:

None of the assets of the Company have been impacted or impaired.

d) 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 continuous review of policies and procedures to make them more effective according to the time and circumstances.

e) 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.

f) 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 its existing as well as potential buyers. Further the company has started supply/sale of the PPE kits with lower volumes in April 2020 onward and exploring further markets / customers for the same.



6. Existing contracts/agreements where non-fulfillment of the obligations by any party will have significant impact on the Company's business:

The Company does not foresee any significant impact in respect of its existing contracts and agreements where the non-fulfillment of Obligations by any party would lead to any material financial claim.

Kindly take the same on your record.

Thanking you.

Yours faithfully,
For Shahlon Silk Industries Limited



Hitesh Garmora
Company Secretary

