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Giriraj Annexe Circuit House Road  
**HUBBALLI - 580 029** Karnataka State  
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To,

BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai- 400001

National Stock Exchange of India Limited  
Exchange Plaza, Plot No. C/1, G-Block,  
Bandra – Kurla Complex, Bandra (E),  
Mumbai – 400 051

Dear Sir / Madam,

**Sub: Disclosure of material impact of Covid 19 pandemic on business**

**Reg. Reg. 30 of SEBI (LODR) Regulations, 2015 read with Schedule III Part A (B) (6) annexed thereto and advisory issued by the SEBI**

**Ref: Scrip Codes - (BSE – 539118) (NSE – VRLLOG)**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated 20th May, 2020, we are herewith submitting the disclosure of material impact of CoVID-19 pandemic on the operations and performance of the Company.

You are requested to kindly take note of the same.

For VRL LOGISTICS LIMITED

  
ANIRUDDHA PHADNAVIS  
COMPANY SECRETARY & COMPLIANCE OFFICER

Place: Hubballi  
Date: 27.05.2020

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**Website : www.vrllogistics.com** CIN : L60210KA1983PLC005247 **GSTIN (KAR) : 29AABCV3609C1ZJ**

## **NOTE ON DISCLOSURE OF IMPACT OF COVID 19 PANDEMIC ON BUSINESS**

This communication has reference to the SEBI Circular SEBI/HO/CFD/CMD1/CIR/2020/84 dated 20.05.2020 whereby Listed companies have been advised to provide the stakeholders with Company's evaluation of impact of the Covid-19 pandemic on business, performance and financials to the extent possible.

VRL Logistics Limited (**'Company'**) is a Public Limited Company listed on Bombay Stock Exchange and National Stock Exchange since 2015. The Company is predominantly engaged in the business of Goods Transportation and Passenger Transportation apart from Wind Power generation and Transportation of Passengers by air.

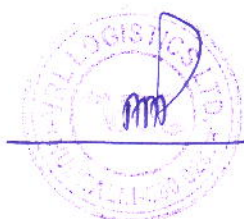
### **Impact on Business:**

Covid-19 pandemic has spread across the Globe and in India and has created massive negative disruptions in the business operations of one and all. Our Company's business operations too have been severely affected and has rendered this fiscal a difficult one on the business performance front. Our business is operational since 1976 and never ever have we seen a situation where the Company's finances have been under such extraordinary pressure.

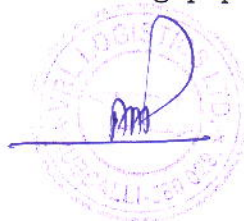
Till date, in the current fiscal we have seen negligible revenue generation leading to significant recurring fixed costs not being absorbed by operating revenues. The Company operates its business using an "asset heavy" model and employs nearly 20000 individuals and this has put severe pressure on the performance of the Company.

The lockdown commenced from the end of March 2020 and during these times, there have been several notifications from the Ministry of Home Affairs (MHA) which initially allowed the transportation of all essential goods within the country and later allowed even the movement of non-essential goods. These notifications also sought the free movement of goods vehicles across the country. The ground level reality however was very different. We have listed out below a few major hurdles faced by our Company during the Lockdown:

1. MHA gave leverage for transportation of essential goods but Company faced the problem of scarcity in Drivers and labour for material handling. Initially, there was mass hysteria amongst the working class and several of our drivers deserted their posts in an attempt to reunite with their families at their respective home towns. We witnessed thereby a mass exodus of drivers which affected our operations adversely. Several of them could never make it and were stopped by the authorities on their way back and were quarantined for a long period of time. This hinders their availability to us going forward in the near short term. We overcame several driver related challenges and ensured that our vehicles were safely parked at our respective offices/transshipment hubs and also ensured safety of materials in transit.



2. During the initial three phases of lockdown, the branch offices could not operate full time. Even presently, the branches in the jurisdiction of red zones are not allowed to function and continue to remain closed. These include several key commercial branches at places like Mumbai, Delhi, Pune, Chennai, Hyderabad, etc. The initial lockdown was strict and our branch offices hardly functioned. Later, once the relaxation was announced for the goods transportation sector, these were gradually made operational, albeit, only for a part of the day and not full time as there were very limited booking and delivery activities. Customer factories and shops were also not functional and as such there was hardly any business to transact.
3. The Company incurred substantial expenses on ensuring that proper sanitation and hygiene was maintained across all its business premises and operations. We ensured that all our drivers and labour were provided with decent and hygienic accommodation at the respective locations where they were present during commencement of lockdown. Proper food and other essentials were also duly provided for to such drivers and labour across the country. Sufficient number of masks, sanitizers and related equipment were made available to our drivers and labour across the country in a timely manner. We have also setup sufficient facilities for sanitizing our offices and vehicles at regular intervals. Apart from the above, significant resource were mobilized for educating our staff and creating awareness and taking necessary precautions at each and every operational location to curb the entry of this pandemic. Suitable measures for social distancing at office locations as also in staff buses is maintained by us.
4. The commencement of migrant exodus through the special trains organized by several state governments enabled the labour travel and our material handling labour across transshipment hubs started travelling back to their respective home states/towns. We are facing lot of hurdles in organizing this category of manpower and presently have managed to source enough headcount of this category to ensure unhampered operations.
5. Business volumes are as good as non-existent and at best negligible. The exodus of migrant labour is expected to aggravate this situation further in the near short term and till the business finds alternative and competent manpower, the freight volumes are expected to be low thereby casting a shadow on capacity utilization at our end. We are however ensuring that enquiries and business coming our way is dealt with in the best possible manner.
6. Maintenance costs need to be incurred on vehicles even when they remain idle to ensure their good operating condition and service availability as need arises.
7. On the passenger travel front, it is pertinent for us to state that the majority of earnings and related operational margin from this segment accrue generally in the first quarter of any given fiscal year given that the schools are on vacation as also owing to the marriage season during this period. However, during this fiscal till date, none of our passenger buses were operational and there has been a complete loss of revenue from this segment. The operations of our buses have just commenced with numerous restrictions. The requirement of social distancing as also the absence of traveling populace is going to affect the



revenues and performance of this segment. We are not sure when we would again see the buses operating on a full seat capacity basis.

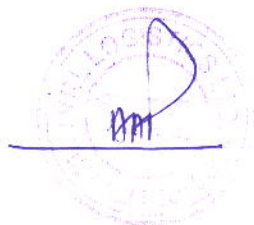
8. Our middle and senior level employees, including our Executive Directors have taken a pay cut on a graded basis. We have also ensured that the employee emoluments have been paid by us alongwith related statutory payments such as PF, ESI etc. in a timely manner.
9. Company has nearly 1000+ branches for transportation related activities. Majority of these remained closed during the month of April 2020. We have approached the Lessors of these premises to consider waiver of the rent for the said month to help us overcome this difficult period and many of them have supported us by consenting to such waiver. Many of the Lessors have agreed for partial waivers as well.

#### **Other suggested specific disclosures pursuant to the SEBI Circular**

**Ability to maintain operations including offices functioning and closed down & schedule for restarting operations:** The Company's offices continue to remain operational. However, there are certain restrictions on the functioning of offices situated in the red zone. Several offices of the Company situated in red zones including those in Mumbai, Pune, Delhi, Chennai, etc. remain closed and would function only in compliance with the directives issued by the regulators and State Governments. Even the offices and transshipments which earlier operated throughout the day are operating only for the permitted part of the day and the Company is in compliance with the 7 pm To 7 am restrictions, as applicable.

#### **Current Scenario & Steps taken to ensure smooth functioning of operations:**

- We are focusing on ensuring the availability of sufficient number of drivers and labour to ensure ground level operations. The availability of this category of manpower is sufficient for the present business volume but we would need to be well prepared in advance to have sufficient manpower as volumes go up gradually as expected.
- Our working capital limits are under strain and we have approached our lenders for increase of these limits to which an in-principle consent has been provided by the Banks. We are able to tide over the temporary liquidity problem and availability of funds for day to day operations is not expected to be a big challenge.
- The availability of freight volumes is increasing day by day. Normal business operations with optimal capacity utilization however remains a far cry. Our management has however taken a cautious approach and we are trying to ensure that our vehicles get deployed on routes that have sufficient load. Considering the incremental overhead costs necessitated out of Covid-19 developments, we have also enhanced our freight rates across all customer categories.
- In compliance with the guidelines, we have ensured the availability of thermal scanners to monitor body temperature at branch offices. Availability of sanitizers / soaps to wash hands etc. is ensured. Employees have been educated on social



distancing need and also on the need to maintain proper hygiene individually as also at the office premises. Guidance has also been repeatedly given by way of internal circulars to educate the employees on immunity boosting food and health practices. The branch inspection team which regularly visits the branch offices across the country have been specifically asked to include the verification of these aspects as a part of their routine audit visit once the inspection functions recommence in a full-fledged manner.

**Financial Impact:**

Historically, the first quarter of the fiscal is marked with higher revenues as also profit margins, especially for the Passenger Transport segment. The same does not hold good for this year. The incremental revenues historically accruing owing to vacations and marriage season etc. stand lost for the current year.

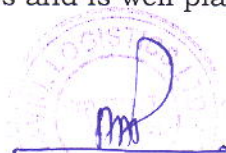
There was hardly any business for the month of April 2020. Even for the month of May 2020, the business volume is very low. The same has resulted in a temporary liquidity issue in the Company that has necessitated the need for management to approach its working capital lenders for an increased limit. This is however temporary and the Management does not foresee any liquidity challenge as raising debt from the existing lenders does not pose any challenge.

The “asset ownership” model followed by the Company coupled with its nearly 20000 employee base presents significant monthly fixed costs which need to be absorbed by the operating revenues. The revenues are meagre for the months of April and May and June is expected to be no different given that the Brick and Mortar businesses are labour intensive and the present mass labour exodus poses production challenges for our clients. Thus, the management of the Company expects the results for the first quarter of FY 2020-21 to be not encouraging. We expect the Company to report significant financial loss for this period.

The inherent strength in our business model including non-concentration in specific segments/customers/geographical locations ensures that the Company is not dependent on any particular customer or industry for its revenues. In these difficult times, the available drivers and vehicles are being selectively deployed for Full Truck Loads and Parcels depending on return load and other ground level positions as the situation warrants. We are transacting freight business coming our way and our entire team has existing customers as also potential customers for sustaining business.

The Company has not availed the option to postpone the repayment of the debt obligations. The Company has honoured its debt service obligations in a timely manner and would continue to do so in the days to come.

Going ahead, we believe that we need to live through with the Corona virus and find ways and means to overcome the challenges it presents. Historically, human beings have overcome every such pandemic and any adverse economic effects of these are at best temporary. Our Company is financially strong and also has a strong business foundation, reliable brand, national network of 1000+ branches and 48 transshipment hubs with a strong fleet of 4900 + owned vehicles led by a strong core management leadership team with proven capabilities and is well placed to overcome this temporary



setback. From the second quarter onwards, we expect the recouping of losses. We expect the business volumes to start picking up significantly from August 2020 onwards and the restoration of freight volume normalcy by the last quarter of this fiscal.

Any quantification of financial results as of now would be at best guesswork and we do not wish to quantify them as the ground realities are dynamic and continuously changing and would render any estimation 'off-mark' in hindsight. Financial year 2020-21 is indeed an aberration in the history of this Company and a one-off year of abnormality. We expect the resumption of healthy financial growth from the next fiscal onwards.

We would keep all our stakeholders updated on any significant developments going ahead too. We seek the support of all our stakeholders during these difficult times and request the continuation of faith in the management of the Company which is trying its best to come out with ways and means to mitigate the after effects of this unfortunate pandemic.

