

Vimta Labs Limited

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VLL\10\S-004\2020\
Date : 05.06.2020

Listing Centre
BSE Limited
PJ Towers, Dalal Street
Mumbai : 400001

Scrip Code : 524394

Asst. Vice President
National Stock Exchange of India Limited
“Exchange Plaza”, Bandra
Kurla Complex, Bandra (E)
Mumbai – 400 051

Symbol : VIMTALABS

Dear Sir/Madam,

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

Pursuant to regulation 30 of SEBI Listing Obligations and Disclosure Requirements and SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated 20th May 2020, please find enclosed herewith the disclosure of material impact of CoVID-19 pandemic on the operations and performance of the Company.

This is for your information and records.

Thanking you,

Yours faithfully,
for Vimta Labs Limited

Harita Vasireddi
Managing Director

Encl : as above.

Impact of Covid-19 pandemic on the business

We are in the business of providing contract research and testing services to food and pharma customers globally, and are also in the business of providing clinical diagnostics and environmental monitoring services to various customers in India. The national lockdown due to Covid-19 pandemic was imposed in India from 24th March, 2020 due to which logistics i.e., samples courier movement domestically and internationally have been disturbed. Hence, by and large, new samples/projects were inactive from last week of March 2020 to mid May 2020. Thereon, with the easing of lockdown restrictions the inflow of new samples/projects gradually increased. As we are in the business of providing essential services to support Food and Pharma sectors, including government organizations, and also provide services to support healthcare, we are hopeful that our business will reach a normal situation by early Q2 2021. However, due to the uncertainties during this pandemic, which continues to be a national and global crisis, we are unable to gauge the overall economic impact in the near term, and its further impact on our business.

During lockdown, as we were classified as ‘essential services’ as per the GOI notifications and FSSAI, the company continued to stay operational and provided services at required lean levels. This period was also used to handle previously available customer orders for which we had samples in hand.

In summary, the business during the lock down period has been low, starting with very lean operations and ramping up to about 60% capacity currently, and this continues to grow, although it is slow. During the entire period, business continuity plans have been under implementation for the company to gear up capacities without lag, in line with demand.

Ability to maintain operations including the factories/units/office spaces functioning and closed down

Majority of our locations/laboratories were temporarily closed during early lockdown period, except for the main laboratories located in Hyderabad. Subsequently, between mid-April to early May 2020, operations resumed at all locations/laboratories. All relevant safety guidelines issued from time to time by the government and industry bodies in relation to Covid-19 pandemic have been adopted for running safe operations. Employee safety is a top priority amidst this pandemic and is at the centre of all our business operations. Wherever possible, staff have been provided with technology to work from home, thereby minimizing head counts on sites to extent possible, while ensuring seamless operation, reporting and control.

Steps taken to ensure smooth functioning of operations

The situation continues to be intensely and constantly monitored by the Management to ensure speedy responses needed, operationally, for employee safety and business continuity during this pandemic. A number of steps have been taken to ensure smooth functioning of operations.

- The Management during the pre-lockdown period reviewed the business continuity plan and put in place an emergency response team. First priority was creating an awareness amongst the employees on Covid-19 and the need for safety practices such as sanitization,

hygiene, and observing social distancing norms. Therefore, various types of communications were made, and awareness sessions were conducted to educate employees about the impending risks and required safety measures.

- When lockdown was announced, the business continuity plans were promptly put into implementation, wherein all essential services were maintained with identified critical resources.
- Steps were taken to facilitate transportation for essential staff; work from home was rolled out to maximum extent possible; sanitation protocols were deployed at lab premises and for vehicles used for employees' transportation; thermal screening; social distancing; wearing of masks; Aarogya Setu App; providing food and stay onsite for employees wherever necessary to ensure uninterrupted work; adequate supply of raw materials, consumables, power, fuel, transportation etc., were ensured. These safety measures continue to be in force.
- Continuous communications are maintained with customers to support them in their projects.
- Additional reporting systems and internal controls have been put in place for daily monitoring and review by Management of safety practices, cash flows, material requirements and in-flows, and any other perceived risks for necessary mitigation or corrective actions.

Estimation of the future impact of Covid-19 on operations

Company has been, and neither will be, an exception to the impact of Covid-19. Given the uncertainties domestically as well as globally, any estimation of future impact would be difficult. However, to whatever best understanding we have, we expect that from Q2 2021 business will come to normal pace as States and Countries are continuously announcing relaxations and taking steps to improve trade and commerce. Our expansion plans in current financial year in the field of Electronics & Electricals testing are active but slightly delayed to the extent of lockdown period.

Capital and Financial resources

The Company does not foresee a need to increase its capital. Financial resources have not been stretched and currently we are able to meet all our major obligations as per the arrangements. On the debt front, Company expects to raise further debts, as needed for expansion, without any difficulty.

Profitability

The profitability during the lockdown period will be affected and a clear view of this will be available after the audit of FY 2019-20 and Q1 2021.

Liquidity Position

Irrespective of sales, a significant portion of the costs in company is fixed in nature, despite which, Company is able to meet its present and future commitments with the liquidity available. As a precautionary measure several steps have been taken to control cash out-flows in agreement with business partners for the deferment of a few commitments during the lockdown period. We have also availed the moratorium option for payment of principal and interest on our term loans and working capital loans in line with relaxation given by RBI. Additionally, other benefits announced by the Government during the Covid-19 period for the delayed payment of tax obligations have also been availed to maintain liquidity.

Ability to serve debts and other financial arrangements

Company is confident to continue to service all debts and meet all obligations of financial arrangements as per due dates.

Assets

None of the assets of the Company have been impacted or impaired by the pandemic situation. Further, the Company continues to procure assets as per business requirements and expansion plans.

Internal financial reporting and control

Adequate internal financial reporting and control systems are in place. Even during lockdown a combination of critical staff on-site with all others working from home have ensured that all reporting systems worked seamlessly without any interruption. Hence all financial reporting is timely, accurate and well controlled.

Supply chain

For all routine materials and consumables, adequate stocks are maintained to ensure uninterrupted services to customers. However, due to interrupted logistics during lockdown, receipt of new samples from customers and non-routine material from vendors were impacted. Therefore, logistics have a close relation to sales in our business. Logistics have steadily improved since mid May 2020, and we expect them to reach near normal situation in immediate future.

Demand for our services

Due to country wide lockdown and lockdown in our major overseas markets, we have witnessed a lower demand past two months, which however is steadily and promisingly recovering. Given that our services are majorly for pharma and food industry, we expect the demand for contract testing and research to recover speedily and possibly also improve in the near future due to increased focus on health, food safety, environment safety, new vaccines development etc. The company has booked reasonable work orders even during the lockdown period. Overall, we expect the demand for our services to be positive in FY 2020-21.

Existing contracts/agreements where non fulfilment of the obligations by any party will have significant impact on the listed entity's business

The company has experienced a few cancellations during early lockdown period in certain services, however does not foresee any significant impact in respect of its existing contracts and agreements where the non-fulfilment of obligations by any party would lead to any material financial claim/impact.

Other relevant material updates about the listed entity's business

The Company's Managing Director has taken a voluntary 100% annual pay cut to support the business. Deferments (5%-20%) and pay cuts (5%-15%) have been rolled out for some of the employees in Q1 2021. Minimum wages were fully protected.

The impact statements made are based on facts thus far. Prospective statements are based on Management's judgement, beliefs and assumptions in view of currently available information regarding the industry prospects in its near term future. Risks and opportunities may change abruptly, and Management will continuously monitor the situation and shall keep all our shareholders informed as and when any new material developments take place that have a significant impact.
