

HeidelbergCement India Limited

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HCIL:SECTL:SE:2020-21

3rd June 2020

BSE Ltd.
Listing Department
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai - 400001

National Stock Exchange of India Ltd.
Listing Department,
Exchange Plaza, C/1, Block G,
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051

Scrip Code:500292

Trading Symbol: Heidelberg

Dear Sir,

Sub: Update on the impact of COVID-19 pandemic on operations of HeidelbergCement India Limited and the mitigation measures taken by the Company

This has reference to SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated 20th May 2020 vide which SEBI has advised all the listed companies to do an assessment and submit an update to stock exchanges with respect to the impact of COVID-19 pandemic on their operations.

At the outset, we wish to inform you that since the beginning of March 2020 the Company kept a close watch on the COVID-19 situation. The Company being part of HeidelbergCement Group of Germany, an international building materials group, also received few advisories from them cautioning about the potential impact of COVID-19. During March 2020, the management activated its "Contingency Management and Business Continuity Plan". All the members of the business continuity team were advised to be extremely vigilant about the emerging scenario and to take proactive steps to mitigate the situation as may be required from time to time.

The first priority that was envisaged by the business continuity team was to create awareness amongst the employees about the need for thermal scanning, sanitization, hygiene, wearing masks and observing social distancing norms. Therefore various communications were issued, and awareness sessions were conducted to make employees aware about the impending risk. Posters in the local language to educate the workmen were put at prominent locations. Similar communications were sent to our channel partners and business associates too. The management consciously decided to secure fuel and input materials to meet the challenges of potential supply chain disruptions.

The complete nation-wide lockdown was announced by the Central Government with effect from 25 March 2020. However, even prior to the said lockdown, many State Governments had issued directions to stop manufacturing operations in plants in the wake of rapidly increasing risk of spread of COVID-19. In compliance with the government's directions, the Company decided to suspend manufacturing operations in its plants and accordingly an intimation was sent to stock exchanges on 24 March 2020. While suspending the operations it was ensured that plants are safe and secure from all kinds of risks, and various steps were



taken to protect the inventory of fuels and other flammable materials against the risk of fire. Adequate protection measures were carried out to ensure the safety of plant and machinery and its upkeep during lockdown period so that they remain in a state of readiness to be able to jumpstart the operations at short notice.

After receiving requisite clearances from the District Administration(s), the Company had informed stock exchanges about the resumption of operations vide its letter dated 20 April 2020. Initially, the people deployment was restricted by the district administration(s) and gradually increased as we kept receiving further approvals. Thermal scanning of individuals is mandatory at entry gates of all plants. In addition to usual Personal Protective Equipment (PPE), while working in the plant premises, COVID-19 protection has also been made mandatory in all plants. Sanitizer dispensing machines and handwashing facilities have been provided at relevant places, and social distancing norms are strictly being followed by all employees and workmen. Employees based at corporate office and sales team were advised in 2nd fortnight of March 2020 to Work from Home, and till date, quite a few of them continue to do so and keep the business going on despite all odds.

The Company has stepped up its CSR initiatives to serve the underprivileged sections of the society. In these times of adversity, the Company is maintaining constant dialogue with local panchayats and village representatives to assess their needs and provide necessary support to the extent possible. We have distributed face masks, sanitizer dispensers, grocery items, food packets etc. to the local people in need. Sanitization drive was also carried out in some villages with high-risk profile. All these tasks were executed in close coordination with officials of district administration.

Due to the onslaught of COVID-19 pandemic, uncertainties have enveloped the global economy. Most of the rating agencies and analysts have lowered their projections for the Indian economy aligning it to the global trends. The support measures announced by the government and RBI in response to the pandemic, including fiscal package with support for low-income workers and households, monetary easing, liquidity and regulatory measures for the financial sector, MSMEs etc., would help in softening the blow to the vulnerable sections of the society. The sharp reduction in crude oil prices, if sustained, could also improve the country's terms of trade.

It has been over a month since our plants have resumed operations. However, still, it is difficult and premature to predict the time it may take for the state of normalcy to be achieved. A lot will depend on how and by when the pandemic is brought under control. Various restrictions related to mobility and operations have adversely impacted the Company's operations and consequently, the profitability.

We are providing hereunder a summary of various business activities of the Company that have been affected by COVID-19 pandemic and the steps taken by the management to mitigate the same:

- (a) Plant operations: After receiving requisite clearances from the District Administration(s), the Company has been gradually stepping up its production activities. In view of the prevailing situation it has been decided to defer some of the scheduled repairs. However, the same will not impact the manufacturing operations.

- (b) Input material prices and availability: We are closely monitoring the movement in fuel prices and are taking the best possible positions to secure our fuel requirements.

The power plants in close vicinity of our cement grinding plants are operating intermittently on account of a sharp drop in power demand due to low power demand from industrial and commercial activities. This has impacted fly ash availability. To continue our production uninterrupted, we are sourcing fly ash from other power plants situated at long leads.

HDPE bags, used for packing cement, are manufactured by labour-intensive units. Most of the workers in these units are migratory labour who might have left their workplaces, making it difficult for these suppliers to meet their delivery schedules.

So far, none of our vendors/contractors has expressed their inability to fulfil their contractual obligations towards the Company. A few vendors sought additional time to effect deliveries, which has not adversely affected our operations.

- (c) Logistics: Our current level of dispatches are adequately met by the trucks available in the market. However, as we step up our dispatches in the future, we expect some constraints due to the reduced availability of truck drivers. We anticipate this limitation to impact both inbound and outbound logistics. To mitigate the situation, we are in discussion with our business associates to provide support by augmenting the existing fleet of trucks.

Impact of labour shortage could be more pronounced at railway yards. Delayed clearance of railway wagons could also impact the turnaround time of the rolling stock. Until now, we have not been much affected on account of the above as we could efficiently balance our rail-road mix.

- (d) Sales: Steps have been taken to educate the channel partners to mitigate the problems envisaged at the market level. Business practices are fast-changing, and keeping the channel partners informed and upgrading their capabilities is an ongoing exercise. All the warehouses are currently operational, although with a reduced level of activity. Our State Offices have also started operations after observing necessary safeguards and following the directions issued by the local authorities. Field staff is working with flexible timings and ensuring adherence to social distancing norms, mandatory wearing of COVID-19 protection etc.

To closely monitor the evolving situation and take quick decisions, review meetings with the sales team, channel partners and business associates are being conducted through online platforms.

We are witnessing a gradual increase in cement demand but do not expect a V-shaped recovery. Many dealers are facing a liquidity crunch and want to liquidate their existing inventory before placing any fresh orders. Cement demand may remain sluggish due to the shortage of labour in urban areas. However, areas where government spending would be good, will see better demand.

- (e) Finance: The Company has put in place additional internal controls and reporting systems to facilitate daily monitoring and review of the following aspects by the Management:



- Cash flow including overdue outstanding from debtors;
- Inward and outward movement of materials;
- Availability of raw materials, semi-finished and finished goods at all locations.

Review of liquidity position indicates that the Company doesn't foresee any problem in meeting its payment obligations, including payment of interest and principal on Non-convertible Debentures (NCDs). These payments will be managed through internal accruals, and refinancing will not be required.

The Company doesn't foresee any risk in the recoverability of its assets viz., inventory, debtors etc. The Company has proactively taken several measures to optimize its Operating Expenditure, Capital Expenditure and Working Capital. Further, as a cost optimization measure, the tenure of various annual maintenance and service contracts have been extended by two to three months without incurring any extra cost.

The Company has reviewed its existing Risk Control Matrix and made suitable changes to deal with the emerging challenges faced due to this unprecedented situation. A continuous process of coordination with all Stakeholders has been put in place to assess the risks so that timely corrective actions are taken to mitigate the perceived risks.

Please take the same on record.

Thanking you,

Yours Faithfully,
For HeidelbergCement India Ltd.



Rajesh Relan
Legal Head & Company Secretary

Cautionary Statement

Statements in this letter describing the Company's objectives, projections, estimates, expectations or predictions, may be considered to be "forward-looking statements" within the meaning of applicable Securities Laws and Regulations. These statements are based on certain assumptions and expectations of future events. Actual results could, however, materially differ from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian political and economic environment, demand-supply conditions, raw materials cost and availability, cyclical demand and pricing in the Company's principal markets, changes in laws and tax regimes. Besides, factors such as litigation and industrial relations as well as the ability to implement strategies may also impact on Company's operation.