



Enriching Lives

KIRLOSKAR OIL ENGINES LIMITED
A Kirloskar Group Company

Date: 20th October 2020

BSE Scrip Code: **533293**

NSE Scrip Code: **KIRLOSENG**

To
Corporate Relationship Department
BSE Limited
1st Floor, Rotunda Building,
Dalal Street, Fort,
Mumbai – 400 001

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

Dear Sir/Madam,

In continuation to our earlier communication vide letters dated 23rd March 2020, 26th March 2020, 14th April 2020, 22nd April 2020, 27th April 2020, 28th April 2020, 4th May 2020, 9th May 2020, 15th May 2020, 18th May 2020, 27th May 2020, 1st June 2020, 8th June 2020 and 9th July 2020, pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) 2015 read with SEBI circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated 20th May 2020, please find enclosed herewith disclosure on further update of material impact of COVID-19 pandemic on the business operations of the Company.

You are requested to take the same on your record.

Thanking you,

Yours faithfully,
For Kirloskar Oil Engines Limited

Smita Raichurkar
Company Secretary

Encl.: As above.



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**Disclosure of material impact of CoVID-19 Pandemic on the Business Operations of the Company –
Update No. 3**

This is in reference to SEBI Circular dated 20th May 2020 regarding advisory on disclosure of material impact of CoVID19 pandemic on listed entities under SEBI (LODR) Regulations, 2015.

We also take reference to our earlier communication dated 27th May 2020 and 9th July 2020, on the above subject.

In this connection, we would like to submit as follows:

Q2 (July-September) of FY 2021:

Overall Impact on Sales & Profitability:

- There has been an improvement in the overall performance during Q2 of the current financial year compared to the preceding quarter.
- The improvement in different business divisions of the Company is in varying proportions.
- The Company has taken adequate measures across the organization to control costs, and to address any evolving situation resulting from this pandemic COVID-19.
- The Company does not foresee any significant challenge in realizing/recovering its debtors, inventory, and other assets though some delays have been noticed in collections especially in Large Engine Business division and in Government account.

Businesswise Impact:

- Power Generation business is recovering but the pace of recovery is slower compared to other business divisions
- Other Business divisions of the Company, including exports, have shown good recovery during Q2
- The Company is seeing an uptick in demand in its various businesses. The early indications are positive.

Manufacturing Operations:

- All the factories of the Company and its subsidiaries are functioning to meet the customer orders; the operations are in line with the quantum of manpower permitted and directives issued by the Government in the context of COVID-19.

Steps taken to ensure smooth functioning of operations:

- Strict measures for ensuring social distancing, hygiene practices and deep cleansing of premises, to ensure the safety of our workers / employees at work place are being implemented.



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Manpower:

- Similar to Q1, majority of the employees working in offices continued to work from home in the Company and its subsidiaries during Q2. At the same time plants / field / depot / warehouse operations are being carried out, duly complying with the relaxations / directions provided by both the Central / State Governments and Local Authorities.

Liquidity Position and Payment Obligations:

- The liquidity position of the Company is robust and no major issues are foreseen in the near term.
- All statutory dues have been/are being paid on or before respective due dates.

Ability to service debt and other financing arrangements:

- The Company is having fund based-working capital limits with banks and it does not anticipate any issue in servicing the interest obligations. In addition to servicing interest obligations towards working capital limits utilised, the Company doesn't have any issue in repayment of its debt obligations on time.

Assets:

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

Internal financial reporting and control:

- The Company has ERP System in place and all its locations are well networked. The ERP and other IT systems have been working seamlessly without any disruption, thus enabling internal financial reporting and control. One of the subsidiaries of the Company i.e. La Gajjar Machineries Private Limited has migrated to a new ERP system in the beginning of October 2020.

Supply Chain:

- Some employees reported COVID-19 infection while at home. Company quickly undertook the contact tracing and necessary tests and no positive case was reported in office or factory premises. Also some infections were reported at our critical supplier organizations. This has impacted KOEL supply chain to some extent. Necessary actions have been taken. It may be noted that it is a contextual impact and the company continues to take optimal decisions on a case to case basis.
- Supply chain of the Company was also affected to some extent due to constraints in the availability of adequate manpower due to COVID-19 infection as well as non-availability of few raw materials during the quarter ended 30th September 2020.
- Some improvements in inward & outward supply chain operations, however, were noticed in Q2. That said, due to constant and unpredictable eruptions of COVID-19 cases in different locations even now, we expect some disruptions in our supplies which may affect order deliveries by few days.



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Demand for products:

- Considering the improvement observed during Q2, we expect the demand for our products to further pick up in the coming months/quarters. However, the uncertainties with reference to the spread / containment of COVID-19 remain.

Existing contracts / agreements where non-fulfilment of the obligations by any party will have significant impact:

- None

Conclusion:

As a result of "Unlock" announcements made by Government and relaxations given from time to time with respect to COVID-19, the Company is likely to reach its original level of operations in the coming months and quarters.

However, COVID-19 induced, lower performance in first half of the FY 21 is likely to have its impact on the overall performance / profitability of the Company for the financial year 2020-21.

Kindly take the above information on record.

For Kirloskar Oil Engines Limited

Sanjeev Nimkar
Managing Director