Dear Madam,

Sub.: Disclosure of material impact of COVID–19 pandemic

In continuation of our letter(s) dated March 23, 2020, May 13, 2020, May 22, 2020, May 30, 2020 and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020, please find mentioned below the material impact of COVID–19 pandemic:

We would like to submit update on impact of COVID-19 Pandemic as follows:

COVID–19 being an unprecedented health crisis, our main priority is employee safety and safeguarding business interests of our Customers. We are monitoring and assessing the situation since March 2020 and disclosure to this effect has been given in the above referred letters apart from notes on the Financial Results for the quarter and year ended March 31, 2020 and in the Annual Report for the year 2019-20.

Current year update :

a. Manufacturing operations (Ability to maintain operations including the factories / units / office spaces functioning and closed down, Steps taken to ensure smooth functioning of operations & Schedule, if any, for restarting the operations):

In response to the declaration of nationwide lockdown to contain the spread of COVID–19 pandemic, the Company suspended operations of all its offices at various locations and plants situated at Hadapsar, Saswad and Nashik with effect from March 23, 2020. To facilitate continued business, the Company resorted to work from home facility for its employees wherever possible.

The Company is a supplier of CNG Compressors in addition to Air, Refrigeration and Gas Compressors required for Oil & Gas and other sectors. Company also supplies Traction Gears to Indian Railways. To cater to the demand of these products from
customers providing essential services, during the lockdown period the Company, with necessary permissions from the Local Authorities commenced its operations partially at its Saswad plant with effect from May 13, 2020. Similarly, operations of Hadapsar plant were also commenced partially with limited staff with effect from May 22, 2020.

The operations of the Company at Saswad plant are being ramped up gradually and will reach to usual working levels in time to come. Company’s plant at Hadapsar has now started operating with increased working strength in accordance with permission granted by the appropriate authorities recently though it has yet to reach full scale operations. Suspension of operation of plant and office situated at Nashik continues.

The Company has put in place several measures for monitoring the health of the employees and safeguarding them from COVID-19 while they come to work at its Saswad and Hadapsar plants by adopting the following:

- Self declaration from employees regarding travel history and health condition;
- Instructing employees to install ‘Aarogya Setu’ app on their mobile phones;
- Thermal screening of all employees and visitors at the gate entry;
- Sanitizing the premises & vehicles on regular basis;
- Limiting number of employees and visitors;
- Requiring maintenance of social distancing at all work places
- Enforcing wearing of masks and regular cleaning of hands;
- Continued awareness by the Company on COVID-19 related aspects;

b. Details of impact of COVID–19 :

- Businesswise and overall impact on sales and profitability
  
  i. Post partial commencement of operations in the Company’s plants as stated above, there has been improvement in the performance month on month.

  ii. The improvement in the sales performance inter alia also depends on the operating status of the Company, its suppliers and customers which are also impacted due to COVID–19 lockdown to some extent. The sales of the Company till date therefore have been at lower levels compared to the corresponding period of the previous year and so could be the profitability even though Company has been taking several measures to control its costs. The impact of the same is being ascertained.
• Capital and financial resources, liquidity position & ability to service debt and other financing arrangements:

The Company’s capital and credit lines from Banks remain intact. The Company does not foresee any specific challenge in terms of its capital or financial resources.

Collections from receivables have been satisfactory till date which has enabled the Company to pay to its suppliers and other liabilities. The Company has therefore satisfactory liquidity position for its operations and to meet its financial commitments.

Credit rating agency CRISIL has recently reaffirmed credit rating for the Company’s bank facilities and other instruments.

• Assets:

Considering the manufacturing schedule based on orders in hand, non-financial assets of the Company shall be optimally utilized and therefore does not require any impairment.

The Company reviews its trade receivables regularly and does not expect any material realization loss. Similarly, Company does not anticipate any realization loss on lease receivables, investment in debt mutual funds and other receivables.

• Internal financial reporting and control:

The Company has an established process for internal controls and financial reporting. It does not foresee any adverse impact on the same.

• Supply chain:

Supply chain of the Company was affected initially due to constraints in the availability of raw materials, transportation and manpower at supplier’s locations. In recent times an improvement in supply chain is being observed facilitating Company’s operations.

• Demand for its products/services:

As on date the Company has sufficient orders in hand for the current year and the flow of new orders continues to be satisfactory.
c. Existing contracts / agreements where non-fulfilment of the obligations by any party will have significant impact on the Company's business:

While the Company is well positioned to fulfil its obligations and does not foresee any significant impact on the deliverables, any non-fulfilment of obligations by third party can impact Company’s business. However based on the nature of current orders in hand, it is not possible to ascertain the quantum, if any, at this juncture.

d. Estimation of the future impact of COVID-19 on its operations:

The COVID-19 is rapidly evolving and has created a significant amount of uncertainty. However, considering the nature of business, the industrial sectors served by the Company, continued enquiry trends for the Company’s products and services, present order board is expected to provide business prospects during the current year similar to that of previous year subject to non-continuance of restrictions on account of extended lockdown.

The Company is continuously evaluating the current situation of COVID19 pandemic and its potential effects on the performance and financials and is taking appropriate measures to the extent possible to mitigate the impact of disruption.

You are requested to take the same on record.

For Kirloskar Pneumatic Co. Ltd

Aditya Kowshik
Managing Director
DIN : 00228983