

KDDL Limited

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Ref : KDDL/CS/2020-21/08

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National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra,
Mumbai - 400 051

BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400001

Trading Symbol : KDDL

Scrip Code : 532054

Subject: Disclosure of Material Impact of Covid -19 Pandemic on the Company

Dear Sir/ Madam,

Pursuant to SEBI Circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated 20th May 2020, we are enclosing herewith disclosure of material impact of COVID-19 pandemic on the Company.

Please take the same on record.


Thanking you,


Yours truly

For KDDL Limited

Brahm Prakash Kumar
Company Secretary

DISCLOSURE OF MATERIAL IMPACT OF COVID -19 PANDEMIC ON “KDDL LIMITED”

Sr. No.	Particulars	Disclosures
1	Impact of the CoVID-19 pandemic on the business;	<p>The outburst of Pandemic COVID-19 has threatened every business. Broadly no business or industry is insulated from this Global pandemic. The degree and magnitude of this threat is varying based on the product range, geographical territories, cost structures, market forces, industrial scenarios, government policies and initiatives, customer sentiments and overall economic scenario. Any realistic assessment of depth and duration of impact will be known gradually based on the reopening of the markets and economies and to a large extent on the speed of developments for cure of this disease thru’ treatment and vaccination.</p> <p>We in KDDL are also affected with COVID-19 from March onwards as all factories, units and offices were closed due to strict lockdown and curfew across the country.</p>
2	Ability to maintain operations including the factories/units/office spaces functioning and closed down including Schedule, if any, for restarting the operations;	<p>During the period of lock down all our operations, factories, units, and offices were completely shut down and no operations were permitted. Our manufacturing operations are mainly concentrated in Bangalore (Karnataka), Derabassi (Punjab), Parwanoo and Baddi (Himachal Pradesh) and offices in Delhi and Chandigarh.</p> <p>The Manufacturing plants were under lockdown and partial relaxations have been provided from Mid-May-20. We have recommenced the limited operations due to limited availability of manpower and restrictions due to compliance of MHA guidelines related to social distancing, transportation, restrictions on permitted strength etc. In addition to this many of the employees and workers have gone to their hometowns before the lock down period and are unable to come back due to unavailability of public transport. We believe that complete operations may be possible from July onwards subject to further relaxations in permitted activities including availability of public transport.</p>
3	Steps taken to ensure smooth functioning of operations;	<p>We have partially commenced the operations in all factories and offices after complete sanitisation of the facilities. We have also implemented strict guidelines and undertaken necessary precautionary measures for social distancing, limited manpower, staggered working, work from home, regular screening and sanitisation, preventive health check-ups and necessary guidance and advisory for providing a safe working environment to all employees.</p>
4	Estimation of the future impact of CoVID-19 on its operations	<p>We are in regular touch and closely interacting with all our customers and suppliers and understanding their requirement and the impact on their operations due to COVID-19. For our businesses we expect that in the short run there will be a major impact due to market slow down and lockdown conditions and gradual recovery is expected in both domestic and export markets. On the other hand, as our capabilities are relevant for various segments and industries, many new opportunities and options might also emerge in due course of time.</p> 

5	Details of impact of CoVID-19 :	
5.1	capital and financial resources and profitability;	<p>During 2019-20, we had some impact due to lock down and major part of the sales for the month of Mar-20 could not be recognised and most of the production for initial 20 days was in Finished goods and WIP stages. During last fortnight of March, all our factories were under shut down and no production could take place. We will be in a position to record these sales, after lock down conditions are released.</p> <p>For FY 20-21, we expect that Qtr-1 to be severely affected and the revenue de-growth will be significant with gradual recoveries happening in the coming quarters. Company is proactively taking necessary steps for major cost reductions and deferment of overheads. and even with these measures Qtr-1 is likely to be a net loss position.</p> <p>The profitability of the company is also likely to get affected due to decline in revenues. But the company is taking all necessary actions and available options for reducing costs, overheads and deferring the long-term commitments of expenditures. In addition, all avenues and efforts are being initiated for enhancing the revenue and income of the company to minimise the impact of COVID-19 on the profitability of the company. We are also taking necessary steps and initiatives to come back strongly with improved market share, segment presence, productivities, efficiencies, and stronger financial position, when the situation normalises in the coming period. We remain optimistic for the medium- and long-term future.</p>
5.2	liquidity position;	<p>We will be able to meet all our liabilities and cater to the requirements of the customers as our financial position and balance sheet is strong. Our liquidity position is adequate to meet all our commitments. We remain committed to raising need based additional debt or equity for the business sustenance and development.</p>
5.3	ability to service debt and other financing arrangements;	<p>We do not anticipate any major financial difficulties or credit risks, either from bad-debts or requirement of any impairment or write-offs. Our financial position and liquidity position are strong and as a precautionary measure we are already creating the necessary additional liquidity in the system for meeting any type of eventualities. Further, we keep evaluating the requirements of fresh debt or equity raising and remain committed to creating necessary liquidity for meeting all our obligations. In addition, we have already initiated steps for conserving cash and using all available options provided by the Government of India and leveraging our relationships and strengths with customers and suppliers.</p>
5.4	internal financial reporting and control;	<p>We do not anticipate any major impact on the internal financial reporting and controls as the processes, systems, guidelines, and internal controls are adequate for the level of business of the company. All company locations and facilities are completely integrated with the latest software and systems. There are adequate reporting and reviewing mechanisms for normal and exceptional transactions.</p> 

5.5	supply chain;	<p>We do not foresee any major challenge in procurement of our materials. We do not have any significant dependence on any smaller vendors and suppliers, which may be more vulnerable to the fluctuations in the market. We also have alternate materials and sources for most of the critical raw materials. We do not foresee any major threat to supplies.</p>
5.6	Employees and Manpower Assessment	<p>As most of our manufacturing operations are skilled based, and it remains as a major strength for us. Fortunately for us all our employees and their families are safe from this pandemic threat. However due to non-availability of public transport and restriction on interstate and intra state movement, limited manpower is available for operations. In the short run, it will not have any major effect as the order position, customer requirement and trade movement is also low.</p> <p>However, post lock down availability of manpower for some period may remain restricted as some of workers and staff members are struck in their hometowns and other places. In addition, Government directives to run the establishments with lower strength will also affect the availability of manpower. As during the initial 2~3 months, customers off-take will also be limited, we will be able to meet this challenge. We would like to inform that we have already commenced partial operations in all our factories based on the permission granted by state government.</p>
5.7	demand for its products/services;	<ul style="list-style-type: none"> ● Qtr-1 FY 21 will be severely affected as manufacturing operations of the company were curtailed due to lock down. Broadly we expect the revenue to be around 25-30% of the normal level as limited operations will be possible in May and June. ● Based on the prevailing situation and assessment of the market, we expect the markets to approach some kind of normalcy by the second half of the financial year. ● Till date very few customers have cancelled orders. Postponement and rescheduling of orders is widely expected; revised lifting plan will be available after lock-down conditions are released and manufacturing operations are fully permitted. ● Swiss watch industry is likely to commence the operations by early next month. It is a good signal that Chinese markets have opened, which is the biggest market for Swiss brands and companies. But we expect that tourist visitors will remain absent for the major part of the year and domestic consumption of Swiss market is expected to be low. ● We expect that both production and sales will remain affected for 5-6 months and then gradual recovery of the markets will happen. ● We also foresee that many new opportunities might emerge for us in the field of precision engineering business. We are already witnessing increase in flow of enquires and RFQ's from very reputed overseas customers and which may get converted into orders in the coming quarters.
6	Existing contracts/agreements where non-fulfilment of the obligations by any party will have significant impact on the listed entity's business;	<p>The Company is well positioned to fulfil its obligations and also does not foresee any significant impact on the business due to non-fulfilment of the obligations by any party.</p> 