

CG Power and Industrial Solutions Limited

Registered Office:
CG House, 6th Floor, Dr Annie Besant Road, Worli, Mumbai 400 030, India
T: +91 22 2423 7777 F: +91 22 2423 7733 W: www.cgglobal.com
Corporate Identity Number: L99999MH1937PLC002641



Our Ref: COSEC/23/2020-21

June 29, 2020

By portal

The Corporate Relationship Department

BSE Limited
1st Floor, New Trading Ring
Rotunda Building,
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001
Scrip Code : 500093

The Assistant Manager - Listing

National Stock Exchange of India Ltd.
Exchange Plaza, Bandra-Kurla Complex
Bandra (East)
Mumbai 400 051

Scrip Id : CGPOWER

Dear Sir/Madam,

Sub: Intimation / Disclosure pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

Ref: Our letter no. COSEC/272/2019-20 dated March 25, 2020 in relation to temporary shutdown of all the factories of the Company in view of the outbreak of COVID-19 in India

In furtherance to our captioned letter and pursuant to Regulation 30 of 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, we give below, the material impact of COVID-19 pandemic on the operations and performance of the Company.

Impact of the COVID-19 pandemic on the business

- All the manufacturing plants of the Company located in Maharashtra, Madhya Pradesh and Goa and the sales offices operations all over the Country were suspended consequent to nation-wide lockdown.
- In view of the lockdown, there was some impact on raw materials used for continuous process work.
- Part of the revenue for March 2020, 100% of the revenue for April 2020 and significant part of the revenue for the month of May 2020 has been impacted.
- Most of the customers of the Company were also under lockdown till mid-May 2020.
- As a consequence of the loss of revenue, the Company is facing challenges to meet its fixed costs.
- Consequent to the above and non-availability of requisite level of working capital for the operations, the cash flows may remain affected due to low sales and it may be challenging to meet operating costs.

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- In view of the high level of order backlogs and contractual deliveries getting delayed due to the lockdown, the Company is in discussion with its customers for rescheduling its deliveries to clear the backlogs.
- For certain businesses, achieving normal level of operations will have direct linkage to supply chain locations spread across the Country, varied levels of lockdown restrictions, scarcity of skilled and semi-skilled manpower as a consequence of mass migration.

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

As mentioned, in view of the nation-wide lockdown, operations of all factories of the Company remained suspended till April 28, 2020. However, non-operational activities relating to the factories, sales offices and the corporate office of the Company continued to be performed by the respective employees who were provided work from home facility.

Schedule, if any, for restarting the operations.

All manufacturing plants resumed limited and restricted operations by April 29, 2020 in terms of the approvals received from the respective authorities after implementing a Standard Operating Practices (SOPs) in the interest of health and safety of the employees and concerned stakeholders,

Based on relaxations allowed by the concerned authorities, the Company has commenced operations at its sales, regional and corporate offices, strictly adhering to the terms and conditions of such relaxations and taking all precautions for the health and safety of its employees.

Steps taken to ensure smooth functioning of operations.

In accordance with the guidelines of the central, state and local authorities, the Company has issued SOPs to all employees for operations keeping in mind the health and safety of employees on priority. This include providing Company arranged transport from home to work place and return, regular sanitization of work place and transport vehicles, providing masks and other protective gears, thermal scanning, providing hand sanitizers, advising regular hand washing, maintain social distancing, in place of work, canteens and offices amongst others.

Estimation of the future impact of COVID-19 on its operations

- The revenue and EBIDTA for Q1 of FY 2020-21 is expected to be impacted due to this situation. Given the restriction in operations and the movement of migrant labour, it may continue to impact the operations in Q2 of FY 2020-21.
- Most of the work force of the Company resides within the local areas where the Company's factories are located and the Company has not faced any problem in remobilization of work force for restarting operations, though at a limited scale at the moment.
- The Company is in the process of ramping up operations.

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- In the meantime, to maximize the availability of cash for operations, the Company has initiated various cost control / reduction/ deferment options since April 2020.
- The Company is putting all efforts to scale up its operations to 50% capacity utilization and then move on to attain at least the breakeven point. However, in view of the prevailing volatility and unpredictability of the overall impact of the COVID 19 pandemic, it is not possible to provide a precise estimation of impact on profitability.

Details of impact of COVID-19 on the entity's Capital and financial resources, Profitability, Liquidity position, Ability to service debt and other financing arrangements, Assets, Internal Financial Reporting and control, Supply Chain, Demand for its products / services.

- Capital and Financial resources:** The Company has all assets of factories, plant and machineries, offices in place however the Company's operations are constrained due to lack of working capital to execute orders from customers. Due to lockdown across the Country affecting the liquidity of customers, collections from debtors is affected.
- Profitability:** Profitability of quarter ended March 31, 2020 has been impacted due to sales not getting realized during the latter part of March 2020 which is usually the month with highest sales.
- Liquidity:** Liquidity position of the Company has been impacted due to low level of operations in view of lockdown restrictions.
- Ability to service debt and other financing arrangements:** The Board of Directors of the Company have in-principle decided to work jointly with the lenders for equity fund raising as part of the resolution plan under the framework of Reserve Bank of India Circular on Prudential Framework for Resolution of Stressed Assets dated June 7, 2019.
- Assets:** Company has all the necessary assets required to run the business which have not been affected due to the lockdown.
- Internal financial reporting and control:** The Company has the requisite ERP based online system of financial reporting and control system commensurate with its size of operations.
- Supply Chain:** The Company has been continuously working with all its supply chain partners with various difficulties faced in supply chain and subsequent logistics due to restrictions during lockdown.
- Demand for its products and services:** The Company is well known for its technical competence in the products manufactured by it and is respected and sought-after brand by customers. Apart from the temporary impact, consequent to the lockdown, the Company expects to continue having a robust order book across its products and revival of its business subject to the availability of the requisite working capital.

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

Due to delay in executing the orders, in view of the lockdown, the Company has initiated discussions with its customers for rescheduling deliveries and to clear the backlogs and accordingly execute the contracts.

Other relevant material updates about the entity's business

For recovering from the impact of COVID-19 situation, the Company would be dependent on availability of working capital and resolution of its debts.

We would appreciate if you could take the same on record.

Thanking you

Yours faithfully,

For **CG Power and Industrial Solutions Limited**

Alen Ferns

Company Secretary & Compliance Officer