

ADOR WELDING LIMITED



REGD. & CORPORATE OFFICE

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AWL/SEC/SE/2020-21

25th May, 2020

BSE LTD.

Phiroze Jeejeebhoy Towers,
01st Floor, Dalal Street,
Fort,
Mumbai - 400 023.

Company Scrip Code: 517041

NATIONAL STOCK EXCHANGE OF INDIA LTD.

Exchange Plaza, C - 1, Block G,
Bandra-Kurla Complex,
Bandra (East),
Mumbai - 400 051.

Company Scrip Code: ADORWELD

Sub: Updates regarding impact of Covid-19 Pandemic.

Ref: SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May, 20, 2020.

Dear Sir/ Madam,

With reference to the above mentioned Circular dated 20th May, 2020 titled "Advisory on disclosure of material impact of COVID-19 pandemic on listed entities under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR Regulations'/'LODR')" advising / encouraging listed entities to make available all the information about the impact of Covid-19 pandemic to their investors and stakeholders, we wish to inform you that pursuant to Regulation 30 of the SEBI (LODR), Regulations, 2015, we have timely / regularly updated our investors and stakeholders regarding the temporary closure of our manufacturing plants and their restart, with certain percentage of employees etc. on various dates, last being on 21st May, 2020.

We now wish to inform the latest updates regarding impact of Covid-19 on the business of the Company as under:

1. Impact of Covid-19 on the business:

Due to the unprecedented situation owing to the spread of COVID-19 across the globe, not only our domestic billing but even Exports were affected in the last fortnight of March, 2020. The announcement of lockdown across India also brought our production to a complete standstill. Further, as the lock down continued in the month of April as well as May 2020 in many parts of the Country, our factories remained closed for a long time and started operating only from the last week of April 2020 in a phased manner, with limited manpower, as per the Government & local administration's guidelines. Similarly as our major customers and distributors are located in the cities, where lock down continued, it affected our sales for the month of April & May 2020 and is also likely to affect Sales of June 2020. Further, the migrant laborers' reverse migration is likely to impact the production for the next 6 months, because the capacity to fulfill the orders has been reduced mainly on account of limited manpower and logistics challenges, caused by the lockdown restrictions. We have now slowly started receiving confirmed orders and exports have also commenced to UAE in a limited way.

We, therefore, believe that the first quarter of the current financial year would be affected badly. However, we hope to recoup some of the lost revenues sometime in the second half of the financial year, once our Customers are fully operational.

2. Ability to maintain operations & schedule of re-starting:

All our factories were non-operational during the lock down. However, after obtaining necessary permissions from the Government & the concerned local authorities and after ensuring compliances related to Covid-19 guidelines, the Company has begun all its plant operations in a phased manner, as informed earlier. Currently, all the factories are operating with limited manpower and all the Area (Sales) offices are also operating with limited manpower, except Chennai, Kolkata, Indore & Mumbai. The Registered & Head Office of the Company located at Mumbai is closed from 23rd March, 2020 and shall remain closed until lifting of Lock down. However, the employees at the Registered & Head Office are working from Home (WFH). All the IT Security Protocols are in place, as all the systems were being monitored remotely during lock down. We believe that till the time inter district and interstate public transport doesn't start and the Red Zones get converted into Non-Red (Orange & Green) Zones, the operations will continue to suffer mainly due to unavailability of skilled manpower.

3. Steps taken to ensure smooth functioning:

The Company is following the Government directives regarding health and safety of the workforce / workplace. WFH facility has been extended to many employees. Purchases from alternate local suppliers are being facilitated, wherever regular vendors / suppliers are located in Red or Containment Zones and efforts are also being made to ensure timely dispatches of the finished goods. All the customers and vendors of the Company have been informed / communicated about the measures taken by the Company through mails. The Company has also been regularly conducting awareness programs for all its employees, as well.

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

The temporary closure of the manufacturing units and the current operations at reduced capacity are likely to have huge financial impact. We feel that even our customers may not function to its capacity or may function upto 75% of its capacity till December 2020, primarily due to supply chain issue, cash flow, availability of skilled manpower, demand related issues from Auto, white good industries, etc. This will have big impact on Q2 and Q3 sales of our Company. However, the Company is making every effort to mitigate this.

5. Details of impact of COVID-19, based on certain performance parameters:

- a) Capital and financial resources** - As per the current assessment, there is no significant impact on the Capital and financial resources of the Company.

The Company does not plan to raise any capital in the near future and hence there is no impact. Further, the Company is very comfortably leveraged on the debt front and can raise further debt for expansion, without much difficulty.

- b) Profitability**- In furtherance to point no. 4, the profitability for the financial year (FY) 2020-21 will be at a lower level because of reduction in sales, due to the impact of lockdown and with fixed cost remaining almost the same, the extent of which is not readily quantifiable.

- c) **Liquidity** – Liquidity will be a great concern. Collections from debtors will be impacted, with some of the customers requesting for a deferred / longer payment schedule due to liquidity issues at their end, which the Company might accept keeping in mind the long term relationship and future sales potential. This will have severe impact on liquidity. However, we will continue to be extremely vigilant with our liquidity positions and monitor them on an on-going basis.
- d) **Ability to service debt & other financial arrangements** - As of date, the Company has no long term debt. The Company is having only working capital limits with banks and do not anticipate any issue in servicing the interest commitments. The Company has been meeting all its financial obligations so far. Moreover, since the fundamentals of the Company are strong, we will continue to get the funding from Banks, if required.

The Company has never, in the past, defaulted on any interest or loan payment and does not see any issue meeting future obligations too. However in case of any default the Credit Rating can be affected.

- e) **Assets** - None of the assets of the Company have been impacted or impaired due to Covid-19 pandemic.
- f) **Internal Financial Reporting & Control** - The Company has a robust ERP system in place and all its locations are well networked. All the Internal Financial Controls and reporting systems are working without any disruption. Even during the lockdown, with staff working from home, all reporting systems worked seamlessly without any problem.
- g) **Supply chain** - There will be disruption to supply chain in respect of mobilizing the workforce, availability of raw materials and dispatch of finished goods. Our Factories have started its operations but not all its suppliers. The MSME suppliers of the Company may face liquidity and migrant labor issue, which may continue till HY-1. In our opinion, migrant workers, may not start returning till Diwali. Even though Centre & states are announcing relaxations in phased manner to improve trade and commerce, we expect improvement in supply chain post HY-1
- h) **Demand for products & services**- We expect that it will take some time for demand of consumer goods and auto industry products to pick up / rise, as people will save money for uncertain future. This will also impact our business to a large extent. We predict that we may have lower sales till December, 2020.

6. Impact on contracts/ agreements:

There are no such contracts and agreements which would lead to non-fulfillment of the obligations by any party or shall have significant impact on the welding business or lead to any material financial claim. PEB Contract executions will be delayed due to lock down and consequent disruption of supply chain. However, we do not foresee any major impact of LD imposition by the Customers.

7. Other relevant material updates: None

As per the above analysis of our Business, we conclude that Q1 performance will be affected badly and it is likely to have its impact on the annual performance for FY 2020-21, which can't be quantifiable at this stage. However the Company expects to gradually come back to its original level of operations in the near future. With the Government's recent announcement to shift the focus on local goods / self-reliance, we foresee a good opportunity to contribute to the nation's economy. The immediate objective of the Company is to continue to be financially stable as well as protect the interest of all its stakeholders. We shall, thereafter, focus on expansion / growth. The Company, along with its dedicated employees, is determined to come through this tough time and work towards a bright & sustainable future.

Kindly also note that due to "work from home" policy, being currently in place at our Corporate / registered office in Mumbai, we are submitting this disclosure / communication without signature.

We hereby request you to take this information on record and acknowledge its receipt.

Thanking you,

Yours Sincerely,

For **ADOR WELDING LIMITED**

Sd/-

VINAYAK M. BHIDE

COMPANY SECRETARY & COMPLIANCE OFFICER