

9th June, 2020

To,

The Manager (Listing), The BSE Ltd. Mumbai	The Manager (Listing), National Stock Exchange of India Ltd. Mumbai
Company's Scrip Code: 505700	Company's Scrip Code: ELECON

Sub : Disclosure of material Impact of COVID-19 Pandemic on Company

Ref : Regulation 30 and 51 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir,

Pursuant to Regulations 30 and 51 read with Schedule III of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations"), and amendments thereto, read with SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated 20th May, 2020, we wish to provide information as per the above Circular as enclosed as Annexure herewith.

You are requested to take the same on your records.

Thanking you

Yours faithfully,
For Elecon Engineering Company Limited,



Bharti Isarani
Company Secretary & Compliance Officer



Encl.: As above



Cranes



Rubber Industry



Marine Industry



Plastic Industry



Power Industry



Steel Industry



Sugar Industry



Mining



Cement Industry

Gearing industries. Gearing economies.

Annexure**Impact of the CoVID-19 pandemic on the business:**

Consequent to the spread of CoVID-19 pandemic throughout the world, nationwide lockdown was implemented from 25th March, 2020. Hence, production / operations and offices of the Company were suspended due to lock down. The Company has started its production at minimum capacity from 23rd April, 2020 and the same was stepped up gradually. The support functions are operational and some of the staff are working from home. The Company has fully complied with the guidelines, issued from time to time, by the Government including local authorities, and developed comprehensive operational instructions for COVID-19 safe work environment including sanitization, social distancing etc.

Schedule, if any, for restarting the operations and steps taken to ensure smooth functioning of operations:**- Operations in India:**

Production was suspended from the date of announcement of lockdown in March, 2020 and the some of the plants underwent partial resumption of work in last week of April, 2020. These facilities are currently operating at partial capacity and production, with limited staff and capacity, will be enhanced in a phased manner, based on government directives. The operations are being carried out with approximately 50% of the work force (in rotation) to align with work on hand and material availability. Priority is given to export orders, defense contract and project orders which facilitate faster cash conversion. Transportation both in and out are slowly ramping up.

The Company has developed a "Safe Work Guide" in line with directives issued by MHA and WHO. All the facilities have been properly sanitized so that our people are safe and secure at the workplace. All safety protocols such as temperature sensing, usage of safety gears, social distancing facility and vehicle sanitization, etc. are being adhered to very stringently.

- Overseas Operations:

Our overseas subsidiaries at UK, Sweden and USA are continuing to dispatch as much as possible. Warehouse and assembly operations are being carried out and office staff has been reduced with the introduction of Work From Home concept. The supply chain is affected and activity level is slowly reducing. Administration at all subsidiaries is effective.

Safety and Development of Employees:

Safety of our employees and their well-being has always been paramount for us. During the COVID-19 pandemic the Company has taken several measures to ensure this. Some of our staff have been working from home. Employees have been provided with appropriate infrastructure to facilitate work from home. Digital medium of communication has been used extensively and the organization as a whole has evolved to work under the new normal. The organization also utilized this time productively by providing extensive online professional Training and Development programs, which were well received.



Estimation of the future impact of CoVID-19 on its operations;

The Company is closely monitoring the emerging situation arising out of COVID-19 and resultant restrictions imposed by the regulatory authorities. The Company has also taken up several cost optimization initiatives. In view of the prevailing uncertainty, no precise estimation can be made about overall impact of this pandemic except that adverse impact on profitability due to lower production/sales and the cash flows will continue for a significant part of the financial year.

Details of impact of CoVID-19:

- a) **Capital and financial resources:** Collections from customers has been adversely impacted and all efforts are being made to enhance cash collections. Further, it is decided by the Management to defer payment of a portion of salaries for sometime which will help to sustain operations with unconditional support of employees of the Company.
- b) **Profitability:** Impact on profitability is difficult to ascertain at this point considering that the company expects that postponed deliveries to customers will be made good in subsequent months.
- c) **Liquidity:** At this time, we have sufficient Banking limits available however, due to delay in receivable collection, the cash position is expected to be under stress. The Company had to manage the stressed cash flow through various measures including deferment of payments for its operations considering the reluctance of banks to support for providing additional working capital. The company does hope that cash position will move towards normalcy by 3rd/4th quarter.
- d) **Ability to service debt and other financing arrangements:** All Debt servicing obligations (both principal & interest) are being done on a timely basis and no defaults are expected.
- e) **Assets:** No impact on the same.
- f) **Internal financial reporting and control:** The Company has taken measures for close cash flow and overhead cost control to manage the operations. Periodic review mechanism has been adopted to review accounts receivables and measures have been taken to control capital expenditures. Further, looking to the directions of the Government of India for Aatmanirbhar Bharat Abhiyan to Government entities, the Company is also in dialog with the Government customers to get the benefits therefrom which may result into substantial relief to Company's banking lines.
- g) **Supply chain:** Supply chain is also likely to be an area of major concern due to economic impact on the suppliers. Plans are being implemented to manage and mitigate the same.
- h) **Demand for its products/services:** There is temporary reduction in demand due to lock down which is expected to improve in 3rd quarter and normalize by 4th quarter. Going forward, a cautious approach has been adopted in order bookings from various points of views including better payment terms. This may affect the Inflow of the orders to the some extent but will help us to manage the Cash-flow.



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

There have been delays in ongoing projects on account of stoppage of activities both in factory and in field construction. However, we expect to catch up with the planned progress as we ramp up resources.

In few cases Force majeure clause has been invoked by affected parties. However, such cases will be dealt with within the framework of contracts.

Cost rationalization projects are being envisaged and implemented in various areas. The Management feels that going forward the major issues, which are likely to affect performance, would be cash management, slowdown in order inflows and contractual disputes.

You are requested to take the same on your records.

Thanking you

Yours faithfully,
For Elecon Engineering Company Limited,



Bharti Isarani
Company Secretary & Compliance Officer

