

# RAJAPALAYAM MILLS LIMITED

Regd. Office : Rajapalayam Mills Premises, P.A.C. Ramasamy Raja Salai,  
Post Box No. 1, Rajapalayam, Tamil Nadu, Pin : 626 117.

CIN : L17111TN1936PLC002298  
PAN : AAACR8897F  
GSTIN : 33AAACR8897F1Z1



Telephone : 91 4563 235666 (5 lines)  
Fax : 91 4563 236520  
E-mail : rajacot@ramcotex.com  
rajacot@bsnl.in  
Website : www.rajapalayammills.co.in

M/s. BSE Limited,  
Floor 25, P.J. Towers,  
Dalal Street,  
Mumbai – 400 001.

Scrip Code: 532503

Date : 24-06-2020

Dear Sir,

Sub: Disclosure of Material Impact on Business and Operations due to outbreak of  
COVID-19.

Pursuant to Circular No: SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated 20<sup>th</sup> May, 2020,  
issued by SEBI, we enclose the details with regard to material impact on the business  
and operations of the Company due to outbreak of COVID-19.

Kindly take the same on record.

Thanking you,

Yours faithfully,  
For **RAJAPALAYAM MILLS LIMITED**

  
**A. ARULPRANAVAM**  
**SECRETARY**

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## Impact of the COVID-19 pandemic on the business

### i) Financial Year 2019-20 (March'2020)

Due to the outbreak of COVID-19 and the lockdown announced by Government of India and State Governments, the Company's manufacturing operations had to be temporarily suspended during the last week of March, 2020. The demand for Cotton has come down and the Cotton prices have fallen by more than 20%. Due to the reduction in the market price of Cotton, a provision for Mark to Market Loss of Rs.218.34 Lakhs in the carrying cost of Cotton inventory as on 31-03-2020 has been made in the financial statements of the Company.

Other than the above there is no other significant impact for the financial year 2019-2020, as the lock down was announced in the later part of March 2020.

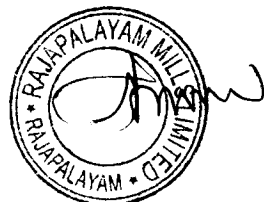
### ii) Financial Year 2020-21 (April & May, 2020)

The Production was completely stopped for a period of 42 days from 24<sup>th</sup> March, 2020 to 5<sup>th</sup> May, 2020. The Company has re-started its operations with 50% of manpower with the approval of Government authorities from 6<sup>th</sup> May, 2020 to 17<sup>th</sup> May, 2020.

The restriction related to manpower engagement was removed w.e.f.18<sup>th</sup> May, 2020 and the Company has gradually increased its capacity utilization levels and marching towards the normal level. At present the capacity utilization levels are at 90% in Ring Spinning and OE Spinning operations are at 19% levels.

### **Ability to maintain operations including the factories/units/office, Schedule for Restarting of Operations and Steps taken ensure smooth functioning**

Due to good work practices and cordial relationship with workers for the last 8 decades, we are able to attract all our employees from nearby locations of our Mills. After getting permissions on the resumption of operations from the authorities concerned, the Company resumed its operations in a phased manner ensuring all the safety and sanitisation measures, including adhering of social distancing, etc.



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The employees who are attending office for critical tasks, have been advised to follow safety precautions, like non-usage of air-conditioners in the office, mandatory wearing of face mask, regular use of hand sanitiser, maintaining social distancing in the work place, etc. We have also provided protective equipment for people. The safety measures that are being followed by us are in line with the Standard Operating Procedure announced by the Ministry of Home Affairs, Government of India.

Though there is subdued demand from garmenting sector due to slowdown of retail sale of garment across the country on account of closure of malls/retail outlets, the demand for yarn from Bed-linen / home furnishing sectors is very much encouraging. The Company is continuously receiving orders from the fabric manufactures of Bed-linen / home furnishing sector and also from our regular customers from Abroad. As we have flexibility to produce any kind of yarn/count pattern, we will be able to sustain our operation post lifting of lockdown.

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

The Company is having sufficient stock of good quality cotton of both imported & indigenous varieties, which will be helpful in un-interrupted production & supply of yarn to our customers.

The outbreak of Covid-19 pandemic in India during the latter part of the cotton season has changed the sentiments in the cotton market from April,2020 onwards and the prices of major varieties of cotton have dropped by more than 20%.

The estimated drop in revenue for the financial year 2020-21 will be Rs.50 Crores due to underutilization of capacity. However the additional revenue from Fabric Unit, which started its commercial production from the last week of March, 2020 will support for growth of overall Revenue of the Company during the financial year 2020-21.



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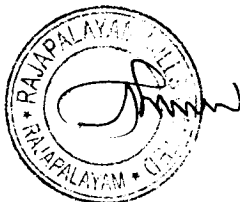
The Company expects the demand for yarn to get back to its normal levels, based on further relaxations that would be announced by the Central and State Governments, in the course of time. Based on such demand pick up, the capacity utilisation level is expected to get stabilised. The Company is optimistic of reaching its earlier normal levels. Efforts are being taken continuously to scale up the production & sale of value added counts like Mélange yarn, Mercerized yarn, core spun yarn etc., which will replace commodity counts in the forthcoming years. With the flexibility to produce value added super fine counts, the Company will continue to make efforts in expanding the marketing activities across the globe to sustain its operations.

Export customers in Japan, Portugal, Germany, Turkey, Italy have resumed their operations and the Yarn dispatches to these countries have started moving from 2<sup>nd</sup> week of May, 2020.

However, the estimation of the future impact of COVID-19 could not be predicted and quantified at this juncture, as we still continue to bear the brunt of the outbreak.

**Impact of COVID-19 on the Company'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.**

The Company's capital and financial resources are well protected though there is an impact on its sales. The lower sales would have a bearing on the Company's profitability. The liquidity position of the Company continues to be healthy. The Company has been servicing interest on its working capital as per schedule on the due dates. The Company has availed moratorium on Term Loan debt obligations (both principal and interest) as per the Reserve Bank of India's guidelines. The Company is confident of its ability to serve its debt and other obligations in future as well. The Company is confident to raise funds that may be required in the future



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As per our assessment, there could be a significant impact on the revenue and profitability in first quarter of 2020-2021, as our operations were temporarily suspended.

The Company expects to recover the carrying amount of inventories (except stock of raw materials inventory which were decreased by 3% on its carrying value of Rs.67.56 Crores as on 31-03-2020), trade receivables and other financial/non-financial assets.

The Company has got adequate Internal Financial Controls by means of Policies and Procedures commensurate with the size & nature of its operations and pertaining to financial reporting.

The Company is carrying sufficient inventories to meet the production requirements. The Company's suppliers and service providers have long-term relationship with the Company and have assured to extend their full co-operation with regard to their commitments on priority basis.

## **Existing contracts/agreements**

The Company does not have any material risk of non-fulfilment of obligations by any party arising out of existing contracts/agreements.

