

THE RAMARAJU SURGICAL COTTON MILLS LIMITED

Manufacturers of Antiseptic Dressings

F.No. MSEI /2020

July 1, 2020

Head-Listing,
Metropolitan Stock Exchange of India Limited,
Vibgyor Towers, 4th Floor,
Plot No. C-62, G-Block,
Opp. Trident Hotel,
Bandra Kurla Complex,
Bandra (E),
Mumbai – 400 098.
India

Symbol: RAMARAJU

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 20th May, 2020 issued by Securities and Exchange Board of India, 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 THE RAMARAJU SURGICAL COTTON MILLS LIMITED,

A. 

**A. EMARAJAN
COMPANY SECRETARY**

Encl.: As above



THE RAMARAJU SURGICAL COTTON MILLS LIMITED

Manufacturers of Antiseptic Dressings

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.149.83 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.

i) Financial Year 2020-21 (April & May, 2020)

The Production was completely stopped for a period of 42 days from 24th March, 2020 to 5th May, 2020 except the Surgical Unit which is contributing to 12% of the total annual sales was partially operational from 04th April 2020 and after 27th April 2020 was fully operational. The Company has re-started its operations at other spinning units with 50% of manpower with the approval of Government authorities from 6th May, 2020 to 17th May, 2020. Unit at AP could not able to operate during the shutdown period as the state Government has not given permission to operate industries.

The restriction related to manpower engagement was removed w.e.f. 18th May, 2020 and the Company has gradually increased its capacity utilization levels and marching towards the normal level.

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 sanitization measures, including adhering of social distancing, etc.



THE RAMARAJU SURGICAL COTTON MILLS LIMITED

Manufacturers of Antiseptic Dressings

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 sanitizer, 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.

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 Company's fabric unit which is contributing 50% of the total sales is running at full capacity with customer orders in hand upto the end of August 2020.

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 utilization level is expected to get stabilized. The Company is optimistic of reaching its earlier normal levels.

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 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



THE RAMARAJU SURGICAL COTTON MILLS LIMITED

Manufacturers of Antiseptic Dressings

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

As per our assessment, there could be a significant impact on the revenue and profitability during the 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 7.3% on its carrying value of Rs.20.4 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.

For THE RAMARAJU SURGICAL COTTON MILLS LTD

A. Emarajan
(A. EMARAJAN)
COMPANY SECRETARY.

