



PROUD TO BE INDIAN
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HEG/SECTT/2020

17th June, 2020

1	BSE Limited P J Towers Dalal Street MUMBAI - 400 001. Scrip Code : 509631	2	National Stock Exchange of India Limited Exchange Plaza, 5th Floor Plot No.C/1, G Block, Bandra - Kurla Complex Bandra (E), MUMBAI - 400 051. Scrip Code : HEG
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Subject: Disclosure of material impact of COVID-19 pandemic on the Company

Dear Sir,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular SEBI/HO/CFD/CMD1/CIR/P /2020/84 dated May 20, 2020 on disclosure of material impact of COVID-19 pandemic, we wish to inform you the following:

1. Impact of the COVID-19 pandemic on the business

In light of heightened concern on spread of COVID-19 pandemic, Governments of India announced Lockdown to contain the spread of disease.

As a result of the pandemic, the global economy is projected to contract sharply by Negative 3% in 2020, much worse than during the 2008-09 financial crisis.

Till March 24, 2020 our operations were normal. Thereafter, on announcement of lockdown there was no operating business activity except in case of some specific processes which are continuous in nature and take about a month to shut down till April 23rd 2020. We started again from 23rd April 2020 but at lower capacity of about 50%.

Since we are a 70% export company and our large amount of exports are in areas like US, Middle East, Europe, our business is dependent on global economic condition as our product is used by steel companies and steel is closely linked to GDP. The more steel is made, the more is the demand for electrodes.

With COVID-19, the overall demand has reduced



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2. Ability to maintain operations including the factories/units/office spaces functioning and closed down and Schedule, if any, for restarting the operations

The Company has restarted operations with reduced workforce since late April 2020, adhering to strict safety norms prescribed by Government of India.

Manufacturing activities have commenced gradually at our plant. However production pick up will be dependent upon current inventory levels and the Company's estimate of demand. In the short term, it is therefore expected that manufacturing activity will be well below the normal.

To ensure the smooth functioning of the works at our plant, we have taken necessary steps to communicate with our employees, stakeholders, customers and vendors about the company's status and updated them on a regular basis. A review mechanism is in place to monitor the execution of the works systematically.

Corporate and regional offices were also shut, but the Company adopted the work from home policy during the entire duration of the lockdown and still continuing to curtail the spread of COVID-19 to the extent possible

3. Steps taken to ensure smooth functioning of operations;

The Company had started operations with permitted employees strength in its manufacturing plant at Mandideep located in the State of Madhya Pradesh in a phased manner as per the Government & local administration's guidelines. Upon re-starting of the operations, necessary guidelines related to health and hygiene of the employees were adhered to mainly covering social distancing norms, screening, sanitization and self-quarantine etc. Remaining employees have adopted the work from home policy during this period.

The company has been functioning through Audio-Video conferencing calls for communicating with the stakeholders.

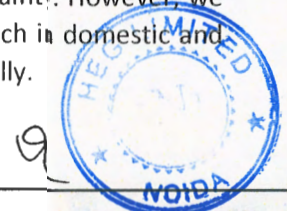
Our deeply committed staff have ensured that HEG will face this pandemic with confidence.

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

Since most of all our end user industries have been impacted in varying degrees owing to spread of the pandemic related contraction and its consequent effects on global supply chains. The ripple effect of this, like in most industries, is also faced by our customers and in extension by us. We have seen lower off take in the months of April and May and it is difficult to estimate how soon things will revert to normal.

Further it is very early to assess the future impact of COVID-19 with reasonable certainty. However, we are getting order booking from domestic and export market and also started dispatch in domestic and export market and as a result we expect the business of Company to improve gradually.

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Furthermore, the Company is confident about adapting to the changing business environment and respond suitably to fulfil the needs of its customers.

5. Details of impact of COVID-19 on listed entity's :

- **Capital and financial resources:**

The Company is operating its business by optimum utilization of available financial resources. Currently the company is having a treasury size of more than Rs. 1200 Crores. The Company's capital and Banking facilities resources remain intact. Also the company is long term debt free. The Company has also implemented stringent cost control measures across the organization to conserve cash to address any evolving situation resulting from the pandemic. This will ensure that company is able to appropriately address any challenge thrown up by the continuously evolving situation.

- **Profitability**

Consequent to lockdown during the major portion of the first quarter the revenue and the profitability for the first quarter of the FY 2020-21 are likely to be lower. It is difficult at this stage to assess the impact of COVID-19 on the revenue and profitability for the whole of FY 2020-21. Enough caution is applied toward cost optimisation.

- **Liquidity position**

The company is in a comfortable position due to its optimum banking limits in place and treasury size to meet out its obligations.

The liquidity position of the Company is quite robust and do not foresee any major issues in the near term.

Our working capital is in line with historical cycle with most customers paying us as per terms. We continue to make payments to our vendors as per our obligation to make sure they are supported at this hour of need. All statutory dues were being paid on respective due dates. Hence there are no liquidity concerns.

- **Ability to service debt and other financing arrangements**

The Company is currently in sound liquidity position to meet its financial and other commitments.

As on date, the company is has not having any term loan or long term debt in any manner. The company is long term debt free. HEG has only availed Working Capital Limits for maintaining day to day operations.

We have been paying timely our statutory dues and are able to liquidate working capital limits on time and there is no default of any loan or interest commitments.

Further, for option provided via RBI Circular dt. 27th March 2020, (RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20) the company has not opted for deferred payment of interest on Working Capital Facilities availed.

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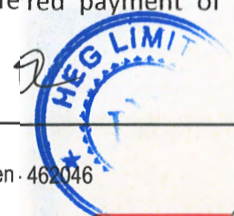
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- **Assets**

The Company does not expect incremental risk to recoverability of assets (Inventories, investments, Receivables, etc.).

- **Internal financial reporting and control**

The Company has adequate internal financial reporting and control system. There is no material impact on Internal Financial reporting and control systems in place. The Company is also having a mechanism to continuously review and monitor its policies and procedures to adapt with dynamic environment.

- **Supply chain**

The supply chain disruptions were temporary and did not have a long term impact on operations and business goals.

- **Demand for its products/services**

Our business is dependent upon the steel sector (Electric arc furnaces) which is largely dependent upon the construction sector, automobiles and other white goods. During the next months we expect the steel demand to fall due to slow down in the construction sector and demand for automobiles. We foresee an overall slow-down in the industry on a global level. We expect to produce at about 50% during in the next coming months.

The company has been in continuous contact with its existing as well as potential buyers. We do not expect cancellation of existing orders.

Further HEG expects improvement in demand post lockdown.

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

The Company believes in meeting its obligations and existing contracts/arrangements.

At present company does not foresee any significant impact in respect of its existing contracts and agreements where non-fulfilment of obligations due to the reason of COVID-19 by any party could lead to any material impact.

7. Other relevant material updates about the listed entity's business.

Support to Government/Society efforts in tackling COVID 19 pandemic:

In an effort to aid the fight against the raging pandemic of COVID-19 and aid the community at large, the company has made the following contributions:

- a) Rs. 2 Crores to PM-CARES Fund
- b) Rs. 1.5 Crores to Madhya Pradesh CM Relief Fund
- c) Rs. 1.01 Crores to Rajasthan CM Relief Fund
- d) Rs. 20 Lakhs to Ajmer Local DM Relief Fund



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We further wish to inform you that a note with regard to impact of COVID-19 in brief has also been given in notes to the financial results for the quarter and financial year ended 31st March, 2020(Note no. 8 of the notes to Audited Financial Results)

Kindly take the above information for your records.

Thanking you,

Yours faithfully,

For HEG LIMITED

(VIVEK CHAUDHARY)
COMPANY SECRETARY

heg.investor@lnjbhilwara.com

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