



# PONNI SUGARS (ERODE) LIMITED

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PEL/ SH/ 30

May 21, 2020

National Stock Exchange of India Ltd  
Exchange Plaza  
5<sup>th</sup> Floor, Flat No.C/ 1 G Block  
Bandra Kurla Complex  
Bandra East, Mumbai 400051

BSE Ltd  
Phiroze Jeejeebhoy Towers  
Dalal Street, Fort  
Mumbai 400001

**Scrip Code: PONNIERODE**

**Scrip Code: 532460**

Dear Sirs,

**Sub: Disclosure of material impact of Covid-19 pandemic**

Ref: SEBI Circular No.SEBI/ HO/CFD/CMD-1/Cir/P/2020/84 dated 20.05.2020

We refer to the abovesaid circular advising listed entities to make available all information about the impact of Covid-19 pandemic in a timely and cogent manner to its investors and stakeholders. While on this, we have already advised the temporary closure of our sugar factory from 24.03.2020 and its restart on 22.04.2020 through filings under Regulation 30 of the LODR. Thereafter the main crushing season for the company ended on 14.05.2020 in the normal course.

Having regard to the above SEBI circular, we now desire to furnish the following based on our evaluation of the impact of Covid-19 pandemic on our business, performance and financials.

## 1. *Impact of Covid-19 on the business*

Global oil prices have considerably crashed under Covid-19 impact. Consequently sugar – ethanol pricing parity got distorted, prompting Brazil to allocate higher share of cane for sugar. While so, demand for sugar essentially from the institutional and commercial segments decelerated. As a combined effect, global sugar prices have fallen by about 30% since the advent of Covid-19.

Similarly Indian sugar industry is impacted by lower demand, slowdown in sugar exports, decline in ethanol off-take, cumulatively leading to downward price correction in sugar.

Sugar business has thus been adversely impacted with lower sales, lower price realization and inventory buildup. It is however expected that being a Food business, its demand would pick up in line with phased relaxation in lockdown conditions.

## 2. *Ability to maintain operations*

Our sugar factory closed on 24.03.2020 and restarted on 22.04.2020. Our corporate office remained closed between 25.03.2020 and 10.05.2020. On restart, we could maintain production operations in the factory but at below par levels due to logistics challenges caused by lockdown restrictions.

3. *Steps taken to ensure smooth functioning*

Our factory has good infrastructure including employees mostly housed in the nearby company owned colony. Harvest labour mobility was initially a challenge on restart but picked up quickly. No major difficulty is foreseen when we recommence production operations for the special season, by when the lockdown would have been fully lifted or further significantly relaxed.

4. *Impact of Covid-19 on the company*

The temporary closure and restart of factory pushed our tail end crushing to summer months, depressing sugar recovery. The company incurred higher compliance cost to conform to standard operating procedures under extant Covid guidelines. Sugar prices have declined by Rs.150-200/ qtl under bearish pressures. All these have negative financial impact on the company, the extent of which is not readily quantifiable and the same is not covered under insurance.

The company remains strong on liquidity. As of date, it has no long term debt and has adequate financial resources to meet its working capital requirement. As per current assessment, there is no significant impact on the carrying amounts of property, plant and equipment, investment, inventories, receivables and other financial assets.

Our internal financial reporting and control is in no manner impacted by Covid-19. There is no disruption to supply chain except the initial challenge in mobilising harvest labour. By reason of lower production of sugar in Tamil Nadu, far below its consumption need, the company faces no major challenge on the demand for its products, while the prices vary in line with overall market sentiments.

5. *Impact on contracts/ agreements*

The company does not foresee any significant impact in respect of its existing contracts and agreements where the non fulfillment of obligations by any party would lead to any material financial claim.

6. *Other relevant material updates*

There have been short term interruption and adverse impact by reason of Covid-19 for the company. The overall financial impact however is not considered material to our company. The company remains confident to weather the current challenges on the strength of its strong financial fundamentals. The future course of Covid-19 and consequent Government interventions are however beyond the assessment of the company.

The company would furnish updates in the case of any material development or changes to Stock Exchanges from time to time.

Thanking you



N Ramanathan  
Managing Director