Ref: KGL/SE/2020-21/JUL/07

July 29, 2020

Dear Sir/ Ma’am,

Sub: - **DISCLOSURE ON COVID-19 IMPACT**

In pursuance of SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020 on advisory on disclosure of material impact of Covid-19 pandemic on listed entities under SEBI (LoDR) Regulations, 2015, a report on impact of Covid-19 on the operations of the Company is enclosed herewith.

This is for your information and dissemination.

Thanking you,

Yours faithfully,

For Kitex Garments Limited

CS. Mithun B Shenoy
Company Secretary & Compliance officer
(ICSI M. No. FCS 10527)

Enclosure: As Above
REPORT ON THE IMPACT OF COVID-19 ON THE OPERATIONS OF THE COMPANY

Kitex Garments Limited is into export of cotton garments especially infantswear mainly to USA. The Company has state of art building at Kizhakkambalam, Ernakulam district, Kerala state, employing over 5500 employees and has international standard administrative office, factory premises and worker’s dormitory that differentiate from other competitors across the globe. It is vertically integrated infantswear manufacturing company producing fabrics and garments. Having integrated and traceable value chain which meets various global standards at various stages of the product supply is the key global differentiator at Kitex. Infantswear manufactured by the company are available globally through our client outlets.

IMPACT OF COVID-19 ON THE INDUSTRY/ BUSINESS

Covid-19 pandemic has disrupted the normal life of human being, business operation and society. Lockdown restrictions imposed in our country effective from March 24, 2020 as a result of COVID-19 has impacted almost all sectors including textile industries all over the world. In order to comply with lockdown mandate order, the operations of the Company were shut down from March 24, 2020.

The Company has not much suffered any continued disruption in its production activities. Although regular production was suspended in the month of April and sometime in May, the Company produced Personal Protective Equipment (PPE) kits and masks during this time and hence, the machineries and equipments did not remain idle. Consequent to withdrawal of lockdown in phased manner, the company resumed operations with proactive planning and limited workforce at office and factory following proper health & safety guidelines in place. We are adhering to workplace safety guidelines issued by government to prevent the spread of such pandemic.
ABILITY TO MAINTAIN OPERATIONS INCLUDING THE FACTORIES/ UNITS/ OFFICE SPACES FUNCTIONING & CLOSED DOWN AND SCHEDULE, IF ANY, FOR RESTARTING THE OPERATIONS

Production has now resumed in a phased manner and there are no major changes in Company’s business contracts due to COVID-19 outbreak. The company does not have any finished goods or raw material inventory in hand orders of which have been cancelled by the customers.

STEPS TAKEN TO ENSURE SMOOTH FUNCTIONING OF OPERATIONS

In this pandemic situation, its our responsibility to take precaution not only to manage the present crisis situation but also to protect our workforce. The Company is also cautious in grabbing emerging opportunities in infrantswear sector and also maintain stakeholder’s value at the maximum.

Employees staying at the company’s accommodation are permitted to work at the registered office. We have been taking utmost care in following safety standards as prescribed by the government like office sanitizations, strictly enforcing social distancing for all personnel, installation of hand sanitizing machine, dispensers, use of masks and other protective measures to prevent the spread of CoVID-19, in our office and factory premises. Employees also being monitored with the help of contactless infrared thermometer and anyone suffering from fever or not wearing mask are not permitted to enter the office premises.

Connectivity through VPN access has been made available to the officers who have been working from home. We have utilised various ways to conduct the meetings digitally. All activities relating to account closing, reconciliation of accounts and payments have been made seamlessly during lockdown period.

ESTIMATION OF THE FUTURE IMPACT OF COVID-19 ON THE OPERATIONS OF THE COMPANY

The Impact on business operations of the company in the future is difficult to predict at this point of time as the current situation is uncertain. The Company is taking all necessary steps and precautionary measures to ensure smooth functioning of its operations and to ensure the safety and well-being of all its employees. Given the criticalities associated with the nature, conditions and duration of CoVID-19, the impact assessment on the company’s financial statements will be continuously monitored and disclosed as required.
Since company is in infantswear business, we expect that business will grow in good pace and there is also a possibility of getting new good order from exiting/ new buyers from across globe considering trade war between US and China. We are continuously monitoring the current situation to grab the oppurtunities and also ready to face any challenges.

DETAILS ON IMPACT OF COVID-19 ON CAPITAL AND FINANCIAL RESOURCES, PROFITABILITY, LIQUIDITY POSITION, ABILITY TO SERVICE DEBT AND OTHER FINANCIAL ARRANGEMENTS, ASSETS, INTERNAL FINANCIAL REPORTING AND CONTROL

The Company has adequate financial resources to ensure smooth operations. In view of such lockdown, the profitability for FY 21 is likely to be adversely impacted. As the business situation is dynamic, the Company is closely monitoring it and taking the required measures.

The Company is debt free entity with good market share in Infantswear segment and has a strong financial position with adequate forex reserve. It has good track record of making continuous profitability and unutilized working capital limit to meet its financial needs. Considering the present available liquidity coupled with cost management across all stage of production and value chain, the company does not foresee any challenges in the financial obligations. In this scenario, focus is mainly for cash preservation and cost management without any compromise. Appropriate planning, process control and constant review mechansim helps to manage the current situation.

Also, we ensured that there is no risk on impairment on any assets of the Company due to the pandemic situation.

We confirm that there is no impact in our ability to services debt and arrangement. The Company has been taking utmost care in repayment of debt funds well before due date.

The Company has software in place to do internal checks and balances effectively which ensure that the entire transactions have adequate and fully equipped internal financial control. We are also in process to strengthen the present system with latest requirements.

As the Company has adequate stock of its major raw material, there was no scarcity of raw material for Infants garment production. However, product supply to our buyers were impacted due to the disruptions in the supply chain. The situation has since improved.

The Company has goodwill in the international market and such goodwill earned over the time. The Quality of product is the main object of the Company, which enable us to get
more orders from our customer and also create more demand for our products. However, the pace of recovery would depend to a large extent on the recovery of our economy.

**EXISTING CONTRACTS / AGREEMENTS WHERE NON-FULFILMENT OF THE OBLIGATIONS BY ANY PARTY WILL HAVE SIGNIFICANT IMPACT ON THE COMPANY'S BUSINESS**

The Company is well positioned to fulfill its obligations and does not have any challenges in its existing contract where non-fulfillment of the obligations by any party will have a significant impact on the Company's business.

**OTHER RELEVANT MATERIAL UPDATES**

The Company is duty bound to disclose all relevant material information on time without any delay to the Stock Exchanges for dissemination among public in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kindly acknowledge the receipt of the aforementioned in your record and oblige

Thanking you,

Yours faithfully,

For Kitex Garments Limited

[Signature]

Sabu M. Jacob
Chairman and Managing Director
(DIN: 00046016)