



Millennium Housing Developers PLC

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1st June, 2020

Mr. Renuka Wijewardhane,
Chief Regulatory Officer,
Colombo Stock Exchange,
04-01, West Block,
World Trade Centre, Echelon Square,
Colombo 01.

Dear Sir,

CORPORATE DISCLOSURE ON IMPACT OF COVID -19

The impact of COVID – 19 pandemic on the business/operations of the Company for Quarter 4 of 2019/2020 financial year and POST COVID impact for Quarter 1 & 2 of the new fiscal year ending 31st March 2021.

Impact of COVID-19 on the business / operation:

Overall Impact

- Drop in new sales due to lockdown period w.e.f.15th March 2020 up to 15th May 2020 resulting in a drop of 100% sales for Months March 2020, and considerable value Q4.
- Impact to the liquidity due to delay in collection of dues from the customers.
- Delay in construction owing to lockdown, hence in-ability to recognize planned revenue
- Loss in potential customer market due to shrinking of customer's disposable income owing to loss of employment, loss business or deductions in remuneration.
- Airport closures and travel bans will restrict potential foreign investors to our market.
- Closure of schools lead to a decrease in house / apartment rentability.
- Existing customers expect a moratorium from the company when settling their dues.
- Mental impact to the staff members at all levels due to the threat of Covid 19 impact towards weakening job security.

Funding and Liability

- Six months debt moratorium for the available for existing loan facilities
- There is not yet identified material liquidity difficulties to settle the prevailing loans
- Company has not to incur material contingencies due to the pandemic of Covid – 19
- Recovery of Collections / dues is extremely tough considering the customers loss of income and curtailment of their disposable owing to the Pandemic. Many have differed or not paid.
- Drastic drop in share price.

Impact on Assets

- Impact of Covid – 19 is not affected to the asset value indicated in the balance sheet and the judgment of determining fair value of assets measured in accordance with SLFRS other than investment in subsidiary.

Impairment Provisioning

- Investment in subsidiary company – MC Universal Ltd, will be impacted based on the delay to generate revenue, since the planned project is postponed / delayed owing to COVID 19.

Impact on Internal Operations

- Overall MHDPLC Group has faced difficulty to run daily business operations during the curfew and pandemic period such as sales activity, month end financial closures and preparation of financials.
- Restrictions in travel to certain area, closure of important government offices and functions facilities such as ports, airport has a materially impact to construction.
- Travel restrictions impact on work force and construction crew to mobilize project sites. Low productivity due to work from home and the lesser number of hours even in work from the office.
- Performing of construction activity is restricted due to social distancing and gathering of large crowd since 15th march to date. Hence re-start, restriction in number of workers and working space based on health & safety guidelines issued by the ministry of IDA and Housing facilities.
- In-ability to provide housing facilities for the labor work force under the POST COVID restriction.

Business Continuity

- Lowering the demand for the Real Estate due to curtailing of expenses other than essential needs by the general public.
- Break down of operations in construction
- Sustain employee carder without any revenue generation during the lock period
- Financial assistance restricted to the real-estate sector by the banking industry is a hinderance.
- Embargo on material imports will impact real-estate and construction markets on the long-term.
- Western province being a key area of focus with a serious threat by the COVID-19 has badly affected our company's business since all of our projects are within western province.
- Limitations of expectations of the general consumer due to the prevailing uncertainty.

Impact on Human Capital

- Demoralization due to losing job security of the present staff members as we were compelled to let go of probationary and contract basis staff.
- Deductions in pay leads low motivation and less dedication towards work due to uncertainty.

The Company's response to the impact of the COVID – 19

Operation

- The Board and management of MHDPLC has taken / recommended Strategic decisions considering the impact of the Covid – 19 to the economy and the company performance such as;
- Curtailing / eliminate unnecessary cost involvement in operations of the company.
- Working with minimum staff requirement as max efficiency
- Re-structuring of existing loans and repayment along with seeking debt moratoriums

- Revised budgets and revenue plans for new fiscal year 2020/2021.
- Identifying min viable projects to market that will generate an income track for sustainability for a period of 5-6 months at least.
- Company is not in a position to be in line with the procedures stipulated in the SOP due to the operation of work only with a minimum number of staff. Hence, regular Audit committee meetings conducted to monitor and review internal controls owing to new norm & work conditions.

Employees

- Facilitate to work from home where applicable
- Commenced business operations w.e.f. 11th May in accordance Govt Health & safety regulations
- Educating the staff members on precautionary measures to be taken to avoid the pandemic deceases with social distancing and sanitization introduced at work place.

Corporate responsibility

- Board & Management to ensure ethical and transparency in operations during the expected low revenue period of business.
- Short term, to ensure that existing projects are in operation to complete without any further delays and handover assets to meet customer expectations.
- To operate and sustain the business in turn to provide job security to employees.
- Long run, critically evaluate and monitor the industry, the health risk and the changes in political environment and establish projects plans to generate income flow accordingly.
- The management took steps to provide un-interrupted service of essential service to our customers in terms of water, sewage, security, residential & environmental cleaning and garbage collection at our project sites.

Regulatory assistance

- Assistance from the Banking & finance institutions for project lending
- Govt regulations on taxes; such stamp fees to relaxed to encourage consumer expenditure
- Governing bodies such BOI, UDA and other real-estate related institutions to assist in fast tracking approvals and permits to proceed with projects without any delays
- Embargo on material imports to be relaxed to assist in construction related material.
- High interest rates on deposits to be relaxed to encourage consumers to invest as oppose to keeping in depository form.

Future Impact of COVID-19 on the Company Operations

Market

- Low demand and expectations of the apartment / investment product market.
- Very Low demand of none resident buyers and Investors until stable economy and political policies
- Scale of rentability has decreased and will continue for sometime
- Affordable housing demand will continue abut will have a low response for at least 5-6 months
- Common spaces of highly dense vertical buildings and gated housing developments will pose a high risk of virus transmission and threat to the market/ consumer.

Short-term

- 100% sales drop in Q1 and expected similar returns for Q2.
- Sale of apartments and houses will be on hold for a period of time, due to the difficulty in arranging sales visits and inspections of properties
- Strategic focus on demand-oriented product line such as affordable housing (horizontal projects) to be the new norm as growing population, reducing household size and housing gap.
- Overall economic situation will make home buyers anxious and postpone purchasing decisions
- Selected vertical housing (apartments) for build mid-range revenue paths.
- To complete existing / delayed projects due to the pandemic within the new financial year that will assist to recognize revenue
- Limited borrowing options as real-estate sector is seen to be at high risk

Long-term

- Cost leadership drive within the business to be competitive and drive value.
- Holding on to key asset bases within our inventory for projects to start when the economic conditions improves.
- To launch gated community / affordable housing projects of large scale to provide revenue growth over 2-3 years.
- Drop in share price will have a negative outlook on Company evaluation from banking sector on borrowing requirements.
- Limitation / restrictions at new share / right issue.

Supply Chain Management

- Suppliers are not willing to issue line of credit.
- Our Payments to suppliers are restricted owing to difficulty in recovery of our dues to formulate a cash flow path.
- Suppliers offering discounts for cash purchases, which we are not able to comply, having to abide by internal control regulations on cash / post-dated cheques.

This disclosure is made in accordance with circular No. 04-05-2020 of the Colombo Stock Exchange relating to the impact of COVID – 19.

Thank you.

Yours faithfully,

Millennium Housing Developers PLC


Arjuna Waidyasekera
Chief Executive Officer


Hasitha Wanniarachchi
Deputy Financial Controller