



**Distilleries
Company of
Sri Lanka PLC**

Regd. No: PQ 112

P.O.Box 1756, No.110, Norris Canal Road,
Colombo 10, Sri Lanka.
Tel : 94-11-5507000, 94-11-2695295-7, 94-11-2696399
Fax : 94-11-2696360
Email: info.dcs1@melsta.com
Website: www.dcs1group.com

FAX AND HAND DELIVERY

15 May, 2020

Mr. Renuke Wijayawardhane
Chief Regulatory Officer
The Colombo Stock Exchange
#04-01, West Block
World Trade Centre
Echelon Square,
Colombo 1.

Dear Sir,

**DISCLOSURE REGARDING IMPACT OF COVID-19
DISTILLERIES COMPANY OF SRI LANKA PLC**

1. The Impact of COVID 19- Pandemic on the Business Operations of the Listed Company.

DCSL was severely impacted by the COVID-19 Pandemic. The sale of liquor at all bars, restaurants and retail outlets were banned at the very outset of the Lockdown and relaxed briefly for one day and re imposed thereafter. With the sale of liquor being prohibited the company curtailed its liquor production to as otherwise excise taxes would have to be borne on liquor which could not be sold due to the restrictions. On the supply chain side the sourcing of imported ethanol remains a concern due to the ban on total imports from the 1st of January 2020. The contribution made from the Tourist and leisure industry will take six months or more to be restored due to Air travel restrictions. The Company's contribution to the toddy industry was totally disrupted due to the lockdown and restrictions on the tapping and supply of toddy. The existing local production of ethanol is insufficient to meet the overall demand of all manufactures once economic activity and liquor sales in particular are recommenced. Therefore the restriction on the import of ethanol needs to be restored at an early date as otherwise the production of illegal liquor in the illicit market would flourish resulting in harmful health effects to consumers whilst making them more vulnerable to COVID -19 Virus attacks



2. The Listed Companies Response to the COVID 19 Pandemic

The Company's staff were substantially confined to their homes other than the maintenance staff at the factories. Therefore the exposure to the virus was greatly reduced. Up to now there was no reduction in compensation paid to staff though this status quo cannot be expected to remain with production and sale of liquor being banned at present. The Company will be taking all precautions in terms of safety of staff once economic activity is restored. Furthermore the Management has taken the opportunity created by the curtailment of production in the distilleries to re engineer production processes to cut down on wastage and enhance efficiency once production is fully restored.

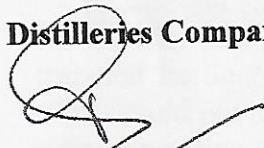
3. The Listed Companies Expectation of The Future Impact of COVID 19 on the Company's Future Operations and the Financial Condition.

Though there is a restriction presently on the sale of liquor, it is likely that this be lifted within a reasonable period of time. We expect the demand for liquor to be fully restored within a short space of time after the restriction on the sale of liquor is removed, though there would be an impediment in servicing this demand due to social distancing requirements. Therefore, till Bars, Restaurants, Hotels, Banquet Halls and the like are fully functional as normal there would be a considerable impact on revenue. Lack of opportunity in micro economic activity may reduce the buying power of the bottom of the pyramid market segment thereby hindering sales volume in our cash cow products. However, It may also be likely to offset the shortfall in revenue by increased sales in locally produced liquor as there are restrictions imposed on the importation of foreign liquor which may continue for a longer period.

Overall though the performance of the company is likely to be marginally affected in the financial year 20/21 [2019/20] due to the COVID -19 Pandemic we expect the conditions to have normalized for the following [Financial] year 21/22. [2020/21]

Yours Faithfully

Distilleries Company of Sri Lanka PLC



D.H.S. Jayawardena
Chairman