

4th May 2020

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Colombo Stock Exchange
#04-01 West Block,
World Trade Centre,
Echelon Square,
Colombo 01.

Attn: Renuke Wijeyawardhane
Chief Regulatory Officer

Dear Sir,

TEEJAY LANKA PLC – CORPORATE DISCLOSURE ON THE IMPACT OF COVID 19 PANDEMIC

We write with reference to your circular in respect of the above and give below the following disclosure to be made to the market.

The impact of COVID 19 pandemic on the business/operations of the Company

Teejay Lanka PLC (the Company) in response to the decision taken by the Government of Sri Lanka to deal with the COVID-19 pandemic has taken immediate measures to close down its plants in Sri Lanka by the 17th of March 2020 and the plant in India on the 20th March 2020. Due to the closure of the plants there was no production during the subsequent 3 weeks.

The main issue the Company encountered pursuant to the aforementioned lock down was due to its customers requesting for extensions of credit periods and also proposed cancellation of some of the orders.

Teejay Lanka PLC

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Company's responses to the impact of COVID 19 Pandemic

The company immediately commenced discussing its receivable and payment balances by negotiating new payment terms with its customers as well as its suppliers.

Further, the Company implemented stringent cost control measures to ensure during the time of non-operation, all costs were controlled and minimized whilst balancing its receivable and payable balances subsequent to negotiation.

The Company also identified fabric which was available in inventory that was suitable to produce masks and donated materials, for the production of 2 million masks for the armed forces as well as the medical fraternity with the involvement of the Joint Apparel Association Forum of Sri Lanka (JAAF)

The company thereafter commenced planning its production capability for a Covid -19 environment throughout its entire manufacturing processes from transporting it's employees to the plant locations and by giving specific instructions to work within the organization in line with the guide lines issued by the Ministry of Health 10 days from the closure of the plant whilst maintaining a 15 member team to address urgent requirements of the customer.

Furthermore, the company revisited its process in working under Covid 19 situation and engaged the work force comprising of approximately 2500 workers to work in batches at a given time to ensure maximum social distancing which was very successful given the size and location of the plants and with a wholly mechanized production environment spanning approximately 1.1 Mn square feet in its 3 locations.

The Company invested in sophisticated equipment in the form of Heat Scanners, Digital Thermometers, disinfectant tunnels and increased cleaning and disinfecting throughout the plants to ensure a more conducive work environment for the workforce and to re-commence operations in line with the recommendations issued by the government.

Thereafter, the Company commenced operations after the Sinhala and Tamil New Year with a small team of 100-125 employees after getting the requisite approvals from the government of Sri Lanka.

The development team immediately commenced operations on developing fabric with SLINTEC and local academia for the Personal Protective Equipment Industry (PPE) consisting of masks and overalls etc. and are working on few fabrications which are pending the requisite approvals.

With existing situation, the Company commenced a strategy to capture the growing demand for PPE and embarked into the export of commercial orders of PPE such as masks during this period

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The Company's expectation of the future impact of COVID 19, on the future operations and financial condition

As the company manufactures weft knit fabric which is used mainly for men's and women's undergarments, loungewear and Yoga pants the forecasted overall decline which is expected in the apparel industry will not fully impact the Company as it caters fabric for garments which are essentials and are in the comfortwear segment.

Although the Company envisages a reduction in the existing order pattern with end market store closures in the US and EU where most of its strategic customers are based during the next 6 months to a year, it is anticipated that there will be tremendous potential from the PPE industry from new customers based on the existing capabilities of the Company.

Furthermore, demand from the existing strategic customers via supermarket chains, online outlets have seen significant growth in sales for its products amidst a COVID 19 environment in the US and EU whilst its Asia based customers continue with the required demand.

Further, company is also developing new sophisticated fabric products, which will enable the company to enter the PPE industry with some of the new developments in the pipeline which is pending approval from regulatory bodies.

There is also reason to believe that with Covid 19 impacting the entire globe, supply chain strategizing to maintain the total supply chain within a country and mitigating its reliance on a single country may become a reality in the future with consolidation within industries also being part of the Covid 19 impact

With the exiting product range, the new product lines being developed and the strength of the balance sheet, with positive cash balances including the company's capability to leverage further, will enable the company to weather the trying times and continue its journey to reach greater heights.

Yours faithfully,



Hasitha Premaratne

Director

Teejay Lanka PLC

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