

## **COVID-19: Epsilon Carbon perfectly positioned**

**April 13, 2020:** The company can foresee challenging days ahead with steel and aluminium sector having tough times however it has the advantage of being integrated with steel plant for sustenance of its resources

The emergence of COVID-19 pandemic has severely hit the Indian economy which were already showing signs of stress in the last few quarters. No industry is spared and it's clear COVID-19 will have huge impact on chemical Industry costing millions of dollars revenue loss. The outbreak seems to hit hard India's chemical and petrochemical sector which had huge dependency on China for its raw materials. Epsilon import no raw materials so won't be impacted due to any import disruptions.\

Segments of industry dominated by SME/MSMEs are majorly impacted by this crisis. Easing of financial stress on SME/MSMEs will be needed though capital assistance/financial assistance as well as working capital assistance for revival. Also, comprehensive policy measures might be needed to reduce the impact of pandemic in the long term.

Epsilon Carbon is in the Carbon & Coal tar derivatives business with manufacturing facilities at multi-location and is completely integrated for its feedstock and utilities with the steel plant. Currently we operate around 250,000 tpa coal tar distillation facility catering to 40% of the pitch demand in the aluminium industry. We are further diversifying and are halfway through our 1st phase of Carbon Black project for 115 thousand tpa manufacturing capacity with an investment of Rs. 425 crores.

Epsilon as a part of coal tar derivatives segment foresee its outlook dependent on its key market segments - Steel and aluminium which have been severely impacted due to the containment efforts of the virus which involve quarantines, trade restrictions and curtailed production. Epsilon can foresee challenging days ahead with steel and aluminium sector having tough times ahead to revive their industry. However, it has advantage of being integrated with steel plant for sustenance of its resources, which cushions the impact to certain extent.

The revival of the industry will depend on various factors. In the domestic sector, it will depend on tertiary demand generation, i.e. higher purchases by the public in face of continued uncertainty. Our organisation will depend on the revival of the auto sector, white goods, construction & infrastructure, textile and other sectors which has dependency on steel and aluminium sectors. Factors such as supply chain restrictions as well as labour migrations will affect the revival. In medium-long term, the fundamental factors impacting the growth and investment still holds good. The government should make more cash available in the hands of the people by reducing income tax and interest rates, make credit available easily for more spending.

We're closely monitoring the pandemic situation and taking all necessary measures, including carefully managing cash flows in the short-term. In this dynamic environment, you can surely expect some sort of financial action as a result of the pandemic by way of cost cutting reflex. Firing our employees, that seem unnecessary now as there could be a sudden surge in activity once cities reopen, people get back to work and markets normalize in a few months.

Expectations are situation to get back to normal by April end and domestically economy should be picking up by May. However, if the lockdown prolongs things may become challenging. Investments and projects may get delayed by few quarters which would put financial stress on the industry.

Epsilon is focused on the safety and well-being of its employees and their families and the communities in which we operate, while also taking all reasonable steps to sustain business operations and continue serving our customers.

We are obligated to make responsible decisions to keep the company afloat. But would like to manage this crisis in a clear and compassionate way to create more value and come out of this pandemic stronger than ever before. We hope and believe that this pandemic as well as the economic dip will be redressed soon.