

Covid-19 disruption - what should I do now?

Covid-19

A truly global crisis



Of the countries of the world impacted – *more than both the (so called) World wars*



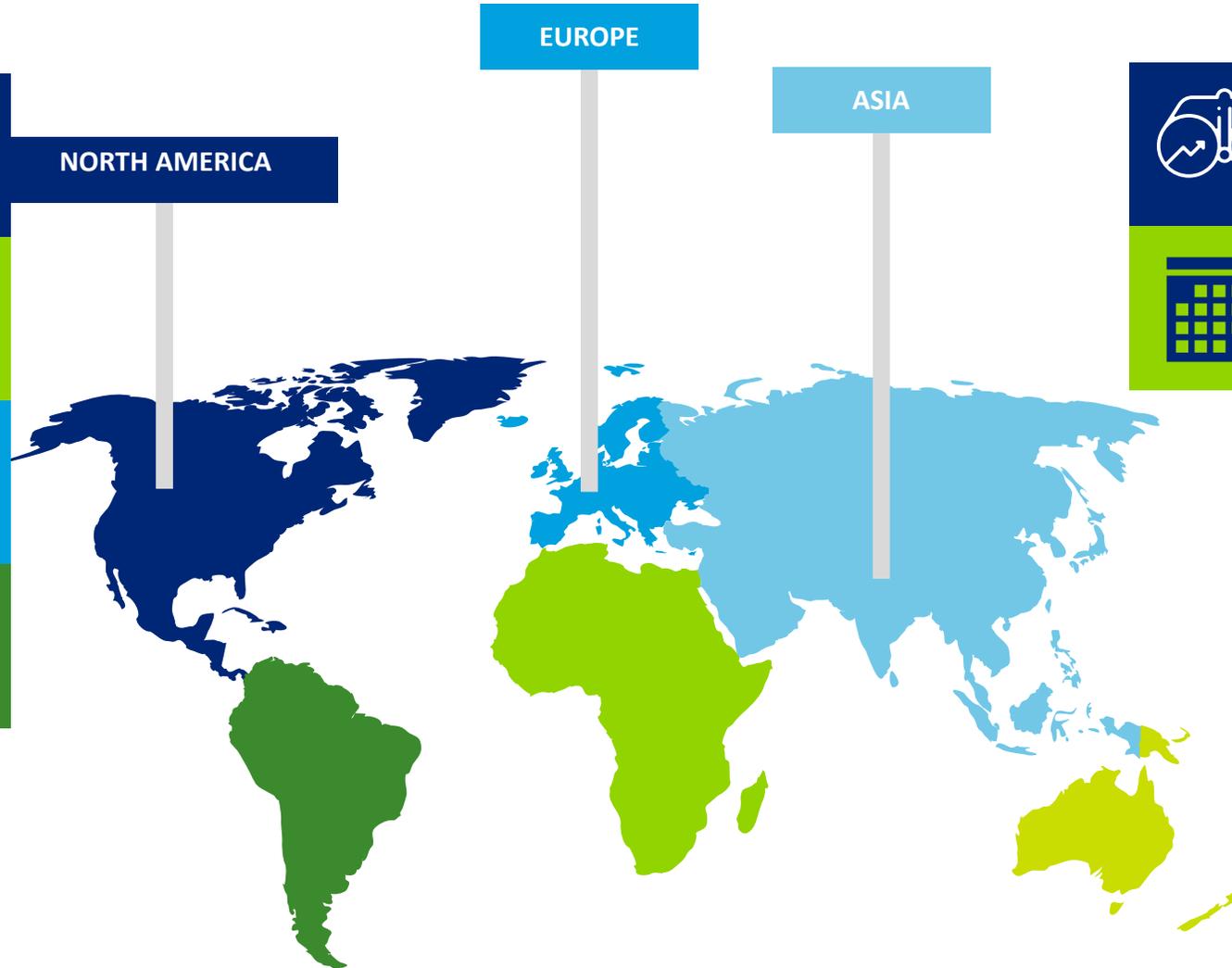
Fall in US GDP estimated. Similar contractions in other jurisdictions expected



US unemployment. India could see significant unemployment



Relief package announced by Govt of India – Rs. 1.75 Lac Crore



Focus first on health and safety of family, colleagues & humanity



The economic costs (and therefore a consequent human costs) cannot be ignored

Uncertain, Unsure, Unknown

ENVIRONMENT, ECONOMY, FUTURE



◆ Unexpected / unprepared

BCP/DR preparations had no match preparation. Most businesses caught unawares

◆ Hard / Sudden brakes

No time for business response.
Will have lasting impact

◆ Significant uncertainty

We are all in the realm of the unknown–

- Duration of impact
- Significance of the impact
- Macro / Micro consequences
- Demand situation

◆ Cash

Cash flow / working capital in India was already stressed

What should business response be?

Business Response Framework

FOCUS ON PEOPLE SAFETY FIRST AND THEN

Short Term Operating Plan

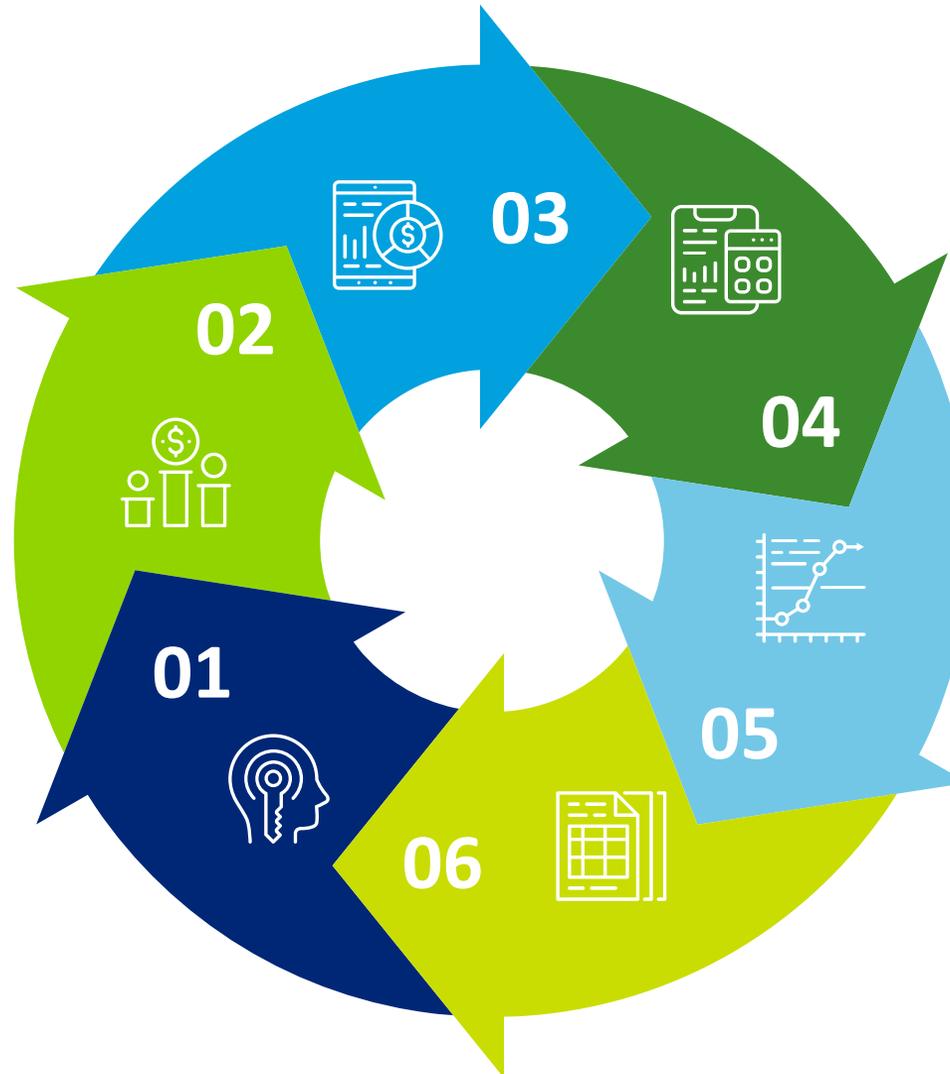
Prepare a realistic cash flow plan for next 3 months – has to be realistic / cash based

Cash flows

Consolidate cash / expand credit lines – ensure life-blood is flowing

People

Rationalize people cost, be honest, capability building



Capacities

Review capacities across the organization – re-prioritize initiatives, renegotiate vendor costs / payments

Government response

Be vigilant – take advantage of government assistance

Prepare for future

Capability building, sustained marketing, ready to grow



Short Term Operating Plan

REDRAW 3-6 MONTH PLAN



SHORT TERM CASH PLAN

**Old Plans
redundant**



Plan both tactically – next 3-6 months and strategically – 6-18 months now
Scenario analysis – payout possibilities- Prepare for the worst – Clearly know the business runway available



PRODUCTS & SERVICES

**Sales will
be hit**



Expect all businesses to get disrupted and sales to be hit – *expect order of magnitude* – 50% reduction?
Pricing Pressure will be there across businesses
Rethink product portfolio – Post covid may want different products



**WORKING CAPITAL –
CONSERVE CASH**

**Receivables
/ Inventory**



Expect delays in customer collections – All businesses are struggling
Demand contraction means inventory issues. *Working capital issues* can take businesses to bankruptcy



People

Communicate



Take necessary actions to calibrate costs
Protect talent for defense / offense
Communicate, Communicate, Communicate



VENDOR PAYMENTS

Negotiate



Carefully calibrate payments with receipts
Be empathetic – your non-payment can have a ripple effect
Renegotiate / re-configure expenses

People

ACT / PROTECT



Look at Future

- **Re-think** on organizational structures
- Rethink on ways of working. Corona has taught the world how to work from home.
- ensure you are **not killing the taproot** of the organization – cut, but not to the bone
- Keep employee engagement high
- **Create IP assets** during slowdown



Innovate @HR

- Sharing the burden – **offer furlough** instead of cutting down to retain talent
- **Defer salaries** if possible – link deferred payout to Least Sustainable Organization Performance
- Use **accelerated stock** to pay for pay cuts



Staff Lay-off

- People actions to be thought out, **one swoop** – clearly communicate and reduce excess headcount
- **Decisive actions** on bonuses / increments – difficult environment – expectations are reset



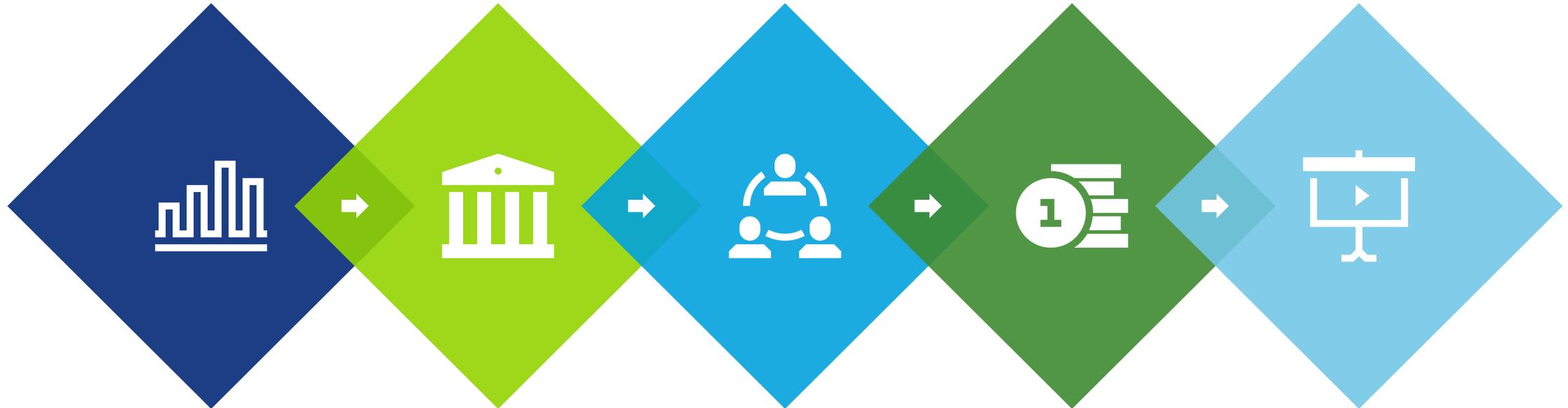
Decisive Action

- **Over communicate** – honor commitments, but be honest. Talk often to people
- Take them into confidence – be transparent – **no sugar coating**
- **Lead by example** – if you are asking for pay cut – demonstrate your pain as well

Cash Flow Plan – Working capital

Never take your eyes off the cash flow because it's the life blood of business.

— Richard Branson —



Collections

- Review all contracts – bill everything – OT / Reimbursements – in time
- Collect receivables – today
- Ensure all invoices are sent in time – credit terms are likely to get extended / impacted
- **Focus on collections**

Expenses - Rent

- Renegotiate –landlords are agreeing for **waivers /discounts/deferrals of rent**
- Ask for “act of God” waiver on rents – PVR / Reliance are doing it
- Moratoriums / return of deposits
- Offer extn of lease terms

Discretionary spends

- Eliminate discretionary spends
- Review the P&Ls - many hidden wastages
- Take advantage – Adspaces are available at discount

Conserve capital

- Drop/Postpone peripheral product developments / capital investments
- **Sell under-utilized assets** – Conserve cash
- Be **careful on treasury** – Markets are volatile

Augment Capital

- Increase existing credit facilities
- Nego for moratoriums of existing loans
- Look for family offices / venture debt firms – even with valuation hits / higher cost of debt – take it. **Cash is king. Hoard cash**

Government Support

UTILIZE FULLY / AGGRESSIVELY

GST / TDS Postponement

Take advantage of postponement. Hoard Cash as a safety net – don't spend it – it still needs to be paid

Refunds

Go after old refunds of IT / GST – do whatever it takes to receive the moneys back from the government – *Aggressive follow-up*

Go for lower deduction of tax where applicable



MSME loans

Explore MSME facilities aggressively – even if there is capital adequacy, hoard cash for next 2-4 months. *Government likely to offer low interest loans* through banks. See *SIDBI* plan for startups

Provident Fund

PF / ESI – *communicate available benefits* to employees – PF withdrawal

Utilize PF schemes – where applicable – govt to pay employer / employee PF for 3 months

Prepare for Future

GO ON OFFENSE AND DEFENSE



Rethink cost structures

Use work from home – *recast infra requirements*

Variabilize costs where possible



Offense - Innovation

Imagine *new customer needs* post lockdown

Create IP assets to address that during slowdown



Marketing / engagement

Engage continuously with customers. Spend on this if needed. Be creative.

Build brand – use discounted marketing



Protect talent

Engage with employees. Retain *critical talent*

Build capabilities – Knowledge, Technology, Alternative revenue streams

Sale

Use Nego ability

Services may be available at discount – *Take advantage* where possible

Can partnerships & collaborations be struck during this time, since everyone is vulnerable

- *MERGERS, JVs, ACQUISITION* etc



Conviction

Be confident in your *company*. Be confident in your *Country* and that the economy will rebound – prepare for that

References

- Some of the leading investors in India recently held a session trying to pool knowledge and create best practices.
- The knowledge base can be accessed here and will be undoubtedly useful - <https://www.notion.so/Best-Practices-for-Founders-in-the-wake-of-COVID-19-54f0c0db17064e6f9e5dd456d9cb26de>
- CEOs, Cash and Covid: What Every - Company Must Do ASAP - By Ram Charan - March 24, 2020
- COVID-19 - Managing cash flow during a period of crisis – Deloitte
- <https://www.investindia.gov.in/team-india-blogs/explained-sidbis-new-covid-19-startup-assistance-scheme>

Thank you

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Contact us for a discussion

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