

Pandemic Impact – Business Considerations

Since early 2020, Global economy was weathering turbulence in managing Demand, Supply, and Liquidity issues even before the pandemic hit in March 2020. As on 7th April 2020 approximately 1.4 million people have been infected Globally including 5129 in India. The Indian Government announced a Compulsory Country Wide lockdown till 14 April 2020. It is expected that the lockdown will be extended and will end in phase wise manner to control the relapse.

Whereas the Government is focussing on securing the population from the virus and widespread hunger by maintaining supplies for medical & essential commodities, it is necessary for the wider Industry to re-commence / continue the Business as soon as it becomes safe. With inputs from various forums and internal resources, we have gathered some thoughts to help Corporates with some guidance during these difficult times. This may help the Company to respond professionally to stakeholders and maintain their business continuity.

Supply Chain Management : Supply chain is dependent on Inter State & International Trade. Logistics Industry will take time to recover considering that it will require smooth functioning of domestic and international logistics. Revenue for most of the Companies will go down significantly over the next 3-4 weeks. It can be expected that a complete recovery may not happen before end of H1 of FY 20-21. Instead of a V shaped recovery, its highly probable that the market will witness a L or W shaped recovery. In all scenario, maintain clear & written communication with all stakeholders (Customers, Vendors, Service Providers, Government etc.).

Revenue / Customer Relation	Supply / Vendor Relation
1. Review Work in Progress / Goods in Transit	1. Review Work in Progress / Goods in Transit
2. Review and prioritise pending sales orders (based on stock/resource availability, client priorities, payment terms, logistics)	2. Review the purchase order (based on fund, resource/stock availability, client priorities, payment terms, logistics). Increase or decrease the speed of deliveries based on requirement.
3. Review cost of goods based on revised market situation.	3. Lay out a plan with vendors/service providers/manpower supplier to ensure smooth restart of operations.
4. Consider cancelling / deferring a Sales order which may not be critical, and which could cost more than revenue in the current scenario.	4. Review the vendor agreements and request for rate concessions from large vendors. Consider supporting MSME vendors.
5. Prepare Sales Plan / Target for F.Y. 20-21	5. Consider cancelling / deferring a purchase order which may not be critical, and which could cost more than the corresponding revenue/benefit in the current scenario.
6. Identify new expiry inventory (Finished Goods or Raw Material) and arrange a quick disposal	6. Explore possibilities of utilising alternate material / vendors. Reduce Import dependencies.

Cash & Cost Management: The Industry also need to take up measures to improve efficiencies. An effective Treasury / Funds management can help a lot in speedy recovery. Following points may be considered:

1. Payment terms may be renegotiated with Customers and Vendors. During this exercise the Companies may consider Financial conditions of the other parties as well. MSME obligations to be considered as well. May request early payments from large Customers. Explore offering some discounts for early payments.
2. Scrap / Dead Inventory / Obsolete Inventory / Unutilised Assets may be cashed in.
3. Capital expenditure may be deferred. Reassessment of Revenue Impact for CAPEX may be done. Variable cost models may be implemented. Explore outsourcing as a midterm / long term option to reduce fixed costs.
4. This may not be a right environment to spend money on Marketing expenses. These expenses may be reduced.
5. Discuss with Investors for any pending inflow / outflow. May need to defer an investment to reduce capital cost. Consider market sentiments before deferring any dividend pay outs.
6. Renegotiate annual escalation for Rental/Lease expenses. Discuss for some discount or invoking Force Majeure for 1-2 months.

Human Resource : Employees are most important resource for any organisation. It is necessary to maintain clear communication on updated strategy. It is important that mid-level management / employees do not make individual judgement/decisions which may not be in line with Top Management's strategy. Cutting down on employee cost should be taken as a last resort. Be careful in cutting bonus/increments of critical employees. Good employees are hard to find! Obtain legal advice before cutting on employee cost (if at all).

1. Alternate deployment / utilisation may be planned. Online trainings may be setup. (In house Trainers may be deployed to save cost, alternatively Professional Trainers can be used if cost is not an issue). New hiring may be suspended.
2. A discussion may be done with existing employees, to distribute the additional work to existing team. A loyal team should be happy to manage additional workload, to help the Organisation in tough times.
3. Setup an open chatroom/ HR helpdesk to ensure there is clear communication to the employees. The HR team to monitor the chat room to ensure the rumours are tackled in professional manner.

IT setup : Improve on digital format for managing information, data archival, funds management.

1. Equip the organisation to work effectively from home. Broadband to employees, VPN etc.
2. Conduct a backup system check and perform a data recovery drill.
3. The Data security setup may be revisited. It is important to have additional security during work from home arrangements.
4. During the lockdown, several Companies purchased subscription to expensive tools for online collaboration. Reassess the subscriptions – lots of applications are available without any additional cost. E.g.: MS Teams/Skype which is available as part of MSOffice package (used widely all over the globe).
5. Beware of donation scams and malware disguised in Pandemic Information Mails etc.

After effects : The ripple started with one pebble, and it can start again with a loose one. Healthy and sanitary methods must continue for another 2-3 months to avoid any relapse. Keep the office visitors and office going employees to a minimum for next 2-3 months.

1. Team monitoring: Clear & documented expectations, commitment and target tracking.
2. Identify the teams which were able to work efficiently during the lockdown period. "Work from Home" concept may be continued, to boost efficiency of those teams. Something like, alternate day visit to office may also reduce office management cost.
3. Identify the teams / employees who were not able to handle the "work from home", additional monitoring may be set up for them. Daily / weekly updates with team along with Minutes of Meetings, may help.
4. One to one meeting (online / offline) HOD with team members. Provide timely feedback.
5. Formulation of temporary guidelines for office. Travel advisory, Workplace sanitisation, use of safety equipment, declaration of family travel history etc.
6. Stakeholders may be reminded of the Company's spokesperson. (this will avoid random employees spreading random rumours)
7. Clear communication is necessary with Vendors, Customers, Consultants & Employees. It must be ensured that the Communication is true and consistent across different Managerial persons.
8. As it's start of a new Financial year. Year-end compliance and closure checklist may be checked to ensure that critical internal & external compliances are adhered to. E.g.: Renewal of all insurances. (Fixed Asset, Inventory, Cash, Employee Health, Director's liability, business interruption insurance etc.

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