



The COVID – 19 Outbreak

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BACKGROUND

COVID-19 pandemic has caught governments across the globe off – guard. Non – availability of proven cure and high mortality rates across some countries have forced governments to take necessary steps to contain further spread of virus by implementing stringent measures viz., nation wide lock – downs, closing domestic and international borders, shut – down of transport facilities, forbidding public gatherings, shutting down schools and offices etc. in addition to issuing mass appeals for people to stay home and practice “social distancing”.

The Indian government announced nation – wide lockdown w.e.f. 25th March 2020 with the exceptions of essential services. The massive restriction in movement, uncertainty, and its ripples effects on the economy have rightfully unnerved investors, sending markets into a spiral.

While flattening the virus curve is extremely crucial, all stakeholders will have to take proactive measures for flattening the expected global recessionary curve as well. The Indian government has initiated measures in these aspects which have been summarized below:

PM Address

24.03.20

- The PM declared a 21-day nationwide lockdown
- A provision of INR 15,000 crore has been announced towards coronavirus testing facilities, personal protective equipment, beds, ventilators and other infrastructure

FM Address

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24.03.20

- Extension of deadlines under Income Tax and GST from 31.03.2020 to 30.06.2020
- Number of relaxations granted under Companies Act w.r.t. conducting board meetings and other regulations
- Revision of threshold for consideration of default under IBC from INR 1 lakh to INR 1 crore to prevent triggering of insolvency proceedings against MSMEs
- No additional charges on withdrawal of cash from ATMs of any other bank

FM Address

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26.03.20

- Medical Insurance cover of INR 50 lakhs/ person in front line defense against COVID -19 including doctors, nurses, sanitization workers, etc.
- GOI to pay provident fund contribution for employees working in establishments having up to 100 employees and where 90% of employees draw salaries up to INR 15000/ month
- Free gas cylinders to around 8 crores BPL families for next 3 months and farmers to get 1st installment of INR 2000 out of INR 6000 per annum in the first week of April'2020

RBI Address

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27.03.20

- Repo rate reduced by 75 basis points to 4.4% and Reverse repo rate reduced by 90 basis points 4%
- CRR reduced by 100 basis points to 3%
- Three-month moratorium on payment of term loan outstanding

Further, other relaxations and reliefs are being announced by regulators on an on-going basis in these unprecedented times to facilitate ease of compliance by corporates.

Date source: Worldometer; mygov.in/covid-19, Times of India

Aviation

Airline carriers have suspended their operations due to global lockdown which has put the aviation industry into a fragile position

01

Hotels & Tourism

The current sentiment and future cautiousness with respect to travel will impact the sector adversely

02

Media and Entertainment

Digital media, online gaming, social media, OTT platforms to benefit due to the lock down

03

Auto

Dependence on imports from countries like China will impact the supply chain. Indian manufacturers have suspended production lines with factories being shut down

04

Pharmaceutical

Closure of markets in countries may negatively impact the sector from where Indian pharma industry imports its bulk drug needs. Sector may experience windfall gains on development of vaccines/ medicines for COVID-19

05

Financial Institutions

Microloan and MSME loan portfolios of NBFC & MFI may experience increase in delinquency since low income group are likely to be hit hardest

06

Technology

There will be an increase in demand of technology, SaaS products, social media apps, virtual communication E.g.: Cloud Computing, food delivery

07

Infrastructure

Infra projects may take a back seat since public welfare programs is a priority of each state. This may result in slowdown in infra spending

08

FMCG - Retail

There is a sharp surge in demand for essential commodities & personal care/hygiene. However, it will be restricted to specific product categories such as snacks, confectionary, edible oils, sanitizers, disinfectants etc.

09

E-commerce

Dependence on online shopping for essential items is expected to increase due to closure of shops, malls etc. however cancellation of orders of non-essential items and delay in delivery may hit the segment adversely

10

Textile

The spread of the virus in China, EU and USA may adversely impacted this sector as they are huge markets for Indian textile products

11

Real Estate

Need for liquidity in uncertain times, decrease in footfalls in malls and theaters, conservative business plans etc. may adversely impact this sector

12

● Negative ● Positive ○ Neutral

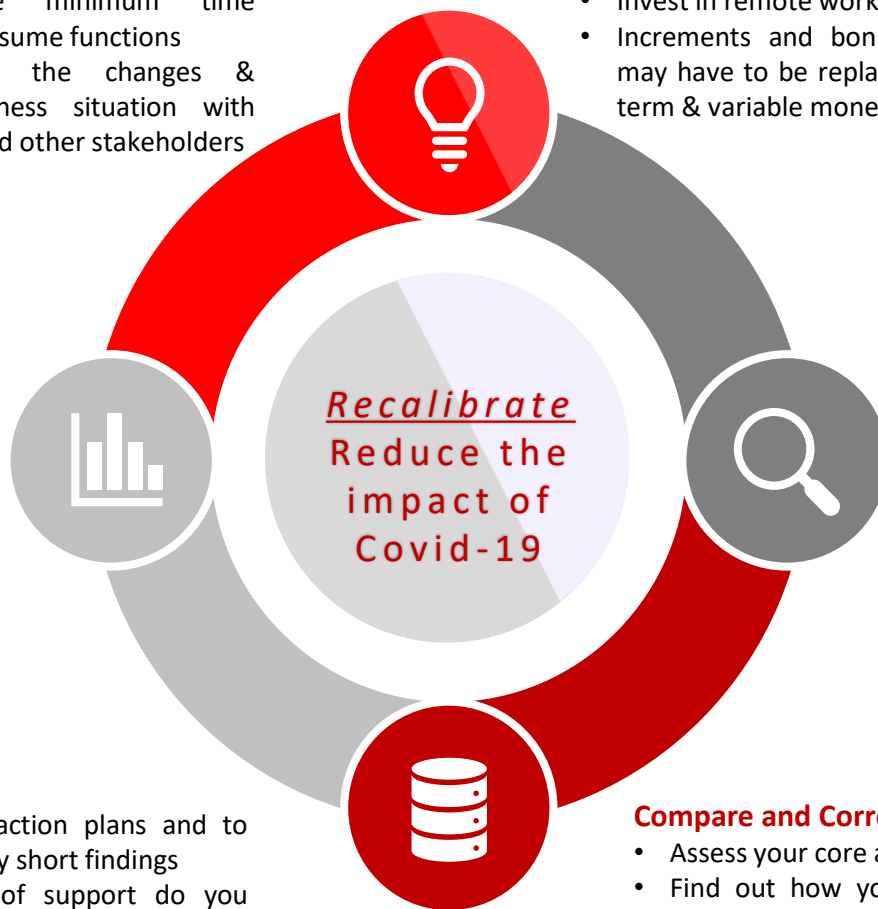
Unprecedented times such as now require extraordinary efforts, unparalleled resilience and innovative ways of thinking in all walks of life, and the corporates aren't any different. In every adversity, lies an opportunity which can enable growth and unlock one's true potential.

Assess and Communicate

- Identify critical and non-critical functions of your business
- Backup of critical functions in case of disruption
- Cash flow management & liquidity requirements to sustain
- Discussions with lenders/ bankers regarding working capital requirement and bridge funding
- Identify the minimum time required to resume functions
- Communicate the changes & current business situation with employees and other stakeholders

Reshape Strategy

- Identify the immediate steps required to be taken
- Stress test your business plan in the "worst" and "best" cases scenario
- Decide on the consequences of the above steps on the business
- Formulate alternative procedures keeping in view the present working conditions across the organisation
- Invest in remote working tools and IT
- Increments and bonuses to employees may have to be replaced with other long term & variable monetary commitments



Take Actions

- Implement action plans and to eliminate any short findings
- What kind of support do you require for these steps?
- SWOT analysis of present manpower and re-allocation of duties accordingly
- Reassess contractual obligations and discuss with legal team for any change in onerous clause(s)
- Understand impact of statutory relaxation and other government schemes

Compare and Correct

- Assess your core advantage.
- Find out how your competition is gaining an advantage over your business
- Evaluate the market conditions during and after this pandemic
- Develop your key strengths and competitive advantage
- Do away with long gestation projects and focus on short term opportunities during prevailing scenario to ensure liquidity

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