

**HUNT  
PARTNERS**

LEADERSHIP  
EMERGENT INDIA

**Covid19 & Beyond**

# The Leadership Agenda



**May 8, 2020**  
Issue 1

**Managing Cash Flows  
Surviving the Crisis**

This white paper is the outcome of the 1st in a series of webinars that Hunt Partners is conducting during the Covid-19 crisis.

The business environment has not faced a bigger threat than COVID 19 in the last 70 years, where demand & supply as well as finance, have all taken a hit. The cash challenge faced by more than 44% of businesses are severe in nature. From a cash-flow perspective, the myriad challenges across sectors and industries can be consolidated under 3 key parameters, that can further be assessed and diagnosed for a better outcome.

### Internal Costs

Managing your internal cost engine is not just about variabilising the fixed components but also about scrupulous assessment of every cost item, more commonly known as zero based budgeting. One needs to ruthlessly re-assess the value of single expense to the business. As one addresses the items of cost and looks at the option to move to variable components in the short term, it is critical to look at the complete budget. One line item at a time, with a discerning eye, to ascertain what are the must haves. Question and challenge the status quo, ask what your business is about and keep only business critical components while doing away with others. For example, airlines are planning to remove use of restroom and food catering on short haul flights. The core service is to take commuters from point A to point B for which the customer is paying for.

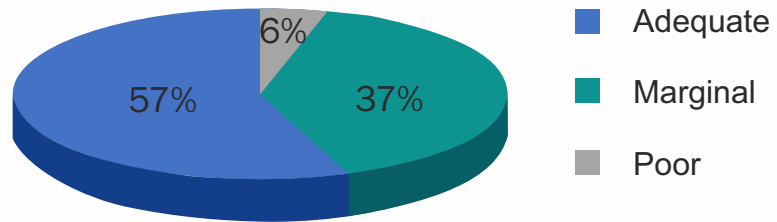
While looking at variabilising the fixed costs, the risk is passed on either upstream or downstream, incurring a risk premium especially on people, property and inventory costs. For example, moving to a daily or monthly rental model for warehouses/office spaces may reduce fixed cost commitments but will also increase the total payout. Similarly, passing inventory to distribution has to be leveraged on strong relationships, transparency and commitment.

### Customer Demand

Understanding your customer need at the time of a crisis. Question the assumptions of what your customer is looking for, both B2B and B2C. Understand what the customer needs in the near future which has to be coupled with what high margin products can be offered to meet that need. This will help feed the production schedules to ensure that products do not sit in the warehouse but bring higher cash flow.

Another key change that needs to be addressed is how one sells. A sales manager should not be looking at selling a product but at how s/he can solve customer problems on cash flow and demand. Going beyond the usual and connecting with your customer is what will help bring business, even though there may not be apparent demand.

### What is your liquidity situation?

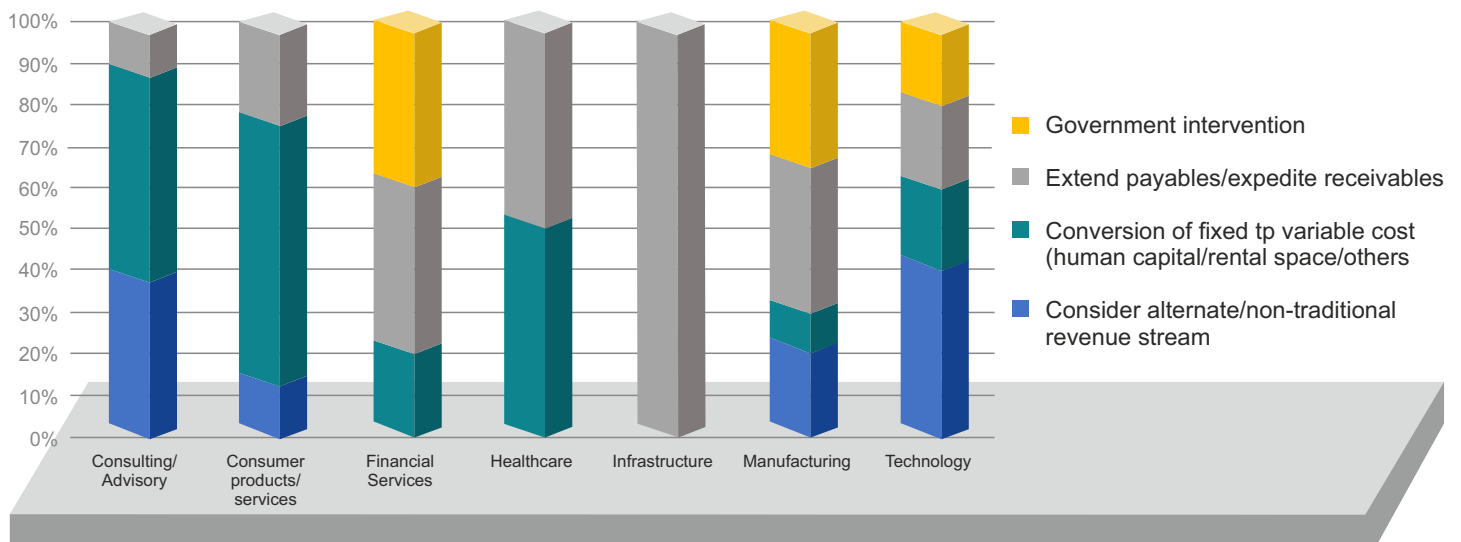


## Financing Of Activities

Financing your activities with low cash reserves- after looking at all cash receivables and payables, one needs to look at the line of credit available. While banks will be wary of lending at a time like this, equally, it is unadvisable to be highly leveraged as a business, especially when future cash flows are not certain. Start by creating a 6 months' business plan and understand the drain in cash flows. In most likely cases, the holes will be difficult to fill. This is where one needs to look at working capital options through issue of ICD, commercial papers or NCDs for the next 6 months.

Another option of raising money (though not a very intuitive one in such a market) during such times, is the equity route. Given the recessionary outlook of the economy which will render lower valuation, equity should be a viable option to raise money over leverage.

## How will you improve liquidity in short term?



## Conclusion

The situation is most likely to get worse before it gets better, but high quality businesses will surely abide by ethical practices even during the current phase. A contractual obligation should always be honored unless there are unavoidable circumstances, and such practices will have a lasting impact on over-all brand value. Needless to say, the judicial system has been quite vehement in passing judgement against wrongful appeals of force majeure!

In summary, look at options that are in your control. Focus on the right throughput, meeting the right customer need, with the most profitable product. A rigorous digitalisation strategy should very much be on the top of your radar, no matter which industry or what part of the value chain you are in.

**Date: May 8, 2020 | Time: 14:30 hrs IST / 9:00 hrs GMT**

### **Participants:**

A wonderful mix of audience from diverse industries and sectors across the world. The majority were CEOs and Founders making up for the majority followed by CFOs and CHROs of Indian and global businesses.

<b>Name</b>	<b>Company</b>	<b>Designation</b>
Alex Augustine	ISS Facility Services India Pvt. Ltd.	Chief People & Culture Officer
Ankur Gupta	ABL Workspaces Pvt. Ltd.	CEO
Antony Parokaran	Eros Elevators	CEO
Arjun Anand	AG Industries Pvt. Ltd.	MD
Ashok Malhotra	Habasit India	MD
Bobby Joseph	Lixil India Pvt. Ltd.	Country GM
Chris Jacques	Climate Retail Ltd.	MD
Deepesh Bansal	Intertek	Finance Head Intertek Indonesia
Girish Shah	Knight Frank	Executive Director
Indranil Mukherjee	B.Braun	MD
Jayaram Philkana	Glenmark Pharmaceuticals Ltd.	President & Global Chief Human Resources Officer
John Sullivan	Reconomy	CFO
Kapil Arora	KPMG	Partner
Pradeep Pasari	Hero Future Energies	President - New Initiatives
Praveen Nijhara	Hansa Research Group	CEO
Raghav Murkumbi	JLL	Sr Director
Raghavendran Balasubramaniam	Cisco Systems India Pvt. Ltd.	MD - Sales
Rajdeep Das	Peters Surgical India Pvt. Ltd.	CEO
Rajeev Newar	Chalet Hotels LLtd.	Executive Director & CFO
Rupinder Anand	OKI India	CEO
Sagar Bhosale	Schmersal India Pvt. Ltd.	MD
Samir Hosangady	Brink's India Pvt Ltd	MD
Sanjay Arora	Suburban Diagnostics	MD
Sanjay Bahl	Raymond Ltd.	Group CFO
Sanjay Prasad	Mercy Hospital	CEO
Sanjoy Mallik	ex J&J	Country Director
Satish Kumar	Deceuninck India	MD
Shankar Jadhav	BSE	Head - Strategy
Steve Clark	FirmR	Finance Director
Vivek Talwar	Nitco Ltd.	MD

## Panellists



**Manish Bhatnagar**  
MD



**Anil Goel**  
Turnaround Specialist  
Ex ED and CFO



**Aksh Rohatgi**  
CEO



**Rajesh Gupta**  
Legal Adviser and  
Managing Partner

