



Addressing the 'new normal' amidst the COVID-19 crisis



As a CFO, your priority right now is keeping your people and business safe and connected. We are here to learn with you and figure ways in which to build resilience and stay together through this difficult time.

Considerations for your finance function

Your people imperative



Impact

- No access to offices, remote working with unfamiliar virtual team dynamics, social distancing, anxieties and family responsibilities

Key considerations

- Are you aware of the physical location of your teams, their immediate families and their risk of infection?
- How are the teams braving the crisis: physically and emotionally?
- Do they know their work priorities and what is expected of them pending the new 'normal'?
- How do you plan to keep your people engaged, including using time to reskill/upskill?

Cash forecasting



Impact

- Stress on collections and suppliers going bust due to liquidity crunch
- Challenges in paying staff salaries
- Operational challenges and higher cyber risk due to remote working

Key considerations

Have you reassessed your working capital requirements?

- Do you have visibility of your working capital requirements? Can your team access systems to plot this accurately while working from home?
- Do you have cash pooling?
- Are you in touch with your clients for collections?
- Have you discussed deferred payment options with your suppliers, Government agencies, other?
- Have you identified variable, semi-variable cost elements in your cost structure?

Have you considered additional liquidity being pumped into the system?

- Will you be able to take advantage of the additional liquidity coming through RBI announcements and initiatives around statutory and regulatory compliances?
- Can you negotiate or access new facilities or term loans with your current bankers?
- Will you be ready with the documentation the banks will ask for?
- Will you be able to use the new working capital limits to your advantage?
- Can you recast your business plan to make commercial papers / bonds attractive?
- Will you be able to use the moratorium period to drive demand?
- Are you considering debt restructuring?

Financial reporting



Impact

- Disrupted business and uncertain outlook impacting top-line, profitability and valuations
- Idle capacity leading to impairment of non-financial assets
- Declining ratios resulting in covenant breaches, rating downgrades

Key considerations

- Do you need to reassess the going-concern assumption while preparing financial statements?
- Have you evaluated the impact of COVID-19 on areas that require critical accounting estimates / assumptions such as inventory valuation; impairment of non-financial assets and goodwill; credit loss provisions; fair valuation of financial assets?
- Have you evaluated the impact of COVID-19 on annual financial statement disclosures such as current / non-current classification, credit and liquidity risk management, capital management, events after the reporting date?

Financial planning and analysis



Impact

- Revenue de-growth and margin erosion
- Lower sales forecast accuracy
- Drop in capacity utilisation
- Pressure on discretionary expenses, capex budgets

Key considerations

- Have you considered a budget recast?
- Have you applied principles of zero-based budgeting to reduce costs?
- Have you stress tested sales forecasts?
- Have you re-evaluated customers from a segmentation, price elasticity, payment history perspective?
- Have you re-visited In-House V Outsource, strategic sourcing, commodity price volatility scenarios?
- What real time analytics can help the head of functions take advantage of an agile organisation?

Stakeholder engagement



Impact

- Disruption in regular channels of communication
- Prevailing uncertainty on performance and outlook
- Heightened anxiety on trickle down impact across the supply and value chains
- Volatility in capital markets

Key considerations

- How do you plan to stay engaged with investors, vendors, regulators and other key external stakeholders?
- What is the messaging you would like to convey during these uncertain times?
- How often will you need to communicate with key stakeholders?
- How will you obtain comfort on the information you need to convey to your stakeholders?

How we can help?

We will be sharing our CFO briefing notes on updates impacting the finance function 'as they evolve'. Webinars are being organised to go over each area of impact so we can ideate together on the most effective and efficient way forward.

Do stay tuned for updates and please write to priyankaca@kpmg.com for any feedback (especially topics you would like us to cover in the webinar) and/or queries that you may have.



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