"The world is facing the worst economic fallout since the great depression"
- Kristalina Georgieva, IMF Chief

The Covid-19 pandemic and the subsequent lockdown has dealt a severe blow to an already-stressed global economy. The suddenness, spread, and severity of the pandemic across the globe has pushed countries and institutions into uncharted territories.

- 200+ countries, areas or territories with Covid-19 cases
- 3 b people under lockdown or 1/3rd of the world's population
- 2-3% contraction of global GDP
- Global unemployment levels at an all time high
- Simultaneous double digit dip in global supply and demand
- 170 countries to experience negative per capita income growth in 2020-21
- ~2500+ government pronouncements to manage the crisis
- Significant decline predicted for global trade in 2020-21

# Estimates based on multiple sources: Bloomberg, UNCTAD, WEF, WTO & ILO.
Covid-19 will have significant implications for an already stressed economy

Macroeconomic impact

- Significant dip in GDP growth while India continues to be among the fastest growing economies globally
- Adverse impact on fiscal deficit due to dual impact of fiscal stimulus and lower revenue collections
- Substantial erosion of investor wealth due to flight of foreign capital

India’s response - economic recovery to commence with graded relaxation of lockdown from April 20th

- Stringent national lockdown
- Stringency Index (100=strictest)
  - 100
  - 95.2
  - 90.5
  - 87.1
  - 66.7

- Economic stimulus of INR 1.7 trillion
- Food security measures for poor
- Direct cash transfers
- Govt. to bear employee provident fund contributions
- Extension of dates for filing financial results
- Accelerated payment of government dues to small / medium industries

- Fiscal
- Monetary

- National lockdown

- Industry

- Healthcare

- $2.9 trillion Indian economy

Current sectoral impact

- Travel and Tourism
- Trading and logistics
- Automotive
- Construction and Real estate
- Energy
- Financial Services
- Retail
- Education
- Healthcare
- Non-essential FMCG
- IT services
- Pharmaceuticals
- Essential FMCG
- Online businesses
- Telecom

Stringent national lockdown

INR 150 billion allocated to augment healthcare
Government-sponsored insurance cover for all healthcare workers
600+ dedicated hospitals, 100K+ isolation beds

CRR cut to release INR ~1.4 trillion liquidity
Repo rate reduced to historical low of 4.4%
Moratorium on loan payments

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- Fiscal
- Monetary

- National lockdown

- Industry

- Healthcare

- $2.9 trillion Indian economy

# Multiple sources: Oxford, Bloomberg, Reuters & RBI.
The path to recovery for India: a prolonged "see-saw" shaped recovery looks most likely, leading to a "new normal".

**Optimistic scenario**
- "V-shaped" recovery contingent on a vaccine / effective treatment by Q2'20, and nil strain mutation
- Aided by government stimulus, pent-up demand unleashed
- World economies stage a recovery to pre-crisis levels

**Most likely scenario**
- "See-Saw" recovery: Deeper and pervasive recession, followed by a slower recovery and likely deflation
- Higher public deficit levels due to stimulus programs
- Protracted weak demand and global value chain disruptions
- Higher capital outflows and currency depreciation

**Pessimistic scenario**
- "L-shaped" recovery: Prolonged mobility restrictions reinforced due to lack of effective treatments
- Increased fiscal and inflationary pressures due to even higher stimulus programs
- Flight of capital and foreign exchange depreciation
- Personal, business and (potentially) sovereign defaults

**New Normal**
- Industries
- Markets
- Societies
The “New Normal”- changing companies, markets and societies – may mark a shift to a “Quality economy”

From…

Current normal

Social impact
- Environment
- Globalisation
- Trends
- Personal relationships
- Work/life
- Growth
- Interactions with customers, competitors, suppliers, business partners, Govt, customers, and partners

Or…

Back to normal?

To…

Quality economy
- Clean
- Connectivity
- Community
- Creativity
- Conscientious

Building a resilient enterprise- Now, Next and Beyond
### “Quality economy“ - key drivers of the shift

<table>
<thead>
<tr>
<th>Environment</th>
<th>Solidarity</th>
<th>Consumption</th>
<th>Technology</th>
<th>Work/Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learnings from the involuntary positive impact on the environment?</td>
<td>Will social distancing become a norm?</td>
<td>Will we consume more sustainably, having felt scarcity for the first time in decades?</td>
<td>Will we embrace technology as a means to a resilient society?</td>
<td>Will we balance wealth accretion with better quality of life?</td>
</tr>
<tr>
<td>Will this create business opportunity?</td>
<td>Will there be room for charitable business models?</td>
<td>Will there be variable contracts with partners/ suppliers?</td>
<td>Will production be localized?</td>
<td>Will fitness and health get prioritized?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Globalization</th>
<th>Cost structures</th>
<th>Financing / Cash flows</th>
<th>Supply chain</th>
<th>Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will there be protectionism?</td>
<td>Are virtual headquarters a viable future?</td>
<td>How to plan with a greater safety net?</td>
<td>How to diversify site portfolio risk?</td>
<td>How to ensure continuity?</td>
</tr>
<tr>
<td>Will we reduce business and leisure travel?</td>
<td>Will there be variable contracts with partners/ suppliers?</td>
<td>How to strengthen working capital management?</td>
<td>Will production be localized?</td>
<td>How to digitalize further?</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Is this a significant shift in sales channels?</td>
</tr>
</tbody>
</table>
“Quality economy“ - stakeholder relationships are likely to get redefined

How to…
► drive engagement for a virtual workforce?
► reskill my workforce?
► improve employee care and financial well being?
► measure effective performance instead of efficiency?

Do we…
► know customers well enough?
► enhance digitisation?
► improve our social positioning?
► need to increase closeness and build loyalty?

What is the…
► risk in my portfolio?
► opportunity for risk diversification?
► Geographical
► Contractual
► right balance on risk sharing?
► optimum decision on own versus buy?

How can we…
► increase sharing of information?
► help each other?
► mitigate risk by cooperating differently?
► increase engagement with capital providers?

What are the…
► areas of common interest?
► opportunities to share cost and risk?
► issues that can benefit from joint lobbying?

How can…
► we enhance co-creation with government for the larger good?
► social development be institutionalised?
► countries partner to avoid a recurrence and pandemic-proof the world?
"Quality economy“ – megatrends for business enterprises

MEGATRENDS

Industries
Industries will experience a step-change in digitalization, flexibilization and resilience considerations

Markets
Market roles shall increasingly be based on trust and shared risk

Societies
Employee and consumer behavior will change irrevocably

5C’s of Quality Economy

Clean
Heighten response to public health, sustainability and environmental solutions

Connectivity
Acceleration towards virtual connectivity and digital transformation

Community
Re-imagine relationship building at a global and hyper-local level

Creativity
Innovate towards more sustainable, flexible and profitable business solutions

Conscientious
Increased responsibility to balance fiscal, operational and organizational decision-making
How will you respond to this “New Normal”?

To protect the well-being of all stakeholders, support critical operations and restore market confidence, the C-suite must consider an adaptive response across 3 time horizons:

1. **Now**
   - Provide an immediate response to the crisis by protecting staff. Optimize cash and costs to withstand a prolonged disruption due to lockdowns.

2. **Next**
   - Address liquidity challenges and develop a response plan to return business to original levels. Reassure stakeholders to restore market confidence.

3. **Beyond**
   - Fundamentally change the operating model and prepare for sustainable growth. Engage with all stakeholders to ensure the success of your vision.

Market Volatility Earnings Impact Potential Global Recession Recovery New normal
Enterprises will need to respond swiftly to adapt to the “New Normal“ - Now, Next and Beyond

**NOW**

- Secure financial stability
- Continue operations
- Protect employees

**Adapt operations**

- Fix supply chain
- Re-start production
- Ensure customer access
- Reduce cost short-term
- Augment cash flows
- Streamline structures, portfolio, footprint

**NEXT**

- Achieve lower and more agile cost base
- Increase workforce flexibility
- Optimize supply chain - mitigate geo-risk, enhance agility
- Maximize digital customer access
- Enhance digitalization, automation, back up with cyber security
- Revisit capital sources & allocation
- Adapt risk management to the new situation

**BEYOND**

- Seize new growth opportunities
- Re-imagine relationships
- Re-think new business solutions
- Apply new balance to decision making
- Fully digital enterprise

**Core themes**

- Employees - Keep employees informed, motivated, committed and trained
- Customers - Focus on brand perception and provide two-way communication loop
- Capital providers - Proactive and transparent communications
- Government - Monitor regulatory changes and adapt accordingly
- Business Partners (including Competitors and Suppliers) - Understand full ecosystem impacts and recovery options

**Stakeholders**

**Shock**

- Employees
- Customers
- Capital providers
- Government
- Business Partners

**Re-Start**

- Employees
- Customers
- Capital providers
- Government
- Business Partners

**Continued crisis and slow recovery**

- Employees
- Customers
- Capital providers
- Government
- Business Partners

**Most likely Scenario - “The See-Saw” recovery**

- Employees
- Customers
- Capital providers
- Government
- Business Partners

**New normal**

- Employees
- Customers
- Capital providers
- Government
- Business Partners
How you respond NOW will significantly define your company and brand?

**Considerations**
- Safety of all stakeholders
- Continuity of critical services
- Keep pace with growing regulations

**Focus Areas**

**Risk and resilience**
- Conduct risk scenario based impact assessment
- Continuously adapt risk appetite
- Empower crisis management task force

**Cybersecurity**
- Facilitate remote access for all stakeholders
- Conduct threat hunting and application testing
- Prioritise cyber investments

**Regulatory compliance and controls**
- Assess business impact of regulatory changes
- Establish alternate processes for effective operation
- Align the activities of IA function to enable support to business

**Customer and brand**
- Re-baseline customer segments
- Expand network capacity for higher demand
- Enhance digital resources for sales and service

**Talent and workforce**
- Identify and prioritise critical resources
- Communicate to and engage the workforce
- Manage employee wellness

**Finance, structuring and stimulus**
- Evaluate options to move cash in a tax efficient manner
- Reassess overall cash requirements and mitigate working capital blockages
- Accelerate govt/tax receivables

**Business and operating model**
- Prioritise product portfolio in line with existing constraints
- Contactless order taking and deliveries
- Evaluate alternate revenue streams

**Technology**
- Strengthen BCP especially for critical business systems
- Augment IT team’s capacity
- Provide cloud infrastructure based digital tools to enable remote working and manage productivity

**Actions**
- Create cross-functional crisis management centre
- Assess Covid-19 impact on organisation value chain
- Support communities to fight the pandemic
- Build a digital front on priority for some sectors

**Considerations**
- Conserve cash and contain costs
- Keep pace with growing regulations

**Focus Areas**
- Risk and resilience
- Cybersecurity
- Regulatory compliance and controls
- Customer and brand
- Talent and workforce
- Finance, structuring and stimulus
- Business and operating model
- Technology
How will you restart your business and pivot to what comes NEXT?

**Considerations**

- Adaptive and resilient operations
- Flexibilize workforce
- Lower and agile cost base
- Identify and manage all emerging risks

**Focus Areas**

- Risk and resilience
  - Continuously monitor and mitigate emerging risks
  - Refresh risk appetite and risk responses with the new normal
  - Develop a holistic approach for organization-wide efforts to manage such risks

- Cybersecurity
  - Adopt next-gen Identity and access management
  - Migrate to Zero / Lean Trust Assessment methodology
  - Enhance Cyber monitoring of enterprise assets

- Regulatory compliance and controls
  - Conduct regulatory scenario impact analysis
  - Evaluate alternate methods of testing
  - Reimagine the Internal Audit function and scope

- Customer and brand
  - Strengthen direct to customer channels and shore up digital payment capabilities
  - Align marketing spends in line with channel strategy
  - Prepare for recovery campaigns

- Talent and workforce
  - Define innovative performance measurement
  - Focus on productivity
  - Build flexible manpower and compensation models

- Finance, structuring and stimulus
  - Revisit capital structures and allocation
  - Reset viable “new normal” financial baseline i.e. B/S and P&L
  - Enhance engagement with capital providers

- Business and operating model
  - Evaluate inorganic growth opportunities
  - Re-imagine commercial/cost structures and risk sharing models with suppliers/customers as per the new activity levels
  - Rationalise product/service offerings in line with demand

- Technology
  - Support business in enhancing digital solutions
  - Augment capacity of digital platforms through cloud
  - Support BYOD for onboarding all stakeholders

**Actions**

- Build multiple scenarios/models basis impact assessment
- Prepare a comprehensive restart plan – demand, employees, customers operations and capital providers
- Revise policies, procedures and business practices

Building a resilient enterprise– Now, Next and Beyond
Can you reframe the future BEYOND this crisis?

**Considerations**

- Enhance stakeholder trust
- Identify new revenue streams
- Become a fully digital enterprise

**Focus Areas**

- **Risk and resilience**
  - Setting up an early warning system
  - Digital transformation for back to front resilience
  - Regular testing of end to end business recovery

- **Cybersecurity**
  - Use analytics for Real-Time and In-line threats
  - Automate cyber security operations
  - Focus on data governance encompassing ‘Privacy & Trust by Design’

- **Customer and brand**
  - Reposition brands in line with revised portfolio
  - Leverage emerging technologies to deliver virtual customer experience
  - Re-imagine “digital only” sales and service models

- **Talent and workforce**
  - Define and transition to new people operating model
  - Institutionalize digital ways of working
  - Prepare contingency plans

- **Finance, structuring and stimulus**
  - Reset Financial Expectations
  - Implement long-term operating and legal structures
  - Increase financial resilience

- **Business and operating model**
  - Innovate towards more sustainable, flexible and profitable business solutions
  - Activation of new organic / inorganic portfolio
  - Create re-lapse strategies to manage “see-saw” economic recovery

- **Technology**
  - Overall review and re-baselining of digital and technology strategy
  - Review and restart on-hold projects and align them to growth initiatives
  - Cross skilling of resources and leveraging GIG economy to make up for capacity gap

**Actions**

- Re-imagine your business for long term sustainability
- Gear your business model and decision framework towards 5Cs of the ‘Quality Economy’
- Rebuild and strengthen trust across value chain ecosystem
- Drive the change and communicate your vision across stakeholders at global and hyperlocal level

Building a resilient enterprise—Now, Next and Beyond
Let’s navigate through this crisis
Illustrative C-Suite sectoral response worksheet

<table>
<thead>
<tr>
<th>Enterprise focus areas</th>
<th>Enterprise Owner</th>
<th>Priorities across Now and Next Horizon</th>
<th>Priorities across Beyond Horizon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and operating model</td>
<td>CEO, COO, CFO</td>
<td>Supply Chain Disruptions</td>
<td>Digital Customer access</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>CDO, CSO, CTO</td>
<td>Sales Disruptions</td>
<td>Risk Management adjustments</td>
</tr>
<tr>
<td>Technology</td>
<td>CTO, COO</td>
<td>Cost cutting + structural adaptations</td>
<td>Workforce flexibility</td>
</tr>
<tr>
<td>Customer and brand</td>
<td>CMO, CD, CO</td>
<td></td>
<td>Cost Structure flexibility</td>
</tr>
<tr>
<td>Financing, structuring and stimulus</td>
<td>CFO</td>
<td></td>
<td>Digitalization &amp; Automation</td>
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<tr>
<td>Risk and resilience</td>
<td>COO, CRO</td>
<td></td>
<td>Re-engineering of Supply Chain</td>
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<tr>
<td>Regulatory compliance and controls</td>
<td>CRO, CFO</td>
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<tr>
<td>Talent and workforce</td>
<td>CEO, CHRO</td>
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Building a resilient enterprise
Now, Next and Beyond

Releasing shortly our sectoral Point of View (PoV) on navigating COVID 19
Ernst & Young LLP

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