

Short-term finance management in a crisis

27 March 2020



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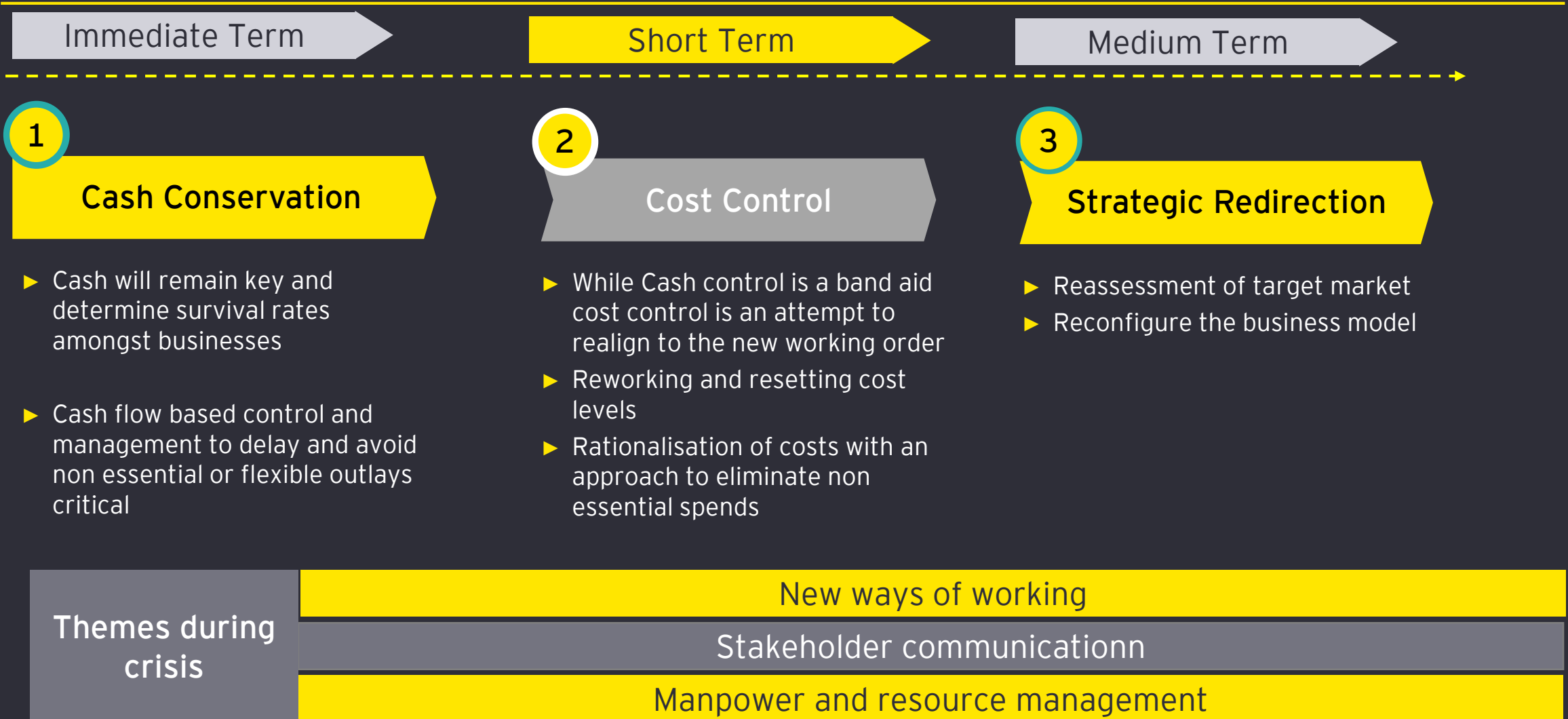
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Businesses face multiple challenges in times of a crisis

Business Functions	Typical Challenges
Sales & Marketing incl. Branding	<ul style="list-style-type: none"> • Target markets and demand centres vanishing rapidly on clamp down on discretionary spends • Collection shortage and cash inflow cycle coming to a grinding halt • Limited to no feet on street thus making marketing plans and existing channel and GTM approach invalid
Procurement & Supply Chain related	<ul style="list-style-type: none"> • Vendors and suppliers in a similar bind unable to meet requirements in the face of similar constraints • Vendors and partners demanding liquidity in the form of crunched payment terms before being able to continue support • Procurement commitments and stock levels turn to be restrictive and bidding on the business at a time of crisis
Operations	<ul style="list-style-type: none"> • Manpower shortage hampering even scaled levels of operations • Cash shortage to meet basic overhead spends likely to be challenges in the near term • WFH and other ways of working not completely suited to current business model
HR	<ul style="list-style-type: none"> • Fear and uncertainty over future, hampering addressing immediate concerns • Non availability of workforce on location to carry out key tasks • Business model, working styles and organisational structure no ideally suited to new ways of working
Finance & Treasury	<ul style="list-style-type: none"> • All budgets and forecasts invalid, an urgent need to reassess situation • Cash conversion cycle coming to a grinding halt and viability threatened with operations below break even • Current cost structure limiting flexibility with binding contractual commitments
IT/ Digital capabilities	<ul style="list-style-type: none"> • Establishing capability to support new ways of working while ensuring continued data protection and security • Ensuring continued smooth access to information and MIS to enable decision making • Urgent need to assess support and infrastructure requirements to limit fixed outlays

**While some of the characteristics and impacts of business disruptions caused by natural disasters (e.g., hurricane, earthquake, tsunami) may be similar to those caused by pandemic events, a natural disaster is limited to a particular area/geography, whereas a pandemic can start in a particular area/geography and quickly spread globally*

Prioritizing actions during a business crisis



Cash conservation and cost control, an immediate priority

Business Functions	Need of the Hour	
	Cash Conservation	Cost Control
Sales & Marketing incl. Branding	<ul style="list-style-type: none"> • Reforecast cash conversion cycles and rework terms • Pause all pre-planned marketing commitments • Communicate with channel partners to maximise inflows 	<ul style="list-style-type: none"> • Re-establish sales and marketing budgets • Rework commercials linking into outcome/sales • Limit spends to milestones closest to transactions
Procurement & Supply Chain related	<ul style="list-style-type: none"> • Share clarity on immediate way forward with partners • Identify state of operations and tag at risk partners • Pause all sizable spends pending central approval 	<ul style="list-style-type: none"> • Explore within and outside industry tie ups to leverage cost efficiencies • Establish tier 2 level tracking mechanism • 'Back to back' commercials and reset contracts
Operations	<ul style="list-style-type: none"> • Ensure all payables are limited to terms as per current contract • Identify and establish weekly forecasts 	<ul style="list-style-type: none"> • Rework schedules and operating plans across locations • Focus on quality and safety, stick to basics to avoid any slippages
HR	<ul style="list-style-type: none"> • Issue communique from leadership to avoid panic • Explore blanket rationalisation to avoid jarring impact • Training and upskilling plans to drive engagement 	<ul style="list-style-type: none"> • Onboard workforce by crowdsourcing of initiatives • Rework org structures and localise teams and decision making
Finance & Treasury	<ul style="list-style-type: none"> • Establish cross functional teams to revise budgets • Review all contract to determine potential to reset • Identify initiatives to lower break even level 	<ul style="list-style-type: none"> • Establish and report new state of play with all lenders and financiers to ensure no unpleasant surprises • Reset terms and contracts across the business
IT/ Digital capabilities	<ul style="list-style-type: none"> • Build and ensure support under new ways of working • Ensure full realisation of any variable linked payments that are due to IT partners 	<ul style="list-style-type: none"> • Reopen IT infra contracts to review costs in scaled down operations • Explore ways to share infrastructure support with complementary services/goods industries

A structured approach to liquidity management is needed

Key steps for action

1

Identify available cash and due payments

- ▶ Track down cash buffers and calculate the group's available cash = cash & equivalents + unused committed credit lines in entities
- ▶ Identify invoices that need to be paid immediately and treasury transactions that need to be settled in the coming days
- ▶ Ensure that treasury employees are technically equipped to work remote with all necessary authorizations and login credentials
- ▶ Ensure that standby regulations are in place and guarantee that qualified staff is available to meet financial obligations in time

2

Allocate cash reserves

- ▶ Identify opportunities to pool liquidity centrally and ensure adequate accounting for these transactions (e.g. cash pooling on bank accounts)
- ▶ Report the financial status for entities to monitor funding structure and cash buffers
- ▶ Allocate liquidity to those entities in need for cash and ensure adequate accounting for these transactions (e.g. IC loans / IC deposits)

3

Forecast cash flows

- ▶ Set up a simple but adequate cash forecasting structure including various (extreme) scenarios
- ▶ Request a weekly cash forecast from all entities
- ▶ Calculate the group's cash forecast for the coming 13 weeks and identify cash bottlenecks and surplus in the coming 13 weeks
- ▶ Provide adequate liquidity reserve to prevent insolvency

4

Monitor financial covenants

- ▶ Ensure that KPIs are calculated regularly with latest data to forecast compliance of financial covenants
- ▶ Ensure compliance that qualifies for keeping the funding structure with external financial counterparties

How we can help: Analytics-led support for your treasury while working remotely

Our Treasury analytics suite can assist organizations with timely generation of accurate decision support dashboards through limited manpower utilization. It is hosted within EY's secure network and provides over 100+ pre-configured KPI for performance monitoring

Enhanced stakeholder communication

- Our analytics suite ensures timely and accurate stakeholder communication through automated KPI/ KRI reporting



FTE optimization

- With limited manpower available, organizations can leverage EY's treasury analytics suite for development of transaction and MIS reports at the desired frequency with minimal manual intervention



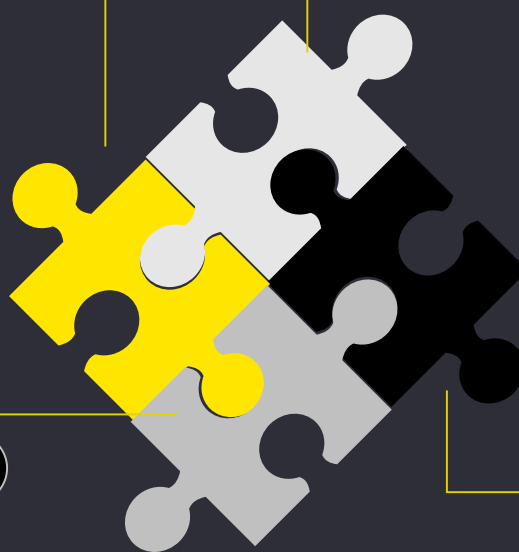
Secured information exchange

- Leverages EY Delivers which provides secure information exchange between Client & EY networks
- SLAs are monitored using automated scripts to ensure timely information dissemination



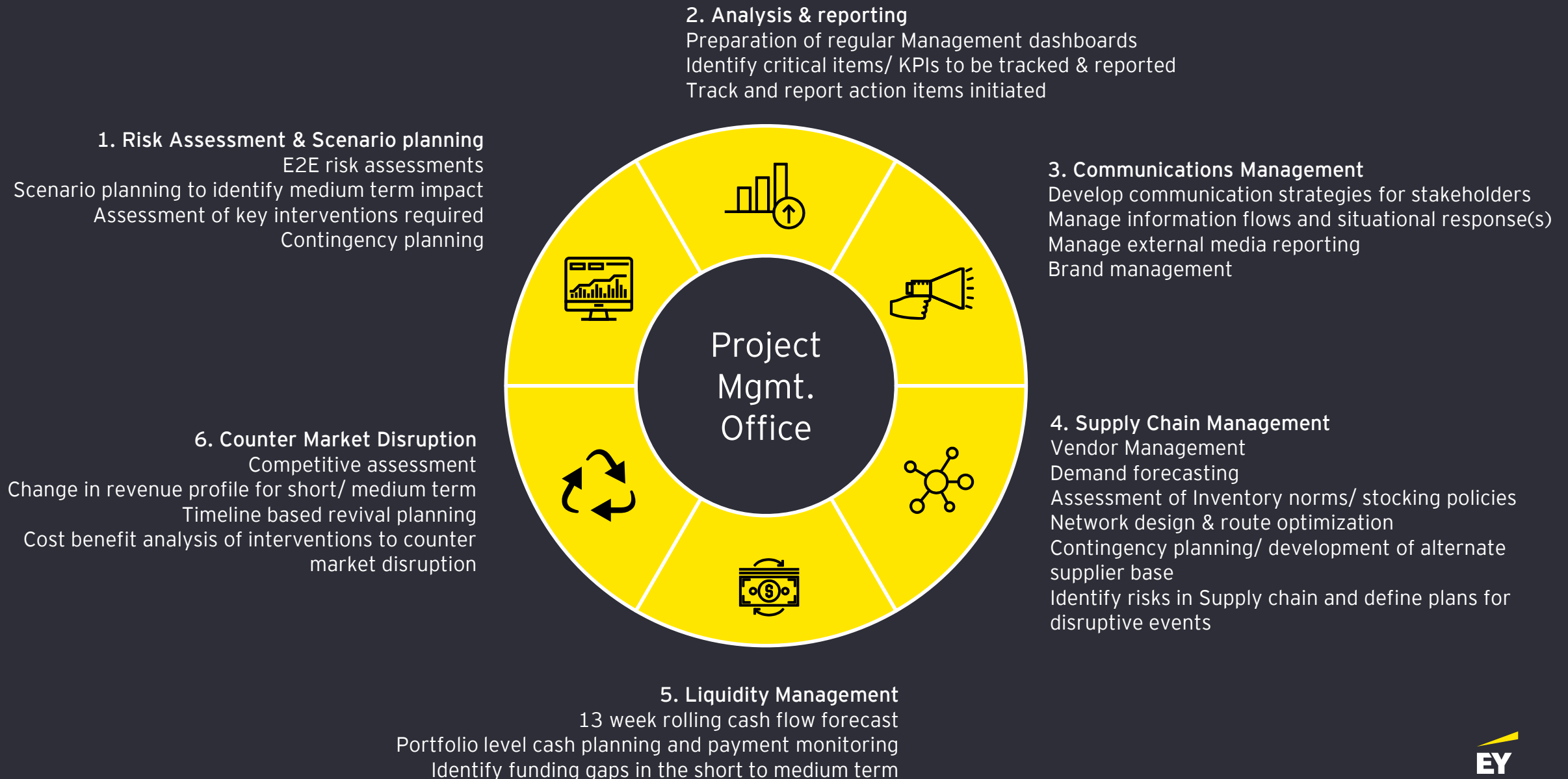
Cost savings via data unification

- EY's analytics suite assists in identifying cost saving opportunities and data driven insights into treasury performance through simulation & trend analysis



EY's treasury analytics suite is hosted within EY's secure network and provides over 100+ pre-configured KPI for performance monitoring

How we can help: A cross-functional project management office to manage your business in volatile times



How we can help: Managing large-scale projects while working remotely

EY DigiSAT

- ▶ DigiSAT is our proprietary online project management platform
- ▶ Combines EY's expertise in managing complex projects and leverages digital technology solutions to offer a seamless collaborative platform

Key features include:

- ▶ **Creation of repository** / plan of all critical items with owners and timelines in excel
- ▶ Standardisation and tasks allocation to individuals / team members
- ▶ **Real time update of tasks allocated** to the team available via an interactive dashboard
- ▶ Dashboard can be accessed via mobile devices **using PowerBI platform**
- ▶ Transparent reporting to all stakeholders , so that no critical activities are missed out with people working remotely.
- ▶ **A scalable solution** which can be deployed across geographies without significant effort



Remote working & real time collaboration



Ease of Setup with preloaded templates and plans



Single Source of Truth driving programme transparency



End to End programme management from strategy to execution



Reliable and secure, enables data privacy

EY

Assurance | Tax | Transactions | Advisory

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