



# Finance

*Get your business back on solid financial basis by working systematically through incoming and outgoing cash flows, working capital and business model*

This worksheet offers hands-on guidance for financial evaluation and management of cashflows



during and post restart.

Is your company’s operation affected by the lockdown? Your company probably has already lost revenues in the last 2-3 months owing to the COVID-19 disruptions, yet you still had to pay salaries, rent, electricity etc. As you prepare to restart the business, this checklist offers a step by step recovery action to help you to estimate how much money you will need to resume the operations. Besides evaluating the cash available to you, it proposes a few key measures to meet the cash inflow shortage, for the immediate few months. The checklist also offers options for revival of your business in a post COVID era over the year.

The overarching objective of this checklist is to offer quick actions for your business to achieve the following:

- 
- Increase and/or speed up income
  - Decrease and/or slow down expenses
  - Access additional working capital
  - Revisit your business model



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### Check List for Taking Action

#### STEP-1: Financing the Restart

#### How Much Money is Available to You?

#### Project Cash Flow for Three Months from the Accounts

##### a. Are your accounts in order?

Bank Accounts, Loans, Line of Credits

- ✔ Evaluate short-term liquidity: how much cash is available to you now?
- ✔ Speak to your creditors/lenders about loans and other payables
- ✔ Inform creditors of potential defaults and request for a moratorium on payments
- ✔ Avoid paying penalties: avoid defaulting any payables

##### Important checks:

- ✔ Bank and credit balances
- ✔ Payroll expenses / staff salaries
- ✔ Prepare accounts receivable and payable transactions of:

Fixed asset account / Liability account / Revenue account / Expense account

##### b. What Receivables and Payments are due?

Prepare list-of-receivables and list-of-payables

##### Receivables:

- ✔ Accelerate invoicing and receiving payment for your products (everyone is in the queueing up, act fast!)
- ✔ The status of the invoices that are already raised
- ✔ Prioritize and reach out to large and stable customers fast
- ✔ Insurance claims - any insurance coverage for operations (machinery, premises, disasters) offered by NBFCs/ banks?

##### Payables:

- ✔ Clear account payables due
- ✔ Prepare list of bills/invoices due to be paid
- ✔ Estimate payroll and other immediate expenses due (*details in section*)
- ✔ If you cannot pay to vendors and other service providers discuss partial payment or deferred payment



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| <i>How much will it cost to reopen?</i>          |  |
|--|--|
| c.   | <p><b>Expenditures to keep your business running</b></p> <ul style="list-style-type: none"> <li>⚙️ Office Rent, Electricity, Utilities, Paid Services</li> </ul>   |
| d.   | <p><b>What is your payroll liability?</b></p> <p>Retaining skills and talent is important</p> <ul style="list-style-type: none"> <li>⚙️ Evaluate your payroll expenses</li> <li>⚙️ Management should demonstrate salary cuts or deferral</li> <li>⚙️ Prioritize retaining staff with salary-cuts, consider investments made for training and skilling or/and,</li> <li>⚙️ Discuss deferred salary payments – hold reassuring dialogue with the employees</li> <li>⚙️ Encourage staff to take unpaid leave</li> <li>⚙️ Terminations, only if necessary</li> </ul>   |
| <i>Evaluate immediate risks to your business</i> |  |
| e.   | <p><b>Cut down all spending that can be deferred</b></p> <p>Prioritize business continuity</p> <ul style="list-style-type: none"> <li>⚙️ Budget spending for ensuring stringent housekeeping for the safety of workers and users of the physical environment of the business</li> <li>⚙️ Assess what is critical for the business operation</li> <li>⚙️ Prioritize resuming operations of modules that are only critically necessary</li> <li>⚙️ Optimize/ reduce operating cost (utilities, manpower) based on the modules that are functional</li> <li>⚙️ Cutdown all capital expenditure for next six months to avoid major expenditures, unless forced by binding contracts</li> <li>⚙️ Freeze all expansions and business additions</li> <li>⚙️ Review and update inventory to reduce purchase spending</li> <li>⚙️ Maintain a lean inventory - manufacturing entities should ideally not hold more 30-35% of their entire sources in the form of inventory</li> <li>⚙️ Stop advertisements, PR, any free services towards conserving cash</li> </ul> |



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| <p>f.</p> | <p><b>Estimate costs to resume key business activities</b></p> <p>Risk evaluation for business continuity</p> | <p><b>Safety for workers</b></p> <ul style="list-style-type: none"> <li>Evaluate and prioritize budgets for ensuring workers return to a safe work environment and work modalities</li> </ul> <p><b>Resuming Production</b></p> <ul style="list-style-type: none"> <li>Is your production affected? Estimate the cost for reviving production</li> <li>Operating costs? Equipment service and maintenance?</li> <li>Material Costs?</li> <li>Do you have sufficient workers (engineers/ technicians, shop-floor staff, labourers and others)?</li> </ul>   |
| <p>g.</p> | <p><b>Stakeholder Communication</b></p> <p>Buy stakeholder trust and negotiate</p>                            | <p><b>Supply Chain</b></p> <ul style="list-style-type: none"> <li>Is your supply chain adversely affected by COVID-19?</li> <li>If yes, estimate the level of supply disruption. Are your suppliers still available?</li> <li>The financial implications of re-establishing the supplier network?</li> <li>Renegotiate with supply-chain vendors</li> <li>Costing of any other infrastructure and services to run your business?</li> </ul> <p><b>Distribution and Retail Segments</b></p> <ul style="list-style-type: none"> <li>Are your distributors and retailers operational?</li> <li>Evaluate if there are regions (cities/towns/villages) still under COVID restrictions, that affect your business</li> </ul> |
|           |   | <ul style="list-style-type: none"> <li>Offer updates with necessary detailing to your Partners, Customers, Creditors, Banks, Private Investors, Tax Authorities or Government</li> <li>Share clear communications with up-to-date financial statements, invoices, payment receipts etc (whatever applicable) to respective stakeholders</li> <li>Major decisions like the closures and cancellations (including employees, contractors, suppliers) should be informed</li> <li>For some businesses, now might be the best time to get better terms and pricing from some vendors</li> <li>Evaluate if you can get better terms and pricing from some of your customers</li> </ul>                                      |

CHECKLIST

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|   |   | Can lenders restructure your loans? Seek support   |
| <i>Renegotiate terms, conditions and timing of payments</i> |   |  |
| h.  | <b>Contracts</b><br><br>Avoid financial losses from performance risk OR renegotiate terms | <ul style="list-style-type: none"> <li> Intimate lenders of any impending default and request for a moratorium on payments</li> <li> Evaluate all allowances available and revoke legal clauses, if any, to help you to postpone payments</li> <li> Seek emergency discussions with clients regarding performance/ purchase contracts that are due within the next six months (esp., those backed by bank guarantees or letter of credit)</li> <li> Dialogue with your bankers to defer cheque processing</li> <li> Force Majeure clause, if applicable, can terminate the loan agreement and seek relief from repayment obligations of financing contracts</li> <li> Force Majeure clause included often in EPC (engineering, procurement, and construction), O&amp;M (operations and maintenance) and supply agreements</li> </ul> |
| i.  | <b>Rent deferral</b>  | <ul style="list-style-type: none"> <li> Seek rent deferral through negotiations with landlords</li> <li> Evaluate relief measures by states governments on rents</li> </ul>  |
| j.  | <b>Relief offered by national and state governments</b>                                   | <ul style="list-style-type: none"> <li> Govt taxes, bank EMIs, payments to large suppliers: No penalty on GST, RBI has delayed loan payments for 3 months, reach out to large suppliers informing the delay in payments by formally writing to them and following up with phone calls</li> </ul>  |



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### STEP-2: Cashflow Forecasting and Management for 6 - 9 Months

#### Plan for business continuity

##### Plan for business continuity

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| a. | <p><b>Develop a business continuity strategy</b></p> <p>The business continuity strategy to plan running your business in the new post-lockdown conditions</p> | <ul style="list-style-type: none"> <li>✔ Post-lockdown business continuity – focus on:             <ul style="list-style-type: none"> <li>(i) Cashflow forecasts</li> <li>(ii) Re-hiring work force and other human resources,</li> <li>(iii) Realigning processes and business functions,</li> <li>(iv) Revised strategies for supplier, customer management and new vendors</li> <li>(v) Communications</li> </ul> </li> </ul>  |
| b. | <p><b>Where is Working Capital ?</b></p>   | <ul style="list-style-type: none"> <li>✔ Move to cash-sale cycles, to shift your business focus on customers where sales-cycles are shorter</li> <li>✔ Can you reposition your risks?</li> <li>✔ Borrowing at higher interest rates?</li> <li>✔ What assets be leveraged as loan collateral?</li> <li>✔ Accessing lines of credit offered by public sector banks</li> </ul>   |
| c. | <p><b>Where can I raise Funds?</b></p>   | <ul style="list-style-type: none"> <li>✔ Investors shall be open to bridge capital rounds and follow-on funding (and not seeking new companies in their portfolio given the pandemic)</li> <li>✔ To existing investors present business continuity plans (share insights about your units or how modules are functioning)</li> <li>✔ Inform the investors about the cash requirements.</li> <li>✔ Fund-raise cycles are going to be much longer as Investors rely on due diligence and travel is necessary</li> <li>✔ When is the right time to ask?</li> <li>✔ For new SMEs still bootstrapped, this might be the time to relook at your business with fresh perspective given the economic conditions, that will attract investor interests (esp. those in healthcare) – reset the business to align to the new business environment.</li> <li>✔ Seek for pro-bono advices, many experts keen to offer</li> </ul> |



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|    |   | advice and mentoring  |
| d. | <b>Review Existing Supplies/Vendor availability</b> | <ul style="list-style-type: none"> <li>✔ Cost/benefit analysis of existing supplier, regional dependency, credit facility, reliability?</li> <li>✔ Renegotiate supply-chain vendors?</li> </ul> |

### STEP-3: Financial Goals

#### Restructure and Reforecast

|    |   |  |
|----|---|--|
| a. | <b>Build a Business Revival Plan</b>                | <ul style="list-style-type: none"> <li>✔ Are your business objectives still relevant?</li> <li>✔ Are there new promising areas that investors will respond to?</li> <li>✔ Is there a new customer section that can benefit? New collaborators?</li> </ul>  |
| b. | <b>Reinvent the Financial Management Objectives</b> | <ul style="list-style-type: none"> <li>✔ Seek financial assessment experts to reevaluate the cost of new strategies, deficits, cash inflows, expenses and liabilities</li> <li>✔ Experts can reposition risks and liabilities to raise new working capital</li> </ul>  |
| c. | <b>Automation of your manufacturing</b>             | <ul style="list-style-type: none"> <li>✔ If COVID-19 health crisis affects worker participation in your business, evaluate the scope of automation</li> <li>✔ Consult your industry association and consider your options</li> <li>✔ Conduct cost-benefit analysis with experts to evaluate               <ul style="list-style-type: none"> <li>○ Lowered cost outcomes</li> <li>○ Effective use of human and material resources</li> <li>○ Maintenance processes standardization</li> <li>○ Improvements in the health and safety of workers</li> <li>○ Optimized customer relationship</li> <li>○ Realtime status of production system</li> <li>○ Transparency in production processes</li> <li>○ Reduced inventories</li> </ul> </li> <li>✔ Energy-efficient and environmentally sustainable production and systems</li> </ul> |

**Disclaimer:** Information intended for general advice