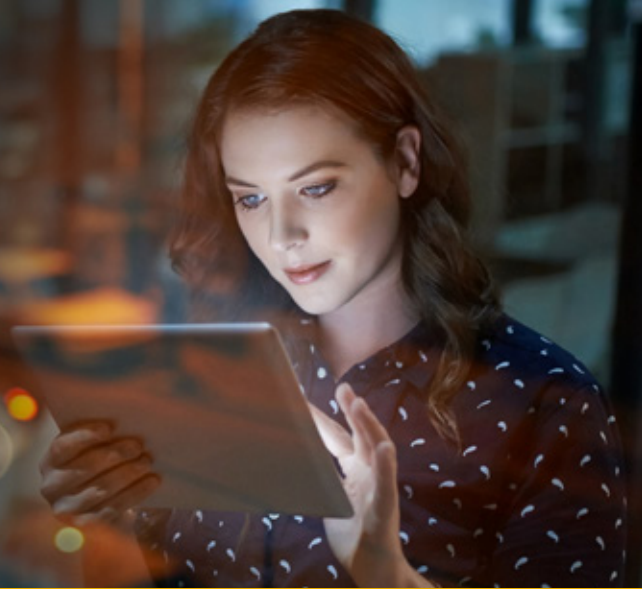




Financial planning for and beyond COVID-19



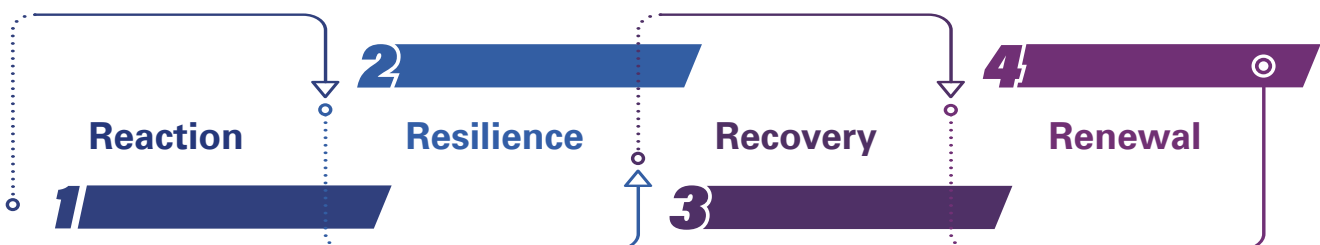
The COVID-19 situation is unprecedented and has become a global health emergency. For CEOs and boards across the world, this is the biggest challenge they have had to handle since the global financial crisis.

The line of defence may not be symmetrical across sectors but actions across the world have been towards protecting common strategic assets: employees, customers and partners.

While CFOs are working hard to arrange for liquidity to keep the wheels running, CEOs are increasingly convinced that this situation may not be a one-off.

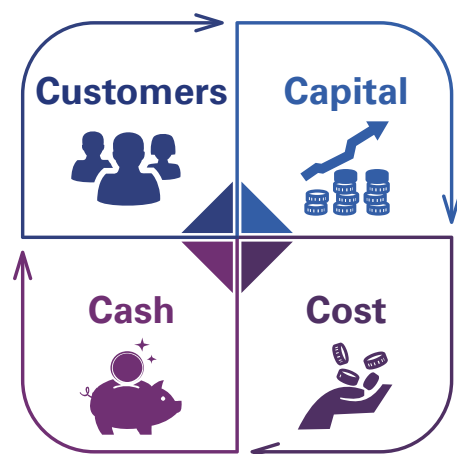
Nobody imagined that the extent of disruption would be this massive and, there is almost a sense of certainty that such low-probability/high-impact events will continue to happen more frequently. Novel diseases, earthquakes, floods, social unrest, banking crisis, political crisis, and, with the advancement in globalisation, the impact of such crisis will be widespread.

Phases of response to the crisis



We are currently in the resilience phase. Though the time to renewal is not known but going by current indicators we will remain in the resilience and recovery phase for the first half of the current financial year. All countries will have their own timelines thus impacting our supply chains.

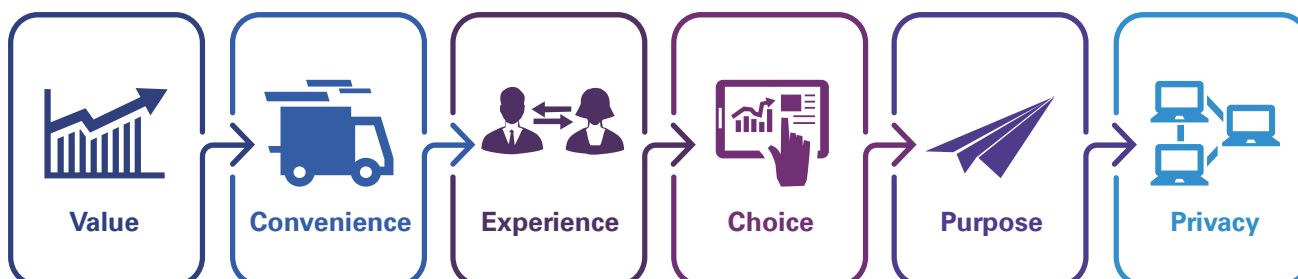
Important considerations for budgeting in the resilience and recovery phases



- External factors driving planning
- Liquidity over profitability
- Trade finance and working capital arrangements
- Contract renegotiation: not just price and quality but also payment terms
- Frequency of forecasts
- Budgeting cycle
- Scenarios, assumptions, risks and opportunities
- Prioritisation of products and customers from a cash flow perspective
- Opex over capex
- Contingency funding
- Realignment of senior management KRAs around working capital with weekly review of the situation.

Rebooting the enterprise – planning for the renewal phase

As we prepare for the renewal phase, organisations will need to select one or two demand drivers to focus on.



Important considerations for building future budgets (in the renewal phase)

1. Take forward learnings from the work that is currently happening on budget – contracts, trade finance, scenario stress testing, contingency funds, opex over capex
2. Long term plans have to be discussed with the board for specific themes, and strategic alignment with business
3. Develop a view on sourcing concentration and flexibility in manufacturing and supply chain operations
4. Convergence of multiple views during budget preparation; leveraging external sources and single source of truth (internal), analytics around working capital, revenue, collections, payables, profitability
5. Prescriptive analytics led forecasting
6. Inject agility into the organisation's budgets by introducing concepts of driver based and zero based budgeting for cost control and scalability
7. Take this opportunity to simplify key measures of success at every level of the organisation and drive discipline and accountability. Build tighter linkages around these measures of success
8. Revamp and automate management reporting for tighter budgetary controls.

How we can help

We will be sharing first notes on updates impacting the finance function 'as they evolve'; these are available [here](#).

Webinars are also being organised to go over each area of impact so that we can ideate together on the most effective and efficient way forward.

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

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