How to handle the day - Today

The Corona epidemic has thrown businesses out of gear - whether mature or start-up, across sectors and across countries.

Governments will do what they need to, it is equally important for businesses and households to plan for the tough times that could befall us over the next 3/6/9/12 months, depending on the intensity and draw out of the calamity.

Don’t try predicting timeline or depth of decline; difficult given the unknown uncertainty.

However, basic common sense has not lost its relevance:

- Do scenario planning - best case, optimal, worst case; 80/60/40% or 75/50/25% of earlier planned
- Cash is king; conserve it in any manner you can. Take it if it’s coming your way
- Defer all types of capital expenditure & discretionary spends
- Try and variable-ise fixed costs
- Shrink office spaces, make employees WFH
- Focus on profit; do not seek growth
- Liquidate excess inventory, look out - someone may need it
- Liquidate finished stock; look out - someone may have orders but no capacity
- Collaborate with competitors (e.g. group buying of products & services); more can be achieved together. Everyone is fighting an unknown common enemy
- If you are in B2G or B2B, go out and empanel wherever you can; will come handy in tough times
- If you are in B2C branded products, try white labeling (B2B) for others to ensure cash flows
- Don’t try to profit as someone’s cost; it is distress all over
- To the extent possible honor contracts unless there is a force major escape route
Strive to save jobs to the extent possible; everyone can take a salary cut instead of letting someone go

Defer all incentives and bonus payouts

Get your employees to take insurance or take a group insurance for them

Shed your valuation obsession and embrace capital if it is coming your way

There a number of government schemes for start-ups, MSMEs that you may not have bothered to look at, do so now

Ask your banker for concessions, you may get it in these times; seek to get moratorium on principal if interest can be paid

Pay taxes and be compliant with law, unless there is a scheme or forbearance announced

Crisis is also a great opportunity; use it to make all provisions & write-offs and cleanse the balance sheet

Disclaimer: Views expressed by Mr. Ramki in this article are purely personal and does not reflect the views of Spark Capital.

By Mr.K Ramakrishnan (Ramki)
Charter Member of TiE Chennai
Senior Managing Director – Strategic Relationships
Spark Capital Advisors (India) Pvt. Ltd.