

COVID-19: Deploying and monitoring your working capital

In light of the ongoing COVID-19 crisis, the depressed business environment is expected to last a few quarters. Companies of all sizes will need to be prudent with resource allocation.

Here's how you can HALT and evaluate how to deploy and monitor your working capital



Estimate temporary reduction in fixed and variable costs

- Fixed costs: This includes electricity at office premises, suspended facilities such as cafeteria services, water and other utility consumption, warehousing, facilities provided to employees (cab services) etc.
- Variable costs accruing to reduced operations and production, freight, contractual/piece rate labour, distribution, transportation, transaction processing costs and miscellaneous expenses incurred for business development, among others.



Determine the borrowing requirement and negotiate cost of borrowing

- Evaluate if any external funds can be replaced with internal accruals, reserves or factoring capability of the business



Project sales keeping in view the revised operations

- Estimate the sales to cash conversion cycle



Estimate temporary increase in costs

- Increased automation, health benefits extended to COVID-19 tested and infected employees
- Set-up costs of a new digital strategy, business continuity plan (BCP), disaster recovery plan (DRP) etc.



Assess the decrease in trade receivables for the impacted period

- Additionally, determine the potential unrecoverable debts



Track costs with potential for negotiation with suppliers/vendors/employees

- Prepare a monthly tracker for costs to be incurred
- Conduct criticality of essential costs to identify the potential cost savings
- Reassess headcount and critical roles



Value inventory stocked in any part of the value chain

- Assess the sale value that could be attributed to the existing inventory at variable pricing



Build scenarios around capacity utilisation

- Basis the revised demand estimation, assess unutilised capacity and determine any alternate use of unutilised capacity
- Estimate the time period for which installed capacity will be underutilised
- Estimate the fixed and variable costs [as mentioned earlier]



Assess credit

- Assess increased credit limits to customers and reduced credit terms offered by suppliers

The above steps can be used to create weekly cash flows along with sensitivities to plan the working capital requirement, utilisation and availability.

Grant Thornton's Business Consulting team can help you effectively deploy and monitor your working capital requirements to navigate these challenging times.

[Click here to download the recently released Grant Thornton Halt-Plan-Refresh Guide on revisiting business priorities and plans](#)



For more insights on the COVID-19 crisis, scan this barcode to see continuous updates on our website