



# COVID-19 India Perspective 2.0

30 MARCH 2020

# Executive summary (I/II)

*Update as of  
30 March, 2020*

## Global Overview

- COVID-19 outbreak continues to grow in many areas of the world, especially Europe and USA, with severe toll on health (37k reported deaths), health care systems, and economies
- Short-term trajectory of outbreak across countries depends largely on what isolation measures are taken and how strictly they are enforced
- Global equity markets have reacted aggressively to virus' spread beyond China with S&P500 seeing fastest 30% fall in history; Stimulus package announced by US followed by India resulting in an uplift in Nifty last week

## Evolving situation in India

- COVID-19 cases in India have increased by 2.5x over last week to 1251, with majority of cases concentrated in 8 states
- Central govt. announced a 21-day lockdown till 14 Apr'20 to contain the spread
- Rating agencies have scaled down their GDP growth estimates for India after the announcement of lockdown; New GDP growth estimates ranging between 2.1% to 3.5%
- India's economy has been turbulent in recent past & COVID-19's immediate impact expected to be felt across key parameters:
  - \$180Bn annual imports & exports linked to high exposure countries - US, Europe, UK, Iran
  - 25% of total workforce of 496Mn in India are casual labor with high exposure to economic impacts of COVID-19; ~63Mn casual labor seeing a direct impact from lockdown

# Executive summary (II/II)

*Update as of  
30 March, 2020*

## Evolving situation in India (Continued)

- Impact from lockdown varies across industries creating 5 key archetypes
  - Industries like Travel, Auto, Construction, Consumer Durables are seeing a downside whereas others like Digital Media, Consumer staples, Telecom are seeing an upside
- Wave 1 results of COVID-19 Consumer sentiment research for India reveal the following:
  - Essentials, savings, health & wellness, at-home entertainment, and education most likely to witness an increase
  - Travel, outdoor leisure activities and discretionary spending likely to be hardest hit by a planned reduction in spends
- Analysis at a company level highlights that 200-300 of the top 1000 Public Indian Companies may face liquidity crunch under ~4% to ~16% annual revenue decline situation
- Speed to recovery for industries dependent on multiple drivers
  - Speeds of recovery from 2008 recession period can act as a starting point
  - In parallel, other demand & supply side drivers specific to COVID-19 situation need to be monitored

## Emerging Macro-scenarios

- Indian economy has shown resilience with past crises, through V shaped recoveries
- For USA, emerging views on COVID-19 indicates a GDP drawdown greater than 2008
- As leaders, need to monitor key indicators to look out for how the scenario develops in India:
  - Intensity: Virus properties, Mitigation policies & Healthcare effectiveness, Financial system liquidity & confidence levels
  - Geometry: Time to cure, Disease seasonality, Real economy capital & productivity shock, Impact on Global economy

# Focus of this document



Global overview

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Evolving situation in India

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Emerging macro-scenarios

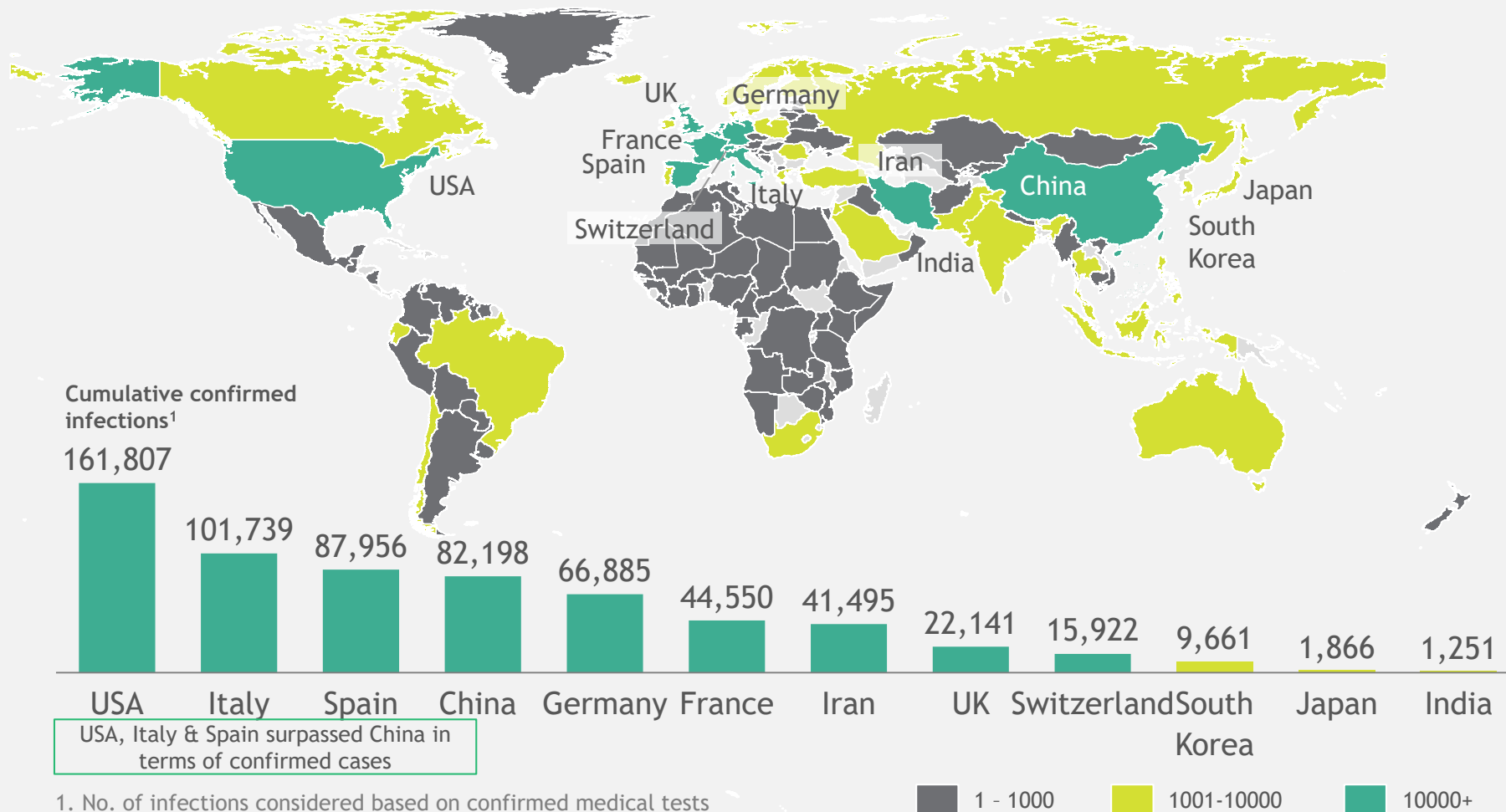


# Global Overview

# COVID-19: 781k cases confirmed across 178 countries

US & Italy with highest no. of confirmed infections

...As of Mar. 30, 178 of 195 countries/regions have been affected

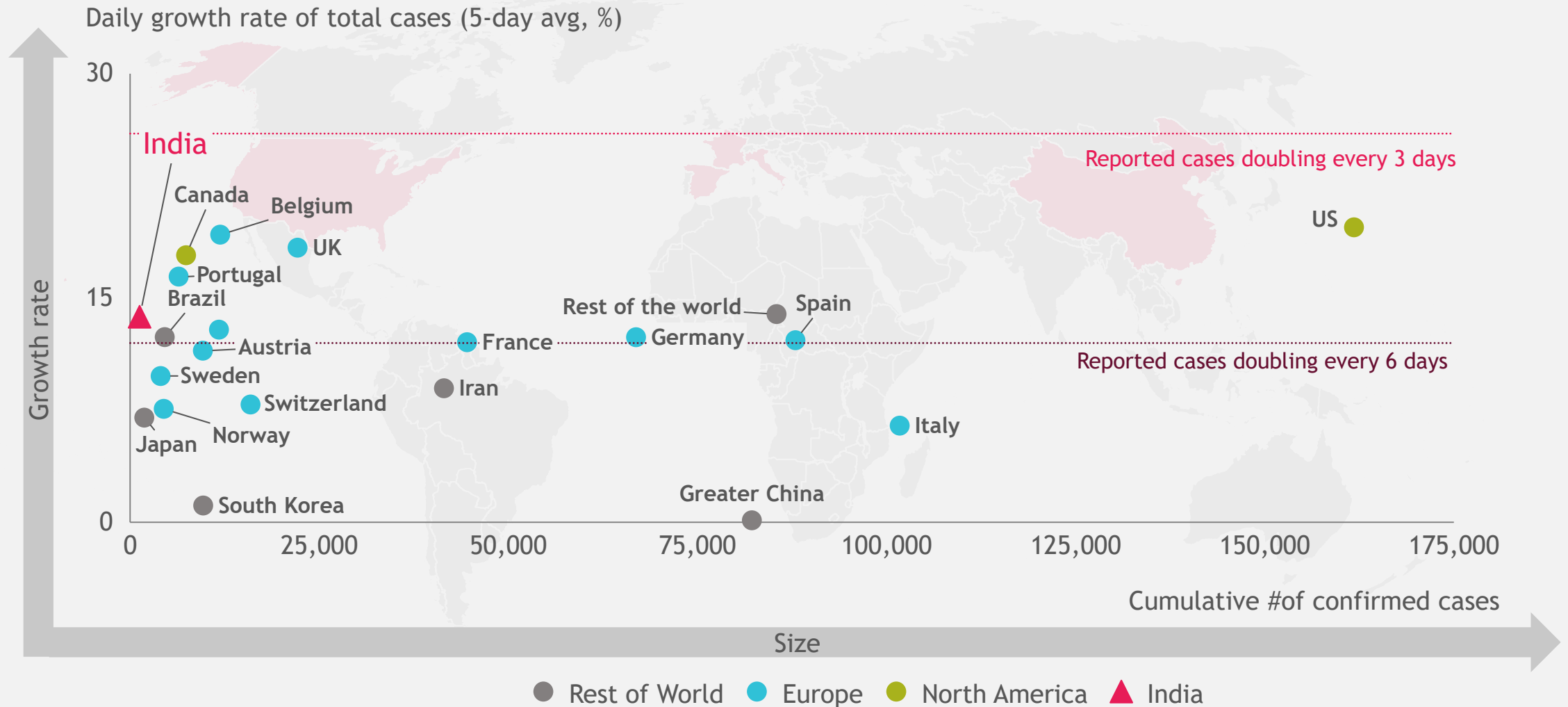


Countries/regions reported infections

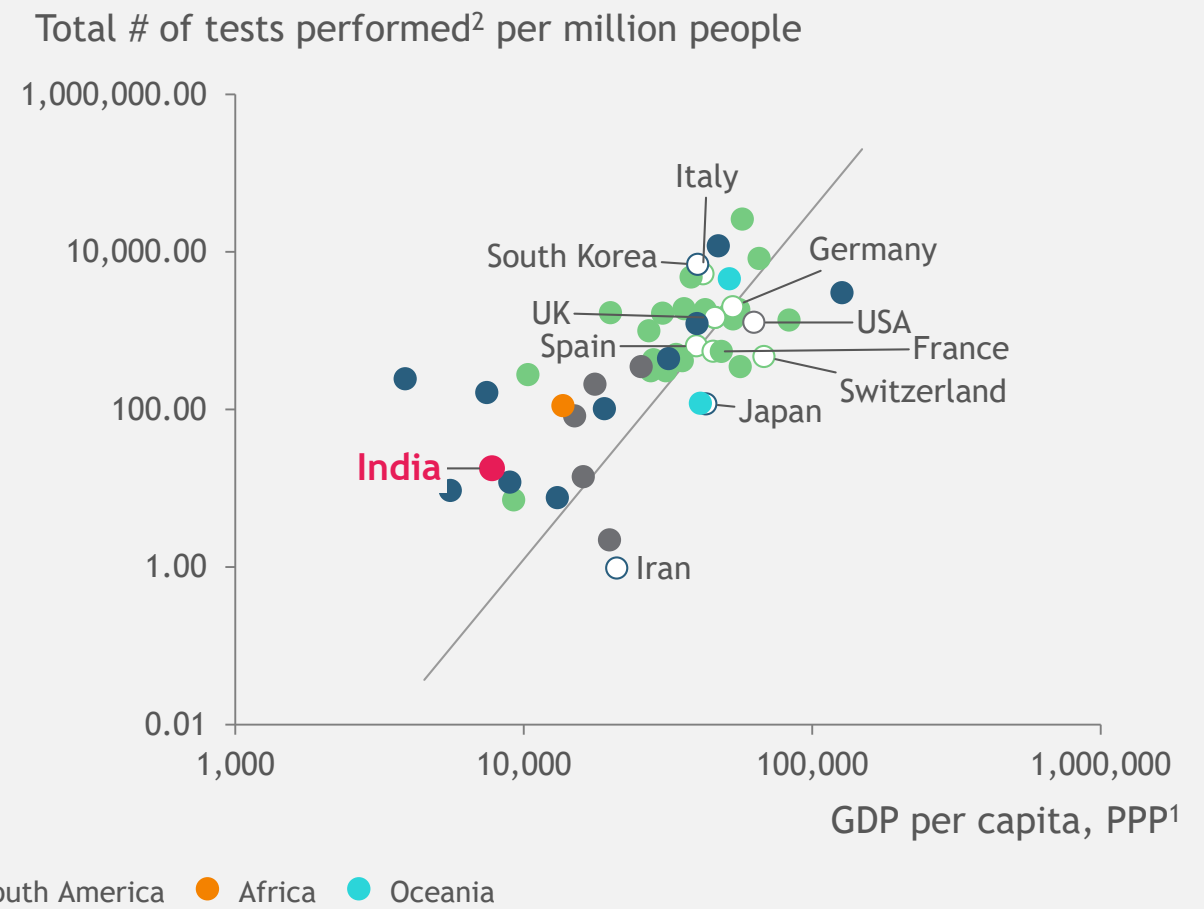
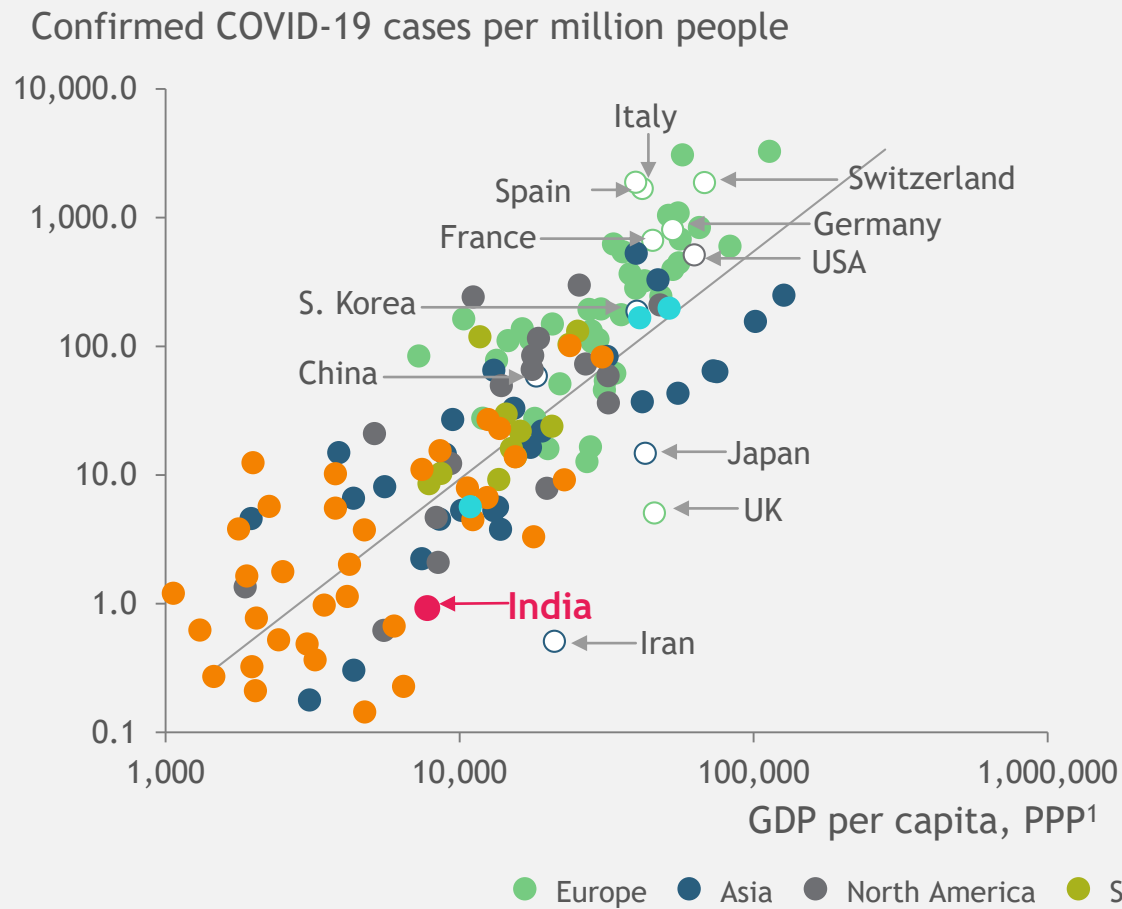
## 178

	World	India
Total cases	781k	1251
Total deaths	37k	32
Fatality rate (%)	4.8%	2.5%
Recovery rate (%)	21%	8.2%

# Countries are being impacted differently across the globe in terms of cumulative cases and rate of growth



# Countries with low testing rates tend to report fewer cases



1. GDP per capita is expressed in PPP (current, international dollars) based on 2018 2. Data for Iran is as on 14 Mar; China for data is not available as on date  
 Source: World Bank, Worldometers.info, Johns Hopkins, Media reports



# Major countries have recently made strong interventions to enforce social distancing

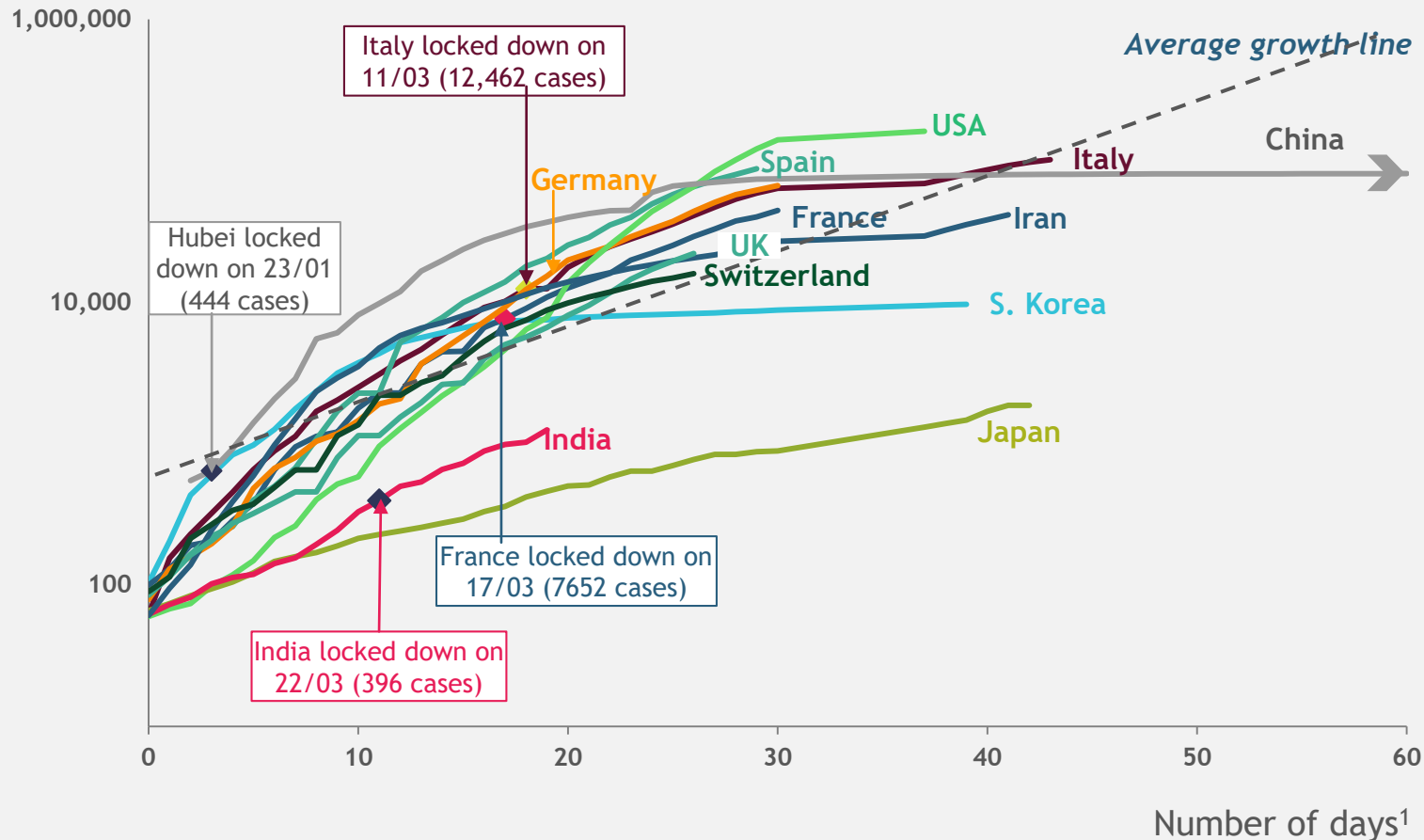
		School closure	Restricted assembly	Non-essential business closure	International travel restrictions	Domestic travel restrictions <sup>2</sup>	Non-essential local mvmt. restrictions	
China		✓	✓	✓	✓	✓	✓	
Spain		✓	✓	✓	✓	✓	✓	
France		✓	✓	✓	✓	✓	✓	
Switzerland		✓	✓	✓	✓	✓	✓	
Italy		✓	✓	✓	✓	✓	✓	
Iran		✓		✓	✓	✓	✓	
Denmark		✓	✓	✓	✓			
Germany		✓	✓	✓	✓	✓	✓	 Germany announced nation wide coronavirus lockdown until April 20
US		✓	✓	✓	✓			 USA continues to have limited government imposed restrictions on domestic travel
South Korea		✓	✓					
Japan		✓	✓	✓	✓			
UK		✓	✓	✓		✓	✓	 UK tightened it's social distancing & non essential local movement norms levying penalties on breach
India		✓	✓	✓	✓	✓	✓	

✓ New interventions post 20 Mar
✓ Continuing interventions

Note: includes nationwide actions and actions taken by major local or regional governments. 2 Some German + US rail services are being reduced but not through government mandate  
International travel restrictions flagged if any bans put in place or limits in place; Internal travel restriction includes reductions in public transport, or restricted access; Non-essential businesses include at least restaurants, entertainment venues; School closures are any mandatory state closures; Assembly restrictions include mandatory and advised restrictions on large groups, restrictions on e.g. faith based gatherings; Non-essential local mvmt includes stated restrictions on being outside or curfews | Source: Government and media reports

# Countries following similar exponential growth path until major interventions made

Total cumulative number of confirmed cases (Log scale)



Lockdown measures seem to be effective in slowing down outbreak

- COVID-19 spread in Greater China now contained
- Early signs of slowdown in Italy



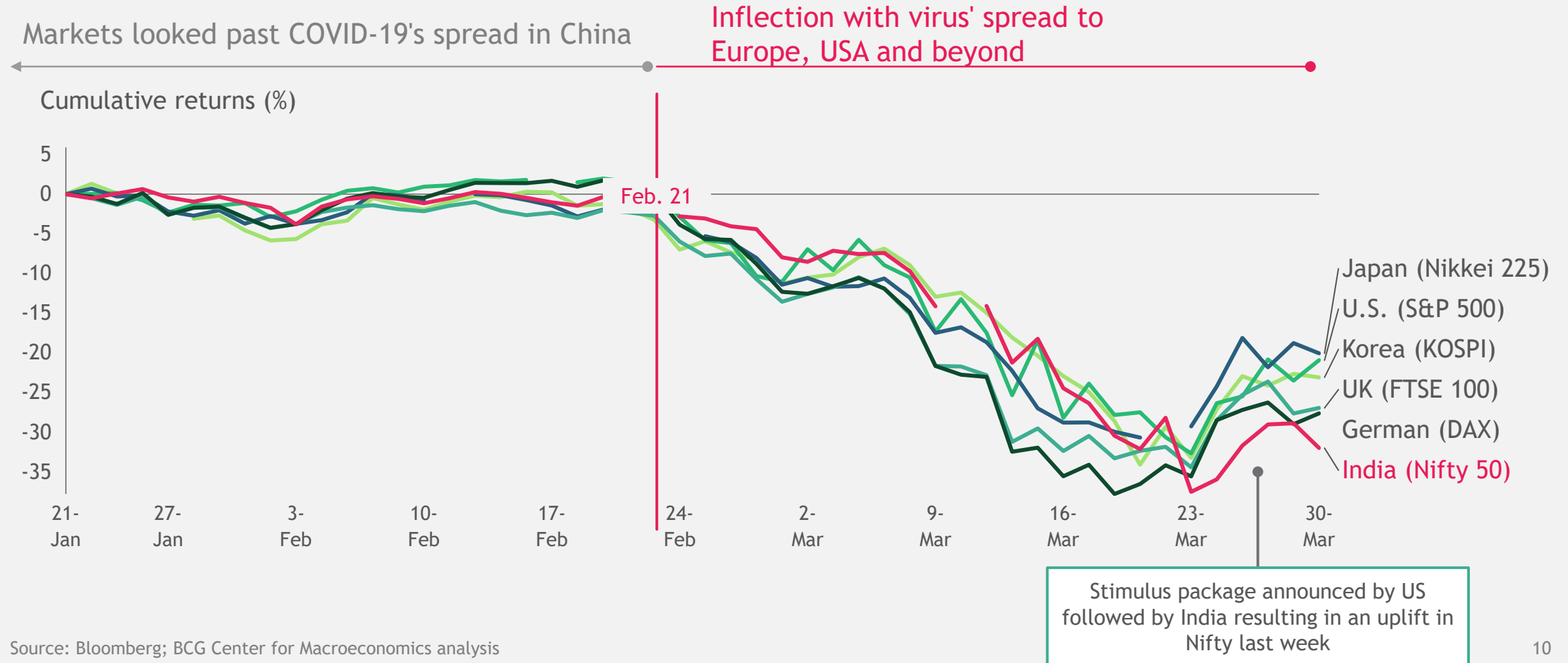
Learning from global peers, India has made intervention at an earlier stage of outbreak



South Korea managed to contain outbreak without nation-wide lockdown by large-scale testing and individual quarantines early on

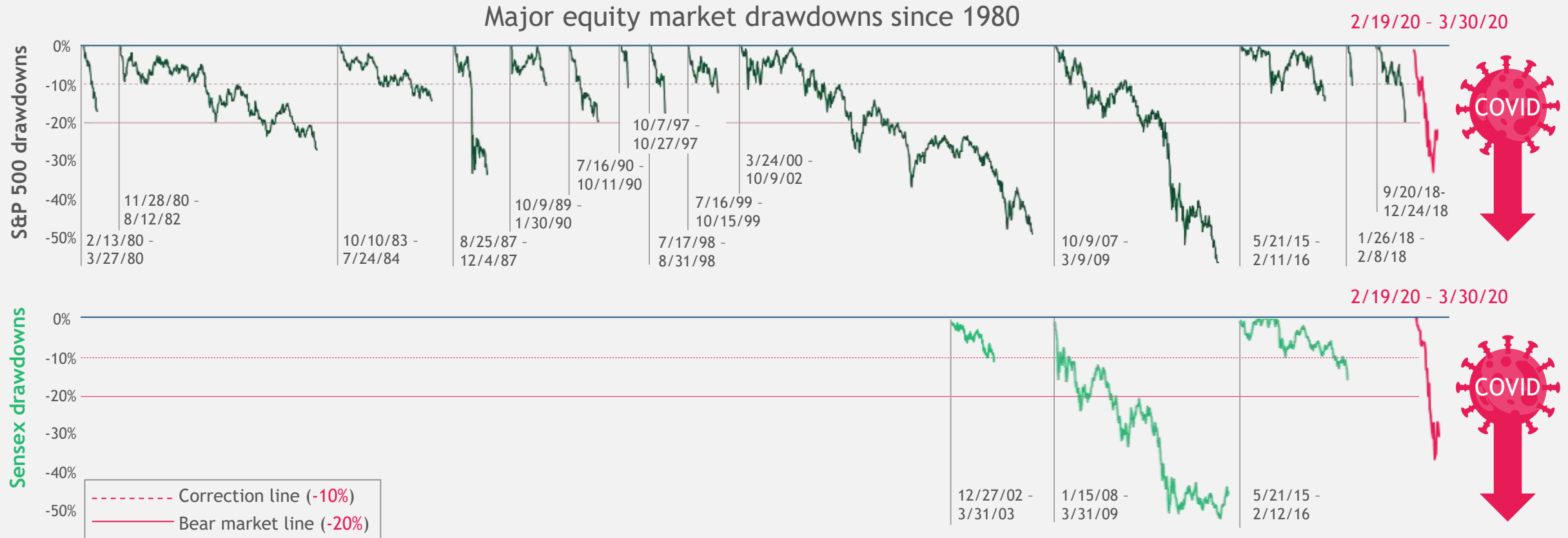
1. No. of days after exceeding 60 confirmed cases  
 Source: Johns Hopkins CSSE, Government and media reports, BCG Henderson Institute analysis

# Global equity markets have aggressively priced risks following spread to the world, with slight recovery in the last week



Source: Bloomberg; BCG Center for Macroeconomics analysis

# Global & Indian indices fell by ~35% in 6 weeks (till 23 Mar), showing a pick-up post that



- S&P 500 index fell **30% in 22 trading days** from 19<sup>th</sup> Feb, making it the **fastest fall from peak in history**
- Market has continued to decline due to COVID-19, at a **much faster pace on both indexes** than SARS (2002); it is comparable or even faster than 2008 recession

# Early signs show China headed towards normalcy..

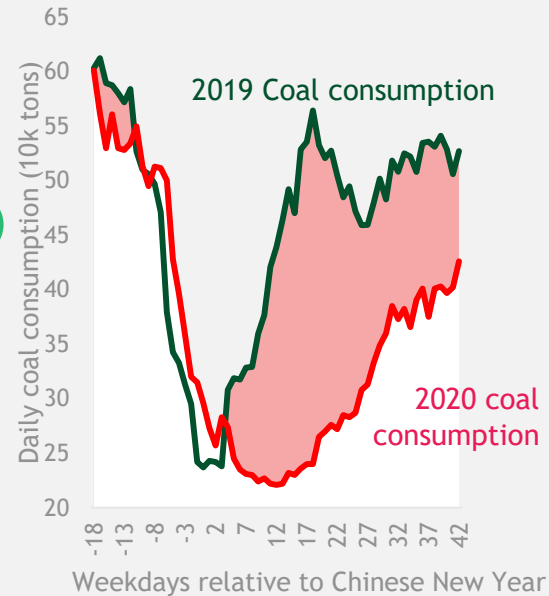
**90+%** work resumed<sup>3</sup> (by Mar 17)

**12** provinces announced to resume schools in late Mar/early Apr (by Mar 20)

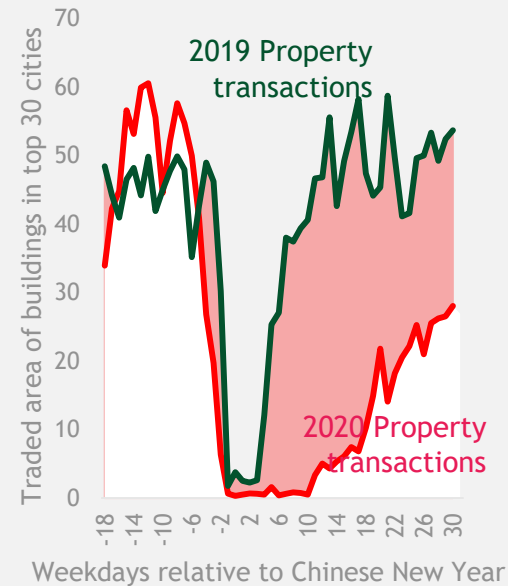
**25** national attractions reopened (by Feb 20)



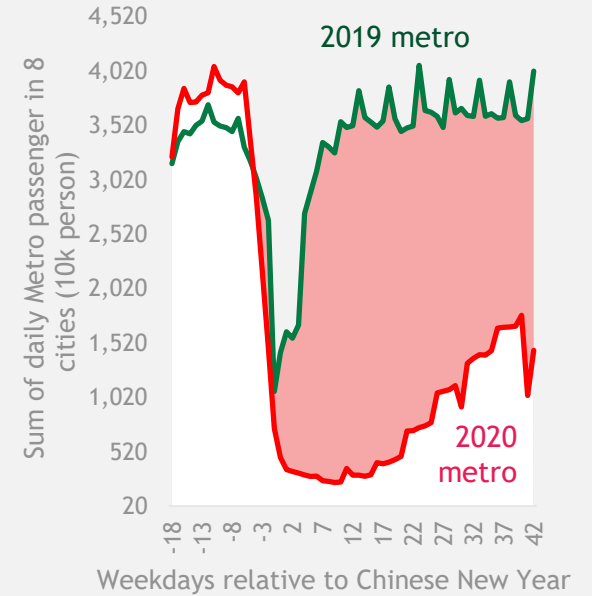
**80% recovery of daily coal consumption<sup>1</sup> (by Mar 24)**



**50% recovery of property transaction (by Mar 24)**



**40% recovery of metro passengers<sup>2</sup> (by Mar 24)**



1. Sum of Jerdin Electric, Guangdong Yudean Group, Datang International Power Generation, and Huaneng Power International, Inc.

2. Sum of Shanghai, Guangzhou, Chengdu, Nanjing, Xi'an, Suzhou, Zhengzhou, Chongqing

3. NDRC official statistics; Note: recovery defined as consumption of 2020 vs. 2019, based on the same weekdays relative to Chinese New Year; Source: WIND, NDRC

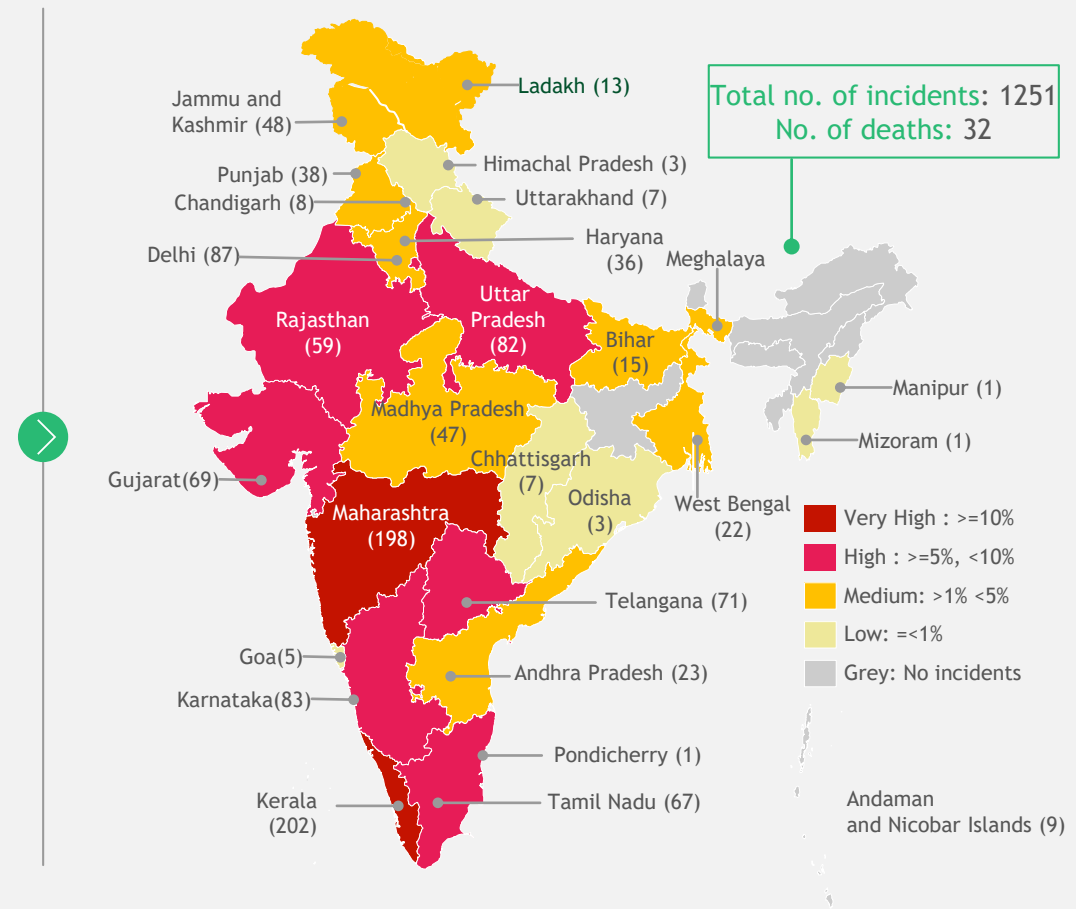
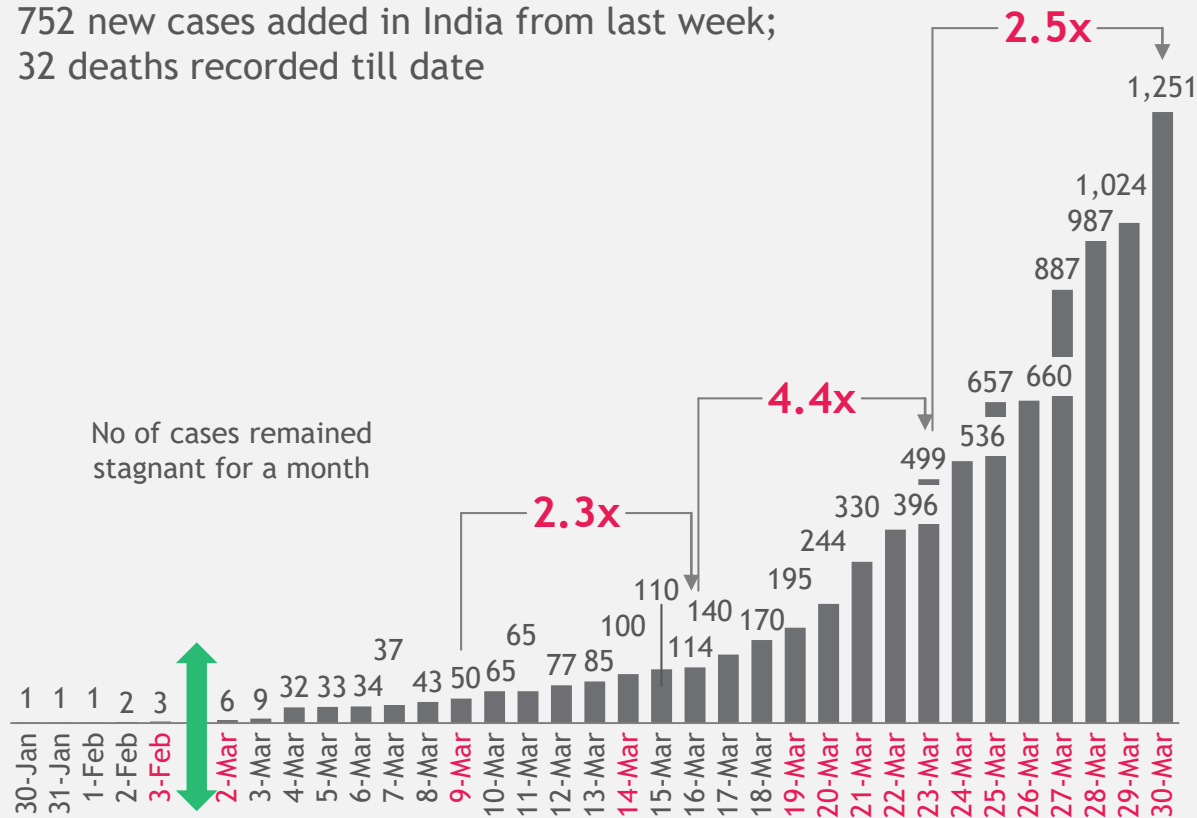


# Evolving Situation in India

# COVID-19 cases in India have increased by 2.5x over last week, with majority of cases concentrated in 8 states

No. of COVID-19 cases in India have been on the rise

752 new cases added in India from last week;  
32 deaths recorded till date



Source: Ministry of Health & Family welfare; Johns Hopkins CSSE, World Health organization

# India announced total lockdown for 3 weeks entailing strict orders to be enforced



## Travel advisory



All transport services suspended including air, rail & roads, **except**

- Transportation for all **medical personnel**, nurses, para-medical staff, other hospital support
- Transportation for **essential commodities**
- Fire, law and order and **emergency services**



## Social distancing



All **educational** and **religious** establishments to remain closed

All **social, political, sports, cultural** gatherings banned

All **commercial and industrial** establishments to be closed down barring a few **exceptions** such as:

- Establishments into production, selling and delivery of **essential goods**
- **Banks**, insurance offices & ATMs, **Capital & debt market** services
- **Power** generation, transmission & distribution services, etc.

All **government & semi- government offices** to close down except ones dealing with national security, public utilities, disaster management, etc.



## Testing & quarantine



First and second coronavirus **tests made free** for all

Strict **home/institutional quarantine** measures in place for people arrived from international destinations

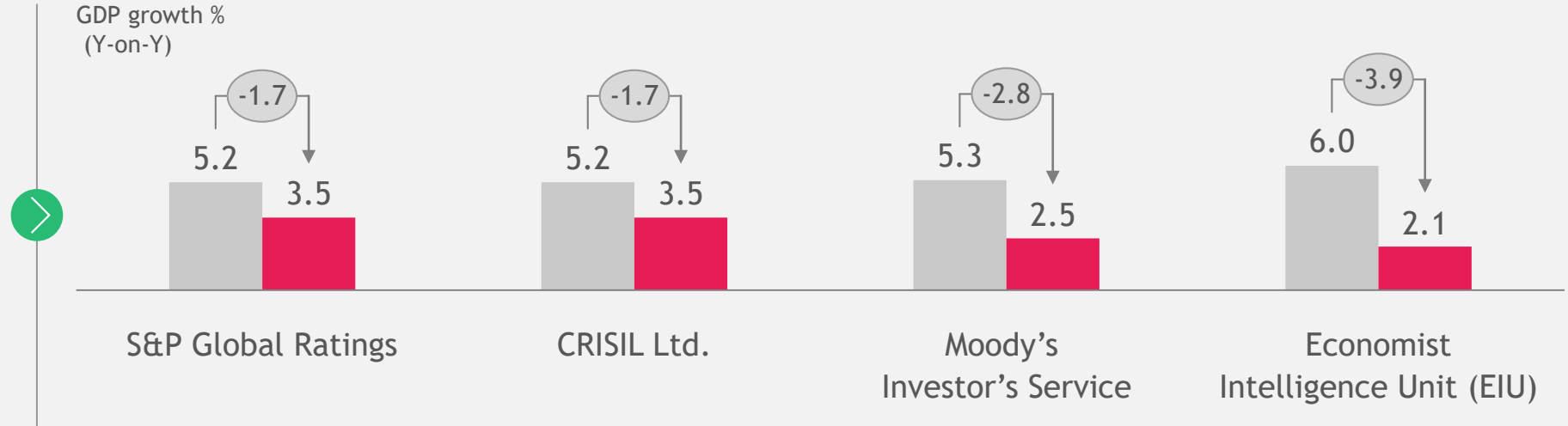
Legal implications to be invoked in case of breach of prescribed norms



# Indian GDP forecasts revised downwards over the last one month

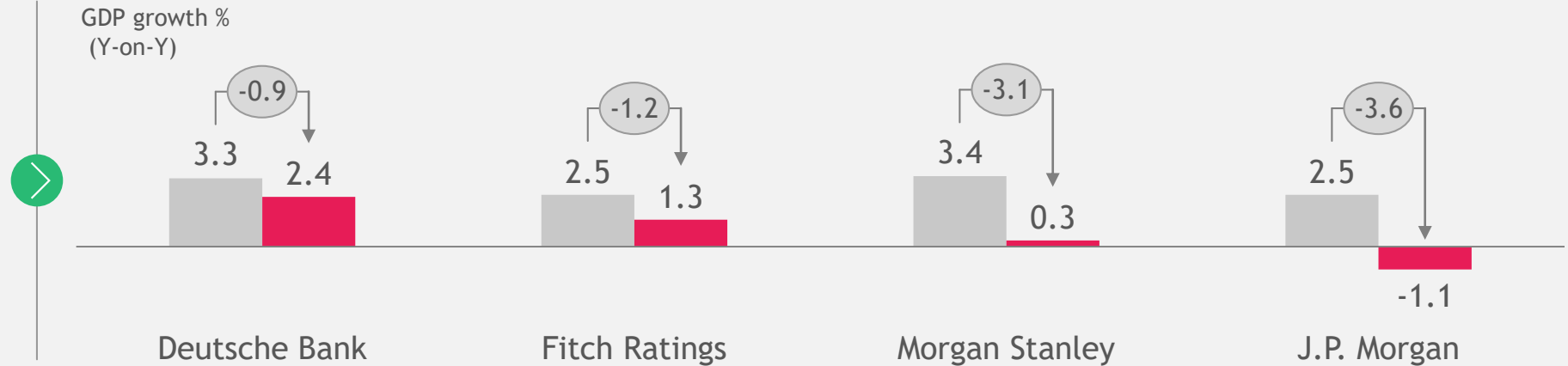
## India GDP growth forecast for 2020 / FY21

■ Pre-lockdown forecasts<sup>1</sup>  
■ Post-lockdown forecasts<sup>2</sup>











## World GDP growth forecast for 2020

■ Pre-COVID<sup>3</sup>  
■ Post-COVID<sup>4</sup>



India: 1. Pre-lockdown forecasts were made during Feb 2020 / early March 2020; 2. Post-lockdown forecasts were made from 27<sup>th</sup> to 30<sup>th</sup> March 2020; Source: Reports from Moody's Investor Service, EIU, S&P Global Ratings, CRISIL Ltd., Press search  
 World: 3. Pre-COVID forecasts were made during / before December 2019; 4. Post-COVID forecasts were made from 20<sup>th</sup> to 30<sup>th</sup> March 2020; Source: Reports from JP Morgan, Deutsche Bank, Fitch Ratings & Morgan Stanley, Press search

# ~\$180Bn annual imports & exports linked to high exposure countries

Assessment of intensity of COVID-19 impact						Commodities trade only	
	No. of cases till date	Daily growth (% increase) in cases	Non-essential local movement restrictions	Exposure level <sup>4</sup>	Imports value (Annual value <sup>1</sup> in \$Bn)	Exports value (Annual value <sup>1</sup> in \$Bn)	
 USA	161,807	19.7%	✓	●	34.9 (7.2%)	54.0 (16.8%)	
 European countries; high COVID-19 exposure <sup>2</sup>	317,052	9.9%	✓	●	40.7 (8.4%)	25.0 (7.7%)	
 UK	22,141	18.4%	✓	●	7.1 (1.5%)	8.9 (2.8%)	
 Iran	41,495	9.0%	✓	●	4.4 (0.9%)	4.6 (1.3%)	
 China	82,198	0.1%	✓	●	68.4 (14.2%)	16.9 (5.3%)	
 South Korea	9,661	1.1%		●	16.1 (3.3%)	4.8 (1.4%)	
 Middle east (except Iran)	21,479	19.7%		●	109.2 (22.6%)	56.4 (17.4%)	
 Others	62,113	12.5%		●	202.4 (41.9%)	152.4 (47.3%)	

Exposure level determination: Red = #cases > 20k, daily growth > 5%, with non-essential movement restrictions; Yellow = #cases > 20k, with non-essential movement restrictions

1. Value of Imports and Exports are for the period Jan-19 to Dec-19; the information pertains to commodity trade only and does not include services

2. European countries having COVID-19 exposure includes Italy, Spain, Germany, France, Switzerland

3. Non-essential local movement includes stated restrictions on being outside or curfews including school closure, international travel restrictions

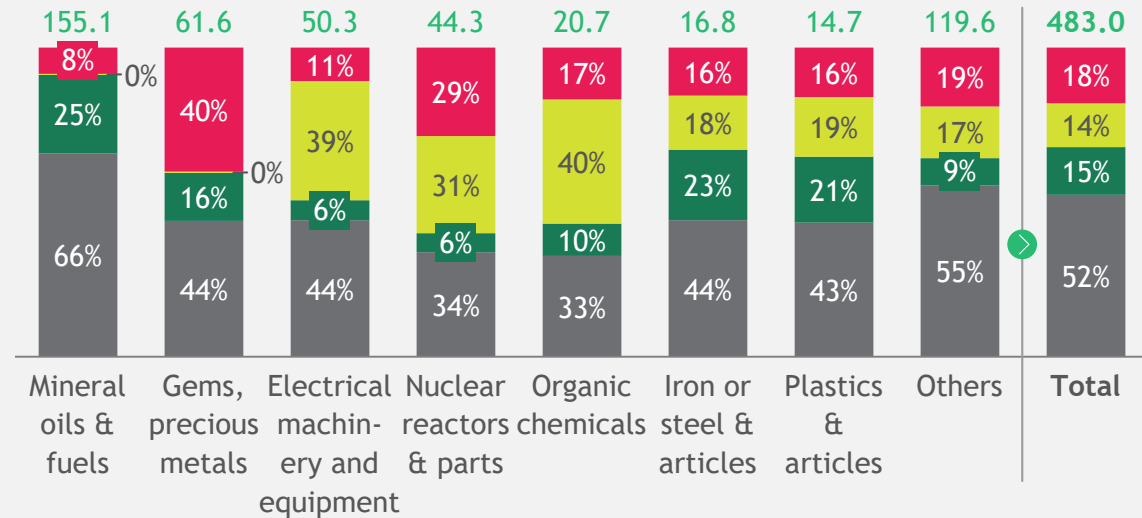
Source: Johns Hopkins CSSE, Comtrade Jan-19 to Dec-19, Global Trade Impact of (COVID-19) epidemic-UNCTAD report, Government and media reports, Press search

# Varied impact expected across categories of imports & exports, based on exposure to high risk countries

Commodities trade only

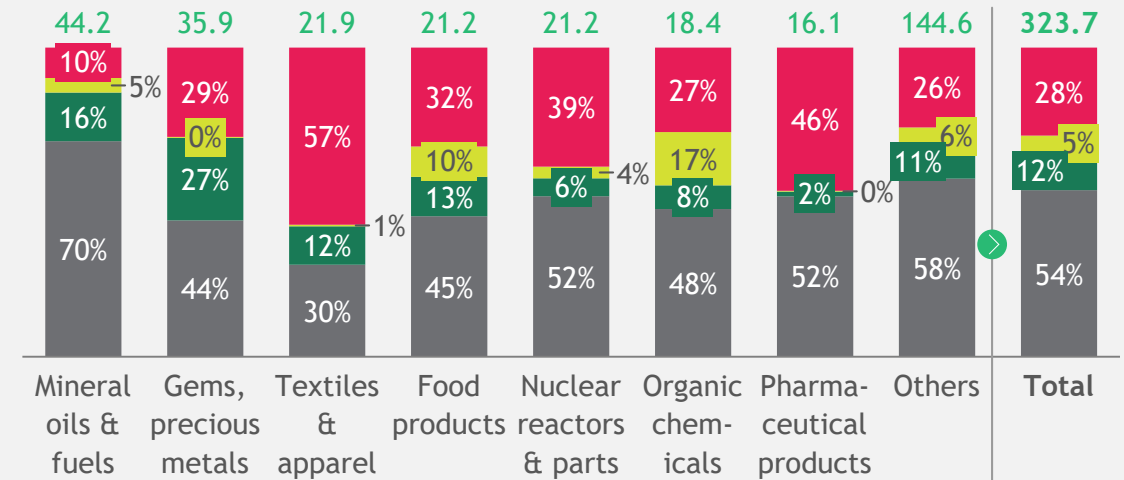
## Major imports

Annual value<sup>1</sup> in \$Bn)



## Major exports

Annual value<sup>1</sup> in \$Bn)



- India in top 15 economies affected due to supply chain disruption in China
- Impact on organic chemicals, gems & precious metals, nuclear reactors & parts

- India's largest export destinations—USA and EU are current epicenters of COVID-19
- Impact seen across exports, but mainly on gems and precious metals, textiles & apparel, food products

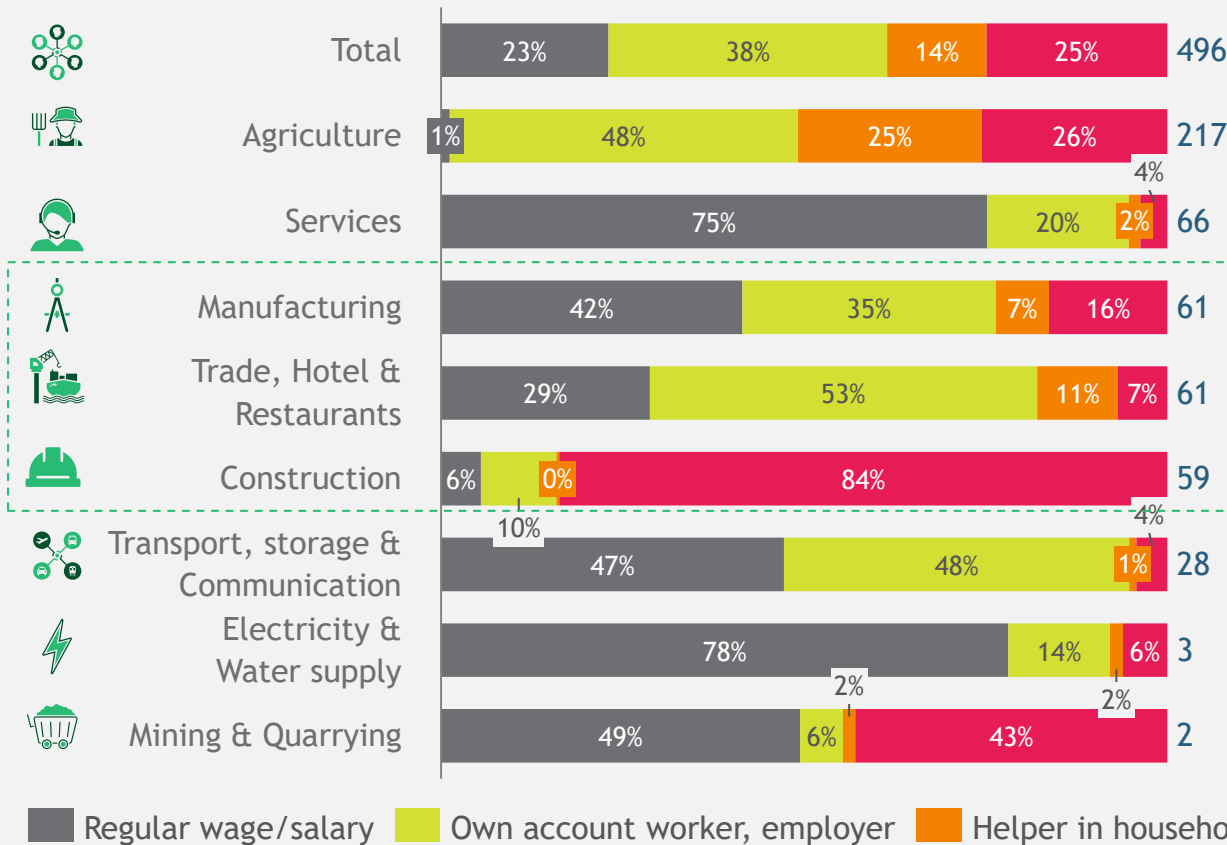
High exposure countries<sup>3</sup> Medium exposure countries<sup>3</sup> Low exposure countries<sup>3</sup> Others<sup>3</sup>

1. Value of Imports and Exports are for the period Jan-19 to Dec-19; 2. The information pertains to commodity trade only and does not include services  
 3. High exposure countries - USA, UK, Italy, Spain, Germany, France, Switzerland, Iran; Medium exposure countries - China; Low exposure countries - South Korea, Middle East (except Iran)  
 Source: Johns Hopkins CSSE, Comtrade Jan-19 to Dec-19, Global Trade Impact of (COVID-19) epidemic-UNCTAD report, Government and media reports, BCG analysis

# 25% of total workforce in India are casual labor with potential high exposure to economic impacts of COVID-19

## Sector-wise workforce distribution (FY 19)

No. of workers (Mn)



- Sectors not tagged as essential in the temporary shutdown
- ~63Mn casual labor seeing a direct impact due to shutdown



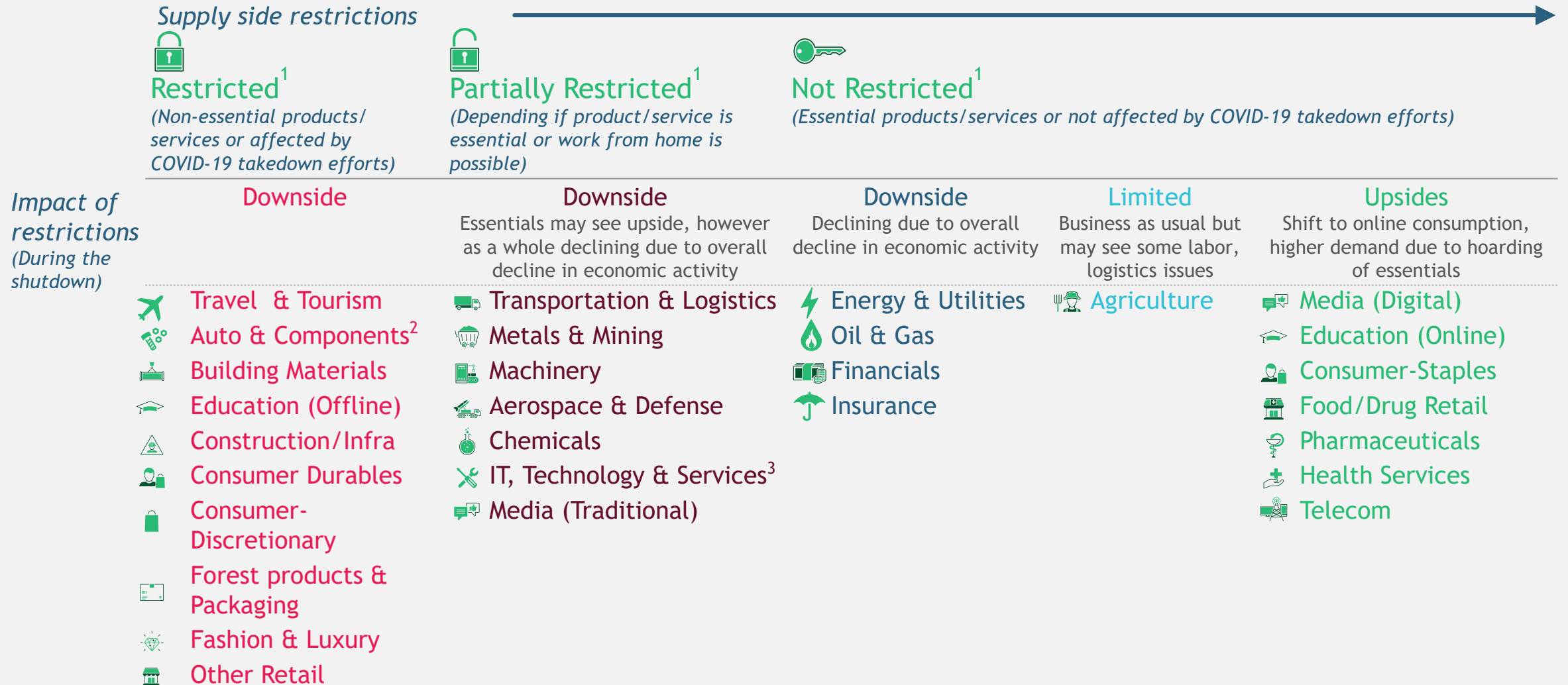
### Govt. has initiated certain mitigation measures

- Increased minimum wage rate by INR 20/day
- Govt. to pay 24% EPF contribution for next 3 mo. for eligible organized sector establishments
- State Govts. to use welfare fund for construction laborers

1. Other services include financial & insurance, real estate, professional, scientific, technical, administrative & support, education, human health, social work, arts, entertainment & recreation, other service activities, activities of households as employers; Source: Oxford economics estimates of employment FY19, Periodic Labor Force Survey; (PLFS) Jul-17 to Jun-18, Press search

# Industries are seeing varied impact in short-term amidst restrictions

## 5 key archetypes emerge



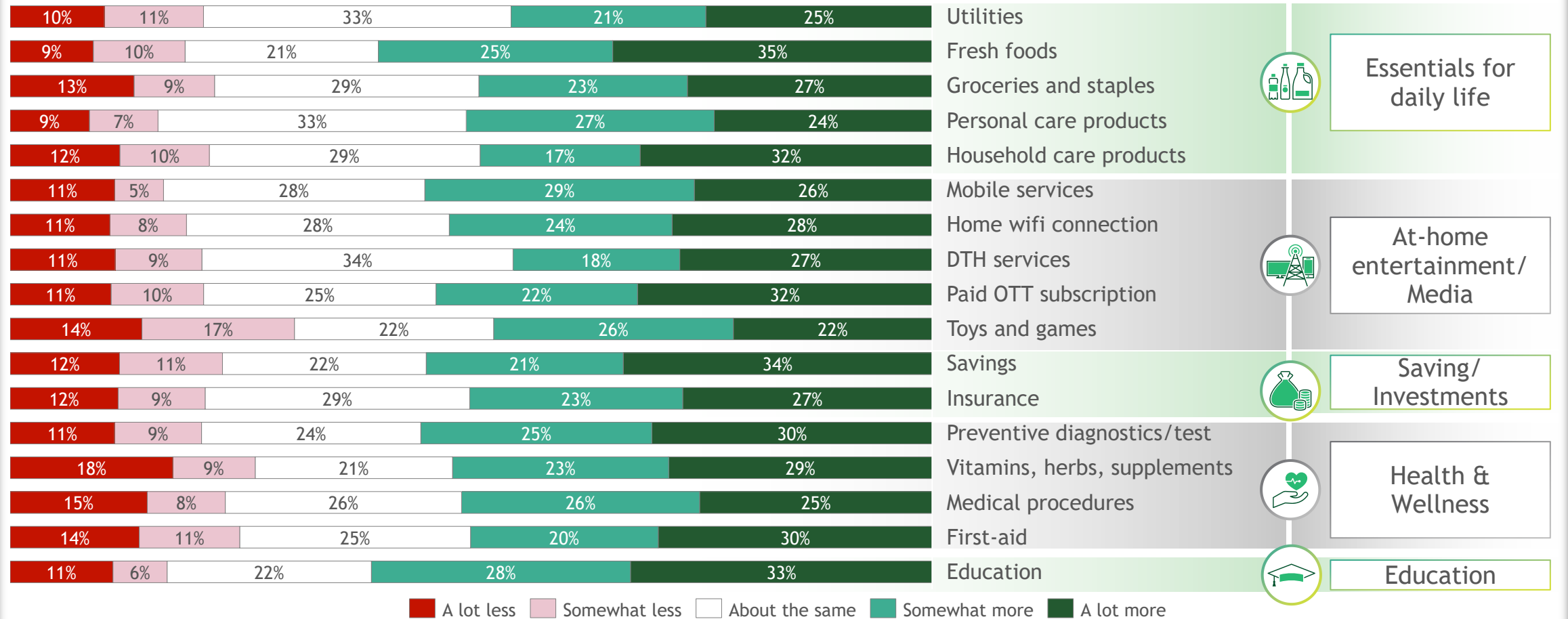
1. Source for restrictions during the shutdown: MoHA Order 40-3/2020-DM-I(A) dated 24th March '20 2. Auto & Auto Components sector may shift to supply of ventilators; 3. HR Services, Security, Specialized Consumer Services, Software Services, Communications Equipment, Electronics, IT/IT Services, Tech Hardware

# Consumer sentiment survey: Essentials, savings, health & wellness, at-home entertainment, and education most likely to witness an increase

## Change in spends in next six months



Distribution of survey responses (%)



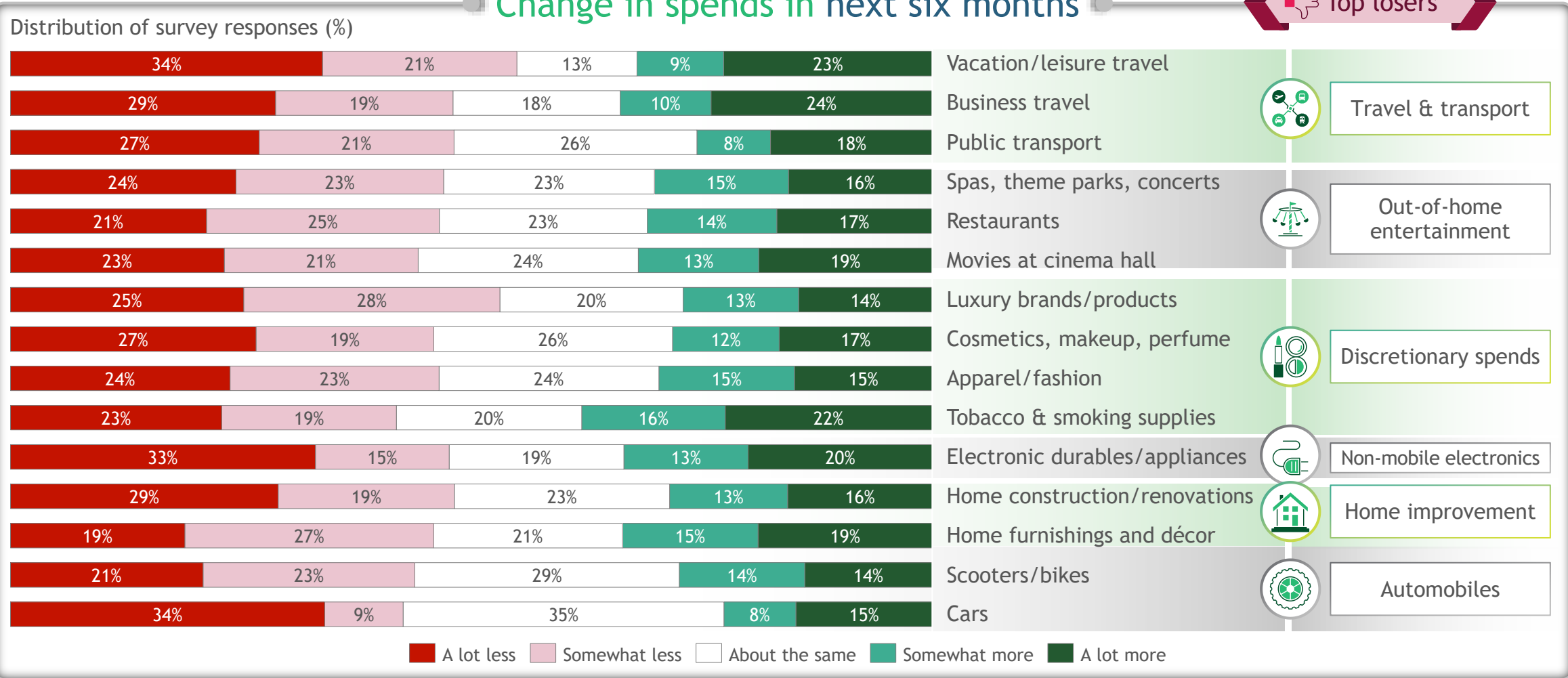
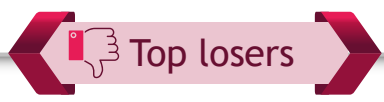
■ A lot less 
 ■ Somewhat less 
 ■ About the same 
 ■ Somewhat more 
 ■ A lot more

Note: Question text: “How do you expect your spend to change in the next 6 months across the following areas?” Categories with Top 2 Box > 45% (5% more than average) classified as winning categories

Source: BCG COVID-19 Consumer Sentiment Survey (India), March 23-26 2020 (N = 2,106)

# Consumer sentiment survey: Travel, outdoor leisure activities and discretionary spending likely to be hardest hit by a planned reduction in spends

## Change in spends in next six months



Note: Question text: “How do you expect your spend to change in the next 6 months across the following areas?” For non- mobile consumer electronics categories and cars, Bottom 2 box is a sum of those who have already cancelled their plans to purchase and those who plan to spend less among those who still plan to buy in next 6 months. Categories with Bottom 2 Box > 38% (5% less than average) classified as losing categories Excludes categories with N <= 100. Source: BCG COVID-19 Consumer Sentiment Survey (India), March 23-26 2020 (N = 2,106)

# Potential scenarios of liquidity crunch across top ~1000 Indian companies linked to revenue decline from COVID-19

**Methodology:** Cash positions of the top ~1000 public Indian companies (as per market cap) tested; Cash flow pressure test on LTM Sep'19/ LTM Dec' 19 financials, extrapolated to June '20 using multiple annual revenue decline situations (3-5%, 7-9%, 15-17%);

**Liquidity crunch:** Final cash position (+ve or -ve) post mandatory obligations (fixed costs, interest expense, capex) including opening cash balance

**Assumptions:** Cost of Revenue declines with revenue; SGA, R&D, D&A, Interest Expense, Other Operating Expenses, Capex, change in working capital remains constant and extrapolated pro rata basis; No dividend, debt repayments assumed

**Exclusions:** Banks, NBFCs, Insurance, Asset Management, Real Estate, & co.s with latest published data prior to Sep '19; Aero&Defense, MedTech, Multibusiness, Telecom ignored as sample size of co.s <8

1. Education, HR, Security, Specialized Consumer Services, Software Services, Communications Equipment, Electronics, IT/IT Services, Tech Hardware

Source: S&P Capital IQ Financial Statements, BCG Analysis

## % age of companies industry-wise to face liquidity crunch on revenue decline

	Total # of Companies	3-5% annual Rev. decline	7-9% annual Rev. decline	15-17% annual Rev. decline
Retail	20	45%	45%	55%
Forest Products & Packaging	31	32%	32%	52%
Consumer Non-durables	82	28%	35%	45%
Fashion & Luxury	62	27%	35%	44%
Building Materials	39	26%	28%	38%
Auto & Components	60	22%	28%	37%
Metals & Mining	63	24%	30%	37%
Chemicals	122	20%	24%	35%
Consumer Durables	22	23%	23%	32%
Construction	42	19%	21%	31%
Pharmaceuticals	65	-12%	20%	31%
Machinery	67	21%	21%	25%
IT, Technology & Services <sup>1</sup>	112	18%	19%	24%
Energy & Utilities	25	24%	24%	24%
Media & Publishing	30	-10%	-13%	20%
Travel & Tourism	24	-13%	-13%	17%
Oil & Gas	17	-12%	-12%	-12%
Transportation & Logistics	21	-10%	-10%	-10%
Healthcare Services	12	0%	0%	-8%

Sectors which may have high impact from liquidity crunch

Sectors which may have moderate impact from liquidity crunch

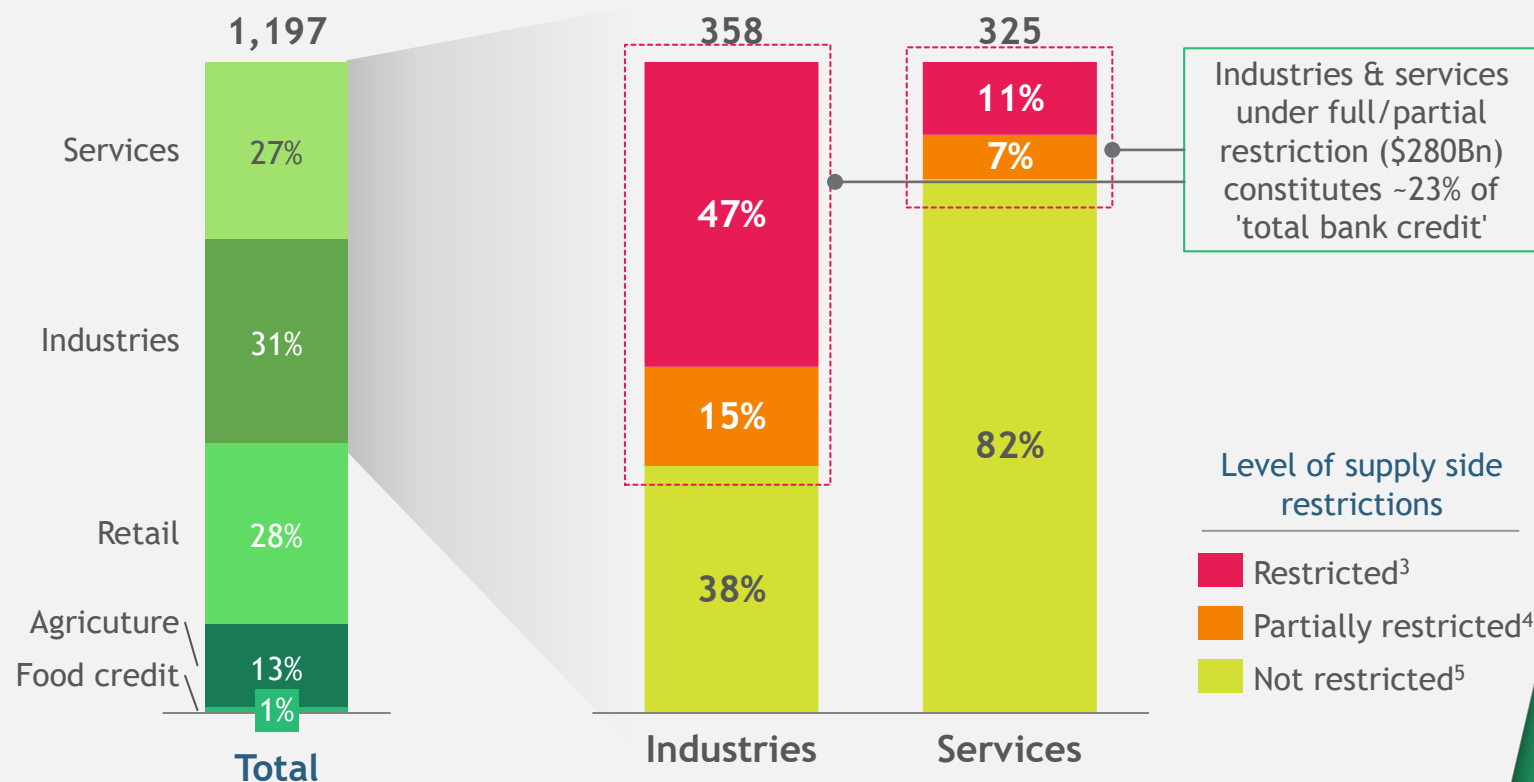
Sectors which may have low impact from liquidity crunch

Legend >35% companies facing crunch 25-35% companies facing crunch <25% companies facing crunch



# ~23% of total bank credit deployed to industries/ services under full/partial restrictions

Sector-wise distribution of bank credit<sup>1</sup> in India (\$Bn<sup>2</sup>)



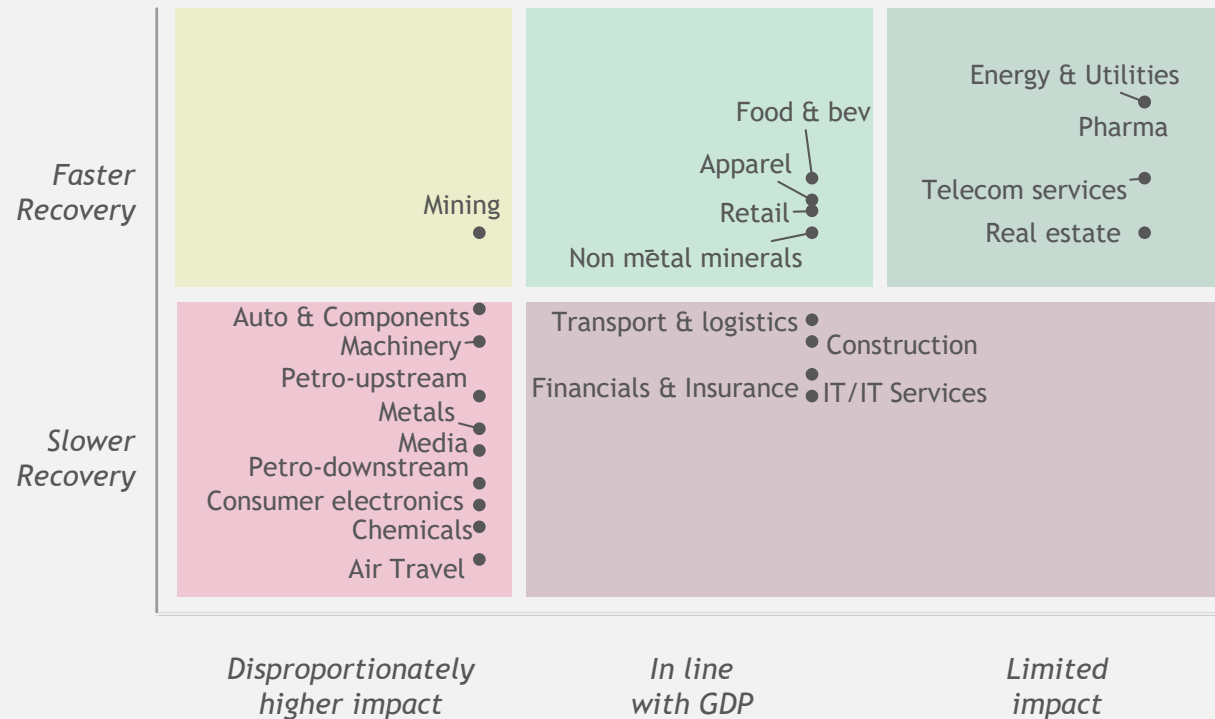
- Outstanding credit recovery reliant on financial health & retrieval period for various sectors
- Measures taken by RBI to infuse liquidity in the economy
  - 3 months moratorium period declared on all the credit payments
  - CRR requirements reduced by 100 bps

1. Data as on 31 Jan 2020 2. Exchange rate \$1=INR 75 3. Restricted: Industries with supply side restrictions; includes Travel & tourism, Auto & components, Building materials, Construction/Infra, Real estate, Consumer durables& discretionary, Forest products & packaging, Fashion & luxury 4. Partially restricted: Transportation & logistics, Metals & mining, Machinery, Chemicals, Technology & software 5. Not restricted: Energy & utilities, Oil & gas, Financials, Consumer staples  
Source: RBI database; Media reports; BCG analysis

# Speed of recovery for industries will be dependent on multiple drivers

2008 recession: Industries witnessed different rates of recovery;  
 Can act as a starting pt. to evaluate post COVID-19 recovery

5 key distributions of select sectors as per intensity of impact & rate of recovery<sup>1</sup>



1. Detailed backup in Appendix  
 Note: Recovery rates estimated by no. of quarters taken for the sectors to recover growth  
 Source: Oxford Economics, BCG Analysis

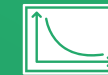


Multiple drivers will impact speed to recovery for industries post outbreak period

Not Exhaustive

## Demand side drivers

- Pent-up demand due to supply restrictions
- Seasonal/cyclical demand during Summer period
- Longer term shifts in consumer behavior due to social distancing, healthcare experience
- Demand recovery of exports in global countries



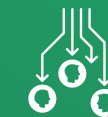
## Supply side drivers

- Access to affordable capital, loans, insurance
- Dependence on return of migrant labor, daily-wage, casual labor
- Availability of imported raw material, sourcing from other countries



## Other drivers

- Length of COVID-19 outbreak period, persistence of subsequent waves; swift ramp-up in healthcare infra
- Magnitude and type of Government stimulus package
- Monsoon intensity and time period



# Industries in China showing different speed of recovery (I/II)



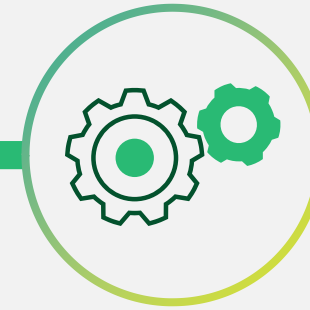
## Healthcare

- > **>90%** pharma companies resumed operation in late Mar (vs. 60% in Feb)
- > **~80%** Medtech companies resumed work in late Mar
- > **~95%** pharmacies resumed work in late March (vs. 90% in late Feb)
- > **5-10%** expected sales growth of pharmacy chains in Q1



## Consumer

- > **18%** drop of retail goods sales, **43%** drop of catering services, while **3%** increase of online retail sales of physical goods in first two months of 2020
- > **~90%** of large retailing business<sup>1</sup> has resumed in Mar
- > **5.6%** increase of daily sales of 1,000 retail enterprises monitored by Ministry of Commerce (compared to mid-Feb), a positive growth after consecutive negative growth since late Jan



## TMT<sup>2</sup>

- > **>80%** electronic component manufacturers resumed operation in mid March (vs. 70% in early March)
- > **>80%** smartphone supply chain resumed operation in late March
- > **~5%** cinemas reopened in late March

1. Incl. large agricultural product wholesale markets, large supermarkets, brand chain stores, e-commerce platforms  
2. TMT - Technology, Media, Telecommunications

# Industries in China showing different speed of recovery (II/II)



## Automobile

- 90% OEM resumed production on Mar. 11<sup>th</sup> (vs. 84.4% on 2 Mar)
- >80% production capacity recovered in 11 of 13 major suppliers by 9 Mar
- 66.2% work resumption in dealers on 23 Mar
- YOY auto sales for Week 2 of Mar dropped 44%, climbing from 61% drop of Week 4 of Feb



## Real Estate

- ~18.2% increase of total residential housing sales area in 16 major cities during 15-21 Mar (vs. previous week)
- ~140% increase of total supply of real estate land of 40 large cities during 16-22 Mar (vs. previous week)
- ~84.4% increase of Evergrande's sales due to the launch of online sales platform in Feb. (vs. 2019 Feb. )



## Financial Institutions

- 95% bank branches resumed work by 22 Mar
- 800Bn RMB loan issued by PBOC during Jan-Feb
- 2.08% NPL rate (by end of Feb), only increased 0.06% from beginning of this year
- 750Bn total amount of corporate bonds issued in Feb, more than twice than last Feb



# Emerging Macro-scenarios

# Indian economy has shown resilience with past crises, through V shaped recoveries

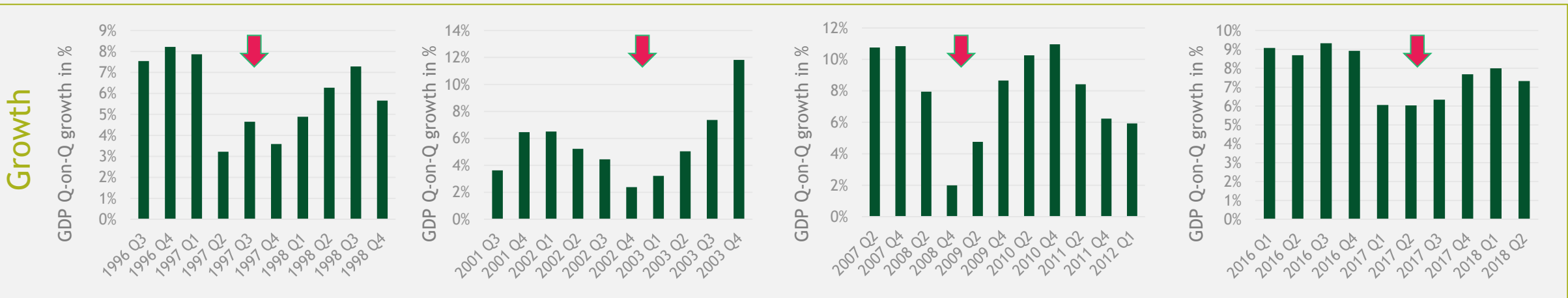
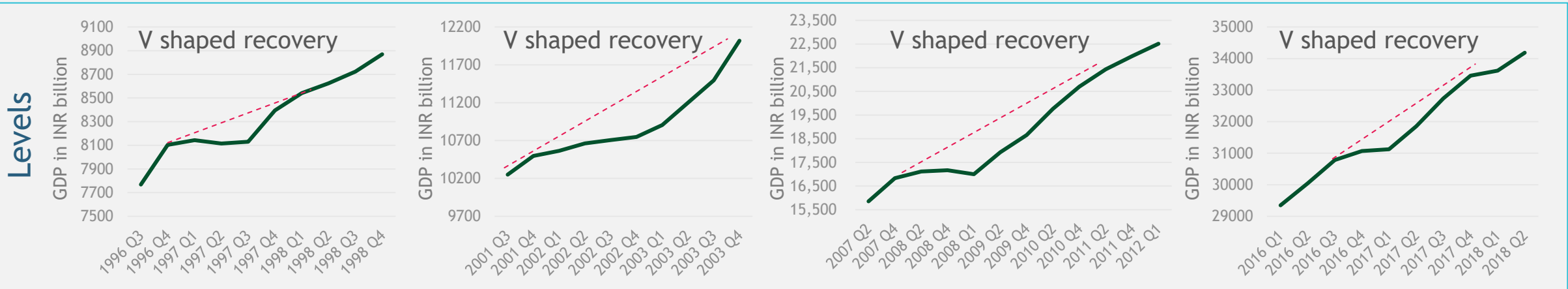
--- GDP output at pre-crisis levels (hypothetical)

### Asian Financial Crisis (1997)

### Agricultural Crisis (2002-03)

### Global Financial Crisis (2007-08 crisis)

### Demonetization (2016-17)



1. GDP impact in 2007-08 was due to both the global financial crisis, as well as an NPA crisis due to aggressive lending during this period in anticipation of infrastructure growth  
Source: Oxford Economics database

# COVID-19's impact on GDP needs to be assessed on intensity & geometry of shock

## Macro-economic impact along 2 dimensions

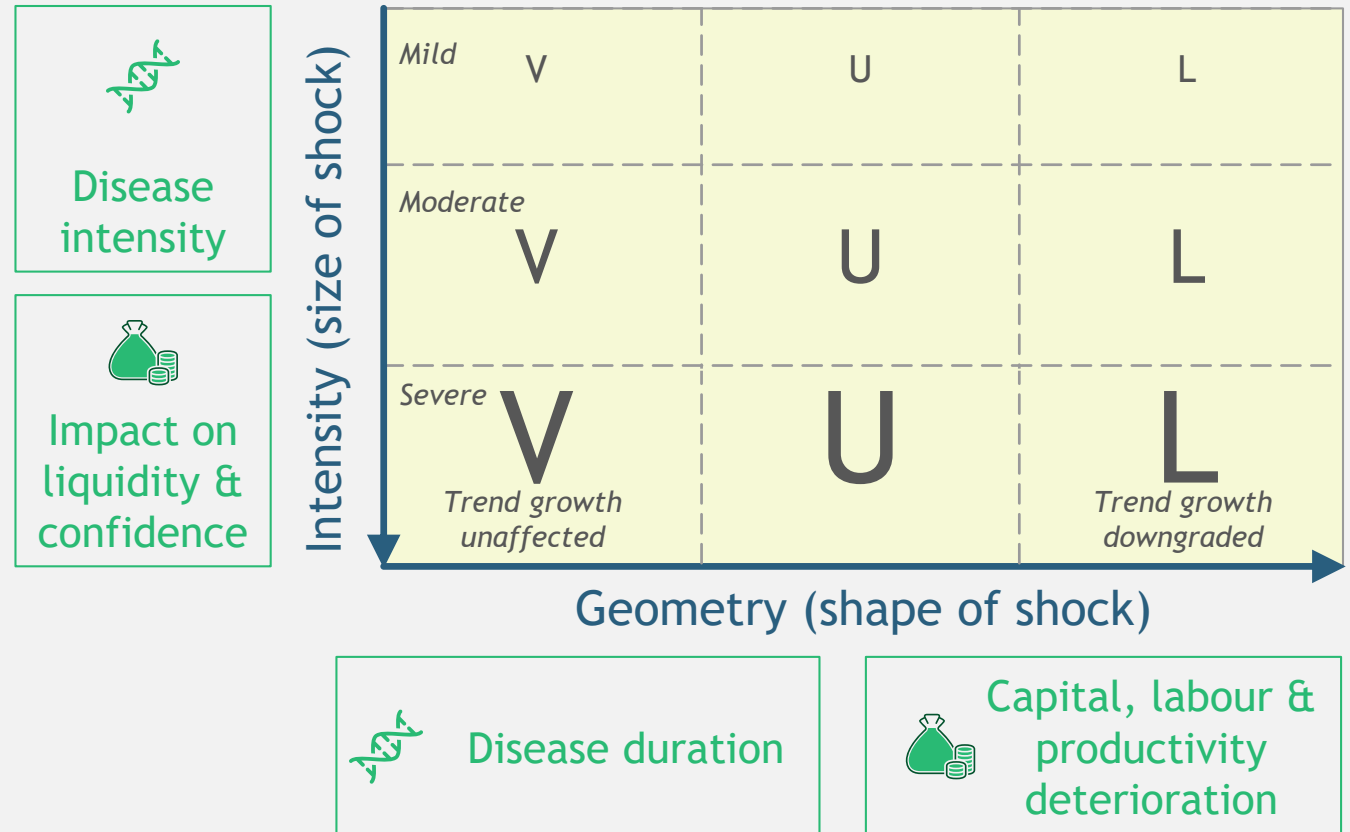


**Disease & health impact**  
Severity of the disease & effectiveness of healthcare systems

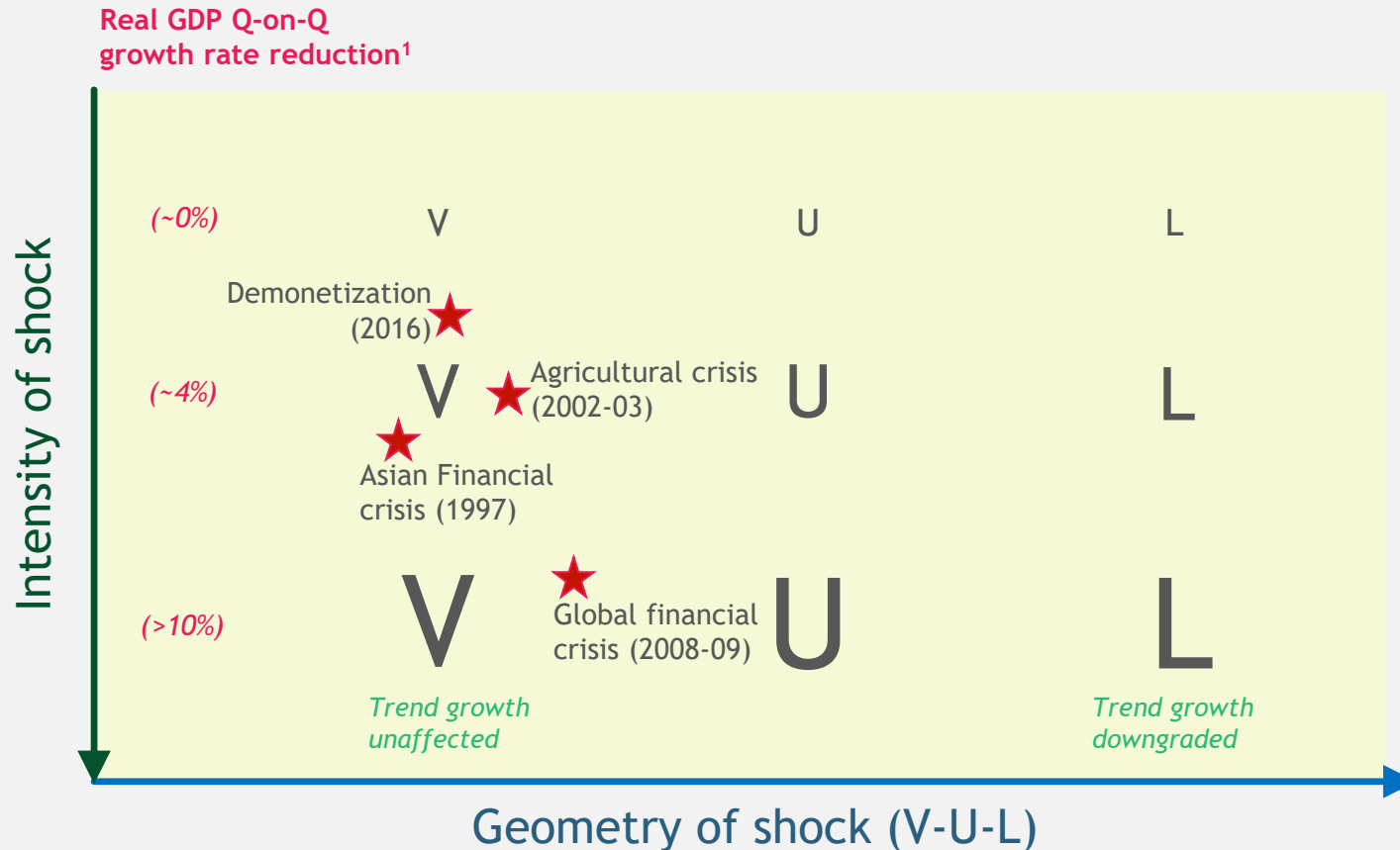


**Financial & economic impact**  
Impact on the liquidity & capital robustness of financial systems & the real economy, leading to long term economic impact

## Intensity & geometry of COVID-19 to be assessed on level of impact to each dimension



# Intensity and Geometry of major previous shocks for India



Learnings from previous economy shocks & recovery paths for countries like China will help determine potential impact

1. Growth rate reduction taken on Q-on-Q India GDP growth, from the peak before crisis to the lowest point during the crisis  
Source: NBER, BEA, BCG Center for Macroeconomics analysis

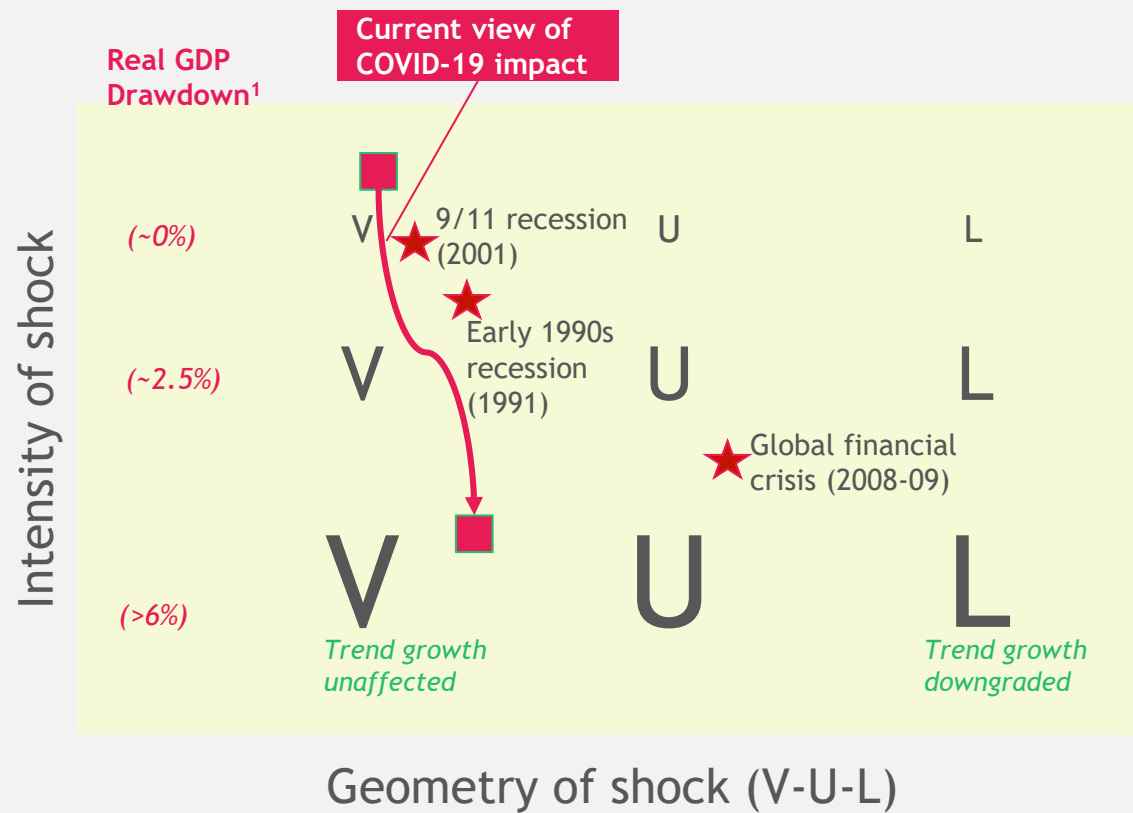
★ Previous shocks to economy



# For USA, emerging views on COVID-19 indicates a GDP drawdown greater than 2008

Illustrative

## Expected impact of COVID-19 for USA



- US H1 '20 drawdown<sup>1</sup> likely **larger than in '08**
- Shape not yet fixed - could be **V or U shape**
- **U-shape triggered** if shock to labor, capital, and productivity growth is large enough
- **Recession** likely

1. Real GDP drawdown refers to decline in real output during the crisis relative to prior peak, this has been used to calculate impact for USA GDP  
Source: NBER, BEA, BCG Center for Macroeconomics analysis

# Key indicators to look out for as COVID-19 scenario develops in India



## Intensity of impact

### Disease & health impact

- 1 Virus properties
  - Transmissibility of disease
  - Mortality rate
- 2 Mitigation policies
  - Testing levels during early period of epidemic
  - Mitigation / suppression policies implemented
  - Strictness of enforcement
- 3 Healthcare system effectiveness
  - Utilization (capacity) of healthcare system
  - Possibility/speed of adding health capacity

### Financial & economic impact

- 4 Financial system liquidity
  - Repo market stress
  - Commercial paper market stress
  - Bank liquidity ratios (indicates fiscal policy adequacy)
- 5 Real economy liquidity & confidence levels
  - Volume of bank borrowings by firms & households (indicates customer discretionary spending)
  - Changes in travel frequency
  - Unemployment rates
  - Stock market / volatility indexes



## Geometry of impact

### Disease & health impact

- 1 Time to cure / vaccine
  - Vaccine development timeline
  - Regulatory approval time expected
- 2 Disease seasonality & immunity
  - Disease severity with season changes / higher temperature
  - Time to immunity

### Financial & economic impact

- 3 Financial system capital shock
  - Capital adequacy ratio
  - Volume of loan delinquencies (bad loans, delayed payments)
- 4 Real economy capital & productivity shock
  - Investments in equity & debt
  - Index of industrial production (IIP)
  - Household & firm bankruptcy
- 5 Impact on Global economy
  - Impact of COVID-19 mitigation measures by other countries (eg. Lockdown duration)
  - Impact of GDP & economic indicators of early affected countries

But the reality is  
unknown ...



... and we need to plan for  
all eventualities

# BCG's approach to handling impact of COVID-19



**Now:** Tackle immediate priorities

Max 2-3 weeks<sup>1</sup>

Mobilize "war room"

Protect employees and customers, control the narrative

Ensure business continuity

Stop gap measures as necessary (e.g. sourcing, mfg., distribution)

Establish visibility

Setup a digital control tower, track critical KPIs, monitor disruptions



**Near-term:** Prepare for the rebound, Seek advantage in adversity

3-6 months<sup>1</sup>

Fortify liquidity & profitability  
Manage cash; Rationalize costs for resilience; explore M&A moves

Reinforce supply  
Re-establish availability, strengthen supply network

Seize demand recovery  
Protect customer base; maintain or grow wallet share

Re-strategize FY20-21  
Build agile scenario-based plans; re-configure workforce to deal with uncertainty

Accelerate digital transformation  
Sales, service & fulfilment; Ways of working



**Medium-term:** Plan for the new reality post crisis

Beyond 3-6 months<sup>1</sup>

Reinvent self: 'Win in the new reality'  
Re-define purpose, act to win

Reimagine business possibilities  
Identify behavior shifts - Adapt offerings & fulfilment models; Accelerate digital  
Capture new white spaces; Consider inorganic moves  
...and more

Restructure: Build resilience  
Protect against future shocks; Build 'firm of the future'; Scale new ways of working

1. Timelines indicative: Linked to stage of crisis in each market and level of impact on each industry

# How can BCG help you?

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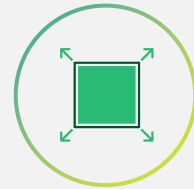
## Engage as a partner

We will partner with you in getting the rapid response team kick-started with an agile working model



## Plan for the unknown

We will drive a scenario wise assessment of company's exposure & outline mitigation roadmap



## Support on immediate priorities

We will work with you to deep-dive on critical priorities to layout a detailed action plan



## Capitalize on emerging opportunities

We will work with you to scan for emerging new opportunities (M&A, diversification) to enable acting early



## Bringing best-practices to you

We will bring in the latest learnings and best-practices from around the world

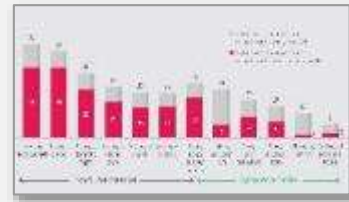
# We can hit the ground running to achieve rapid impact

## Proven suite of tools to implement from Day 1



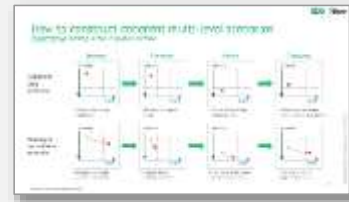
Checklists, benchmarks, remote best practices, industry-specific views, ...

**E2E crisis management**



Up-to-date research & insights on consumer sentiment w.r.t COVID-19

**COVID-19 Cons. sentiment**



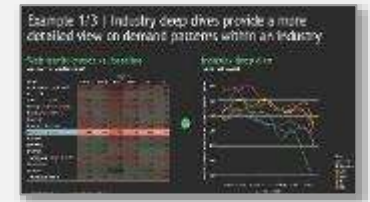
Robust framework to re-strategize for FY20-21, modeled at disease, economy, industry & company levels

**Agile Strategic Response & Scenario Planning**



Cash office setup, Cash management framework, 100+ proven levers to scale and sustain results

**Liquidity & cash management framework**



Day-to-day global demand signals across CPG, T&T, F&L Retail, and others

**Demand Sentinel**

# COVID-19 Disclaimer

The situation surrounding COVID-19 is dynamic and rapidly evolving, on a daily basis. Although we have taken great care prior to producing this presentation, it represents BCG's view at a particular point in time. This presentation is not intended to: (i) constitute medical or safety advice, nor be a substitute for the same; nor (ii) be seen as a formal endorsement or recommendation of a particular response. As such you are advised to make your own assessment as to the appropriate course of action to take, using this presentation as guidance. Please carefully consider local laws and guidance in your area, particularly the most recent advice issued by your local (and national) health authorities, before making any decision.

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