Practical steps for companies affected by Coronavirus (Covid-19)

The economic consequences of Covid-19 on future trading assumptions, and the direct impact on many companies across all sectors will place companies under liquidity pressures and potential covenant breaches from their debt facilities.

We, Grant Thornton Singapore, highlight various practical steps businesses can take to maintain stability, manage and mitigate insolvency risks during these uncertain times.

Change your approach to cashflow forecasting

Moving to a receipts and payments basis, daily forecasting and integrating short and medium-term forecasts almost always increases buffer and runway time to implement other actions and confidence with shareholders and lenders.

Contingency planning and stress testing

Contingency planning and stress testing forecasts for different impact scenarios will help provide better clarity on the sufficiency of liquidity, early detection of solvency concerns and inform the required actions and requests of financial stakeholders.

People

Active engagement with people, unions and other employee representatives is essential. Reducing hours, bringing forward leave and introducing split shifts can help preserve the workforce and reduce the short-term cash burden.

Setting up a crisis management team

Communication is key. Representation from key departments or groups need to meet frequently to discuss and prioritise problems. Allocating spare resources to a planning group will allow them to find solutions to problems as they emerge without tying up the whole management team.

Be proactive with your lenders & stakeholders

The more notice that you can give your debt provider and stakeholders of the impact of coronavirus on trading performance and liquidity, the more chance there is of getting the flexibility and support you may need.

Working capital modelling is essential

Certain types of debt facilities are more quickly impacted by downturns in trading. This is especially so for asset-based facilities where available funding is driven by debtor and stock levels. Careful modelling of the impact of trading on buffer levels is essential.

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