



COVID-19: India Perspective

20 MARCH 2020

Executive summary (I/II)

Update as of 19 Mar

Global Overview

- COVID-19 confirmed cases accelerating exponentially in several epicenters, particularly Europe and North America; Spread to 160 countries now
- Global equity markets have aggressively reacted to virus' spread beyond China with 30-35% erosion in value since past 4 weeks; S&P500 saw the fastest 10% fall from the peak in a week
- Many countries, including India, have imposed travel and assembly restrictions, non-essential business closures to contain the spread

Perspective on current situation in India

- Indian GDP growth was slowing down but was showing early signs of recovery
- COVID-19 cases in India are doubling every 5 days, with majority of cases concentrated in 3 states; currently standing at 195
- Impact of COVID-19 beginning to show - Consumer footfall declined and spending pattern has changed in past 2-4 weeks
- Industries are getting differently impacted by COVID-19, though too early to call. Pharma, Digital Media, Consumer-staples protected so far, some others, such as Travel & tourism, Entertainment, Automotive, Durables, Consumer-discretionary, etc. are seeing significant disruptions. Second order effects started to play out

Executive summary (II/II)

Update as of 19 Mar

Emerging Macro-scenarios

- COVID-19 impact and recovery scenarios are changing by the day; Three potential scenarios could emerge - Rapid recovery (V) or Slow comeback (U) or Protracted challenge (L) driven by 1. Evolving properties of the virus, 2. Containment & mitigation efforts, 3. Treatment / vaccine development lead-time, 4. Policy & fiscal response
- Significant uncertainty around the geometry and intensity of the shock
- COVID-19 scenario is unprecedented - high contagious rate (vs. earlier flus), large scale lockdowns, and fear & panic due to digital connectivity

Call for action

- Prepare for multiple scenarios - Understand the drivers for your sector and develop an action plan across three time horizons
 - Act Now:
 - Setup a rapid response office
 - Safeguard people and customers
 - Prepare for Near term:
 - Stress test the financials
 - Manage revenue & demand
 - Reconfigure supply chain
 - Renew business planning
 - Build for Medium term
 - Restructure, Reposition, Reimagine the business

Focus of this document



Global Overview



Current situation in India



Emerging Macro-scenarios

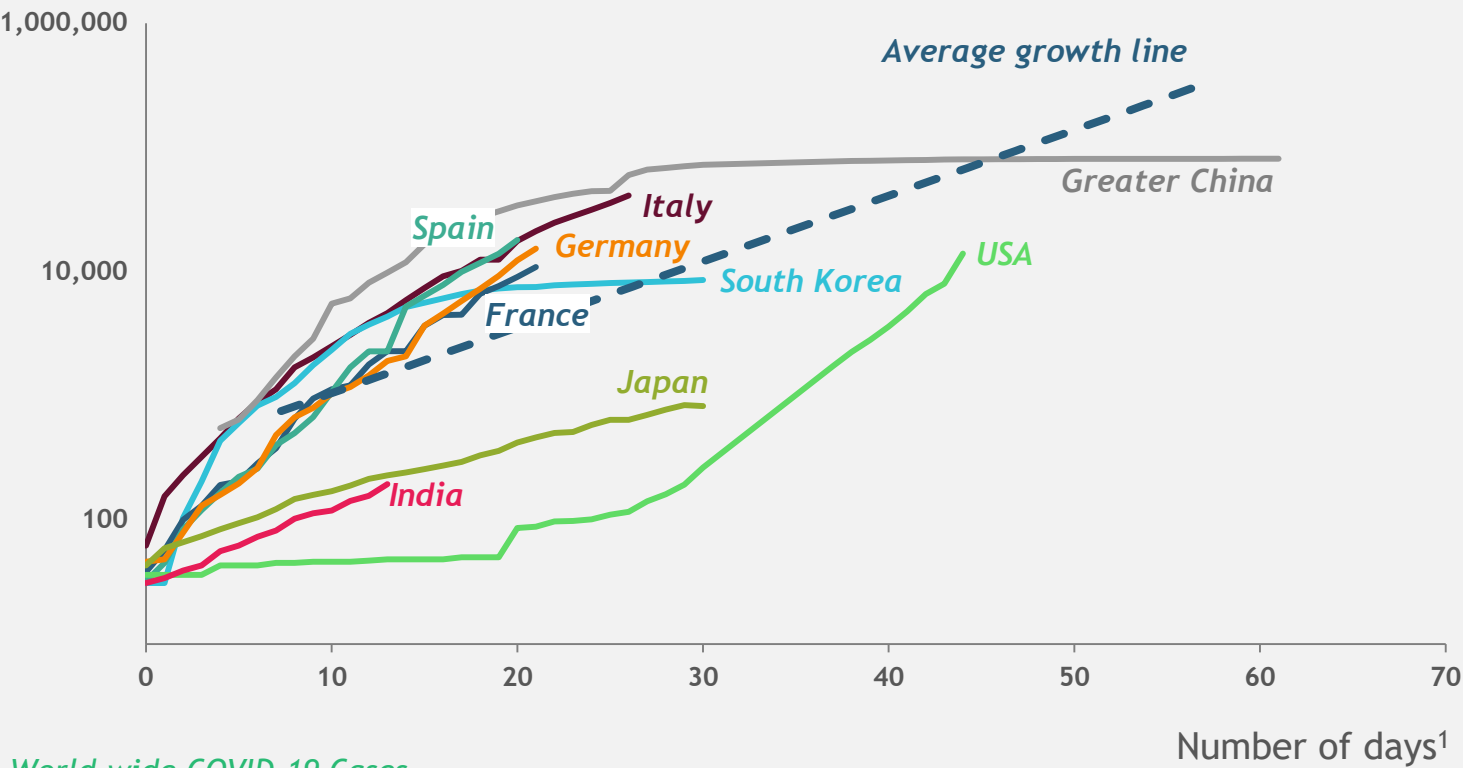


Call for action

Global overview

160 countries infected; Most following similar path of exponential growth until strong interventions made

Total cumulative number of confirmed cases (Log scale)



World-wide COVID-19 Cases
[\(Link to animated map of daily movement\)](#)

1. Number of days after exceeding 30 confirmed cases
Source: Johns Hopkins CSSE, BCG Henderson Institute analysis



160

Countries reporting infected cases



244K

Total Cases registered



~10k

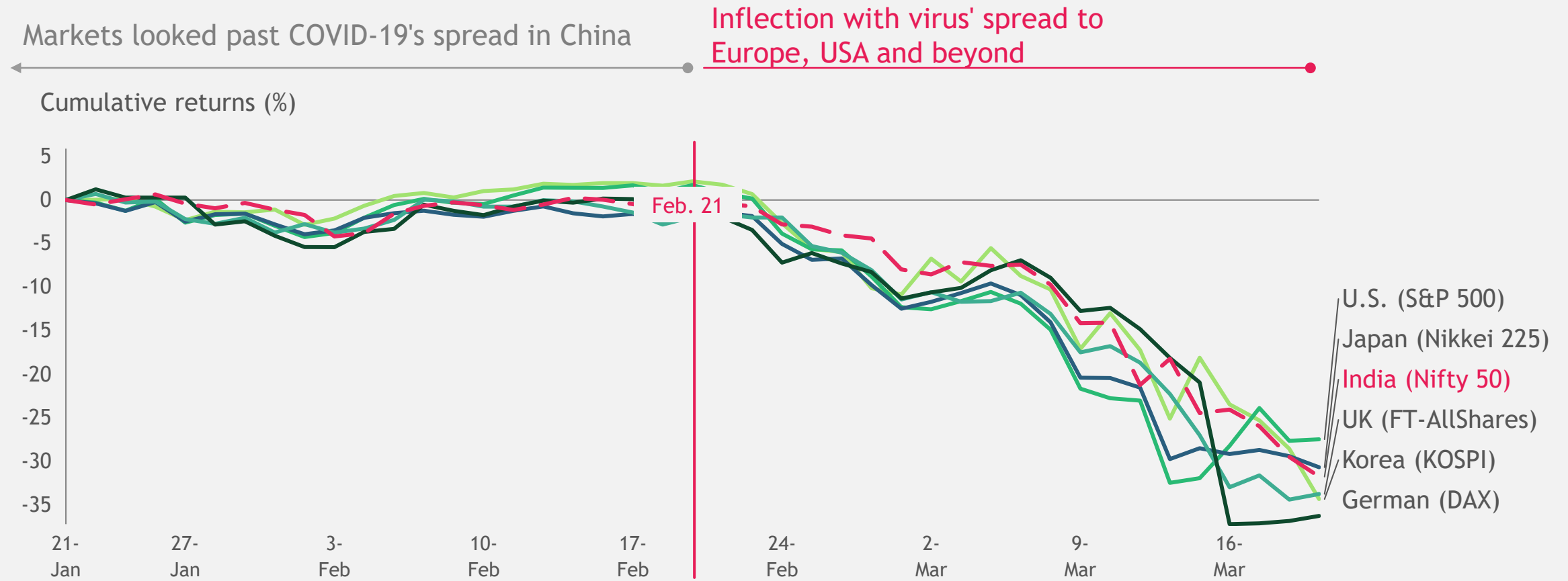
Total Deaths



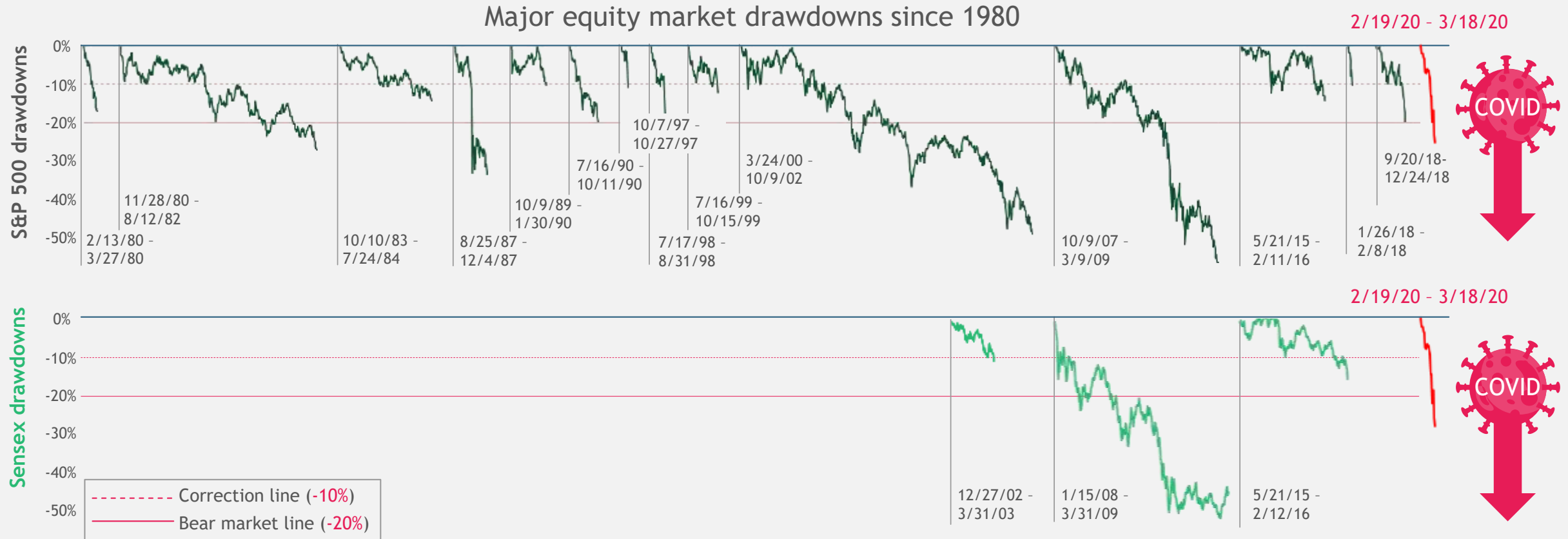
~86k

Confirmed recoveries

Global equity markets have aggressively priced risks following spread to Europe, US and other nations



Global & Indian indices fell by ~30% in 4 weeks - impact of COVID-19



- COVID-19 drawdown from Feb 21st to 27th stands out as **fastest 10% fall** in the S&P 500 index *from peak*
- Market has continued to decline due to COVID-19, at a **much faster pace on both indexes** than SARS (2002); it is comparable with 2008 recession

Most countries now responding strongly to the outbreak

							
		School closure	Restricted assembly	Non-essential business closure	International travel restrictions	Internal travel restrictions	Non-essential local movement
	China	✓	✓	✓	✓	✓	✓
	Spain	✓	✓	✓	✓	✓	✓
	France	✓	✓	✓	✓	✓	✓
	Switzerland	✓	✓	✓	✓	✓	✓
	Italy	✓	✓	✓	✓	✓	✓
	Iran	✓		✓	✓	✓	✓
	Denmark	✓	✓	✓	✓		
	Germany	✓	✓	✓			
	US	✓	✓	✓	✓		✓
	South Korea	✓	✓				
	Japan	✓	✓	✓	✓		
	India	✓	✓	✓	✓		

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 pressure
 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



US announced ban on non-citizen travel from EU countries; all federal govt. bodies taking active measures



Italy has expanded lockdown to cover entire country and call on for student doctors into service

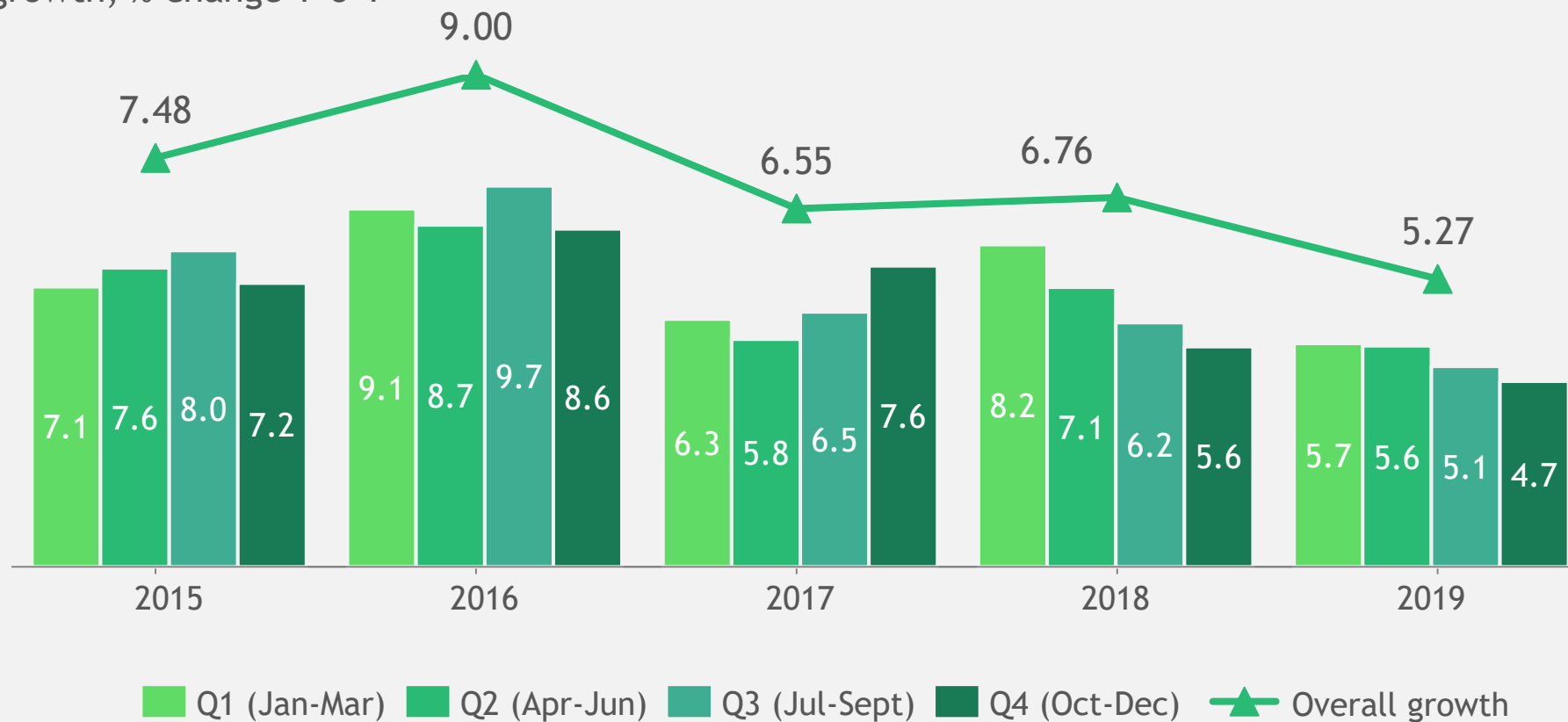


Despite limited restrictions, new cases in South Korea have significantly reduced due to its extensive & organized testing & quarantine efforts

Current situation in India

Indian GDP growth was slowing down

Quarterly growth, % change Y-o-Y



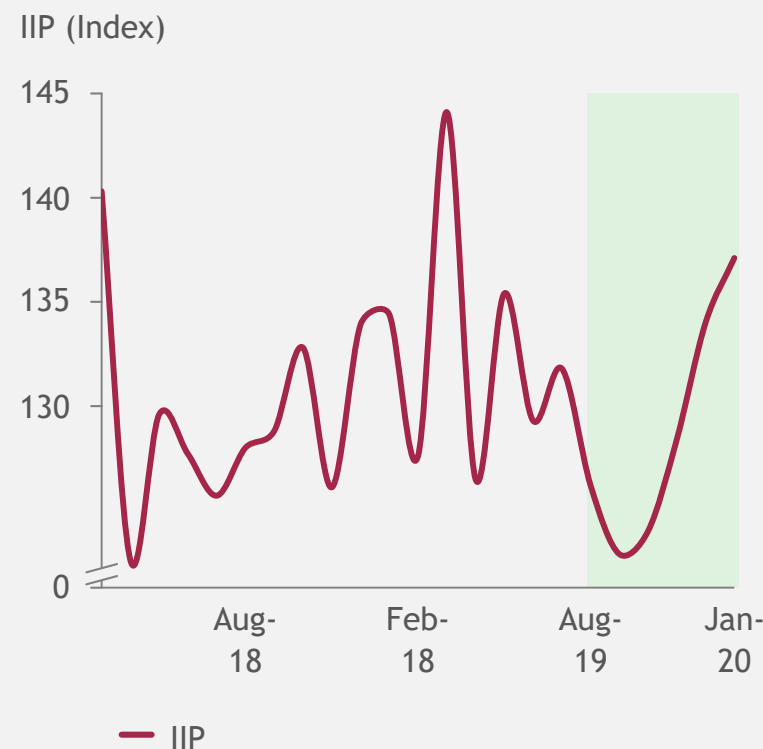
Note: Past year/quarter data may vary from the previous versions of the Economic Monitor owing to restating of previous years' data by the CMIE/reporting agencies
Recasts for the upcoming quarters (bar graph) and estimated overall growth rate (line graph)
Source: CMIE, BCG Analysis

Multiple indicators were showing early signs of recovery in Q4'19 & early Q1'20

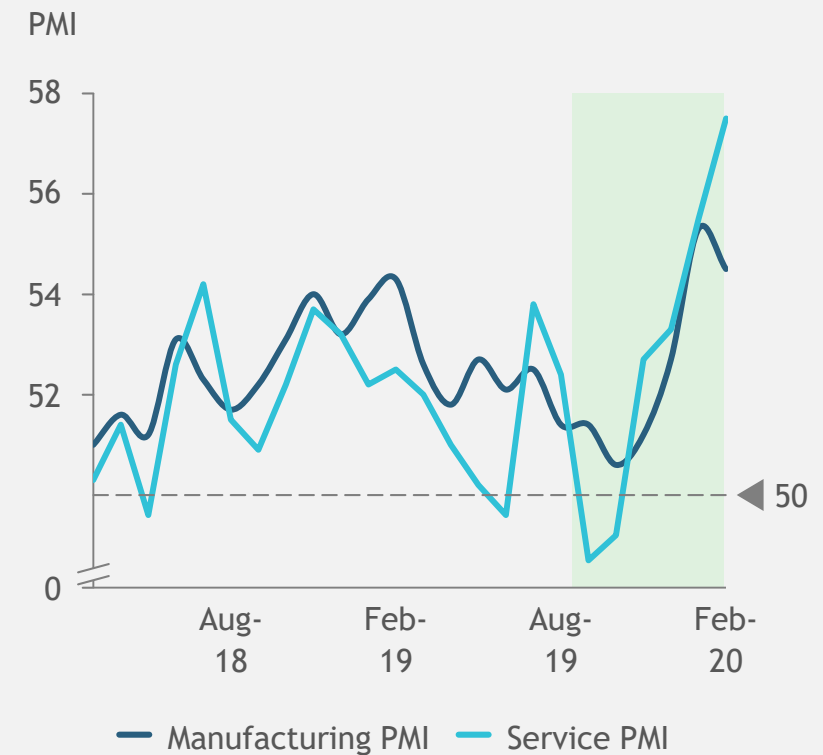
Exports & imports recovering in Q4'19 after a 6 month slowdown



Steady growth observed in IIP since Q4'19



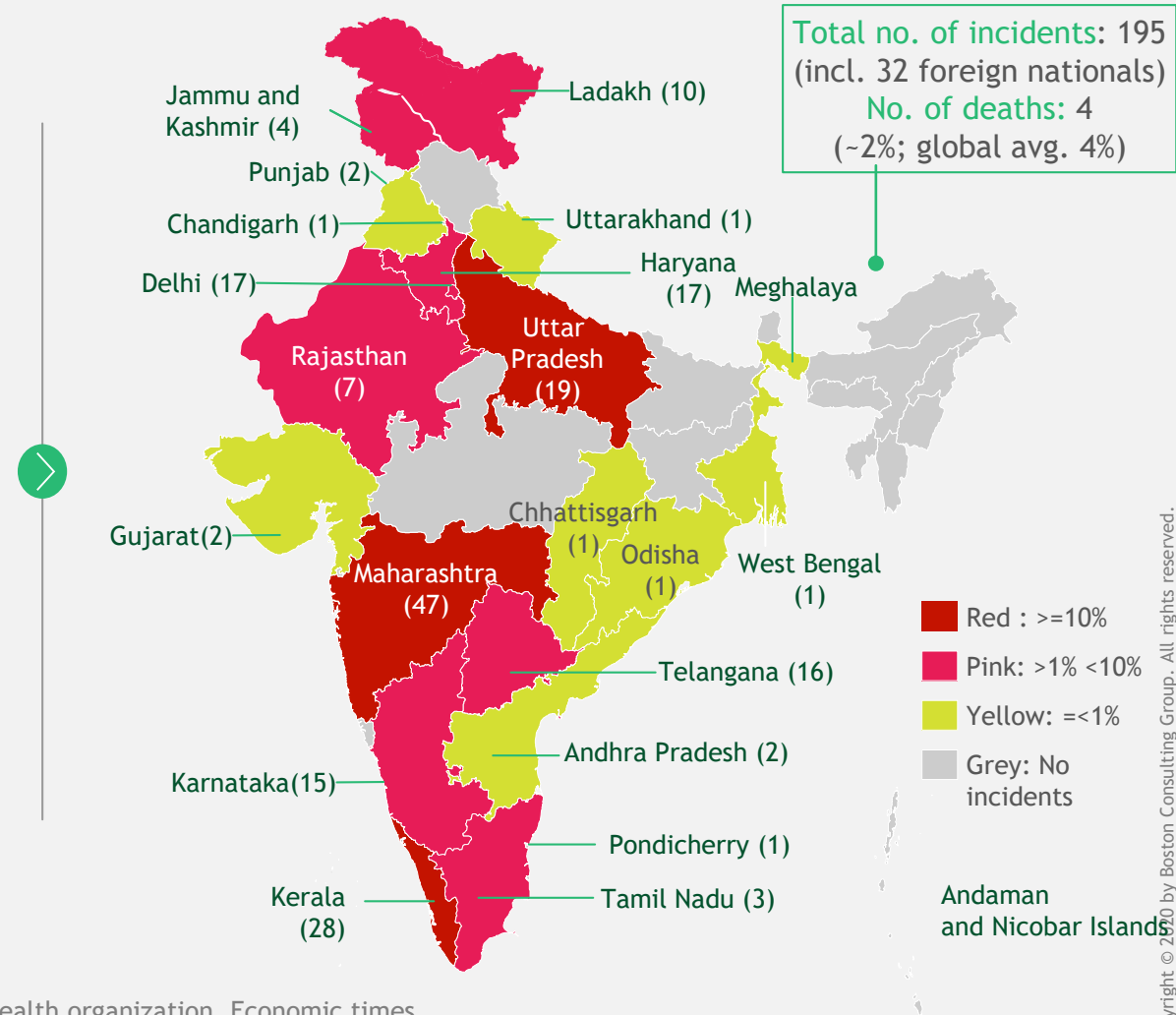
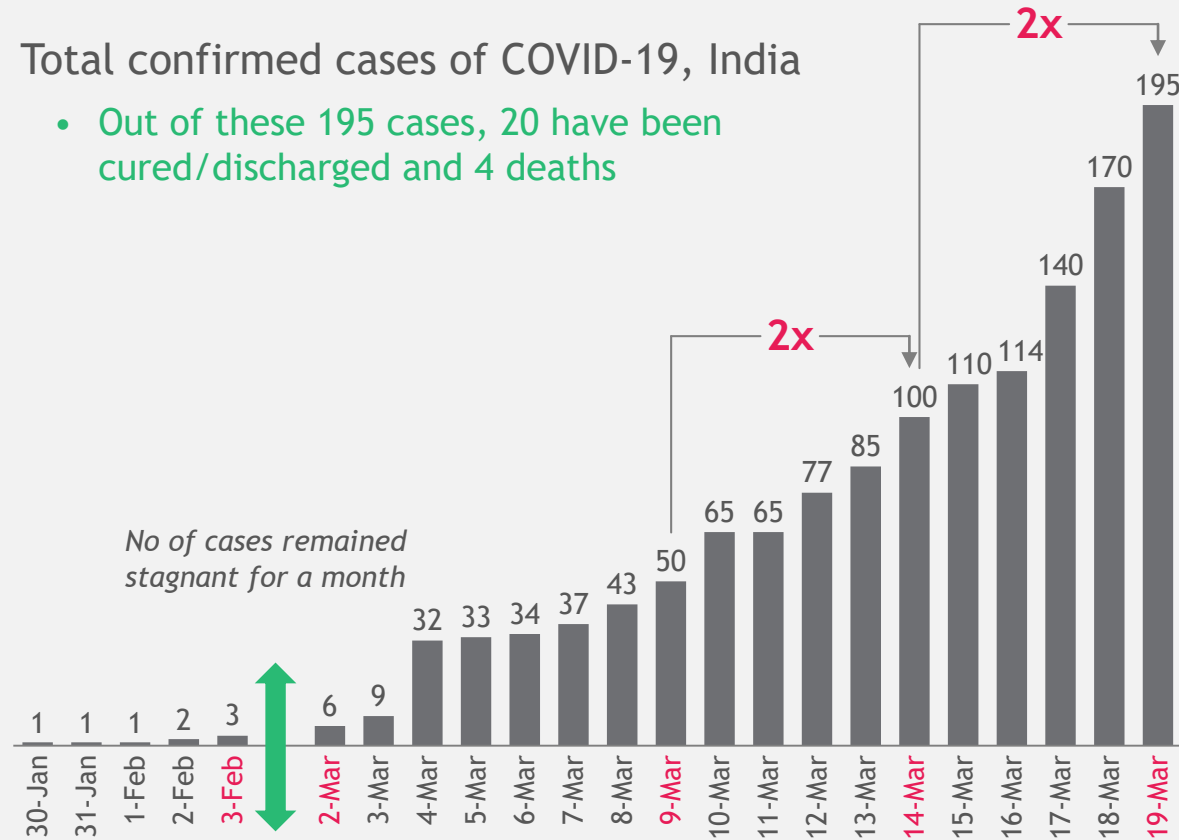
Expansion in manufacturing & services PMI since Q4'19



COVID-19 hit India in Mar-20; cases are doubling every 5 days, with majority of cases concentrated in 3 states

Total confirmed cases of COVID-19, India

- Out of these 195 cases, 20 have been cured/discharged and 4 deaths



Source: Ministry of health website; Johns Hopkins CSSE, Ministry of health & family welfare, World Health organization, Economic times

Indian health ministry & state governments have exercised varying degrees of precautionary measures



Travel advisory



Ban exercised on all international commercial passenger flights;

- SpiceJet, Vistara, etc have **suspended** their international operations



Internal travel bans implemented by state government at varying degrees

- Punjab govt. suspended **public transportation**
- **AC local train services** suspended in Mumbai
- Chhattisgarh **interstate bus services** suspended



Social distancing



National lockdown '**Junta Curfew**' declared by PM Modi on 22 Mar



Closure of all educational establishments, gyms, museums, cultural & social centers, swimming pools & theatres initiated by states to contain the spread incl.

- **Lockdown** announced in cities of **Mumbai, Pune, Nagpur** until 31 Mar
- **Section 144** invoked in select areas across the country
- All **tourist places** in Meghalaya to remain **closed**
- Karnataka under **partial lockdown**; international flyers isolated



Testing & quarantine



All individuals requiring to be tested are offered **tests at no cost**



Kolkata Port to quarantine vessels arriving from COVID-19 hit countries



Maharashtra, Karnataka, Delhi **stamping people** under **home quarantine**



Consumer
footfall
declined,
spending
pattern
changed in past
2-4 weeks

Significant impact on footfall, sales for different categories observed in past 2-4 weeks across major Indian cities



Pulses, Cooking Oils, Hygiene Products, Packaged Food, Fast-moving Staples, Healthy Consumables

15-80% sales increase
depending on category, retailer



Eateries

40% fall in customers,
recent shutdowns will lead to further decline



Shopping Malls

20% decline in footfalls,
recent shutdowns will lead to further decline



Apparel Stores

25% decline in footfalls,
recent shutdowns will lead to further decline



Entertainment

35% decline in sales,
recent shutdowns will lead to further decline

Among other sectors, Travel, Auto continue to remain sluggish, Financials may face further challenges in recovery

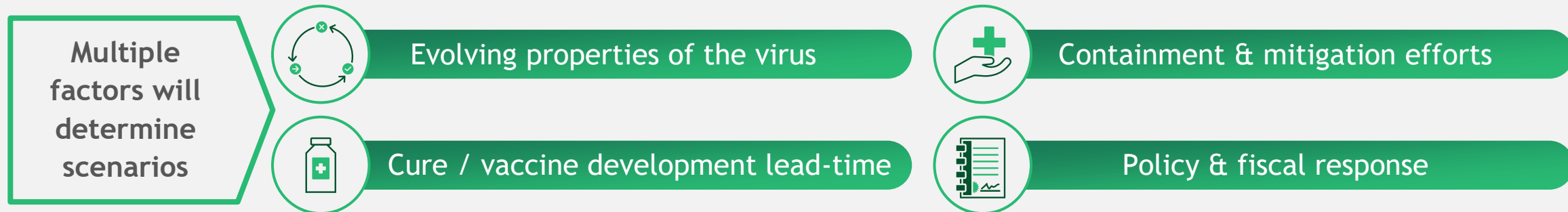
Sectors	Demand Side Impact	Supply Side Impact	Net Magnitude of Impact
 Travel & tourism	- Airlines, Hotels witnessing substantial decline - Mobility platforms have seen volumes dip 30%	- Airlines reducing capacity, Hotels may close - Select airlines with new fleet could be disproportionately impacted	↓↓↓
 Consumer (Discretionary)	Demand to decline, impact expected on Food (Eating Out), Apparel, Alco-bev	- Malls, multiplexes, Gyms shutdown across cities - Conferences, Sports events postponed/cancelled	↓↓ Physical Retail ↑ Online Retail
 Auto	- Passenger Cars: Will remain sluggish due to postponement of purchase - Commercial Vehicles: uncertainty in demand	Restriction of parts from China and other severely impacted countries will impact manufacturing Possible shutdowns, reduction in production	↓↓
 Financials	Economic fallout of shutdowns can create challenges for MSME/SME sector leading to new wave of NPAs	Limited supply side impact	↓↓
 Infrastructure	Govt may postpone announcement of new large capex projects	Infrastructure will continue to face funding constraints due to tight government balance sheet and risk aversion in banks/NBFCs	↓↓
 Petroleum	Potential demand decline in the short term due to reduced travel	Oil price decline will be positive for downstream companies	↓↓ Upstream ↓ Downstream
 Steel/Cement	Demand slowdown seen—recent price rise in Steel with Chinese imports has come down - Building Materials—some slow down expected due to reduction in overall economic activity	Possible reductions in production	↓
 Chemicals	Some slowdown expected due to reduction in overall economic activity	China and other severely impacted countries supply disruptions can create some short term impact	↓

Pharma, Consumer-Staples witnessing increase in demand

Sectors	Demand Side Impact	Supply Side Impact	Net Magnitude of Impact
 Energy & Utilities	Some slowdown expected due to reduction in overall economic activity	- Disruptions in coal, solar, wind etc. supply chains; Solar PV industry is dependent on China for supplies - Thermal coal prices declined due to reduced demand from China	↓
 IT/IT Services	Demand impacted due to slowdown in the broader economy of developed markets; Dollar appreciation is positive	Supply model affected in several places with travel restrictions, lockdowns	↓
 Consumer Durables	Consumer appliances like Fans, Coolers might see some slowdown due to economic disruption	Supply chain issues related to sourcing from China, other severely impacted countries	↓
 Agriculture	Limited impact on demand side, especially for staples	Possible labor shortages, logistics issues due to lockdowns, restricted movements	—
 Consumer (Staples)	Demand to remain stable—might increase in short term because of stocking demand	Increase in servicing customers through online and last mile delivery	↑
 Telecom	Demand for telecom services could increase slightly due to cut down on travel	China, South Korea supply disruptions can create some short term impact on equipment sourcing	—
 Pharma	Positive for the sector with demand for essential medicines going up	Might be short term disruption due to shortage of certain APIs	↑ ↓
 Media	Significant high demand for online streaming, e-gaming expected	- Movie, other new media production may slow down - Mandatory closures of movie theaters	↑ ↑ Digital ↓ ↓ Traditional

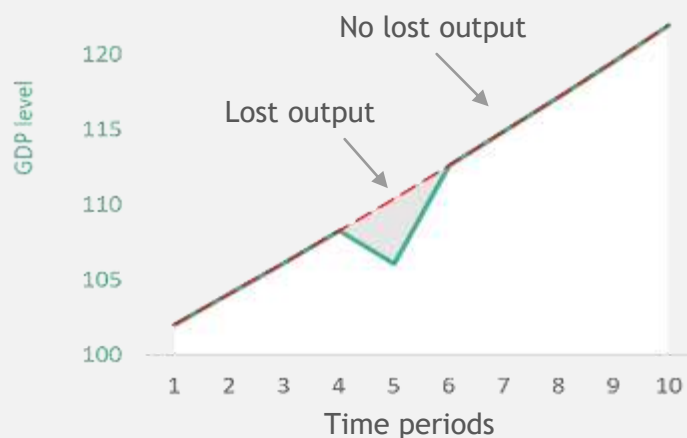
Emerging Macro-scenarios

Three macro-impact scenarios emerging under COVID-19



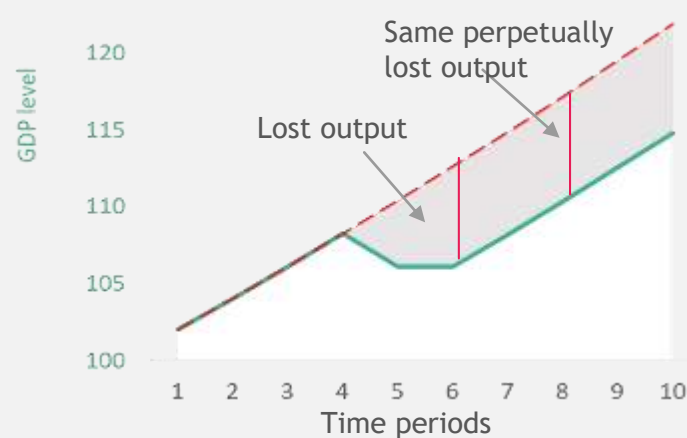
1 Sharp-rapid recovery (V)

De minimis impact on the present value of future output



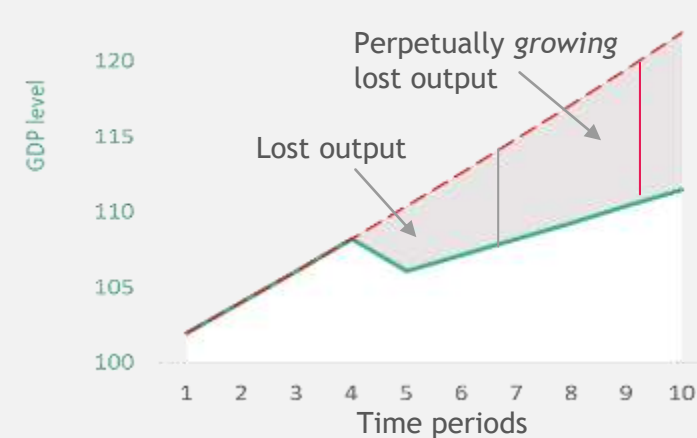
2 Slow comeback (U)

Large and perpetual loss of present value of future output



3 Protracted challenge (L)

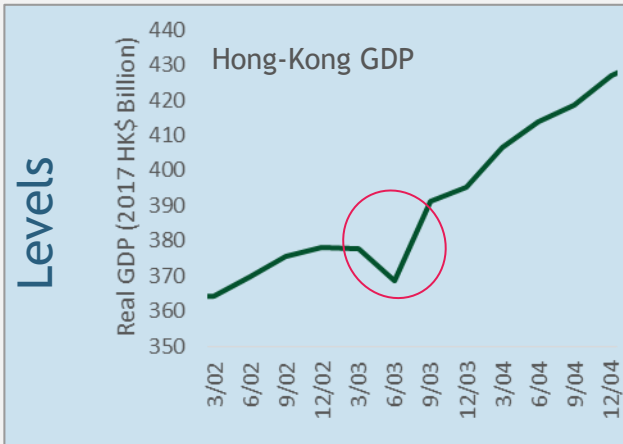
Ever growing loss in future output & infinite loss of future value



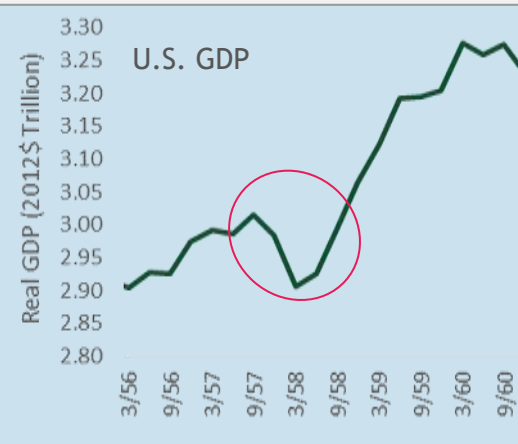
Flu shocks in the past have all been V-shape

Historical precedents interesting, not predictive

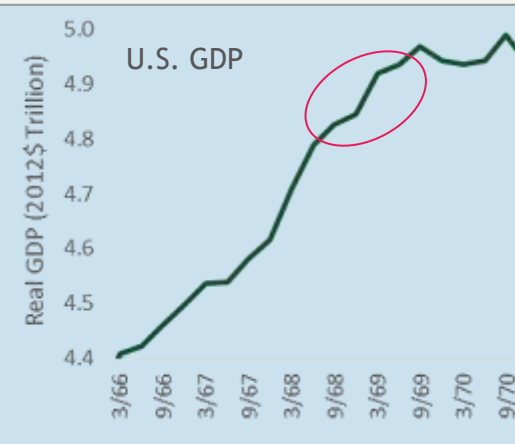
2003 SARS
(299 deaths in Hong Kong)



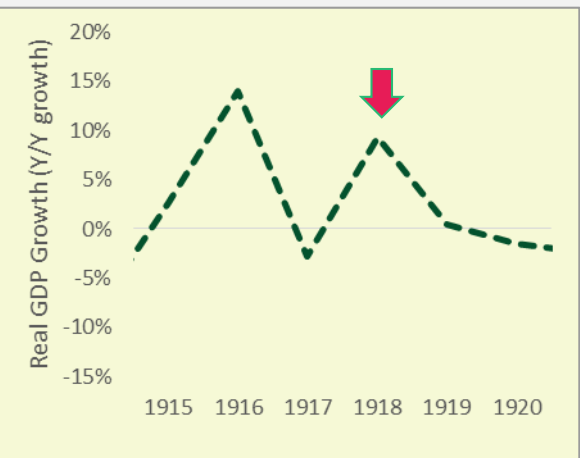
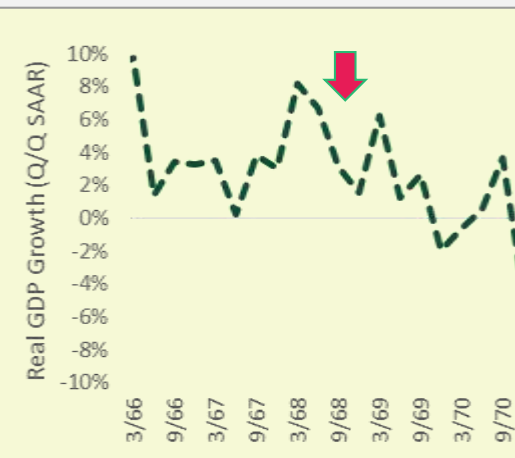
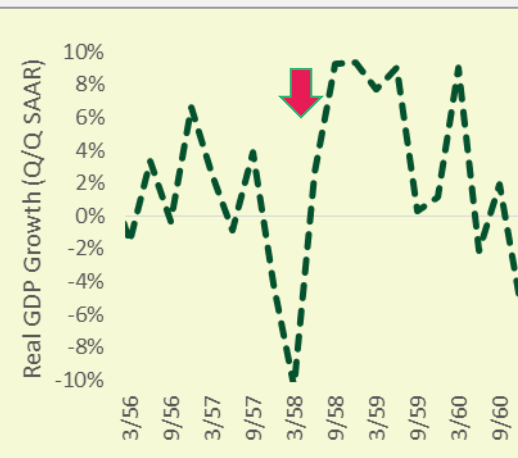
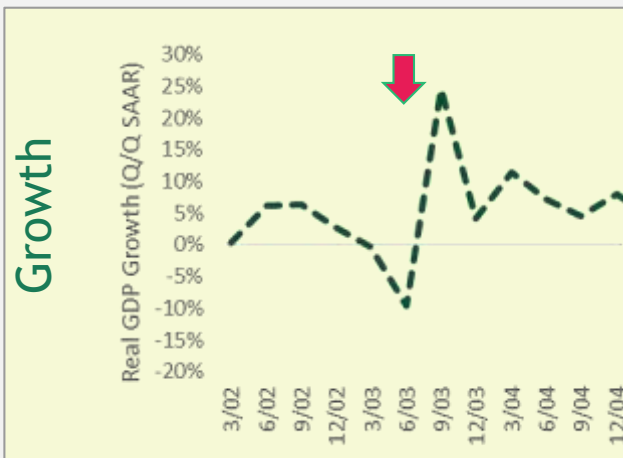
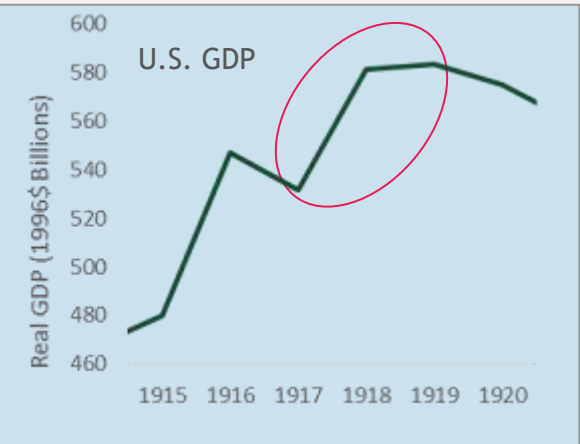
1957/58 H2N2
(116k deaths in U.S.)



1968 H3N2
(100k deaths in U.S.)



1918 Spanish Flu
(675k deaths in U.S.)



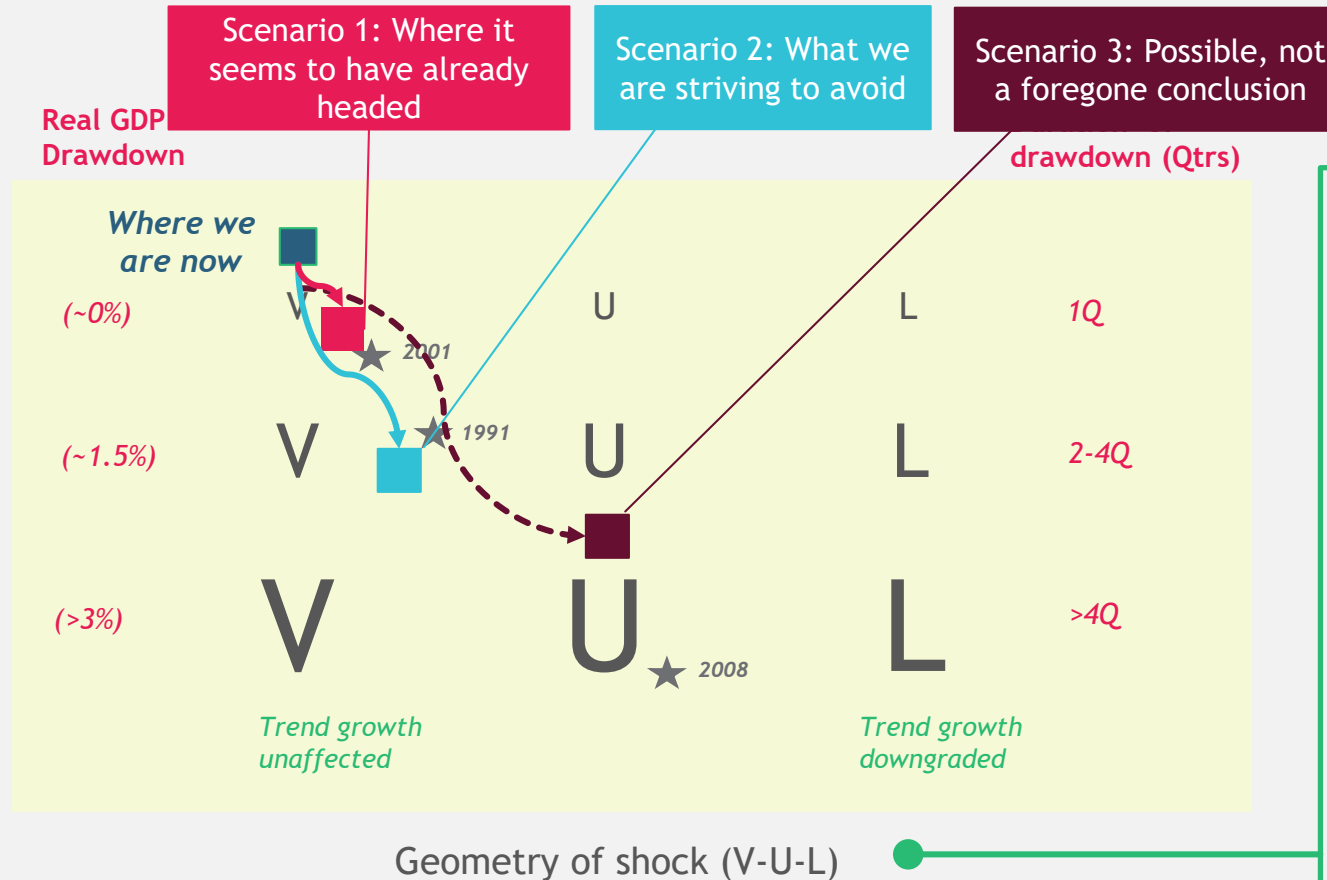
Significant uncertainty around the geometry and intensity of the shock

Scenario description

1. Tactical call

- i.e. "intensity" of the shock, a different dimension from "geometry"
- Will be basis for near-term response (activity, output, staffing, suppliers, etc)

Intensity of shock

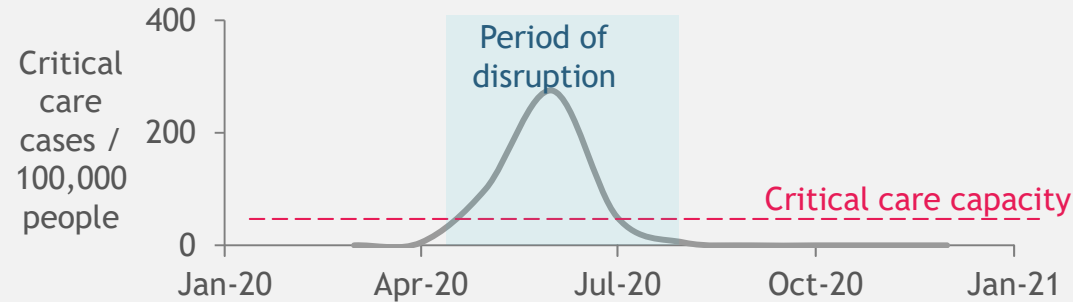


2. Strategic macro call

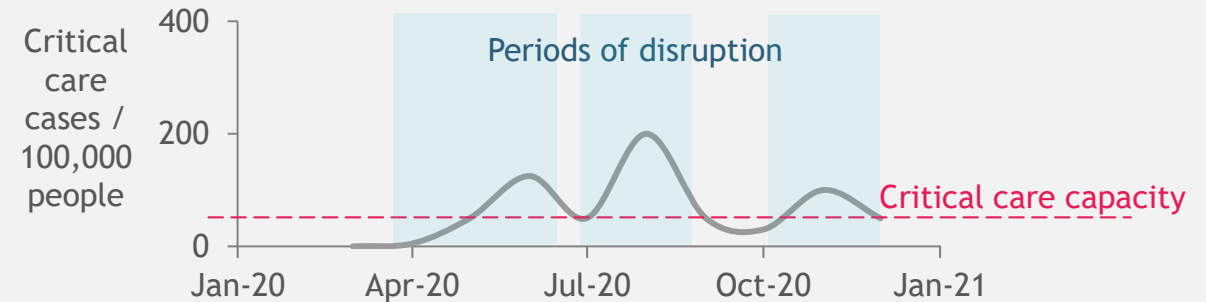
- i.e. "geometry" of the shock: will it be a V, U, or L shape and what does it imply
- Will be basis for strategic response (capex decisions, business model adjustments,...)

Constant monitoring of factors needed to identify type of scenario that might emerge

Illustrative



Best Case - Scenario V



Worst Case - Scenario U/L

Properties of virus



Employment maintained through economic support measures

Cure / vaccine lead-time



Significant policy response & fiscal support

Containment & mitigation efforts



Single main spike of infections with small manageable subsequent spikes



Rapid drive to vaccine/ effective treatment

Policy & fiscal response



Single lock down lasting for a short period, with a return to normal afterwards



Multiple spikes of infection, in different phases across countries



Slow / unsuccessful treatment, or sustained effort needed



Repeated lock downs with only moderate return to normalcy in-between



Large scale unemployment leading to reduced income and consumption



Slow or insufficient policy response

Situation under COVID-19 is still evolving and unprecedented

3.5 - 5.5¹

People infected per person, **highly contagious**

~160

Countries affected till date, **globalization** has lead to rapid spread

12-18
months

Lead-time expected for vaccines, **no credible cure available** today

2.1 Billion

Media mentions so far. Digital connectivity adding to **fear & panic**

?

Effects of **large scale lockdowns & social distancing** are unclear

the reality is
unknown ...



... and we need to plan for
all eventualities

Call for action

Call for action: Act now, Prepare for near term, Build for medium term

Now:

Act on immediate priorities



1

Set up a rapid response squad

Dedicated responses & decisions for immediate priorities



2

Safeguard employees, teams & customers

Ensure business continuity



3

Stress test the financials

Manage liquidity and cash



4

Manage revenue & shape demand

Re-focus product & service offerings



5

Re-assess business plans

Re-strategize in uncertain scenario



6

Reconfigure supply chain

New operating models

Medium-term:
Build structural competitive advantage



7

Restructure, Reposition, Reimagine

Act to win, take advantage of adversity, redefine purpose



Set up a rapid response squad



[Access BCG's Rapid-response checklist here](#)

1.1

Mobilize senior team to act immediately

1.2

Identify a **cross functional senior stakeholder** team to set-up a "rapid-response team" with **clear decision rights** to take control of the situation led by CEO

1.3

Build a **rapid response check-list** and actively setup tracking capabilities

1.4

Setup PMO to **identify & monitor risks** to business; Plan for contingency

1.5

Set process to have a **day-to-day agile approach** to navigate changing environment & actively monitor the situation

1.6

Design a **communications mechanism for decisive & accurate** information transfer

1.7

Continuously **monitor the regulatory requirements** & ensure adherence

1.8

Collate & build in the learnings from **crisis management** to make it an essential part of the business going forward



Safeguard employees, teams & customers

- 2.1 Update **hygiene program** (incl. quarantine requirements) to ensure safe environment for employees and customers
- 2.2 Prepare for various incident use cases & **train people to act as per protocol**
- 2.3 Plan & execute logistical support/ required infrastructure/ solutions for both employees & customers to **enable new ways of working**
- 2.4 **Accelerate smart work** by arranging flexible working plans (rosters etc.) for business continuity
- 2.5 Outreach to **key accounts / customers** to understand and address consumer sentiments/ requirements
- 2.6 **Assess potential impact** of virus spread on company workforce and plan for mitigations strategy (scenarios, training)
- 2.7 Build **communication plans** to have more regular touchpoints and **monitor employees' morale & performance** during crisis period, plan for relief measures
- 2.8 Spread awareness and follow the protocols highlighted by health authorities
- 2.9 Plan to incorporate **new working styles, leadership continuity & fungibility** into "new normal" post crisis



Stress test the financials

- 3.1 Establish **liquidity office** to forecast cash flows and manage/mitigate risks
- 3.2 Ensure **rigorous, prudent cash management and governance** and reduce non-critical uses of cash
- 3.3 Assess **viability of current investment roadmaps** and dividend policy and share repurchase plans
- 3.4 Stress **test cash-flow from financing** / investing based on market scenarios
- 3.5 Develop **concrete action plans** based on 3-5 medium term macro-economic scenarios (i.e. "U", "L", "V")
- 3.6 **Engage with shareholders** and clearly communicate action plans to key stakeholders
- 3.7 **Revise target-setting and objectives** (e.g., sales targets, production plans, related KPIs)
- 3.8 **Re-define budgets and targets** as frequently as possible and necessarily (e.g., daily, weekly, monthly) by geography/market/segment



Manage revenue & shape demand

- 4.1 Establish **demand-side rapid response team** to monitor marketing, sales and pricing implications
- 4.2 Understand changing customer needs, **assess 1st order impact, downside risks** on revenues, customer pipeline, accounts receivables
- 4.3 **Optimize pricing and product offering** to meet immediate consumer needs
- 4.4 **Targeted account management** to protect high risk accounts and potentially expand share of business
- 4.5 **Reach out to customers/distributors** to understand their needs (e.g. provide credit line), leveraging your salesforce in new ways
- 4.6 Define actions/messages to **show confidence** and ensure ability to deliver to customers (e.g., multichannel, people-light approaches)
- 4.7 Craft new product and service story and **create new selling points, cautiously select marketing channels** during epidemic
- 4.8 Look for **new channels and new disruptive formats** that work under epidemic
- 4.9 Explore opportunities to **configure “comeback celebration campaign”** in advance, quickly pick up ad spending post-epidemic

5

Re-assess business plans

- 5.1 Understand and prioritize scenarios & analyze their potential evolution
- 5.2 Evaluate potential impact on the company's financial performance and operations & stakeholders (employees, customers and suppliers)
- 5.3 Create tailored response plans to mitigate scenarios
- 5.4 Build a roadmap for response plans laid out
- 5.5 Plan new cost take out to improve profitability



Reconfigure supply chain

- 6.1 Set up an **operational core team** to create transparency (e.g. along supply chain)
- 6.2 **Categorize operations** by business criticality (systemic, critical, optional) & **assess exposure**; Plan for contingency, right sizing / closing select operations
- 6.3 **Adjust inventory** in real time, reshuffle to new reality, avoid inventory glut
- 6.4 Understand **liquidity & business position of key suppliers** and associated risks
 - Identify alternative suppliers for critical components, plan for changing lead times and re-route logistics
 - Set up dedicated funding or adjust trade terms to address cash flow concerns of suppliers
- 6.5 Ensure **procurement control tower** in place (e.g., PO authorization processes, active management of open POs and delivery schedules)
- 6.6 **Maintain ongoing relationship** and extend credit to key distributors to secure core channels and quickly replenish after the epidemic
- 6.7 Leverage intelligence (e.g. activate your salesforce for customer / distributor reach out or surveys) to **identify "infection point"** and ramp up sales activities, inventory, and trade support
- 6.8 Deploy resources to **jumpstart social/O2O strategic collaborations**, and pilot test new operation models
- 6.9 Identify and implement levers to **improve efficiency**



Restructure, Reposition, Reimagine

- 7.1 Leverage **lessons learned** from global firms in countries where the crisis has progressed further (e.g., China)
- 7.2 Track **competitors' situations and actions** to inform strategic, operational, and financial decision-making
- 7.3 Conduct **market landscaping** to understand the changed market dynamics
- 7.4 Lay out a **dynamic roadmap to go on offense** against competition
- 7.5 Begin **scanning M&A landscape** and organic growth opportunities,
- 7.6 **Scan market for new potential opportunities** to diversify into as adjacencies (e.g., collaboration models, health insurance etc.)
- 7.7 **Prepare for shift** in customer behaviors (e.g., going digital)
- 7.8 Integrate **new ways of working** to make the new normal

How can BCG help you?



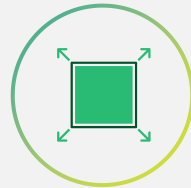
Engage as a partner

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

Legal context regarding our support

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