

**FOCUS SESSION**

**MANAGING CASH FLOW  
DURING A PERIOD OF CRISIS**

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**ZOOM ONLINE  
SESSION**

TiE Member  
Exclusive

# What is happening right now

By the time we come out of the Lockdown, we  
would have consumed 25% of GDP;  
2.5 months of costs, business, earnings, anything  
& everything

**Working Capital = CA - CL**

**Working Capital Management**

**Liquidity Management**

**Cash Flow**

**What you can't measure, you cannot manage!**

# Work on Actual Numbers, Not Percentages %

Percentages are meant for long term analysis  
and Absolute numbers are meant for short term  
execution

**Identify Risk Areas**

**Another Round of Full Lockdown**

**More phases of controlled movements**

**Focus on CORE**

**Fixed Costs**

**Break Even Point**

# What will eat away the Liquidity

## Fixed Costs



# Fixed Costs

*All below require external acceptance, bi-party to the costs*

- **Interest on Term Loans/CC**
- **EMI**
- **Manpower/Salaries/Wages**
- **Rent/Lease**
- **Minimum charge on electricity**

*These fixed costs are purely into our control*

- **Administration**
- **Overheads**

## BEP should be the 1st Target

- Start to Work on Cash BEP instead of general BEP
- Use EMI as Fixed Costs instead of just Interest component (you might incur deficit here, so use long term funds)

# How to Increase Working Capital

- Make Money
- Infuse Money - Capital, Loans\*

## Ask Questions -

- Why do you need Funds for ?
- Create scenarios - best to worst case and evaluate the needs
- Demand, Change in Business  
Models, supplies, behavioural change
- Technological Disruption

**Cash is King;**  
**We need to conserve Cash!**  
**Guard him like a King is guarded**

# Liquidity Management - Conserve Cash

- Increase the credit from suppliers
- Sales on Cash & Carry
- Liquidate all inventories (specially non/slow moving, even if at a loss\*)
- Credit on Salaries (make part payments)

## Build a WAR CHEST

- We should build a Cash Reserve War Chest for 12 months of Expenses, Fixed Costs, both on Business level and personal level
- Even in normal times also, depending upon the business cycle, we should always have a Cash War Chest - 3 - 6 months

Short Term Pains, are Long Term Gains!

Short Term Gains, are Long Term Pains!



- **Move away from Fixed Expenses**
- **Move to Transactional Expenses**
- **Outsource to reduce Fixed Costs**
- **Try alternate sources of finance**

**Most Direct Expense have got connected  
Indirect Expenses**

**CONTROL INDIRECT EXPENSES,  
since they are hidden**

## Don't use short term funds for long term use

In case the Debt repayments are higher than the profits, be prepared to infuse Capital

Once earlier profits/reserves are used, then these repayments will eat into the WC and liquidity, having an adverse impact on the day to day working of business

**Alternate Medicine**

**Alternate Finance**

# Traditional Sources of Finance

- Capital/Equity
- Bank Term Loans
- Bank CC/OD Limits
- LAP - Loan Against Property
- Unsecured Loans - Family and Friends
- Unsecured Loans - NBFC's

# Alternate Sources of Finance

- TReDS
- Factoring - Domestic & International
- Channel Finance
- Receivables Finance
- Purchase Finance
- Bill Discounting
- SIDBI/Govt Schemes

Start Working for your Business;  
Stop Drawings,  
Start earning Salary, with similar level of  
paycuts

**Thank You**