

# Matrix Partners India

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Founders Call – COVID-19 Impact

March 19, 2020

- Possible Scenarios
  
- Questions/ Early Learnings
  - People/ Customers
  
  - Risk Management and Scenario Planning
  
  - Processes/ Productivity
  
- Open Discussion - Founders

# Business/ Startup ecosystem has begun preparing for three possible scenarios

## Scenario 1

### 1. U – shaped recovery

- Current situation – linear increase in infections but fear of exponential continues
  - Progressive restrictions which lead to selective lockdowns
  - Businesses are at 60-90%
  - Recovery is also fearful
- Recovery when infections start reducing globally on a daily basis – e.g., China Feb 3<sup>rd</sup> week
  - Timeline: 6–8 weeks from now
  - Assumes no community transmission in India
- Markets and sentiment come back 2<sup>nd</sup> half but economy takes till first half 2021
  - Worst case impact would be 50 – 70% for non travel sectors
- Watch out – winter complacency and 2<sup>nd</sup> coming – progress on vaccination and treatment will be key

# Business/ Startup ecosystem has begun preparing for three possible scenarios

## Scenarios 2 & 3

### 2. V – shaped

- Lockdown in main cities and affected areas even without signs of community transmission
  - Business goes to 0 – 20% for a number of companies
- Restrictions start getting progressively relaxed starting in 2 – 3 weeks assuming no community transmission
- Likely faster recovery and sharp rebound in markets and sentiment (“India dodged it”/“India did a great job”)
  - Recovery with more confidence
- Markets rebound quickly and macro economy starts recovery for domestic demand 2<sup>nd</sup> half
  - Travel and export sectors will lag
  - [China prezo](#) on sectoral recovery sequencing is instructive
  - Best way to think about is that 3 – 4 months out will be at 70% of before the starting point for most sectors
- Watch out – winter complacency and 2<sup>nd</sup> coming – progress on vaccination and treatment will be key

### 3. L – shaped

- Community transmission kicks in and India goes on exponential curve
- Epidemic plays out through June (Monsoon) with painful human + economic costs and continued fear for recurrence in winter
- India is world’s pariah

## Questions we are hearing

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- WFH - 100% or 50% ? Mandatory?
  - Tech/ Product/ Corporate
  - Ops/ Delivery/ Production
  - Sales
  - On-roll vs. Off-roll
- Keyperson risk mgmt. ?
- Emergency response system needed ?
- Sanitization/ precautions
  - Workplace / assets
  - Individual packages
  - Cabs/ Hotels/ Properties
- Managing morale

## What are others evaluating / doing?

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- Companies have begun mandatory WFH
  - No travel
  - Adherence at 70% ; up from 20% 2-days ago
  - Tech, Corporate Fn's moved to WFH
  - Ops/ Delivery haven't moved as yet
- Cofounders ideally not co-locating
  - 50-50 teams for those at <100% WFH
- Mandatory checks with temperature guns
- Special cleaning + distributing gloves, masks
- Communication to customers on steps being taken to ensure hygiene and safety
- Virtual meetups with Customers / Partners: "ear to the ground" to generate insights
- Celebrating small wins virtually all-hands for morale

## Questions we are hearing

- Review Fixed Costs
  - Renegotiate rentals ?
  - Key hires
  - Payroll / variable
- Variable Costs
  - Marketing ?
  - New Initiatives ?
  - Inventory buildup?
- Runway/ liquidity focus
  - Top up to manage runway
  - Change AR/AP/ Credit policies ?
  - Defer payments to match inflows
  - Treasury?
- Fintech
  - Collection Impact ?
  - Grow disbursements ?
  - Liquidity tightening? How much?
  - Tightened risk controls?
  - Change escrow?

## What are others evaluating / doing?

- Focusing on core assets
  - People/ stakeholders/ partners
  - Cash
- Fixed costs are not really "fixed" so re-evaluating each line item
  - rental agreements - [Force Majeure](#) reducing vendors and commitments
  - reviewing headcount/hiring plans
  - focusing on core biz for now
- Matching cash outflows to inflows
  - Assess working capital cycle acutely
  - High bar for cash moving out
- Reviewing inventory positions for future disruption (if you have cash)
- Topping up debt/equity to extend runway
- Moving deposits to Top 3 Banks
- Reviewing COD / cash outstanding

## Questions we are hearing

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- How to get at least baseline productivity?
- How should I manage a distributed team
  - Sales, collections
  - Warehouse/Delivery staff
  - Customer support
- Data security/ remote tech support issues
- Decision making
  - PMO Office ? Staffing ?
  - Remote huddles ?
  - Planning horizon ?

## What are others evaluating/ doing

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- Trello / task management tools company wide
- Stronger PMO function
- Using VPNs for data security
- Moving to daily planning cycle/ tighter communication

# Concluding Thoughts

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- We are all hopeful that this crisis has limited social/ economic impact
- But don't let a crisis go waste
- Ask yourself how to turn this into an opportunity
  - Opportunity to cut extra cost/ flab
  - Opportunity to find new tech / product solutions that can scale without more manpower
  - Opportunity to find new revenue streams etc.
  - Opportunity to become #1 if you're #2 when market recovers
  - Opportunity to engage your customers and suppliers who are all at home? Can you either deflect demand or capture quality supply in a non linear way?