

Indian Auto Industry -Preserving and nurturing value in uncertain times

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ANNER AREAS

KPMG India

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Impact of Covid-19 on the global

and domestic auto industry

Industry objectives post COVID-19 stabilization

Key Objectives

- How should organizations respond to <u>business challenges</u> around cash, cost & employee safety post lockdown?
- What preparations should be undertaken before <u>re-starting operations</u>?
 - Preparations before day 0 & activities to be implemented on day 1
- What are the operational, behavioral & social changes that need to be implemented once operations are restarted?
- What are the longer term changes that need to be institutionalized?
- How will the new practices be integrated with existing BCP & safety protocols?
- What are the enablers to ensure safety of the workforce?



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COVID-19: Key focus areas to tide over the crisis

COVID-19 is a serious global problem

Important for clients to Respond, not react

Market environment

The current environment has created uncertainties in customer demand, supply shortages across industries and has rapidly exposed risks to the overall supply chain leading to:

Demand shocks: Impacting customer purchasing power, sentiment

Supply shocks: Disruptions from closure, travel ban

Reduced cash flow: Payment delay cascade

Capex collapse: Ability to invest

Critical for companies to respond quickly and decisively through 3 steps:

Immediate focus



Value preservation and protection– immediate focus on preserving value, protection of the workforce, stakeholder communication and short term cash flow, cost levers

1-2 months



Value creation – actions can also be taken at this time to drive value creation, putting the foundations in place to maximize value as and when the effects of the virus stabilizes

2 quarters



Value realisation strategy – today's pandemic will have a lasting impact on us leading to new consumer behaviors, operating models. Important to re-look at fundamental assumptions



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6 key areas of focus to help navigate through the shocks

Rapid and comprehensive COVID impact assessment

Cash

Liquidity and optimum cash required to manage crisis

Implement a 13-week rolling cash flow forecasting, (STCFF) as well as tactical working capital actions (AR, AP, inventory) that will optimise cash flow for the business

Scenario analysis, cash needs during crisis

Customer and employees

Determine impact on demand by customer behavior and end-market Assess impact of new normal post COVID 19 – e.g., more digital interventions

Ensure employee safety and prevention of potential 'hotspots' within factories / office premises



Cost & Supply Chain

Identify discretionary expenses for cost control/delay actions

Forecast revenues under various scenarios to develop cost models and optimize costs

Sustained cost reduction through optimization

Supply chain aligned to new normal post COVID-19

Capital

Ensure adequate headroom for debt serviceability

Align debt facilities with revised operating plan including financing terms and covenants, FX exposures and interest rates

Optimize capex and arrange additional funding



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Consumer purchasing behavior has also changed as a result - and is here to stay

Increasing preference for 'digital' channels

- · Concerns over visiting dealerships and showrooms due to 'social distancing'
- Increasing focus on digital marketing and sales, Digital-only launches for new products?
- Preference for frictionless digital purchase journey with minimal physical intervention

Reprioritization of purchases

- Income concerns and pay cuts leading to lower purchasing power postponement of demand
- Increasing focus by millennials on needs rather than wants more practical and realistic
- Share of wallet for discretionary items to shift vacations/cars/high-end electronics
- Downsizing shift in segments, low/mid range vs. top-end variants

Focus on 'experience' rather than 'ownership'

- Preference for alternate ownership and capex-light models, e.g. car subscriptions vs. purchase
- · Leasing models and 'pay-per-use' models in all industries

Changing preferences with emphasis on health and hygiene

- Personal mobility over car sharing shift to new cars, used cars or 2Ws?
- Tailor made offerings focusing on hygiene healthy cockpit: air filters/disinfection, negative pressure ambulances

Boost in retail e-commerce

- Significant growth in low involvement and non-emotional purchases, e.g. groceries, retail items
- Increasing e-commerce penetration also in high involvement purchases (from credible sites)
- Easier online comparison shopping will it lead to increase in sales of lower priced brands or private labels?

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Changing customer behavior

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A comprehensive framework covering different dimensions of Employee Safety will be critical when Re-starting factory operations post lockdown

Crisis Prevention	Crisis Management	Enablers		
Employee Profiling	Testing & hospitalization	COVID-19 helpline	KPMG Methodology & Tools	
Employee Segregation		Insurance strategy	SOPs	
Crowd management	Group Isolation SOP	Workforce split planning	30F5	
	Business Continuity	WFH Productivity	Governing Principles	
Tracking & Monitoring	Plans	Scenario planning	& Policies	
Sanitization		SOP – Dealers / Suppliers	Technological Tools	
Protecting leadership	Employee Support			
Long term health & safety	Back to work protocol	Regulatory interactions Legal Protection	Dashboards & tracking tools	

Crisis in current situation signifies an employee getting infected with COVID-19 virus

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COVID-19: Restarting operations

Time-bound and well-defined activities that need to be carried out after restarting factory operations (1/3)

	10 Days to D0	1 Week post D0	Within 3 months from D0	Within 6 months from D0
Governance	Establish COVID 19 war room with representatives from HR, Admin and Finance	Develop guidelines for identifying critical processes with their service levels at the time of crisis	Identify all the critical business process across the business functions	Develop and finalize the Business Continuity and Crisis Management Plan for the organization
	Sign up for the local emergency management agencies	Monitor and govern the employee health status for employees joining for work either from home or office	Develop guidelines for re-skilling and/ or up-skilling employees across fungible skills	
	Develop and share guidelines with all the employee on Personal Hygiene and			
Employee Management emp	Social Distancing Develop guidelines for identifying critical employees	Develop guidelines for leadership communication with the employees	Develop guidelines to limit employee movement across the facility	
	Develop guidelines for identifying employees who can continue to work from home	Review the HR and people policies in response to changing regulations and people guidelines.	Develop guidelines for employees working from home to start working from office	
Facilities, health and	Identify IT services to be enabled for employees to work from home	Re-assess the employee insurance policy for all critical resources		
	Establish COVID 19 helpline to assist employees			
safety	Develop guidelines for employees to communicate with COVID 19 helpline in case of any concern or crisis			
	Develop guidelines for facility sanitization, employee health & safety as communicated by the Government and other health organizations.			
	D0 – Lockdo	own is lifted		



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Time-bound and well-defined activities that need to be carried out after restarting factory operations (2/3)

	10 Days to D0	1 Week post D0 Within 3 months from D0 Within 6 months from D0		
	Identify employees who can continue to work form home across the business functions	Perform quick health assessment of the employees joining for work in office		
Governance	Enable the required IT services for the employees working from home	Seeks daily confirmation from the employees working from home of they health status and the location they are working from		
	Identify employees who are required to work from office	Re-skills and up-skill the selected employees across fungible skills		
Employee Management	Divide all critical employees in Team A	Track employee movement across the facility and also maintain their travel history		
	and Team B ensuring both the teams have all the required skills and capabilities	Check-in with each individual employee on their personal circumstances through their leaders and managers		
	Develop the roster for all the critical employees within the respective teams to	Leadership connect with employees through a webcast or email communication at least once every week.		
Facilities, health and safety	ensure the two teams are not meeting each other	Implement tools to improve team communication and collaboration		
	Communicate to all the employees the respective guidelines for Work from Home, Work from Office and COVID 19	Enable employees working from home to start working from office		
	Helpline.	Deploy updated employee insurance policy for critical employees		
	Taken confirmation from all the critical employee for their readiness to join back for Work from Home			
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Time-bound and well-defined activities that need to be carried out after restarting factory operations (3/3)

	10 Days to D0	1 Week post D0	Within 3 months from D0	Within 6 months from D0
Governance	Get confirmation of all the employees on their current health issues	Ensure sufficient supplies and equipments to maintain health and safety for all employees and visitors to the facility.		
	Perform facility sanitization and cleaning as per the guidelines	Enable mechanism to monitor building m	nanagement system remotely	
Employee	Inventories hand sanitizers, and ensure adequate distribution near restrooms, kitchen, entry/ exit points, reception and other common areas.	Update and implement entry and exit strategy to avoid crowding		
Management				
Facilities, health and safety				
D0 – Lockdown is lifted				



Dashboard - Employee Profiling and Segregation

Overview of COLLEAGUES dashboard



Key Benefits

- · Identify critical employees by BU / Level
- Employee Risk Profiling based on
 - Age
 - Co-morbidity
 - Quarantine status
 - Location wrt hotspots
- Health and Fitness monitoring through
 employee questionnaire responses
- Testing and Hospitalization of Infected
 Worker
- Employee Grouping through Level and BU tagging
- Regular sentiment tracking of employees to identify and provide support employees with low morale
- Capturing of Learning aspiration and identifying
- Key focus areas for Learning & Development

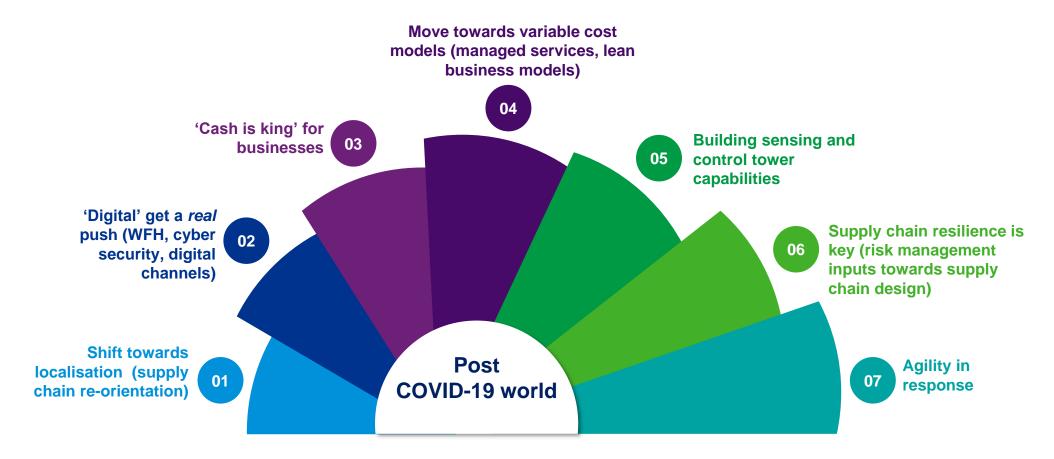


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COVID-19: Response Strategies

Beyond COVID, we expect to see 7 key shifts

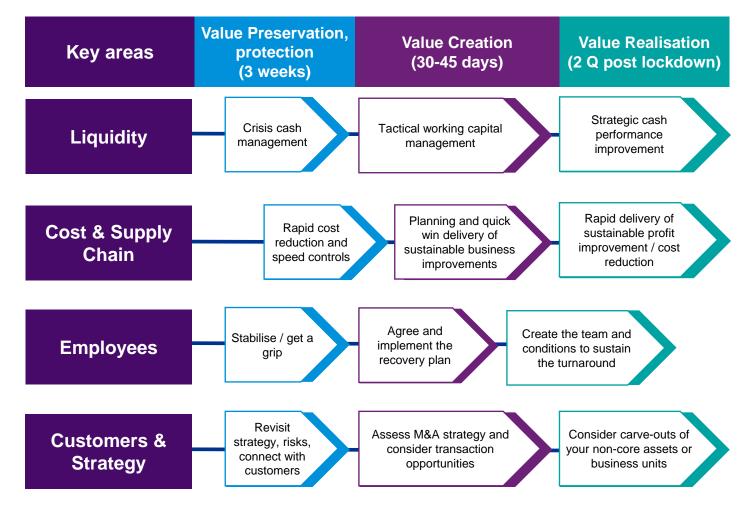
Important to consider these while planning for long term





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Preserve, Protect, Create and Realise value



KPMG's rapid stress test outcomes

Across 3 weeks, we can undertake a rapid review of your company comprising:

- Assessment of liquidity impact, cash control and visibility
- Implementation of Control Tower to drive cash preservation, creation activities, manage end to end activities
- Identification of quick wins across cash, cost, customer and capital structure initiatives
- Identification of strategy refresh areas
- Work at pace and stand by results, rapidly moving the dial on cash and costs



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