

# MANAGING BUSINESS DURING COVID TIMES

## Immediate Focus Points for Finance



### LIQUIDITY

Ensure liquidity of funds to kick start the operations.

Analyse your stock for Non-Moving items & find ways for clearance through discounts, promotions etc.,

### COST, MARGINS & BREAK-EVEN

Plan your Salary Cost for the next few months.

Estimate your monthly fixed cost other than salary. Be Frugal & Keep it as low as possible.

Re-look at your margins and customer quotes. (Apple's Business Strategy)

Re-look at your capex plans. Postpone it by few months (or) Stagger it based on its relevance to current operations.

Be aware of the monthly break even point of your business. This might be critical for next few months.

### OPERATIONS

Plan of action to overcome abnormalities and impediments during Covid Scenario.

Consolidation of Existing customer base by way of frequent interactions, communications and feedback.

Reach the MSME Helpline created by Ministry of MSME for any State Level, Central Level (or) Support Issues.

Ensure adherence to Government Norms. SOP for MSME Work place is emailed by Ministry of MSME on 20<sup>th</sup>.

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Important focus points in GST/ Foreign trade



## GST COMPLIANCES/ UPDATES

Ensure your GST returns are filed within the revised due dates.

The GST department has deferred the GST-2A matching from Feb to August. **(Avail credit but keep pursuing your vendors on 2A reflection)**

Any GST Refund application due dates which are expiring between the lockdown period stands extended to 30.06.2020.

GST department has issued a circular on 13<sup>th</sup> April regarding adjustment/ refund of GST paid on advances which are subjected to cancellation.

The Validity of your existing Letter of Undertaking (LUT) has been extended to 30.06.2020. **A Fresh LUT should be placed before that.**

The Validity of E-Way bills issued between 20<sup>th</sup> March and 15<sup>th</sup> April, has been extended till 30.04.2020.

## EXPORTS

The time period for realization of Export Proceeds has been increased to 15 months as against the existing time period of 9 Months. This is valid for all exports made till 31<sup>st</sup> July, 2020.

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Initial Funding for MSME/ Refunds under Income Tax/ GST



## LIQUIDITY FOR MSME

### INITIAL FUNDS

- Look into your **personal funds** and see if you can plough back a certain amount into business.
- **Speak to Your Banker** on the additional credit facility that can be provided during the Covid Times and complete the documentations in this regard.
- In case of large projects (or) sale, you can consider taking **some mobilization advance** from customers.

### SUSTENANCE

- Analyze your stock holding on a periodical basis and ensure there are no non-moving items.
- Maintain stock level based on anticipated Demand/Consumption.
- Match the credit period of your debtors with the credit period of your creditors.
- Set-up a **dedicated team** to analyse & **follow up your receivables**.
- Deferment of Existing commitments.

## REFUNDS UNDER INCOME TAX & GST

- CBDT announced that Income Tax refunds less than 5 Lakhs will be processed immediately. This measure is boost and support the MSME.
- In this connection, government released a press note on 17<sup>th</sup> whereby they have processed 5,200 crores of refund and another 7,700 crores is in the pipeline. They also said that they are awaiting online response from 1.74 lakh assesses for which response is awaited in next 7 days. **Pls place online response immediately.**
- On similar lines, GST also came up with a circular on March 31<sup>st</sup> clarifying certain points on GST refund application which includes Grouping of financial years.
- The CBIC has confirmed vide its press release dated 17<sup>th</sup> April, that they have processed refunds of 5,575 crores from March 30<sup>th</sup> till April 17<sup>th</sup>.

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## Covid Emergency Credit by Banks



- SBI was one of the first to launch a Emergency Line of Credit. They were ready to offer this for 10% of Existing Working capital limits at an interest rate of 7.25%.
- On these line many PSU's followed the trend of SBI and came up with their own MSME schemes. Indian bank, IOB, BOB, UCO bank and many other PSU's came up with their own line of credits.
- TIIC has formulated a Scheme called 'CORUS'.
- SIDBI has offered credit facility under a scheme called 'SAFE'.
- TReDS (Trade Receivable Discounting System) is one of the option that you can consider now for discounting your bills. An Exclusive platform for MSME for discounting your bills. Transactions are processed without recourse.
- If you are a start-up looking for funds, please look into this website called 'StartupvsCovid.com'. It has all the details of debts, seed funding, angle investments and grants. (USEFUL website).

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## RBI Package



### RBI Instruction on 3 Month Moratorium & Monetary Policies

- The RBI Moratorium is not a waiver. It is just postponement of your immediate cash flows.
- If you opt for the Moratorium, there is an additional cost involved in the form of interest for being converted into principal and you pay interest on that as well.
- For Working capital, interest will not be recovered during the three months from march to may, but it has to be paid immediately at the end of 3 months. **(This is a catch).**
- **IF YOU HAVE THE CASH FLOWS TO PAY, PLEASE AVOID THE MORATORIUM.**

### Monetary Policies of RBI on 17<sup>th</sup> April

- The RBI had brought down the Reverse Repo Rate to 3.75% & Reduced Liquidity Coverage Ratio to 80%. These measures will encourage banks to lend money.
- Have supported NBFC & Microfinance by allocating a liquidity of 50,000 crores under TLTRO (Targeted Long Term Repo Operation).
- RBI has allocated about 50,000 crores to lending institutions like NABARD, SIDBI & NHB. **15,000 crores to SIDBI is a biggest boost for the MSME sector.**
- **RBI Policy 2.0 has been a good push for the economy, NBFC's, Banks & State Governments. Probably, general perception is that RBI may bring in more stimulus for MSME & Exporters in future.**

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## BEST PRACTISES FOR GOOD FINANCIAL HYGIENE



**DETAILED COSTING OF PRODUCTS & SERVICES OFFERED.**

**HAVE A DASHBOARD OF OPERATING METRICS AND MONITOR THE PROGRESS**

**ENSURE THE BOOKS OF ACCOUNTS AND COMPLIANCES ARE UPTO DATE.**

**DRAW AN QUARTERLY (OR) ANNUAL BUDGET FOR YOUR ORGANISATION WHICH CAN BE YOUR ROADMAP FOR THE YEAR.**

**PREPARE A MONTHLY PROFIT AND LOSS ACCOUNT AND EVALUATE YOUR COMPANY'S PROGRESS PERIODICALLY.**

**MONITOR YOUR DEBTORS AND STOCK ON A PERIODICAL BASIS.**

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IMPORTANTANT FOCUS AREAS FOR MSME – DURING COVID-19



THANK YOU

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