



HOW THE MASTERS DO IT

B&N
BUSINESS
LEADERS
SURVEY
AUGUST **2020**

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FOREWORD

As countries across the world are in the process of fully opening up their economies and lifting restrictions on travel, the question on everyone's minds is, when will everything get back to normal? And what indeed is 'normal' now?

Most of the countries across the world have been matured enough in viewing this primarily as a health crisis and not a systemic issue with the economy per se. With respect to India, we have had reports as latest as end July telling us that the infection rate in India might peak at a daily rate of over 250 thousand cases if vaccines are not in the market by mid of next year. We have also had reports from IMF stating that they expect a contraction of 4.5% in the GDP for this year. Amidst these rather pessimistic analyses, what stood out to us during our survey was the indomitable spirit of the Indian Businessman (and woman). Of course, there are few sectors that have been impacted more than the others and there are few sectors that will never be the same again, but those are hard business realities that our people seem to have learned to live with.

We had the enviable opportunity to speak to several industry leaders across Kerala and Tamil Nadu to compile this report. Based on our extensive discussions with these stalwarts, we have synthesized the most important things that businesses and the Government need to possess in order to wade out of this crisis, stronger and better.

Businesses :

We believe that businesses in the current world need to possess 5 components in order to grow, and these can be represented by means of an acronym – "TASTE":

1. **T** **Technology** – This pandemic has accelerated the need to adopt technology. Go digital or perish!
2. **A** **Adaptability** – Businesses need to be as dynamic as the changing economic climate.
3. **S** **Strategy** – For short-term, medium and long-term.
4. **T** **Team** – A motivated team can do for you what a million dollar interest free credit line cannot do!
5. **E** **Enough Liquidity** – Businesses need to reprioritize their spends and use their finances/credit lines wisely.

Government:

We believe that the Government needs to focus on the following aspects:

1. **Get the right data** – In a country like India wherein goods produced in one state is being consumed in another, there is no point in incentivizing production in a state until the demand for that product is revived in the other state. However, a Consumer Expenditure Survey was last done in 2011, thus there is no reliable data to make these decisions. Similarly, data relating to labour efficiency and unemployment needs to be worked out regularly and published by agencies like the EPFO.
2. **Focus on building quality** – The country needs to upgrade its certification standards to meet global norms in all fields. While Atma Nirbhar Bharat is a novel idea, it should not be at the cost of compromise on quality and price.
3. **Focus on building labour productivity** – If the country has to avail benefit of its human capital, it needs to upgrade their skills and efficiency. It needs to invest in R&D and training of its labour force to get more out of them. India cannot reach 8% GDP growth until labour efficiency improves.
4. **Make the legal environment surrounding the businesses more predictable and stable** – The lesser the number of disruptions, the better it is to the way of doing business.

On that note, I take great pride in presenting the results of the B&N Business Leaders survey. Some of these responses were expected (like the adoption of technology) while some surprised us (such as the reaction to the moratorium scheme). However, what struck us the most was that notwithstanding all the doom and gloom that we read and hear around us, the outlook of the participants remains hopeful.

We hope you will find this survey report effective. The report has been designed to give you insights into what the industry leaders are thinking and doing about the “new normal” which would surely assist you in your own decision making process.

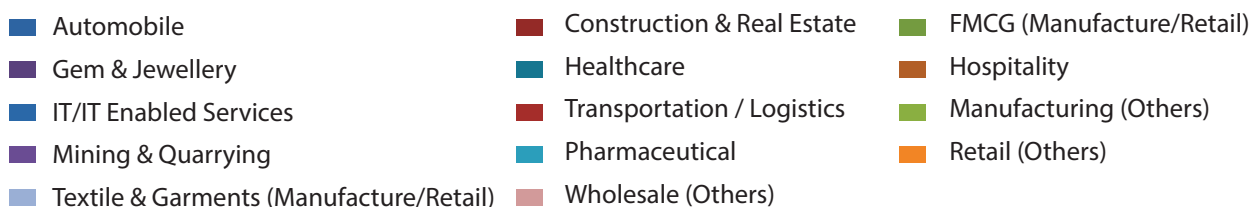
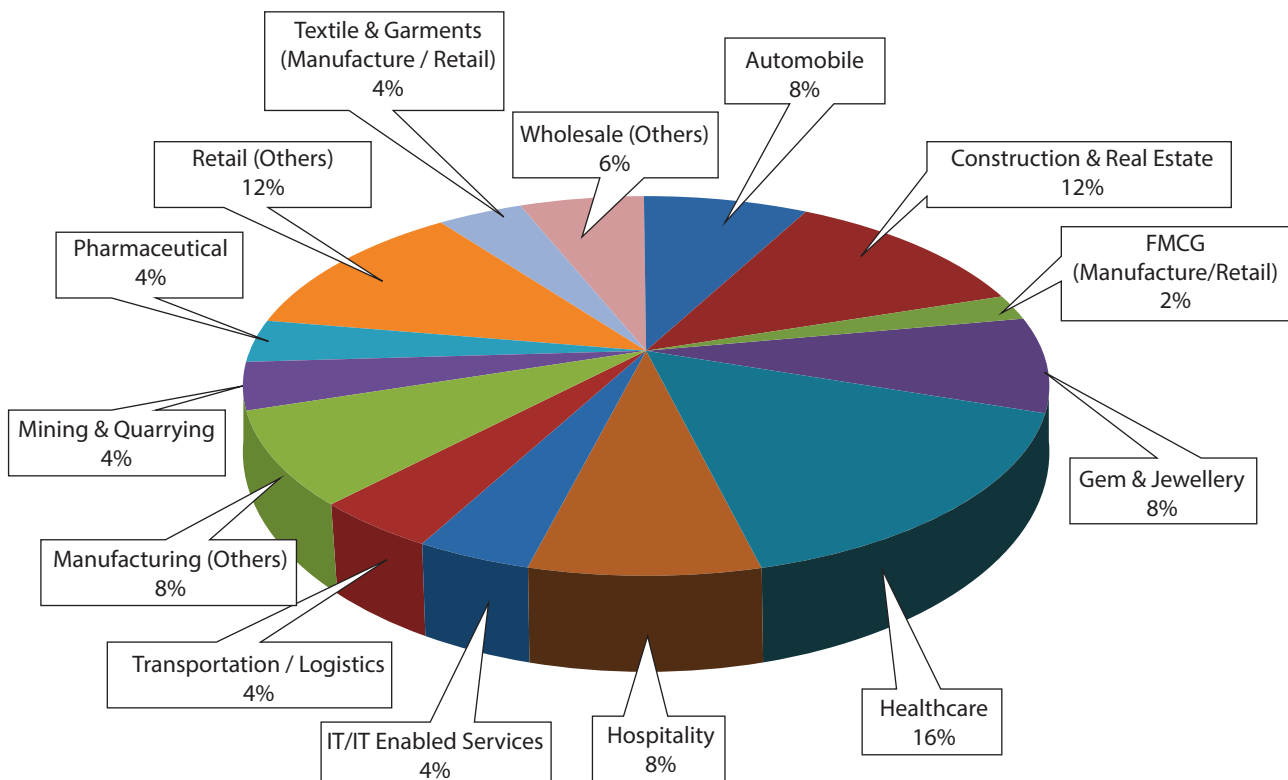
T.B. Jaiganesh

Partner – Balam & Nandakumar Chartered Accountants.

SURVEY FINDINGS:

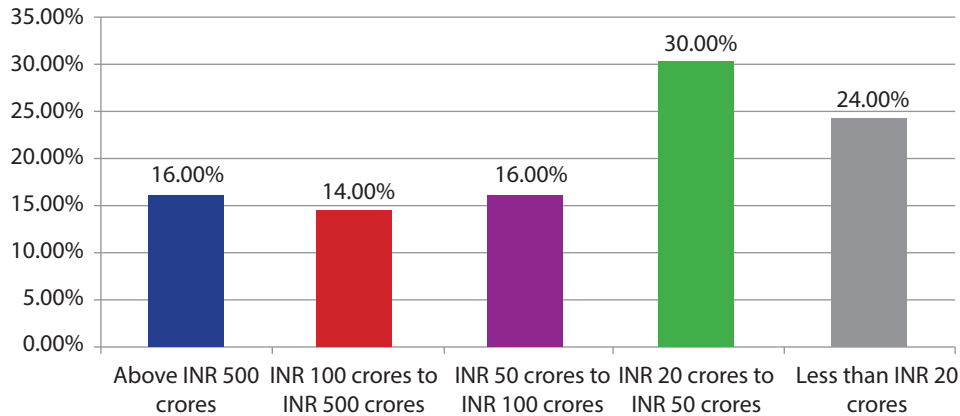
A. Introduction and methodology:

- B&N conducted an online survey between 17th July and 18th August. The survey respondents were business owners/directors of their own organizations.
- The survey was conducted in Kerala and Tamil Nadu.
- The survey was initiated primarily to explore the journey of various business houses through the crisis created by the COVID-19 pandemic.
- The questionnaire was designed by B&N's expert team of professionals in order to understand the impact of the crisis on various businesses, measures taken by them, and their perspectives about the future.
- The selection of respondents was also meticulously done to make sure that there was a representation from all major sectors operating within this region.
- The survey respondents were from the following business segments:

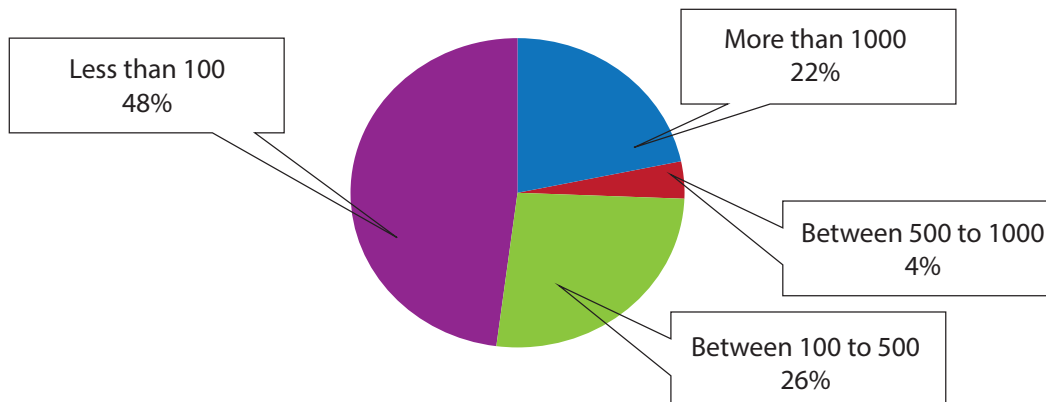


- The following charts summarises the size of companies that were surveyed:

Turnover for 2018 - 19



Number of persons employed



- The Report has been structured in the following sections:

I. Assessment of financial benefits obtained

II. Assessment of change management

III. Employee management

IV. Perspective analysis

Under each of the aforementioned sections, we have first summarized our key findings. This will have a detailed analysis of the responses, sector wise and as per size of the companies, wherever relevant. This is then followed by the B&N Note which essentially is our opinion about what the responses mean. We have also presented graphical representation of overall responses received to each of the questions that were asked to the survey respondents (these have not been broken down sector-wise in the interest of brevity). All percentages are rounded off to the nearest whole number. In multiple choice questions, the total percentage of respondents will be higher than 100.

Finally, the **Leaders Speak section** gives our readers interesting insights from Industry Leaders across various business segments about their perceptions about the future. Their statements have been presented verbatim.

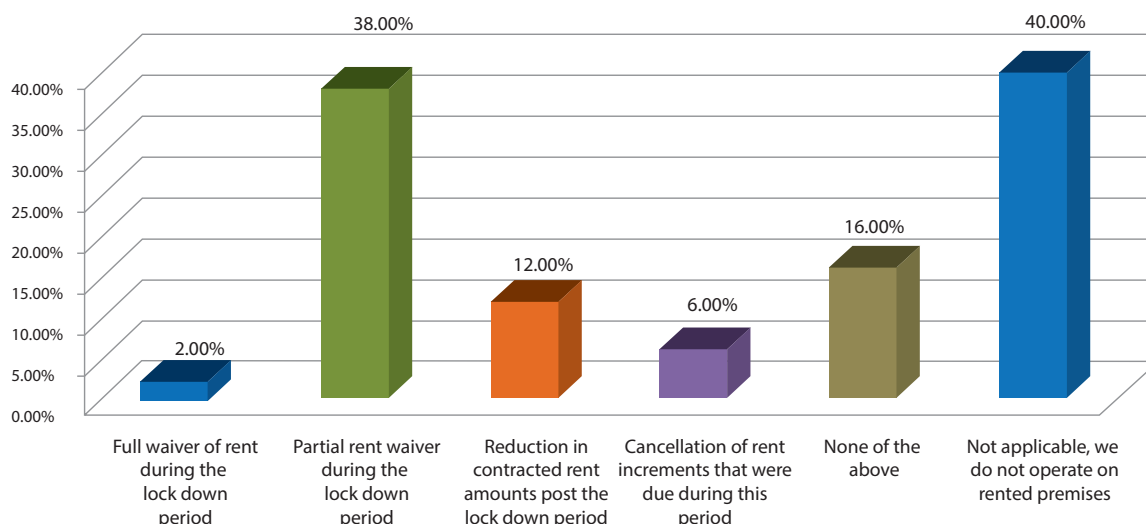
I. Assessment of financial benefits obtained – Key findings:

- o 60% of the total respondents operated on leased premises and 40% of the respondents operated on their own premises/did not incur rent. Out of the respondents who operated on leased premises, 73% of them have obtained some kind of benefits from their respective landlords in terms of either a partial/full waiver of rent or a reduction in the contracted rents. Partial waiver of rent during the lock down period is the most availed benefit and this was obtained by 63% of the respondents who operate on leased premises.
- o Loan Moratorium offered by the Central Government was not attractive to most – 84% of the total respondents reported having borrowings/interest cost. Out of this 55% of the respondents (46% of overall respondents), did not opt for the loan moratorium benefit offered by the Government.

B&N Note: The moratorium was viewed by most businesses as a postponement of cost resulting in higher cash outflow. Thus, only those who had a genuine cash flow issue availed it.

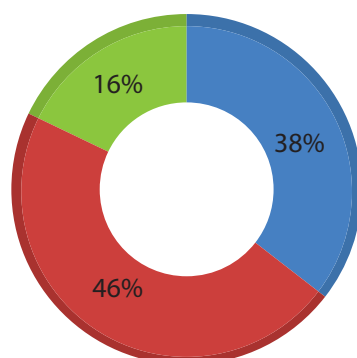
Questions covered and responses:

1. Which of the following benefits have you obtained with respect to rentals during the lock down period and post that?



2. Did you avail of moratorium benefits offered by the Central Government for loan repayments?

● Yes ● No ● Not applicable



II. Assessment of Change Management – Key findings:

- 28% respondents reported having temporarily or permanently closed down branches/non profitable centers during this period.
- 56% of the overall respondents confirmed they have neither implemented nor are in the process of implementing a salary cut for any of their employees. However, drilling down on these percentages showed us that, the majority of the respondents who have not implemented salary cuts employ less than 100 employees. Whereas close to 70% of respondents that engaged more than 500 persons reported having implemented a salary reduction for its employees post the lock down.

Salary reductions						
No. of persons employed	No Salary Cuts	Less than 10%	10% to 20%	20% to 30%	Higher than 30%	Total
Less than 100	67%	8%	4%	8%	13%	100%
100 to 500	55%	0%	9%	27%	9%	100%
More than 500 persons	31%	0%	23%	38%	8%	100%

Furthermore, 88% of respondents in hospitality, real estate (leasing) and health care, that employed more than 100 persons, reported to have implemented higher than 20% salary cuts for its employees.

- With respect to business expansion plans, most respondents feel it is apt to wait and watch for the time being. Only 28% of the respondents reported that they have gone ahead with their expansion plans. The silver lining however lies in the fact that only 8% of the respondents reported to have cancelled all their new product/new business launches for the foreseeable future
- With respect to the requirement to adapt, 66% of the respondents reported having brought in some kind of change to their buying/selling strategy. Furthermore, around 38% of the respondents confirmed that they have added or will add shortly a new product/product line taking into account the revised business

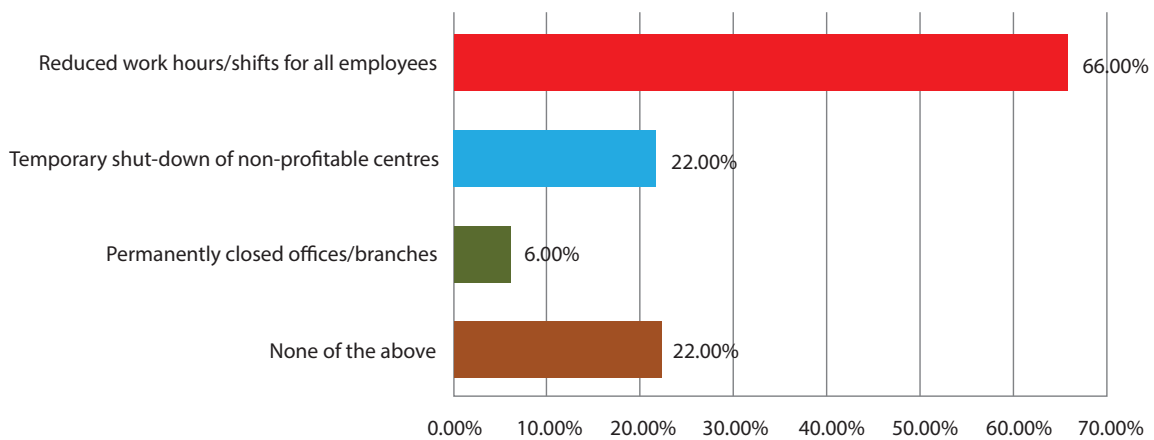
circumstances. A majority of these respondents were in the manufacturing/retail segment. These are essentially new/modified products that meet the changed consumption pattern of the customers

- 34% of our respondents reported to have been impacted by stoppage of supply line from abroad. However, only 29% percent of those who have been impacted by these stoppages of supply line from abroad have initiated localization measures post the lock down. We understand that the majority of the respondents who import commodities from abroad do not feel it is wise to localize their purchases at present considering the variation in price and quality.

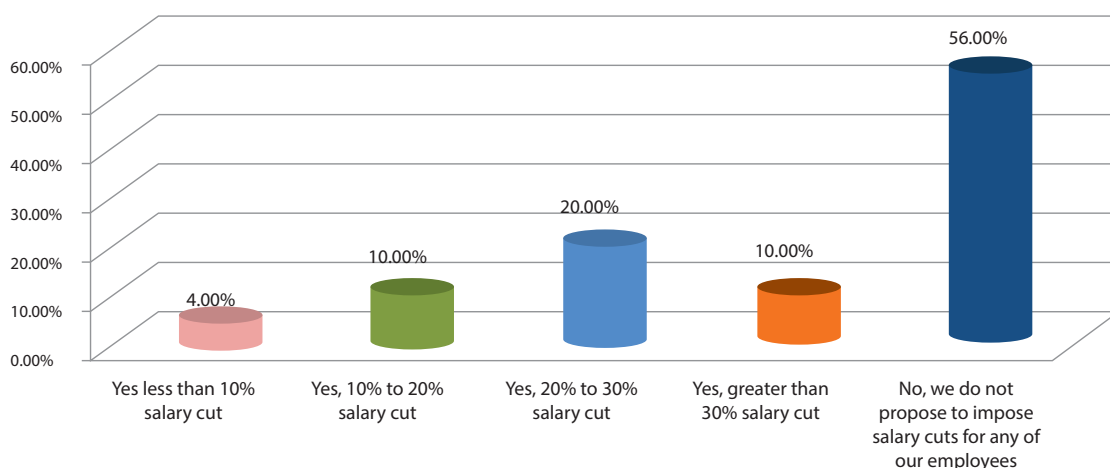
B&N Note: It is evident that there have been no knee-jerk reactions from any of the businesses in terms of large-scale closure/layoffs or salary cuts. Some sectors like hospitality and real estate seem to have borne the brunt of social distancing and travel restriction measures imposed by the Government but there too the reaction has been measured. While just 8% of our respondents reported to have cancelled all their future expansion plans, the level of positivity surrounding the future is evident. There has however been mixed reactions from businesses regarding going Vocal for Local. The country needs to up its product quality/price competitiveness rapidly in order to give businesses the comfort to start buying locally.

Questions covered and responses:

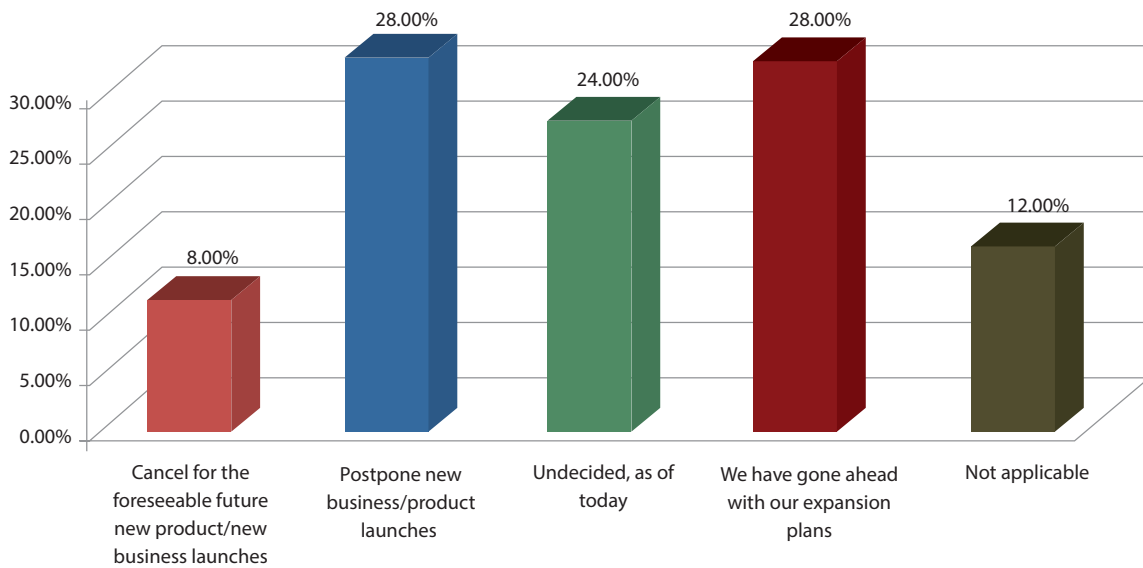
1. Which of the following actions have you initiated post the economic lock down?



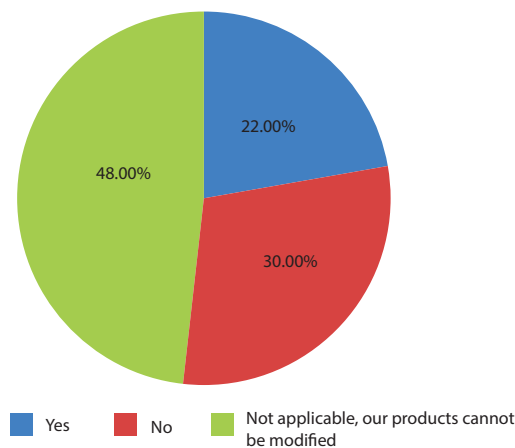
2. Have you implemented/in the process of implementing a salary cut for your employees?



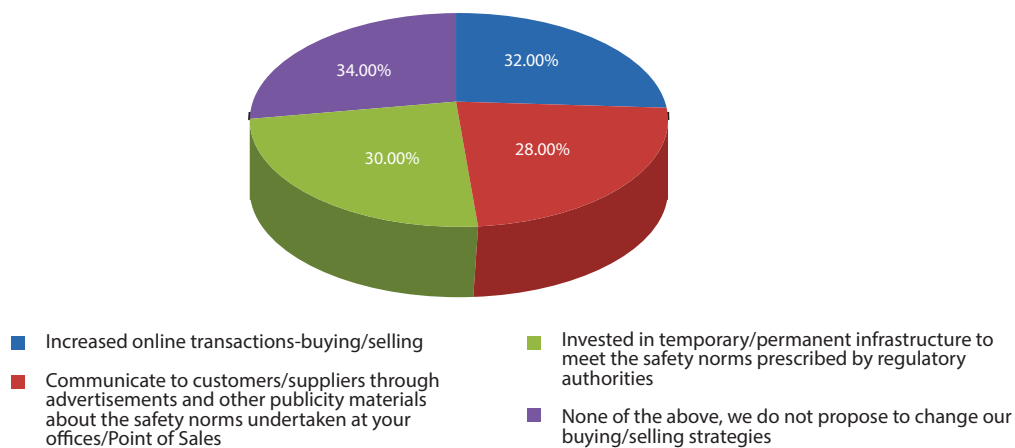
3. With respect to your business expansion plans, which of the following actions have you initiated?



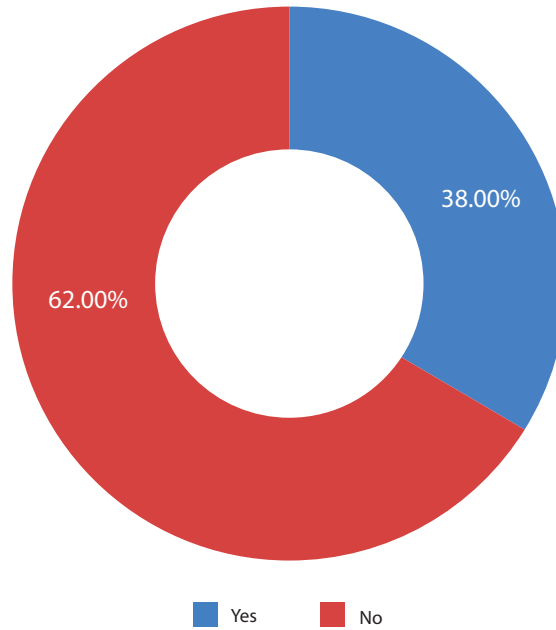
4. Have you modified any of your existing products/product line to meet the revised circumstances?



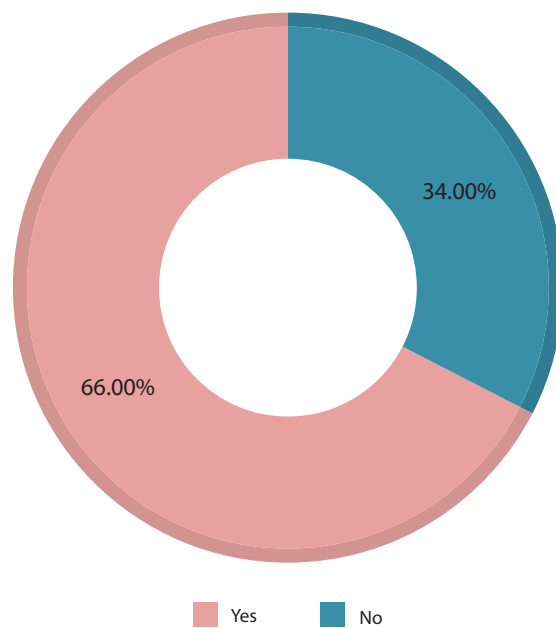
5. Have you modified your buying/selling strategies by performing any of the following?



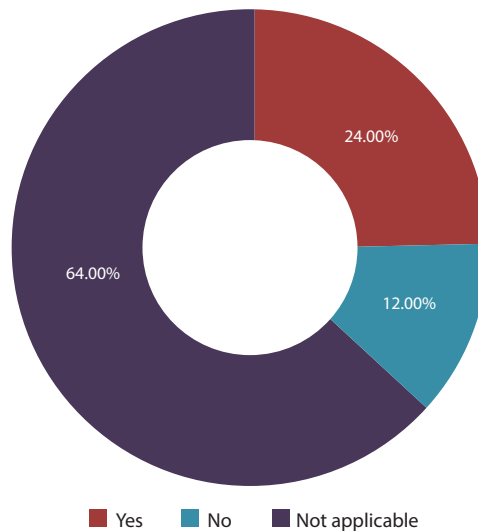
6. Have you added any new product/product line or do you propose to add any new product/product line in the near future, taking into account the revised business circumstances?



7. Were you impacted by Stoppage of supply line from abroad, owing to travel restrictions imposed by various Governments across the world?



8. Have you initiated localization measures post the Central Government announcement to start buying locally?



The above graph shows that 24% of overall respondents have initiated localization measures and this includes both, respondents who were impacted by stoppage of supply line from abroad and those who have not been.

III. Employee management – Key findings:

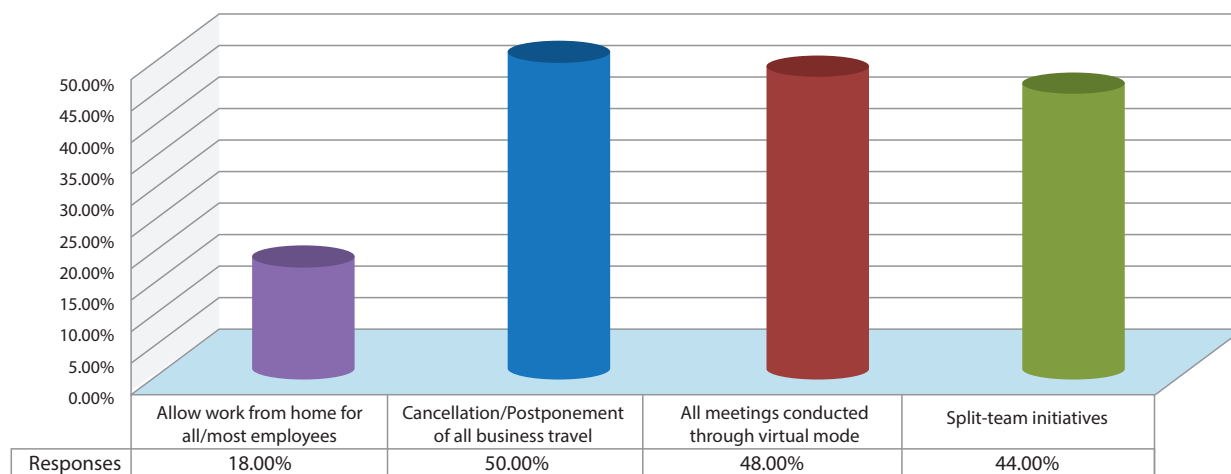
50% of respondents confirmed to have cancelled or postponed all business travel. This is further evidenced by the fact that almost an equal percentage of respondents reported to be conducting all meetings through virtual mode.

As is the case across the world, split team initiative seems to be the way forward for most organizations with 44% of the respondents confirming to have already implemented split team initiative at their establishment. Work from home however seems to be a distant reality however as far as businesses go with only 18% of the respondents reporting to have implemented it post the lock-down.

B&N Note: A massive reduction in business travel and the adoption of technology for conduct of virtual meetings for an extended time may result in significant impact on the hospitality segment, rent-a-cab operators and allied services that cater primarily to the business traveller. The ease with which most businesses have adopted technology for the conduct of their business and meetings is also note worthy.

Questions covered and responses:

**Which of the following actions have you taken at your work site to ensure the safety of your employees?
(After the end of lock-down period)**



IV. Perspective analysis – Key findings:

- The old cliché still holds good. Change is the only constant. 66% of the total respondents reported that the current pandemic will result in a permanent change in the way they look at growing their respective businesses. These were spread across almost all sectors. Surprisingly, however, 50% of our respondents in retail, 38% of our respondents in healthcare and 49% of our respondents in automobile sector believed there will be no change in the way they perceive to grow their businesses post the pandemic.
- Encouragingly, 42% of the respondents felt that their businesses would recover from the impact caused by COVID in less than 1 year. The automobile and health care segment seemed to be the most positive of the lot with 75% and 63% respectively from these segment reporting that the recovery time frame would be less than 1 year.
- Employee Layoffs – On an overall basis, 56% of respondents did not expect more employee layoffs in the near future. However, a further drill down of these percentages showed as follows:

No. of persons employed	Yes to Employee lay offs
Less than 100	31%
100 to 500	55%
More than 500 persons	62%

Furthermore, in companies that employ more than 500 persons, the percentage of respondents who expect there to be more employee lay offs in near future goes up to 78%, if we exclude the health care segment. Sector wise break up of respondents who employ more than 100 persons who reported that they expect more employee layoffs in the near future:

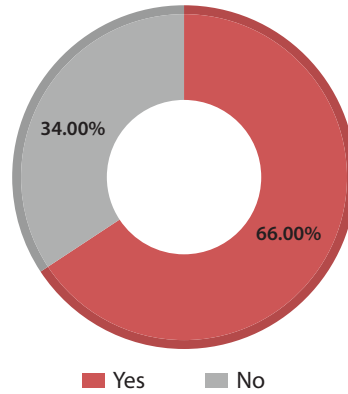
Sector	% of respondents who expect more employee lay offs in short term
Automobile	100%
FMCG	50%
Gem & Jewellery	67%
Health care	25%
Hospitality	50%
Manufacturing	100%
Real estate	100%
Retail (textile and others)	67%

- Fear of Macro more than Micro! 78% of our respondents felt that the biggest risk facing their organization in the short-term is economic slow down in the nation. 40% also reported that they believe a permanent change in the customer preferences will be a major risk in the short-term. The third biggest risk faced by organization is a change in the legal and regulatory environment imposed by the Government, with 34% of the respondents reporting this. Only 26% of our respondents believed non-availability of working capital will be a major issue in the short-term.
- Cost reduction seems to be the mantra everywhere in order to wade through this uncertain phase! A whopping 86% of our respondents reported to have initiated cost reduction measures, other than reduction in employee costs. 46% of our respondents reported to have reduced employee costs either through layoffs or salary reductions, with 16% reported to have resorted to employee layoffs. 44% of our respondents also reported to have increased their digital marketing spends.

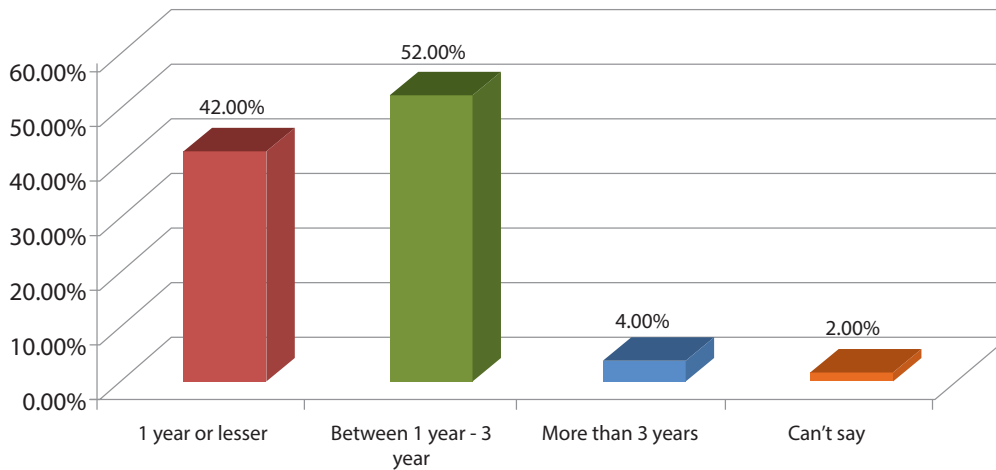
B&N Note: Outlook for the future is clearly positive. Most businesses are implementing strong cost-reduction measures in their own businesses in order to tide over these crisis times. The worry about macro economy is a global phenomenon and is not just restricted to India. With a strong push by the Government to go Vocal for Local we surely can expect an increase in the demand for locally manufactured products. Job losses in the short term seems to be a reality that we are staring at, however, a continued push from the Government on localization measures might force more companies to think in terms of bringing their supply chains and manufacturing locations closer to them thereby resulting in higher employment opportunities, among other things. The Government will also need to up its infrastructure spending to enable creation of newer production clusters in order to make sure that businesses are not caught in the vicious circle of - low demand – cost reduction – employee layoffs. Lastly, the role of technology going forward in all businesses is amply clear when 44% of the respondents reported to have increased their digital marketing spends in this period.

Questions covered and responses:

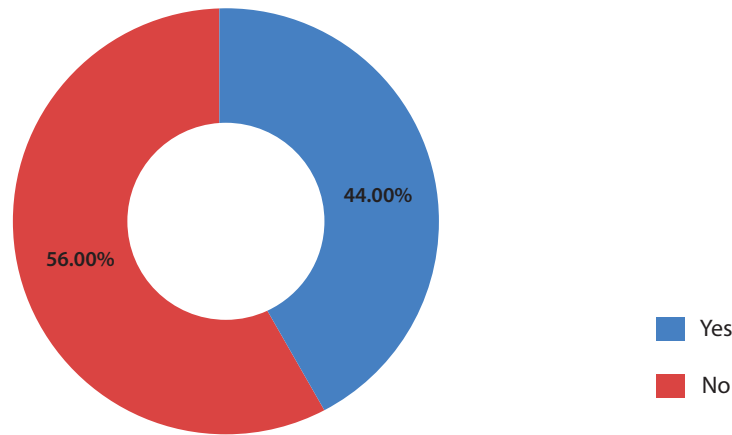
1. Do you think the current pandemic will result in a permanent change in the way you look at how to grow your business?



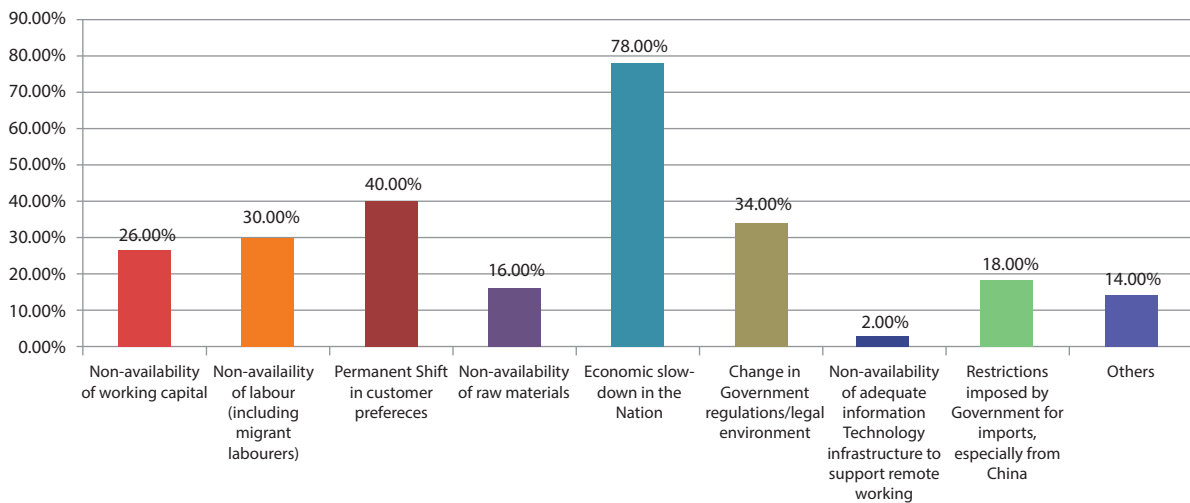
2. How long do you think it will take for your business to return to pre-Corona phase?



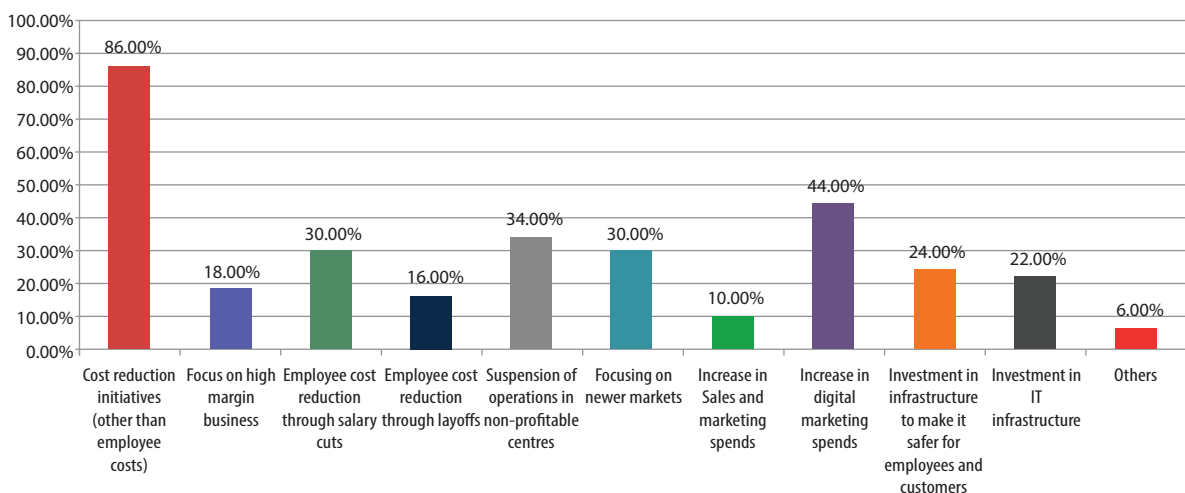
3. Do you expect more employee layoffs in your business/business segment in the near future (6 months to 1 year's time frame)?



4. What are the 3 biggest risks that your organization faces in the very short term (from now to the next 1 year)?



5. What are the 3 most important things you have done in your business in order to get through this uncertain phase?



Leaders Speak

B&N asked the business leaders who participated in our survey a disarmingly simple yet notoriously knotty question – What according to you would change going forward, and what has your company done to stay ahead of these changes? We set out below the responses received from them, verbatim. Again, the adaptability of the Indian businesses shines through in these responses.



Retail - Textile

Mr S Ashok (Director – Pothys)



“Due to Covid-19 pandemic, we expect more customers to shift to virtual modes of shopping, taking into account their safety and convenience. At present, though our online sale contributes very little to our overall sales, we see this percentage going up rapidly in the coming years. Being a market leader in textile retail in South India, at Pothys, we recently launched a new virtual shopping model for our customers all around the world. On receiving a missed call from our customers to our toll-free number, our call centre executives direct the customers to their preferred store location. The customer

is serviced through Whatsapp video by our customer executives at the store and payments are made through digital mode. Many of our customers who otherwise couldn't have shopped during these difficult times are very happy shopping by this method. We see this as a novel way to engage more with our customers and also as a brand building exercise.”

Mr Prakash Pattabhiraman (Director – Kalyan Silks)



“I believe the way people will shop will drastically change in the near future, at least until the vaccine for Covid 19 is out in the market. With that in mind, at Kalyan Silks we have developed an app that lets customers pre-book their shopping visits to our store, to ensure social distancing. We have also plans to ramp up online shopping by fully integrating our showroom stock to our website so that we are on par with the likes of Amazon and Flipkart. We believe that in order to survive, the very way of retailing has to be re-looked at. Our efforts now are only baby steps in that direction.”

Gem & Jewellery

Mr Rajesh Kalyanaraman (Executive Director – Kalyan Jewellers)



“The Covid-19 pandemic has indeed impacted businesses and markets all across the world. This has also changed mindsets of people and made them focus more on their future needs. With regard to our own industry, consumers buy gold primarily for two reasons – one, to use it as an ornament and a fashion statement and the other as a mode of investment. Consumer demand is normally a combination of both with different consumers giving different weightages for these two attributes. With the onset of the pandemic, a massive number of consumers now find the need to save and to have an asset which can both grow in value and be encashed at times of need. This has worked positively for the jewellery industry as a whole.

The advent of Covid-19 has also significantly pushed customers into online channels, and compliance with safety protocols and less travel are the top priorities for all. Our long time focus on Candere (our online portal), wherein we have newly introduced virtual try-ons feature, our gold savings scheme and Kalyan Jewellers branded products had given us good results during the lock down, especially during Akshaya Thrithiya, and these good results have continued even post the lock-down. Furthermore, our rural network service of 750 My Kalyan centres has also enabled us to reach more customers. With 107 showrooms across 19 States, 750 My Kalyan locations and a highly focused Candere online portal we are well-positioned to be the biggest OMNI channel jeweller in the country. All this, plus our focus on staff and worker safety measures, have already brought in good results for us.”

Mr G.R. 'Anand' Ananthapadmanabhan (GRT Jewellers)



“I foresee gold as being seen as a safe, simple and transparent instrument for savings by customers going forward. Covid 19 has reinforced this fact. Gold will become a permanent part of every family’s investment and savings portfolio.

At GRT, as always, we think from the customers perspective and take pride in improving their experiences when they shop at our stores. Keeping these in mind, we have gone the extra mile to ensure safety of our employees and customers who shop at our stores during these times. We have also implemented a comprehensive health insurance policy for our staff and their families. We are also investing more in training our employees to improve the customer experience in every way possible.”

Manufacturing

Mr V. Abdul Razak (Managing Director – VKC Group)



"I believe that the impact of Covid 19 pandemic on the economy will be massive. I expect a change in customer purchase patterns especially those in the lower income group who will be looking to purchase products at an economical price range. Buyers will become choosy, and instead of looking to buy the expensive high-end fashion range of products they might be looking for an economical product with assured performance. This gives reputed brands who have such product ranges in the market an edge over the rest. At VKC, we plan to focus on economical range of products with an assured performance, as always. We also plan to use more technology to service our customers better. Once the health crisis tides over, I expect an economic boom across the country."

Healthcare and wellness

Padma Bhushan Sri. PK Warriar (Managing Trustee - Arya Vaidya Sala, Kottakkal)

Dr P Madhavankutty Varier (Chief Physician and Trustee - Arya Vaidya Sala, Kottakkal)



"I do not expect any major change in the way we operate post the pandemic, other than ensuring the safety norms stipulated by the Governmental agencies, like wearing masks, using of hand sanitizers and maintaining social distancing. We also prescribe life style changes and medication in order to boost immunity levels and with these steps, I do not see any difficulties going forward as far as our sector is concerned.

We have already embraced technology at Kottakkal AVS and introduced tele-medicine mode of prescriptions. The prescribed medicines will also be made available by courier. More details regarding this will be posted on our website shortly but essentially these services will be Whatsapp based."

Hospitality

Mr Michael Dominic (Director Finance and Operations – CGH Earth Group)



"I definitely feel that the world as we knew would change post Covid. I foresee changes at two fronts – first being the immediate reactionary change, pertaining to the safety protocols to be complied with by our guests, employees and the community at large. The other is a more lasting one and is to do with people's outlook and how they make decisions. As far as the hospitality industry goes, I feel customers would

give utmost priority to environmental hygiene when they choose their destinations to visit. At CGH Earth group, we will design our products taking all of this into account, going forward. I also believe that the hospitality segment will need to become leaner and more productive in order to survive."

Automotive

Mr Suresh K.V. (President – Region India - ZF)



"The Indian automotive industry is facing historic lows due to the pandemic. The consumer sentiment also seems to have thinned out due to an economic collapse resulting in diminished consumer demand. At ZF, we believe that the technology trends however will continue to gain focus with additional safety requirements, e-mobility and digitalization becoming central to technological advancements in the automotive industry.

At ZF, we started early and implemented effective preventive measures for Covid spread, based on our experience from other regions. In addition, the need of the hour is to align structures and capacities across all resources in line with the forecast of the demand. Besides, in the short term, it is critical to initiate short term cost reduction measures to keep ourselves afloat and secure liquidity of company. On both these fronts, ZF has been proactive in initiating steps and these actions have already started giving positive results which is boosting our confidence on the fact that we will be able to tide through these difficult times and come out successful."



Conclusion

We take this opportunity to thank the participants of our survey for having spent their valuable time on this novel exercise. Since all our participants are business owners/leaders of their own businesses, the responses are an important and true representation of mood of the Indian Businessman/woman. Our team at B&N has been working tirelessly over the past few months designing the survey questionnaire, identifying prospective respondents, opening out our survey tool, reaching out to our participants and collating their responses, in order to prepare this report. The results are truly encouraging and motivational for us to do more in future. B&N will continue, as it has over the past 4 decades, to work closely with the business community at large and provide them with value added services surrounding their business, legal and statutory requirements.

Lastly, let me also specifically thank the industry leaders who took their time to give us their expert views that are published in our Leaders Speak section of the report. Those are truly inspiring and insightful for the business community at large.

V.K. Nandakumar

Partner – Balaram & Nandakumar Chartered Accountants.

Glossary

Term	Definition
COVID – 19	Novel Corona Virus Disease
EPFO	Employees' Provident Fund Organisation
FMCG	Fast moving consumer goods
FY	Financial year
GDP	Gross Domestic Product
IMF	International Monetary Fund
IT	Information technology
ITes	Information technology enabled services
R & D	Research and Development

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