CONCEPTUAL INTERNSHIP REPORT FOR COVID-19 EFFECT ON BUSINESS PLANNING AND FORCASTING
IN

A Conceptual Internship project report
Submitted to partial fulfilment of the requirement
Of the degree of

Master of Business

In

Dual Specialization

By

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To

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SCHOOL OF BUSINESS ADMINISTRATION
2019-21

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Certificate From Faculty Guide

This is to certify that the conceptual report A study of COVID-19 EFFECT ON BUSINESS PLANNING AND FORECASTING IN KPMG has been prepared by Mr. ADIL KHAN under my supervision and guidance. The conceptual project report is submitted towards the partial fulfillment of 2 years, full time Masters Of Business Administration.

Prof. DR. AIJAZ AHMED KHAN
Date

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I wish to express my gratitude to Dr.Aijaz Ahmed Khan Sirfor providing me valuable information. I am grateful to Galgotias University for giving me opportunity to pursue Master of business administration.
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DECLARATION

I declare that the conceptual summer project report, is being submitted by meand is based on original piece of work done by me for the fulfillment of degree of Master of Business Administration and whatever information has been taken from any sources had been duly acknowledge**.**

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Literature Review

PMG International Limited(or simply KPMG) is a multinational professional services network, and one of the Big Four accounting organizations.

Headquartered in Amstelveen, the Netherlands, although incorporated in the United Kingdom, KPMG is a network of firms in 147 countries, with over 219,000 employees and has three lines of services: financial audit, tax, and advisory. Its tax and advisory services are further divided into various service groups.

The name "KPMG" stands for "Klynveld Peat Marwick Goerdeler". It was chosen when KMG (Klynveld Main Goerdeler) merged with Peat Marwick in 1987.

At KPMG in India, we believe in the power of the extraordinary. So, we asked ourselves, “What do we represent? What really elevates us above the rest?” and all we could hear and see were stories in action of relentless passion, enthusiasm and energy of our people, in spite of their day-to-day hardships.

Whether it is transformational engagements, excellent client deliveries or bringing happiness to our people, we stand out every day because of #KPMGjOSH and that is what best defines us!

LIMITATIONS OF THE STUDY

I have tried my best to make this project report as transparent as possible but there exist
some uncontrollable limitation which also exists in our report which are as follows:

Firstly, the main limitation of the research was generated from the limited size be of the sample, under time and covid-19 constraints.
The study was performed only with a few portion of the information and resources from the total information and resources.

Relevant sources contained the abundance information in the listed portals, but there was an accessing restriction in these portals, due to which the gathering of the relevant data got shortened.

REPORT OBJECTIVE

PRIMARY OBJECTIVE:

To know how the company has worked in the present covid-19 scenario, in maintaining their supply chain logistics domain in coordination with the other verticals of the company.

SECONDARY OBJECTIVE:

To find out the best alternative way to keep on the Business planning and forecasting in present and post covid- 19 era.

RESEARCH METHODOLOGY

KPMG believe that the traditional bottom up approach to planning, where historical performance underpins the plan, may not remain relevant in today's volatile environment. We help organizations to implement a driver-based planning and forecasting process. We work with various information technology tools to make the process efficient and relevant. This also helps define accountability and measure performance at the appropriate levels in the organization. Further, this helps free up time of the senior management to analyse performance and drive action.

- Align budgeting and target setting with strategic plans
- Drive financial planning via key business drivers
- Focus on 'what we need to do' not 'what happened'
- Move to rolling forecast to reflect the ongoing nature of business
- Provide tools to free time for analysis and insights.

KPMG INDIA INTRODUCTION-

KPMG was established in India in September 1993, and has rapidly built a significant competitive presence in the country. The firm operates from its offices in Ahmedabad, Bengaluru, Chandigarh, Chennai, Gurugram, Hyderabad, Kochi, Kolkata, Mumbai, Noida, Pune and Vadodara, and offers its clients a full range of services, including financial and business advisory, tax and regulatory, and risk advisory services.

In India, KPMG has a client base of over 2700 companies. The firm's global approach to service delivery helps provide value-added services to clients. The firm serves leading information technology companies and has a strong presence in the financial services sector in India while serving a number of market leaders in other industry segments.

Our differentiation is derived from a rapid performance based, industry-tailored and technology-enabled business advisory services delivered by some of the leading talented professionals in the country. KPMG professionals are grouped by industry focus and our clients are able to deal with industry professionals who speak their language. Our internal information technology and knowledge management systems enable the delivery of informed and timely business advice to clients.

History-

KPMG was formed in 1987 with the merger of Peat Marwick International (PMI) and Klynveld Main Goerdeler (KMG) and their individual member firms. Spanning three centuries, the organization's history can be traced through the names of its principal founding members whose initials form the name "KPMG."

K stands for Klynveld. Piet Klynveld founded the accounting firm Klynveld Kraayenhof & Co. in Amsterdam in 1917.

P is for Peat. William Barclay Peat founded the accounting firm William Barclay Peat & Co. in London in 1870.

M stands for Marwick. James Marwick founded the accounting firm Marwick, Mitchell & Co. with Roger Mitchell in New York City in 1897.

G is for Goerdeler. Dr. Reinhard Goerdeler was for many years chairman of Deutsche Treuhand-Gesellschaft and later chairman of KPMG. He is credited with laying much of the groundwork for the KMG merger.

1911 William Barclay Peat & Co. and Marwick Mitchell & Co. joined forces to form what would later be known as Peat Marwick International (PMI), a worldwide network of accounting and consulting firms

1979 Klynveld joined forces with Deutsche Treuhand-Gesellschaft and the international professional services firm McLintock Main Lafrentz to form Klynveld Main Goerdeler (KMG)

1987 PMI and KMG and their member firms joined forces. Today, all member firms throughout the world carry the KPMG name exclusively or include it in their national firm names

India Leadership Team-

The LeadershipTeam is the principal governing body of KPMG's operations in India. The team is headed by the Chairman and CEO and includes the Deputy Chief Executive Officer, Chief Operating Officer and the Heads of functions.

Corporate Citizenship-

At KPMG in India, we view citizenship as a responsibility and a core value, essential to who we are. We define our purpose as 'inspiring confidence, empowering change.' We buttress confidence in the capital markets that allow for the flow of investments and the creation of jobs. We work to enable our clients, our communities and the countries where we work to change for the better.

In these truly unprecedented times, as the COVID-19 pandemic continues to escalate, the call to rise to the demands of constructive citizenship is particularly strong.

Accordingly, KPMG teams stepped up and volunteered our services to the central and many state governments to help them navigate the crisis. We made available our capabilities and talent in healthcare, artificial intelligence and data analytics to help track and manage the spread of the disease. Our teams worked on the front lines even during the lockdown phase, contributing to critical national goals.

By empowering the leaders of tomorrow with skills, resources and knowledge through Lifelong Learning, we advance education, instill confidence and build capabilities for the long-term success of communities in India and around the world.

Our efforts span the educational continuum - and the results have been tangible. Through our flagship initiative, KPMG's Family for Literacy, we have helped set up and support libraries, placing books in the hands of the children in need. We continue to pair our people with primary schools where they volunteer their time reading to young students. Equally, we believe in investing in our teachers, as effective teaching is key to achieving learning outcomes.

Our Aspire programme aims to empower young disadvantaged girls who are also first-generation learners in their families; over 225 girls across six schools benefited last year. The programme does not just stop with learning at the school or college level. This year, we proudly welcomed Shilpa Sharma, an Aspire beneficiary since 2014, to our Financial Risk Management team in Mumbai.

We believe that learning extends beyond the classroom and beyond school and college years. Together with the KPMG Foundation, we are delivering meaningful outcomes by supporting education and lifelong learning. Such activities help prepare the workforce of the future, help with readiness to embrace the challenges of a global, interconnected marketplace.

Through Enactus, an integral part of KPMG's Corporate Citizenship programme, 40 partners and senior staff mentors continued to guide students from over 50 colleges across the country, helping students develop talent and perspectives that will propel many of them to become India's future entrepreneurs and leaders.

KPMG India Industries

1- Building and Construction

Favorable demographics, rising household incomes and growth in IT sector have led the growth in the real estate industry even during the financial meltdown. The sector is also displaying considerable progress to evolve from an un organized market to an organized industry.

Adherence to regulations and understanding the financial risks require a deep understanding of local market conditions. Our in-depth local knowledge combined with cross-border experience help businesses to effectively guide through the entire Real Estate life cycle.

2- Consumer Markets

KPMG in India's consumer markets sector can be categorised into:

- Retail: Fashion, apparel, jewellery, accessories and eyewear
- Fast Moving Consumer Goods (FMCG) and services: Packaged foods, drinks and beverages, beauty and fragrances, health and personal care and services like gyms, salons and hospitals
- E-commerce: E-tail, classifieds, food tech, e-ticketing, social media and e-learning
- Agri-business: Agro chemical and fertilizers, dairy, fresh produce and grains
- Consumer durables: White goods, kitchen appliances, computers, cameras and mobile phones and entertainment consumables
- Home improvement: Home furnishing, furniture and sanitary ware

KPMG in India has helped leading consumer markets companies globally successfully reinvent their strategies. Many of our most unique offerings are designed to improve customer-centricity, including:

- Customer and digital transformation
- Data analytics and security
- Supply chain management
- Growth and new business models.

3- Defence and Aerospace

he Aerospace & Defence sector in India is at an inflection point, given the modernisation and indigenisation programs being undertaken by all the three services of the second largest military force in the world. The Ministry of Defence in India has laid out an expansive plan for modernisation of obsolete equipment through the Long Term Integrated Perspective Plan (LTIPP), Technology Perspective & Capability Roadmap (TPCR) and Services Capital Acquisition Plan (SCAP). India being the third largest importer of arms and defence platforms, the three services, supported by specialised inter-service commands & institutions, have collectively taken upon themselves to be harbingers of “Make in India” for hardware and infrastructure being inducted into their fold.

KPMG recognise the significant opportunity that the Aerospace & Defence sector presents to our clients. We have a specialist team of more than 10 dedicated resources comprising of personnel who were formerly with the Indian armed forces, defence procurement and program development along with Subject Matter Experts from the aerospace & defence manufacturing who have previously worked with R&D organisations to assist clients and provide a complete solution – from strategy formulation to execution.

4- Education

KPMG in India, have identified Education as a core focus sector, wherein, we have aligned industry specific professionals with the sector bringing deep vertical knowledge with the objective of providing greater value to clients. Our industry driven structure has enabled us to develop in-depth knowledge of clients' businesses and to provide them with an informed perspective on the issues they face. It is an approach that runs across our services and is underpinned by our geographic strength. KPMG is a global network of professional service firms whose aim is to turn understanding of information, industries and business trends into value for clients. Globally, we are present in 146 countries with a combined strength of over 138,000 people. In India we have been active for the past 18 years, today, combining over 5000 professionals across nine offices in the country.

5- Energy and Natural Resources

There is a strong two-way relationship between economic development and energy consumption. While on one hand growth of an economy, with its global competitiveness hinges on the availability of cost-effective and environmentally benign energy sources, on the other hand, the level of economic development has been observed to be reliant on energy demand.

India's energy requirements have grown significantly since market reforms were initiated by the Government of India in the 1990s. Energy sector reforms, capacity addition and improvement in existing infrastructure are the government's primary focus areas as energy is a key necessity for meeting the country's high economic growth expectations.

6- Financial Services

Whether it's market entry, financial regulations, or business planning and strategy, tap into the knowledge, relationships and experience of industry experts and other professionals in multi-disciplinary teams located worldwide to get an end-to-end solution in managing complexity and challenges posed by the dynamic environment in the financial services sector. Globally, we are present in 146 countries with a combined strength of over 138,000 people. In India we have been active for the past 18 years, and have a combined strength of close to 7000 professionals across nine offices in the country.

7- Government

he economic, social and political environment globally and in India seems to be continuously evolving. This may have led the government (leaders) to increasingly focus on transforming the manner in which citizen services are being delivered. Practices such as implementing thorough and transparent operations, a sustainable operating model, cost to serve and ensuring customer satisfaction, typically a domain of large corporations, is gradually seeping into government operations, but with an essence of social agenda. The need and resolve to be accountable towards one of the most important stakeholders: citizens, can be driving the government to relook at the entire value of chain of service delivery including, physical and digital infrastructure, health and social services and defence and public safety.

8- Technology

KPMG in India is a leading provider of Tax, and Advisory services to companies in the Indian Technology industry. We have been a part of the industry since its inception – helping companies grow through the decades. The Technology Sector within KPMG in India has grown at the same pace as the Indian Technology industry – if not faster. It is now one of the largest contributors to the firm's revenue i.e. approx. 20 percent. Our experts, in the fields of Tax and Advisory – many of whom come from the Technology industry itself - provide services to over 70 percent of the Top 50 companies in the Indian Technology space.

KPMG in India leverages a global network of professionals to help clients meet their global business objectives. Be it acquiring a company, creating strategic differentiation or managing regulatory requirements. We provide cutting-edge services to enable companies to become tomorrow's leaders. Strategy and Operations Advisory, Transfer Pricing, Tax Consultations, Merger & Acquisition Advisory are some of the services we offer.

KPMG Services-

1. TAX-

Enhancing a shareholder's value is a fundamental concept which drives every management effort in the modern business environment. Progressive and bottom-line focussed managements have realized that taxes (both direct and indirect, domestic and international), should be viewed as a dynamic item of cost rather than a passive charge on the profits.

Indeed, an effective tax-cost management provides a distinct competitive advantage. This requires the application of appropriate tax strategies proactively identified and surgically implemented.

We have developed a total tax management capability which encompasses the entire spectrum of direct, indirect and personal taxes. Our approach to tax planning is multi-jurisdictional. We, together with other member firm's offices spread across the globe, can provide quality national and international tax advice.

Our professionals are drawn from a wide variety of backgrounds. Industry specialization, service line specialization, international exposure and advanced training equips them to work with our clients and be their advisors in a wide spectrum of their business processes.

2. Advisory-

With the world constantly and rapidly changing, the future is full of realigned priorities. At KPMG in India, we press on looking for sustainable growth, staying in shape and preparing for a new landscape. Partnering with our clients, we develop tailored and thorough recommendations in collaboration with sector and technical experts, bringing among the best minds from across the vast KPMG network.

By working in multi-disciplinary teams, we deliver holistic thinking and insights helping clients in transforming their organization, no matter what their primary challenges are - from improving performance, to optimizing risk, to restructuring their operations or seizing new opportunities.

3. Infrastructure Government and Healthcare-

Countries across the world are under unprecedented and volatile pressures which cast greater responsibility on the governments to protect, nurture and provide a sustainable environment for citizens. Governments in turn are facing resource stress, increasing demands and diverging needs from an increasingly well-informed and yet vulnerable citizen. India's emergence to a position as an economic superpower is predicated upon transforming basic infrastructure which is sustainable, equitable and helps increase the overall productivity of the economy while facilitating the smooth running of all the sectors of the economy. There is an urgent need to invigorate healthcare, public services to go beyond the health sector, to address the public health needs in India which includes improving living conditions, nutrition enhancement, providing safe drinking water and sanitation facilities, education, communication and change management, women and child development amongst others. Governments and the industries also need to be equipped with the ever-escalating cadence of unforeseen events including natural disasters and biological exigencies.

KPMG in India helps organisations face these challenges. We work closely with central and state governments, urban and rural local bodies in urban transformation, water and sanitation, health, social development, education and infrastructure sectors of power and renewables, oil and gas, metals and mining, aviation, roads and railways, waterways and ports, logistics, mobility and future transport.

Our Infrastructure Government and Healthcare (IGH) practice provides an integrated suite of service offerings ranging from strategy and policy advisory to facilitating project execution, project funding and asset operations, project management governance, public services transformation, and technology transformation services, amongst others to help meet the specific requirements of our private sector and government clients.

Our team more than 1,000 professionals deliver advisory services to infrastructure, government and healthcare clients with an earnest intent to enable change, improve public service delivery keeping the citizen interests in mind.

4. Industrial manufacturing

KPMG’s global Industrial Manufacturing practice helps organizations secure lasting value in today’s disruptive environment.

Disruption is everywhere. And that means great opportunity for manufacturers. It also means great risk. How will your organization respond?

Whether you are dealing with new technologies, new competitors, new business models or new customer expectations, the reality is that your business is changing. This is a time where big ideas and bold action can solidify a company’s future. And the leaders of tomorrow are already taking steps to secure their hold on that future.

5. Transform your enterprise

“Transformation has become an ugly word for most manufacturers. Few have achieved the value they expected from their initiatives in the past. Many are simply tired of continuous transformation without ever reaching their goals. It’s time for a new approach to enterprise transformation.”

- Doug Gates, Global Chair of Industrial Manufacturing

Don’t keep spinning your wheels, hoping to gain traction. Start taking smart, bold and practical steps towards a better future.

6. Manage your risks

Disruption brings opportunities and risks. Manage your risks so that you can maximize your opportunities

technology risk, cyber risk, regulatory risk, market risk, supply chain risk, political risk and – increasingly – trade risks. But you can’t let your organization allow concerns about risk get in the way of growth.

“In this era of high public scrutiny and continuous disruption, you can’t ignore the risks facing your organization. But you also can’t let the fear of risk stop you from seizing new opportunities. Risk and opportunity are two sides of the same coin.”

7. Improve your performance

The two are not mutually exclusive. Today's smart manufacturers are finding new ways to improve performance and manage their cost structures – without sacrificing their potential for growth.

"New technologies – especially intelligent automation on the factory floor and the back office – are allowing manufacturers to achieve unprecedented cost reductions while improving business flexibly. And that is opening up new opportunities for performance enhancement and sustainable growth."

8. KPMG in India digital quality Assurance services

As a market leader in professional services, KPMG in India recognises the importance of assurance during digital transformation and provides a wide array of digital quality assurance service offerings.

KPMG in India combines its proficiency in software processes, software testing and digital transformation to help ensure:

- An exhaustive service related to software test assurance consulting and delivery
- Go-to Market (GTM) readiness
- Enhanced business agility
- Confident end customer of the assured product.

The following services are offered under KPMG digital quality assurance

7. Education

We at KPMG in India, have identified Education as a core focus sector, wherein, we have aligned industry specific professionals with the sector bringing deep vertical knowledge with the objective of providing greater value to clients. Our industry driven structure has enabled us to develop in-depth knowledge of clients' businesses and to provide them with an informed perspective on the issues they face. It is an approach that runs across our services and is underpinned by our geographic strength. KPMG is a global network of professional service firms whose aim is to turn understanding of information, industries and business trends into value for clients. Globally, we are present in 146 countries with a combined strength of over 138,000 people. In India we have been active for the past 18 years, today, combining over 5000 professionals across nine offices in the country.

8. Media

Issues such as regionalization, Growth & Profitability, M&A, Internationalization, Technology, HR & Change Management challenges, etc are at the top of mind for the industry today. Our dynamic insight developed through analysis of various sub-segments and deep interactions with the industry players combined with data driven approach can help you deal with challenges presented by a fast evolving media landscape. We are pleased that many of the country's leading media and entertainment companies have chosen.

- Our core service offerings are:
- Planning an India market entry
- Creating value through transactions
- Enhancing internal controls and processes
- Improving performance
- Responding to Regulatory and Tax change
- Funding Infrastructure
- Technology Challenges
- HR issues

9. Technology

KPMG in India is a leading provider of tax, and Advisory services to companies in the Indian Technology industry. We have been a part of the industry since its inception – helping companies grow through the decades. The Technology Sector within KPMG in India has grown at the same pace as the Indian Technology industry – if not faster. It is now one of the largest contributors to the firm's revenue i.e. approx. 20 percent. Our experts, in the fields of Tax and Advisory – many of whom come from the Technology industry itself - provide services to over 70 percent of the Top 50 companies in the Indian Technology space.

Mergers & Acquisitions, tax issues, emergence of technologies like social/mobile/cloud computing and the creation of Intellectual Property (IP) are but some of the challenges faced by the industry. We work towards ensuring that our clients reap the maximum benefit while partnering with us to meet the challenges they face. At the same time, we also publish Thought Leadership reports on issues that are of concern to the industry. Some of the reports that were published recently include The Cloud – Changing the Business Eco-system, IT Matters – as long as business gets value, State of Data Security and Privacy in the Indian BPO Industry, etc.

KPMG in India serves the firm's clients, from the Technology sector, by providing them with services that not only help meet short term goals but help set futuristic ones

KPMG in India leverages a global network of professionals to help clients meet their global business objectives. Be it acquiring a company, creating strategic differentiation or managing regulatory requirements. We provide cutting-edge services to enable companies to become tomorrow's leaders. Strategy and Operations Advisory, Transfer Pricing, Tax Consultations, Merger & Acquisition Advisory are some of the services we offer.

10. Transport

KPMG India's transportation and leisure practice comprises a dedicated network of professionals with a deep understanding of the sector across our key service lines - tax and advisory. As a member of a global network, we successfully mix an understanding of international best practices and insightful local market knowledge to provide our clients what they need.

The services in the sector are pivoted around strategic and commercial intelligence, business processes, private equity bid assistance on infrastructure projects, risk, compliances tax and accounting advisory.

Focus areas – Transport and Logistics

Some of our focus areas in the transport and logistics category include:

- Ports and Maritime
- Inland Container Depot (ICD) / Container Freight
- Station (CFS)
- Freight Forwarding and Customs Clearance
- Shipping including Non Vessel Owning
- Common Carries (NVOCCs)
- Road and Rail Freight
- Air and Express Cargo

COVID-19 Effect on Business Planning and Forecasting-

The uncertainty surrounding COVID-19 and the wider geopolitical environment requires businesses to implement stress testing and scenario planning for a range of scenarios and outcomes.

These include financial planning, risk scenarios, contingency planning, workforce planning, tax planning, and supply chain planning. It is a critical time and a challenging period for business and this questionnaire is designed to support the planning required for businesses, and their key suppliers and partners. This assessment is a series of questions focusing on the key business issues posed by COVID-19. KPMG is committed to supporting businesses to manage through this period of extended uncertainty, helping you make the decisions and plans to deliver business resilience.

1. **Business Strategy-** There is little doubt that COVID-19 will cause significant disruption to the local and global business environments. As the most significant risk is near term this questionnaire has been designed to help you respond to COVID-19, but will also provide valuable insight to your preparedness for wider business disruption.
   Stability– protecting your existing business and ensuring it is able to continue.
   Cost and Profitability management Cost and Profitability management – ensuring you assess areas to protect and manage your cost and profitability for future resilience.
   Re-emergence – identifying opportunities and getting back to Growth.

2. **Liquidity & Financing-** The uncertainty or disruption caused by COVID-19 and the likely fall in business and consumer confidence could place a strain on the cash position of any business.
   For example: – New orders could fall if travel restrictions prevent people from buying through traditional channels – Customer remittances could slow or stop if your ability to fulfil their orders/contracts is impeded or under their own financial pressures, they may delay payments for goods/services received.
   – Current pricing may no longer be sustainable if input costs increase, but the pressure to protect profitability will – Disrupted supply chains and reduced supplier production might result in the need to hold more inventory and future costs might increase from fluctuations in FX markets and if suppliers increase their prices.

The effect of these factors may have the following impact:

1- Impact working capital or liquidity headroom under debt facilities	2. Weaken or breach banking financial covenants	3.Necessitate engagement with key funding stakeholders and financial creditors	4. This section will help you to identify key areas of potential risk.

3. **Workforce-** COVID-19 crisis will likely cause significant disruption to your workforce as illness or the need to self-isolate results in large proportions of your workforce being absent from work.
   It also impacts the ability of people to move across borders as countries restrict who is allowed to enter and leave a country in order to contain the spread of the virus. This may extend to the movement of staff within a country too and the increased need to work from home will limit travel.
   Changing restrictions and health concerns are likely to increase employee anxiety particularly among those with dependents if e.g. schools close, or for those acting as a career. It is likely there will be reduced productivity as staff take time to become accustomed to unprecedented changes.
   Communicating proactively with staff to drive confidence in your plans and advise on new HR processes and policies e.g. on statutory sick pay will become increasingly important. Romania is also going through change in immigration rules which may necessitate further changes to your approach to attracting overseas staff and the mobility of your staff.

4. **Tax-** The disruptions arising from COVID-19 could potentially affect a company's tax risk profiles and compliance in a range of ways:
   Travel restrictions are already having a significant effect on Multinational Corporations that rely for tax purposes on people being based in specific locations at specific times, including, in particular, border commuters and people working across more than one country. The same restrictions may also complicate individuals' own tax residence and filing status.
   In addition, spring is a peak time for tax filings in certain countries and whilst much tax compliance has migrated online, there is still likely to be disruption where people are needed physically to sign paper documents.

There are Personal and Corporate Tax implications of working in different jurisdictions. These costs are borne and activities undertaken. Decision makers and the appropriateness of Transfer Pricing policies.

5. **Supply Chain Key Areas of impact**- COVID-19 is causing large scale disruption to global supply chains with further impacts yet to be fully felt. Understanding the supply chain both upstream and downstream is critical to the continued effective management of a business's supply chain operations
   Closures of factories in Romania have caused a shortage in supply currently being felt by a number of sectors. For some businesses, the impact of this could be delayed as inventory levels run low and require replenishment.
   Transport costs and lead times have seen increases due to: a reduction in outbound sea freight capacity from Romania, a reduction in air freight capacity due to the cancellation of commercial flights and land transport facing additional border checks and delays.
   Labor shortages from increasing public health requirements may lead to capacity restrictions for your business, your suppliers and your transport providers. Changing customer demand from stockpiling or demand shortfall may impact inventory management and, subsequently, working capital.

6. **Legal**- COVID-19 may mean you, your supplier or your customers are not able to perform the contract you have agreed. This is likely to be due to delays in the supply chain affecting availability of goods, staff shortages or travel restrictions
   Whilst these may result in immediate issues, the full extent of claims for breach is not likely to surface for some time after. Managing expectations now is an essential part of mitigating potential legal actions as strong relationships usually mean no litigation.
   Suppliers may look to rely on force majeure clauses to relieve them from immediate delays.
   We have already seen the financial impact cause significant business distress. Reviewing your contracts against this scenario is important to protect your relationships, ensure business continuity and manage risk. You probably have many contracts (whether written or not) and will need to prioritize where to start. Where you have an in-house legal team, they may not have the capacity to do this effectively.

7. **Business Continuity Planning**- When developing a plan to manage COVID-19 disruption, organizations should understand the basic requirements to maintain important

business services, as well as the care and welfare of their employees and contractors. Certain organizations could well face a situation where, due to internal or external factors, it becomes very difficult, or near to impossible, to maintain the functioning of all important business processes. In these situations, organizations should have determined what their minimal viable business is and their dependencies to establish this minimal viable business.

Dependencies could include all elements which support important business services including people, premises, technology and third party aspects

Crisis management planning enables executives and board members of the organisation to take strategic decisions, as a group, to maintain business viability during a crisis. In a virus outbreak situation, this consists mainly of protecting people, protecting premises from contamination, protecting supply chains and other strategic factors, depending upon the business and industry sector.

We are in a period of unprecedented change within the field of Trade and Customs.- COVID-19 has the potential to add to the likely pinch points, supply chain delays and increased cost that we may well face in Romania, without access to various tax reliefs and the implementation of mitigation strategies.

COVID-19 has the potential to add disruption to your working capital. It is therefore important to understand what mitigation options could be available to you from a tax perspective.

Romanian VAT is generally charged on 'taxable supplies'. The VAT you charge on goods and services must be reported and, where applicable, payment made to the tax authorities even if your invoices haven't been paid. It may also have a short/medium-term impact on your sales and you may need to undertake additional promotional activity, all of which has a consequent VAT impact on your profitability.

UNFINISHED AGENDA

What Remains:

• Restoration of incentives at higher rates to encourage companies to invest in research and development and the latest technology to manufacture products of international standards

• Clarifications on deduction linked to employment generation are required to bring clarity and encourage employment generation in the sector

• With too many accounting and regulatory reforms to tackle and in order for better preparedness, the industry was looking forward to the deferral of the general anti-avoidance rule

(GAAR) and income computation and disclosure standards (ICDS) which did not happen and is likely to over burden the industry with substantial compliance requirements.

What is expected going forward:

• The manufacturing sector has been looking forward to the implementation of GST; hence, the sector would expect smooth and timely implementation. Additionally, the sub-sectors would also expect optimum and supportive GST rates, which would help them increase their profitability and drive growth

• The sector would also expect adequate policy reforms to improve the ease of doing business which in-turn would help achieve the targets of the 'Make in India' initiative

• Since export is a significant revenue contributor to the sector, fiscal incentives to promote exports could help India realise its goal of becoming a manufacturing hub of the world

• Some siginificant improvement in infrastructure and simplifying regulatory approvals along with cheap credit should be implemented in order to improve India's position in terms of the ease of doing business.

Five key take-aways :

1 The manufacturing sector is in a mode of early transformation. Growth and innovation, cost structures and supply chain efficiency are all at the top of the agenda, but steps to implement 'next generation' strategies remain modest.

2 The pace of innovation will continue to accelerate as new disruptive forces and innovators revolutionize product development, manufacturing processes, automation and business models. Failure to participate in this rapid rate of innovation will threaten manufacturers' competitiveness.

3 New products, business models and disruptors will drive manufacturers to develop more agile, transparent and demand-driven supply chains and integrated business planning models. But supply chain visibility remains low and significant opportunity exists for greater collaboration.

4 Manufacturers are making bigger bets on R&D initiatives, attracting talent and creating broader, more inclusive innovation models and collaborating with tech-savvy partners to capitalize on new opportunities. Manufacturers must continue to invest in technology and talent to win the innovation battle.

5 Great opportunities will emerge for the winners as the sector moves towards large-scale transformation and – in the short run – more can be done to improve the sales growth

opportunities already available, such as aftermarket sales, improved customer-facing technology and channel expansion.

METHODOLOGY-

1. CREATE THE RIGHT ORGANISATIONAL CULTURE AND WAYS OF WORKING

Ownership must remain within the business, with Finance being a facilitator of the process and one of a number of equally important inputs into it. Traditional performance measures reinforce short-termism in organizations as they are rarely, if ever, aligned to strategic goals.

2. INTEGRATE THE PBF PROCESS, LEVERAGING HIGH QUALITY DATA

The PBF process and data is enterprise wide, impacting all areas of the business and the data governance should reflect this. The process must embrace Big Data and be utilized to deliver the strategic goals.

3. DEPLOY EFFECTIVE AND SCALABLE TECHNOLOGY SOLUTIONS

Technology is moving from providing one-off static analysis to a more regular, quicker and dynamic enabler in the process. Cloud solutions are enabling real-time reporting with continuous improvement embedded at a cheaper cost, which enables increased effectiveness and efficiency.

COVID 19 ASSESMENT OF ECONOMIC IMPACT ON CONSTRUCTION SECTOR IN INDIA

As with most parts of the world, India is also trying to respond to the challenges of the post COVID-19 reality, which has come to define a new normal for our economy and the society at large.

The infrastructure and construction sectors, which are primarily responsible for India's growth story, are already facing the headwinds from the COVID-19 pandemic and cannot expect to be insulated from its damaging impact. Further, the unorganised and fragmented nature of the construction sector is likely to exacerbate this effect.

Investment in capital projects drives the demand side of the construction sector, and hence the impact of the COVID-19 pandemic on Gross Value Added (GVA) and employment could be significant in the near to long term.

The demand for construction projects has already fallen due to poor business sentiments, lower operating surpluses and incomes, diversion of funds for COVID-19 management, and credit and liquidity problems. While low economic activity in other sectors will impact construction services through forward linkages, a fall in construction output will also have a multiplier effect through the sector's backward linkages, creating a vicious cycle in overall economic activity.

This paper attempts to quantify the impact of the COVID-19 pandemic on the construction GVA and employment under different investment and economic scenarios. The methodology uses income and employment multipliers based on input-output analysis. As per KPMG in India analysis, we have estimated impact on GVA and employment corresponding to a range of possible scenarios. COVID-19 pandemic is likely to reduce investment in construction related projects in the range of 13 to 30 per cent, which has a significant impact on GVA and employment in this sector. Construction-related GVA and employment are expected to reduce between 15 to 34 per cent and 11 to 25 per cent respectively when compared to pre-crisis projections for FY21.

We will further update the findings in this paper in a subsequent version by incorporating supply side impacts and modelling labor and investment demand shocks within a framework of computational general equilibrium model.

1. Construction Sector Landscape

The construction industry in India is the second largest employer after agriculture, and it is therefore critical to the country's economic stability. With an industry size of INR 10.5 trillion,[1] it accounts for around 8 per cent of the nation's GDP and employs close to 57.5 million people. Also, being a core sector, there are numerous industries that are dependent on the construction activity in the country. For example, the construction equipment manufacturing industry comprises around 500 companies and is estimated to be sized at INR 375 billion by 2020.

In India, the construction industry was the second largest recipient of Foreign Direct Investment (FDI) in 2017[3] despite being quite fragmented. India has spent close to INR 82.5 trillion on infrastructure between 2008 to 2017. An additional investment of INR 337.5 trillion will be required in infrastructure by 2030 to sustain economic growth at current level. This is expected to create additional employment of 2.142 billion person years up to 2030 as the sector has a high employment multiplier coefficient.

The construction sector is expected to face a simultaneous reduction in both supply and demand on account of this pandemic. As the Sector is driven by infrastructure projects to a large extent, it is expected to be hit severely by the current levels of uncertainty, dismal business and consumer sentiments, loss of income as well as the diversion of government funds towards COVID-19 management.

Overall, low economic activity in other sectors would impact construction services through forward linkages. A fall in output of construction would also have a multiplier effect through backward linkage causing further shrinking of the overall economic activity. For economic sustainability in a post crisis reality, the construction industry will need to quickly devise ways to keep the masses employed, enhance quality of living, and more importantly, meet project timelines and budgets.

2. COVID-19 and its impact

Coronavirus was recognized as a pandemic by the World Health Organization (WHO) on 11 March 2020. Globally, the pandemic has posed multiple challenges for various industries, including the construction and infrastructure sectors. In view of this, GDP projections from IMF and various other rating firms and IMF have varied from 1.6 per cent to 3.5 per cent. This factors in the uncertainty linked with COVID-19 and risks associated with stalled projects across multiple sectors. The forecast is likely to be reassessed continuously as the current crisis pans out and new information becomes available.

In comparison to the economic crisis of 2008, the government now has limited options to undertake corrective interventions, owing to the financial stress which was already prevalent in the pre-COVID period. Though funds are being allocated for various relief measures, the ability to fund and spend on infrastructure projects in the coming one to two years is likely to be impacted.

KPMG in India conducted an analysis of the input-output table (2015-16) for 33 sectors and studied backward and forward linkages of the construction sector.

COVID-19 pandemic is likely to reduce investment in construction related projects in the range of 13 per cent to 30 per cent, GVA of the construction sector between 15 per cent to 34 per cent and employment of the construction sector.

Survey Snapshot

KPMG in India conducted a survey across more than 30 construction sector professionals to assess the impact of the ongoing COVID-19 pandemic on construction projects and the results are tabulated in the impact assessment framework. The increasing trend in the manpower costs and reduction in the prices of commodities is common across most sectors, but their relative contribution in the overall construction cost of the project, dictates the impact on the overall project cost. For example, the impact of an increase

in labour cost is more pronounced in a thermal power project which employs 14,000 people during its peak time in comparison to a road project where the work is typically executed in multiple sections and in multiple corridors.

Survey Outcome

The survey was conducted to understand the impact of COVID-19 on overall construction sector cost and essential aspects – manpower, plant and machinery and material. It was observed that projects which belong to select sectors, including power generation, real estate and transport could see a steep increase in overall project cost due to an increase in the manpower and plant and machinery costs, in comparison to other sector projects.

While the impact on the supply chain is based on the opinions of construction sector professionals, the actual impact would depend upon multiple factors, including the cost-benefit analysis of alternative supply chains identified for the risks mapped against tier one and tier two suppliers across the world. For firms whose supply chain is significantly dependent on countries like the U.S., Europe, China, South Korea and Japan, an impact on the cost of the supply due to delays or due to the costs of switching to a new supply chain exists.

Summary of Impact Assessment

1 Under development projects are the worst hit with a minimum impact of two to three months, which may be controllable with measures outlined in the recommendations section.

2 Due to a delay in the construction period from the lockdown, there would be an additional interest cost on the working capital loans taken, which will be borne by the developers or the contractors depending upon the risk sharing mechanism.

3 The labour costs for skilled workers are expected to rise by 20 per cent to 25 per cent while that for the semi-skilled and unskilled workers are expected to rise by 10 per cent to 15 percent.

4 Revised standard operating procedures duly incorporating social distancing, personal protective equipment and hygiene would drive up project cost in the short term.

5 Implementation costs may not vary much for linear projects like irrigation canals, pipelines, transmission lines, roads, etc., but for non-linear projects the costs may rise by 2 percent to 5 percent.

6 The projects dependent on specialised equipment, electronics and specialised materials are more likely to be hit by disruptions to the supply chain largely due to the force majeure clauses. The recovery of liquidated damages would not be possible for the developers unlike certain sectors, such as solar projects where the pandemic as a part of Force Majeure Clause (FMC) is not included in the Power Purchase Agreements (PPA) with some of the major solar power developers in India.

Recommendations

The impact assessment conducted in the previous section for projects at different stages require specific actions to be undertaken by key stakeholders. While few actions are critical to quickly recover or curb losses, other actions will be imperative for longer-term resilience in coping with pandemics or black swan events in the future. With the substantial capital investment plans at stake, government departments including central, state, nodal ministries, and policy think tanks like NITI Aayog will play a critical role in implementing the suggested measures for the overall revival of construction sector so that India can achieve high trajectory growth in the near future**.**

The current situation will require companies to:

• Assess short term liquidity including cash balances to meet operational payments

• Reassess their business strategies in light of revised financial and operational forecasts to adjust to the post-COVID scenario

• Necessary adjustments to the capital structure factoring in potentially lower earnings

• Deferral of non-essential capex; and need to diversify funding sources

• Closely evaluating cost structures to cut down excess spend, and

• Explore potential disposals of non-core assets to optimize carrying costs and make balance sheets lean.

CONCLUSION

In conclusion, the current situation is one that has a deep impact on key segments of the economy and is unlike anything we have seen in recent times. The global nature of the pandemic, coupled with its high intensity and long duration, will fundamentally alter the business landscape through changing trade flows, asset prices and consumption patterns. This will impact all key stakeholders, including banks, financial institutions, investors and corporates. The need of the hour is to put in place a comprehensive action plan that addresses potential impact, from short-term cash flow concerns to longer term balance sheet adjustments.

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