



Respond. Recover. Thrive

Addressing the financial impact of COVID-19

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Banking solutions for companies with urgent cash needs



Public policy measures put in place to contain the spread of COVID-19 are resulting in significant operational disruptions for several companies. Staff quarantines, supply-chain failures, orphaned and/or unavailable inventories, and sudden reductions in demand from customers are creating serious issues for companies across a wider range of sectors than initially anticipated.

A number of companies now face weeks, if not months, of exceptionally poor trading conditions. For most, the revenue lost during this crisis represents a permanent loss rather than a timing difference and is exerting sudden, unanticipated pressure on working capital lines and liquidity. While some companies have been able to maintain adequate headroom-with unseasonal drawdowns on their Revolving Credit Facilities (RCFs), others are recognising the need to approach their banks for larger, temporary facilities, or covenant resets, and/or waivers. In certain cases, the scale and urgency of the funding requirements have taken aback the company's management team and its bankers.

Thus, irrespective of measures put in place to counter and/or mitigate the effects of the crisis, banking institutions are witnessing a surge of requests for urgent cash needs. Given the magnitude of the economic implications on businesses (of all sizes and across sectors), banks are increasingly in the need of independent financial advisors to carry out rapid finance due-diligence interventions to assess fund demands.



Reasons why bank clients may be facing issues



Banks' needs of the day

Unusually, well capitalised companies, which in the absence of COVID-19 would be trading profitably, have also been affected. However, not all of these companies will be able to negotiate the facilities they need from their existing banks. The reasons include the following:

- Banks' credit approval timescales may be stretched to deliver the necessary funding in time
- Banks may be at the limit of their risk tolerance even for a single credit
- RCFs may be draw-stopped due to facility/covenant limits/cross defaults
- Hastily assembled security packages to support new funding may be "messy" due to limited collateral availability
- Companies may be looking for bespoke needs—rolling out short-term facility on terms that do not naturally fit into a bank's standard product suite

What is needed: Expertise in a speedy "as is" of companies in distress, collateralised and unsecured loans, and focussed teams experienced in driving liquidity/cost-out initiatives and working capital improvements

Bespoke solutions: COVID-related financing solutions are urgent; the financings may not be standard and are likely to require expert guidance and knowledge of the special situations market

Lean on trusted advisors: Boards and lenders need assurance that the financing requirements/downsides have been **independently tested**, challenged, and well understood

How can Deloitte assist you?



Deloitte can issue a speedy **red-flag report**, which will highlight the key business issues that the company is facing and assist banks to take prompt credit solutions for their clients.

Should the financial requests be entertained, we can subsequently assist in monitoring the distressed companies assess performance, ensure that recommendations are implemented, and commitment towards financial institutions are honoured.

We also assist in identifying and devising cost-cutting strategies and respond to the immediate Human Capital challenge of the crisis by developing a framework to view and address the **people impact**.

Our solutions

- **Take rapid action around working capital:** Optimise working capital and identify "quick win" measures to deliver rapid, tangible cash-flow benefits.
- **Identify and implement cost-out measures:** Take urgent actions to preserve cash in the short and medium term.
- **Reforecast trading and cash flows:** Revise assumptions, forecasts, and cash flows and certain downside scenarios.
- **Review existing facility/inter-creditor documentation:** Analyse borrowing capacity within existing baskets, etc.
- **Identify potential sources of collateral for additional borrowing, such as** property, inventory, receivables, other unencumbered assets, and unrestricted subsidiaries.
- **Explore value transfer:** Carve out collateral to support new financing.



Contact us



Jean Noel Wong
Partner
Financial Advisory

☎ +230 403 5889
✉ jnwong@deloitte.com



Krishen Veerasamy
Director
Restructuring

☎ +230 403 5873
✉ kveerasamy@deloitte.com



Arno Dookun
Director
Corporate Finance

☎ +230 403 5829
✉ adookun@deloitte.com

7th-8th Floor, Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebène, 72201, Mauritius
T: +230 403 5800 | F: +230 466 3330 | muadmin@deloitte.com | www.deloitte.com

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