

How are companies responding to the COVID-19 crisis?

CEOs Insights on Strategies adopted and Way Forward

ICMA Pakistan is highly grateful to Dr. Mirza Ikhtiar Baig, Chairman, Baig Group of Companies; Mr. Mohammad Ali Tabbba, CEO of Lucky Cement Limited and Mr. Abrar Hasan, CEO of National Foods Limited for sharing their exclusive statements for publication in this issue of Management Accountant

The COVID-19 outbreak is, undoubtedly, an unexpected and unprecedented situation for the global economy, especially the people and businesses. From disrupted supply chains to social isolation; from office work to remote working from home, we have witnessed a massive shift in paradigm, which we had never imagined. The Government in every country is taking rescue measures to arrest the rapid rise of coronavirus cases as well as to provide relief to people and businesses to limit the negative impact of COVID-19 arising from lockdowns.

Companies also recognize the magnitude of the COVID-19 crisis and are taking steps to sustain themselves albeit business slowdown and recession. The main challenge for companies at the moment; and perhaps in the post-COVID-19 scenario, is to operate at least at the break-even level, without losing employees and customers of their products and services. In this perspective, the CEOs of companies have a crucial role to play by responding promptly and with urgency and to devise a plan for repositioning the company in the post-COVID-19 situation.

The Research and Publications (R&P) Department thought it prudent, in light of the theme of the current issue, to approach the CEOs of leading Pakistani companies to find out as to what organizational strategy they have adopted to deal with the issues emerging from the outbreak of COVID-19 such as managing the business in lockdowns; sustaining jobs of employees; managing disrupted supply chain; exploring export opportunities; devising a plan for business continuity and sustainability, etc. The purpose of this exercise is to provide an example for other companies in the particular sector to follow the suit. The CEOs who have shared the special statements in this issue belong to the sectors of textile, real estate, cement, and food industry.

The R&P Department also interviewed the President of FPCCI the apex body of trade and industry in Pakistan to seek his viewpoint on various economic issues, especially in the context of the implications of COVID-19 and resultant lockdowns on the businesses. In the same vein, the R&P Department also had dialogues with the Presidents of major Chambers of Commerce and Industry in the country to identify few key initiatives that the Government must take to provide immediate relief to and stimulate the business, trade, and industry that have been adversely impacted by prolonged lockdowns due to the pandemic. We are grateful to the Presidents of Lahore, Islamabad, Faisalabad, Sialkot and Gujrat Chambers of Commerce for sharing their exclusive viewpoints for this issue which is presented as a separate segment.

The Chairmen of different Industry Associations in the country were also contacted by the R&P Department of ICMA Pakistan to seek their opinion on the possible impact of COVID-19 on their respective sectors/industries; especially in the context of production capacity, domestic supply, exports, imports, supply chain, finance, workers' employment, etc. as well as remedial measures and way forward to tackle these issues. The response was quite encouraging as the Chairmen of five Associations viz. Pakistan Cement Manufacturers Association (PCMA); Pakistan Tanners Association (PTA); Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA); Pakistan Association of Automotive Parts and Accessories Manufacturers (PAAPAM) and Pakistan Hotels Association (PHA) shared their views for publication in this issue. Their contributions are also presented in a separate segment later in this issue.



Chairman, Baig Group of Companies

Dr. Mirza Ikhtiar Baig

T.I & Order of Merit



“At the moment, our factories are not doing any retrenchment but it will be difficult to sustain unless factories are run on full production capacities”

COVID-19 has changed the fundamentals of the industry. Our export orders are mostly on hold; payments deferred and production capacities seriously affected due to lockdown. However, some urgent orders catered by maintaining COVID-19 SOPs which is a difficult task.

FBR payments of the old pending refunds of sales tax and rebate and SBP soft term loan enabled us to pay wages to the workers for March, April and May 2020. The exports were down 54% in April 2020 and 37% in May 2020 as compared to the same period the previous year, indicating that it will take a long time to revive the industry & exports. Some of our textile factories got orders of COVID preventive products like Doctors' Gowns, Isolation Patient Gowns, Scrub Suits, Hospitals Bed Sheets, Prevention Masks, and factories are engaged in their production for export.

In our budget proposal, I have recommended to the policymakers to focus on other indigenous sectors of our economy like Agriculture, Dairies, Livestock, Fisheries, Halal meat & Information Technology, etc which not only have immense potential to provide food reliance to the country but it can also provide food security to the countries in the region to earn foreign exchange. FPCCI has also proposed the government to resume zero-rated sales tax facility for five export sectors including textiles which were withdrawn in the last budget.

I see un-employment as one of the major issues in times to come. Advisor to PM on Finance indicated that 3 million people would be losing jobs due to closure of more than 1 million industrial units. Our un-employment can go as high as 8% to 10% which will increase poverty and cause the law & order situation in the country.

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At the moment, our factories are not doing any retrenchment but it will be difficult to sustain unless factories are run on full production capacities.

Under the circumstances, the forthcoming budget must support growth-oriented policies to achieve some reasonable growth as against projected negative growth of -1.5% by IMF and other donor agencies. My piece of advice will be to operate efficiently and adhering strictly to the government's SOPs, at minimum production cost against the safe mode of payment. There is an international chain of stores like JC Penny who have filed chapter-11 and bankruptcy during coronavirus pandemic and major exporters from Bangladesh are affected.

FBR must ensure efficient refunds of sales tax & rebate claims to improve our cash flow.

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CEO, Lucky Cement Limited
Mohammad Ali Tabba



“While the global supply chain has been disrupted; there will be opportunities for developing new export markets and increasing share in existing ones”

As the global impact of the outbreak worsens, causing disruption to international trade and other commercial activities, the risk of businesses going in a downward spiral is at its highest than witnessed in any recession in decades.

Being the third largest sector of the economy, contributing 18.5% to the country's GDP, the manufacturing sector is also affected. The forecasted GDP shrinkage will result in contraction of demand and add pressure on the manufacturing sector.

The export-oriented industries will have an impact in the short term but it will recover within 12 months. Moreover, the growth-oriented companies that are leveraged due to various BMR or diversification projects will face liquidity crunch as forecasted cash flows from existing businesses will completely reshape.

Businesses that have invested resources in the past to make themselves agile, resilient, and have efficient cost structures will face short term challenges but will thrive in the future as soon as the economy recovers.

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The potential of a business is determined by the choices it makes over a period of time. At Lucky Cement, we had already chosen to diversify our businesses, have a good geographic presence, and have lean cost and optimal capital structures. For instance, having cement production facilities both in North and South regions of the country, in

times of uncertainty gives us access to both local and export markets and hence a greater ability to maneuver through the crisis.

With challenges come opportunities, which need to be capitalized in an efficient manner. While the global supply chain has been disrupted; there will be opportunities for developing new export markets and increasing share in existing ones. However, to remain competitive in a recessionary environment, it would be essential that input costs are reduced. Accordingly, the Government must address the long-outstanding issues facing the industry around the cost of doing business.

A significant impetus is expected from the Government to push-start the economic cycle and revive the demand. To bridge the fiscal deficit, it is imperative that the Government expedites and take innovative measures to increase the tax net so that the tax burden is shared more equitably.

Lucky Cement Limited being a socially responsible company remained at the forefront to help the communities by designing its Covid-19 Relief Program to specifically target the rural and under-developed localities of Pakistan.

“The Government must address the long-outstanding issues facing the industry around the cost of doing business”



CEO, National Foods Limited

Abrar Hasan



“Despite big challenges, the company has ensured complete job-security to all its employees. There have been no layoffs. In fact, the company has continued to hire for more positions,”

As the leading producer of quality food products in Pakistan, National Foods Limited (NFL) has always fulfilled its Corporate Social Responsibility through broad-based initiatives to improve the nation's quality of life in terms of health, education, and socio-economic sustainability. Once again, NFL is on the forefront to provide relief and minimize the impact of COVID-19.

National Foods Limited has developed and implemented several supply chain risk management and business continuity strategies; ensuring not only cash flow but more importantly safeguarding both people and products. These strategies include:

- o Strong relationships with key suppliers to provide visibility so they better understand our priorities related to supplier inventory, production, and purchase order fulfillment.
- o Agility within our production and distribution networks to reconfigure our complex supply and distribution network.
- o Diversification from a geographic perspective to reduce dependency on a single source of procurement.
- o Reformulation of our inventory strategy to create a buffer against supply chain disruption. For e.g., while preempting a challenge as early as Dec-19, we pulled some of our purchase orders from China, avoiding the risk of inventory shortage.
- o Preparation for possible temporary plant closures and its immediate re-opening within 48 hours based on a well-defined SOP for sterilization.
- o Educating our employees on COVID-19 symptoms and prevention.
- o Sharing our learnings with business partners to help them ensure business continuity.
- o Reinforcing screening protocols at the plants and enforcing precautionary measures where possible, supported by flexible sick leave policies.
- o Preparation for increased absenteeism due to stringent health screening protocols.
- o Restriction of non-essential travel and promoting flexible working arrangements.
- o Safeguarding everyone with advanced screening while social-distancing, hand-sanitizing and thermal scanning

“National Foods Limited has developed and implemented several supply chain risk management and business continuity strategies”

NFL has automated all the financial transactions and vendor payments while working closely with partner banks. This ensured educating all vendors and aligning banks for interaction-less transactions. No cheques have been issued as we have gone for branchless banking since lockdown. We have also registered our banks for digital signing.

Due to the presence of an efficient distributor portal, all concerns of our distributor payments have been resolved and the effective distribution of products has been enabled by adopting unconventional and innovative channels, including Cash Against Deliveries (CAD).

The company's focus has been redirected with more focus on digital marketing. This strategy is also aligned with the current changes in consumer-behavior, as most of the people are shopping online and cooking at home, avoiding dining-in or visiting the shops.

In terms of the export business, the availability of the products abroad is being ensured by working closely with the distributors and closely monitoring consumer insights to give the people what they want.

Several opportunities are observed in the export market where the peers are struggling so there is an opportunity for the NFL to better tap the market.

Despite big challenges, the company has ensured complete job-security to all its employees. There have been no layoffs. In fact, the company has continued to hire for more positions and has continued to add to its diverse and talented workforce by fully utilizing technology and digital on-boarding and orientations.

“Several opportunities are observed in the export market where the peers are struggling so there is an opportunity for the NFL to better tap the market”

NFL is also contributing generously to support the government and reputed humanitarian initiatives in distributing food, essential supplies, and PPEs to the most vulnerable segments, including hospitals.

A Corona Ration Fund has been established whereby the contributions by employees are being matched by the Company. Distribution of ration has been done in Gujranwala with the help of the Edhi Foundation and more cities are being explored as we speak.