

# Aftermath of COVID-19 and Economic Sustainability Strategies

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## Abstract

It's a time to look ahead to a post- COVID world and think of sustainability strategies that helps in preparing for other economic disasters and major global issues like global warming and climate change. Besides the support and impetus from the Governments, RBI and Other Regulatory Authorities to uphold the businesses, sustainability strategies developed by corporates are indispensable to help industries to get back on their feet faster. For this the corporates may have to strongly focus on ESG i.e. Environment, Social and Governance issues.

The present study is therefore taken up to discuss the sustainability strategies adopted by the corporates, which led to instantaneous growth. The objective is to observe, how innovative approaches and sustainability strategies adopted by the selected companies belonging to different sectors effectively boosted sustainable production and enhanced financial performance showing V-shaped recovery, when almost all sectors were deeply affected by the lockdown.

The study focuses on the Top-Line and Bottom-Line growth of selected companies for the years 2019, 2020 and 2021. The data is collected from secondary sources. It is based on quantitative analysis of the financial results for the selected period of three years. The findings are depicted in the form of graph and tables.

The study concludes that even in the adverse circumstances the sample companies could attain reclamation and reconstruct the robust financials swiftly in the post COVID-19 period through innovative approach and sustainability strategies.

**Keywords:** COVID-19, Sustainability Strategies, V-shaped Reclamation.

## I. INTRODUCTION

In the year 2020, the severity of corona virus was ebbed, the lockdown was lifted and the sectors began to acquaint with the new realities and prepare for normalcy in business. However one is still sceptical about how the fundamentals and facilitative policy environment would be good enough to strengthen India's much admired economic resilience. Against this backdrop there were urgencies and imperatives for unleashing revival programs, sustainability strategies and development to confront and convert adversities in to opportunities of stronger growth recovery.

This needs concrete policies that can bring instantaneous progress and align economic inducements. The present study identifies the receptive approach of sample companies towards Government's revival schemes and programs. It also discusses the sustainability strategies adopted by them, which helped to achieve quick reclamation and show V-shaped recovery in the post lockdown period. The strategies adopted by these companies make evident that how innovative approach helps in bringing back the revenues and also shows that such innovative and cost-effective policy mechanisms foster greater progress without substantial external support.

The present research is therefore taken up to study and analyse the financial metrics of five sample companies viz. Tata Motors Ltd., Dwarikesh Sugar Industries Ltd., Tata Power Ltd., JSW Steel Ltd., and Hindustan Unilever Ltd.(HUL) and also to understand their quick recovery against the risk of global crisis.

## 2. Objectives

- 1) To compare the actual financial results with respect to Top-Line and Bottom-Line performance for the years ending March 2019, 2020 and 2021 for the sample companies.
- 2) To observe, how innovative approaches and sustainability strategies adopted by the sample companies enhanced financial performance so as to achieve V-shaped recovery,

## 3. Methodology

The present study is based on case study approach. It is a quantitative and comparative analysis of factual financial performance parameters of the selected companies.

### 3.1 Source of data

Secondary data is used to identify economic sustainability strategies. The information is gathered from media outlets, news papers, annual reports, journals, company websites and other sources to gain a better knowledge of the issue. The financial data is extracted from an authentic, professional and normalised database viz. Capitaline.

### 3.2 Sample

Five leading Indian companies as shown in Table 3.1 have been selected to see how they could witness a phenomenal reclamation after the lockdown.

Table 3.1 *Sample companies and sectors with adopted sustainability Strategies*

Sr. No.	Company Name	Sector	Sustainability Strategy
1	Tata Motors Ltd.	Automobile-HCVs and LCVs	Shifting to sustainable product line - Electric Vehicles-EVs with reduced emission
2	Dwarikesh Sugar Industries Ltd.	Sugar Industry	Ethanol blending strategy
3	Tata Power Company Ltd.	Power Generation and Supply	innovative, smart and secured charging solutions for easy fleet of EVs
4	JSW Steel Ltd.	Steel Industry	Expansions through a combination of organic and inorganic strategies
6	Hindustan Unilever Ltd.	Fast Moving Consumer Goods- Personal Care	Effective take-over of GSK CH - leveraging on mega trend of health and wellness

### 3.3 Period

The data is analysed for the relevant cut off years of Pandemic i.e. March-2019, March-2020 and March-2021. This period covers the Pre and Post lockdown years that helps comparing the financial indicators and understanding how the impact of sustainability strategies adopted by different companies is reflected on the financials of subsequent year.

### 3.4 Analysis

Analysis of Top-Line growth (Revenue) and Bottom-Line growth (PAT) is done by

observing absolute figures and percentage of Rate of Growth (ROG). These parameters were studied for four companies except HUL for all three years. For HUL the analysis is done segment wise, for all three years, which suits the inorganic strategy of merger adopted by it. The data is presented through graph and tables.

## 4. Limitations

- Only few sample companies are studied from different sectors. Therefore, the scope of the study is limited.

- The relevance of the study and the strategies discussed is only for current situation, which may not be applicable when the economy reverts to normalcy.
- There are certain inferences drawn with the simple mathematical formula and are purely based on quantitative details, the qualitative aspects and its impact on the analysis are not considered.

## 5. Need

It is a time to look ahead to a post- COVID world. On current form it is seen that many sectors are on the path of getting back to normal and picking up with the strong financial performance.

The Government has also announced its support through various schemes and desire to allow the private sectors into all parts of economy, which may provide external impetus to the corporate sector towards reclamation. However, after a disastrous period of two years, an internal appraisal of the companies is needed to push them to attain robust financials. For CEOs, the big question currently would be how to regain higher returns through rebuilding operations, rethinking their organisation structure and accelerating their adoption of innovative strategies. As a result the industry executives and policy makers are looking for apt strategies and policies to improve their practices and increase consumer demand.

The present study is therefore necessary to evaluate the financial performance of the sample companies and to observe how they could manage to overcome the aftermath of the Pandemic by adopting sustainability strategies.

The rationale of the study therefore is to understand how the innovative approach and adoption of sustainability strategy on right time helped the companies belonging to various sectors to witness V-shaped recovery and recuperate to get back on their feet.

## 6. Background of the study (Literature Review)

- (Begum, Abbas , & Ghani , 2022) The study addresses sustainable issues related to C-

19 Pandemic and examines how innovative strategies are needed to recover the past level of production and returns. It emphasises on the social, economic and environmental sustainability.

- (Ranjbari & ZahraShams, 2021) The authors put forward a view that the Governments, authorities, policy makers and practitioners need to spot the areas, focusing where the negative impact of pandemic can be eliminated. For this all sustainability research in wake of pandemic can churn out the solutions and help policy makers to identify such areas.

- (Barbier & Burgess, 2020) The study propagates that in absence of external support from Government also, the innovative and cost-effective policies and mechanisms can lead towards achieving SDGs i.e. Sustainable Development Goals. It emphasises on affordable policies that can yield immediate progress.

- (Garg, 2020) suggests that C-19 pandemic has muted the financial performances of corporate and changed the way of life. However it has brought new opportunities. If these opportunities are grabbed at the right time with right approach, it can work effectively to elevate the performance. The author highlights constant innovation as a part of business strategy.

- (Philip, 2020) observes that India's tractor industry didn't get affected much due to pandemic, even though the automobile sector was a hard-hit due to the crisis. The researcher here observes that the tractor sector hardly depends on import from China. 95% of the parts are procured at the local level. And therefore this sector escaped the devastating effect of the Covid-19 pandemic. Thus the approach of less dependence on external factors helped this industry to survive the disaster.

- (Bhandare, Rajan Mukund, & Doshi, 2020) The authors suggest to see beyond pandemic. The author also shows concern for the corporate authorities who really have to focus on the strategies to bring in revenues. The author also suggests that the corporates will have to be concentrating on Environment, Social and economic sustainability.

Reviewing the above, it is observed that almost all the extant studies emphasise on identifying sustainability strategies to manage the

aftershocks of pandemic. However these studies are not supported by the quantitative data except (Philip, 2020) who analysed quantitative data to conclude on the survival of tractors industry during Pandemic.

The present study however analyses the financials of five sample companies to review the above opinions in further details as a case study. It spots the sustainability strategies adopted by the corporates as recommended by (Ranjbari & ZahraShams, 2021) and put forwards the quantitative data where the initial negative impact is eliminated by adopting sustainability strategies after the lock down was lifted, leading to V-shaped recovery.

## 7. Findings and Analysis:

From the data collected through secondary sources, tables are prepared and analysed as under.

Table 7.1 *Tata Motors Ltd. (Rs. in crores)*

Parameters	2021	2020	2019
Net Sales	47,031.47	43,928.17	69,202.76
PAT	-2,395.44	-7,289.63	2,020.60
ROG Net Sales (%)	7.06	-36.52	19.53
ROG PAT (%)	67.14	-460.77	295.26

(compiled by the researcher) (Source-Capitaline Database)

### Observation and Interpretation:

From Table 7.1, V-shaped recovery of Tata Motors can be seen as the ROG of Net Sales and PAT shows negative growth in 2020 and shoots up in 2021. The higher growth of PAT as compared to Net Sales shows that the company could increase the sales, at the same time could control the expenditure as well. The immediate inflation in sales is the result of adopting sustainability strategy and disciplined path followed by the company. Since last few years Government of India showed strong bent on driving Electric Vehicles (EVs) adoption and launched several schemes and policies to give impetus to EVs. Tata Motors was well positioned to work on it. When the demand

started increasing, the company quickly shifted gear, scaled up the capacities, moved swiftly to meet consumer demand and could ended the year on a strong note. 'It continued to be a forerunner in EV in the year 2020-21 with 71% share due to a positive response for Nexon EV (www.capitaline.com). The proactive approach and sustainable business strategy helped Tata Motors Ltd.in regaining the robust financial results and made Tata Motors a torch-bearer for green mobility in the automobile sector by creating a good set of growth and returns.

Table 7.2 *Dwarikesh Sugar Ltd. (Rs. in crores)*

Parameters	2021	2020	2019
Net Sales	1,838.85	1,336.13	1,084.12
PAT	91.54	73.45	95.11
ROG Net Sales (%)	37.63	23.25	-24.18
ROG PAT (%)	24.63	-22.77	-6.25

(compiled by the researcher) (Source-Capitaline Database)

Table 7.2 shows the recovery in the year 2020-21 after a negative ROG-PAT of -22.77 to 24.63, which was higher as compared to the ROG-PAT for the year ended March-2019. This was due to two major reasons; firstly, the inflated volume of export of sugar by India. Export in our country increased as Brazil, the leading world sugar exporter maximised ethanol production by limiting its sugar production and secondly, the ethanol blending program for sustainability. This program got tremendous impetus from the Government of India, due to which in 2020-21, majority of the sugar units started producing ethanol from B Heavy molasses and directly from sugarcane juice.

In an attempt to optimise and increase revenues from sale of ethanol and moderate the production of sugar, two units out of three viz. Dwarikesh Nagar and Dwarikesh Puram were engaged only in sugar crushing to generate B Heavy molasses for extracting ethanol. This played an important role in heightening the revenue.

Table 7.3 *JSW Steel Ltd. (Rs. in crores)*

Parameters	2021	2020	2019
Net Sales	70,727.00	64,262.00	77,187.00
PAT	8,393.00	5,291.00	8,121.00
ROG Net Sales(%)	10.06	-16.75	16.13
ROG PAT (%)	58.63	-34.85	75.59

(compiled by the researcher) (Source – Capitaline Database)

#### Observation and Interpretation:

JSW Steel is the flagship company of diversified JSW group. It is India's leading crude steel manufacturer having extensive portfolio in domestic as well as export market. It is apparent from Table 7.3 that the company could show prompt reclamation after the lockdown was lifted in 2020-2021. The ROG of Net Sales and PAT indicate that the company could regain compare to pandemic though it couldn't reach the previous financial performance. The company has natural competitive advantage as its location is well connected to rail, road and port for logistics support. Amidst the C-19 led downturn, JSW Steel entered into strategic joint ventures and acquisitions. In October 2020, the acquisition of Ispat Ltd. and in March 2021, acquisition of Vallabh Tinplate Pvt. Ltd. were completed. These acquisitions enabled JSW Steel's entry in to different grades and more value added steel products. It also helped to achieve backward integration and boost its global presence. This enabled its growth in diverse ways. The robust financial discipline, well controlled cost management, prudent investment in new projects and the commitment towards its ECG goals, which shows that the sustainability is the core business strategy, which helped JSW steel to recuperate the strong financials.

Table 7.4 *Tata Power Ltd. (Rs. in crores)*

Parameters	2021	2020	2019
Net Sales	6180.59	7726.39	8255.25
PAT	921.45	148.12	1768.70

ROG Net Sales(%)	-20.01	-6.41	9.54
ROG PAT (%)	522.10	-91.63	156.14

(compiled by the researcher) (Source – Capitaline Database)

#### Observation and Interpretation:

Table 7.4 shows that the Rate of Growth w.r.t. PAT of Tata Power Company Ltd. is exorbitantly high in the year 2020-21. It is even greater in comparison with the ROG of the year ended March-2019. None the less ROG-PAT of Year ended March-21 i.e. 522.10% is extremely high as compared to negative ROG of Net sales, which is -20.01%.

This clearly indicates that Tata Power could successfully keep its direct as well as indirect expenses in tight reigns and could regain V-shaped recovery even though the revenue generated was reduced. Studying its detailed profit and loss statement, it was found that there is a substantial reduction in electricity and fuel expenses

(<https://www.capitaline.com/SiteFrame.aspx?id> ).

This could be because of increased energy transition of oil and gas companies into renewables and reduction in cost of newer technologies. Due to growing environmental worries after the Pandemic and rising demand for sustainable transportation, Electric Vehicles (EVs) are in lime light nowadays. Various schemes are introduced by Governments across the globe to motivate purchase of EVs over traditional vehicles. Inflated demand of EVs in a challenging year 2019-2020 was an upbeat in automobile industry. This attracted the utility industry to invest in the EV supply chain. Large power utilities and oil leaders started investing in EV charging infrastructure through take overs. Tata power came up with innovative, smart and secured charging solutions for easy fleet of EVs. Tata Power is one of the leading players in developing EV charging Eco System in India. Tata Power believes in right policy frame work to scale up the projects which in turn help in faster decline of cost. For cost reduction the company is making green hydrogen a tough challenger among green technologies.

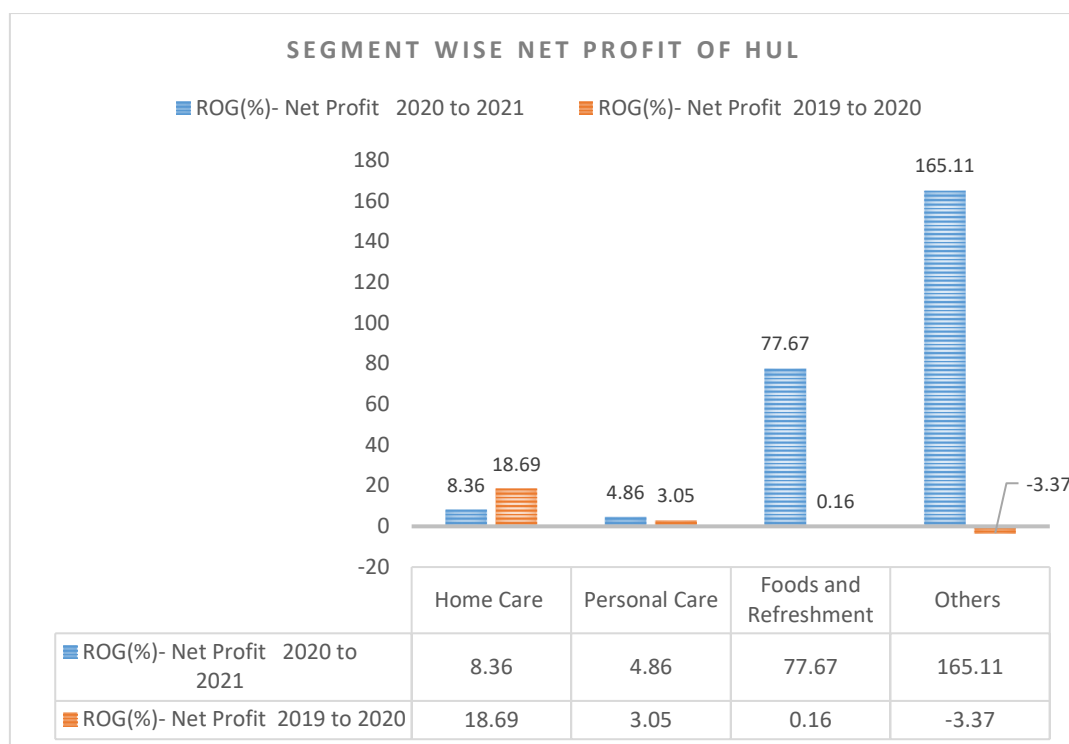


Figure 7.1 *ROG in Net Profit of HUL in the Post-Merger Period*

HUL, the leading multinational in India, belong to FMCG sector, is well known for its aggressive merger strategies. By leveraging on the mega trend of health and wellness during the challenging times of pandemic, HUL acquired nutrition portfolio from Glaxo Smith Kline CH as a sustainability strategy in the year 2019-2020. Catering to massive consumers since many decades, HUL could anticipate consumer behaviour and decided to take over Horlicks and Boost, the iconic brands of GSK CH. This largest strategic merger in the history of FMCG, led to immediate positive synergies and completely revamped 'Foods and Refreshment' and 'Others' segmental portfolios of HUL.

Fig. 7.1 depicts the immediate hike in the segmental performance of the said two portfolios in the post-merger period i.e. year 2020-2021. The intention was also to provide healthy products to consumers for building up strong immunity to combat such disasters in future.

“Mergers and Acquisitions (M&A) in the crisis situation can be thought of as one of the important strategic choices to transform and restructure the business. The inorganic growth strategy of M&A help in evolving the business and experiencing growth through synergies.” (Mehta, 2021) .

“The purpose of HUL –GSK CH merger was to reshape the business portfolio through inorganic growth strategy of merging and building sustainable and profitable foods and refreshment (F&R) business in India. This right time decision facilitated the company in reshaping the business portfolio and witnessing a successful post-merger synergy” (Chairman Speak -HUL)

Recently HUL is in talks with the authorities of ‘MDH’ spices for taking over the major stake in MDH as part of sustainability strategy.

## 8. Conclusion:

The study reveals that though the crisis has disrupted business at a large, it has unlocked the scope for newfangled opportunities. The organisations that could grab these opportunities may arise as winners in the future. On the basis of the case studies discussed in the present study it can be concluded that there is a need to evaluate and put forward the sustainability strategies adopted by the companies, which can help governments, corporate authorities, policy makers and researchers to understand where to focus and attempt to ease the negative impacts of the Pandemic. Sustainability strategies and well responded government initiatives helped

companies to manage the aftermath of the Pandemic recuperating lost market share and re-establish strong financial performance ever before.

### 9. Recommendations:

□ Companies are required to be prepared and well positioned like Tata Motors, Tata power and Dwarikesh sugar industries Ltd. to respond immediately to gain from the reforms, policies incentives and schemes announced by Government during such difficult times to stabilise the economy and boost corporate performance.

□ The companies are needed to expand their insights on how to embed sustainability or corporate responsibility strategies into core of their business as adopted by all sample companies under the study.

□ Dwarikesh Sugar industries Ltd. has constituted a Risk Management Committee to evaluate and measure the risk on periodical basis. Such responsive approach to risk management and constant skyline scanning of possible threats is needed as a part of sustainability strategies because of the intensified uncertainties.

□ JSW steel and Tata Power Company Ltd adopted Industry 4.0 technology which can potentially overcome traditional industrial practices and bring in profitable business along with sustainability.

□ Like HUL and JSW steel, corporates can think of a combination of organic and inorganic growth to regain the momentum and expand the business sustainably.

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