

# Businesses must give priority to free cashflow

**In many ways, it is just as vital as finding profitability in the current environment**

**BY TARIQ CHAUHAN**

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**T**hese days businesses are groping in the dark on how to sustain growth against the market downturn.

Profit margins continue to dive as clients pursue lower costs, while the cost of doing business such as government fees and human resources remains high. Competition too is playing a role

in allying with these factors to further burden corporates.

These place immense liquidity pressures, resulting in frantic capitalisation and debt calls from businesses. Most donors are averse to risks in these conditions, and businesses are faced with a mammoth challenge of how to do a balancing act between stability, growth, profits and liquidity. Indeed, a challenge for most CEOs is they are expected to ensure business momentum, not just continuity even as most conventional business resources shrink.

We understand this is a typical fallout of any market slowdown, but for SMEs and under-capi-

talised enterprises, this creates turmoil. These have to undertake this litmus test on how to fund their cash needs whereas little can be done to garner the needed resources.

The prevalent cash crunch for companies, especially when debt options have dried up, is forcing them to seek fresh equity injection. However, this too is not an easy option and comes under the close scrutiny of shareholders. They also prefer that management use them as lenders of last resort and not otherwise.

The supply chain is another crucial factor of market costs and which needs a full alignment. Its fixation with short tenures is

further complicating business dynamics. And experience tells us that if the supply chain is predominately populated by SMEs, then turbulence is likely as cash-flow shortages add to the woes.

Considering that money is a scarce resource in the current market conditions, stakeholders have to seek other means to inject or create liquidity to fund innovation. I do not think that much can be accomplished through cost-cutting in this pursuit of cash. Particularly in the context of a continued market downturn, not much of a cushion is left to cut costs.

— *Tariq Chauhan is Group CEO at EFS Facilities Services Group*