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DEMOCRATIZING WEALTH CREATION

PRESENTS

CFO

AWARDS 2020

CFO - The Financial Wizard With A Strategic Mind!

With the ongoing pandemic disrupting economies around the world and pushing companies into finding innovative ways to stay afloat, the chief financial officers of all the leading organisations are now shouldering the immense responsibility of creating a new path of sustainability

Steve Jobs. Richard Branson. Jeff Bezos. The finance world has witnessed decades of star chief executive officers who became much more than the sum of their parts and remained in the spotlight. However, this has not been the case for the humble chief financial officer (CFO). Traditionally, conservative, risk-averse, and focused on skillfully managing both corporate assets and returns, the CFO has stayed out of the limelight — until now. The Corona virus-triggered pandemic has brought upon havoc across sectors and has led to massive financial fallouts and losses.

In such a scenario, company CFOs have had to step up into the spotlight and are in the thick of the action as their companies craft their responses to the ongoing crisis. Supply chain disruptions and cost overruns are just some of the challenges facing CFOs globally as revenues have been put under tremendous pressure. As a result, the core financial skills of a CFO have been in high demand. For example, in providing frequent financial updates to the business, rapid forecasting and scenario planning, and tight cash, liquidity and working capital management, they need to make sure that their organisations weather the immediate business shocks while preparing them to emerge from the crisis in the best possible shape.

Amidst the disruption, the pandemic also presents an opportunity for CFOs and finance leaders to leverage digital solutions. Companies around the world have been busy scaling up their online channels to mitigate the adverse economic impacts of the pandemic and CFOs are often leading these digital transformation initiatives. They serve as the 'first movers' of digital solutions and working with functional leads to quantify the benefits and demonstrate potential cost-savings or efficiency gains.

According to a PwC survey that took into consideration the CFO views of 330 finance leaders, including those from Fortune 1,000 companies, around 78 per cent of CFOs feel that revenue or profit will fall this year, while 13 per cent of respondents expect a decline in revenue of over 25 per cent. Only 11 per cent of the US CFOs believe that the revenue will be increased. In addition, the survey revealed that CFOs will change their plans for rebuilding revenues – around 63 per cent of the respondents propose changes in products and services; 41 per cent want to modify pricing; while about 36 per cent of leaders will alter their channels of distribution.

This simply goes to show the level of unprecedented changes brought about by the pandemic crisis. Being a member who is both a financial expert and a strategic thinker, the moves employed by the CFO inside and out of the company often signal the road ahead. Hence, as the CFO role takes centre-stage, we speak to the power players in the Indian financial world to find out how organisations are implementing an immediate crisis response mechanism while exploring long-term sustainability solutions to build resilience against this 'black swan' event.

"The Pandemic Has Accelerated The Process Of Digital Transformation"

Nilanjan Roy
***Chief Financial Officer,* Infosys**

In these uncertain times, what are your top three priorities as CFO of Infosys?

The pandemic has created an unprecedented impact on the global economy and the way businesses function. Delivery models across the world are adopting to the "new normal". At Infosys, our priorities during these times are the safety and wellbeing of our employees whilst continuing to stay relevant to our clients. We are helping them navigate through this crisis so that they emerge stronger from it.

Our priorities for the finance functions are firstly liquidity and cash management. Despite being a debt-free company with over ₹28,600 crore of cash and investments, the importance of cash cannot be underscored. Creating a cash office induces an increased focus on working capital cycles, collections and receivables, discretionary capex spends and any other blocked cash. The second area is agility in operations and ability to pivot the operational model to different scenarios. We need to be extremely nimble yet measured in our decision-making to steer through this uncertainty –balancing short-term business needs with long-term sustainability.

For instance, whilst we have reduced some of our capex investments in infrastructure, etc., on the other hand we instantaneously increased spending on 'work from home' enablement solutions (including laptops, data security, collaboration tools, connectivity, etc.). Finally, we are focusing on accelerated cost take-outs. We have embarked on a series of steps to address near-term margin pressures combining cost avoidance, interim cost benefits from reduced travel, etc. and strategic levers around improved productivity through automation, off-shoring, etc.

Despite adverse business conditions, Infosys has signed large deals worth USD 1.74 billion in Q1FY21. How are you seeing the deal pipeline for the next two quarters?

We have continued to see large deal signings in the last quarter despite the pandemic-related disruptions. In fact, in the beginning of July we announced a landmark deal with Vanguard, the largest deal in the history of the company. It is incredible that our sales teams can strike these multi-million dollar deals remotely with both parties ensconced in the safety of their homes over a video conference! The exciting part is that

PROFILE

Nilanjan Roy served as the Global Chief Financial Officer of Bharti Airtel Ltd. and was responsible for the finance function across India and Africa. He has held various leadership positions for the last 13 years in Bharti Airtel, prior to which he worked with Unilever for 15 years in their global operations across India, Europe, and the US.

As an established finance leader, Nilanjan has extensive and rich global experience including shareholder value creation, corporate governance, business partnering, mergers and acquisitions, treasury and funding, investor relations, cost management, financial operations, taxation, financial accounting, and reporting. Nilanjan has a Bachelor of Commerce (Hons.) from Delhi University and is a Chartered Accountant.

clients are even more eager to engage now to see where we can help them in these troubling times, which is a testament to our long and deep relationships with them. We continue to see a strong and improved pipeline as clients look at expanding engagements due to their trust in us.

How do you see recovery in different parts of the world markets you service? Similarly, coming to the business verticals, what are the recovery prospects for BFSI and retail?

This is a unique crisis not seen or modelled in any business continuity plan. Unlike anything we have witnessed in the past, the economic crisis will not resolve fully unless the health crisis is addressed. This is a crisis impacting every country across the globe and every industry in every country. However, the good news is the speed and scale of the responses by governments, central banks and the healthcare sector addressing many of these factors through strong fiscal and monetary stimulus and other measures. We are already seeing improvement of consumer sentiment and optimism aiding economic recovery across the world.

In terms of business verticals, predictably segments which depend on consumer mobility were impacted the most viz. hospitality, travel and leisure, discretionary retail, apparel, oil and gas, manufacturing, etc. which are seeing pressures both from demand and supply factors including extended supply chain issues. However, it also becomes imperative for businesses within these segments to negate this with higher digital consumer connect to differentiate themselves and improve efficiency and reduce costs.

Then there are segments like financial services, utilities, etc., which are relatively stable. Banks are relatively well-capitalised and are being supported by governments. Lastly, there are segments like telecom, hi-tech, life sciences and healthcare which have gained further traction due to the pandemic – due to remote working, higher need for technological enablement, increased focus on health and wellbeing, etc. During these times, we see heightened interest in digital technology areas like cost take-outs, cloud transformation, vendor consolidation, captives and cyber security.

Given the global operations of the company, what measures are undertaken to deal with foreign currency risk?

We have a well-established and time-tested hedging policy approved by the Board of Directors which has enabled us to navigate currency volatility effectively. Despite all the currency volatility, Q1FY21 was our 20th consecutive quarter of positive forex income. This speaks volumes of the efficacy and robustness of our forex policies.

With companies looking to invest in technology and their supply chains to deal with unforeseen events such as the pandemic, do you expect in a surge in IT spend in the years ahead?

The pandemic has accelerated the process of digital transformation of businesses across the world. We see increased traction in various areas like cloud migration, network virtualization, cyber security, remote collaboration, data analytics, etc. There have been shift in spend from core technology to the new-age, transformational technologies. This is where we are focused, and we are partnering our clients to transform their technological landscape in a seamless and efficient manner. We have seen continued high growth in our digital portfolio, which has grown to about 45 per cent of the overall business compared to about 28 per cent two years ago.

Can you describe your experience as CFO at Infosys so far? Can you highlight the key challenges you faced during your tenure?

Being the CFO of a large and established brand like Infosys is both exciting and challenging. Infosys is one of the few Indian companies which truly compete with the best global companies. With its strong foundation and rich values, it is an ideal platform on which future talent generations can continue to thrive. Transitioning from the telecommunications industry into IT services has been a delightful learning experience and one which I am only just beginning. Along with the fast changing and dynamic nature of our business and recent pandemic-related business disruptions– a lot has happened in the last 18 months since I joined. Infosys is a strong and resilient company with an exceptionally strong leadership and highly capable workforce, and I am extremely privileged to be a part of this organisation.

How do you handle all the stress and volatility that comes with the job of being a CFO of one of the largest software company in India?

I am extremely fortunate to work with a world-class finance team who make my life easier. While it is important to focus on the requirements of a demanding job, it is equally important to balance your personal passions outside of work. For me playing golf on Sundays and solving daily crosswords are quite relaxing.

In your view what are the essential qualities of a successful CFO?

- Be the navigator in a ship; able to balance expectations of multiple stakeholders.
- Be the co-pilot in an airplane; situationally aware across the instruments and dials on the health of the business.
- Be the driver in a car; the taillights to report on the past and the headlights to illuminate what lies ahead.

Interview

"We Expect Growth Of 10-15 Per Cent In The Gold Loan Business"

Niraj Shah

CFO, HDFC Life

What are the top three areas of focus for you as the CFO of HDFC Life?

Our mission is to be one of the most successful and admired life insurance companies, which means being one of the most trusted, the easiest to deal with, offering the best value for money and setting industry standards – in short, the most obvious choice for all. In order to achieve this mission, our primary focus areas include:

- Achieving sustainable and profitable growth through a balanced product mix, diversified distribution, product innovation, stable persistency, focus on cost management and prudent capital management.
- Appropriate risk management to contain volatility of earnings and maintain balance-sheet strength even in stressed market conditions.
- Sustained investment in technology to keep the business model future-proof.

Q1 was widely expected to be a weak quarter, yet the company managed to put up good numbers including 6 per cent profit growth. What is the reason behind this robust performance?

We have been able to increase our market share by 100 basis points in the individual weighted new business premiums and maintain healthy new business margins of 24.3 per cent through the following:

- A balanced product mix within our savings portfolio and increasing the share of protection products. This is in line with the evolving customer demand for conservative savings products, protection products to provide security to their families and long-term income products including annuities to provide post-retirement income. Continuous product innovation across all product categories has been the key in this journey.
- A diversified distribution mix offering our customers touch-points of their choice through pan-India presence with over 400 branches, over 270 partnerships with banks, NBFCs, MFIs, SFBs, brokers, new-ecosystem partners, over 100,000 individual agents and online access to our customers. Our bancassurance partnerships, led by HDFC Bank, focus on our proprietary channels such as agency, online and direct and new-age ecosystem partners like Airtel in telecom to Paytm in e-commerce and Uber in cab aggregators. This has helped us achieve this performance.
- Continued investment in technology as a key differentiator for generating new business and customer servicing. This has enabled us to provide a seamless experience to our customers and distribution partners. Our video-based sales enablement tool, VVISE, enables our sales teams to connect with customers via video calling and complete the entire sales process, thereby providing a near face-to-face experience. Our chat-based verification process has seen increasing adoption, with over 65 per cent of verifications being carried out through this mode. Up to 89 per cent of our renewal premium payments are made online or via direct debits.

PROFILE

Niraj Shah has been associated with HDFC Life since February 2019 and heads Finance, Audit, Risk Management and Investor Relations. He has 20 years of experience in financial services, primarily in life insurance and corporate finance advisory. Prior to joining HDFC Life, he was associated with PNB MetLife, ICICI Prudential Life, EY and BNP Paribas. He holds a Post Graduate Diploma in Management from Indian Institute of Management, Bangalore and is a member of the Institute of Chartered Accountants of India.

Your customers at this point in time are likely to preserve cash given the uncertain economic environment and this is likely to affect your persistency ratios. How do you plan to address this?

In the initial phase of the lockdown, IRDAI granted an additional grace period (similar to moratorium) to customers up to May 2020 for paying their renewal premiums. The above extension and the inclination of customers to conserve cash led to some impact on the renewal collections in the initial months. While we continue to see some delays in collections, we are seeing improving trends month-on-month. Our persistency ratios have been largely stable and our renewal premiums grew by 24 per cent in Q1. There has been heightened engagement with customers to communicate benefits of continuing to pay premiums in their existing policies, especially in these uncertain times.

We are aware about the potential challenges our customers might be facing with respect to uncertainty of cash flows. We provide liquidity to our customers by offering loans against policies in the traditional savings segment. We are also in discussions with the insurance regulator to allow loans against policies in the unit linked segment. We had also strengthened our persistency assumptions at the beginning of the period in anticipation of weaker persistency, especially in the unit-linked segment.

Given the current tendency of cash conservation, what is the growth outlook for the insurance space in the current and next fiscal years?

As the economy is coming to terms with the effects of the pandemic, we are increasingly witnessing encouraging on-ground trends. Business has started to pick up on a month-on-month basis and we are seeing higher traction, especially in the individual protection business. As the situation begins to normalise, we expect life insurance to emerge as an important avenue for both protection as well as long-term savings, and consequently help attract a higher quantum of inflows from Indian households.

The current situation has led to higher awareness around the need for protection and the inadequacy of the current insurance coverage. This has led to an increase in demand for term insurance and we believe that the trend is likely to sustain. The pandemic could be an inflection point for protection in India, as customers feel a greater need for protection-based products to safeguard themselves and their families. In Q1 FY21, HDFC Life has seen 50 per cent growth in the individual protection business with increase in both, number of policies as well as the average ticket size.

There has been a dip in the savings-oriented insurance products due to the uncertainty of income or jobs and the customer preference to conserve cash. However, we expect demand for savings products to pick up as the situation improves. We expect a higher demand for conservative traditional products as compared to ULIPs in the short term due to market conditions. Maintaining a balanced product mix of relevant and innovative products that help transfer risks of mortality, morbidity, longevity and interest rate will be the key to service customer demand. We remain optimistic about the medium and long-term prospects of the insurance industry in India. We believe protection and retirement categories are multi-decade opportunities and will grow faster than savings.

At this juncture, what are the key risks facing the Indian economy?

We will need to be cognisant that the recovery in economic activity, especially for smaller businesses, will take time. There have been several measures taken by the government and the RBI to support SMEs or businesses in the form of moratorium and new loan restructuring framework introduced recently. Also, there has been slowdown in the credit cycle with significant decline in overall loan disbursements. While we can expect some recovery in Q2, it would take more time to get back to normal. We need to track overall customer sentiments as this will influence consumption demand.

The recent surveys by BCG and Deloitte indicate that while savings and investment remain preferred by Indian consumers, there is increasing uncertainty and financial concerns with respect to upcoming payments resulting in postponement of large purchases. We need to also brace ourselves for potential worsening of the situation due to multiple waves, as seen in other countries, till we find a vaccine.

Do you think that CFOs have to be well-versed with digital innovations in the industry?

We do believe that digital innovation is not a choice anymore. Technology and data will be the key for driving new business, customer service, claim payouts as well as risk management. Online is no longer a channel but a way of doing business and servicing customers. We continue to invest heavily in digital initiatives and think it is a must to stay relevant to the customer. We have invested in making the buying journey very easy for customers and have enabled online claim submission, thereby ensuring that claimants need not step out of their homes during the lockdown. All our service facilities can be accessed via the digital platform. The key will be to find the money to constantly drive new digital initiatives by extracting efficiencies from the existing BAU model and effective spends management.

What are, in your opinion, the most challenging aspects of being a CFO?

There are a few challenges, some of them are:

- Driving sustainable growth with profitability and appropriate risk and capital management across business cycles. Our DNA and governance framework enables us to deliver on this.
- Finding the money to invest in growth and build a future-ready operating model by driving operating efficiencies in BAU is important.
- Ensuring timely, accurate and effective communication of the company's strategy to key stakeholders including investors, analysts and regulators.

"Risk Management Will Remain One Of The Key Challenges"

Venkataraman N

CFO, Britannia Industries Limited

What are your top three areas of focus as CFO of Britannia Industries?

The top three areas include:

1) **Profitability Management:** I have been leading the cost efficiency journey in the company since 2009. The program has been generating structural cost savings equal to 2 per cent of the company's revenue every year, the last few years. This has helped improve the company's profitability from 3.5 per cent in 2009-10 to 17 per cent in 2019-20. While we have been able to extract efficiencies from across the entire value chain, some of the major initiatives driven are the following:
   - Establishing factories closer to consumption clusters to reduce distance transported and costs thereof.
   - Investing in right technologies to reduce manufacturing costs.
   - Value engineering.
   - Wastage reduction.
   - Optimizing fiscal benefits.
2) **Business Support for Growth:** Britannia has a vision of becoming a global total foods company. The journey has already begun by our entry into four new categories during 2019-20. These categories and others in the pipeline will become the growth engines for the company in the coming years. My role in this journey as the strategy head of the company includes category evaluation, business model finalisation, evaluation of inorganic and partnership options, business planning and monitoring progress versus plan.
   Besides, business finance, a function established by me in Britannia in 2007, plays a key role of working closely with all businesses and functions to help them achieve business results while improving commercial processes, information systems and controls. In the early days of the lockdown, the business finance group came up with a concise and comprehensive dashboard of daily performance of the company by each of its operating unit, namely, factory, depot and sales group. This, coupled with focused reviews, helped the company identify issues and opportunities proactively, enabling necessary actions.
3) **Digital Transformation:** We are in the process of a major digital revamp in Britannia. As a first step, we are implementing three transformational projects:
   - S/4 HANA implementation to integrate all business processes and implement best-in-class practices across the value chain.
   - Online dealer management system to take our sales processes to the next level.
   - End-to-end integration of vendor processes.

   With all the core systems getting upgraded and integrated, we will be in a better position to leverage the large data available to build relevant business analytics and intelligence.

To what extent has the pandemic and ensuing lockdown affected Britannia's investment plans for FY21?

We started seeing reasonable growth in volume from January this year. Except for some disruption in the last week of March, growth during lockdown period has been quite solid, led by significant upsurge in in-home consumption. With continuing buoyancy in volumes, we reviewed our long-term capacity plan

PROFILE

Venkataraman is the Chief Financial Officer at Britannia. He joined Britannia in 2007 as Head of Commercial Operations, a newly created vertical in the organization. Prior to this, he was heading the Finance functions of two-wheeler & commercial vehicle businesses of Eicher Motors. Venkat heads Finance, Commercial, IT, Legal, Secretarial, and Business strategy functions in Britannia and is also responsible for the Company's cost efficiency and productivity enhancement initiatives. He is also currently leading a significant digital transformation journey in the Company to enhance organizational effectiveness.

and fast-tracked a few of them. We intend setting up greenfield facilities in Tamil Nadu, Bihar and Uttar Pradesh and expanding our facility in Maharashtra and Odisha over the next 2- 3 years. This will provide us the required capacities across all regions in the country, closer to the demand clusters.

Which products in the snacking category have shown the most growth for you in the last three months?

The macro snacking category has seen a significant boost in consumption since the outbreak of the pandemic. With the exception of some of the more 'on-the-go' categories such as salted snacks and dairy drinks, all other categories including biscuits, rusk, and cheese saw solid growth.

Has the situation in terms of distribution seen any improvement since the initial stages of the lockdown?

We had some difficulty servicing outlets in April due to lockdown restrictions in different parts of the country. However we managed to reach about 90-100 per cent of the pre-pandemic levels of distribution in May and June. During Q1 we could reduce distributor inventory by almost 45 per cent by supplying the right mix of products and practicing linear inventory management. This, coupled with the surge in demand, improved channel profitability, resulting in significant lowering of distributor attrition.

In Q1 the company has seen a notable improvement in operating profit despite cost inflation in key raw materials. Can you comment on this performance?

As the lockdown unfolded and we saw surge in demand, we focused on the following three strategies:

- **For Factories:** *Prioritization of products to maximise throughput while minimising labour requirement.*
- **For Depots:** *Lean and optimized supply chain to improve response to market and minimise material handling.*
- **For Distributors:** *Linear billing to improve distributor throughput and working capital.*

We also implemented discretionary cost cuts to manage the unforeseen. As a result of this, the quarter saw improvement in margin on account of:

- Top line growth.
- Backend efficiencies arising out of higher volume.
- Mix improvement.
- Wastage reduction in areas of material usage, inventory write-offs and market returns.
- Fixed cost reduction in areas of travel, conference, office expenses, etc.
- Working capital improvement.
- Focused media spends.

How have your online channels been performing during the lockdown? Given the trend of digitalization, are there plans to scale up these channels going forward?

During the lockdown period, the e-commerce channel grew significantly faster than all other channels. While the salience of e-commerce continues to be small for us, given the promise it holds, we are evaluating various strategies and measures for growing this channel disproportionately.

How do you see consumer demand in India going forward?

We are seeing some strong and sustained trends emerge in terms of consumer behaviour and preferences such as:

- Trusted brands make for a strong business moat. In disruptive times like this, consumers will seek out brands they trust and believe in. The 'occasional' brands repertoire is likely to shrink. So brand equity will prove to be a very strong asset and the consumer love for everything the brand stands for will help it sustain and grow, more so in these times than before. In the last couple of months, we have seen unprecedented growth in our highly salient brands like Good Day, Marie and Milk Bikis.
- Increased in-home consumption is here to stay for a while. Families are postponing out-of-home experiences and dining out has given way to dining in. Biscuits and other in-home consumption products in our portfolio have gained sharply from this trend. Our cheese portfolio is also riding strong on the trend of increased in-home cooking.
- Interest in health and immunity products is on the rise. We are looking at this very closely and working on some exciting new products. Our research and development lab in Bengaluru is working on different fortified products, in both bakery and dairy.
- Consumers will prefer proximity shopping for some time to come. Neighbourhood mom-and-pop stores have always been the backbone of India's retail economy. They ensured a steady supply of essentials in the country through the lockdown phase. The 'kirana' stores are very entrepreneurial in nature and service the consumers' current need for proximity shopping. E-commerce is also emerging as a grocery platform of choice predominantly in urban cities.

What is the single most challenging aspect of being a CFO?

Risk management in the organisational context will remain one of the key challenges for any CFO. From simple operations risk to complex strategic risks to uncontrollable external risks, the canvas is wide and unpredictable. The CFO has the task of identifying each of these risks and creating a framework for detecting, eliminating, managing and mitigating their effects on the company. The current pandemic is an example of uncontrollable external risk and very few organisations could cope up with the devastating changes it brought about along with its debilitating aftermaths. I firmly believe that risk management will become more important than ever before and the CFO is probably in the best position to handle this task given the unique bird's eye view of the organisation that the position holds.

"We Feel That The Worst Is Over"

Manoj Bhat

CFO, Tech Mahindra

What are your top strategic priorities as CFO of Tech Mahindra?

The corona virus-triggered pandemic has created severe business disruption, but has also created opportunities to re-imagine all aspects of our business. The top priorities are cash flow management, risk assessment, improving profit margins and ensuring growth. In all this, providing strategic inputs on investing in high yield and growth businesses while driving operational excellence are two aspects of ensuring sustainability of the changes.

The other strategic priority is to ensure that our processes and systems are in line with the changing needs and demands of the marketplace and incorporating technology changes like automation, artificial intelligence and data analytics to help in agile decision-making even during such difficult times. Last but not the least, driving operating efficiencies and helping Tech Mahindra drive value creation for investors, customers and employees is a priority area.

In what ways has this pandemic situation affected your business and when do you see things going back to normal or rather to pre-pandemic times?

This pandemic has surprised us all and we have seen various phases of the crisis now. Businesses are re-opening, we are seeing demand shoot up and the growth momentum is coming back. If I look at our deal pipeline, I think the funnel size is

PROFILE

Manoj Bhat has been associated with Tech Mahindra since 2006. He brings with him a rich experience of more than 20 years in the IT and ITES industry -- across various roles in Finance, Corporate Planning & Development, Merger & Acquisitions, and Strategy, and has played a key role catapulting Tech Mahindra as the fifth largest IT company today.

Manoj has been the Chief Financial Officer (CFO) since 2018, before which he was the Deputy CFO for 5 years since 2013. Earlier he has taken up several responsibilities such as Business Finance, Investor Relations, and Corporate Planning. He was also the 'Head of Mergers and Acquisitions' for Tech Mahindra from 2011 to 2018 and have closed over 15 transactions in this period.

Earlier, from 2009 to 2010, he was in a leadership role responsible for the acquisition and integration of Mahindra Satyam, followed by its merger in 2013. He was also a key player in the initial public offering of Tech Mahindra in 2006.

Before joining Tech Mahindra, Manoj worked with Perot Systems and HCL Perot Systems in various leadership roles in Treasury, Business Development Finance, and Strategy. He was also the finance lead for the US operations of HCL Perot Systems.

Mr. Bhat has a Bachelor's in Technology degree from IIT Mumbai and a postgraduate diploma in management (PGDM) from IIM Bangalore.

higher but I do believe that decision-making will become slower. We feel that the worst is over and next few quarters will be focussed at recovering and returning to normal. We expect that during the rest of the year we may see performance normalising to the pre-pandemic times.

On the positive side, this crisis has brought about rapid digitisation initiatives employed by companies globally. Will this pave the way for better business opportunities for Tech Mahindra?

The ongoing crisis has led to acceleration in digitalisation and to a faster adoption of digital solutions by companies across the globe. The demand trends we see are digital as the offline model is rapidly changing into the online model. Our customers are also looking to accelerate their digital strategy, which includes remote working, cloud strategy and security. I think these are the key words that are always a part of any conversation of every client.

With Tech Mahindra being a global company having a strong footprint in the US and Europe, what is your exposure to foreign currency risk and what measures are taken by the company to address this risk?

More than 90 per cent of our revenue comes from currencies other than the rupee. So to that extent, we are exposed to several currency movements. However, we have a well-defined hedging policy, which mitigates most of the impact on our earnings. I feel that we should start to see recovery in the US and Europe in the next two quarters, and we are targeting customers with technology transformation which can help them during the current crisis and the post-pandemic situation.

> "The government's vision of making India a manufacturing hub can be turned to reality through timely focused efforts."

Can you comment on your outlook for growth 6-12 months down the line? What are the new opportunities for Tech Mahindra?

We see several opportunities in digital transformation for our customer base over the next 6-12 months. Most customers who hadn't embarked on a transformation journey are now focusing on digital initiatives. We see this as a continuing trend where we see an all-pervasive move towards transformation. Further, we are trying to achieve agility and are aiming to get nimble. Working towards this, we are investing in automation and off-shoring, increasing synergy between businesses on both the revenue as well as cost side.

How optimistic are you about the Indian growth story in the years ahead? In your opinion, what are the major challenges impeding growth?

The crisis has accelerated India's journey towards digital leadership. With socio-economic disruptions and the US-China trade war, India has the opportunity to rise up to this challenge and strengthen its digital infrastructure and invest in knowledge centres and manufacturing capabilities. The government's push for a self-reliant India and aggressive push for digital penetration is a positive step towards the growth story. In order to improve India's global positioning, the government and industry must collaborate to address the structural challenges to encourage both global and domestic investments. This can help strengthen the domestic market and drive exports. The government's vision of making India a manufacturing hub can be turned to reality through timely focused efforts.

How has your experience been as CFO of Tech Mahindra? Can you tell us about the challenges you have faced during your tenure?

Navigating the company through the current pandemic has been challenging but it has also been a great learning experience. The collective team effort we all have put in and the company's overall resilience and agility will help us come through this crisis successfully. The global nature of business and our exposure to multiple economies, currencies and regulations makes it a challenging and satisfying task to assess risks, manage performance and figure out the right strategy from both a financial and a business perspective.

"We See Our Future As Being An Innovative Healthcare Services' Provider"

Kedar Upadhye

Global CFO, Cipla Limited

What steps did Cipla take to brace for the Chinese drug supply shortage that made the news earlier this year?

With 70 per cent of its APIs sourced from China, the industry did face some level of disruption due to the lockdown in China. However, we had sufficient buffer stock that ensured that the manufacturing and supply of our drugs were not impacted. Our philosophy of self-reliance and self-sufficiency has held us in good stead during these times and has become even more critical today. We implemented a formal business continuity panning (BCP) framework to de-risk procurement, manufacturing, and distribution processes.

We are also developing alternate vendors for critical APIs and intermediates, which are currently being procured from China and other countries, and are exploring the feasibility to develop in-house manufacturing as an alternate source for some APIs. Our alternate vendor development (AVD) strategy ensures uninterrupted supply of raw materials. We completed 56 AVD processes aimed at de-risking and serviceability in FY 2019-20, as compared to 28 AVDs in FY 2018-19. As we continue to unlock our respiratory pipeline and strengthen our oncology presence, we also plan to enhance API research and development and manufacturing capacities in these therapeutic areas and backward integrate for manufacturing of key starting material and critical API intermediates to achieve better supply chain control.

In addition to becoming self-sufficient, we also service the world's largest pharmaceutical companies with more than 200 generic and complex APIs. Today, our APIs are supplied to 63 countries across the globe, which represents the solid API capabilities we have developed over time towards becoming a preferred sourcing partner.

Cipla has launched the generic version of treatment drug Remdesivir at a price which is among the lowest globally. Given the large demand and supply gap that exist for this drug, can you comment on its volume and distribution?

Our partnership with Gilead Sciences, Inc. for the manufacturing and distribution of Remdesivir in 127 countries is in line with our commitment to enable patient access to promising treatments for the current pandemic. We have launched Cipremi (Remdesivir) in India and South Africa at one of the lowest prices globally, and are working expeditiously to ramp up production and supplies, especially to areas with a high burden of corona virus cases. To achieve this, we have also transitioned towards end-to-end manufacturing of the drug at our Goa facility to significantly boost our capacity.

We have already supplied significant amounts of the drug and are expecting the demand-supply gap to normalise soon. Additionally, we are working closely with regulatory authorities and have restricted supply of the drug only to hospital channels to ensure fair and equitable distribution. As per regulatory guidelines, a state-wise list of these hospitals is available on our website, cipla.com. We have also launched a dedicated helpline (86573 11088, 022 6282 0886) and email channel (info.availability@cipla.com) to support patient access to the drug exclusively during this pandemic outbreak.

What is your exposure to the US dollar? How do you manage foreign currency risk?

Cipla generated USD 547 million from US operations in FY20. Also, some of Cipla's exports to the emerging markets are also

PROFILE

Kedar Upadhye has been Joint President and Global Chief Financial Officer of Cipla since August 2016, heading its Global Finance and Information Technology functions. Prior to joining Cipla, Kedar was Vice President, Finance, and Head of Investor Relations at Dr Reddy's Laboratories. He has previously worked with Pepsi India and the Thermax Group. Kedar is a qualified Cost Accountant and Company Secretary, and an alumnus of the Indian Institute of Management, Bangalore.

USD-denominated. Foreign exchange risk is managed with appropriate hedging activities in accordance with the risk management framework of the company. We use forward exchange contracts and/or options to hedge against net foreign currency exposures. All material foreign exchange transactions are fully covered. The company does not enter into any derivative instruments for trading or speculative purposes.

With the renewed government focus on pharmaceutical and healthcare, do you think the industry is poised for high growth in the years ahead?

As the largest provider of generics globally, the Indian pharmaceutical sector has always been attributed as the pharmacy of the world. Well-versed in making finished formulations, the industry will now focus on achieving self-sufficiency in API manufacturing. This will not only secure its production and supply chain from disruption but also present itself as a viable alternative to China for other countries. This is certainly an opportune time for the Indian pharmaceutical sector to move towards becoming a preferred sourcing hub for the world.

Apart from being one of the largest makers of generics drugs, a stronger call for innovation will also define the sector's growth moving forward. For example, at Cipla we see our future as being an innovative healthcare services' provider instead of a medicine manufacturer to continue on our upward growth trajectory and stay ahead of the curve. In keeping with the new reality, the industry is also increasingly embracing digital tools in a big way to engage with stakeholders like doctors and patients. Adoption of these digital tools will help enable continuity, efficiencies and far more reach for players.

In addition to re-defining operations in the new world, the pharmaceutical industry will also grow by creating value in the overall healthcare ecosystem. This includes working closely with the government to strengthen access to healthcare, equipping doctors with innovative tools and knowledge resources and empowering patients to play an active role in their health management. The Indian pharmaceutical industry is on the cusp of change, and its growth will be further fuelled by the new reality that we are faced with, renewed government focus and the re-imagination of its role in the ecosystem.

Do you think the pandemic is the biggest 'Black Swan' event that India has ever faced? What is your outlook going forward?

The virus outbreak was certainly unprecedented and challenging. However, I do believe that unprecedented circumstances lead to unprecedented awakenings. In this case, the pandemic has served as a reminder for us to relook at our priorities and approaches towards healthcare in India. It has given us a chance to re-imagine the ecosystem and build a stronger one to face future health crises. The pandemic has brought the focus back on India's public healthcare. It presents an opportunity to reinvigorate public health services across the country and reiterates the need for primary healthcare to be bolstered to reduce stress at the secondary and tertiary level.

Addressing the human resources' gap in healthcare is also necessary, as is the up-skilling of existing resources, including frontline workers. The pandemic has also reminded us that wealthy cities may not necessarily be healthy cities unless strong urban health systems are created. Hence, there is an urgent need to revamp and strengthen the country's urban health services. Scientific innovations hold the key to solving such health crises, and therefore this area also needs our attention. India needs to create a favourable environment to enhance its research and innovation capabilities.

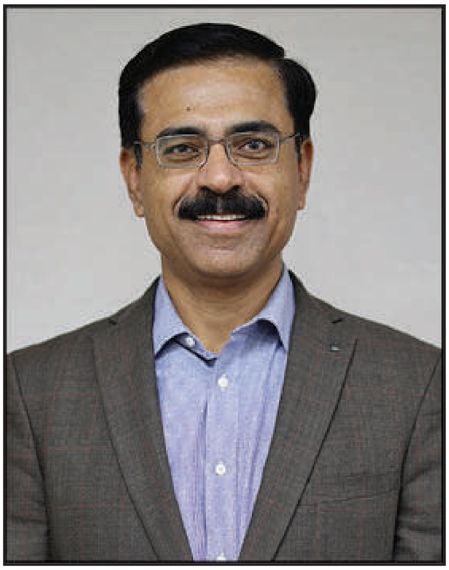
At the same time, it is important that we also work towards achieving self-reliance in end-to-end production of high-quality treatments by creating an enabling ecosystem for local manufacturing. The pandemic has definitely helped initiate the above changes, right from the policy level to the grassroots. It has also fuelled tremendous collaboration across the board, including government, industry and academia that will be the key to bringing about these changes.

How has your experience been as CFO of Cipla? Can you highlight some of the challenges that a CFO faces while leading a pharmaceutical company?

I feel humbled to be part of an organisation that has always been guided by a larger philosophy of 'caring for life'. Whether it was HIV/AIDS, the Bird Flu and now the corona virus pandemic, we have always been at the forefront of saving lives. At the same time, we have also consistently delivered in accordance with our strategic priorities and growth targets. Each of us at Cipla is proud to see the organisation grow from strength to strength towards being a future-ready organisation and also living up to its core purpose of serving patients. This also comes with an immense sense of responsibility to deliver on all fronts to our patients, the healthcare ecosystem, our investors and the community.

Given the sector we are in and our relentless commitment to our stakeholders, it is our duty to focus on value generation, both from a humanitarian and business perspective. For instance, pharmaceuticals has been at the forefront of the battle against the ongoing pandemic and it was imperative for us to holistically adapt to this new reality, right from activating scientific efforts towards finding a mode of treatment and maintaining business continuity to ensuring employee safety and uninterrupted supply to medicines to patients.

For the Indian pharmaceutical sector, the impact of the pandemic came in two phases. First, from the lockdown in China which impacted API supplies, and then from the India-wide lockdown that suddenly brought the entire country to a halt. These challenges were unprecedented, and we had to adapt almost immediately. However, driven by our purpose, business resilience and agility to re-imagine our operations, we have been able to successfully emerge out of this and continue on our mission and vision for the future.



"We Always Ensure That The Business Has Sufficient Liquidity"

Vivek Anand

Group CFO, **DLF Limited**

What are the top priorities that you give most meaning to as CFO of DLF?

The CFO's role goes beyond a functional role. The role is dynamic and entails driving growth in line with meeting long-term business objectives of the company. My key focus is to raise capital to fund growth, invest in people development and enhance performance culture. The priorities that I have set are strict fiscal discipline to effectively manage cost and cash, prudent capital allocation by making hard choices and implementation of best practices in areas of sustainability of business. Most importantly, implementation of global best practices in the areas of business processes and corporate governance while enhancing IT and digital capabilities for improving operational efficiencies and proactively managing business risks.

Can you comment on the steps taken with regards to cost optimization to help ensure healthy margins for the company?

We had targeted a cost reduction of 25 per cent in fixed cost at the beginning of the year and we have achieved it in Q1 of FY21 which is sustainable during the year. The company also implemented zero-based budgeting, which has led to clear identification of all costs across the organisation. This has resulted in eliminating non-essential and discretionary costs across all functions. We have also implemented various cost control measures to effectively manage our cash flows while ensuring healthy margins.

The performance of the retail business was impacted owing to the shutdown of retail malls. Now, with their gradual reopening, albeit with limited operational timings and social distancing measures, do you see this division picking up quickly this fiscal year in terms of growth?

PROFILE

Vivek is a Chartered Accountant by profession with over 25 years' experience in FMCG, Telecom, Paints and Finance. He has worked with GlaxoSmithKline, Hindustan Unilever Limited and Telenor. In his last role at GSK, he was CFO of India Sub-Continent and a member of the Board.

He has vast international experience and has strong acumen in Finance, Treasury, Mergers & Acquisitions, Corporate Planning, Investor Relations, Tax Planning, Risk Management and Information Technology. Vivek led India's largest private disinvestment at GSK with the sale of heritage brands like Horlicks and Boost to HUL for over USD 4 bn across 20 countries.

In 2018, he was the recipient of the "Best CFO Award" for a business turnaround by Financial Express a leading business daily.
Vivek is now Group Chief Financial Office of India's leading real estate company DLF Limited and is based in Gurgaon. He is an avid reader and, follows a rigorous exercise regime. His wife Anjana is a leading educationist and they have two children.

The retail business is now gradually returning to normal although certain restrictions continue to remain for the cinemas and entertainment zones. There are also operational challenges with respect to time of operations and local intermittent lockdowns which weighs on the business. We expect the retail segment to start picking up around the festive season. There may be a rebound in the end of the third quarter or the beginning of the fourth quarter. We have extended rental waivers to our tenants to tide over this pandemic. Presently our priority is to ensure the health, safety and wellness of our employees, tenants and shoppers. We are actively leveraging technology and social media solutions to offer our customers a safe and convenient shopping experience. It is encouraging to see shoppers in the mall; the footfalls have reached 35- 40 per cent and are gradually increasing every week.

Given the significant disruption in business activity in Q1, how is DLF performing in terms of collection efficiency? How do you expect things to shape up on that front?

We remain focussed on our collections and are on track as per our budgets. We believe that there will be a gradual ramp up in the collections as things return to normalcy.

In these uncertain business conditions, how is the company placed in terms of liquidity?

Since inception DLF has had a consistent record of meeting all financial obligations on time. As part of our business strategy, we always ensure that the business has sufficient liquidity to meet all its financial obligations. Currently we have ₹3,500 crore of cash or cash equivalents across both our business verticals. I would like to reiterate that DLF has not availed any moratorium during this period and continues to meet all its financial obligations on time which shows the strength of the company.

> “We are seeing a sharp shift in consumer preferences for ready-to-occupy homes over projects which are under construction or are nearing completion.”

What is your outlook for the real estate sector and the economy as a whole going forward?

There are visible indications of a consolidation in the sector. The market share of the top 10 real estate players has increased from 13 per cent to over 20 per cent in the past three months. This indicates that serious players with strong balance-sheets and brand equity are here to stay and are likely to gain in the long term. Smaller developers are clearly under stress because of over-leveraged balance-sheets, and uncertainty looms around their ability to raise capital and complete their projects. Unfortunately, the pandemic has dampened the spirits and caused further stress because of which some of them are offloading inventories at a discount.

India as a market continues to be an attractive destination for outsourcing because of its large working dividend which is growing each year. The offices segment continues to show resilience and the success of the two recently concluded REIT’s shows that demand for office space is here to stay. We see good demand from banking, financial services, insurance, IT and data centres in the short term, while sectors like hospitality, travel and food and beverage continue to be under stress. On the residential side, we are seeing a sharp shift in consumer preferences for ready-to-occupy homes over projects which are under construction or are nearing completion.

This can also be attributed to further delays in existing projects and short supply of ready-to-move in homes. Overall demand drivers are looking good for large established players. Steady supply, attractive pricing, coupled with all-time low borrowing rates should act like a catalyst for growth. I feel that the realty sector will revive with improvement in economic sentiments and activity. The mid-income housing segment is evolving and there is good demand from this segment. You will see a couple of launches from DLF in this segment soon.

How has your experience been as CFO of DLF? Can you tell us about a challenge that you successfully faced while leading the company?

The experience is fantastic. I have worked in various sectors internationally including FMCG. The real estate sector has given me an opportunity to learn and implement the global best practices from my learnings. One of my strengths is people development. I am presently driving a cultural change, strengthening the organisation with new skills and capabilities and inculcating a culture of collaboration and problem solving. I have been actively working with the leadership team to diversify the product portfolio. This means we will be reducing our dependence on a particular asset class and will cater to consumers across segments.

Interview

"The Power Sector Would Gradually Be Back To Normal"

Parminder Chopra

***CFO,* Power Finance Corporation Limited**

In the largely changing and volatile environment today, what are your top three priorities as CFO of Power Finance Corporation (PFC)?

With PFC being a financing company in the power sector, the role of the CFO is more strategy-oriented than function-oriented. In current times, the corona virus pandemic presents a unique challenge for the CFO of the organisation. Given the uncertainties around such a situation, it's important to think critically about what gets prioritized to ensure business continuity. My top three priorities at the moment are ensuring sufficient liquidity for PFC and its borrowers, having a resilient balance-sheet and most importantly, keeping the employees motivated through these tough times.

The power sector is one of the critical drivers of Indian economy. The current pandemic has had a severe impact on the economy and the power sector is also not immune to it. It has had an impact on the entire power sector value chain in terms of reduced demand and dipping revenue collection, which is causing immense financial stress and disruptions to the power supply chain. PFC is the key financing partner of the government for the power sector and our support to the sector at this time is crucial. Therefore, at PFC my foremost priority is to have adequate funding available to ensure continuity of PFC's financing business.

PFC's unbridled financing support to the power sector will not only help in alleviating the stress in the power sector but will also enable effective transmission of the government's relief measures to the power utilities. The pandemic has also brought along with it unprecedented volatility in the financial markets globally. From stock markets plunging to their historic lows to oil prices reaching the negative territory to sudden depreciation of the currencies, the pandemic has caused extraordinary downturn in the financial markets. The repercussions are expected to continue for some more time.

In this extremely capricious financial situation, my immediate focus is on protecting the bottom-line and having a resilient balance-sheet so that PFC is well-positioned to operate effectively in the new normal. I am keeping a close tab on the critical parameter of the ALM position with a specific focus on liquidity. Also, we have enhanced our risk management monitoring and are gradually building our provisioning buffer based on risk assessment. I believe these proactive actions will help in fortifying our financials to face future uncertainties to some extent. The pandemic has also caused a social economic crisis along with financial disruption. It has brought a sudden change in the way we live and the way we work.

This has caused stress, fear and anxiety across the spectrum and the employees are no exception to it. In the current crisis, my role is not just restricted to managing the financials but also ensuring continuity of work and the well-being of my team, since it is the employees who are the success drivers in the organisation. So as a CFO one of my top priorities presently is not only to ensure that necessary system and support infrastructure is available to the employees for working efficiently and effectively but also to keep them motivated by

PROFILE

Ms Parminder Chopra is a Cost Accountant & MBA and has over 32 years of rich and varied experience. She joined Power Finance Corporation Limited in 2005 after serving in key power sector organisations - National Hydroelectric Power Corporation of India (NHPC) and Power Grid Corporation of India Ltd. (PGCIL). During her career span, she has handled a gamut of finance portfolios such as fund mobilisation from domestic as well as international markets, banking & treasury, asset-liability management, stressed asset resolution etc. She is a director in PFC Consulting Ltd. & PTC Ltd. and chairman in six Ultra Mega Power Projects (UMPP).

being empathetic and ensuring positive engagement to ease out the effects of disruption. The current times are challenging, but I believe business and daily life will find a new equilibrium.

In the last quarter of FY20, the profitability of the company took a hit due to sharp rupee depreciation. How is the company managing to deal with this forex variation going forward?

PFC over the past few years has forayed into the foreign markets for its funding needs. Currently, foreign currency borrowings constitute 15 per cent of our total liabilities' portfolio. In case of PFC, the exposure to foreign currency is only through our external commercial borrowings and as you know the same is subject to exchange risk variation. Therefore, my continuous focus is on ensuring effective risk management through hedging of the foreign liabilities portfolio.

We have a well-established currency risk management framework in place to actively monitor the markets and take swift hedging decisions. Given the uncertainties in the foreign exchange market, taking a very long-term view on the hedging decision is generally difficult. Therefore, strategically we are focussing on hedging the liabilities which are maturing in the next five years. In FY 2019-20, 67 per cent of these liabilities were hedged and now 74 per cent of such liabilities are hedged. Therefore, we are gradually stepping up our hedging cover keeping in view the market conditions.

Also, we are currently exploring innovative and structured derivative products which can be adopted to hedge the risks as and when the RBI-enabling framework is available. As for the recent rupee depreciation, the recessionary effects of the pandemic had started emerging in the global market in the last week of February. This had led to significant volatility in the financial markets all around the world leading to sudden appreciation of the USD against all major currencies. The Indian rupee is very vulnerable to global events and the sudden depreciation of rupee was the resultant of this global pandemic. The current level of volatility was atypical driven by the impacts of the pandemic. Therefore, we could see a sudden impact of exchange volatility in FY 2020 profits.

Further, the impact on PFC's profitability was more prominent due to the accounting treatment being followed. PFC being a NBFC transitioned to IndAS-based accounting from April 1, 2017. Under IndAS, the profit and loss is more susceptible to such foreign currency movements as opposed to the IGAAP-based accounting being earlier followed. Further, I would like to point out that all these are notional losses and do not have any immediate impact on our cash flows. Also, as already mentioned, we have adequately covered the risk for the next few years. Therefore, in view of this and with a robust risk management structure in place, I believe that PFC is well-geared to tackle the risks associated with foreign currency borrowings.

What steps are being taken by the company to reduce NPAs with regards to errant distribution companies (discoms)?

First of all, I would like to bring out that PFC does not have any NPAs in the discom space.
The Indian power sector, which is usually resilient, is also reeling under the impact of the pandemic mainly due to fall in demand which is in line with global trends and the weak revenue realisation. Discoms were already struggling with operational issues like aggregate technical and commercial losses, etc. before the pandemic. Now, due to reduced revenue realisation during these times, the cash flows of the discoms have been severely impacted, which has led to an increased level of financial stress on them.

PFC has been quick in responding to the challenges arising due to this pandemic and is actively partnering with the Government of India for implementing various schemes for the distribution segment. For facilitating credit flow to discoms, PFC has already come out with a scheme for lending to discoms under the recently announced ₹90,000 crore liquidity package by the government. PFC and its subsidiary REC are the co-lending partners. The state discoms have shown strong interest in the ₹90,000 crore package. An amount of more than ₹60,000 crore has already been sanctioned till date by both PFC and REC which is to be disbursed in two equal tranches. In the first tranche, more than ₹17,000 crore has already been disbursed by PFC and REC.

States seeking loan in the first tranche will have to enable digital payments for electricity bills and submission of outstanding power bills, dues from state departments, and subsidy for monitoring purposes. In the second tranche, discoms will have to reduce power supply losses and costs in consultation with the Ministry of Power. The liquidity being infused at grass-root level in the power sector i.e. discoms have helped to provide sufficient liquidity across the power sector value chain. In addition to this, PFC is the nodal agency for the government's Integrated Power Development Scheme (IPDS).

The scheme is aimed at reduction of aggregate technical and commercial losses, establishment of IT-enabled energy system and improvement in billing and collection efficiency. So far, PFC has sanctioned more than ₹66,000 crore under the scheme. Also, to facilitate financing, especially in the distribution segment, PFC has inked a Euro 200 million loan deal with German development bank KfW. PFC will on-lend these funds for development of the distribution infrastructure of state-owned companies.

Moreover, I feel that the recent privatisation of the discoms announced by the government and the proposed amendment in the electricity bill and tariff guidelines will further support the strengthening of the transmission and distribution business. Further, the government's thrust on smart metering is expected to improve collection of revenue for the discoms which has been impacted due to the spread of the pandemic. Smart metering will help in improving the efficiency of the discoms and subsequently their financial health. Thus, with a plethora of initiatives being taken, the power sector is expected to move on a revival trajectory going forward.

With cash inflows constrained due to moratorium, how is the company performing on the liquidity front?

In the present scenario, the philosophy of every company has been 'cash is king' and it is imperative for organisations to preserve cash to tackle the ongoing crisis. We were well-placed to start with as we had no short-term outstanding borrowings on our books as on March 31, 2020. Further, PFC, by leveraging its inherent strength i.e. strong fundamentals, high credit worthiness and well-established relationship with lenders, is able to easily access the funds' market. This gives us the confidence that we will have sufficient liquidity levels to fund our business operations. Also, PFC is continuously assessing its cash flow situation by monitoring its liquidity indicators and is accessing the market as and when required.

During the current fiscal we have successfully raised close to around ₹33, 000 crore from the domestic markets, majorly through a mix of bonds and term loans. Also, we have a line of credit of ₹9,200 crore available from banks. In addition, we have been receiving allocations from the government under NSSF and debt ETF. Also, PFC is allowed to raise funds from low-cost capital gain bonds (54EC bonds). Thus, with our inherent strength, diversified funding sources and also being a critical partner to the government, we are confident that PFC is well-geared to meet its funding needs.

What are the key growth drivers or levers of your company?

First of all, we are the largest lender in the power sector in the country and so our key strength lies in lending to the sector. The uptick in the power sector, especially in the solar realm, is extremely encouraging for us. Besides, we have a strong portfolio of fund-based and non-fund-based policies and products which drive our business. Further, one of the government's top priorities is to increase the installed capacity of renewables to 175 GW by 2022. The government's push in the renewable sector is encouraging for us as the country is looking to add substantial capacity in the renewable sphere.

Also, infrastructural development in the e-mobility space will provide us ample business opportunity. For a cleaner and greener environment, the Supreme Court has given a directive to thermal power units to necessarily implement flue gas desulfurization (FGD) technologies within a timeframe. These developments are encouraging for PFC as a lender in the power sector and we will be a proud partner in implementing these path-breaking technologies.

The government is also looking to ramp up the transmission and distribution business in the country by implementation of schemes like Deen Dayal Upadhyaya Gram Jyoti Yojana for strengthening the transmission and distribution systems in rural areas, SAUBHAGYA for providing last mile connectivity, Integrated Power Development Scheme (IPDS) to improve transmission and distribution systems in urban areas, etc. This is expected to attract huge investments from the private players. Thus, there is good business potential in the power sector space for PFC going forward.

What is your view on the weakening general economic conditions in India due to the pandemic and the consequential slowdown in the power sector? What are the major growth impediments?

The impact of the pandemic has been widespread across sectors in the country and the power sector is no exception. The economic stimulus announced by the Reserve Bank of India followed by the economic packages from the government has provided the necessary push to the economy for a kick-start. The green shoots in economy are visible and the demand in power sector has been extremely encouraging. The recently announced ₹90,000 crore package by the government for state discoms would further help the sector to recover. The slump in power consumption has narrowed to just 2.64 per cent in July at 113.48 billion units (BU), a clear indication of spurt in economic activity, thus raising hopes of touching the normal level by August. Power demand is a key indicator of the improving scenario. With the unlocking phases slowly taking effect, the wheels of industrial activities are slowly chugging back to action.

In the current scenario, one of the impediments in PFC's growth, according to me, is the pace at which the stressed assets are being resolved. The pandemic has significantly slowed down the stressed asset resolution process, especially for stressed assets under NCLT, which is putting pressure on capital levels. Although in the current fiscal we have resolved two stressed assets worth ₹1,353 crore, the resolution process is taking a lot more time as compared to the pre-pandemic times. But with the key economic indicators signalling green shoots in economic activities, PFC feels confident that the power sector would gradually be back to normal.

Can you describe your experience as CFO at PFC? Can you highlight the key challenges you have faced so far during your tenure?

Well, it's just been over a month that I have taken up the responsibility as the CFO of the organisation. But I have been working for 15 years with PFC, handling crucial and core finance functions such as fund mobilisation, banking and treasury, asset-liability management, stressed asset resolution, etc. It has been a truly enriching journey with varied challenges that have shaped me as a professional. Tackling the current unprecedented uncertainties due to the pandemic has been my biggest challenge to navigate. I am confident that PFC will be able to successfully sail through.

"Our Expansion Strategy Has Been Carefully Planned"

Krishnan Akhileswaran
Group CFO, Apollo Hospitals Enterprise

Given the current uncertain market conditions, what are your top three areas of priority as CFO of Apollo Hospitals Enterprise?

The first area of priority is of course to ensure that we maintain a healthy overall financial position and balance-sheet in particular. The immediate focus in the next couple of quarters is on generating sufficient cash flows to meet our operating expenses without increasing our leverage. This involves careful planning of use of funds and strong working capital management. The second area is to drive sustainable, structural cost reduction across the enterprise to ensure that we emerge out of the pandemic with a leaner organisation structure and a greater sense of resilience than before.

The third area is to work with our business heads to provide them with actionable insights that help them strengthen our pole position in healthcare beyond the pandemic, even as we take care of our existing customers and patients, while simultaneously launching new customer-facing service lines – both physical and digital.

Will you be able to sustain your margins as the rapid expansion of hospitals and rising competitive pressure could lead to cost escalation, especially in staff costs?

There will, in the short-term, definitely be an impact of the pandemic on margins, stemming primarily from the shock to top-line. Hospitals are a high-fixed-cost business, and it is not easy to change the cost structure in a very short period of time. We have taken efforts to minimise the impact to profits by instituting one-time measures on cost reduction such as negotiating lower rentals, deferring marketing costs and reducing other operating costs. We have also initiated a productivity study across the enterprise and will be launching initiatives to improve productivity and reduce costs in a sustainable way over the next 12-18 months.

PROFILE

Krishnan Akhileswaran is the Group Chief Financial Officer of Apollo Hospitals Enterprise Ltd, which is India's leading private sector healthcare services provider operating one of the largest hospital networks in Asia with over 10,000 beds across 70+ hospitals. Apollo hospitals also operate India's largest network of pharmacies over 3,500 outlets. It is listed on the Indian Stock exchanges with a market cap in excess of US$ 3 billion.

Part of the Senior Management team of the company, Krishnan is responsible for Financial strategy and Control, Growth and expansion strategies, Fundraising and Corporate Finance, Contract negotiations and strategic alliances, Business Finance, Costing, MIS, Accounting and consolidation and Investor Relations. He holds a Bachelor's degree in Commerce and a Master's degree in Management in Finance, both from the Bombay University. He is also a qualified Cost and Management Accountant (CMA) and Certified Treasury Manager. He brings the necessary leadership presence to operate successfully at the executive level and ability to act as a credible advocate for Business internally and externally.

He has been employed with Apollo since the year 2010.

Structurally, we don't see our margins getting altered negatively. In fact, our expansion strategy has been carefully planned and we see operating leverage from our new hospitals' revenue ramp up, enabling overall margin expansion in the healthcare services segment over the next 3-5 years. Competition is a fact of any business and it is up to us to remain customer-relevant and I am confident that being a customer-focused organisation with strong clinical talent pivoted around medical excellence will help us deliver good results and ROIs.

What is your outlook on the company's pharmacy business? Do you expect better growth there as pharmacy has actually been quite a fast-growing segment?

We are very positive in our outlook on the pharmacy business – we have demonstrated 20 per cent-plus growth in top-line consistently. We expect these growth rates to continue. More importantly, the EBITDA percentage in this business is now 6 per cent. With quicker asset turns, the ROCE is now upwards of 25 per cent. We expect these margins to improve with an increasing share of private label business in our portfolio and higher same-store growth.

Do you see Apollo Hospitals continuing to gain market share in the increasingly competitive Indian healthcare services market over the next two years? Furthermore, what is your outlook on the industry going forward?

Yes, we do expect to gain market share in the top six cities where we have a lion's share of our beds. Our differentiators have always been and continue to be an unmatched clinical and technology proposition. We also believe we have an unmatched geographic and format diversity – our spread of services from diagnostics, to short-stay formats, to cradles, to home care, and now recently to digital healthcare with the launch of Apollo 24/7 provides us both the range and depth to be top-of-mind with the consumer, and therefore garnering higher market share.

We believe the outlook for the industry is positive as the structural demand-supply gap for healthcare services in India is intact. But there are emerging trends of a well-informed, empowered and demanding consumer, which all healthcare providers need to acknowledge and prepare for. We will also need to adapt to the changing payer landscape with insurance and the government increasingly becoming payers for large segments of the population. As long as healthcare providers are prepared for these changes, the future growth prospects are healthy.

The pandemic and ensuing lockdown pose the biggest threat to the battered Indian economy. In your opinion, what are the major hurdles impeding growth that will need attention?

The first is attention to the dramatic loss of individuals' livelihoods across sectors. The government needs to put in place a plan to pull people out from these difficult times. This will need a higher level of direct cash support in various forms than has happened so far. There definitely seems to be an opportunity in manufacturing, which we must seize and while this has existed for several years now, we have been a bit slow in the past. The opportunity now of being an alternate supplier to the world is getting rapid acceptance and with government support and proactive reforms and bold incentives, the opportunity to deliver on this front could be real.

We must take some lessons out of the textile story of Bangladesh, where they have gained significant share of the global wallet, at India's expense. Looking ahead, India needs large amounts of equity infusions to emerge out of this pandemic. Who will make these infusions and why would be important questions to answer. We are still seeing the government broadly focus on debt and fiscal management, but with the enormous amounts of investible surplus available around the world, it is important that we create an enabling environment to position India as an investment destination to tap into both the Indian consumer market and that of the world.

What skill-sets are required to be the CFO of a leading healthcare company in India?

No CFO can be successful in the current context unless he or she is truly a business partner. So, a deep understanding of the market, competitive landscape, emerging opportunities and threats, as well a deep knowledge of internal operations are the qualities important to be a good CFO. Capital allocation, risk mitigation and strong governance along with understanding the importance of sustainable value creation needs to always be at the back of a CFO's mind too.

Secondly, today's CFO must be very clued in to the digital space – both in terms of the business opportunities it brings as well as the opportunities for internal re-engineering that it provides. For example, RPA is fast becoming a reality in the finance area and it is important for the CFO to be aware of these developments. The intuition and ability for horizontal collaboration is the other skill-set. No one will be successful in a silo. Every decision has multi-geography, multi-functional implication and a CFO can only be successful if he or she is able to carry multiple stakeholders throughout the process of ideation, decision-making and implementation.

"Growth Of Indian Economy Will Propel Power Requirement"

Ajoy Choudhary
Director (Finance), REC

What are your top 3 Priorities as CFO of REC?

REC is a large systemically important NBFC working in the power sector for more than 50 years. We are not only lending to the power utilities but are also partners in government's initiatives for an efficient, reliable and strong power sector. An "AAA" rated "Navratna" company; we fund our resources through market borrowings of various maturities including external commercial borrowings. With more demanding customers and society, achieving sustainable, long-term growth and value creation has never been more challenging. So, REC provides a world of opportunities to work on. If I have to mention 3 priorities, they will be to 'continue to build and grow trust of our investors and other stakeholders', 'resolution of stressed assets' and 'continuing diversification initiatives directly through REC or through our subsidiaries'. Indeed, diversification will hold considerable attention of our company. We are looking to participate in distribution business, in power exchanges, smart meter installation, solar projects and a host of other areas.

The investors at this point are risk averse and fear a spike in NPAs for the financials. Taking this into consideration what steps are being taken to reduce NPAs going ahead?

Yes, we are going through a phase of change and uncertainties. Many of the sectors, particularly, hospitality, tourism, airlines etc. have been affected like never before. Power sector, fortunately has not been as severely impacted. The July 2020 consumption of electricity was almost 98% of July-2019 figures. The Government's initiative to support distribution companies through "Atmanirbhar Bharat Abhiyaan" of which REC and PFC are an integral part, could not have come at a better time where receivables from state government has been securitized to provide timely help to the distribution companies to meet their obligation to make timely payment to generators & transcos. This has also been linked to certain reform measures. RBI too chipped in with its moratorium for 2 quarters for borrowers and scheme for one-time restructuring of loans. So we feel that these measures are very timely and will avoid large scale NPAs. REC's 88% lending is to the state/central utilities. The state support available to these utilities and central government interventions from time to time helps them immensely. Further, government's support is available in many other ways such as reducing cost of capital, reduction in LPS etc.

So, REC will not be much impacted by this pandemic situation and we do not anticipate more NPAs in our Books. We have quite a robust system of post sanction monitoring of projects in place that helps us assess vulnerability/ weak areas. Present assessment of the situation does not call for any concern. Indeed, In June-20, we posted our highest ever quarterly profits. That said, we are carefully watching the situation and will certainly take all necessary action, if the situation so demands.

How much moratorium has been availed by your customers and what is the current status of the entire moratorium part of the company's loan book? Is the company facing liquidity issue as a result?

Till June-2020, total moratorium, including interest due was ₹10,138/- crore and represented about 41% of our total dues payable during this period. We are expecting 50% of our loan book to be covered by moratorium by August-2020. And no, we are not facing any liquidity issue as a result. Being AAA rated and having strong credentials, we are able to secure borrowings at lower rates than before.

Coming to the special package of ₹90000 Crs which the Government has given, can you brief us about its potential benefits to REC?

Yes, the government has announced a special package of ₹90,000 crore for distribution companies. The receivables payable to discoms by the state government has been securitized and REC and PFC jointly shall disburse the amount to generation and transmission companies directly on behalf of distribution companies based on certain conditionality's and against state government's guarantee. So, each company shall disburse around ₹45,000 crore. Right now, some of the project execution has been impacted and loan requests that are coming to us are less than normal. So, this package will surely help us fill the gap. Apart from benefits in purely monetary terms, this package provides relief to distribution companies that their receivables from state are taken care of. The government has called for certain measures in this scheme which would help these distribution companies to better realize their dues. Also, the states have been squarely made responsible for affairs of discoms. So, this scheme helps the distribution companies, the generation and transmission companies and overall, the health of power sector. REC will benefit from its direct participation in the scheme and improved performance of discoms.

What are the major growth drivers for the company in the years ahead? Likewise, can you comment on the challenges and the steps taken by the company to mitigate them?

Power is perhaps the single most important growth driver of any economy. The government has achieved 100% village and household electrification and they are looking to consolidate on a strong renewable energy growth and strengthen the distribution segment. The growth of Indian economy will propel the power requirement to more than 600 GW from present around 380 GW, in the next five years. This will require more than 10 Lakh crore of investments in the sector. A reasonable chunk of this investment will be met by us. The importance of "Atmanirbhar Bharat" will act as catalyst for huge power demand from manufacturing sector. The proposed universal smart metering project will provide us good prospects for funding as well as implementation by our subsidiaries. We are also exploring setting up an asset reconstruction company ourselves to see if some viable stress projects can be taken over and resolved in the time to come. There are other hosts of areas where REC is contemplating diversification on its own or through its subsidiaries. All of these would provide growth opportunities.

Challenges would come and they will be met. I personally don't like to think too much of the problem areas. We continually watch the sector closely and take appropriate measures. For example, during our acquisition of GoI stake, there was a knee jerk reaction in the market and rates of our papers in the bond market went up. We strategized and kept ourselves away from the market for a while and met our requirement from loans and ECB and after some time things became normal. Now, when RECPDCL (Our subsidiary company) will strive to enter the distribution business, that will be another challenge for us. So, challenges will keep coming and will provide us important lessons and opportunities. There is absolutely nothing that can stop you if your resolve is strong enough. Challenges are always welcomed.

What are your views on Indian Power sector and on the economy as a whole? Do you see a strong recovery in the quarters ahead?

Indian Power sector is poised to grow at a faster rate now. The government resolve for "Make in India" and "Atmanirbhar Bharat Abhiyaan" will only hasten the process. The 100% village and household electrification are catalysts for growing demand for power. As more and more people in remote villages of the country begin to use electricity, it will create demand for appliances and more businesses will come up which use electric power. The renewable push of the government is bringing cheaper and greener power in far flung areas. The use of digital platforms too will grow. There is an urgency driving the reform process which has started to attract investment in the sector. Indian economy too, in my mind will find its feet and grow at over 7.5% in the next fiscal. With oil prices expected to remain subdued, India will definitely benefit. I think domestic demand will grow at a much faster pace and will provide the necessary fillip. Private investment now needs to grow and I am sure the government is taking all necessary steps to ensure that. I think we shall start to see recovery from the third quarter.

How has your experience been as CFO of REC?

I took over from my predecessor on 1st June, 2020. But I have been in the company for more than 12 years. The vibrancy and the enthusiasm that exists in the company are phenomenal. There are many growth opportunities in the company and that makes my job very exciting. Hopefully, REC shall continue to grow and bring value for its stakeholders in the coming years.

Interview

"Cash Is Now Not Only The King But The Emperor"

T K Sridhar

***CFO and Head of Investor Relations,* ABB India Limited**

In today's changing environment, what are your top three strategic priorities as CFO of ABB India?

For any function today, including that of the CFO, the first priority is working with the team to help support the health and safety of our employees. At ABB India, our mantra has always been profit over volumes and cash over revenue, which has helped navigate the markets in the last 4-5 years and now in this unique situation. The second priority therefore is cash – which is now not only the king but the emperor. Therefore, it is not only to manage the current situation but also build resilience for the future.

The third would be business continuity for our own selves and our customers. This would also involve the adoption of various technology tools to get even closer to customers – remote services like commissioning and troubleshooting, free access to digital value-addition through ABB 'Ability' platforms, customised, value-based packaging of solutions and services and collaboration workshops for a multi-channel solution-based approach for their issues.

What cost rationalisation measures have been adopted by the company in response to the pandemic? How do you plan to recover margins going forward?

We take a long-term view of cost – it is not extraneous but intrinsic to the way we do our financial planning and also about spending or investing wisely. A few areas would include elimination or reduction of discretionary spending, as for example, travel or trade shows. It would also include restricted use of external resources, as for example, consultants and postponement of non-critical investments.

A dynamic dashboard to track the same in real-time with various contributing parameters is enabled. Going ahead, a critical way to ride and thrive in the new normal future would be to focus on market segments which have been less impacted or likely to recover much faster than others. It is important to have a plan to enhance presence in such sectors, which for ABB India includes food and beverages, data centres, pharmaceuticals, metros, and the energy and chemical industry.

In your opinion, will digital transformation through industrial automation and robotics see enhanced adoption now? What are the major drivers for increased adoption?

The drivers for increased automation and robotics have been in place for the last few years with automation forming an integral part of the planning process of leading companies across several sectors. We have been witnessing traction in these areas across various industries. There are three levels of automation

PROFILE

TK Sridhar became the Chief Financial Officer and Head of Investor Relations for ABB India Ltd. in 2015. In this time, he has steered regional Lean Management in finance, positioned India as a key contributor to ABB Group's Capital Efficiency Program, while also leading the implementation of contemporary financial instruments in ABB India Ltd.

He has been instrumental in ABB India's major customer engagement and project wins, including the mega HVDC orders of Raigarh-Pugalur and also launching ABB's digital portfolio with customers across utilities, industries, infrastructure, and transportation. He is closely involved in strategizing and guiding teams to deliver customer-oriented solutions using best-in-class ABB technology in the country.

A Cost & Management Accountant from the Institute of Cost & Works Accountants and a Master in Commerce from the University of Madras, Sridhar has also completed training in Finance & Business Control, Senior Leadership Development Program from IMD, Lausanne, Switzerland.

– process automation or control systems, shop floor or enterprise automation and robotics process automation along with associated digitalisation value-additions. Different industries are at different automation maturity with varying requirements.

In the current environment, a solid ROCE or ROI is required for companies to make these investments. Most of the stable and cash-rich industries are using it as a competitive advantage with their ability to invest during stress in the industry. However, the ROIs on efficiency and productivity projects are much faster and further accelerated with digital value-additions. For example, the ROI on robotics projects vary between 18-24 months. Drivers include automation demand driven by quality, safety and labour factors, modernisation programs to improve productivity and yield, etc.

The growing middle-class and lifestyle changes leading to consumption of packaged goods resulting in automation is also another key driver. Government initiatives of self-reliance and 'Make in India' and to make India a global manufacturing hub and focus on advanced automation technology like artificial intelligence are also providing the right impetus. Finally, the proliferation of e-commerce has also led to a boom in logistics and warehousing, opening up further potential for implementation of automation and robotics beyond the automotive sector.

Among your client base, how are companies pivoting during this pandemic crisis and how is automation helping them?

Indian companies have been extremely agile and ABB India's technologies have been a catalyst in partnering them. While the technology has always been there, the mode of deployment has been innovative. Just like work from home, customer interaction and engagement has also become online and virtual. The pivoting has ranged from procuring power distribution equipment and installation to converting a nursing college into a hospital for the virus-infected in 48 hours during the lockdown. For instance, terminal automation software, product configuring and communication with controller unit installation remotely to match the rapid scale-up of manufacturing base for Isopropyl Alcohol (IPA), an important raw material for the production of sanitizers.

We also supported Indian Railways for uninterrupted supply of essential goods by continuous monitoring and troubleshooting of breakdown and goods' locomotives across 10 locations, which also requires automated platforms and digital value-additions. A leading refinery in North East India had to be shut down for maintenance and the entire job was done from our location in Bangalore. Our services also extended to customers in neighbouring countries, including a propulsion component overhauling job completed in 12 hours while the vessel was at port and remotely supplying panels for generators in Nepal's biggest power plant.

Which industries in India are leading the demand for automation?

We are glad that a combination of industries in different market segments is using Industry 4.0-based technologies as a common base for the next level of productivity gains. In our case, early adapters have included cement, steel, pulp and paper, energy and mining companies. They have a range of processes and are now looking at optimisation of the entire value chain. Many of them come with specific problem statements which get appropriately addressed.

General ones include process and asset optimisation, quality improvement, planning efficiency and logistics productivity on a unified platform from plant to enterprise level. There are others like white goods manufacturing and food and beverage with specific segments like milk pouch handling which requires additional expertise for the shape and size and warrants greater automation and robotics.

What is your outlook on the Indian economic growth story in the years ahead? What will be the major impediments for growth?

We remain cautiously optimistic about the journey ahead. In the medium to long term, if the growth levers of certain segments pick up, especially like food and beverage, data centres, transportation, pharmaceuticals, etc., with a focus on self-reliance with enhanced local manufacturing in areas like electronics, vibrancy can return to the market, triggering greenfield to complement brownfield opportunities. However, for investments in the core sectors and infrastructure sector, the wait could be longer.

Can you touch upon the challenges that you overcame as CFO at ABB India?

I would term them more as opportunities rather as challenges. I would like to point out here that at times in one's profession and career there are transformations in organisations that are matched by transformations in discipline or function. For instance, the finance function has undergone a lot of changes in the last few years. In my own case, my team and I were able to work cohesively in the last two quarters to achieve a seamless closing, including completion of quarterly board meetings and shareholders' meeting. This is a classic example of adapting to the new normal.

No doubt this brought in a great learning curve for us alongside the savings. The second one is to sustain focus on building an organisation culture of cash and cost without impeding growth prospects. This has included working with the internal team and customers and suppliers to innovate on payment terms to provide a win-win situation for all. Finally, it is equally important to keep investing in up-skilling people as they are the ones who are the drivers of any initiative

"It Is Crucial To Keep Up With The Times"

Ram Kumar Gupta

CFO and Director of Finance, **Bata India**

In times of current uncertainty, as a CFO which aspects of the business do you give most meaning to?

During these unprecedented times, capital conservation is absolutely paramount. We follow the 'cash is king' mantra in our organisation and work collectively towards achieving business growth. As a CFO, one needs to anchor oneself in an increasingly volatile landscape, facing a series of operational and cultural challenges. At a tactical level, we need to implement processes to combat lingering pushback to automation within the organisation and to also leverage all the data at one's disposal. It is crucial to keep up with the times and embrace evolution, steer the organisation in a way that we transform financial productivity, constantly retool and retain talent, and become a data-driven company. Once the technology is in place, we have to continue to evolve and position ourselves as a transformative force.

What in your estimate will be the impact of the pandemic on consumer behaviour and demand and how will Bata India navigate this?

The ongoing pandemic has certainly altered consumers' buying pattern and behaviour. They are apprehensive about stepping out of their homes to shop and have turned to e-commerce platforms to fulfill their shopping requirements. For us, the safety of our customer sis paramount; hence we have undertaken a host of measures to ensure a safe and convenient shopping experience for them. We have segmented our consumers in three categories – digital natives, digital adopters and digital novices. For our digital novices like the elderly, children and home-makers – people who generally don't step out of the house as much – we have launched 'Bata Store on Wheels'. Under this initiative we have set up mobile stores in residential localities in association with RWAs to offer a safe and convenient shopping experience to our customers.

The stores carry a wide portfolio of collections, carefully crafted to suit the current needs and requirements of the customers. The consumers' response has been good. Buoyant on the success and this learning, we are doing over 100 kiosk activations every week. We have also launched another new channel called 'Bata Chat Shop' which allows customers to shop from their local Bata stores via a social media platform. We are expanding our omni-channel facilities and today we are serving our consumer from anywhere to anywhere through 1,000+

PROFILE

Mr Ram Kumar Gupta is the Director of Finance and Chief Financial Officer of Bata India Limited. Mr Gupta is a Bachelor of Commerce with Honors [B.Com (Hons.)] and a Chartered Accountant (FCA) with over 32 years of experience in different positions in Bata Shoe Organization (BSO). He joined Bata India in July 1986 and has had an extremely successful and rewarding career.

At the beginning of 2013, he was transferred to Africa Region to lead the finance operations of Kenya, Uganda and Tanzania. The companies, during his tenure in India, Kenya, Tanzania and Uganda have achieved record profits with improved profit margins through various cost-saving initiatives and innovative methods. He was relocated back to India in July 2015.

During his tenure as CFO at Bata India since 2015, the Company has successfully achieved multiple milestones of sustainable and profitable growth. He has been accoladed many awards like "Best CFO of India 2019 – MNC Midcap companies" by the prestigious Dalal Street Magazine and Bata Shoe Organization group.

Bata stores. We believe that evolution and innovation is a continuous process and we will come out of this pandemic stronger than ever.

With the gradual resumption of activity after the lockdown, how is demand playing out between the tier 1 and non-tier 1 towns? Where do you see quicker recovery coming from?

Since the intensity of the pandemic is relatively lower in smaller towns, i.e. non-tier 1 towns, demand has picked up at a faster pace as compared to metros and tier 1 cities. However, economic activity is gradually gaining momentum in tier 1 cities as well, and we are hoping for a recovery very soon.

How is Bata India expanding its e-commerce footprint due to the pandemic? How equipped is the company to benefit from the booming e-commerce opportunity?

We understand that now consumers will make most of their purchases through online platforms and there is going to be a growth in online shopping. We at Bata India are cognizant of this and have taken all the necessary steps to further offer a seamless experience to our customers through our website and e-commerce channels. Digitization is an important element for our global 'from anywhere to anywhere' strategy and is going to play a vital role in navigating through the new normal. Bata India now services more than 1,300 towns and cities through e-commerce platforms, which includes our website and our partners like Amazon, Flipkart, Myntra, PayTM, Tata Cliq and Ajio. We have also launched a full suite of omni solutions such as Bata Omni and Endless Aisle which will help us in optimising our inventory levels and also enable our consumers to choose from a wide variety of products.

> "Digitization is an important element for our global 'from anywhere to anywhere' strategy and is going to play a vital role in navigating through the new normal"

What are the plans around new store openings for the fiscal? In addition, do you have any planned additions to your product portfolio?

Considering the impact of the pandemic, we are cautious about our expansion plans and are committed to finding the right opportunities to ensure maximum return on capital. Innovation remains our priority and we are expediting our efforts to bring new products with technologies at better value.

How has your experience been as CFO of Bata India? How would you sum up the journey so far?

I consider myself very fortunate to have been associated with this great organisation for more than three decades. It has been a roller-coaster ride and I have seen some good and bad days, but it has all been worth it. The entire experience and learning has been so great that I will cherish it for my entire life. Our scriptures teach us that 'change is the only constant' and we strongly believe and practice it here. People are always encouraged to test their boundaries in order to stay relevant in changing times. We place great value on agility and it has helped us in navigating successfully through world wars and pandemics in the past, and I am sure we will continue to lead in the future as well.

"We Expect Growth Of 10-15 Per Cent In The Gold Loan Business"

Bindu A L

Executive Vice President and CFO, **Manappuram Finance**

As CFO of Manappuram Finance, what are the top three priorities you give importance to?

The first among my top three priorities would be to ensure availability of funds at reasonable costs to improve profitability and shareholder returns. This includes appropriate diversification of the sources of funds and arriving at an optimum mix of short-term and long-term liabilities in order to achieve long-term sustainability. The second priority would be a relentless focus on improving operational efficiency, including cost optimisation and thereby improve earnings. The third priority would be compliance as well as enable the business to capture opportunities in the market, as they come.

Going forward, owing to the tough macro-economic environment, do you think provisions will continue to remain elevated at the current levels?

In our core business of gold loan, there is very low credit loss, even in case of defaults. For other businesses which account for about 30 per cent of our consolidated portfolio, we have made accelerated provisions in Q1 as per the new accounting standards' requirements in order to meet any challenges that may arise. However, as things have been improving since then, we are confident that the provision levels would not remain elevated for long.

How are digitisation and technology influencing your company's operations during these trying times?

Digitisation has been the core differentiator during these times. Over the course of the lockdown all our branches were closed, and it was our early investments in digitisation and deployment of technology that saved the day for us. Most of our customers were able to use digital means to transact with us during the successive lockdowns, not just for repayments but also for additional fund requirements. We have been the early adopters of technology, be it for operational efficiency, service quality improvement or for risk management.

PROFILE

Mrs Bindu A.L. started her career with Manappuram, as a freshly minted Chartered Accountant. Over the past 21 years, she has meticulously achieved excellence in the various roles and responsibilities assigned to her. As a CFO, she is the face of the company to the investors, bankers and institutions. She has successfully taken the company to the global arena by raising dollar funds through the maiden international bond issuance of the company in January 2020. The fact that the company did not face any challenges on the liquidity front over the past two years, otherwise a particularly challenging phase for India's NBFCs, is a testimony to her delivery as a CFO.

With gold prices recently reaching record levels and contributing towards strong growth in the gold loan segments, could you take us through your outlook on the gold loan business?

The gold loan business is virtually unaffected by the increase in gold prices beyond the initial periods because the higher gold prices soon become the new normal. The demand for gold loan depends mainly on growth of economic activities, particularly in rural, semi-urban and the unorganised sectors, and the requirement of funds to support income generation activities.

As mentioned earlier, we expect growth of 10-15 per cent in the gold loan business this fiscal. Looking at a longer time horizon, the organised gold loan segment in India, which currently takes a backseat to the unorganised segment, is likely to increase its share of business from the current one-third to at least a half or more. Moreover, the overall industry accounts for less than 4-5 per cent of household gold holdings, which is estimated to be worth over USD 1.5 trillion. The market potential is huge and even at a conversion of 8-10 per cent of our total gold holdings, the gold loan industry can easily be a USD 100 billion industry.

In your opinion, what are the key risks facing the Indian economy?

The real challenge is to get the economy back on the growth track. With all the stimuli spending to counteract the impact of the lockdown, there is a likelihood of inflation going up and if growth is not there, the risk of stagflation in the economy is real. Today, the expectation is that India's GDP growth would be negative in FY21, the first time since the liberalisation of 1991. For India, a relatively high rate of GDP growth compared to the advanced economies is essential because this is the only way to sustainably create jobs for our young population.

Without growth, unemployment will shoot up leading to many adverse consequences. Further, from the point of view of NBFCs, our cost of funds is still on the higher side as successive rate cuts by the Reserve Bank of India have not translated into proportionate cuts in interest rates by banks. On the positive side, we can derive a lot of comfort from the surge in our foreign exchange reserves, driven by a spike in FDI.

What is the single most challenging aspect of being a CFO in this sector?

I would say it is about striking the right balance between the requirement for funds and its availability. On the one hand, I have to ensure that enough funds are available to meet the growth objective. On the other hand, I have to take care not to have too much surplus liquidity sitting idle as it affects overall profitability. Therefore, I must ensure that on a real-time basis we always have enough funds on hand but also not too much of it. That's why ALM plays a significant role in the decision-making process.

What aspects of the balance-sheet should be given utmost attention while evaluating a company operating in the NBFC space?

The maturity profile of both assets and liabilities play a significant role in the survival and growth of NBFCs in these trying times. If I were to evaluate an NBFC, ALM would be my first focus, followed by the various ratios with regard to cost and earnings. A question to ask is: can the NBFC raise fresh long-term funds without significant increase in the cost of borrowing? And finally, the level of stressed assets, be it the declared NPAs, or restructured assets, including under moratorium. Attention must be given to the absolute numbers as well as key ratios and how they have changed over the past few quarters.

"Hospitals Should Be Included In The Priority Sector"

Vivek Goyal
CFO, Fortis Healthcare Limited

What are your top strategic priorities as CFO of Fortis Healthcare?

The topmost priority is to achieve long-term sustainable growth through judicial and intelligent allocation of capital while tapping available opportunities to remain ahead of the competition. Further, we would like to act as a change agent by steering the organisation towards better ROCE and ROE from an EBITDA-centric organisation. Achieving long-term sustainable growth would be through the use of digital platforms like artificial intelligence, tele-consultation, etc. We would also like to continuously excel in compliance and corporate governance. We intend to usher in more automation and use technology for a smooth and seamless process which can help in faster decision-making and implementation of better controls.

We would also like to remove the complexities existing in the organisation because of legacy issues and try to bring about simplicity in our operations. Fortis Healthcare also aims to work towards structuring a resilient, transparent and agile organisation to cope with the ever-changing business environment. In our industry we must deal with multiple uncertainties, including ever-changing government regulations and directions.

Can you comment on the cost-rationalisation measures adopted by the company to sustain operations during these uncertain times?

During the ongoing pandemic our operations have been adversely affected and our revenue has fallen by almost 50 per cent. To survive and keep the organisation on a steady keel we have taken a number of initiatives for rationalisation of cost. For instance, we have achieved fixed cost reduction by almost 25 per cent from the normal level. To achieve this drastic cost reduction, the senior management, including clinicians, have taken a salary cut in the range of 15-50 per cent depending on the level of the individuals. We have also eliminated certain positions and while carrying out this reduction we have assured that the quality of our services is not compromised. This has mainly happened in the non-medical staff.

Meanwhile, we have renegotiated the existing rental agreement and contracts with vendors for supply of goods and services. The company has also rationalised the marketing and sales expenses to a bare minimum. Capital expenditure is being reduced to a bare minimum as well but at the same time we have spent on capital expansion which is essential for the quality and safety of our patients and staff members. We have also worked on a new lever for revenue generation such as tele-medicine, Home care facility, tie-ups with various hotel chains for treatment of corona virus patients, etc. are some of the other new measures adopted by us.

What has been the slippage compared to averages in terms of footfall, occupancy levels and revenue and by when do you see these numbers normalising to the pre-pandemic levels?

On account of the lockdown in the months of April and May, the footfall, occupancy and revenue in our hospital chains have come down to almost one-third the level as compared to a normal month. Even after the gradual easing of the lockdown, people are

PROFILE

Mr Vivek Kumar Goyal is a Chartered Accountant, Company Secretary and LLB from Delhi University. He has done his graduation from Delhi University. He has got more than 30 years of experience in the field of finance and accounts. His areas of expertise are treasury, financial planning and control, accounts, taxation, corporate finance and investors relationship. He has played a key role in the transformation of companies and acts as a change agent. He has worked in prestigious organisations such as TATA Housing and Construction Ltd, Ballarpur Industries, Jindal SAW and Indo Asian Fusegear Ltd.

scared to come to a hospital. Clinicians are also scared to do elective surgeries. Meanwhile, government agencies have also placed a lot of restrictions on doing elective surgeries.

Our international patient business which constitutes almost 10 per cent of our total business has fallen by almost 80 per cent. Two of our hospitals were designated as 'corona virus treatment only' hospitals. Further, state governments have announced price caps for virus patients and this has adversely affected the ARPOB (average revenue per occupied bed) and the profitability of our organisation. With the lockdown situation now improving, the occupancy, footfall and revenue have started showing an upward trend.

Right now, as we speak, our occupancy and revenue has come back to 60 per cent of the normal level. However, the international patient business has totally dried up and we do not expect it to bounce back till international flights start operation again. Further recovery will depend on how the pandemic situation evolves in the near future and its ultimate impact on lockdown and flight operations.

With the importance of the private healthcare sector highlighted in the face of the pandemic, what kind of government support is needed for the sector to progress?

In these difficult times of the pandemic we definitely need some support from the government. I am highlighting some of the areas where its support is required on an immediate basis:

- The government should immediately issue notification to all PSUs, private corporates, ECHs, CGHs and TPAs to release payment against outstanding receivables. This will help the hospitals to manage their critical liquidity situation. Any delay in payment should attract penal interest as is done in the case of MSME vendors.
- Hospitals should be included in the priority sector and banks and financial institutions should be encouraged to provide loans at concessional rate.
- Complete exemption from GST on consumables, medical equipment and hospital services is required. Similar exemptions and deduction under direct tax should be provided to healthcare service providers and healthcare staff.
- The government should expedite income tax refunds for healthcare service providers.
- It should also provide mediclaim and term insurance cover for private medical staff and doctors.
- The government should contribute to ESI and PF contribution for healthcare staff on behalf of employers.
- Hospitals should also be allowed to use CSR funds for treatment of poor patients suffering from the virus.
- It should make available free-of-cost PPE kits for healthcare staff and poor patients.
- A judicial analysis should be done of the cost of treatment by hospitals while imposing a price cap. The government should provide subsidy to compensate the higher cost of treatment over the price cap.

The pandemic has brought almost all sectors in the country to a standstill. Now, with a gradual restart of economic activity, what are the challenges you see for the Indian economy in the years ahead?

The Indian economy was already struggling with high fiscal deficit, demand contraction and poor health of our financial institutions, banks and NBFCs. The pandemic has put further stress on all economic activities. The financials of almost all the companies in various sectors have significantly deteriorated. The revenues of most companies have fallen by more than 50 per cent and in some sectors like aviation, hospitality, tourism and automotive, the fall has been by more than 80 per cent. Most of the corporates have put on hold their expansion plans and this will directly impact employment generation.

The situation has further worsened due to the rising tension at our borders with our neighbouring countries. All of this has adversely affected the financial strength of the corporate sector and banks may need to make more provisions for NPAs. This will ultimately impact the financial health of banks and NBFCs, which are already struggling. Unemployment is increasing at a very fast rate and small and medium enterprises have been bearing the brunt of it all. Though there are signs of a gradual restart of economic activity, in India we are now witnessing a second and third wave of the virus in some states. This is once again affecting movement and economic activities.

It looks like the virus is here to stay for some time we will have to learn to live with it. The Indian economy is going through its worst period and it will require a lot of efforts by the government and the private sector to bring it back on track. In my view, the government should introduce some more stimulation packages to protect the poor, self-employed, and small and medium enterprises. It should invest more in infrastructure to generate employment and increase the purchasing power.

What skill-sets are a must to be a successful CFO of a company? How has this role evolved over the years?

A CFO should be data-driven and must be a strategic thinker and quick decision-maker. He or she should be able to identify risks associated with the business and be quick enough to grab opportunities. A CFO should be well-versed with IT and use artificial intelligence and data analysis for formation of strategies and monitoring. It is also important to be a team player with a deep understanding of business for putting in place adequate management and operational controls.

Over the time, the role of a CFO has evolved from account-centric to business-centric. His or her role these days has become more prescriptive rather than descriptive as was earlier. A CFO has evolved as a business partner and plays a key role in the drafting, execution and monitoring of strategies to achieve organisational goals. A CFO's responsibility is also to be a custodian of interest for the various stakeholders, namely, shareholders, directors, bankers, rating agencies, employees and vendors.

"I Have Never Had A Dull Moment"

Manish Sheth

***Group CFO,* JM Financial**

What are your top three priorities as CFO of JM Financial?

Being one of the prominent diversified financial services groups, JM Financial offers a wide spectrum of businesses to corporations, financial institutions, high net-worth individuals and retail investors. We have been helping our clients spread across geographies realise value-accretive growth in investment banking, wealth management and securities, mortgage lending (wholesale mortgage lending and retail mortgage lending) and distressed credit which includes asset reconstruction business and asset management, including mutual fund business. The strong balance-sheet and net worth of the group reflects its resilience based on more than four decades of experience.

This also takes into account stakeholder trust and strategies sharpened with insights, prudence and foresight. Therefore, while taking the rich legacy of the group forward, my focus would be to adhere to the vision and the core values of this great institution and the top three priorities would be to a) manage liquidity and create best-in-class liabilities franchise, b) closely watch and evaluate emerging risk matrices during the current pandemic situation, and c) allocate capital to the growth businesses without compromising on profitability.

Given the current uncertain environment, investors are risk-averse at this point of time and fear a spike in NPAs. How would you address this?

In this uncertain economic scenario, the real case scenario of

PROFILE

Mr Manish Sheth is the Group Chief Financial Officer of JM Financial Limited. He specializes finance and strategic planning functions, shouldering the vital responsibility in managing the Group's finances, including capital structuring, internal restructuring, treasury, taxation, accounting, reporting, controls and procedures, and compliance perspective. He oversees finance and related matters of flagship listed company, Investment Banking, Wealth and Securities business, NBFCs, HFC, Private Equity (PE), Asset Reconstruction (ARC) and Alternate Investment Fund (AIF) businesses as well as oversees international treasury and operations for JM Financial Group. Additionally, he heads the Investor Relations function for the group. He is also a member of the Group Asset Liability management committee (Group ALCO), which focuses on various avenues and tenure of the funds raising requirement of the Group.

He holds a bachelor's degree in Commerce from Mithibai College, Mumbai University and is a member of the Institute of Chartered Accountants of India as well as the Institute of Company Secretaries of India. He was also part of a management development program "3-Tier Programme" by Indian Institute of Management (IIM), Ahmedabad

Recently, Mr Sheth has been awarded as the Best CFO winner in the category, 'CA CFO Financial, Consulting and Other Service Sector' at the 11th ICAI Awards.

investors turning risk-averse has added to the liquidity stress and cash-flow mismatch. While following a prudent risk management approach, a significant number of them have embraced extreme risk aversion. The macroeconomic scenario, on the other hand, is likely to impact the NPA ratio adversely. Having said that, the prevailing economic scenario is quite dynamic and our low leverage and a well-managed balance-sheet will give us the required resilience.

Where do you see safe opportunities for credit growth? Likewise, which segments are you more cautious about?

Well, in my view, it's too early to predict. A selective and strong cash flow-backed secured lending business could provide an opportunity for growth. There are growth opportunities in the wealth and advisory business as well. Our efforts have always been to offer long-term sustainable returns to our customers of all verticals.

What are the major drivers or levers of growth of your company?

As I said, JM Financial has a well-diversified business model. Our integrated business model provides a good blend of fee-based and lending income based revenue diversification.

In your opinion, after withstanding some of the worst impacts of the ongoing pandemic, including prolonged nationwide shutdowns, what are the major hurdles impeding economic recovery?

I feel that the restricted mobility of people and supply chain disruption are the major challenges impending economy recovery. Another challenge is the dwindling spending power of the consumers in line with their subdued income stream. Balance-sheet stress in the financial sector and corporate sector also poses a challenge. Recovery in the labour market and informal sector is also crucial. I hope the gradual unlocking coupled with the festive season round the corner will spur demand and act as a catalyst to sharper economic recovery.

> "The prevailing economic scenario is quite dynamic and our low leverage and a well-managed balance sheet will give us the required resilience."

> "In present times the role of a CFO has become that of a reliable business partner"

How has your experience been as the CFO of JM Financial? Can you tell us about any specific challenge that you had to overcome during your tenure?

It has been quite a journey so far! I joined the group in 2001. It's been two decades now and they have been full of invaluable lessons. I have had the privilege of being a part of the transformation of the group while keeping the core values intact. We started off majorly as a capital market-focused, fee-based franchise in India. Little over a decade now, we have added all the new-age financial services businesses, including wholesale and retail lending, alternative asset management, distressed asset management and international expansion to our portfolio. The process of setting up new business models always comes with a set of challenges and excitement. The challenges are mainly related to capital allocation, operational issues and evolving market competition. I think the journey overall has been enjoyable as I have never had a dull moment.

How has the role of the CFO changed over the years?

The role of a CFO has transformed significantly over the years. From a mere accounting, auditing and tax professional, the role has now been elevated to an efficient finance professional who has to deal with a lot of aspects such as corporate governance, capital allocation, emerging business models, risk, liquidity, liabilities, asset qualities, etc. In present times the role of a CFO has become that of a reliable business partner.

Interview

“The Indian Economy Is Poised To Reap Greater Benefits”

Deepak Goyal, *CFO,* APL Apollo Tubes Limited

What are your top priorities as CFO during these uncertain times?

My top priority as CFO is to achieve a lighter balance sheet by efficient working capital management and rationalising deployment of funds. The target is to reduce the bank loans and to optimise fund utilisation. Other key focus areas are; (i) to lower fixed costs (ii) volume wrap up (iii) margin Improvement etc. I hope to achieve integration of the same with the overall growth objectives of the organisation.

The company has seen sales which stood at 3,141-odd metric tonnes in April, grow to nearly 92,000 metric tonnes in May and 1.43 lakh metric tonnes in June. How do you see recovery going ahead? By when would we see these volumes returning to pre-COVID levels?

The Company had achieved the pre-Covid19 levels of sales and profitability in the last month of June quarter itself. However, the operations are yet to normalise in view of the staggered working hours, lock down, disruptions in logistics and other constraints experienced in various parts of the country. Since uncertainty regarding the end of the pandemic looms large and availability of viable vaccination is not in sight, it cannot be predicted as to how the economy and businesses will shape in a near foreseeable future. However, we are continuously working on improving and sustaining the current level of operations.

Can you brief us about the cost rationalization initiatives taken by the company in the face of the pandemic crisis? Are these measures projected to improve margins in the quarters ahead?

The Company plans to focus on aggressive receivable collection and debt reduction. The Company also plans to delay its capital expansion projects, minimize branding and promotion expenses, renegotiation of miscellaneous contracts for more favourable terms and lower price. The Company has also reduced and rationalised its bank borrowings either by repaying or refinancing thereby reducing the cost of debts.

The company has ramped up its distribution network to directly connect to retailers in smaller cities. Going by this strategy, is the company projecting faster demand recovery from tier 2-3 cities?

Yes, by reducing the dependence on a few large distributors and reaching out to retail distributors and sellers, realisations and debt recoveries have become faster. Further by more efficient supply chain management demand discovery, supply and realisation have become better. Now, about 75% of our revenue is generated from Tier-2 and Tier-3 cities.

Can you comment on the company's interest in expansion and new product initiatives?

The Company has put on hold a few projects that were being contemplated earlier, in order to augment the resources due to the pandemic situation. However, the Company will revisit those plans as and when a more conducive economic environment emerges.

What is your outlook for your industry and the Indian economy as a whole? What are the biggest risks facing the Indian economy today?

The industry outlook looks cautiously positive. After the initial setbacks registered in the Q1FY21, except a few sectors, most of the sectors have recovered. At the same time, we have also seen increased opportunities for certain sectors like IT, Pharma, Telecom in view of the pandemic and the changed work culture. Assuming that we have a reasonable certainty regarding how the Covid-19 situation would evolve in the coming months especially in the backdrop of hopes of discovery of vaccines and the green shoots of recovery in economy witnessed and also forecast by economists, it is hoped that the situation would improve in the coming months.

Indian economy is poised to reap greater benefits in view of the changed geo political situations coupled with the exhortation of the Government for more focussed efforts on ‘Make in India and self reliance. However, the biggest challenges facing Indian economy are poor GDP growth, unemployment, lateral effects of demonetisation and the erratic implementation of GST.

How has your experience been as CFO of APL Apollo Tubes? Which aspect of the job have you found the most challenging during your tenure?

During my tenure as CFO of APL Apollo Tubes Limited for the last 7 years, I could witness overall growth of the Company during which it achieved highest ever sales volumes. The healthy growth of the Company is indicative in the CAGR of 30% in net profit over a period of 5 years.

Further, during this tenure I could oversee the successful implementation of SAP, conceptualise and implement various measures for improving corporate governance like a comprehensive compliance software across the various operational units and work in close co-ordination with reputed audit firms like Deloitte Haskins & Sells (Statutory Auditors) and Ernst & Young (internal auditor).

Overall, my experience as CFO of APL Apollo Tubes Limited has been exciting and professionally satisfying.

"Gold Loans Can Be Used To Tide Over The Crisis"

Rajesh Rajak
CFO, IIFL Finance

Could you elaborate about your top priorities as CFO of IIFL Finance?

This is a period of high uncertainty. Our top priorities are to navigate this period of uncertainty and prepare the required groundwork for future growth. One of the things on the agenda is to reduce costs, especially fixed cost, since they don't have a tendency to automatically reduce with lower business volumes. Another top priority is to maintain adequate liquidity at all times to ensure timely repayment of debt obligations and provide funds to the business for growth.

There is a lot of insecurity in the market with respect to the corona virus vaccine. Keeping that in mind, where do you see things headed for IIFL Finance in terms of growth? What will be the key drivers of growth during this time?

Growth will return soon. We are leveraging digital technology to prepare for growth. While there is pressure to reduce costs in the short term, one has to ensure that the company is well-funded to make use of the growth opportunities.

Gold is making record highs and has crossed the mark of ₹55,000. How do you see this impacting the gold finance business?

Gold has rallied a lot in recent months. Gold loans are used by households for emergency needs. But a large part of gold loan demand is also from the MSME businesses. Gold is like an all-weather friend to them. In good times, they can monetise this gold for business expansion. In times of uncertainty such as now, gold loans can be used to tide over the crisis. Our LTV is at a very safe 65 per cent.

What are the key risks facing the Indian economy in your view?

Private consumption comprises 60 per cent of India's GDP. This has been massively impacted both on the supply and demand sides. Supply chains have been disrupted due to various restrictions to tackle the pandemic and reduced mobility of people and goods. More importantly, demand has been impacted due to lower incomes, layoffs, reduced mobility, tendency to save for tougher times ahead, etc. Lower consumption in turn leads to lower capacity utilisation, which precludes investment which is another large component of our GDP. So the government must step in by investing in infrastructure, healthcare and education. This may jumpstart the economy by driving consumption demand.

While studying the prospects of NBFCs, which aspects of the balance should a retail investor focus on?

NBFCs, like other lenders, are in the business of lending money and earning a margin over their cost of funds. In the process, part of the margin is lost to credit losses or non-performing loans. So the factors that retail investors have to look for are underwriting capability as reflected in the NPA ratios relative to net interest margin, adequate liquidity, low operating costs and robust capital adequacy.

What skill-sets are a must for the CFO of a successful company?

A CFO should be an enabler and facilitator of the company's objectives. The CFO should work together with business leaders in the company. He or she should not be afraid to point out inefficiencies and opportunities to maximise revenue and then partner with the leaders to remove those efficiencies or utilise the revenue opportunities. There will be competing demands for resources from different business units and the CFO has to ensure that the company's capital is being used in the best possible way in the interest of the stakeholders of the company.

PROFILE

Rajesh Rajak is CFO of IIFL Finance, one of India's largest retail-focused NBFCs. Rajak was previously head of business finance at HDFC Bank for 14 years and had also worked with IDBI Bank and E&Y in previous stints.

Interview

"The Overall Outlook For The Cement Industry Looks Positive"

Vikas Kumar

CFO, Shree Digvijay Cement Co. Ltd.

What are your top three strategic priorities as CFO of Shree Digvijay Cement?

Achieving best-in-class profitability by improving operational excellence and deriving maximum value for the business and stakeholders is course a top priority. Besides, exploring new business opportunities by leveraging existing assets and resources is also important. And thirdly, digitalization of the business to enhance the productivity, optimizing cost and mitigating risk is on the priority list too.

What is your capacity utilisation level at present? When do you see this returning to the pre-pandemic levels?

Presently our capacity utilisation level is close to 80 per cent, which has been relatively impacted due to the pandemic. With the markets slowly reopening, we are seeing a gradual recovery in demand. In our opinion, the demand level should be good from the third quarter of FY21.

Can you comment on the cost rationalisation measures undertaken by the company? Has managing fixed cost been difficult during these challenging times?

Being an asset-heavy industry, our prime focus has been on implementing cost efficiency measures. Some of the actions taken in this regard include:

- Changing the product mix.
- Optimising capacity utilisation.
- Conversion of fixed cost into variable.
- Zero-based budgeting.
- Alternative material sourcing and tough supply chain negotiations.

In the course of this pandemic it has been a bit difficult to absorb the fixed costs in full because of lesser capacity utilisation but restricting extraneous services and supplies has helped us in critical times.

What are the company's expansion plans in the years ahead? To what extent were these plans delayed owing to the pandemic crisis?

The company has been holding a strong financial and liquidity position along with keeping sufficient bank limits. We look forward to leveraging the same for any emerging market opportunity, either organic or inorganic. We are expecting delay of at least six months due to the pandemic.

Now, with the gradual reopening of the economy, is the cement industry seeing pent-up demand coming through? Furthermore, what is your outlook on the cement industry going forward?

Agriculture and construction sectors are the key drivers for cement. Agriculture and rural economy will play a pivotal role in bringing the economy back to normal. With gradual reopening of infrastructure, housing projects and the resumption of work on construction sites as well as a good monsoon, the overall outlook for the cement industry certainly looks very positive.

What is your outlook on the Indian economy in the years ahead? In addition, what are the major impediments restricting quick recovery?

Even though growth has decelerated significantly over the past few quarters, the outlook of Indian economy's growth is looking solid in the upcoming years backed by digitization, globalisation, favourable demographics and reforms. Rising consumption and many foreign companies setting up their facilities in India will definitely boost the economy.

Low export capabilities and IT hardware requiring more innovation and incubation are the areas in which we continue to lag. MSMEs and new start-ups continue their struggle for survival due to poor demand while the financial crisis is a major impediment restricting quick recovery.

How has your experience been as CFO of Shree Digvijay Cement? Can you list a few challenges that you had to overcome during your tenure?

Overall, it has been a great experience. The last few years were full of challenges and opportunities. For instance, we witnessed a complete turnaround of the company from debt to cash surplus while wiping off all the losses. It was heartening to see company returning to the dividend list after a gap of 33 years. Some of the other challenges and opportunities included managing change of control and adapting different values and management style, setting up a self-reliant digital process. setting up new financial lines and driving cost rationalising measures.

According to you, what are the essential qualities of a successful CFO?

These qualities would include:

- Strategic mindset with deep understanding of business.
- Collaboration and team orientation.
- High level of networking skills.

Roll of Honour

Rajani Kesari

CFO, ACC Limited

*DSIJ's 2020 CFO Award in **Best Woman CFO** category goes to **Rajani Kesari, CFO** of **ACC Limited***

- ✓ *RoCE improved to 19 per cent*
- ✓ *Net Sales increased by 5.78 per cent*
- ✓ *Total Assets increased by 6.70 percent*

Anil Singhal

CFO, Ruchi Soya Industries Ltd.

*DSIJ's 2020 CFO Award in **Best Returns (Large Cap)** category goes to **Anil Singhal, CFO** of **Ruchi Soya Industries Ltd.***

- ✓ *Gave a stock return of over 628 per cent*
- ✓ *Operating Profit increased by 106 per cent*
- ✓ *PAT margin stood at 58.49*

Jugal Sahu

CFO, GMM Pfaudler Ltd.

*DSIJ's 2020 CFO Award in **Best Returns (Mid Cap)** category goes to **Jugal Sahu, CFO** of **GMM Pfaudler Ltd.***

- ✓ *RoCE stood at 30.74 per cent*
- ✓ *PAT margin stood at 12.01 per cent*
- ✓ *RoA stood at 13.40*

Nikhil Dubey

CFO & Director of Finance
Kilpest India Ltd.

*DSIJ's 2020 CFO Award in **Best Returns (Small Cap)** category goes to **Nikhil Dubey, CFO & Director of Finance** of **Kilpest India Ltd.***

- ✓ *Net sales increased 24 per cent*
- ✓ *Operating Profit increased by 37 per cent*
- ✓ *Pat margin stood at 26.62*

Rajkumar Kumar Baheti

CFO & Director of Finance,
Alembic Pharmaceuticals Ltd.

*DSIJ's 2020 CFO Award in **Pharma (Large Cap)** category goes to **Rajkumar Kumar Baheti, CFO & Director of Finance** of **Alembic Pharmaceuticals Ltd.***

- ✓ *RoCE stood at 23.30 per cent*
- ✓ *Net sales increased by 17.05 per cent*
- ✓ *PAT increased by 35 percent*

V V Ravi Kumar

CFO & Executive Director
Laurus Labs Ltd.

*DSIJ's 2020 CFO Award in **Pharma (Mid Cap)** category goes to **V V Ravi Kumar, CFO & Executive Director** of **Laurus Labs Ltd.***

- ✓ *RoCE stood at 14.3 per cent as against 8.2 per cent last year*
- ✓ *Net sales increased by 23.50 per cent*
- ✓ *PAT increased by 174 percent*

Hariharan S

CFO & Executive Director
Solara Active Pharma Science Ltd.

*DSIJ's 2020 CFO Award in **Pharma (Small Cap)** category goes to **Hariharan S, CFO & Executive Director** of **Solara Active Pharma Science Ltd.***

- ✓ *RoE stood at 12.48 per cent as against 7.36 per cent last year*
- ✓ *Operating Profit increased by 28.57 per cent*
- ✓ *PAT increased by 93 percent*

Nilanjan Roy

CFO, Infosys Ltd.

*DSIJ's 2020 CFO Award in **IT (Large Cap)** category goes to **Nilanjan Roy, CFO** of **Infosys Ltd.***

- ✓ *RoCE stood at 34 per cent*
- ✓ *Net sales increased by 9.81 per cent*
- ✓ *Market cap increased by 21 per cent*

Ajay Kalra

CFO, NIIT Technologies Ltd.

DSIJ's 2020 CFO Award in ***IT (Mid Cap)*** *category goes to* ***Ajay Kalra, CFO*** *of* ***NIIT Technologies Ltd.***

- ✓ *PAT increased by 10 per cent*
- ✓ *Net sales increased by 13.79 per cent*
- ✓ *Market cap increased by 56 per cent*

Nand Sardana

CFO, R Systems International Ltd.

DSIJ's 2020 CFO Award in ***IT (Small Cap)*** *category goes to* ***Nand Sardana, CFO*** *of* ***R Systems International Ltd.***

- ✓ *RoCE stood at 21.96 per cent*
- ✓ *Net sales increased by 15.73 per cent*
- ✓ *Market cap increased by 117 per cent*

Roll of Honour

Rolf Hoffmann

CFO, Bayer CropScience Ltd.

DSIJ's 2020 CFO Award in ***Chemicals (Large Cap)*** *category goes to* ***Rolf Hoffmann, CFO*** *of* ***Bayer CropScience Ltd.***

- ✓ *RoE stood at 19.77 per cent*
- ✓ *Net sales increased by 13.95 per cent*
- ✓ *Market cap increased by 137 per cent*

Sanjay Upadhyay

CFO & Director of Finance,
Deepak Nitrite Ltd.

DSIJ's 2020 CFO Award in ***Chemicals (Mid Cap)*** *category goes to* ***Sanjay Upadhyay, CFO & Director of Finance*** *of* ***Deepak Nitrite Ltd.***

- ✓ *RoE stood at 46.22 per cent as against 17.42 per cent last year*
- ✓ *Net sales increased by 56.68 per cent*
- ✓ *Market cap increased by 131 percent*

Santosh Parab

CFO, Camlin Fine Sciences Ltd.

DSIJ's 2020 CFO Award in ***Chemicals (Small Cap)*** *category goes to* ***Santosh Parab, CFO*** *of* ***Camlin Fine Sciences Ltd.***

- ✓ *RoE stood at 7.94 per cent as against 0.87 per cent last year*
- ✓ *Net sales increased by 17.6 per cent*
- ✓ *PAT increased by 894 per cent*

Soumen Ray

CFO, Bajaj Auto Ltd.

DSIJ's 2020 CFO Award in ***Auto (Large Cap)*** *category goes to* ***Soumen Ray, CFO*** *of* ***Bajaj Auto Ltd.***

- ✓ *RoCE stood at 28 per cent*
- ✓ *PAT increased by 6.83 per cent*
- ✓ *RoE stood at 21.78 per cent*

Roll of Honour

Delli Babu Y

CFO, Amara Raja Batteries Ltd.

DSIJ's 2020 CFO Award in ***Auto (Mid Cap)*** *category goes to* ***Y Delli Babu, CFO*** *of* ***Amara Raja Batteries Ltd.***

- ✓ *RoCE stood at 24.03 per cent*
- ✓ *PAT increased by 36.75 per cent*
- ✓ *RoE stood at 18.90 per cent*

Mitesh Mittal

CFO, Goodyear India Ltd.

DSIJ's 2020 CFO Award in ***Auto (Small Cap)*** *category goes to* ***Mitesh Mittal, CFO*** *of* ***Goodyear India Ltd.***

- ✓ *RoE stood at 10 per cent*
- ✓ *Roce stood at 13.59*
- ✓ *Market cap increased by 9.21 per cent*

Subhash Jajoo

CFO, Shree Cement Ltd.

DSIJ's 2020 CFO Award in ***Infrastructure (Large Cap)*** *category goes to* ***Subhash Jajoo, CFO*** *of* ***Shree Cement Ltd.***

- ✓ *Operating profit increased by 46.98 per cent*
- ✓ *Net sales increased by 56.27 per cent*
- ✓ *PAT increased by 26.34 per cent*

A. K. Saraogi

CFO & Executive Director
JK Cement Ltd.

DSIJ's 2020 CFO Award in ***Infrastructure (Mid Cap)*** *category goes to* ***A. K. Saraogi, CFO & Executive Director*** *of* ***JK Cement Ltd.***

- ✓ *Operating profit increased by 41.97 per cent*
- ✓ *PAT increased by 83.36 per cent*
- ✓ *Market cap increased by 54.97 per cent*

Roll of Honour

Vikas Kumar

CFO
Shree Digvijay Cement Company Ltd.

DSIJ's 2020 CFO Award in ***Infrastructure (Small Cap)*** *category goes to* ***Vikas Kumar, CFO*** *of* ***Shree Digvijay Cement Company Ltd.***

- ✓ *Operating profit increased by 230 per cent*
- ✓ *PAT increased by 2639 per cent*
- ✓ *Market cap increased by 224 per cent*

David McDaniel

CFO & Executive Director - Finance & Control, Nestle India Ltd.

DSIJ's 2020 CFO Award in ***MNC (Large Cap)*** *category goes to* ***David McDaniel, CFO & Executive Director – Finance & Control*** *of* ***Nestle India Ltd.***

- ✓ *RoCE stood at 98.16 per cent*
- ✓ *PAT increased by 22.57 per cent*
- ✓ *Market cap increased by 41.59 per cent*

Gandharv Tongia

CFO, Polycab India Ltd.

*DSIJ's 2020 CFO Award in **MNC (Mid Cap)** category goes to **Gandharv Tongia, CFO** of **Polycab India Ltd.***

- ✓ *RoCE stood at 30 per cent*
- ✓ *PAT increased by 53.80 per cent*
- ✓ *Market cap increased by 46 per cent*

Ashish Agarwal

Interim CFO
Clariant Chemicals (India) Ltd.

*DSIJ's 2020 CFO Award in **MNC (Small Cap)** category goes to **Ashish Agarwal, Interim CFO** of **Clariant Chemicals (India) Ltd.***

- ✓ *Operating profit increased by 89 per cent*
- ✓ *PAT increased by 173 per cent*
- ✓ *Market cap increased by 34.25 percent*

Roll of Honour

Jayashree Satagopan

CFO & Exec. VP, Coromandel International Ltd.

DSIJ's 2020 CFO Award in ***ALL Cap (Large Cap)*** *category goes to* ***Jayashree Satagopan, CFO & Exec. VP*** *of* ***Coromandel International Ltd.***

- ✓ *RoCE stood at 26.32 per cent*
- ✓ *PAT increased by 47.89 per cent*
- ✓ *Market cap increased by 109 percent*

S. Rameshkumar

CFO, E.I.D. Parry (India) Ltd.

DSIJ's 2020 CFO Award in ***ALL Cap (Mid Cap)*** *category goes to* ***S. Rameshkumar, CFO*** *of* ***E.I.D. Parry (India) Ltd.***

- ✓ *RoE stood at 26.91 per cent*
- ✓ *PAT increased by 103.74 per cent*
- ✓ *Market cap increased by 103.07 percent*

Neeraj Jain

CFO, Cosmo Films Ltd.

DSIJ's 2020 CFO Award in ***ALL Cap (Small Cap)*** *category goes to* ***Neeraj Jain, CFO*** *of* ***Cosmo Films Ltd.***

- ✓ *RoE stood at 16.09 per cent as against 9.46 per cent last year*
- ✓ *Operating Profit increased by 54 per cent*
- ✓ *Market cap increased by 114 percent*

Methodology

To compile the CFO rankings, DSIJ examined the performances of companies listed on the BSE and the NSE across market capitalisation. The financial performance was examined over 12 months ended March, 2020. DSIJ evaluated the financial chiefs on seven financial metrics. Greatest weightage was given to the increase in market capitalisation, followed by growth in sales, operating profit and net profit. Improvement in Return on equity and Return on capital employed were also considered for the ranking purpose. Total asset size was also given consideration. For the purpose of ranking, the best performing CFOs in seven major sectors were considered, along with creating one special category for women CFOs and one category for best returns.