THE CFO BOARD

REALIZING AMBITIONS

India builds on its foundations to set targets, plan strategies and implement ideas

The CFO Board Retreat, Hyderabad

December 07-09, 2018

Pranjal Sharma
Director, The CFO Board

LETTER FROM THE DIRECTOR

The CFO Board crossed an important milestone in December 2018. Started as an informal group of leading professionals in 2014, The Board is now established as a non-profit section 8 company with the official name, 'Association of CFO Welfare India'.

As a corporate entity, it will now continue to focus on capacity building for finance professionals, become a strong knowledge resource and engage with policy makers on issues of relevance. The Board will aim to become a self-sustaining and financially independent body led by the agenda driven by its members. The board will set up chapters in South and West India over the course of 2019 to broad base its membership while remaining a non-partisan body of eminent professionals.

At the Third Annual Retreat of the Board in Hyderabad, we were delighted to host senior executives, policy makers and industry leaders in engaging debates on subjects that influence the lives of CFOs. The presence of spouses ensured that CFOs could meet their peers in an informal and convivial atmosphere.

The support, encouragement and advice we received from the eminent speakers and active participants and board members will guide our activities throughout the year. Please continue to share your ideas and suggestions that will help us bring together the CFO community in India.

REALIZING AMBITIONS

R. Shankar Raman

CFO & Member of the Board,
L&T Limited
Co-chair, The CFO Board Retreat

Giridhar Sanjeevi

EVP & CFO,
The Indian Hotels Company Limited
Co-chair, The CFO Board Retreat

MESSAGE FROM CHAIRMEN

In the past 70 years India has progressed well and if it were to move forward towards a higher trajectory of economic growth and development, it would be important to have a strategic goal and vision.

At the retreat, we narrowed down some of challenges and explored the role of the CFO community in contributing to the growth story.

One such challenge is the need for the country to invest in social infrastructure and the required budget. Globally, infrastructure investment comes out of government capital, and India is no exception. 75% of our revenue comes from tax receipt. Talking about taxation, it would be imperative to turn the current perception and make tax a very purposeful instrument of investment and growth. CFOs should play a significant role in this, to build an ecosystem of transparent and consistent fair tax policies and practices.

The second challenge is that of regulation. They are required for orderly conduct of any business but an overdose of these regulations can stifle the entrepreneurial spirit and sometimes create conflicting policies. Practicing CFOs have a large responsibility and ability to work with policy makers for harmonization of these regulations.

The third challenge is to deploy technology for improved productivity. Internet of Things (IoT), Artificial Intelligence (AI) and other tools can aid the CFOs efforts for achieving organizational efficiency. Finding a way forward for some of these challenges, would possibly light our path to a $10 trillion economy.


THE CFO
RETREAT 2018.


Board members and Speakers

Board members with Speakers and Delegates

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ROADMAP TO THE $10 TRILLION ECONOMY

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In 2018, India's GDP was at $2.69 trillion. It is believed that with a sustained growth rate of 9% per annum, India would reach the $10 trillion economy by 2034.

India is still more than a decade behind China and it would take India a considerable amount of effort to reach there. China liberalized its economy in 1978 and has grown 40 times over the last 40 years. Since liberalization in 1991, India has grown about 8%. Indian policy makers and corporate leaders will have to encourage innovation, empowerment and enablement to achieve the country's goals.

Though several roadmaps have laid the path to a higher growth trajectory, India has to strengthen five pillars.

- **Technology and innovation:** With new advances in digital technologies such as Artificial Intelligence (AI), machine learning, etc; India will be in a precarious place if it does not invest in technology. The private sector needs to take the initiative on this front as well by exploring and embracing new business models.
- **Education:** Technology induced pace of change is making current skills irrelevant across all levels and functions. Professionals who are employed today will become unemployable in the future so the challenge is to facilitate rapid and mass upgradation of skills. The current system has to evolve for a new mindset and fresh thinking in imparting relevant education.
- **Energy security:** Statistics show that 58% of India's energy comes from coal and 30% from oil, with renewables forming only 3%. To move forward, the focus on renewables will have to be balanced with the developing captive sources of petroleum.
- **Entrepreneurship:** India has a thriving entrepreneurial spirit. Its growth and animal spirits can be unleashed by further reduction of red tape and government processes that choke

> *CFOs should encourage innovation and empowerment with a focus on leadership and planning to reach the goal of $10 trillion economy.*

growth. While a change has begun at the national level, the approval processes in state government are still catching up.

- **Infrastructure:** With cities and urban areas being the engines of growth, the statistics show that 75%-80% of the global GDP is contributed by 55% of the global population that lives in urban areas. India is going to double its urban population in 15 years and unless we develop infrastructure for cities to become larger, the roadmap is only going to be shaky.

  Not just economic, but India has to invest in it social infrastructure too. Improving the human development index will shape the quality of talent required to fuel India's growth. Focus on health, nutrition, education and skilling is as important as investing in physical infrastructure.

To reach the $10 trillion economy, India would need great leadership, planning and execution. Both development and growth agenda have to go beyond the government with a strong role being played by business and industry.

1. (L-R): **UD Choubey**, Director General, SCOPE; **Suresh Narayanan**, Chairman and MD, Nestle; **GV Sanjay Reddy**, Vice Chairman, GVK; **S Mahalingam**, Ex-CFO, Tata Consultancy Services
2. **Giridhar Sanjeevi**, EVP & CFO, The Indian Hotels Company Limited
3. **GV Sanjay Reddy,** Vice Chairman, GVK
4. **Suresh Narayanan**, Chairman and MD, Nestle

A NEW TAX PHILOSOPHY

02

As an emerging economy, India needs a taxation framework that is growth oriented. Taxation is mostly seen as a generator of revenue for the country. While this remains the objective, a new approach is required to ensure that the growth impetus is not hindered by a sole focus on revenue generation.

Despite being a heavily taxed economy, India's direct tax GDP ratio has not touched 6% in the last 10 years. A small base of payers account for bulk of taxes while the contributions made by direct taxes are currently more than those made by indirect taxes. The figures shared also suggest that significant chunk of taxpayers are using the presumptive tax regime suggesting predominance of unorganized sector.

Inequality is becoming a serious concern across the world. The increasing inequality puts pressure on maintaining high tax rates for the top earners because redistributive tax structure has to be maintained if the country wants to keep away social unrest. When deciding policies, policy makers should ensure that they calibrate tax rates to encourage work effort, promote investment- both domestic and foreign, support entrepreneurship and deter tax evasion. Growth stimulus has to be provided so that persons with low income get to earn more through tax preferences targeted to stimulate inclusive growth.

Big bang transformation of tax structure - A mirage

India's current tax structure has undergone too many amendments with repetitive changes. The panel was of the view that the need of the hour for the country is to have a stable tax structure and proper administration for better compliance. The country needs a tax system that creates enough revenues that covers the government's expenditure commitments and also gives sound fiscal position that gives room to maneuver when the economy is slow.

> *The need of the hour is for the country to have a stable tax structure and proper administration for better compliance.*

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Changing perception

In today's day and age, tax is seen as a cost and tax resistance is a problem. To move the needle, there is a need to change this perception of tax as a cost to tax as an investment and thereby, create and generate a return on investment on tax. The country needs infrastructure to grow and revenue support for education and for human capital development. The society needs to be aware that their tax contribution today is their investment for future.

As the taxation regime becomes more enabling and less restrictive, there will be higher compliance among individual and institutional tax payers. The effort to enhance the tax base is important as this will allow the government to increase revenues while reducing the average tax rates in the country.

1. **R. Shankar Raman**, CFO & Member of the Board, L&T Limited
2. (L-R): **Hitesh D Gajaria**, Partner and Head of Tax, KPMG in India; **Anita Kapur**, Former Chairman, CBDT
3. **Deepak Sankhla**, Head-Finance and Accounts, L&T (Heavy Engineering)
4. (L-R): **Andreas Bauer**, Senior Resident Representative, India, Nepal & Bhutan, IMF; **Rajiv Roy-Chaudhury**, Director- Finance & Operations, BAE Systems India (Services)

CREATING A SYMPHONY IN REGULATION

03

Corporate governance in India is changing rapidly to increase accountability for founders, managements and boards. The onus on boards and directors to keep a sharp eye on the activities of the management has grown over the years. While the Companies Act has become stronger across different sectors, various regulators are tightening rules and guidelines leading to an atmosphere of high compliance.

Companies have to manage general compliance along with sectoral rules that are imposing tougher rules of governance.

However, there are still instances where various regulators interpret policy in ways that appear conflicting. Consequently, there is need for improved congruency in regulations. The presence of too many sectoral regulations has resulted in disparity of views as each regulator tries to perceive the problem independently. There is a need for consistency in policy-making.

The advances in the regulation are mainly the result of intensifying awareness about the dynamic nature of business environment, increasing accountability and transparency in disclosures and operations, a quality which was previously only associated with the public sector but is now being demanded from the private sector as well.

Regulators are increasingly engaging with stakeholders for dialogue on improving governance. This has had a positive impact on corporate sentiment since a collaborative approach is more beneficial. However, it appears that the regulatory bodies do not always coordinate amongst themselves on important matters like taxation.

On Independent Directors and Board Effectiveness

Recent examples of failures by boards to uphold high corporate governance behavior has tarnished the reputation of corporate India. The skills and capabilities

> *CFOs should work collectively and efficiently to engage in discussions with regulators and voice concerns in-time to bridge regulatory gaps.*

of independent directors are more critical than ever. Their role in questioning the management and securing independent audits of performance will enhance the impact of improved regulation.

With independent directors facing a lot of criticism for their decisions recently, the business leaders believe that for key management personnel clarity of intent is necessary. Independent directors have to be fully aware of their responsibilities and should effectively discharge them by exercising due diligence. Companies also have to establish an environment for independent directors in which they can feel safe to evaluate and challenge the management's decisions without the fear of reprisal.

A regulatory environment that demands more of directors and CFOs is a reality in India. Even as the symphony in regulation improves, the onus of implementing internal integrity lies on the management. The board will exercise its authority on the management but it is really the CFO who has to establish financial compliance for the entity.

Industry bodies will have to demonstrate that corporate India is eager to improve its companies simultaneously demanding the regulatory environment to become more harmonized.

1. (L-R): **Jamil Khatri**, Partner & Head of Audit- BSR & Co. LLP; **Mrugank Paranjape**, CEO, MCX India; **U.K. Sinha**, Independent Director on multiple Boards; **S Raman**, Former Whole-time member, SEBI; **HR Khan**, Former Deputy Governor, RBI; **PK Ghose**, Former Advisor to Chairman, Tata Group
2. **U.K. Sinha**, Independent Director on multiple Boards
3. **Prateek Jain**, CFO, Reliance Nippon Life Asset Management Limited

LIVING THE NEW LIFE OF DIGITAL FINANCE

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Today, the world is disrupted by technology more than ever. CFOs need to view disruption as an agent of change. It is important for them to spot trends and understand their customers. Hence, it is imperative that CFOs adapt to technology without changing the core of their business or losing the purpose of their organisation.

Changing role of a CFO

The expectation from CFOs is rising and changing. As compared to a traditional role of the CFO, today the CEOs and boards expect the CFO to be a strategic business partner and ultimately a successor to the CEO as well. Hence, the role of the CFO is becoming a far more integrated business role as compared to a traditional support function. The CFO plays a larger role around strategy, innovation and capital allocation in cases of business model disruptions. On the operating model disruptions, the CFO has to understand the importance of using technologies like automation for improving the organizational productivity.

Leveraging data science, CFOs can start generating better insights and analytics for the organization. Thus, with massive velocity of business models, how a CFO handles the information is what makes him different from a quintessential digital CFO.

Advent of new skill sets

It is believed that by 2020 the finance role in organisations could change. There is an assessment that 90% companies are expected to have a Chief Data Officer or a Chief Digital Officer reporting to the CFO. Some of the new roles that could emerge within the finance function and become an integral part are: an innovation and investment strategist- a person who would be tracking all the trends and linking them back to the business; a business planning analyst who would be essentially integrating all the different functions within the organisation and helping finance play that corner-stone within the organisation; a business solutions architect- a person with a very high technology quotient who will

With disruption on the edge, the role of the CFO is becoming a far more integrated business role as compared to a traditional support function.

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make sure all the latest technologies are getting deployed in the organisation; the regulatory and financial accountant; finance data scientist or a business partner role.

With new roles coming in, the traditional financial skills would not suffice alone and a person would require a combination of four key skills to work efficiently in a finance organisation- Core finance skills, Data and Technology skills, Behavioral skills which would mean cross functional teaming and playing leadership roles within business; and allied business/ strategic skills where a person needs to understand what's driving business overall.

While the intent to transform and build a highly effective digital function is present, organisations are still lagging behind when it comes to execution. In the Indian context, very few organisations are looking at it in a holistic manner. Organisations need to build cross-functional teams rather than building very structured ways of change management to deal with tangibles.

As companies embrace new technology, CFOs need to ensure that their decisions are measured and deliberated upon to ensure that the company has a better chance at surviving for a longer term. They should play the role of being a balancing force that accelerates the organization when it is lethargic or slowing it down when the pace is reckless.

1. **Rajeev Ahuja**, Executive Director, RBL Bank
2. **Anil Agrawal**, CFO, Atos Syntel
3. **Dipanjan Basu**, Partner, Fireside Ventures
4. (L-R): **Preet Dhupar**, CFO, IKEA India; **Badri Sanjeevi**, CFO, Raw Pressery; **Sai Venkateshwaran**, Partner and Head – CFO Advisory for KPMG in India

MAKING A BUSINESS CASE FOR TECHNOLOGY

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Technology may be pervading various aspects of business life, but companies still find it difficult to make strong investments for the future. Corporate leaders, boards and managements are not always convinced about the business case for technology. Questions about return on investment on emerging technologies cast a doubt over decision making.

As CFOs approach this change, they need to recognize the external forces and situations and see if their own management decisions are adapting with agility. For old world companies, transformation in finance and system improvements involves a completely new paradigm shift on the business side as well as on human side. Even when there is no way to measure the partially unquantifiable returns on investments, CFOs need to come up with models keeping in mind the intangibles.

The 4 T's of technology

There are some guiding principles that could help CFOs understand the technology paradigm better.

1. **Toilet technology** - This is categorized as hygiene technology and includes an ecosystem of networks, emails, etc.

2. **Time-tested technology** - This is a low risk technology with predictable minor failures.

3. **Transformative technology** - this is not a standard technology and helps companies to create a competitive difference. Hence, the results are hard to predict.

4. **Toy technology** – These include technologies which the company can undertake and experiment with.

The Transformative technology which is now called Digital has an element of analytical things. The problem with this business model is that first the ability to predict future is limited, and second the future in technology world is non-linear. Since CFOs are used to seeing the world in a linear way, the disruptions are only making it exponential. To solve the issue, CFOs need to look at ways by which they can reduce

> *While it is important to bring in new technologies to improve efficiency it is also equally important to enhance the old existing technologies.*

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the short-term risks and enhance the long-term risks. Therefore, the focus of business case should only be on transformative technology and the other three will take care of itself.

Importance of pilots and strategy

CFOs have to make a choice between adopting a new technology and running a pilot which would first assess the technology and then implement it over the next few years. There are examples to establish that both can co-exist. While it is important to bring in new technologies to improve efficiency it is also equally important to enhance the old existing technologies.

The choice of decision making in the cases where strategic issues and growth businesses are involved includes a question on what would be the alternate course. Many a times, when a business is facing challenges, the only option is to adopt a new technology. When making such decisions, the CFOs need to factor in their risk appetite and the best way is to question if this new technology is going to be an evolution process. Looking forward, the CFOs will have to be very adept in leveraging new technologies.

CFOs need to accept that uncertainty is part of the game. The only modulation possible is to mitigate the risk by not investing too much when the risk is likely to turn bad. It is critical for CFOs to constantly walk with the business teams and assess the progress of the program.

1. (L-R) **Ramesh Subramanyam**, CFO, Tata Power; **Rajiv Kapahi**, Sr. Director – India HUB, Finance, IT, Boston Scientific India
2. **Sugata Sircar**, CFO, Schneider Electric India
3. **Anju Taparia Kunte**, Siemens Energy Management Customer Services - Head Finance
4. (L-R) **Mohit Bhatia**, Vice President – Finance, Mondelez International; **Akhilesh Tuteja**, Partner and Head of Risk Consulting, KPMG in India

INVESTING IN CHAMPIONS

The Third Annual Retreat of The CFO Board also hosted an interesting conversation between Mr. D Shivakumar, Executive Vice President, Aditya Birla Group and Mr. Pullella Gopichand, Chief National Coach, Indian Badminton Team. The two stalwarts had a discussion on Investing in Champions in times of change. The audience was intrigued as our former sportsman shared his incredible journey from an athlete to a coach.

> *The hunger to win is what keeps champions going.*

Mr. Shivakumar: Hyderabad as a city has produced great cricketers from ML Jaisimha, Abbas Ali Baig, Jayantilal, Shivlal Yadav, Azharuddin and VVS Laxman. How did you take to badminton?

Mr. Gopichand: As a kid, I started with cricket and even broke window panes in the neighborhood. My mother even took me to a cricket stadium but I didn't get though. She then took me to a tennis stadium and I enrolled myself there because the stadium was fairly empty. We saw a line of cars outside the stadium and concluded that it was a rich man's game.

Mr. Shivakumar: You are a badminton family. Your wife was a badminton player. Your children Gayatri and Vishnu are both badminton champs in the Under 15 category. How does this family behave at the dinner table?

Mr. Gopichand: We are a normal family. We don't tend to discuss too much badminton at the dinner table. However, I am really happy to see the kids grow up and do well in badminton. I had a busy schedule and since the kids took to Badminton, they would come to the court. This was a way to be with them and be close to them.

Mr. Shivakumar: When you started, did you ever think that you would win the All England?

Mr. Gopichand: I had never thought I would win anything big. I was focused on doing well in Physics, Chemistry, Math because that's what my parents expected of me.

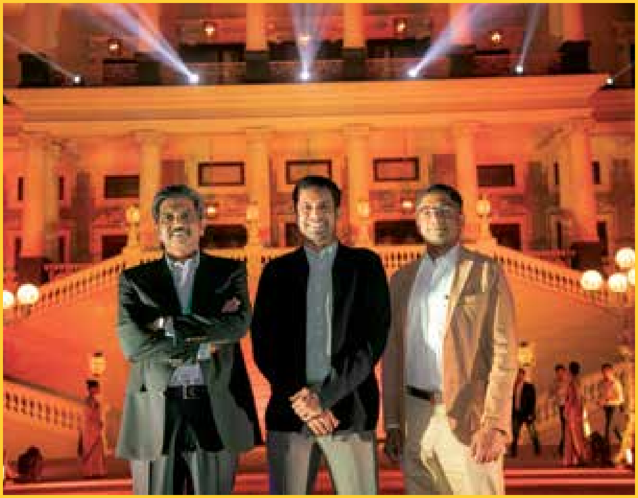
The turning point was when I failed the Engineering exam and I had a year to fill. I spent the entire year playing badminton and ended up winning the All India Junior Champion and that is where the journey started from.

Mr. Shivakumar: How have you seen this game change over the years?

Mr. Gopichand: At the start of my career, I took up a job at one of the leading financial companies to focus on the game without having to worry about finances. Back in those days, our challenges were very basic - whether the watchman would come on time, whether we had keys to the stadium or whether the court was clean because many a times, the court would have been used for a marriage or some other social function. Today, all the stadiums are modern and up to date.

Talking about the struggles- we didn't have access to enough shuttlecocks since my mother would give me just one shuttlecock every alternate day. Many people asked me how I developed a soft stroke game with a lot of deception. We just could not afford to smash the shuttle since we had to use it for a few days and the sift strokes kept the shuttle alive.

I also went through a ligament tear and was lucky to have Dr. Ashok Rajagopal attend to me. In a span of 6 years, I had three operations and went through a tough time. My parents and siblings have also sacrificed a lot for me to be able to achieve my dream.

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Mr. Shivakumar: How do you think technology has changed badminton?

Mr. Gopichand: I believe that technology has changed significantly in badminton. Racquets have got lighter as a result of which, people are now smashing the shuttle at higher speeds. In my time, the smash shuttle speed was about 180 kmph. Today, our girls smash it at speeds of 330 kmph. The clothes and shoes have also got lighter, and hence players are able to jump and smash carrying lesser weight.

Mr. Shivakumar: How does a champion prepare for the summit?

Mr. Gopichand: I never let the kid in me die. The kid in me always wanted to win and shine. I took every loss as a personal loss and wanted to win badly.

I prepared remarkably well for the Olympics and wanted to win. I was like a monk- in the zone, very strong and physically alert. I visualized and imagined how I would play at the Olympics. I played my first match in Sydney against a very fit Ukrainian. I won the match and went back to my room and slept for 3 hours. When I woke up, my back was sore, and I found it difficult to move. I lost my next match. I later realized that it was a concrete court with a thin layer of synthetic mat on it. I was shattered after this defeat and I was lost for 3 months.

In another instance, our team was sent to Malaysia where we invariably lost the morning show. All of us sat down after the defeat in Malaysia and were discussing how the Chinese smash and serve so well. I told the others that I will beat them one day. The rest of the Indian team laughed at me and said that I was raw and will learn soon. I had that kiddish confidence to win. After multiple losses, I did finally win. The hunger to win is what keeps champions going.

Sharing yet another example- Saina was winning 11-3 in the final set at Olympics 2008 but then lost the match. As we walked back to the village, I half-jokingly asked her if she would go to the gym the next morning at 6 am, thinking she would blow up, but instead to my surprise she said that she would. This is what champions are made of, win or lose, they go back to their basics and evaluate their mistakes. Losses should hurt for one to be able to emerge as a champion.

Mr. Shivakumar: When and why did you decide to retire?

Mr. Gopichand: After I won the All England Open Badminton Championship, I went back to Hyderabad. I was injured but would still go to the badminton court. I slowly started coaching the kids. It started with 3 sessions of playing and a session of coaching. Slowly that changed to 1 session of playing and 3 sessions for coaching. That year at the national tournament, I won, but I beat many of my students on the way to the trophy. After that tournament, I decided that I would support the development of my students and then I moved to full time coaching.

Mr. Shivakumar: What's the business model of a Badminton Academy?

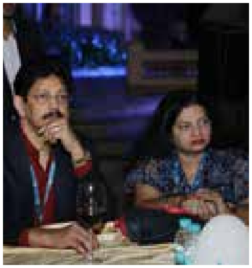
Mr. Gopichand: I am at The CFO Board Retreat but I must tell you that there is no business model. To start with, I got 5 acres of land from Mr. Naidu to build the Academy. To raise funds, I presented the idea to many people but most of them refused because they didn't believe that badminton could be a serious sport in India. More often than not, they would not respond to my calls and even told me that badminton could not be included in the CSR budget. Later, the government gave me a 10 crores credit line but I could raise only 44 lacs. I knew it then, that it wasn't going to be easy to raise funds for the academy.

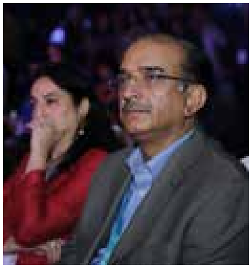
To move forward, I then took a loan of 3 crores against my house. When I won the All England, the prize money was Rs 3.6 lakhs. However, when I came back to India, Ms. Uma Bharati, the then Sports Minister, hosted a pooja ceremony for me and gave me a Government cheque of Rs.15 lakhs. In her view, the joy and happiness that I brought to Indians was worth a lot more.

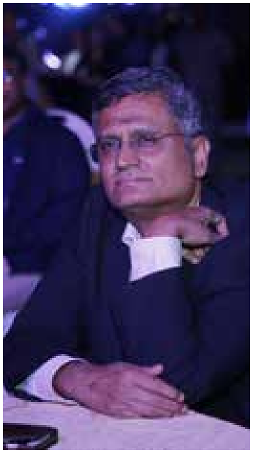
Mr. D Shivakumar: While you talk of the difficulties of raising money, you refused an endorsement for a soft drinks brand at the same time?

Mr. Gopichand: Yes, I refused to endorse a soft drinks brand. I had not had soft drinks in many years and felt that it was wrong for me to advertise a brand that I didn't use.

GLIMPSES OF THE RETREAT





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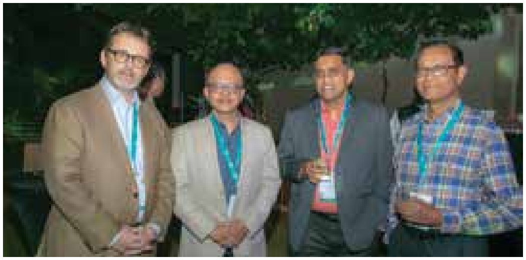
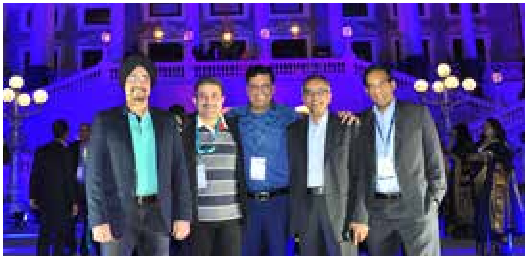




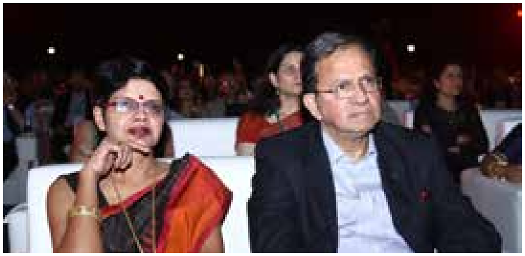








GLIMPSES OF THE RETREAT



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