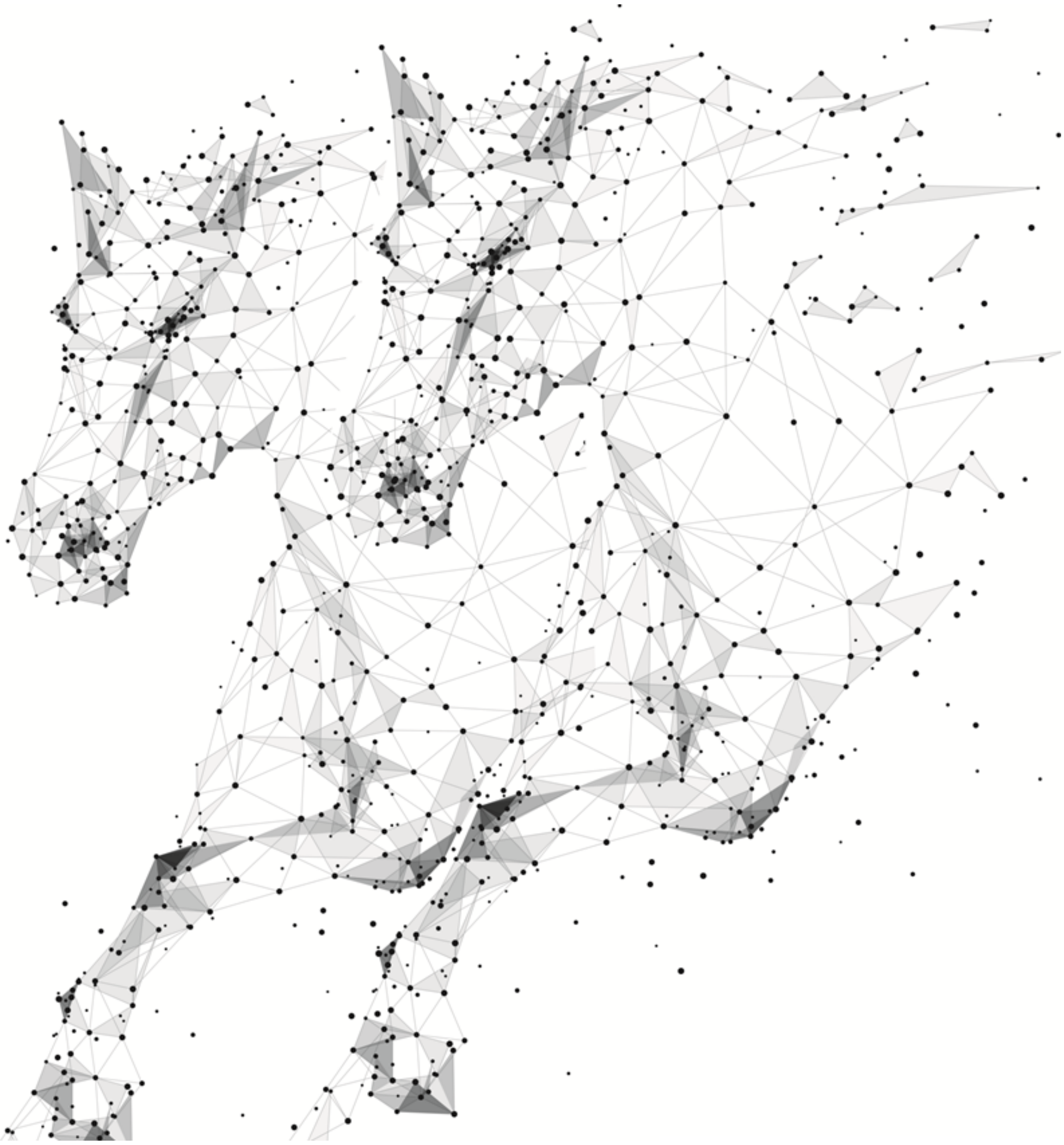
CHARTING NEW COURSES

THE CFO STRATEGY ROUNDTABLE
5-7TH OCTOBER 2018, GOA



Conclusions Paper

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IMA India is an Asia-focused economic research think tank that provides enterprise with strategic research, business intelligence and market insights together with independent advice on various aspects of the operating environment. The firm offers four broad service lines built around the objective of delivering authentic, analytical and practical insights to industry leadership – Peer Group Forums, Research and Advisory, Business Meetings and Conferences, and Publications.

Peer Group Forums

Through two membership-based executive briefing services, *The India CEO Forum* and *The India CFO Forum*, IMA India provides incisive country intelligence and pragmatic business solutions to over 1,800 discrete member companies, and over 2,500 top executives. **The India CEO Forum**, with over 900 member corporations, is designed specifically for chief executives of large Indian and multinational corporations in India. A top-level business information service, the Forum assists industry leadership in crafting strategy through informed peer debate and access to independent and research based insight on the wider operating environment. With similar aims, **The India CFO Forum** has over 850 member companies. The programme is intended to provide a platform for senior finance professionals in India, which can offer an opportunity to share experiences and evolve the optimal way forward to cope in a rapidly transforming business environment.

The Forums are designed to address the need for an ongoing evaluation of India within a global and an Asian context; the need for off-the-record discussions between industry and senior policy and decision makers in India; the need to identify, understand and manage current and potential issues, both at a government and business operating level; the need to exchange information and opinions with peers on the business operating climate and to hear how other companies are managing critical issues.

Key features of the programmes include briefing sessions with policy makers or industry leaders in an interactive, closed-door environment; ongoing updates on developments in the economy and politics interpreted for their impact on businesses; the provision of unbiased and research-based opinion on subjects of relevance to the nation at large, and industry in specific; customised executive briefings and access to IMA data archives for quick answers to specific queries.

Furthering its mandate as the premier provider of business information and peer platforms for top management, IMA India also hosts three other key function specific services - **The Chief Human Resource Officers' Forum** in 2009 and **The India CMO Forum** in 2011. The programmes are meant for each respective function head within corporations in recognition of the key roles being played by them individually and as a collective, in the area of business performance and strategy on the one hand and functional excellence on the other. Through the medium of closed-door briefings on strategic issues, IMA's HR Forum brings together over 300 member corporations and the CMO Forum over 150 member companies.

Research and Advisory Services

In an environment characterised by fragmented and unreliable data, infinite renderings of 'popular research' and conventional analytical frameworks, IMA India's research practice cuts through the bewildering maze to deliver honest, incisive and practically oriented research for its clients. Our strength lies not in reinventing the wheel of data generation or market research, but in adding value from a strategy standpoint. While our in-house research and knowledge archives can bring us to 'par' in any area of research, our unique authentication and data qualification methodology gives us an immediate edge vis-à-vis conventional research. Our 'expert pool' – which comprises of several hundred practising managers, analysts, commentators and decision makers – far exceeds the in-house sectoral expertise that any single firm can cultivate. This enables us to offer a unique value proposition – a blend of intelligent desk research and methodical insight-gathering from domain specialists – to serve the strategic needs of each client.

We believe that good strategy demands good research – and that's what we strive for. We call it '*research for strategy*'.

Business Meetings and Conferences

Conferences and Roundtables are a natural extension in an overall effort aimed at discovering new business insight and ideas. IMA India regularly hosts business meetings on a fully stand-alone, independent basis for senior business executives. Our conference initiatives are driven by intensely researched agendas, a carefully selected audience and authoritative speakers and panellists. Each year, IMA hosts 6-8 Annual Roundtables – dedicated to CEOs, functional heads (CFOs, HR Directors), or bring to the centre-stage critical factors impacting business.

Delegates say that our meetings provide an opportunity to network and exchange information with a senior and informed peer group; authoritative presentations, constructive debate, diverse opinions and in-depth discussions make these meetings a 'high-learning and valuable experience'.

Publications

In its ongoing endeavour to provide thought leadership to top management, IMA India launched CFO Connect – a first of its kind journal focusing on corporate strategy and finance meant for CFOs and other top managers in 2006. CFO Connect addresses CFOs in their capacity as integral members of top management with focussed responsibilities for the finance function. It offers concise and informed analysis on the operating environment, together with well-researched, thought-provoking and incisive writing on matters of finance, corporate strategy and leadership.

CFO Connect leverages IMA India's extensive experience in servicing the information and management needs of CFOs operating in India. This experience is reflected in the articles, analysis and content selection of CFO Connect.

The India CFO Awards™

Eleven years ago, IMA India instituted The India CFO Awards™ to complete its suite of offerings for the Finance community. Adjudged by a completely independent and authoritative jury, The India CFO Awards™ are an annual initiative to recognise and reward financial excellence. They are considered the country's pre-eminent awards for CFOs by the finance community.

Our associate partner

Ramco Systems
Ramco Systems is part of the USD 1 Billion diversified conglomerate, the Ramco Group of companies. Started as an R&D division of Ramco Industries Limited in 1992, Ramco Systems was later established as an independent company in 1997. Headquartered in Chennai, the company has 24 offices spread across India, USA, Canada, Europe, Australia, Middle East, South Africa and APAC. The company is a fast growing enterprise software player disrupting the market with its multi-tenanted cloud and mobile-based enterprise software in the area of HCM and Global Payroll, ERP and M&E MRO for Aviation.

Our dinner host

C2FO
Improve your bottom line and strengthen your supply chain with C2FO. As the world's only true dynamic discounting solution, C2FO enables early invoice payment for a discount to your suppliers to create additional, risk-free income for your company. Learn why India corporates and other Global Fortune 500 companies choose C2FO as their preferred partner at www.c2fo.in.

Agenda

Friday, October 5th, 2018

Registration 3:30 pm

At the main hall, Alila Diwa

Raise a toast to the weekend in the company of friends and peers from across the country. Situated amidst lush paddy plantations, Alila Diwa is located in South Goa along Gonsua Beach.

The Global Economy and Trade Wars 4:00 pm – 5:30 pm

Adit Jain, Editorial Director, IMA India

Global growth is today strong and well-balanced. In 2017, the world economy grew by 3.8%, its fastest since 2011. The IMF forecasts similar growth this year and 3.9% in 2019. Barring Japan, all major advanced economies are growing at over 2% with the US at 2.3% in 2017 and the Eurozone at 2.4%. Emerging markets are also rebounding and EM Asia is currently at over 6.5%, led by India and China. However, economies move in cycles and the current upswing has already lasted a long time. It will take just a trigger or two for the cycle to turn again and currently, there are several such triggers. These include rising nationalism, geopolitical tensions and a reversing dollar carry-trade led by US monetary tightening. However, there are a few threats more worrying than the prospect of a breakdown in the global trade architecture. The rules-based order established over many decades is at the risk of being undermined by the actions of a few nations. How are these trade wars likely to evolve and what impact could they have on the global and Indian economy?

The CFO Strategy Roundtable will open with **Adit Jain**, IMA India's Editorial Director, providing an over-arching outlook for the global economy in the context of trade and security tensions. Adit has authored over a thousand articles over the years on issues relating to the global and Indian economy, politics and business best practices. In the past, he has been called upon to depose at Parliamentary Committee deliberations to provide inputs towards policy formulation. In addition to his editorial responsibilities, Adit speaks at a number of business forums across India and Asia as well as Board meetings and strategy offsite discussions.

Discussion Break 5:30 pm – 6:00 pm

Elections: Devising a Winning Strategy 6:00 pm – 7:30 pm

Rajat Sethi, Political Strategist, Bharatiya Janata Party

The BJP's electoral successes of Lok Sabha 2014 and several state assemblies thereafter have put the spotlight on the role of data and analytics combined with marketing and communication capabilities. The victory in Assam in 2016 was particularly important as the state had been dominated by the Congress for decades and the BJP barely had a presence. But thanks to its superior data analysis and electoral capabilities, the party swept to power with an overwhelming majority – 86 of the 126 seats – eventually paving the way for larger inroads in the North East.

Rajat Sethi, a public policy graduate from Harvard and an engineer from IIT, was instrumental in this process. Rajat and his team, through innovative approaches and the use of new-age analytical tools, took the election management game to the next level. The idea of establishing a unique citizen engagement series to initiate a dialogue with people and reflect on their aspirations became the basis of a 'vision document' for the BJP instead of a conventional manifesto. Intensive mining of data, for each constituency, on socio-economic indicators such as health and education lent valuable insights. Engage with Rajat as he shares an insider's perspective on the mechanics of modern-day electoral battles with a specific reference to some of the recent encounters he has been involved in.

Cocktails and Dinner 7.30 pm

Saturday, October 6th, 2018

The Role of Finance in a Turnaround 9:00 am - 10:30 am

Gopal Mahadevan, President Finance and Chief Financial Officer, Ashok Leyland

When Gopal joined Ashok Leyland (AL), one of India's largest commercial vehicle manufacturers, in 2013, the company faced an existential challenge – debt-equity ratio at 2.4, negative EBITDA, and the stock price at a low of Rs 12. The company's turnaround – possibly the fastest in India's corporate history – was made possible through re-engineering, re-thinking and re-imagining every aspect of the company's operations. Gopal's efforts to turn the story around, as it were, together with the rest of AL's senior leadership team are worthy of a classroom discussion. The numbers tell the real story: today, net cash reserves stand at Rs 3,000 crore; EBITDA has been in double digits in 12 out of 14 sequential quarters; and the stock price touched a high of Rs 167 in May 2018, making it the best-performing auto stock over the last 4 years. This cannot have been possible without the most carefully thought-through strategy, from the Board down, executed across the business – in finance, across the supply chain and in operations.

The session aims to talk through this multi-pronged restructuring plan with Gopal in a candid discussion. The need for greater competitive capability has never been higher and Gopal's experience and learnings offer an opportunity to identify what works, what does not and what the CFO's own role must be in these volatile and unpredictable times.

Discussion break 10:30 am - 11:00 am

M&A: New Norms in a New World 11:00 am - 12:30 pm

Sugata Sircar, CFO and Country Finance Partner, Schneider Electric India
Vivek Gupta, Partner and National Head, M&A/PE Tax at KPMG

The CFO's role has expanded beyond control, finance and compliance to include M&A to shape the corporate portfolio. His unique position to contribute significantly during an M&A transaction – from target identification through due diligence to post-close execution – requires well-rounded capabilities. **Schneider Electric's** proposed acquisition of L&T's automation and electric business for USD 2.1 billion – the biggest deal in India this year – and many others in the past hold many lessons: from the pressure to achieve the expected synergies to the complexities of integrating systems, processes, people, brands and corporate cultures. **Sugata Sircar**, CFO and Country Finance Partner at Schneider Electric India, will provide a practitioner's perspective of the process and share his strategies and tactics for success at M&A.

Vivek Gupta, Partner and National Head, M&A/PE Tax at KPMG has advised some of India's most complex M&A transactions. His understanding of compliance and tax issues at one level and wider, more strategic implications at another is extremely strong and crucially, current. Vivek will review global and domestic trends to provide a practical framework for M&A in today's time.

The Digital CFO 12:30 pm – 1:30 pm

AV Dharmakrishnan, Chief Executive Officer, Ramco Cements

Balaji R, Global Head – ERP Pre Sales, Ramco Systems

Ramco Cements is not a typical manufacturing company. It took to IT years ago when technology was still not a buzzword in the cement industry. If that is an aberration for a traditional 'brick and mortar' firm, consider this: its CEO, AV Dharmakrishnan monitors his entire business out of a single iPad – in real time – from productivity to sales of finished products. Achieving such a high level of sophistication required the company's management to standardise processes across plants and establish the technology infrastructure to monitor and control costs effectively. To that end, it leveraged the extensive capabilities of its group company, Ramco Systems, to deploy its proprietary ERP system which was then improved upon and perfected over the years.

With over 30 years in the company **AV Dharmakrishnan** brings both industry expertise and finance experience to his role. He joined as a CA, rose to the position of CFO and subsequently took on the mantle of running the company. In this session, hear from the man himself how he runs a multi-million-dollar business from an iPad.

Balaji R comes with 25+ years in the areas of go-to-market, business planning, account management, IT consulting and product delivery. He has been instrumental in shaping the Ramco Financial Suite among other product offerings at Ramco. He will discuss the critical role of next generation technologies in driving business outcomes.

Luncheon 1:30 pm – 2:30 pm

India's Political Dynamics 2.30 pm – 3.30 pm

R Jaganathan, Editorial Director, Swarajya

A few months ago, any prospect other than a second term for the BJP was not on the horizon, given its successive wins at state polls and the continued magnetism of Prime Minister Narendra Modi. Today, however, there are signals of the opposition coming together under the umbrella of a 'united front' against a towering BJP that rules in 20 of India's 29 states. The strategy has yielded mixed success so far; that too, only at the state level. Given how strongly policy continues to drive the economy, it is imperative to understand how the cards might play out. The implications for policy making in the immediate term, and post 2019 hang in the balance.

R Jaganathan serves as Editorial Director of Swarajya, an independent magazine. Before that, he was editor-in-chief of all Network18 publications including the online news website FirstPost.com, Moneycontrol.com as well as Forbes India. His understanding of the Indian political fabric and the subtler behind-the-scenes nuances that often influence outcomes, is extensive. He will provide his perspective on evolving political dynamics in India with a specific emphasis on the 2019 national election.

Discussion break 3:30 pm – 4:00 pm

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Entrepreneurship: No Shortcut to Success 4:00 pm – 5:00 pm

Shashi Kiran Shetty, Founder and Chairman, Allcargo Logistics… in conversation with Adit Jain

Today, India's entrepreneurs across sectors are creating value in segments large, medium and small. Whether they will go on to create legacies and lasting institutions with impactful cultures remains to be seen. Entrepreneurial spirit can help a business build differentiation; it can also enable entire nations to build competitive advantage. Successful firms have at their core this unique spirit – to create, innovate, gain responsibly, individually and collectively. A remarkable, post-liberalisation success story in an unusual sector is Allcargo Logistics whose founder **Shashi Kiran Shetty** turned a small freight forwarding company into a Rs 5,600 crore enterprise – one of India's largest private logistics companies.

Engage with **Shashi** as he shares his journey filled with ups and downs, the lessons learnt, milestones achieved, the wins hard fought, the culture created and the teams engaged and coalesced around a common goal.

Cocktails and dinner 7.30 pm

Sunday, October 7th, 2018

Cyber Security 9:00 am – 10:30 am

Jiten Jain, Chief Executive Officer, Indian Info-Sec Consortium

Tanushree Bagrodia, CFO and VP – IT, NRB Bearings

In this new era, it is no longer adequate for CFOs to just focus on financial or even business risks. Data breaches and cyber attacks can measurably affect the company's operations and bottomline. The exposure is not limited merely to loss of proprietary or confidential company data but, increasingly, includes legal liabilities as well. Under the EU's General Data Protection Regulation (GDPR), certain data breaches could lead fines to the tune of 4% of global turnover. The draft Indian Data Protection Regulation Bill, 2018, incorporates similar provisions. Given these stakes, CFOs need to partner with security leaders, including the CIO, to manage this risk by understanding the cyber threat phenomenon in more detail and investing in security frameworks that can cope with the realities of today's digital business landscape.

Jiten Jain is a Cyber Security Researcher having specialisation in geopolitical intelligence analysis and mapping the same to cyber security and cyber conflicts. He advises organisations and people in identifying and plugging loopholes in their cyber security. He is the Co-Founder of The Hackers Conference and is currently heading Indian Infosec Consortium (IIC), an independent non-profit consortium of leading ethical hackers, cyber experts and cyber security communities in India. Join Jiten in an engaging conversation on a relevant and compelling subject where he shares insights to prepare for an uncertain and insecure world. His co-panellist will be Tanushree Bagrodia from NRB Bearings. NRB was recently exposed to a serious cyber attack. Tanushree, who has dual responsibility for Finance and IT, spearheaded the company's response strategy and successfully overcame the threat. She will share her experience and provide a practitioner's real-life perspective on cyber challenges in the modern day world.

Discussion Break	10:30 am – 11:00 am

FX and Currency Markets 11:00 am – 12:00 pm

Ananth Narayan, Associate Professor, Finance, SP Jain Institute of Management & Research

Despite reasonably good macroeconomic conditions, India's currency has declined by over 11% since the start of 2018. The reasons for this, arguably, stem largely from global considerations including the tightening of US monetary policy and the Trump administration's tax reforms. However, the alarming fall of the rupee below Rs 72 levels is a cause of some concern, especially to CFOs, as many worry that this might prompt the RBI to raise interest rates, thereby increasing the cost of funds. Going forward, emerging market currencies including the rupee are likely to remain volatile as the risks of escalating trade tensions and the reversal of the dollar carry trade weigh upon the global economy.

Ananth Narayan is an international banking and financial markets specialist. Prior to his current position at SP Jain Institute of Management and Research, he was Standard Chartered Bank's Regional Head of Financial Markets for ASEAN and South Asia, managing foreign currency, interest rates, commodities, derivatives and debt capital markets businesses across 12 countries. He has been part of several working groups and committees of the RBI, including one on Financial Benchmarks. The session with Ananth aims to decode the factors behind the rupee's nervousness, provide a perspective on likely policy responses, and their potential impact on the currency market.

Luncheon and close	12:00 pm

IMA India reserves the right to alter the programme as necessary.

The Global Economy and Trade Wars

Adit Jain, Editorial Director, IMA India

Global growth is today strong and well balanced. In 2017, the world economy grew by 3.8%, its fastest since 2011. The IMF forecasts similar growth this year and 3.7% in 2019. Barring Japan, all major advanced economies are growing at over 2% with the US at 2.3% in 2017 and the Eurozone at 2.4%. Emerging markets are also rebounding and EM Asia is currently at over 6.5%, led by India and China. However, economies move in cycles and the current upswing has already lasted a long time. It will take just a trigger or two for the cycle to turn again and currently, there are several such triggers. These include rising nationalism, geopolitical tensions and a reversing dollar carry-trade led by US monetary tightening. However, there are a few threats more worrying than the prospect of a breakdown in the global trade architecture. Most seriously, the Trump administration is undermining the post-World War II, rules-based order, built around liberal values, the free flow of goods and people, and a security paradigm built on NATO. Given how deep the global economic inter-linkages run, any of these risks can play out in unpredictable ways, pulling down world growth with it.

Headwinds Facing the Global Economy

The great trade war

The US-China trade war could turn ugly in the short term, with both side standing to lose. China will be impacted more, given its large trade surplus

- The Trump Administration has four grouses against China. First, China's attempt to manipulate its currency has presumably tilted the US trade balance (USD 350 billion) in China's favour. Second, he resents the 'loss' of millions of US jobs to China. Third is China's practice of stealing American IP and its bullying of US companies. Finally, there is China's encroachment in strategic areas such as the South China Sea, and in domains like AI, robotics, solar, electric vehicles, biotechnology, etc., where it is seeking global domination.
- Initially, the US will levy tariffs on USD 200 billion worth of Chinese imports, but it may go the whole hog and cover *all* imports. However, rather than being just a tactical measure, the move has strategic overtones, and seeks to *decouple* the US economy from China.
- Both countries stand to lose, but China will be impacted more, given its large trade surplus with America. Yet China will also make things very difficult for US companies operating there, just as it did with Japanese firms during a period of strained Sino-Japan relations. China could also block agricultural imports from the US; place restrictions on the export of rare earths; and try to prop-up the Yuan as a trading currency.

In the long run, the trade war has strategic overtones of decoupling the US economy from China

- Outside of trade, China could escalate the confrontation by selling some of the ~ USD 1.2 trillion American Treasurys it holds. The US does, however, possess the ultimate weapon: the dollar. Since the bulk of world trade is dollar-denominated, were the US to impose sanctions on Chinese companies, it could get banks to stop dealing with them in dollars, thereby isolating them.
- It would be hard for an American administration to play a long game, because unlike an authoritarian China, it has to worry about Congress, elections, lobbyists and vested interests. In the end, American public opinion drives politics and policy.

- The trade war could trigger a cold war, extending into areas such as investment, and may even spur a military confrontation, such as in the South China Sea. This could potentially divide the world into disparate trading blocs, as opposed to a single, open architecture. If other countries start to defy the rules laid down by the WTO, it could cripple the global trading system.

Rising commodity prices

Oil appreciation is on account of many factors: OPEC production cuts, US sanctions on Iran, dollar depreciation and speculative trades

- Since 2016, commodity prices have been on the mend. Metal prices – tin, zinc and aluminium, among others – are up strongly, natural gas has doubled in price, and oil has more than doubled from its lows of around USD 30/barrel.
- Several factors are driving up oil prices: OPEC production cuts; a rising geopolitical risk premium; Mr Trump's aggressive Iran policy; the dollar's depreciation for much of last year (a falling dollar tends to fuel oil inflation); and speculators buying up oil futures.
- Shale production failed to 'kick in' when oil hit the USD 50 mark, because too many investors got burned in the previous bust, when they had to write off ~USD 130 billion of loans.

With Shale production kicking in, oil prices are expected to fall to USD 65/barrel in 2019

- In the longer term, big oil companies – who have already committed to invest USD 40-50 billion over the next 5-10 years – are expected to drive up Shale oil production. Going forward, many forecasters believe that oil prices would be in the USD 63-65/barrel range in 2019.

Monetary tightening

Rising bond yields have serious implications especially for high-debt economics like Italy and China

- The global interest-rate cycle is turning far quicker than many expected. From zero, the US Federal Funds Rate has been edging up and is likely to keep rising until it is at or close to 3%, which, given an inflation target of 3%, is considered to be its inflation-neutral level. 10-year bond yields, consequently, have jumped from 1.4% to 3.15%.
- Going forward, given the robustness of the US economy on account of strong consumption, near full employment, lower corporate tax rates and a buoyant housing market, the US Fed will continue to hike interest rates.
- Similarly, bond yields are up in the Eurozone, while the differential between treasury yields in some cases such as Germany and Italy is a whopping 3%. This is critical, because Italian debt is now over 140% of GDP, most of Italy's banks are in bad shape, and the country does not have a stable government. If Italy fails, it could trigger the next major financial crisis, or even a complete collapse of the European Union.

A financial crisis in China could spread to the rest of the world and wipe out trillions of dollars across the western and EM markets

- The implications for Emerging Markets will be huge, especially for China, where debt now exceeds 280% of GDP. Most of this is corporate debt, two-thirds of which is held by state-owned enterprises (SOEs) and real estate companies, but the shadow banking system also holds debt worth about 30% of GDP. A financial crisis in China – the world's second largest economy, and the largest trading nation – will have a contagious effect, wiping out trillions of dollars of global wealth.

Rising nationalism

Nationalism and all-right movements have created political and economic tensions in Europe

- Nationalism is a serious threat nearly everywhere, and is personified most clearly in the rise of Donald Trump, in Brexit, and now in Angela Merkel's weakened position in Germany.
- Across Europe, those who were once at the fringes of policymaking are at the centre of it, and even 'centrist' parties now contain such elements. Their anti-trade, anti-immigration views put pressure on countries not only to restrict the movement of goods and people, but also to walk away from global commitments on matters such as security and the environment, and from regional arrangements like the European common currency.
- Europe is now divided between a more liberal West and a less open East, but both sides have an equal say in the EU, creating huge tensions.
- Meanwhile, the UK and Europe have just 6 months left to negotiate Brexit, and while the option of a 'soft' exit still exists – one where Britain remains part of the customs union – many people there no longer want to play by 'Europe's rules.'

THE INDIA OUTLOOK

The NDA: the hits…

In the NDA's 4 years, India's strategic relationships have deepened; it has avoided a ratings downgrade; the tax base has widened, fiscal federalism has improved, and India has become more 'financialised'

- In its four years in power, the NDA government has had several important achievements, including vastly improved strategic relations with countries like Japan, Israel, and even the UAE and Saudi Arabia.
- Crucially, it managed to consolidate the fiscal position (~3.5% of GDP), despite only moderate GDP growth. This helped avert a ratings downgrade to junk-bond status, which many thought inevitable because of high fiscal deficits under the UPA (6.5% of GDP).
- There has been a marked change in India's perception amongst the global political leaders and investor community.
- Under the NDA, India has also become increasingly 'financialised'. Net financial savings have nearly doubled, from Rs 8 trillion to Rs 15 trillion, with people moving from low-yielding assets like gold and land to higher-performing financial ones.
- Structurally, initiatives like direct benefit transfers (DBT), the growing use of Aadhar, and the Jan Dhan Yojana have improved financial inclusion and intermediation, and is expected to spur longer-term economic efficiency and growth.
- In the infrastructure space, the government's commitment of Rs 15 trillion of capital spending over 5 years under several major heads, including the ambitious Bharat Mala programme, will have a massive ground-level impact.
- Landmark legislation like the Insolvency and Bankruptcy Code – which has already shown some early results with Rs 830 billion in settlements – will, in the longer run, help clean up bank balance sheets, promote a healthy borrowing culture, boost the bond markets, and encourage constructive asset churn in the economy.
- Pushed by its anti-laundering initiatives, including demonetisation, and by the data-mining that was made possible by the GST, there are now 85-90 million tax payers, up from 60 million 3 years ago. For the first time, in 10 years, India's tax buoyancy has reached 1.22. Indirect tax collection in FY18 was Rs 9.4 trillion, up by 6% from Rs 8.9 trillion in FY17.

- Finally, federalism has strengthened under the NDA, with the states now receiving 42% of tax revenues, up from 32%.

...the misses

The banking system remains in deep trouble, and progress on crucial reforms is slow

- The NDA could have done more is in terms of land and labour reforms. Judicial reforms have also not taken off, while defence modernisation – which suffered under the previous government – has been slow.
- The banking system remains in deep trouble. Although the first steps have been taken to fix the bad loans problem – crucially, the bankruptcy laws have been changed, allowing lenders to recover some of their money – much more remains to be done.
- The only permanent solution is to make PSU banks open to public scrutiny, which requires privatisation.
- The Revenue Department also continues to function as it has for years, with trillions of Rupees stuck in litigation.
- Finally, religious nationalism, and the government's inability to control certain fringe elements reflect poorly on it.

The outlook for the 2019 elections...

In 2019, the BJP may come back with a reduced majority....

- Indications are that the BJP may win next year's General Elections with a reduced majority from 2014's. While the party aims to raise its vote share from 31% last time to 41%, this will be a hard ask.
- In a close fight, the BJP may get 220-230 seats and depend on allies to form a government.
- It will likely see losses in states like Chhattisgarh, Madhya Pradesh, Rajasthan and Uttar Pradesh. Even accounting for gains in Karnataka and the North East, its overall count may fall, perhaps compelling it to work more closely within an alliance system, and to be more consultative with its partners.

...the alternative to a BJP-led government is a hotchpotch coalition that would have negative implications for the economy

- What the BJP has in its favour is an iconic leader; top-notch, data-driven electoral management systems; grassroots coordination through the RSS; and a huge war-chest.
- The alternative to a BJP-led government is a hotchpotch coalition, under which bond yields would go up, and the Rupee down; liquidity would dry up, and the investment cycle would take a hit.

....and the economy and Rupee

The Rupee has fallen sharply, mostly on account of global factors...

- The Indian economy seems to be in good shape: GDP growth accelerated to 8.2% in the June quarter; the investment curve is reversing upward (GFCF grew 10% in the June quarter); credit growth improved from ~5% in 2017 to ~12% now, and capacity utilisation is hovering at 72-76%.
- Despite strong macroeconomic fundamentals, the Rupee has dropped by 15% since January on account of a reversing carry-trade; contagion fears sparked off by the Turkish Lira's slide; concerns about the current account due to oil; and worries about the fiscal deficit.

...but the fundamentals remain strong

- The RBI's direct interventions to arrest the Rupee's fall – through USD 21 billion worth of spot purchases and USD 10 billion in forward sales – proved ineffective. It is therefore left with the following options: hike interest rates or launch an NRI bond deposit scheme. Separately, the government can hike tariffs on imports.

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ELECTIONS: DEVISING A WINNING STRATEGY

Rajat Sethi, Political Strategist, Bharatiya Janata Party

The BJP's electoral successes in 2014, and in many state elections, have been made possible by three factors: the iconic leadership of Narendra Modi; the extended ground support provided by the RSS; and superior data analysis and electoral capabilities. The victory in Assam in 2016 was particularly important, given how long the state had been dominated by the Congress, and that the BJP barely had a presence there. Thanks to its innovative approaches and the use of new-age analytical tools, the party swept to power with an overwhelming majority – 86 of the 126 seats – eventually paving the way for larger inroads in the North-East. Viewing the BJP and its successes more broadly, its cutting-edge electoral management structures offer many lessons to the corporate community.

INDIA'S POLITICAL ECONOMY: CURRENT STATE

The BJP is likely to win the 2019 elections on the back of the iconic leadership of Mr Modi, deep grassroots penetration, superior election management capabilities, and a huge war chest

- Despite the fundamentals remaining strong, the opposition is projecting a negative picture of the Indian economy. Detractors blame the BJP for the Rupee crisis and for a worsening credit situation. The reality, as data on the real effective exchange rate (REER) reveals, is that the Rupee was overvalued. Meanwhile, tightening credit is an outcome of the stringent checks and balances that are now in place.
- On the Rafale deal, the opposition is aggressively demanding that the government share sensitive details that would compromise national security.
- The BJP-led NDA now controls 21 out of 29 states. Having established a strong foothold in North-Eastern India, the BJP now aims to expand into Andhra Pradesh, Odisha, Tamil Nadu, Telengana, and West Bengal.
- Given the strong positive sentiments for the BJP, its deep grassroots penetration (right from the booth- to the national level) and superior campaign management capabilities, the party expects a comfortable victory in the 2019 elections.
- The transition from NDA 2.0 to NDA 3.0 will be smooth, as the BJP will stitch together an alliance much bigger than the opposition's.

HOW TECHNOLOGY IS SHAPING INDIAN POLITICS

Technology is playing a decisive role in the rise and fall of politicians

WhatsApp has overtaken Facebook as the mainstay for political campaigns

- More and more politicians are leveraging new communication mediums that influence public opinion. The 2014 Lok Sabha elections were a tipping point, with Mr Modi leveraging 3D rallies, 'Chai pe Charcha' and 'Mann ki Baat' to reach out to millions of people at a time.
- By 2017, WhatsApp had overtaken Facebook as the mainstay for political campaigns, enabling parties to focus on video content to woo the first-time electorate. Today, the BJP actively manages about 500,000 WhatsApp groups.
- Data and analytics are moving to real-time monitoring of people's reactions to politics and policy, and to enable rapid responses to crises. The BJP has created a massive infrastructure to analyse data from 1 million polling booths across the country, and to understand and predict polling behaviour.
- Technology is playing a decisive role in the rise and fall of politicians. Social media platforms have helped create self-proclaimed political pundits, irrespective of their credibility, who can engage in political socialisation.

Political campaigns will

- The downsides of technology are also many: the rise of politically-motivated *target private memories through the use of 3D imaging, crowd-funding, and memes*

fake news can negatively shape public opinion. The direct involvement of foreign players and international data firms such as Cambridge Analytica in the Indian polity can result in organised social media manipulation. Finally, the left-leaning nature of technology companies can pose challenges for right-wing parties like the BJP.

- Going forward, political campaigns will aim to target the private memories of voters. Consequently, techniques like crowd-funding will be increasingly leveraged to create stickiness among voters.
- The future of political communication involves the use of holograms such as 3D imaging to address multiple rallies at a time, and the use of humour through memes to convey complex messages in an easier-to-understand form.
- Blockchain technology could fundamentally change the voting landscape in the future by enabling secure digital voting via public encryption.

THE ROLE OF FINANCE IN A TURNAROUND

Gopal Mahadevan, President Finance and Chief Financial Officer, Ashok Leyland

More than at any time in the corporate life cycle, the CFO must come to the fore during a turnaround. When the numbers start to indicate that all is not well, and when the organisation enters unknown waters, it is the CFO who must stand tall and help lead the way. What is needed at this point is something more than just being a 'hatchet man' or a 'super cost-cutter'. Rather, what the organisation requires, if it is to return to profitable growth, is for a strong Finance perspective to be injected into every area of decision-making and strategy. One particularly noteworthy transformation story is that of Ashok Leyland (AL), India's largest commercial vehicles manufacturer. Thanks to the efforts of its CFO, Mr Mahadevan, and the rest of the senior leadership team, AL was able to quickly return to the growth path. Its story offers valuable lessons on what worked, and what did not.

ASHOK LEYLAND 2.0: A PERFECT STORM

Ashok Leyland reported its first ever quarterly loss in Q1 FY13

- Ashok Leyland 1.0 – the company's first 65 years of existence – was marked by consistent profitability.
- Beset by an economy in drag, AL reported a 15% drop in net sales, and a loss of Rs 141 crores, in Q1 2013 its first-ever quarterly loss.
- The impact on the balance sheet was even worse: overall debt levels, at about Rs 6,000 crores, hit a record of 2.4x equity, while the working capital requirement burgeoned to Rs 1,400 crores. The share price fell below book value, and AL faced a ratings downgrade.

ASHOK LEYLAND 3.0: RESTRUCTURING FOR GROWTH

Finance was instrumental in returning AL to profitability…

Seeking to revive growth, AL adopted a multi-pronged restructuring plan. The focus was on reducing cash leaks and deleveraging the balance sheet while growing market share. The following strategies helped the turnaround:

…by identifying loss-making products, redefining metrics, publishing detailed P&L accounts, optimising cost and working capital, restructuring balance sheets

- ***Shifting the portfolio mix:*** An in-depth analysis of the company's product offerings helped segregate loss-making offerings from the more profitable ones. AL immediately stopped producing its loss-making products.
- ***Redefining metrics:*** To ensure strong alignment between effort and business need, AL selected three critical metrics: market share, operating working capital and EBITDA margins. All targets, goals, and outcomes were linked to, and tracked along these metrics.
- ***Delegating P&L responsibility:*** To gain granular visibility into the drivers of performance, Finance moved from a consolidated P&L to publishing 450 P&L accounts every month covering every aspect of its operations.
- ***Optimising costs:*** The Project – codenamed 'K-54' – was given the mandate of reducing the break-even and cutting all costs, including interest, depreciation, and non-cash charges to improve PBT. As a result, the break-even point was reduced by 30%.
- ***Optimising working capital***: An automated review process was installed, providing granular information that allowed it to identify any inefficiency in its management of working capital. In just 4 months, this helped bring down working capital from Rs 1,400 crores to Rs 233 crores.
- **Restructuring the balance sheet:** A dedicated team was tasked with identifying non-core/unproductive assets. In the last four years, AL has sold non-core assets worth Rs 1,600 crores and impaired investments to reduce their carrying value.

- *Keeping shareholders informed*: Greater traction in investor relations was enabled by means of consistent and transparent communication. Trust was built through ruthless honesty. This helped AL improve its credibility among investors, and to raise USD 110 million in fresh capital through a QIP in July 2014.

Between FY16 and FY18, revenue jumped by over 40%, net income rose 4x and ROE 3x, and net debt went to zero

In terms of tangible outcomes, revenue increased to Rs 26,248 crores (FY18) from Rs 18,937 crores (FY16). In the same period, EBITDA jumped to Rs 2,739 crores, from Rs 2,255 crores; net income saw a four-fold increase, from Rs 390 crores to Rs 1,563 crores, while ROE increased three-fold, from 7.2% to 21.8%, and net debt went to zero. This was achieved despite a significant rise in material costs and heavy discounting in the market.

Ashok Leyland 4.0: Staying Relevant

Going forward, Ashok Leyland has three broad goals on revenue: pursue domestic growth; grow acyclical businesses; and drive-up the share of the international revenue. While the domestic truck business remains its bread-and-butter, it is important to de-risk the organisation by growing other businesses in parallel.

AL aims to de-risk the business by growing other businesses in parallel, and moving from being a products business to a solutions provider

- **Future-proofing**: AL is moving from being a pure products business to becoming a 'solutions' provider. From merely building innovative trucks, it is now making them digitally-enabled and intelligent.
- **Staying ahead:** The world of tomorrow will be one of great opportunity, but also of massive disruption, driven by regulation and customer preferences. Pure manufacturing excellence has become a given, not something that commands a premium any longer. New strategies will be needed to survive and grow – and in some industries, the 'moats' that companies have built for themselves will no longer suffice.
- **The role of Finance:** Finance will need to partner with the business in driving these changes, because decisions on capital allocation, revenue streams, investment structure and funding are the backbone of such initiatives.

The Changing Context for CFOs

CFOs are expected to be tech savvy, proactively drive business solutions, and regularly interface with front-line employees and customers

- CFOs are expected to play a multi-dimensional role: be tech-savvy, drive strategic initiatives, understand drivers of business, and build a connect with other business units and customers.
- To stay relevant, they must ensure that they: offer insights that are valued by the business; are seen as *proactive* solution drivers; build relations with frontline employees; get hands-on with core business technology (not just ERP); and be part of customer and vendor meets or product launches.
- CFOs are uniquely placed to build forward-looking organisations by investing in dynamic MIS and advance warning tools, and building a strong Finance team that *thinks* differently.
- Mr Mahadevan's impact on the firm is not just on 'core Finance' elements– cost, risk liquidity/funding management and margin maximisation – but also in terms of identifying new business opportunities. He is additionally responsible for AL's Customer Solutions business.

M&A: New Norms in a New World

Sugata Sircar, CFO and Country Finance Partner, Schneider Electric India
Vivek Gupta, Partner and National Head, M&A/PE Tax at KPMG

CFOs are uniquely positioned to add huge value during an M&A transaction. Everything from target identification to due diligence and post-close execution requires Finance's well-rounded capabilities. Changing regulations in the M&A landscape also cast a high degree of responsibility on the CFO. Schneider Electric's proposed acquisition of L&T's automation and electric business for USD 2.1 billion – the biggest deal in India this year – and similar ones in the past, hold valuable lessons. from the pressure to achieve the expected synergies to the complexities of integrating systems, processes, people, brands and corporate cultures.

The Indian Deal Market: H1 2018

H1 2018 recorded the highest ever half-yearly deal value of USD 75 billion

- 2018 has been a breakthrough year for M&A activities. The first half of the year saw over 600 deals worth a total of USD 75 billion – the highest-ever recorded half-yearly value.
- The top 10 deals accounted for 84% of the total M&A deal value in H1, and the top 10 PE deals accounted for 41% of the total PE deal value. Telecom and e-Commerce saw big ticket deals, while real estate and the start-up space attracted the greatest volume.
- Regulatory interventions, such as the Insolvency and Bankruptcy Code (IBC), which is designed to resolve large NPAs, have been instrumental in driving merger deals in 2018. The key themes driving the deals are consolidation and market entry.

The deal environment will remain challenging in H2 due to political uncertainties and capital-market volatility

- The main challenges to the deal market include: uncertainty surrounding the 2019 elections, and domestic capital market turbulence. Accordingly, PE and venture capital funds are expected to remain circumspect.
- However, heightened activity by US companies, who are flush with money owing to Donald Trump's tax policies, may offset the challenges in the Indian deal market. Further, more and more global brands are looking to enter India, pushing up deal activity moving forward.

A Paradigm Shift in the CFO Framework

The changing M&A deal environment casts a high degree of personal responsibility on CFOs

- Over the last 5-7 years, there has been a paradigm shift in how the CFO and M&A interact. New regulations have made CFOs personally liable.
- There is also a huge movement towards substance over form. More and more firms require tax accounting on account of heightened scrutiny and new reporting standards. For instance, the largest insurance deal in the country collapsed because it failed the IRDA test on substance.
- Regulators are becoming increasingly belligerent. Courts are upholding the true essence of a transaction, enabling regulators to ask in-depth questions and even to reject transactions that would have previously gone through.

Tightening regulations and the activist nature of the judiciary have complicated the deal environment

- GAAR, the re-negotiation of tax treaties, and changes in tax residency conditions through the Place of Effective Management (PoEM) provisions, have complicated the deal environment.
- The authorities are working in close coordination, and becoming more aggressive in terms of scrutiny and the imposition of fines. Therefore, in an environment of perfect information, the onus is on the CFO to ensure that the deal gets through in law and in substance.

Businesses face valuation-based tests under the new company and tax laws

- More and more companies face valuation-based tests under the new tax and company laws. Today, for instance, any gain made on a 'bargain purchase' (i.e., the amount by which the fair value of the acquired assets exceeds the purchase price) is subject to tax.
- Increasing activism by proxy advisors and shareholders poses challenges to deal making. In many recent cases, shareholders restricted the movement of funds across the Indian entities, citing conflicts of interest. Further, the likely inheritance tax in the medium term on Indian promoter-led structures also has a bearing on deals.
- Complicating matters are Indian laws that inhibit local borrowing to finance share acquisitions. Further, handling a global acquisition involves withholding obligations and value attribution to India. For instance, the sale of Flipkart Singapore attracted tax in India.

SCHNEIDER ELECTRIC'S M&A FRAMEWORK

Pre-close planning and preparation

Successful M&A requires a clear assessment of the benefits from a deal

- The success or failure of an M&A deal lies in the ability to clearly define the likely benefits in terms of gain in market share, the resultant synergy between business models, the investment value of the core business, and the monetisation of non-core business.
- A clear *business plan* is key to arrive at a realistic target enterprise value after factoring in the discounted cash flows (DCF) of the target and acquirer, and the potential synergies. The ultimate goal is to ensure that the combined DCF is greater than the sum of the parts. The upfront communication of the DCF numbers to shareholders seems to have a positive impact on total shareholders returns.
- A critical first task is to preserve the value of the combined entity. The next big task is to identify opportunities, and the effort required to 'create value'.
- Once the deal team has identified specific market opportunities, it is vital to define a unified go-to-market strategy to achieve the growth objectives, maintain business continuity, and leverage the firms' combined talent and resources. Ahead of the Schneider-L&T deal, the factors that were considered included complementary cross-sales channels, training and communication with regard to the sales force, new performance measurement matrices, and possible volume reductions and price risks.

Key risks and safeguards should also be evaluated beforehand to prevent value erosion post acquisition

- The combined entity's product portfolio should also be assessed well in advance. Steps should be taken to identify product improvements, and crucially, the products that are to be eliminated.
- Potential synergies can come out of manufacturing assets, headcount, and procurement. These can be assessed using industry benchmarks.
- Finally, key risks must be assessed and other safeguards put in place to prevent value erosion. Normalised profits/cash flow should be arrived at after provisioning for doubtful debts, inter-group transactions, inventory valuation, liquidated damages, employee benefit provisions, stretched creditors, deferred capex, contingent liabilities and bills discounted.

Managing talent post-merger is crucial to ensure the best people are retained

Post-close: key focus areas

- Nailing down synergies after a merger requires a disciplined approach to identification and validation, and creating a detailed plan.
- It is also vital to monitor synergies in the post-merger due diligence phase to adjust and improve them on an ongoing basis.
- When a company announces M&A, it has a bearing on the talent pool – people get either rattled or euphoric. Therefore, identifying the key talent in advance, and managing these individuals after the merger is crucial to ensuring that they stay on. Many large acquirers have an inclusive talent management approach, with management incentives plans to ensure that key staff remain in the game.

THE DIGITAL CFO

AV Dharmakrishnan, Chief Executive Officer, Ramco Cements
Balaji R, Global Head – ERP Pre Sales, Ramco Systems

The digital age is overwhelming in the scope of change it is engendering; that change is silent, and it is fast. It has overtaken how we live, and will transform how we work. The hype around disruption is often focused on a few companies – such as Uber, Airbnb, Amazon – whose business models and digital platforms are disrupting and reshaping industries. Today, given the pace of change, every enterprise is concerned about digital disruption and for many organisations – including established, successful, and high-tech – digital transformation may be much more than operational, focused on exploiting digital connections between systems, people and things. To that end, the Finance function, with a few proven cases of digitisation, must urgently push forward the digital agenda or risk falling behind other functional groups in the organisation whose digital transformations are already underway. A good starting point could be for CFOs to start engaging with the senior leadership and the Board to proactively identify tasks and processes within Finance that could be digitised.

BUILDING FINANCE APPLICATIONS OF THE FUTURE

To become a self-sustaining function, Finance must embrace technology proactively and systematically…

- For Finance to continuously guide the business with sound, well-grounded insights, it is essential that the financial teams are empowered with the right technology. However, most Finance functions, especially in large organisations, are still tied down by their legacy to adapt to changes.
- Building a self-running finance function requires building 'active' systems that are frictionless, not dependent on humans (Zero UI), capable of understanding the context, anticipating the need of stakeholders, and proactively responding to issues in real-time.
- The key tenets of a self-running Finance function rest on the following levers:
    - **Hyper automation framework**: The guiding philosophy is to enable straight through processing and achieve end-to-end value chain automation. This has the potential to yield significant cycle time improvement and reduced human intervention, in areas of invoicing, integration from and to banks, reconciliations, reporting and even statutory filing.
    - **Connected ecosystem**: Enterprise applications need to be connected to suppliers, vendors, third-party payment providers for seamless connections with systems across the value chain.
    - **Deep integration and domain alignment:** Systems need to be organically built from the ground up to suit the specific requirements of each business. Technology solutions should be deeply integrated into the organisation systems to enable multidimensional analysis (such as P&L by customers, regions) with the ability to drill-down into individual transactions seamlessly.
    - **Business insight and embedded analytics:** Systems should be capable of highlighting bottlenecks and suggesting actionable insights in real-time.

…to build a comprehensive automation framework, a connected ecosystem and an integrated system

THE NEW-AGE SOLUTIONS: USE CASES

The new-age solutions can enable comprehensive workforce management and drive end-to-end automation from 'procurement to selling'

- Finance activities such as Financial Reporting can be enabled on BOTS for stakeholders to execute inquiries such as balance and outstanding look-ups without interacting with a finance employee.
- Such enterprise solutions can enable comprehensive workforce management such as manpower planning, attendance reconciliation, wage and invoice simulation and compliance with industry-specific controls.
- The solutions can even drive end-to-end automation of the onboarding process for new employees and leverage AI and machine learning to automate codification of transactions for seamless bill entries.
- The new-age solutions can be customised to implement a zero-touch 'procure to sell' process for significantly reduced cycle times.

The session was followed by a live demo by AV Dharmakrishnan, Chief Executive Officer, Ramco Cements.

India's Political Dynamics

R Jaganathan, Editorial Director, Swarajya

A few months ago, any prospect for 2019 other than a second term for the BJP seemed unthinkable, given its string of Assembly-poll victories, and the personal magnetism of Prime Minister Narendra Modi. Today, however, there are signals of the opposition coming together under the umbrella of a 'united front' against a towering BJP, which rules in 21 of India's 29 states. The strategy has yielded mixed success so far, that too, only at the state level. Given how strongly policy continues to drive the economy, it is imperative to understand how the cards might play out. The implications for policymaking in the immediate term, and post 2019 hang in the balance.

2014 and 2019: What is new and different

The opposition has a single agenda at hand: oust Modi in 2019

- Since 2014, the BJP has replaced Congress as the main pole in Indian politics. This is unlikely to change significantly even if the BJP loses the elections of 2019.
- Bruised and battered by the BJP in most states, the opposition is slowly focusing on one simple goal: ousting Modi next year.
- The opposition strategy will be to put up a single candidate against the BJP, wherever possible, in each contest. However, this may not work out in every state, since regional dynamics also matter.
- The BJP's ties with allies are weakening in some states, including Maharashtra and Andhra Pradesh, but the party has also gained allies in places like Bihar.

The BJP will most likely come back to power, but with a reduced mandate

- PM Modi is more popular than his party. This means that the party will probably do better in a national election, than in the state elections that are due later this year.
- All considered, the BJP is likely to return to power under Mr Modi, but with a reduced mandate. To govern, it need many allies, and it currently has the option to coalesce with the BJD, AIADMK, TRS and YSRC, among others.

How 2019 is Shaping Up

Key deciding factors

The opposition's plan of cornering the NDA on corruption and bank frauds will not have much of an electoral impact

- Job creation and economic performance are serious handicaps for the current government, as it has not delivered on these fronts.
- Issues around corruption – including bank frauds, the Rafale deal, and alleged cronyism – will not have much of an impact on the electoral results. Communal polarisation is likely to increase, especially in UP, Assam (due to the NRC), West Bengal and Kerala, where the BJP is making a bid to make its presence felt.
- The unsavoury theme of caste dynamics will be played by the opposition in various states, especially in the battleground states of UP and Bihar. North-South issues will also get raised to ensure that the BJP is unable to grow its base in the South. By and large, these tactics will not work, because the major thrust will be on issues around development.

The BJP will make conscious efforts to appear on the left-of-centre, Dalit-friendly, and as a stable alternative to an unreliable opposition

What the BJP will be banking upon

- There is a conscious effort by the BJP to shift its image to left-of-centre. PM Modi has been actively taking steps in this direction.
- The party will emphasise Mr Modi's anti-corruption image, and his efforts to ferret out black money. There is no anti-incumbency against the PM
- The results of key social sector schemes, including Ujjwala, last mile electrification, affordable housing, Jan Dhan, Ayushman Bharat and Mudra, will be promoted.
- Success in bringing back to India any of the major absconding loan defaulters will be tom-tommed as a huge political achievement.
- There may be a large Dalit outreach by the party, including promises of affirmative action in private sector jobs.
- The BJP will also promote itself as a stable alternative compared to an unreliable and unstable opposition.

Shifting the focus to the government's failures, and painting it as anti-Dalit and prone to cronyism

What the opposition may highlight

- For its part, the opposition will emphasise the government's alleged failures on the job-creation front, farm distress, anti-Dalit violence, communal tensions, and the 'gap' between the NDA's anti-corruption rhetoric on the one hand, and the reality of rising NPAs and alleged corruption in the Rafale deal on the other hand.
- The NDA will be painted as pro big-business and prone to cronyism, with the 'escape' of Nirav Modi and Vijay Mallya highlighted for good measure.

The NDA may resort to populist measures just before the elections

What is means for the economy and business

- As politics takes centre-stage, there will be a slowdown in the reforms momentum. However, key bills on data privacy and protection may get moved.
- The government may come out with a 'mini-Budget' in December. Owing to widespread rural distress, certain populist measures, including higher farm prices, may also be on the cards.
- A slippage in fiscal consolidation and worsening of CAD cannot be ruled out. Interest rates are likely to go up, and inflation may spike.

POLL SCENARIOS FOR 2019

Serious anti-incumbency in three major states will force the BJP to look for new alliances

- ***State elections:*** The BJP faces serious anti-incumbency in three major states – MP, Chattisgarh and Rajasthan – that will go to the polls in November and December. It will probably lose Rajasthan badly, and may leave CM Vasundhara Raje to fend for herself. However, it is likely to retain Madhya Pradesh, though with a smaller majority. Chhattisgarh could tilt either way, but if the new Ajit Jogi-Mayawati alliance eats into anti-BJP votes, Raman Singh could return to power. The BJP could lose Jharkhand and Haryana in elections due towards the end of 2019, but Maharashtra may remain with the BJP if the Shiv Sena alliance holds. Delhi will remain with the AAP in 2020, though with a shrunken majority. In Jammu & Kashmir, the Congress and NC could come to power if elections were held now. The BJP is likely to emerge as the main opposition in West Bengal after 2019.

The likeliest scenario is a Narendra Modi-led government, with a shrunken seat-share

- ***Allies and options:*** The BJP is looking at new allies, even post-poll allies. Its relationship with Shiv Sena and TDP has frayed, with the latter breaking off. The Sena alliance may endure, but only as a seat-sharing arrangement. The BJP is likely to retain the Akali Dal, LJP, JD(U), and some smaller parties, in its alliance.
- ***The BJP's plan B:*** As things stand, there is a 70% probability of the BJP winning at least 200 seats – and possibly 220 – on its own. Below 180, however, the party may still return to power, but without Mr Modi at the helm. In such an event, a compromise candidate like Nitin Gadkari would hope to get the 'top job', attracting more regional allies, and forming a Vajpayee-type coalition of 20-25 parties.

Post- Poll Predictions

For business…

The next BJP government is likely to aggressively drive reforms, with privatisation big on the agenda

- A BJP government is likely to drive through more radical economic changes, with privatisation likely to figure high on the agenda.
- Assuming a Modi-led coalition, there will be no major changes in business policies post-2019. GST will be tweaked and policies will be focused on job-creating growth. Regional parties within the coalition will have more say on policies that benefit their states.
- If a Congress-led coalition comes to power, GST may be significantly rejigged, and IBC and other policies drastically changed. On the whole, the reforms process will be slower.
- No matter which coalition comes to power, the ongoing 'financial revolution' will continue to gather steam. With the Jan Dhan-Aadhaar-Mobile (JAM) trinity, India will soon have the most advanced payments system in the world.

…the economy

Economic growth will revive strongly in FY20…

- Regardless of who forms the government, the economy should start reviving strongly by 2019-20. Both the GST and the IBC will start 'delivering', and banks will be sufficiently capitalised to restart lending.
- Growth will be led by finance, real estate, construction, logistics and delivery, and new services. Education, health and tourism will be major job drivers.

…led by finance, real estate, construction, logistics and delivery

- Consumption will revive, as will the investment cycle. Inflation is likely to perk up in 2019, both globally and in India. Resultantly, interest rates will not ease at all, and in fact, 2-3 rate hikes are likely in 2019.
- The Rupee may remain under pressure, and another big effort to rope in NRI money – like the one in 2013 – cannot be ruled out.
- Telecom-sector consolidation will wind down, with only three players left standing – Airtel, Vodafone-Idea and Reliance Jio – while that in the banking sector will gather momentum in after the elections.

The investment cycle will reverse, inflation will accelerate, and rate hikes are likely

- The IT sector is likely to boom as India's four IT majors shift focus to digital and the transformation progresses through 2019 and 2020.
- The government is likely to shift to a calendar-year Budget from 2020.

- Externally, protectionist and nationalistic pressures will persist, though much depend on the US elections this November, and whether Mr Trump wins a second term in 2020. Tariffs will remain high, even as India grapples with oil, the CAD, currency turmoil, and other external pressures.

…and politics

Polarisation, cast tensions and state issues will prevail

- India will remain a polarised society for the foreseeable future. Cast tensions will continue as long as job growth stays weak.
- Relations with neighbours like China and Pakistan will remain testy.
- Kashmir will remain on the boil. Maoist violence will see a drop, but could resurface if the authority of state governments starts to fray.
- The Government and the judiciary will remain in conflict over the courts' activist leanings.

ENTREPRENEURSHIP: NO SHORTCUT TO SUCCESS

Shashi Kiran Shetty, Founder and Chairman, Allcargo Logistics

Today, India's entrepreneurs across sectors are creating value in segments large, medium and small. Whether they will go on to create legacies and lasting institutions with impactful cultures remains to be seen. Entrepreneurial spirit can help a business build differentiation; it can also enable entire nations to build competitive advantage. Successful firms have at their core this unique drive to create, innovate, and make responsible gains, individually and collectively. A remarkable post-liberalisation success story is Allcargo Logistics, whose founder turned a small freight-forwarding company into a Rs 5,600 crore enterprise, and one of India's largest private logistics companies.

LEARNING THE TRICKS OF THE TRADE

Mr Shetty moved to Mumbai in his early twenties to start his career in the logistics and shipping industry

- Born to a small business family in Bantwal, Karnataka, Shashi Kiran Shetty arrived in Mumbai after completing his bachelor's degree. In 1978, he started a career in the logistics and shipping industry as a trainee with Intermodal Transport and Trading Systems.
- Driven by the zeal to make it big, Mr Shetty led his early responsibilities with a clear focus on learning the tricks of the trade and building his capabilities. He subsequently moved to Forbes Gokak, a Tata Group company.

TAKING THE LEAP

At 25, Mr Shetty quit his job to start his first business venture with Rs 25,000 of capital

- After working for four years in the corporate world, at age 25, Mr Shetty's entrepreneurial gene kicked in. Even though it had been a happy stint – he recalls spending quality time with the ship master, and enjoying the luxuries of a glamorous life – he believed he would be better off on his own. So he quit his job.
- With Rs 25,000 of savings as seed capital, he established his first business venture in 1983 – Trans India Freight Services. Initially focused on moving cargo, Trans India proved successful, expanding to service the cargo needs of the oil & gas and power sectors.

Ten years later, he founded Allcargo Logistics, the first company to provide LCL services in India

- Ten years down the line, Mr Shetty founded Allcargo, aiming to provide integrated, multi-modal logistics solutions and services. The company faced many initial challenges around financing, but a strong team, a good understanding of the ground realities, and healthy relationships with customers and port executives helped it sail through these difficulties.
- Under Mr Shetty's leadership, Allcargo became the first company in India to introduce LCL (Less than Container Load) services, which today comprises a major part of the industry.

SPREADING WINGS

Allcargo reached the Rs 1,000 crore revenue milestone in 2003

- In the next ten years, Allcargo managed to build a solid fleet of 50 trailers, 3 cranes and some forklifts. By 2003, it crossed the critical milestone of Rs 1,000 crores in revenue.
- Having already worked with ECU-Line, Mr Shetty decided to acquire the company – which had 5x Allcargo's revenue – in piecemeal fashion. He joined hands with ECU-Line to expand into the Dubai and Singapore markets. In the process, Mr Shetty managed to expand into foreign markets while diverted ECU away from the Indian market.

In 2006, Allcargo went public by diluting 6% of promoter equity…

- Following two big acquisitions, ECU Worldwide fell into a financial trap, and spotting the opportunity, Mr Shetty moved to acquire it.
- In 2006, Allcargo went public. Blackstone, the PE fund, bought ~6% of the company, later growing this to 15% before selling its entire stake in 2017. The money helped Mr Shetty acquire 33% of ECU-Line, and within a year, he had raised his stake to 50%.

…which helped acquire ECU-Line - an European company five times its size

- To turn around ECU-Line, Mr Shetty sent in his CFO, who proved instrumental in pulling the fabled company back from the brink of bankruptcy. This proved to be one of the most challenging times for Mr Shetty personally, especially because it overlapped with the exit of several of Allcargo's top managers.
- Several more acquisitions followed in China and the US, which made Allcargo a truly global player.

In the next five years, Allcargo aims to become a USD 2 billion company

- Today, Allcargo operates in seven verticals, including ship-owning, warehousing, freight forwarding, and project logistics. Globally, the Group is professionally managed out of its Mumbai headquarters, and has adopted global best practices in HR, compliance, audit and Finance.
- In the next five years, Allcargo aims to double its top-line and market cap. Mr Shetty believes that the consolidation of global businesses will unlock immense value and drive synergies. On the cost front, the company's plan is to consolidate and build a digital platform that will lend breadth and depth to the business, and drive costs down.

PURSUING EXCELLENCE

Mr Shetty believes in surrounding himself with capable people, and giving back to the environment

- Mr Shetty stresses the importance of spirituality in life. He believes this brings clarity of thought, and the ability to not get affected by outside events.
- A strong believer in having the right team in place to run a global organisation, he likes to surround himself with capable people. He also believes in planning for succession, and that the efficient management of finances helps prepare organisations for any shocks.
- Mr Shetty has a strong belief in corporate social responsibility. His philanthropic work is reflected in his NGO, which focuses on social programmes, education, women empowerment and environmental sustainability.

Cyber Security

Tanushree Bagrodia, CFO and VP – IT, NRB Bearings
Jiten Jain, Chief Executive Officer, Indian Info-Sec Consortium

In today's environment, CFOs must focus on risks that go well beyond finance, or even the business. Data breaches and cyber-attacks can measurably affect operations and the bottom-line. Such exposure is not limited merely to loss of proprietary or confidential company data, but increasingly, includes legal liabilities as well. Under the EU's General Data Protection Regulation (GDPR), certain data breaches can lead to fines to the tune of 4% of one's global turnover. The draft Indian Data Protection Regulation Bill, 2018, incorporates similar provisions. Given these stakes, CFOs need to partner with security leaders, including the CIO, to manage this risk. Understanding the cyber threat phenomenon in more detail, and investing in security frameworks, can help the business cope with the realities of today's digital landscape.

Cyber Risks: Varying Implications

Cyber risks are among the top threats to organisations

- CXOs now rate cyber risks among the top five risks posing a significant threat to their organisations. There has been a surge of cyber-attacks by non-state actors and individuals, who are not necessarily motivated by purely commercial reasons.
- Many believe that cyber risks are a threat only to new-age companies, but in fact, even traditional manufacturing companies are easy targets for hackers, given their poor cyber security standards.
- Rising digitisation in manufacturing product design and operations make companies vulnerable to cyber-attacks, potentially resulting in commercial losses, safety concerns and reputational damage.
- NRB Bearings faced a cyber attack at one of its subsidiaries, SNL, which led to a malware infiltrating into and taking control of its systems, despite having up-to-date anti-virus and malware definitions.

How to Deal with Cyber Threats

Regular investments in planning, preparation and training are essential

In a dynamic and complex environment, rapid and efficient responses to cyber breaches are possible only if the company decides *in advance how* it will respond. In turn, this requires regular investments in planning, preparation, and training; doing so can have a significant pay-off. Lessons from leading companies offer insights, both from an internal-protection standpoint, and in terms of the response to regulatory oversight.

Seeking external expertise will help overcome capability gaps in proactively identifying and responding to cyber risks

- **Align cyber security with business strategy:** The evolving nature of cyber risks is making organisations realise that their approach to security cannot be separated from their business strategy. Accordingly, cyber security is now firmly on the C-suite's radar.
- **Adopt a preventive approach:** More and more firms are adopting a *preventive* approach to cyber security – which is possible by having a dedicated team of experts (both internal and external) who are instrumental in identifying and flagging cyber security issues early on. However, most companies lack internal capabilities to discover security gaps or provide intelligence on future events. To overcome this challenge, many tie up with external experts who have advanced capabilities and systems that can proactively identify and mitigate cyber risks.

Cyber security should be made an integral part of employee training and awareness initiatives

Protocols should be in place to govern data access, backup and encryption in real time

Cyber security insurance helps protect against any unforeseeable cyber security incident

Proactive testing of systems through simulated attacks will help identify vulnerabilities and loopholes

- **Educate and train employees:** The target of cyber-attacks is shifting from corporate networks to corporate individuals, who use mobile phones that are largely insecure. In response, there is a growing emphasis on educating the workforce on IT security, with many organisations putting in place training and awareness programmes that help make cyber security an integral part of the employee culture. NRB, for instance, has developed an online cyber security module that is mandatory for all employees to take.
- **Minimise access to the most sensitive information:** Access to a company's critical assets should be accessible only to select individuals, and secured through dedicated servers and VPN. This helps restrict data downloads and printouts, while ensuring complete traceability. Protocols should be in place to back up and encrypt data in real-time.
- **Develop a security policy for mobile devices:** While there are numerous advantages to a bring-your-own-device (BYOD) culture, allowing personal devices on a corporate network can pose serious security threats. A dedicated mobile-data management policy sets guardrails in preventing any violation of corporate policies. After its cyber attack, NRB introduced a mobile management policy that clearly lays down guidelines for the use of personal devices.
- **Take cyber security insurance:** A cyber insurance cannot protect against a cybercrime, but it can provide a financial cushion against a significant event. Cyber insurance is an evolving domain, and private players, with their superior understanding of cyber risks, are better placed to provide a comprehensive policy. However, necessary protocols need to be in place to be eligible for such insurance. In NRB's case, this policy mandated the installation of security systems and safeguards, which helped mitigate risks once the actual attack happened.
- **Monitor threats continuously:** Companies should regularly test their systems via simulated attacks that identify breaches or loopholes. NRB frequently conducts controlled phishing and wailing attacks on its own systems. This helps it understand the kind of risks it faces, and to plug loopholes in advance. To this end, it has completely outsourced its security operations centre to an external agency.

FX and Currency Markets

Ananth Narayan, Associate Professor, Finance, SP Jain Institute of Management & Research

Despite its reasonably good macroeconomic fundamentals, the Indian currency has declined by over 15% since the start of 2018. The drivers, arguably, are mainly global, including the tightening of US monetary policy, the reversal of the dollar carry-trade, and the contagion spreading out of Turkey. Domestically, there are concerns about India's ability to manage its fiscal and current account deficit. However, the Rupee's alarming fall below 74/USD is a cause for concern, especially to CFOs. Many worry that this might prompt the RBI to raise interest rates, thereby driving up the cost of funds. Going forward, emerging market currencies, including the Rupee, are likely to remain volatile as the risks of escalating trade tensions and the reversal of the dollar carry trade weigh upon the global economy.

Taking Stock of Flows

About USD 50 billion of money is expected to permanently flow out of India in FY19…

- The best way to analyse markets is to view them from the perspective of 'flows' – the money coming in and out of the country. These can be categorised into either permanent (current account deficit (CAD) and FDI) or non-permanent (FII) flows.
- From USD 49 billion a year ago, India's CAD is expected to widen to USD 80-95 billion in FY19, led by rising imports of oil, consumer electronics, gold and coal, which far exceed its exports. Once the CAD crosses the USD 90 billion mark, India will have the world's second-largest (after the US) current account deficit. Considering that net FDI came to USD 30 billion in FY18 and USD 36 billion in FY17, India is staring at a permanent outflow of over USD 50 billion in FY19. This implies that the RBI has to supply over USD 4 billion from its reserves every month.

…whereas another USD 55 billion of non-permanent flows could be on the brink of flowing out

- Non-permanent inflows have been robust, at USD 120 billion in FY18. Of this total, however, USD 20 billion has already flown out between April and June 2018, and of the USD 100 billion open positions, another USD 55 billion of FPI debt outstanding could on the brink of exiting on account of falling bond prices and the Rupee.

The Role of Monetary Policy….

Keeping rates low will make it less attractive for capital to stay in the country

- Monetary policy impacts the currency. However, going by the principle of the 'impossible trinity', no country can simultaneously have an independent monitory policy, a stable exchange rate, and free capital flows.
- Interest rates alone cannot solve currency problems, but keeping interest rates low aggravates the problem by making it less attractive for foreign investors to stay. When India kept its interest rates high over the last two years, it managed to attract flows. However, the RBI's recent decision to not hike rates created a fix: now interest rates must go even higher to attract new capital and prevent existing capital from flowing out of India.

In the long run, strong macroeconomic indicators matter more for a stable currency

- A 2016 RBI study argues that higher interest rates do not bring inflation down, but, in fact, drive prices up. India is primarily a borrow-to-invest/produce economy, as indicated by its household debt-to-GDP (14%) and corporate debt-to-GDP (56%) ratios. Higher rates translate into higher input costs, which in turn drive inflation upwards.

…AND MACROS

- On the macro front, India faces challenges from a deteriorating fiscal deficit – the result of high oil prices, lower-than-expected tax collections, excise cuts, rising LPG and kerosene subsidies, and higher MSPs – and tightening credit environment on account of a troubled financial system. In the long run, macros determine currency stability more than micros do.
- India is witnessing a broadening of its domestic funding base as savings get 'financialised' into equity, mutual funds, and other financial instruments. The total inflows into balanced equity and mutual funds jumped from Rs 800 billion in 2016 to Rs 4 trillion in 2017. However, the capacity of the market to absorb these enormous funds is limited.

THE WAY FORWARD

The Rupee will remain under pressure in the near future and may further weaken

- In the short term, the Rupee is likely to remain under pressure, and may witness further weakening due to higher oil prices, deteriorating current account and fiscal deficits, and the RBI's interest rate stance.
- However, India's robust USD 400 billion foreign reserves will help mitigate any undue volatility in the foreign exchange market, and help the government buy time to address the core issues of falling exports, rising imports, and challenges with domestic manufacturing. However, the RBI needs to review its monetary policy carefully to adopt a more focused approach centred on stabilising the Rupee.

India's USD 400 billion foreign reserves will help mitigate sharp currency movements

- Given the goodwill India enjoys among global investors, it can attract foreign capital through NRE fixed deposits, Non-Resident Ordinary (NRO) savings accounts, Foreign Currency Non-Resident (FCNR) deposits, and sovereign Funds. However, India should exercise these expensive options only when reserves fall below USD 300 billion.

Given the high Rupee volatility, CFOs should partially hedge their positions

- For CFOs, given the current political uncertainty, a formulaic approach to hedging may not work. Instead, they should smartly hedge their positions by buying a partial (30-60%) forward cover. This will provide a balanced hedge of price and volatility.

The CFO Strategy Conference – List of Participants

*October 5-7, 2018 * Goa*

Accenture	Indrajit Dey, *Finance Controller - India*
Allcargo	Shashi Kiran Shetty, *Founder and Chairman**
Allstate	Hemlata Nevetia, *Chief Financial Officer*
Anand Group	Sachin Jain, *Group Finance Controller*
Ashok Leyland	Gopal Mahadevan, *President Finance and Chief Financial Officer**
BGGTS-GE Energy	Deepak Natarajan, *Chief Financial Officer*
Bharatiya Janata Party	Rajat Sethi, *Political Strategist**
Boston Scientific	Rajiv Kapahi, *Director Finance*
C&S Electric	Ashish Trisal, *Chief Financial Officer*
C2FO	Ankit Chaudhary, *Managing Director*
C2FO	Ravi Tanniru, *Managing Director, Business Development*
CignaTTK	Manoj Naik, *Chief Financial Officer*
Cipla	Kedar Upadhye, *Global Chief Financial Officer*
CMI FPE	Akash Ohri, *Senior Vice President and Chief Financial Officer*
CredAble	Ram Kewalramani, *Co-Founder, Executive Director and Chief Financial Officer*
CRH India	Vineet Kapur, *Executive Director - Finance*
Dassault Systèmes	Deepak Garg, *India Finance Director*
Diageo	Sanjeev Churiwala, *Finance Director - Diageo India and Chairman - RCB*
Encore	Saurav Ray, *Senior Director - Finance*
Espire	Rajesh Gupta, *Chief Financial Officer*
Euronet	Piyush Sharma, *Chief Financial Officer*
Fiserv	Haribandhu Patra, *Vice President - Finance*
Gates Unitta	Sandeep Taneja, *Director - Finance*
Glenmark	VS Mani, *Executive Director and Global Chief Financial Officer*
h2o Advisory	Rupesh Somani, *Director*
Hexaware	Rajesh Kanani, *Chief Financial Officer*
ICICI Home Finance	Vikrant Gandhi, *Chief Financial Officer*

IMA India	Adit Jain, *Chairman & Editorial Director**
Indian Info-Sec Consortium	Jiten Jain, *Chief Executive Officer**
Indian Oiltanking	SR Ganeshan, *Director - Finance*
Indian Oiltanking	Rajesh Ganesh, *Vice President - Finance*
Info Edge	Chintan Thakkar, *Chief Financial Officer*
J&J Medical	Neeraj Jain, *Vice President - Finance and Chief Finance Officer*
Kals Group	R Sampath, *Group Chief Financial Officer*
Kotak Group	Gobind Jain, *Executive Vice President*
KPMG	Manish Kapur, *Partner*
KPMG	Vivek Gupta, *Partner and National Head, M&A/PE Tax**
LeasePlan	Nitu Samra, *Head Finance*
LifeCell	Sukesh Lal, *Chief Financial Officer*
Magna Cosma	Narayanan Lakshmi B, *Director Finance - India and Thailand*
Mahindra CIE	Anup Mishra, *Chief Business Controller*
Manipal Hospitals	Sameer Agarwal, *Chief Financial Officer*
MCX	Sanjay Wadhwa, *Chief Financial Officer*
Merck	Narayanaswamy Krishnan, *Chief Financial Officer*
Mettler-Toledo	Arunachalam Krishnamurthy, *Financial Process Head - Asia*
Mutual Industries	Apurva Gandhi, *Chief Financial Officer*
Nandos	Vishal Gupta, *Chief Financial Officer*
NCDEX	Atul Roongta, *Chief Financial Officer*
Netmagic	Alok Bajpai, *Global Chief Financial Officer*
NRB Bearings	Tanushree Bagrodia, *Chief Financial Officer and Vice President - IT*
Nuziveedu Seeds	MV Sharat Chandra, *Chief Financial Officer*
Orient Craft	Anoop Dhanda, *Executive Director - Finance*
People Strong	Rajesh Batra, *Financial Controller*
Praxair	MV Pavan, *Vice President - Finance*
Proptiger.com	Vikas Wadhawan, *Chief Financial Officer*
PSIPL	Vimal Ladha, *Chief Financial Officer*
Radhakrishna Foodland	Girish Deshpande, *Chief Financial Officer*
Ramco	Harsh Vardhan, *Executive Vice President ? Marketing and Direct Channels*
Ramco	Raghavendra Tripathi, *Chief Performance Officer*

Ramco	Balaji Rangachari, *Vice President*
Samsonite	Prameesh Barlota, *Director Finance (Chief Financial Officer - India and Middle East)*
Sanctum	SM Sundaram, *Chief Financial Officer*
Saregama	Vineet Garg, *Chief Financial Officer*
Schneider Electric	Sugata Sircar, *Chief Financial Officer and Country Finance Partner**
Sodexo	Rohit Bahety, *Chief Financial Officer*
SP Jain Institute of Management & Research	Ananth Narayan, *Associate Professor, Finance**
Swarajya	R Jagannathan, *Editorial Director**
Tata Sky	Sambasivan G, *Chief Financial Officer*
TE Connectivity	Joydeep Nag, *Director - Controller*
Teamlease	Ravi Vishwanath, *Chief Financial Officer*
Terumo	Virender Bansal, *Director Finance, Supply Chain, IT and Legal*
Texas Instruments	Shetul Thakrar, *Director - Finance*
The Ramco Cements	AV Dharmakrishnan, *Chief Executive Officer**
TVS Motor	SG Murali, *Advisor*
Volvo Cars	Nalin Jain, *Director Finance and Business Strategy*

**Speakers at the Roundtable*