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 23rd - 26th Feb, 2023

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The Economic Outlook: Heavy Weather Ahead

Adit Jain, Chairman and Editorial Director, IMA India



Looking ahead to the world of 2030, a few secular trends are likely to play out as follows:

- The Indian economy is slated to grow to the world's third largest, with a nominal GDP of over USD 7 trillion – and considerably more in PPP (purchasing power parity) terms. With per-capita incomes exceeding USD 5,500, consumption will zoom, aggregating to upwards of USD 4.5 trillion.

New market creation each year in India will exceed that of Japan, Germany and the UK combined.

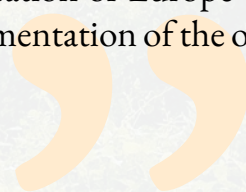
- Indian politics will see the continuing rise of cultural nationalism, accompanied by a shedding of India's anglicised image. The BJP is likely to remain a hegemon at the national level, with opposition to it scattered across regional satraps and largely limited to state-centric issues. Political polarisation will increase, just as it is globally, with the neo-elites pushing up against the old elites. North-South tensions will increase because of a planned delimitation exercise in 2026. On the policy front, the government will focus strongly on expanding the social-safety net, bolstering infrastructure and complementing these with a push on affordable housing and economic formalisation.

- Currency and markets: The dollar's status as the world's preeminent currency will erode. Currently, dollars are used roughly 5 times as much as the total value of US imports. This creates a perpetual cycle supporting its lofty status. However, with the growing use of sanctions for political purposes, a rising share of trade may shift to local currencies. Indicatively, if India paid in rupees for all its Russian oil imports, it could save USD 36 billion in reserves each year. Technology will accelerate this trend, especially with the rise of central-bank-issued digital currencies. Meanwhile, inflation and interest rates will both stay elevated in the medium term, given how badly out-of-sync central banks have been with fiscal policy. As the interest-rate differential between India and the US continues to narrow, the rupee will remain under pressure for at least the next two years.

- Consumer Markets: By 2030, China will be a USD 35 trillion economy with 25 million households earning around USD 35,000 in a year. This will spur consumption and give China the agency to influence trade policy vis-a-vis production as well as consumption. India's per capita income will exceed USD 5,500.

- New geopolitical alignments: The world will become even more polarised and countries will be forced to pick sides. So far, Asia has depended mainly on China for trade, capital and wealth creation and America for security. This 'best of both worlds' option will soon no longer exist, given the bipartisan support for an assertive China policy in the US; and the likelihood of a Chinese invasion of Taiwan. Polarisation also threatens the future of the trans-Atlantic partnership. Europe, led by France, is seeking greater strategic autonomy, while Germany continues to have deep linkages with China. Long-time allies of the United States such as Saudi Arabia and the UAE have started taking a more independent stance on foreign policy, such as with the UAE adopting a neutral position on the Ukraine-Russia war. India will continue with its independent foreign policy and will continue to build relations with Israel and the Gulf monarchies, leveraging them against China. Finally, with China facing unprecedented internal dissent, it may be tempted to distract attention by creating trouble abroad, including on the border with India.

There are some possible Black Swan events that could accelerate these trends or upend them entirely. First, deepening polarisation and domestic squabbling in the US could push it to retreat entirely from global affairs. Second, in the extreme, social unrest in China could trigger a collapse of that country in its present form. Such an event would have huge repercussions on global supply chains. Third, a Eurozone break-up could be precipitated by a rising North-South divide and the likelihood of Germany going its own way on key policy issues. The resultant Balkanisation of Europe would breed conflict and financial- and currency-market uncertainty. Finally, a fragmentation of the oil-rich Middle East would cause energy prices to spike and fuel regional chaos.



Geopolitical Risks: No Longer on the Periphery

Jayadeva Ranade, *President, Centre for China Analysis and Strategy; Former Member, National Security Advisory Board; Former Additional Secretary, Cabinet Secretariat, Government of India*



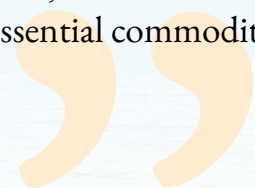
The world is witnessing stiff competition between an existing superpower (the US) and a putative one (China) across the military, economic, diplomatic, cultural and social domains. On many fronts, China has dismissed the existing liberal order and has presented the world with not only its own form of governance but also the concept of a shared/common destiny as a ‘driver of progress’. However, it is presumably Beijing that will lead this ‘common destiny’, as was visible in China’s strong support to Vladimir Putin

over his war with Ukraine.

The Russia-Ukraine war may last another year, if not longer, given that Russia’s trading economy is less integrated with/dependent on the rest of the world than China’s. China and Russia are attempting to draw certain European countries away from the coalition. They are targeting France, Germany and Italy by highlighting how the US has no credible peace plan and is therefore likely to let the war drag on. The US has done something similar by sharing a litany of complaints about China with Europe. Emerging powers such as India, Japan, Vietnam and Australia face the most serious threats from China. The Quad will play a dominant role if and when there is conflict in the Indo-Pacific. The US is wary of China’s attempts to catch up with or surpass it by 2049 in areas such as technology. This has led it to impose technology sanctions, which are clearly having an effect. For instance, China is unable to obtain certain types of chips, as was visible when Huawei stopped manufacturing smartphones.

Anti-China sentiment is at an all-time high in the US. For the West, Russia is like a thunderstorm, but China is equivalent to climate change, and the US will certainly not take its eye off China. In time, the US is also likely to have a showdown with North Korea but only time will tell how this pans out. At its 20th Party Congress, China used tough language against Taiwan and bolstered its military exercises along the border after Nancy Pelosi’s visit there. A US-China dispute over Taiwan is on the horizon and will affect 300 million Chinese, but most of all those forming Xi Jinping’s direct cadres. In turn, they will put pressure on Mr Xi to rectify relations with the US.

Relations are tense between India and China. The latter is rapidly building up its defence capabilities and plans to build 59 airfields in the Tibet autonomous region by 2025. It has also built highways along the LAC as well as a rail network and hubs. Mr Xi has not commented on either the China-India relationship or the border tensions but he clearly seeks to squeeze more concessions from India. In turn, India’s reactions will depend on the US’ treatment of China. On the trade front, bilateral trade has increased between the two since April 2020, despite tensions, from USD 70 billion to USD 110 billion. However, India needs to indigenise its production of essential commodities as it will reduce its deficit that is currently funding Chinese aggression.



Cyber-Security: It is Not About IT Alone

Amit Dubey, Author, Innovator, National Cyber Security Expert and Crime Investigator



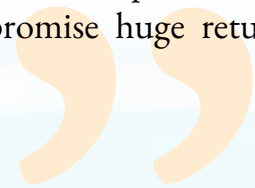
Amit Dubey, who is among India's top cyber-security experts, provided a fascinating – and alarming – overview of the risks arising from cyber-attacks. As Amit noted, there are only two types of people in this world: those who know that they have been hacked, and those who don't. India suffers millions of cyber-attacks each year, and in November alone, some 20,000 sites were hacked. Amit also shared case studies demonstrating how even the most careful people are at risk of being hacked, and provided best practices for

mitigating such risks.

Most organisations have spent precious resources plugging holes in their systems but increasingly, it is seen that individuals in their personal capacity are the most vulnerable. Often, it is too late before you know that you have been hacked or that your profile has been impersonated. One CEO's emails were hacked, and simultaneously, so were those of his overseas bank. A series of spoofed emails later, millions of dollars had been transferred out of his account. Most cyber-attacks originate with a compromised business email server and even with necessary provisions in place, many websites get hacked.

Hackers use the reams of data that all of us leave behind to their advantage. Google stores detailed records of our location going back years. Facebook gathers data on people's political and religious beliefs and sexual orientation – which it gleans not from information that has been filled in, but using AI. Innocent-looking QR codes can provide a backdoor entry into our phones.

To minimise the risk of being hacked, it is important to take some simple but effective precautions. Open wi-fi networks should be avoided and one should rely instead on mobile data. Sites like haveibeenpwned.com can provide a snapshot of data that has possibly been compromised. To reduce the risk of one's social media profile getting cloned, it is important to do two things: on sites like Facebook, one should keep their friend list private; and one should only make one's profile visible to one's friends. Secondly, messages and emails that request money or promise huge returns on investment should always be verified independently.



Redefining Value: A CFOs Personal Journey

Parag Agarwal, CFO, Dr Reddy's Laboratories



In the business world, the concept of value has multiple dimensions. Typically, a CFO generates value by working with business leaders and investors, and protects it by driving risk management, audit and control and M&A. Value can also be subjective. For example, a brand like Coca-Cola can have a different value from another brand. Similarly, the value of people differs from person to person. However, rarely do CFOs think about the value that animals bring to society. Animals have long been used for drug

testing in the pharmaceutical industry, as entertainment, and even to earn a living. Seldom does an individual think about the suffering of animals while consuming a product or service. Such lack of awareness is what has led to losses in biodiversity, increased greenhouse gas emissions and novel diseases. The well-being of animals is pivotal to a sustainable lifestyle. Plant-based alternatives and the adoption of vegan lifestyles are gaining currency. In drug testing, computer-simulated models and technologies like 'organs on a chip' are being used as alternatives.

Animal welfare demands multi-pronged and multi-stakeholder attention, supported by capacity building and awareness. India Animal Fund is an initiative that aims to bring corporate intelligence to bear in the field of animal welfare. The organisation executes projects on the field by partnering with NGOs, provides thought leadership and identifies interventions that are needed to reduce animal suffering. The total funding corpus for social causes in India is estimated at Rs 26,000 crores, but only 0.5% of this goes towards animal welfare. There is potential to raise this to 5%. Animals are sentient beings who cannot speak for themselves. Organisations working in the FMCG and pharma domain, which incorporate a lot of animal-based production, should look to partner with the Indian Animal Fund to create more sustainable supply chains. More generally, CFOs not only have the power/influence to increase CSR-based funding for animal welfare in their companies but also the networks to make animal-centric movements a success.



India that is Bharat: Understanding India's Political History

Sai Deepak, Advocate, Supreme Court of India

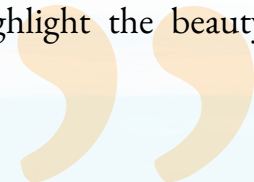


Sai Deepak decided from an early age that he would base his life on a certain ideology. Sai wanted to build a career in a domain where he could articulate his views, thereby influencing the public as well as public policy. This prompted him to pursue law after his bachelor's degree in engineering. His interest in India's political history resulted in him writing a tetralogy through which Sai aims to understand the complex relationship between India's Constitution and 'Bharat' as a civilisation. Through his writing, he aims to

explore whether the Indian Constitution and the Bhartiya civilisation enjoy a friendly relationship, or the Constitution sees the latter as damaged goods which needs reforms. He also wants to explore whether the coloniser's spirit has entered the Indian state and uses the Constitution as tool to reform its own people.

For him, this fundamental need stems from two important life experiences, both of which involved trysts with India's judicial system. The first was when he was called on to explain the validity of the Sabarimala Temple's practices and its philosophy. The second was his participation in the Padmanabhaswamy Temple case, where he represented the Temple's President. The case saw Sai defending the temple on two arguments - first, that the State had no business in the temple's working and second, temple treasure is not state treasure, and it belongs to the deity and not the public. During the course of proceedings, Sai was forced to understand the nature of accession of the princely states, all of them were Hindu states with their own deities. The case made Sai question the nature of secularism in Indian politics. Both events stoked his curiosity about the Constitution, the history of Bharat, and the place of (or need for) continual reforms.

According to Sai, Bharat, as a sovereign republic entity, has the right, even according to the constitution, to wear its Hindu identity on its sleeve. Hindu states can be secular states just like European states which are Christian, are secular. People have associated Hinduism with regressive behaviour which will impede progress and India's growth. An opposer of this, Sai Deepak is a proud Hindu, who will continue to put forth facts before the public to highlight the beauty and progressiveness of the Hindu culture and identity.



Becoming an Authentic Leader

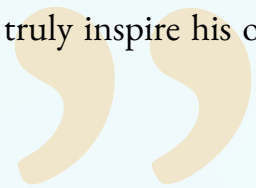
Mark Oliver, Leadership Coach; Founder, MarkTwo Consulting



Humans have two sides: good and bad. A good leader always focuses on the positive aspects of one's self as well as the people he/she works with. Self-leadership and self-awareness go hand in hand. To be authentic, a leader needs to be self-aware and show self-leadership. For example, if your subordinate has made a mistake, you can express anger. But a self-aware leader will regulate himself and give the subordinate constructive feedback, which will result in a lifelong lesson. A good leader is also aware of others around him or her.

According to an employee engagement survey carried out by Gallup, every organisation has three types of employees. First, actively engaged employees are highly involved in and enthusiastic about their work and workplace. They take ownership of their work, drive high performance, and innovate, thus contributing to the growth of the business. Second, disengaged employees are not the ones who are not extremely connected to their work. So, while they might complete their working hours, they necessarily do not bring passion to the work. Third, actively disengaged employees, are stressed and unhappy about their needs not being met, which results in dwindling productivity. 70% of an employee's engagement is reflected in their immediate leader. Therefore, it is the leader's ability to motivate themselves and others that matters most.

There are two drivers of motivation: selfish drivers, which include power, pleasure and survival; and selfless drivers, which include compassion, courage, wisdom and meaning. Compassionate leaders are generous; courageous ones have the determination to save others; those with wisdom have imaginative guidance; and meaningful leaders instil a sense of purpose. To truly inspire his or her subordinates, an authentic leader thus needs to also be a selfless leader.



Navigating ESG Compliance

Sarika Gosain, Partner, Technical Assurance, ESG & Sustainability, Mazars India



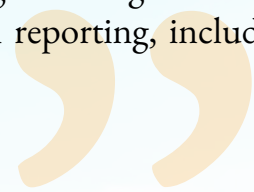
Sustainability has now become a Board room subject. Businesses pursue sustainability for various reasons, such as to boost productivity, assure business continuity, maintain stakeholder satisfaction, attract employees and investors or improve brand image. Before BRSR reporting came into the picture, companies had different ESG reporting frameworks such as the CDP, GRI and the Integrated Reporting Framework. There was an urgent need for a uniform

framework, because varying methodologies hinder consistency and comparability, make it difficult to benchmark performance.

Integrating financial and non-financial reporting can help generate a balanced set of KPIs. Having such comprehensive information can provide a holistic view of the entity, improved stakeholder engagement and long-term value. Stakeholders view CFOs as the face of the company, so the CFO's role is crucial in this respect. Rising statutory disclosures and a growing appetite for non-financial information mean that CFOs must play the dual role of 'financial officer' and 'strategic communicator'. They can do this by:

- Establishing common governance processes, controls and data output.
- Embracing the role of 'Chief Data Officer' and elevating the focus from tracking, reporting and static planning to continual gathering, prioritising, management and active planning.
- Playing a leading role in putting long-term value at the heart of the organisation's strategy and corporate reporting.

From this year onwards, it will be mandatory for the top 1,000 listed companies to file a Business Responsibility and Sustainability Report (BRSR). One of the BRSR requirements is to report data related to value chain partners (VCP) – entities with which the organisation has a direct or indirect business relationship and which either supply or receive products and services to or from the organisation. Reporting in the new framework is still in the nascent stages. Going forward, it is essential to have specific disclosures to bring in greater standardisation in reporting, including in terms of segment-wise disclosures.



CFO Priorities 2023

Ajay Seth, CFO, Maruti Suzuki;

MP Vijay Kumar, ED & Group CFO, Sify Technologies



Ajay Seth



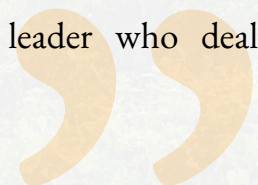
MP Vijay Kumar

CFOs must necessarily align their priorities with that of their business. Some of the key challenges that CFOs will face in the coming year include:

- **Global stagnation:** With the US reversing its stimulus programme, liquidity will continue to tighten. Rising yields have caused US bond prices to fall sharply, which will shock not just the US market, but also India. CFOs need to have a mitigating strategy in place to counter this.
- **A changing world order:** The ongoing Russia-Ukraine war and the souring relationship between the West and China, are likely to cause problems for business. Countries are seeking to become self-reliant, leading to a scaling back of supply chains, but for items such as chips and minerals, this may not be fully possible.
- **Carbon neutrality:** CFOs must understand and drive the shift towards carbon neutrality by setting goals and, at times, making drastic changes to the business.
- **Technology:** Digitisation has become a necessity, and almost all companies have adopted it in some form. By 2028, 60% of goods and services will get delivered via digital infrastructure and companies must adapt their supply chain models accordingly.
- **Regulations:** Given the volume of regulations that are regularly introduced or changed, CFOs hardly get time to understand them, let alone implement them. However, they can have a profound impact: in the auto industry, new safety and carbon norms have not only ushered in technological change but also shifted the product mix.
- **Skilling/upskilling:** Skilled manpower is in short supply and upskilling and reskilling will become a necessity. CFOs must start thinking of innovative ways to do this.
- **Rising cost of capex:** Since the end of the pandemic, companies have been focusing on capex, but rising interest rates have pushed up the cost of capital. Companies will find it challenging to sell their offerings at the increased price and will need to determine the appropriate selling price.

Some **key lessons for CFOs** to practice:

1. **Never over-leverage.**
2. **Build an asset-light model** where projected revenue exceeds the principal value.
3. **Create flexibility** in terms of business operations as well as your leadership style, which helps one to deal with curveballs.
4. **Cash is king.** Understand your end-to-end cash cycle and ensure ample liquidity, which can help pay off debt/investors in times of crisis.
5. **Ensure robust risk management**, dividing functions into risk units with pre-approved mitigation plans.
6. **Have a value-addition method** in place for all stakeholders, including shareholders, vendors, dealers and other supply chain partners.
7. **Do not run away from technology.** Leverage technological advancements to improve business efficiency.
8. **Have a well-automated system**, with each function having a leader who deals with compliance-related issues.



Of Grit and Glory

Achanta Sharath Kamal, Ace Table Tennis Player

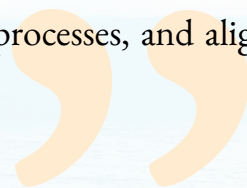


Ace table tennis player, Achantha Sharath Kamal was born into an unprivileged family in Chennai in 1982. Both his father and his uncle are renowned in the sport and have coached him since the age of 4. At 14, Sharath decided to single-mindedly pursue a table tennis career while continuing his studies. He won a national championship in 2003 and represented India in the Olympics in 2004. Since then, he has not looked back. Across his career,

Sharath has won 60 international medals and multiple laurels, including the Dhyan Chand Award. He has been a true leader and a flag bearer of Indian table tennis in the last decade.

Sharath's passion and love for the sport made him commit to training from a young age. He set clear goals and put hard work into learning each day. Naturally, there were setbacks in his journey, but by always looking at the positives and seeking the support from his peers, he overcame self-doubt. He has faced several failures over the course of his long career. But instead of lamenting over them, he has learned important lessons from failure, which can be applied in both sports and business:

- **Step up your game:** Every leader must develop the ability to step up when needed and support their peers in times of need. Timely coaching, feedback and mentorship support can make a huge difference.
- **Be open to learning:** Leaders must train not only their subordinates but also themselves. Learning from failure and seeking help when needed are crucial traits.
- **Lead by example:** Rather than telling your subordinates what you want, show them how it is done. This is likely to yield faster and more efficient results.
- **Visualise your technique:** Write down your organisational priorities and goals and visualise the processes that can help achieve those goals. Jot down how you, as a leader, would want to lead the team and project, and follow the path. This will enable clear thinking and strong decision-making.
- **Teamwork:** Every leader must develop accountable and transparent processes, and align team members to a common goal.





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