



CFO Perspectives

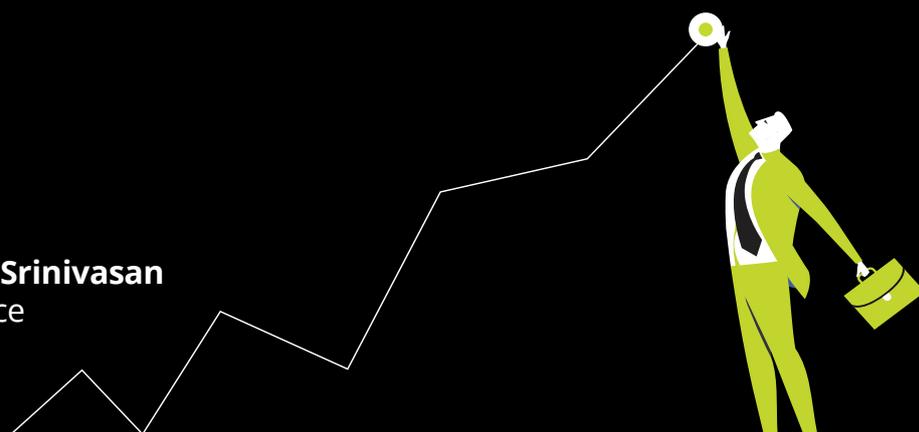
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CFO Speaks



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Mantra of life

“Do not compromise on principles.”

1. What is your outlook on growth of the auto and industrial sector in India and how is your company placed to take on the opportunities and challenges of the changing environment in these industries?

In the medium to long-term, we see a steady growth in the auto sector in India. Looking at the demographics, the number of people entering the working age group population and with an increase in disposable income, we still have a lot of untapped potential in the auto sector, especially in the 4-wheelers segment. Further, as the agenda of inclusive growth in India gets fully implemented, the economic conditions improve, and road conditions and connectivity gets better, we will see a lot of market potential in rural areas as well in both, the two wheeler and four wheeler segments.

We have seen an increased use of technology in the auto industry, wherein the companies are moving towards vehicles with electrification, reduced emissions, increased fuel efficiency and better safety standards. Overall, the automobile sector is growing in terms of volumes, even as it moving up the value chain and this will be a key driver for growth moderated to some extent by the “uberization” effect where technology enabled cab companies allow us to hire a car with ease. We already see some signs of this in the younger generation in India but still, a car is an aspirational product for many first time car buyers and I do not see this slackening in a developing economy like India.

Further, as products become increasingly technologically advanced, we will see their benefit both in the auto and industry sectors. The decision-making in the industry is moving from “first cost purchase” to “total cost of ownership”. People are willing to pay for solutions that help them with preventive and predictive maintenance. This allows a company like us to do remote monitoring and diagnostics, which helps avoid breakdowns at customer’s end.

In terms of the bearings market, globally, for us, industrial segment accounts for almost two thirds of total bearing sales while the auto sector accounts for the remaining one third. In India though, the automotive sector accounts for almost 50% of our total bearing demand indicating that there is still lot of scope for the industrial segment demand for bearings to grow in future. I believe that the manufacturing sector will have to pick up more in India and be a bigger contributor to the GDP even as the sector has potential to create more employment opportunities for our people.

2. As a CFO, how do you make sure that strategic initiatives of the company are executed efficiently and add to the growth of the company? How is your role getting transformed towards more of a strategist and catalyst?

I feel the role of CFO as a strategist varies from company to company and from one management team to the

other. In our case, most of the strategic initiatives are a team effort and it is our combined strength that helps us to put forward a winning strategy. In a highly technology oriented company like us, engineering, operations and marketing and synergy within the team plays a very important role. My role as a CFO is to translate the ideas coming from the technocrats into financial terms and in that sense is more of a challenger and facilitator, to test the ideas that come forward and see that these initiatives make business sense. As a CFO, I am only one of the cogs of the excellent team!

Further, being a part of a large multinational corporation that is more than 100 years old, we are benefited by a wide array of already tested products and solutions that sometimes need to be customised to suit Indian market needs. Our sales and application engineering and service colleagues work very closely with customers to translate their needs and preferences into customised solutions. My involvement is more in working together with them to create new business models around our core offerings such that it is better suited to individual customer needs. We are working more and more with our customers on “pay for performance” contracts rather than the traditional product offerings where our payments are linked to delivery of KPIs like improved uptime, longer life, improved speed of their machines, lower maintenance cost etc. – all of which generate higher revenue and profits for our customers by using our superior products and solutions. My role involves working with our sales teams and guiding them to derive better value from the sales.

3. Regulatory compliances are constantly changing. How do you effectively manage to respond to these changes and ensure compliance?

It is one of my bigger responsibilities and we work towards ensuring that we do not skip anything on the regulatory or compliance aspect. The regulatory environment is changing a lot and we need to keep ourselves abreast of the changing regulatory environment. We work closely together with our legal function to ensure compliance at all times. The legal team helps us in understanding what is changing and then we can interpret on how the changes will affect our existing business model. As a CFO, I have a good overall view of the company and therefore am able to see the impact of changes in different statutes on our different businesses and operations. It is extremely important for us to work together with the Legal function, Company Secretary and other functional heads to ensure compliance to the regulatory issues. We have a Legal database that is updated regularly for changes and additions and that is used as a repository to document compliances by different functions and to

give assurance to the Board and the management team that we are compliant at all times.

4. CFOs are often faced with the question of make versus buy with every new product development. In your experience, what are the few key factors a CFO should consider to make this decision?

For us, it is almost never a “full make versus buy decision”; it is more of a “make versus buy” decision for parts of the finished product or parts of the manufacturing process. As an organisation, we want to remain lean and not do everything on our own. However, at the same time, the core manufacturing process where our technology lies will always be done by us in-house, whereas the manufacturing of non-core parts and non-core processes are amenable to be outsourced provided that the outsourcing is more cost efficient from a “total cost” point of view. For example, even in finance function, the book keeping process is outsourced in other countries, but in India we do not outsource it, as we have relatively lower cost manpower and it does not make it viable for finance function to outsource the book keeping process. Hence, make versus buy decision needs to be evaluated on case-to-case basis.

5. As per our latest CFO survey, hiring and retaining talent is one of the key concern for the CFOs. Are you facing a similar challenge in your industry and what are the top 2 areas in finance that would need reskilling?

We do not have a high attrition rate within the finance function of our organisation. However, hiring and retaining talent remains a key priority. The upcoming technological changes and advent of automation and robotics has led to requirement of newer skills and have been replacing old jobs. Thus, people need to be reskilled to align to these newer jobs and they have to be motivated towards a proper career path or a role change. Two areas in finance that would need reskilling:

- a. Making the staff more competitive to handle the use of office automation and bots for routine stuff, and gradually training them to acquire newer skill sets.
- b. Taxation is a continuously changing area wherein something new is always happening. For e.g. GST, Transfer pricing, etc. have regular updates and thus, the team needs to adapt to the new changes and keep learning and aligning to them.

As a CFO it is important to keep the team motivated by giving them an opportunity to grow and move from one area to another and diversify their skill sets. It is important to identify high talent and high potential people, and show them the right career path.

6. As a CFO, what are your top three challenges and how are you planning to deal with these challenges?

- a. Business: The challenges on the business side are always interesting and exciting at the same time. The pertinent question is, how do we keep our business growing while improving the margins and do it in a sustainable way, balancing the interests of all stakeholders?
- b. Finance function: Taxation remains a big challenge and there are always a plethora of changes happening every day. For example, in transfer

- pricing there is no set precedent to follow and one has to be constantly aware of the latest developments in this field. GST was a new law that everybody had to learn from scratch.
- c. Compliance: It is one of the key roles of a CFO and one cannot do away with this. If things are in order and one remains compliant at all times, it helps in concentrating better on the business and allows doing stuff that is more exciting and adding value to the business and all the stakeholders.



Expert views

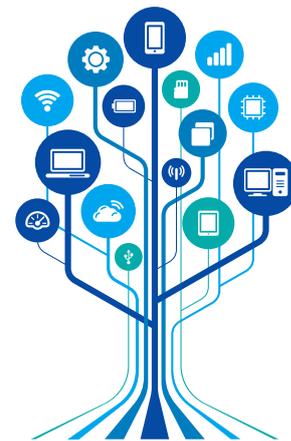
Unravelling the Indian Consumer

India, a nation of over 1.2 billion people, is one of the most varied markets in the world. Thanks to its regional differences in cultures, lifestyles and preferences, Indian consumers have myriad choices and way of living. In the fast evolving consumer market landscape today, consumers will only devote their time and money to businesses that understand and engage them and provide them with the experiences they seek.

The report, 'Unravelling the Indian consumer', begins by shedding light on the Indian economic and macro-economic scenario vis-à-vis the global economy. Driven by strong macro-economic factors, India is one of the fastest growing major economies globally. Coupled with its robust demographics, it provides a highly positive outlook to the consumer businesses in India. These factors, will fuel the retail market growth in the country, making India the third largest retail market in Asia and the fourth largest retail market globally.

The retail market in the country is expected to grow from USD795 billion in 2017 to USD1.2 trillion by 2021 at a CAGR of nearly 11% over the 4-year period. Further, as the internet penetration in the country increases and a greater number of international retailers start operating in the country, the share of organised retail market is expected to increase from current 12 percent to nearly 20-25 percent by 2021. This will also be driven by the exponential growth of e-commerce market from USD24 billion in 2017 to USD84 billion in 2021. Thus, India continues to hold a very strong position as far as its market potential is concerned. It provides a solid platform for all stakeholders of the market namely consumers, distributors, logistics service providers and up the chain to manufacturers. Development of the ancillary sectors including transportation, logistics, cold chain facilities, etc. is also catching up with the growing consumer sector. In fact the Hon'ble Finance Minister, while tabling the recent budget 2019, has envisioned India to be regarded as a 'global manufacturing hub'.

The report further delves into consumer trends by assessing the patterns, behaviours, and preferences of the consumers from this diverse market. Given the strong retail and consumer outlook, India is expected to witness redefining trends in the consumer markets which will shape the future



of the retail and the consumer industry in India. Consumer experience will be the key focus of the companies and technology will facilitate the enhancement of consumers' experience throughout their shopping journey. This report focuses on the above mentioned parameters and throws light on the retail market and trends expected in near future. It contains a unique analysis of the Indian consumer market. It also gives a subtle overlay of the various emerging trends and challenges. 'S Commerce' (Social Commerce) is the next gen trend which is touched upon in this report. Use of technology, transparency, awareness creation backed by loyalty programs, etc. are the backbone of today's consumer experience and behavior. It gives retailers an overview of the current market trends that are shaping the Indian retail industry and highlights the specific areas on which retailers are working on with a view to improving customer experience such as premiumisation, social commerce, automated product delivery and touchless commerce.

The subsequent section on sub-sector performance contained in the report analyses various sub-sectors within consumer businesses, including automotive, agriculture, FMCG, household goods, apparel, footwear and accessories, food & beverage, consumer durables & electronics, retail and hospitality. It delves deeper by providing insights into the companies within each sub-sector by their market capitalisation, revenue, growth, CAGR with specific emphasis on PAT analysis. The report, thereby, showcases a report card of the health of the companies in the consumer space leaving the reader with visibility of the depth of the potential which still needs to be fully tapped. Furthermore, the isolated view of various consumer sub-sectors will help retailers better understand the factors that influence purchase decisions of consumers.

A data-driven approach to macro-economy outlook, consumer sector briefings, mergers and acquisitions and consumer market, makes it a comprehensive resource that equips retailers with all that they need to understand the new-age Indian consumer in the context of the market.

To download and read the complete report, click [here](#)

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