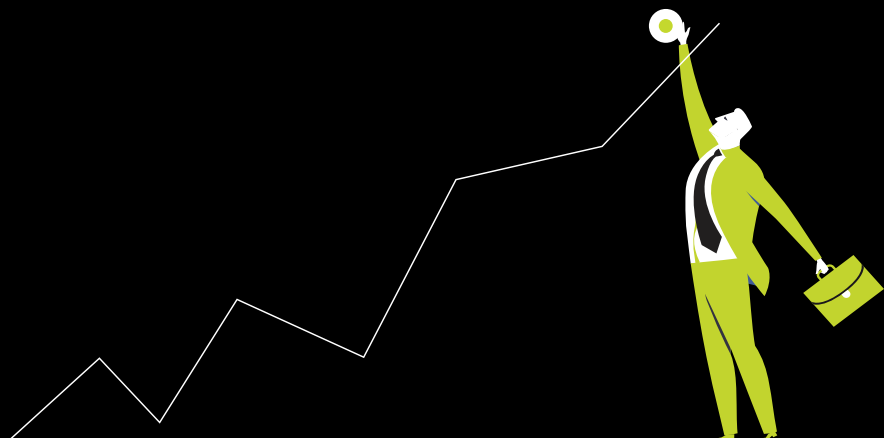




# CFO Speaks



**Mr. Akhil Jindal**  
CFO  
Welspun Group



## **1. Welspun group has diversified businesses across Pipes, Textiles, Steel and Infrastructure. As a CFO of such a diversified group, how do you align the varied business operations and strategies to the overall strategy of the group?**

As a fast-growing conglomerate in diverse businesses, we realized the need for aligning the various business growth strategies with the overall Group strategy and thereby appointed professional organization in 2016.

Accordingly, we have segregated the responsibilities of the entity CFO and group CFO clearly. The entity CFOs take care of all day to day operations, manage controls, and meet regulatory requirements of the businesses but finance functions related to M&A, future investments, new fund raising, treasury are taken care of at the Group level. It becomes easier for the organization to identify the best possible investment by evaluating all the projects or ideas from various businesses centrally.

The allocation of funds among entities is clearly defined by the business needs along with the growth opportunities. All the business proposals for investment are evaluated and the investment with the best returns to shareholders is chosen.

All the strategic and policy decisions are managed at the central level in conjunction with business leaders of the respective businesses. The central finance team works as the custodian of shareholders and acts as the internal governance team for

businesses by safeguarding the long-term value of the Group.

## **2. How have the growing regulatory challenges, including GST, impacted the business?**

There are lot of reforms brought in by the government over the last few years and GST is one of the biggest. It has impacted business but any setback which we see today is only temporary. There would be initial teething issues as are common with any major regulatory initiative to make the systems suitable with the advent of GST. However, we believe that these initiatives by the current government have long-term bearing and should yield positive results for the industry, at large.

Specifically, for our textiles business, GST should eventually help industry to get more competitive vis-a-vis unorganised sector. Even though GST would entail higher tax rate and removal of benefits under cotton value chain, it would help textile industry to move towards more organized players. GST is also likely to reduce the various fringe taxes like Octroi, entry tax etc. which would help reduce costs and delays for manufacturers in the textile industry.

As a CFO, I feel the key to survive or grow in these changing and complex environments is to understand the changes, prepare the organisation for these changes and as a finance function, support other functions like sales and supply chain operationally. At our organisation, to make sure all the regulatory changes are taken care of, all entity CFOs and Group

CFO meet frequently to discuss the changes and their impact on the business or reporting.

### 3. Technological changes like digitization, analytics, robotics, block chain has come to the fore and changing the way business is done. How do you see these changes making an impact on the finance function and specifically the CFO of a diversified group like yours?

Digitization and analytics have surely changed the way business is conducted and it has helped the retail and consumer business a great deal in identifying demand, planning supply chain and reduce logistics cost. We have implemented digital solutions at the point of sales of our products in the store which helps us understand and analyse sales trends quickly and moved our supply chain planning from monthly to a weekly cycle. The analytics help us understand the trends and patterns in sales at different locations and plan our inventory on real time basis. From supply chain management, to sales planning to design and our branding management, analytics have helped a great deal.

Similarly, we have developed 'Wel-Trak', a patented traceability solution which is widely appreciated by our global customers.

Digitization has helped in speeding up access to information. In my view, using the information and driving key analytics is the difference that finance function can make to help business. Strategic business decisions could be made on the basis of the predictive analytics and finance can act more as a partner to decisions than just reporting the historical analytics. There will be complete overhaul which is required at the finance function to make these changes in the way information is looked at. It has to move from the retrospective analysis to predictive analytics as required for business decision making.

### 4. What are the key learnings that you would like to share with other CFOs from the multiple cross border M&A transactions you have witnessed during the last decade?

Among other key aspects of valuation, business modelling and due diligence which are key for any M&A, I feel that integration is the most important factor to make it successful. For cross border M&A deals that we have done over the years in our different businesses- one factor we have assigned a lot of importance is on cross-functional or cross-cultural integration and ensuring that trust is built with the acquire management, employees and customers before we phase out any earlier policies, practices etc. Few other aspects that we took care of, in our deals were:

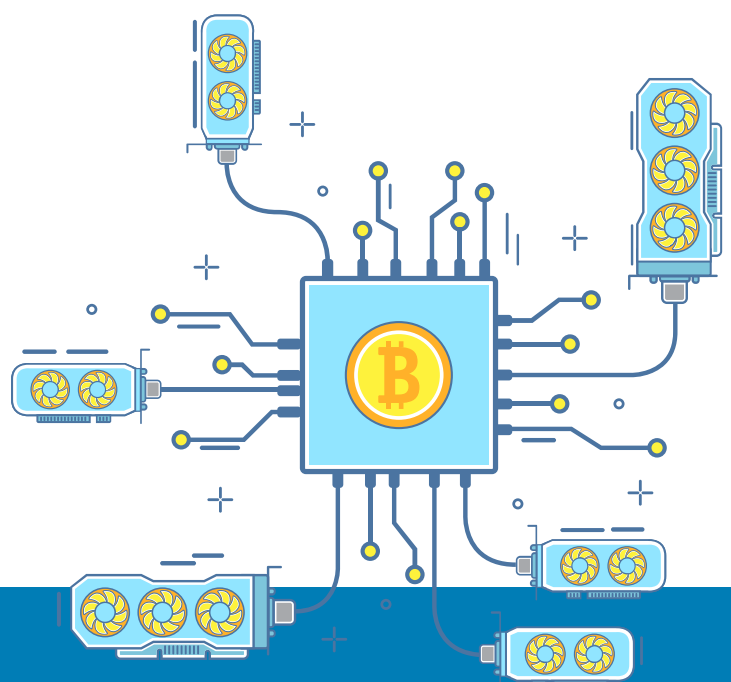
- Don't force the value systems on the incoming organisation immediately. Understand the culture and make modifications accordingly to match the cultures.

- The transition of functions like manufacturing and other operations should be gradual and only after the processes are well understood.
- Don't be overly bothered by the short term challenges or criticism, if you are confident of the long term synergistic benefits of the transactions.
- Keep all the key decision makers involved right from day one to avoid any aspect being over-looked
- Communicating with all the stakeholders proactively - the shareholders, customers, employees, regulators etc. is very important. Engage with them to ensure that they are aligned with the strategy proposed by the management.

### 5. What are the top three challenges you face as a CFO?

As a CFO, the environment is throwing a lot of challenges every day in the form of changing regulations, ways of doing business and technology.

- In my view, the biggest challenge is keeping oneself abreast with all the changes, be it GST, IND-AS etc. and understanding the impact of each of these on the business profitability and growth prospects and make timely alterations as may be needed.
- Changing role of the CFO- CFO is no longer just the controller or the book keeper. The CFO is very much part of overall business strategy - providing insight and analysis to support the CEO and ensuring that business decisions are grounded in sound financial criteria. This is a huge transformation and essential for one to be in the game.
- Allocation of capital among various businesses, projects is another challenge - managing the allocation, accountability for the usage and cost allocation by defining the manager and the guardian role within your team. It is important to have "Respect for Capital" and act as representative of shareholders.



# Expert Views

## Blockchain: A revolutionary change or not?

- Blockchain is the technology designed to make transactions (or data) more secure by recording the information in not just one location, but over a network of computers, making it tougher to tamper with.
- Each member in the network maintains his or her own copy of the information and all members must validate any updates collectively - each update is a new "block" added to the end of the "chain".
- Entries are permanent, transparent, and searchable, which makes it possible for community members to view transaction histories in their entirety.
- All the members in the network have copies of the entire record of information.
- The values could represent transactions, contracts, assets, identities, or practically anything that can be described in digital form.

### Blockchain transaction overview:





### Potential challenges to adoption of Blockchain:

Blockchains are not without their hurdles. While blockchain has immense potential to the society, it is also recognized that this is hard to achieve without substantial regulatory will and collaborative effort from all parties involved.

- Total transparency a double-edged sword: The demand for change in business processes (transaction processing) will come either from the grassroots demanding that certain data go on a blockchain and form a record which cannot be subsequently edited, or from regulators and policymakers mandating such change.
- Requires a lot of coordination: Blockchains can also be used in industry platforms for the sharing of data that is helpful to the industry as a whole. In this case, a majority of players in an industry need to come together and agree on what such a platform would look like, who would pay for it, and what value each participant would get from it.
- Regulatory clarity over data sovereignty: Regulatory clarity of on and off-chain assets is something that is often discussed, in the context of bitcoins and the issues of data governance of a share certificate on a blockchain. What is often neglected is regulatory clarity over data sovereignty. In an industry blockchain, the same data is copied over many data centres, often in different countries. A lot of the data are encrypted so

that only the intended recipient can see it. In some industries this is fine, but in an industry such as financial services, control of data is heavily regulated. Are banks comfortable sending, receiving, and storing data without knowing exactly what they are storing in their data centres? Are regulators comfortable with banks in their oversight storing unknown, encrypted data? Are banks comfortable with their competitors storing their data, encrypted or otherwise? After all, a blockchain replaces a trusted third party with a network of participants but in the case of an industry blockchain, many participants will be competitors.

### A revolutionary change or not?

Blockchain today may be compared to what the Internet was in the early 1990s. While we have witnessed how the 'Internet of Information' has changed our society over the past two decades, we are now entering a phase where Blockchain may do the same by ushering in a new paradigm comprising 'Internet of Trust' and 'Internet of Value'.

The financial services industry may be one of the firsts to be impacted by wider adoption of Blockchain and its associated Distributed Ledger Technologies. The extent of this impact is contingent on how nimbly the industry players capitalize on this technology and the nature of support it garners from wider stakeholders.

To access the full report please [click here](#)



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