CFO Perspectives

CFO Speaks

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1. **What is your overall view on the budget and more specifically how does it impact the Pharma companies?**

   The budget is a well balanced budget with the focus on maintaining the fiscal deficit at 3.5 percent. The allocation of Rs.1,804 crore for skill development would give a boost to the manufacturing segment by providing access to skilled manpower. The budget has also increased healthcare spends with announcements such as the health protection scheme and ensuring quality health services which may entail increased demand for pharmaceutical products and ancillary medical equipment. For the pharmaceutical sector specifically, 10 percent rate of tax on income from worldwide exploitation of patents developed and registered in India would encourage innovation.

However, the reduction in the weighted deduction on R&D and phasing out by the year 2020 would not be favorable for the industry. There are four key A's for the healthcare industry in India– awareness, availability, accessibility and affordability. Currently, government's focus is on affordability but it will be equally important to bring in efforts for other three as well.

2. **FDA is getting aggressive and given the recent regulatory actions against Indian pharma companies, this raises near term concerns. From your experience, what would you like to share with the industry to avoid these challenges?**

   FDA is making the monitoring more robust and it is well intended for the industry as a whole. These steps will instill the attitude of being right and will be helpful to make a cost and quality conscious community. The companies which would get impacted by their actions are ones which are generally less diligent. Having said this, there is a time lag in meeting the expectations of the regulator which in turn will raise near term concerns. As the industry evolves, the automation and digitization will help in instilling greater confidence in the documentation in respect of the production records. With increased digitization and automation, the industry would also be able to address issues relating to increasing capacity utilization, reducing downtime and maximizing efficiency leading to increased benefits from a cost reduction perspective as well.

3. **The CFO is expected to play the role of both strategist and business lead. Given the environment, how do you balance growth expectations and stability of business?**

   Role of a CFO is ever evolving and expanding. CFO acts as a center point and works with maximum number of touch points internally and externally. A CFO has to effectively connect all the dots to drive results. He has to find the right mix of risk and reward for all the opportunities. For balancing growth and profitability, a CFO needs to jointly work with the business teams, engage with them at each level to create value by calibrating the risks and define the right strategy through constructive conflict resolution.

"Defining the fine line between the risk and strategy is a CFO's biggest challenge"

4. **As you expand your footprint globally, regulatory compliance would become a greater challenge. How do you ensure that regulatory compliances are effectively managed?**

As companies expand globally, regulatory compliance becomes extremely complex. To manage teams effectively, it is important to have the right people, right policies and right systems. A CFO relies on his local representatives and thus, it is important to set the right tone from the top. As an organisation, we should clearly define the guidelines on compliance, governance and integrity which would drive actions and behaviour and all this can be well monitored through robust systems in place.

"Compliance and integrity are non- negotiable behaviours at the organisational level".

5. **What would be the key learnings you would like to share for being a successful CFO?**

A successful CFO is the one who aligns his own vision with the vision of the organisation. A CFO needs to work with the multiple stakeholders and bring alignment to the goals of each team by influencing, managing and helping them deliver. A CFO should be able to identify the business risks and help teams develop risk mitigating strategies. The adaptability to the changing environment and experiential learnings one brings to sustain the momentum and to add value at each step are other key things for a CFO.

Expert Views

Retail Sector – What next?

After the opening up of the Foreign Direct Investment (FDI) regulations in single brand and multi brand retail trading a couple of years ago, there has been a flurry of activity in this sector. The government has been equally responsible for the development mainly through continuous announcements in the regulatory framework. Opening up the sector for retail and e-commerce has been done with the objective to motivate industries for "Make in India" products instead of importing from other countries. Review of the conditions surrounding FDI policy on single brand and multi brand retail trading, permitting 100% FDI in duty free shops, clarifying the position with regards to FDI on e-commerce, announcing 100% FDI in marketing of food products produced and manufactured in India have been some of the key announcements made by the government, which has undisputedly led one to conclude that the focus is on promoting goods manufactured in India in the backdrop of the 'Make in India' initiative.

However, the development of the retail sector cannot be achieved in isolation. It has to be accompanied by an equivalent development in the ancillary sectors namely logistics, transportation, storage, warehousing and most importantly, infrastructure, to make this happen. Some of the developments trending in the market include:

- Digital, Mobile guide customer experience – One digital 'size' does not fit all customers within a marketplace. An extremely important aspect to consider here is the digital behaviour of the consumers.
- New competition - The very nature of retail competition is changing as digital technologies become more democratized and barriers to entry, fall. As a result, retailer market share is fragmenting. These newer retailers are largely (although not always) digital in nature, accessed by customers online, and operate with different business models. Smaller online retailers are often more nimble from an assets and infrastructure perspective as well, choosing, for instance, not to pay for their own costly data centers or call centers. Business ecosystems are a major enabler for these newer retailers, allowing them to access talent, technology, and platforms on an as-needed basis. And while traditional retailers usually sell only what they hold in inventory, ecosystems enable newer entrants to access, and make available to customers, a wider assortment of product.

  The second generation of retail technology mainly refers to the rise of the digitally influenced shopping experience and the tidal wave of exponential technologies on the horizon.
- Social media - The availability of internet for consumers to search for products and make purchases after consulting with their family, friends and well-wishers, wherever they may be located.
- Continuous efforts to address the need of the young consumer- keeping a seamless watch on consumers' expectations, fashion trends (this could be by use of colour, trends coming from celebrity fan following and also increased level of quality of products).
- To stay in constant touch with the consumer without creation of any nuisance value to them.

Focussing on innovative products suitable to the city, location as well as the income group of the consumer.

The digitally influenced shopping experience, coupled with the influence of social media and the next generation of convergence has led to a situation where retailers have felt the need to re-assess the broad and complex impact of each channel on the other. It has kept them on their toes. Without doubt, the introduction of innovative mechanics to attract consumers and increase their shopping experience is the flavor of the season.

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