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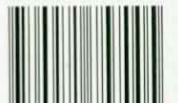
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# Interview



**Naresh Bhansali**

*CEO - Finance, Strategy & Business Development and CFO, Emami*

“CFO has to strike a right balance between organisational growth and cost controls”

**Q. In your opinion, what is the most challenging aspect of being a CFO?**

The most challenging part is to strike a balance between the conflicting objectives. You come across many different situations. While organisations and businesses aspire for growth, you have to keep control of the costs. One has to understand what is required for the growth and what is required to be controlled and then strike a balance between the two. On the top of it, a CFO also has to ensure that all the compliances are of the highest order, all the processes are in place, and any breach is not tolerated. These are the important challenges of a CFO. They also contribute to organisation strategy and growth. They have to keep a close eye on the initiatives and progress of the organisation. Where the CFO feels that the progress is not aligned objectives set for the growth, then he will immediately have a discussion to ensure corrective action.

**Q. How is the GST impacting your business right now and do you think GST will be a game changer going ahead?**

The GST is a progressive economic reform. It is also a major channel disruption. It has changed the way business is done by all the stakeholders in the total value chain. It has impacted wholesalers and rural distributors the most. If you look, significant de-stocking has already happened in the first quarter of FY 18. In fact, in May & June there was a huge lull in the market, but the restocking has gradually started though it is still taking lot of time. People at retailer and distributor level are not accustomed to working electronically using internet and this has increased their cost of compliance. These, I believe, are temporary for them. However, the same is also a cause for the reluctance of retailers to come into the mainstream to do a full-fledged business like the way they were doing earlier. I think gradually things will improve and compliance will

improve. They will also find out the most economical way of doing business. But it would take a little more time than expected. We earlier thought that everything will settle within a month or so, but it appears it would take a little more time.

**Q. Kindly give us an insight into how a CFO influences the business strategy of a company? Can you share any significant episode from your career as a CFO where you have contributed to a strategy as a CFO?**

Unless you become a part of the strategy, you cannot become an impactful CFO. You have to contribute to the strategies and growth initiatives of the organisation. On the outset, I must say, a CFO has to influence every business strategy of the company. Consider a situation where the business team presents a case for investment. For example, the business team comes with a proposal to expand the sales distribution on the ground.



To increase the distribution it takes a lot of time. You have to employ lot of people, You have to employ lot of distributors. Establish robust process and automations. This cannot be done overnight. One has to start taking planned steps and gradually over a period of 2-3 years, you can build a robust distribution system.

The research team may give a proposal to invest in a strong distribution and expand this distribution system. At that point of time, such initiatives are for the long-term growth of the company, but these will immediately impact the bottom line of that year. The benefits will not come immediately in the same year or even the next year.

So one needs to decide how to ensure the long-term benefits as resources start flowing in and costs increase. In such a case, the CFO has to study the total plan meticulously and ensure that the whole plan is divided into milestones, so that one can review the progress at every milestone and ensure that the milestones get achieved in a meaningful way and on time. If there is something where the things are not happening as it was in the schedule, a CFO needs to discuss the strategy with concerned stakeholder and ensure that corrective actions are taken. The corrective actions could be many. It could be the revisiting strategy and goals, implementation of pilot project before the complete roll out, scale up or scale down of the resources and so on. So based on the progress and the objective, one need to be very agile in taking out a proactive judgemental call.

Therefore, CFO need to participate and often steer this kind of decision or thinking. So that's the role of a person who participates in strategy not only from financial angle but also from business angle.

For any big initiative, like say, acquiring a business or a brand—strategic orientation is very important. In 2008-9, we acquired a company called The

Zandu Phamaceutical Works Ltd and in 2015-16, we acquired another business under the brand Kesh King. These kind of acquisitions require a lot of brain storming, validation of ideas and understanding the business case in detail so as to make it successful and if something goes wrong, one has a risk mitigation plan in place as stakes involved in such cases are very high. The job of CFO is to validate the business case and do proper valuation, and once the acquisition is done, ensure that integration and other steps are taken as per the envisaged plan. If these things are not done smartly, it may impact the company adversely, and if done smartly, it may impact so positively that it starts reflecting into profits and wealth instantly.

#### **Q. Does a CFO need to embrace technology?**

It is very important to embrace technology and make meaningful use of data and information. You get lot of information across the organisation and you need to channelise all the information and put them in a meaningful way so that you can take timely and appropriate decision. For this, technology plays a very important role. In our kind of an organisation, we have taken many initiatives to reduce manual interventions for faster decision-making. Technology can help improve performance substantially by increasing sales, reducing various costs and improving efficiencies.

#### **Q. If you were to advice an investor, which aspect of balance sheet and financials of a company an investor should look at?**

There are many angles to it. An investor needs to look at many things, but I can mention few of the important ones. Based on the industry, the important items may also change. If you look at a technology-based company, then the way

you look at it may be different than the one for a consumer company. There are some areas which are universal for any company, like, the past financials, past track record, future outlook etc. investor should look for the reasons as to why should the company grow? What are the levers of growth of the company? Why it has succeeded till date and why will it succeed in the future. Who are the promoters of the company? What are the current P/E multiples? The business may be very good, but if it is available at a very high cost or if the multiples are too high, then the investors may not get into it. So if you look at pharma, consumer or retail businesses, the multiples are very high. The businesses are very good, but since the multiples are very high, the investors may probably wait and buy when the multiples reduce. There can be many other areas too specific to industry and/ or company.

#### **Q. How optimistic are you on the Indian economy right now?**

Highly optimistic..! India is a huge country. The growth would come through consumption. Apart from this, if you look at the GDP growth, the rural economy, the stability of the government, the geopolitical situation, the monsoon—all these are positive. On top of it, the demography, the young population, the average age of the people today is, I believe, 24-25 or maybe below 30 years. That also drives a lot of consumption. All these are factors which are favouring the economy and which are good for the growth of any industry.

#### **Q. How about your company's growth outlook? Where do you see your company in the next 3-5 years?**

We have always delivered in the past. We have outperformed our peers. If the peers were at 'x', then we have delivered at least 20% more than the average 'x' and we will continue to grow at such a pace. We will continue to outperform the market.