SRF
We always find a better way

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Interview

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"We have transitioned to using technology and innovation to generate our growth"

What are your top three strategic priorities as the CFO of SRF Ltd.?

As modern-day business paradigms change swiftly, so does the role of a CFO, from being function-oriented to strategy-oriented today. The DNA of the CFO now embodies thorough understanding of the businesses, the strategies as also its competencies and capabilities.

As the CFO of SRF, one of the first strategic priorities is ensuring a robust risk management and regulatory compliance framework, which covers both enterprise-wide and operational risks. Continuous changes to the regulatory compliance framework are being made for all the geographies that we operate in. The constantly changing regulatory environment increases the vulnerability of most organisations to compliance risk. The complexity of the risk landscape and the penalties for non-compliance make it essential to conduct thorough assessments of compliance risk exposure. Ensuring compliance is the key to ensure business continuity and effective management. A risk management framework needs to be comprehensive, dynamic, and customisable, allowing the organisation to identify and assess the categories of compliance risk to which it may be exposed and taking effective steps to mitigate the risks is essential. Companies that have effective mitigation strategies and reduce the likelihood of a major non-compliance event or ethics failure set themselves apart from their competitors in the marketplace. Therefore, ensuring a robust risk management framework in collaboration with business CEOs and other functional heads across all the geographies where SRF has its operations is one of the top priorities.

As the company evolves from being locally focused to going global, one of the most challenging tasks that it faces is leveraging its global balance sheet for future business growth. Significant availability of cheap business assets, both locally and globally, while balancing a challenging market with risks around currencies, interest rates and commodities, the CFO is at the epicenter of both. Therefore, it is imperative for the CFO to understand and balance the above. Scenarios where market liquidity goes from a significant positive to major deficit over a very short tenor in the Indian and international markets is not unprecedented. Clear and well-documented policies on asset-liability management (ALM), funding and liquidity management, interest rate management, capital and investment management are the key pillars to ensure future strength. As a CFO, therefore, it is critical to ensure a strong balance sheet with ability to leverage it, given the right opportunity, without risking the long-term future of the company.

Harnessing technology is also one of the key expectations and requirements of a CFO. A CFO should be able to look to the next layer of technological advances and consider its implications on business models. With technologies like robotic process automation, artificial intelligence and cloud sharing, it is easier than ever to have technology work for you. Look into how artificial intelligence can change the way financial tracking occurs within your company. Robotic process automation is also saving companies both time and money, with the removal of manual, time-consuming tasks, cloud solutions to share data and promote a culture of analytics. As a CFO, leveraging these tech changes to the benefit of the organisation is an impending reality to stay ahead.

What is the reason behind such robust financial performance of your company?

Strategic focus, technology innovation and customer focus were the main factors guiding our financial performance in FY19. Our ability to invest in businesses with a long-term objective as the prime focus and not with short-term goals drives our capital allocation philosophy. This strategy held us in good stead in the last financial year as well. With intended emphasis on further cementing our strong, industry-leading core businesses, we ensure that we deliver on our profitability goals and continue to make progress on operational efficiencies.

How important it is in today's world for the CFO to be digitally savvy?

I believe that CFOs today need to be adaptable to best leverage their organisation's digital systems, not only to deliver the functional accounting and controls, but also the management information that can help drive good decision-making. Besides just the CFO, I also believe it is imperative that the wider team is given the requisite training and guidance to learn how to get the best out of the current platforms.

Automation of major repeatable finance processes and building a culture of a tech-minded finance function is important for me. This, I believe will help the company reap rewards in terms of efficiencies and accuracy of data, which invariably leads to value creation. Ability to evaluate new age systems and fin-techs that are creating disruption in the marketplace, that may create value for the company need to be assessed and implemented appropriately. New technologies like AI, blockchain, RPA, etc., though nascent at this stage, must be thought as game changers that provide a significant first mover advantage.

Apart from these, at SRF, the CFO's role encompasses not only leadership, but emotional competency as well. In my role, I focus on "people" issues over-and-above the traditional financial governance responsibilities, and use interpersonal relationships to help people make better decisions and get ahead. To be successful as a CFO, one has to be highly interactive, social and a consensus-oriented leader. In meetings and external situations, I try to listen to the views of others, involving them in discussion and responding to their input.

What is the growth outlook for coming three years?

As a company, we have transitioned to using technology and innovation as a means of generating our growth. Across all our business segments, we see this as an opportunity - be it a technical innovation or an innovation of a business model or product. Further, sustainability has emerged as one of the most important issues facing the packaging film industry that we operate in. We, therefore, would look to have manufacturing operations that have low impact on the environment through sustainable practices focused on creating value. We continue to remain focused on our research & development and sustainability efforts. This also allows us to generate disproportionate returns, something that is very important for us. As far as the next three years are concerned, we will follow the same philosophy. In terms of numbers, a lot will depend on how the global economy behaves since we have close to half our revenue being generated from outside India.

How has the role of a CFO evolved over the years in your view?

The primary duties of the CFO revolve around safeguarding assets, cash flow management, understanding and managing risk, financial reporting, interpreting performance and general financial planning and analysis. While these remain the foundational duties of a CFO, the role continues to evolve in today's dynamic, ever-changing business environment. In today's fast-paced environment, CFOs are playing an increasingly vital role in overall business strategy, integrating financial and non-financial performance dimensions into managerial decision-making.

What remains the most challenging aspect of being a CFO?

The regulatory environment is a top issue for organisations today and CEOs are increasingly looking to the CFO to help them not only adapt to new regulations, but to create more value for the business as well. In addition, fast-growing companies today run the greatest risk of having the most problematic cash cycles. In the midst of expanding business plans, CFOs need to be able to monitor more than their P&L to stay ahead of the game. The pulse of a company is really the cash, how much have you made and effectively deployed for the future growth. Last, but not the least, the effect of economic slowdown, not just locally but globally as well, CFOs need to be able to understand the pulse of the business and be able to shape it for future readiness.

While studying the prospects of any company which aspects of balance sheet should an investor focus on?

The investor community is typically focused on hardcore numbers, which involve looking at various metrics from projected revenue growth, profitability margins, price/earnings multiples, EPS, ROE, EV, just to articulate a few. Investors today do not give much focus on P&L leverage and leverage servicing benchmarks, which to me is one of the most important barometers of an entity's financial health and future performance. Stress testing scenarios for an entity should be built by investors so as to judge the likely performance in today's highly volatile environment. To my mind, however, some of the key considerations that an investor should also focus on while making investment decisions should also involve evaluating the governance and transparency of a potential investee. We have witnessed many cases when solely due to governance aspects being mismanaged, large global entities have faced regulatory and investor action, have fallen out of favour with markets, and subsequently shrunk, dismantled or wound-up. These have caused stress not just for the investors, but in some cases, had its impact on equity markets as well, effects of which take a long time to dissipate. ■