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Best Managed Companies (BMC)

Deloitte Private Newsletter

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Foreword

We are delighted to unveil the ninth edition of our Deloitte Private newsletter, shining the spotlight on the Best Managed Companies programme, which completed two years in India.

Deloitte hosted the second edition of the programme last year, culminating in the Best Managed Companies Awards ceremony, held in Mumbai on 14 October 2022. The purpose of the programme is to inspire, celebrate, and build a community of “Best Managed” private businesses that are creating a better future. The programme recognises the companies’ overall performance and sustained growth beyond their financial performance.

The Best Managed Companies programme helps elevate private businesses to create a brighter future for their stakeholders. The companies that participate in the programme go through a rigorous, independent process where they are benchmarked against a common evaluation framework across four pillars of corporate excellence: strategy, culture and commitment, capabilities and innovation, and governance and financials.

Across the world, the reality of businesses is changing. The marketplace is more complex and fast-paced than it was a decade ago. It’s not just technology, talent, or changing consumer behaviour and expectations driving this disruption—it’s the interplay of all three. Truly, innovative companies are proactively combining these aspects to transform their business model, pivot quickly in pursuit of new opportunities, and manage resources optimally.

Continually evolving changes in the business and regulatory environment are making it imperative for leading companies to keep themselves updated of the key developments and stay relevant.

While in India we have our share of large multinational corporations, India's growth has long been powered by agile, privately held companies, and these businesses have often gone beyond the mere pursuit of profit, into areas that would today be classed under social responsibility projects. From founding training and educational institutions, to undertaking environmental and social initiatives, to working with the government to create robust governance, privately held companies have been at the forefront of responsible and sustainable growth in India.

In this edition, we have curated some interesting stories on the changing business environment from the winners of the Best Managed Companies 2022 Awards, also highlighting how the companies are stepping up to stay relevant and add stakeholder value continuously.

We hope you find the newsletter informative and engaging.

Happy reading!

Regards,
Porus Doctor

Interview with Romal Shetty

Romal Shetty
CEO, Deloitte South Asia

Many congratulations Romal! We are excited to have you at the helm as the Deloitte South Asia CEO. We would like to carry your views and perspectives to our clients.

1. **From a long-term view, the focus is becoming more on the short-medium term, what is your take on where the Indian Economy is heading in the next 2-4 years?**

   If upward revisions of GDP growth over the last three years are anything to go by, India has shown resilience even through the toughest of times. Despite the pandemic and geopolitical uncertainties, growth has gathered a steady momentum through FY2022-23.

   This is India's decade. The country can grow by around 6.5 percent over the next two years[1], despite the global economic slowdown, high and persistent inflation, the evolving implications of bank and geopolitical crises, and tighter liquidity conditions. With a large, young, aspirational, and middle-income population, private domestic consumption will be the strongest driver of growth for the economy. That said, the pickup in private investment and export of services (and not just IT but also professional services) will also be important in the medium term.

[1] IMF

The rationale for an uptick in investment lies in the strong balance sheets of the scheduled commercial banks and corporates. While banks are willing to lend (essential for credit growth), corporates are in a better position to invest, especially when industrial capacity utilisation is fast approaching its peak in recent times. In the medium term, while investments will help build capacity, jobs, income, and thereby the purchasing power of domestic consumers, a greater digitisation drive will raise demand for services.

2. Everybody speaks about India's growth story and the next decade belongs to India. What are your thoughts on the way ahead for India and the Indian industry?

Given the government's policy and incentives push (such as the PLI scheme, new logistics policy, national infrastructure policy, and new trade policy, amongst others), we expect manufacturing and export-oriented sectors to see strong growth. In addition, capital-intensive sectors such as automotive and components (including EV), chemicals, electronics, and textiles will continue to see accelerated development. We also expect defence to emerge as a focus area for the country.

India's services exports skyrocketed by 30 percent between April and February. The continued focus on digitisation, global slowdown-driven cost-cutting, and the growing trend of remote working has increased the demand for exports of services in technology, where India has a comparative advantage.

The country has the potential to evolve from being a hub for IT-BPO services and Global Capability Centres to becoming an innovation hub—India ranked 46th in the Global Innovation Index in 2022, up from 81st in 2015.[2] Breakthrough R&D in areas such as pharmaceuticals, vaccines, climate change, digitisation, and financial technology is putting India on the world map for innovation. Consequently, the government and policymakers are focusing on developing a conducive regulatory environment to promote innovation.

3. What is your view on our clients realigning their strategy considering the dynamic environment?

Indian family-owned and private companies are powering their next wave of post-pandemic growth through various initiatives:

- Digital transformation: What began as a necessary intervention, owing to the pandemic, is now a strategic focus for many organisations. With the foundation established, organisations are now building incremental and transformational digital capabilities across functions, towards adopting a digital mindset.
- Sustainable value creation: To unlock their full potential, organisations are identifying tangible upside opportunities to maximise value through acquisitions, alliances, divestments, backward/forward integration and improving ESG of existing businesses.
- R&D as a core capability: R&D is proving to be the key differentiator that can enable organisations to move up the global value chain, maintain competitive advantage and ensure customer stickiness.
- Resilience: Besides improving flexibility and efficiencies in their processes, Indian organisations are adopting agile working practices and building stronger relationships with their ecosystem to be more resilient amidst disruptions such as energy security, cyber shocks, or weather events.

4. Considering the potential of India in future, what do you see as the role of Domestic business?

India's accelerated growth and the potential to become a US$5 trillion economy by FY2026-27 instils confidence amongst both domestic and global investors to continue to invest in the country. Given the transformation of domestic businesses and the growth in the start-up ecosystem, investment in technology will be predominant. However, professional services' share in the total

[2] http://timesofindia.indiatimes.com/articleshow/94124312.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

services export pie has increased. Global companies are now more willing to move functions such as accounting, R&D, quality assurance, and after-sales service to India.

5. **What are the key sectors that will emerge as key drivers for the growth of India and have the potential to become a driver of the global economy?**

Within manufacturing, defence, electronics, chemicals, and textiles are amongst the high-potential sectors that will fuel the growth of jobs, income, and therefore, the economy in the coming years. These sectors are witnessing rising domestic demand and growing exports, owing to favourable government initiatives and policy reforms.

Interestingly, the services sector (impacted most during the pandemic) has seen a strong comeback with exports rising by 26.8 percent during FY202-23. In fact, the contours of services exports have expanded lately. While 'Telecom, Computer, and Information Services' have historically accounted for the majority of total services exports, non-IT services exports have bourgeoned in the past year. Most likely, this trend is here to stay.

Amidst rising services inflation and wages for professionals offering these services worldwide, India's labour cost arbitrage and innovative offerings are becoming attractive propositions for MNCs that are looking for cost optimisation as well as access to a wide array of expertise. This has helped India explore opportunities in business and professional services. The India stack is one of many success stories that have increased reach to customers and users and expanded markets to rural and relatively less serviced areas at a reduced cost.

GCCs' evolution in India from being support functions to centres providing critical solutions is notable. With 40 percent of the world's GCCs based out of India and the range of services we deliver globally-– R&D, professional management and consulting services—there's an opportunity to grow our scope to medicine, finance, and education.

One of the sectors that have seen a boom and that has become the pioneer of innovation for the world is the FinTech sector. While the payments ecosystem has grown by leaps and bounds, the adoption rate globally in other subsegments, such as Lending, Wealth Technology (Wealth Tech), Personal Finance Management, Insurance Technology (InsurTech), Regulation Technology (RegTech), etc., has significant headroom to grow.

Electronics: India's local demand for electronics is likely to reach US$150-180 billion in the next 3 years driven by favourable demographics and an increasing push towards digitisation. This can entirely be met locally if the country can accomplish its manufacturing goal of US$300 billion by FY26. This target will further result in an additional opportunity of US$120-140 billion in electronic exports by FY26 and will be the key to achieving the US$5 trillion GDP target

Defence: India's defence exports reached an all-time high of US$1.95 billion in FY23 owing to favourable policy initiatives over the last 5-6 years. This is a vital step towards the government's target of exporting US$3.05 billion worth of defence and aerospace equipment annually by 2025.

Chemicals: Indian chemical industry was estimated to be US$233 billion in FY22 and is likely to reach US$304 billion by FY2025, registering a CAGR of 9 percent. Make-in-India initiatives coupled with growing strong domestic demand and increased exports will continue to fuel the growth of this sector. The "China + 1" strategy will further create promising opportunities for India to increase its footprint in the global market for chemical goods, given the country's competitive manufacturing advantage and technological expertise. Moreover, the dedicated integrated manufacturing hubs under the PCPIR policy are expected to attract an estimated investment of US$243.68 billion by 2035.

Interview with Peter Brown

Global Best managed Co-lead and Partner, Deloitte Private

1. **What was the need to start the Best Managed Companies Awards and how has it benefitted the winners?**

   We have a deeply held belief that private, entrepreneurially led, and family-owned businesses are the backbone of almost every society on the planet. They are disproportionately impactful on our societies, not just because they run great businesses, develop their people, pay taxes, and are good corporate citizens, but also as they are disproportionately engaged, using their wealth in making our societies more impactful. I cannot think of a better example than a company like Zoho that is so purpose-led and that really wants to make their country, India, a better place through Zoho University. It is to shine a light on these kinds of stories that demonstrate that businesses are a force for good in our society that does extraordinary things to improve the lives of the people that work in the business and the communities around it, that we initiated the programme—i.e., to recognise these kind of companies and create a community of such companies. Yes, it is an award, but it is also an earned designation that companies can stand on to build their brand, network with other extraordinary businesses, and learn from each other. Just as the expression goes, "create a flywheel" and get it spinning faster through building a community of the very best private companies. There is no one company that stands at the top of "Best Managed". Our aspiration is to build a community of companies that really are making our countries stronger through their business activities.

2. **You just mentioned "community of companies"—is it a community that you have seen to be generally cohesive and collaborative, with the companies helping each other grow and become successful?**

One of the things that always fascinates me is when we hold Best Managed events—whether that is the gala or the symposium that we do in many countries, or most countries, or if it is a CEO roundtable, or a get-together—is that the companies often don't know each other, even though they are leading private businesses in their own city or geography. They love the opportunity to meet and do business with each other. Just as we ran a symposium in Singapore last fall for the companies in Southeast Asia, and they were delighted to have the chance to meet other leading businesses, compare notes, look for opportunities to do business together, and learn from each other too.

One of the other things that has always struck me about business is that there is a perception that business is selfish. But my observation has been the opposite, because business leaders—the best and the enlightened ones—are incredibly generous with their time! They mentor others, they love their students of business, and they want to see how other businesses work. They want to provide inputs and help in that regard. It is fascinating to see them get unplugged in the Best Managed Companies because they love the idea that they can learn from each other, help each other, and grow through the process.

3. **What are some leading practices that you have seen in the finalists, or say, the successful companies, across industries and nations?**

The first pillar is strategy. These companies have a clearly defined purpose embedded in the mission and vision of their business. The wonderful part is that it can then help inform everything that they do; it can help them make strategic choices. We are increasingly seeing a lot of companies do the heavy lifting to say why they are in business. The more they can do that, the more it helps attract people, but it also clearly provides a conceptual framework for the choices that they are going to make going forward.

The second pillar is capabilities. We know that companies are really leaning into digitisation, and we could see it across the spectrum. They are doubling down on their investment in technology as an enabler, to allow them to compete in the marketplace and have a competitive advantage.

The third pillar is culture. One of the things that is leading and in which Deloitte plays a role is an investment in diversity, equity, and inclusion, and that is different by country and by culture. But by minimum standards across the world, men and women in positions of leadership, depending on ethnic diversity, are doubling down on the notion that they just want the best people—regardless of their gender, sexual orientation, or ethnic background. Companies are really leaning into this. One of the things that has always made Best Managed Companies special is that they make disproportionate investments in their people; does not mean they pay more, but they invest more in leadership development. I think that is clearly trending across the community—this whole notion of diversity in leadership and embracing it.

Last but not least, under "financials"—our last pillar, what is really trending amongst these companies is data-driven decision-making. It is also akin to the digitisation investment that they have made. They have got a lot more data than they have ever had and they are showing a lot of discipline in terms of informing the business to make better choices and decisions.

4. **Why should a company be a part of Deloitte's Best Managed Companies programme? What are those three-four messages that you would want to give to companies who want to participate next year?**

   The compelling reason why companies should come into the programme is largely threefold. They are probably well-known in their own sphere of businesses. But as they continue to grow their business and enter either new markets or new segments, being able to say that they are one of the "Best Managed" companies in India is a very powerful tool, both for customer recruitment and brand-building, and for attracting talent. The brand of the programme itself will add to the brand of the business and help demonstrate that it is an extraordinarily well-run business that people would want to work for and customers would want to do business with. The other extraordinary advantage of the programme is that at Deloitte we have scale and we have 1,300 "best managed" companies around the planet. So, we are able to step back and say what is common and that the best practices we have gathered are a wonderful opportunity for businesses to then compare how they operate and how that compares against global best practices.

   A lot of what every leading business in every country does are already global best practices—they are doing things right, or else they would not be successful! But every company that applies also sees an opportunity for improvement when they compare how they operate, to the global best practices. That is a great opportunity to benchmark and compare operations, performance standards, and practices, and then identify the gaps where they can improve, while also building on strengths. It is a big opportunity to build the brand and build the knowledge of where improvement is needed.

   Lastly, it is a chance to meet other extraordinary businesses. The networking that you gain by being part of the programme is not just domestic; it can be attending events or meeting the "best managed" companies in other countries as well, which can help with knowing the business culture of that market—who is the best, who they can partner with, etc. to help develop their business.

   The combination of brand, best practices and benchmarking, and building the network are the three compelling reasons why companies should be in the programme.

5. **In the case of these "best managed" companies, have you seen the change in their management from a promoter-driven or a family business-driven business to more professionalism in the last few years, across the world?**

   You can have a promoter-driven company that is in "best managed" because that is where they are on their journey. We also have companies that have now gone beyond promoter-driven and now have gone beyond the founders too. Both can be in "best managed" because both can be doing the right things at their point in time of their existence. But one of the things that has clearly and materially impacted the companies in the programme, particularly over a decade, is governance and their thoughtfulness to build beyond the promoter.

   We are seeing two big trends in that regard. Companies are first setting up either advisory boards or fiduciary boards to help get above the promoter and help sustain the business's long-term strategy and health by setting up an independent board. Secondly, companies are moving beyond the family in terms of succession. The two go hand-in-hand. It enables the professional management to have a board; it helps them be even more professional because it helps soften the family dynamic in the business.

   People love doing business with family-owned businesses because you know there is care and almost an added layer of culture when it is a family behind the business, and that is been proven. The tandem of the governance—from the boards as well as professional management just helps now take the business to its next level.

Interview with Vimal Kejriwal

MD and CEO
KEC International Limited

Debasish Mishra: It has been challenging for everybody in the world: first, the pandemic, and then, the geopolitical event and the related hyperinflation. Central banks in Organisation for Economic Co-operation and Development (OECD) countries are on a vengeance to raise the rates; so, there is severe global headway. How are these events, which are part of the external environment, affecting your industry and your sector?

Ans: Vimal Kejriwal: There are different ways to look at it. One view is geo-political and geo-economic, where certainty is impacted, for example in Afghanistan, Eastern Europe, Sri Lanka, or even, to a limited extent, in Bangladesh. This has impacted many aspects, for example, the risk of recession, rising inflation, and especially supply-chain volatility. The expectation was that after the pandemic, markets will stabilise. But then came the Russia-Ukraine war, and markets took a hit again.

As far as India is concerned, earlier it was more about how we can drive consumption. Only now we have realised that we are running short of power.

It’s only in the last six months to a year that we are suddenly talking about more power plants and capex infusion. Another piece gaining momentum is green hydrogen, and we are trying to figure what we need to do on this front.

Overall, keeping geopolitical issues aside, as an industry, we are seeing a lot of demand coming up. There is enough business in the market, but the challenge is to know how one can make money out of it, especially with the given supply-chain uncertainty and logistics issues. For example, many of our shipments from Europe are stuck at the European ports! Although the logistics costs have come down, availability is still a challenge from that angle. Hedging from these uncertainties, so that one can make money - that is the challenge.

Debasish Mishra: At the same time, India is not isolated. India cannot bury itself or isolate itself completely from the external world. But it's a better place than many of the Western countries. If not a recession, they'll see a slowdown. Also, in the last quarter, India saw a slowdown to 4.5 percent. The way the government is boosting capex to 10 lakh crores in the budget—does that change your immediate tactical moves in the next six to twelve months? Your company has had significant external business also outside the country. This is a unique situation, wherein although you are not fully isolated, you are still better off than the other places, and probably in India, like you rightly said, now the corporate balance sheets are better and the bank-balance sheets, after probably a decade, are at their healthiest, and the capacity utilisation in corporate India is reaching a limit where it's triggering investment signals.

All these three things put together, probably form the beginning of the huge capex cycle in India. For a major EPC company like yours, does that change your priority slightly from external to an increased focus on the domestic market?

Vimal Kejriwal: We are present in the domestic as well as international markets. And yes, of late we are seeing a lot more opportunities coming out from India, especially in the power sector. We are also seeing some green shoots in government expenditure on the capex side. Although items such as smart cities are no longer there, green hydrogen should push a lot more capex. The starting point for that is green power and renewables—where we were lying low earlier.

We have re-prioritised solar now, given the demand outlook of 125 gigawatts and the increase in projections for 2030, since it’s clearly one of the growth areas. The second piece related to that is the T&D expenditure. If you put up a large solar plant, the power generated has to be transmitted. So, in a way, there has been some re-prioritisation of our businesses. If you look at some of my earlier interviews, we discussed about muted growth in T&D in India, but at the same time significant increase in the pipeline from middle east countries such as Saudi. But now India is once again investing in T&D infrastructure and we have secured large orders in the market.

Another positive for us is our Civil business, which we started a few years ago, precisely because we did realise that there would be capex-spending across various verticals. We are seeing a huge amount of spend already happening, especially in metals and mining, residentials, water infrastructure etc. This, in turn, is impacting the capital expenditure of many other industries.

Debasish Mishra: What will be your play in green hydrogen? Will you be looking at electrolyser manufacturing or purely on the solar side, and supply too?

Vimal Kejriwal: Right now, we want to be more on the EPC side. If you look at the entire chain, one is production of green power, and the other is transfer of power or transmission. From a generation perspective, we are already in solar EPC and looking at what can we do in wind. In electrolyser, we are looking at doing EPC for electrolyser manufacturers. Our focus is EPC, but primarily more on the generation and transmission of power and also transportation of hydrogen and ammonia, building of storage tanks, etc.

Debasish Mishra: Yes, it is really going to be transformative! Apart from the geopolitics and the economic events, digital transformation is sweeping the entire business world as well as our lives; artificial intelligence and machine learning, robotics, analytics, AR, VR, etc. are changing how businesses will be run. We keep seeing the digital maturity assessment in different industries, particularly certain industries such as financial service and consumer which are way ahead due to the sheer nature of their industry and the way they adapt to digital technology. In your industry, how are you seeing the entire digital transformation and what are those disruptive factors that may change the industry in the coming few years?

Vimal Kejriwal: Clearly, the construction industry has been a bit of a laggard in terms of digital. But there are three-four factors to be noted. One is clearly the use of AI and ML-based analytical tools. We have been designing transmission towers since the last 50-60 years. If you can capture that data and understand and use it, your new designs can be faster and better. We are doing a lot of work on that. Ours is a tendering business. Before any submission, there are always time and pricing accuracy pressures. How do you pick up the right items from the tender document? How can you automate and how much can you automate? We are using a lot of AI and ML in harnessing data from our previous projects to develop cost optimised designs on TCO basis and to improve the quality of design submittal. This should optimise costs for us as well as our clients, and of course improve our tender pricing and bidding.

In the last 12 months, we hired an international consultant to work with us on this subject. We have developed quite a few digital tools which are unique to us, such as designing a pile or designing foundations, which I don't think anyone has ever done.

Second is the use of BIM (Building Information Modelling). BIM is a holistic engineering, planning, as well as collaboration tool between the customer and various functions such as design and engineering, project-management, procurement, etc. of the contractor. BIM is helping build 3D constructible designs by identifying design clashes between different components. That is helping us win tenders and ensure that the designs are accurate. We are investing heavily in BIM.

We are also adopting immersive technologies such as AR/VR and building a construction Metaverse wherein our customers and key stakeholders can connect and collaborate with us in the phygital world. We are building our own Metaverse "KECity" along with physical experience centres at our office. There is other upcoming software as well and incidentally, we are also developing some for our use.

AI, ML, BIM – these work more on engineering, designs, and visualisation. So, the third part is construction—meaning, can you get digitally-enabled mechanisation to fast-track physical construction? Sensors that make it easier to detect underground utilities, do soil compaction to the right strength, detect components such as rebars within previous structures, predict quality of construction, track and support my labour force and sub-contractors, and vehicle telematics, etc. will meet this objective of mine. A lot more needs to be done on digital in construction and its implementation.

Modular construction is another way to fast-track and has cost and sustainability benefits as well. We have started using pre-cast, prefab structures at various construction sites and are seeing good results. Awareness about the use of latest formworks such as aluminium formwork/slipform, etc. is on the rise, but the whole eco-system, including the clients, needs to catch-up and we are slowly moving in that direction.

Debasish Mishra: It's very interesting—you mentioned about pricing analytics. There are interesting use-cases, even for traditional industries such as EPC—it is going to change some part of our industry as well!

Vimal Kejriwal: Definitely. But coupled with that, we are also seeing new external factors such as greater government intervention in some markets. For example, the other day the US imposed 200 percent duty on Russian aluminium. You can use predictive tools for pricing to an extent only. With what is happening in geopolitics, the variables have become too many and too large.

But we need to de-risk, which we do by playing around with what sort of business we should get into and what is the ratio of fixed price and variable price contracts. Apart from market-based hedging, we are trying to create a natural hedge. At an overall level, we are looking at sharpening and strengthening our risk management framework. We are looking to implement stricter go/no-go guidelines while selecting projects across geographies/clients and de-risking through diversification across business segments, clients, and geographies.

Debasish Mishra: We faced the impact of the pandemic, that started in US, particularly in the technology and professional services world, with the great resignation wave. Millions of people resigned. In fact, if you look at the TED commentary in the US, it is not a situation we have. The jobless claim is very low, but people are refusing to come back to the workplace. So, talent has been a very difficult agenda for boardrooms of late. In many places talent has to be re-trained and reskilled. What is your take in your sector and your company? How has the talent agenda been? Has it been a challenge or is it business-as-usual in the last few years?

Vimal Kejriwal: Talent will always be a challenge, be it at a worker level or the CEO level. However, what is also happening, especially in India, is that there has been a lot of shakeouts happening in the EPC industry; a lot of companies have gone out of business owing to issues in profitability, cash flows, etc. For companies such as ours, I don't think it's a major challenge in getting people. The challenge probably is that the capability in this industry itself has not been very high. Important thing is how do you get people and then train them?

Since the last five-six years, we have started hiring a lot of fresh graduates and postgraduates. This year we must have hired around 300 people across various fields. To me, it’s a matter of time that these people will grow and meet our requirements – some of them are already at a project-manager level now. For young minds, high job-mobility has been a trend across all industries. They want more responsibilities and higher grades earlier than what has traditionally been possible in our industry. Through our engineering and post- graduate engineering leadership programs, we provide them exposure across various functions and sites. The brighter ones also get involved in high-impact, high-visibility roles. We do feel that gradually this will enable us to build an internal talent pool. Another advantage is that almost half of our business comes from outside India and a lot of people are attracted to the prospect of going abroad to work.

We have also started hiring a lot locally outside of India, as part of the diversity and localisation agenda. How do you get more people, let’s say in Saudi? Local hires help expand the available talent pool then.

The demand-supply for experienced talent is a challenging environment currently, given the number of ongoing infra-development projects in the country. However, with our culture and RPG ethos, and given the support we extended during the pandemic, we have been able to build and sustain a sense of belongingness in our tenured talent.

Also, we are seeing a lot of boomerang hiring - more in our services teams: finance, HR, etc., but also in projects. People are drawn to our organisation culture. I think around 20-30 percent of our hiring is boomerang hiring.

Other part is that people are very happy to get mobility of working across businesses too. That way we have not seen a significant attrition.

Last, but not the least, finding and retaining labour workforce has been one of our biggest challenges, with so many ongoing projects in the industry. We are building a repository of workmen deployed, standardising facilities for them, and upskilling them. We are also focussing on mechanisation and automation to improve productivity of our workmen.

Debasish Mishra: That is wonderful and that speaks volumes on the culture and the value system of your organisation. Start-ups hiring was one example, which was also a passing phase—it seems to have died down now. The valuation was such that the more loss they made, the more valuation they got.

One related question is that because of all this—as you mentioned on digital and the changing business model, a lot of the corporate roles will also become blurred.

What would be the CFO/CIO/ CMO’s role? How are you seeing the corporate structure evolving, quite evidently, there are overlaps now; they are not silos anymore, and it should not be as well. Do you see those boardrooms changing now, and are the corporate structures going to change?

Vimal Kejriwal: Absolutely. KEC and the RPG group is a purpose-driven organisation. All senior executives have the big-picture understanding of what we want to achieve. The boundaries are clearly getting blurred between roles, and transition between roles in common. For example, our Railways business head was in the supply-chain factory. From supply-chain, we transferred him to head some transmission projects, following which he is now heading the Railways. Our earlier Finance SVP is now running Oil & Gas business, and even I was the CFO earlier.

We are expected to go beyond our role and function and make sure that we collaborate with others to make things happen. Success in isolation is not valued anymore. Your ability to create value matters the most. More work is being driven through cross-functional and agile teams which are boundaryless. Once you reach a certain level, our employees are expected to cut across silos and we are leveraging that effectively by moving senior leadership team across businesses and functions. This is also helping us retain top talent. For example, as a CFO, I was involved very closely in the business. And when the Board asked me if I would want to move into an operational role and how much time it will take me, I said it will take me 0 days because I was already involved, and we had a seamless movement.

Debasish Mishra: These are the concepts that are definitely coming up. But I can sense that at a certain level in your organisation at least, people have the big picture, and that definitely helps them to be aligned in the same direction and avoid confusion.

Debasish Mishra: My last question is on corporate governance. It's a big boardroom agenda and ESG, diversity, etc. are becoming very important. What is your take on that and what is your group doing about it?

Vimal Kejriwal: At KEC and for the group, ESG is extremely important. We are very attentive to what we need to do —not only in the factories and offices, but also at all the project-sites, especially because we have almost 300 projects across the globe.

We had hired one of the consultants to understand what is happening around us and guide us in the right direction. Since the last two-three years, our ESG ratings have been going up consistently. They told us that you are doing everything, but you are not communicating them well! We are now much more conscious of what needs to be disclosed. In terms of what we are doing: all our factories have solar plants, we are reducing greenhouse emissions, most of our plants are at zero-water consumption, we have bio-degradable toilets at project sites, we have switched from fossil fuel to induction furnaces, etc.—small changes but important. We have undertaken a lot of activities to reduce our dependance on Mother Nature. We are considering what else we can do on our own to ensure that steel wastage comes down, because if we are wasting steel or consuming more power, we are wasting resources. There is a lot of emphasis on that.

The last part is that we are hiring a lot of people locally. Investment is being made in assimilating diverse talent in our culture and processes. We are sharing best practices across our local and global teams. It is a two-way street where both teams have immense opportunity to learn from each other. We are also building a gold-standard for products and services and delivering them for local as well global clients. As a result, people individually also get developed and trained, and for those in underdeveloped countries, once the project is over, this enhances their job and thereby, their life prospects.

Interview with Mathew Job

CEO
Crompton Greaves Consumer Electricals Limited

Porus Doctor: What are your initial thoughts on the Union Budget 2023-24 from a business point of view, and specifically from your sector?

Mathew Job, MD of Crompton: I think, over time, there is less tinkering in the Union Budget. Earlier, in every budget, there used to be a lot of tinkering with the rates, and so on and so forth. With the GST regime having come up, a lot of those things now don't get handled in the budget . That makes the whole thing more predictable and that's good, otherwise, you always have to wait for the budget day to see what has gone up or down.

That is one big change, which is not only this budget, but also that over the last few years, things have started falling more in place.

Second, the government wants to give an impetus to infrastructure development, which is good. That should help kickstart or spur further growth in the economy because, all said and done, we are still at around six-seven percent estimated GDP growth, and that's coming off the lows of the COVID period. India needs much faster growth to really improve the quality of lives for the people over the long-term.

The third point is the tax changes they have made, which hopefully will put more money in the hands of the middle class. Eventually, I hope, that will translate into an increased consumer spending, better sentiment, and so forth. My opinion, going forward, is that the less the "big news" in the budget, the better it is going to be; otherwise, we have to wait for the announcement every year, because, in India, unlike many other countries, the budget has been a major exercise that everybody would wait to see. The government has managed to separate that in multiple events, and eventually, decisions don't get taken one fine morning in India. This is a welcome change. There seems to be a trend of better predictability. You don't get big surprises, and I hope that continues. Of course, there are other issues which a budget alone cannot handle. You don't expect the budget to be able to be the answer to all the problems that we face. The budget came out where we expected it to, so that's good.

Porus: Basically, what you're saying is that the budget has become more or less a non-event, rather than what it used to be –there used to be a huge hype about the budget.

Mathew: Yes, it's less of an event now, because a lot of the decisions have been moved to other forums, which is good.

Porus: True; putting more money in the hands of the consumers will help in consumption spending, which will help in boosting the economy. Clearly, this is an opportunity for India, because, given the fact that China has extremely low GDP levels, this is probably the one time where we get the opportunity to catch up with China and spur consumption growth across the economy.

Mathew: Yes, that's correct.

The demand scenario is still a little bit tepid and not exactly robust. It could be different for different segments of the economy, because, when you look at things such as automobiles, it seems to have rebound strongly, even stronger on the premium segment.

But we don't see the same buoyancy in our businesses, especially in consumer electricals, or even consumer durables. Even the festive season was less than buoyant. One of the big challenges that our industry is facing, which is unusual, is a sustained period of high commodity prices. Our industry is highly susceptible to commodity inflation because we use a lot of metals. The kind of run-up in costs we have seen in the last year and a half has been unprecedented. Just to give you a perspective, typically, this industry would have a three-four percent cost increase in a year and pass most of it down to the consumer. Within the last year, we've had more than 20 percent increase in cost. If I take the last 18 months here, there is close to a 30 percent increase in cost. When you have a 30 percent cost increase, even if you pass 20 percent to the consumer, you don't cover the full cost impact. Even with a 20 percent price increase, it really puts a lot of strain on many consumers. That's why we think that demand is a little tepid, and I hope that things will start looking up.

Also, general inflation tends to make people more cautious to spend money. Again, Indians have had this long history of saving unlike the West where there is a lot of consumerism. But we see a slow shift now, especially in the younger generation and over time, that trend will continue. In the short-term of six months to one year, I don't think it fundamentally changes the fact that we strongly believe that in three-five years, India will be the place to be, and we see no reason why a short-term blip should change that.

We are reasonably in a good spot compared to countries such as the US and UK that have much higher inflation. One of the factors could be that during COVID, we never went out of our way to do a lot of stuff which the western world did. It all looked good in the short-term, but now it's coming back to bite them. In hindsight, a lot of things are good, although the short-term business and short-term demand does give us a little bit of concern.

Porus: Given the growing uncertainty about regulatory changes, the impact on the environment, etc., how are you looking at regulatory changes? What kind of strategies do you have, to stay ahead of those changes?

Mathew: As a company, we are clear that we must execute ESG in a way that makes sense for the business. Otherwise, it's only good for talking about and putting on some reports. We are in a unique position because our products consume energy and by bringing new energy-efficient technologies to market, you can radically bring down the consumption of energy. For example, the energy consumption from our incandescent bulbs to LEDs is down by more than 80 percent.

From the 1st of January 2023, the Bureau of Energy Efficiency Government has mandated new energy standards for fans, which would mean that in India, you can no longer sell any ceiling fan that consumes more than 50 watts; almost 99 percent fans that used to be sold in India till December 2022 would consume 70 to 80 watts. If you save 30 watts on so many millions and millions of fans which run for so many hours in a warm and hot country like ours, and get sold every year, imagine the possibilities! By bringing such energy-efficient technologies to market, whether driven by legislation or even otherwise, the impact can be huge.

We see an accelerated pace of things such as EPR (Extended Producer Responsibility) and I think it's going to come faster in India. The time has come for us to leapfrog some of these things. Let's take the example of electronic waste. Given that a lot more products are going to get electronic, how do you handle the waste? Over time, companies will need to develop mechanisms to collect those and then dispose them safely. The demands will increase, and there is a huge opportunity for companies who are putting ESG at the core of the business instead of treating it as a separate element. That's where we see a lot of value which is a source of competitive advantage for the company, going forward. You don't want to be forced to do it because the government asks you to; you want to lead from the front so that you get ahead of the game. Eventually, the long-term value creation of the company will depend a lot on whether you're able to do these things right. I think there is going to be an additional value that businesses who focus on this can create. I think this is not going away; I expect a lot more things to come a lot faster than it happened in the past.

Porus: You're absolutely right about looking at it as a business opportunity rather than a regulatory compliance.

Mathew: Anything that requires subsidy or support for survival is not going to happen. We see it as an opportunity. Of course, it isn't easy, because in India, for example, the government says that you have to collect back; you must be able to dispose of at least 70-80 percent of the waste generated, and you have EPR certificates to demonstrate that you're meeting this requirement. And, if you don't do it, you're having to pay a fee. Hopefully, all this will help build the infrastructure, because infrastructure cannot be built by one company; infrastructure will have to be built by the industry working together—not our industry alone, because it has electronics and TV, and so on and so forth. Over time, I think that we will build a scalable model that will give great products. The other point is that it also forces companies to make sure that they get more frugal with what they put into their products. Companies can create a competitive advantage out of it.

Porus: Consumer centricity and digital transformations have been of paramount importance to companies over the last three-four years. What are the top two-three trends you see that are going to disrupt your industry?

Mathew: Like in every other industry, everybody in our industry also talks about consumer centricity. However, few companies have really made it work. We see consumer understanding as a potent source of competitive advantage, because otherwise, there's nothing that differentiates us from another good competitor.

Secondly, it's getting trickier because earlier, you could segment a whole lot of consumers by a large homogenous segment of people. But today, with digital, even consumers demand hyper personalisation. Today, it is possible to segment consumers much more at a micro level. This gives a lot of opportunity, but also throws a lot of challenges. Traditional ways of marketing don't work anymore wherein you can target millions of people using a standard message, hoping that will work. Today, a lot of people expect much more personalisation, and that's the challenge marketers are grappling with. But the advantage also is the information you can gather today; earlier, if you had to get information around what consumers are looking for, how they are searching, etc., you wouldn't have any other option but to go and ask them and do surveys. Today, if you just mine the information that's available on the internet, there's a whole host of information that you can use. The question today is not the availability of information, but how intelligently you're able to use that information to generate some insights. If you're a company that became successful doing certain things in a certain way which worked in that period, then one of the challenges of having been successful is that you don't want to change that today. The challenge is that if you don't do it, you're going to be left on the wayside by newer, younger, smarter companies. That's the challenge companies like ours face—to be able to move away from what was yesterday and latch on to what will work tomorrow. We don't always get it right; sometimes, we have to be slapped on the face to realise that something is wrong!

Porus: What do you see as some of the challenges around talent, because one of the things that we're seeing right across the sector and the industry is that talent is becoming a sort of deal breaker—in the sense that you build talent, you groom them, and then they move on for just a few bucks more?

How do you manage to get the balance of retaining the right kind of talent, and more importantly, creating a succession plan?

Mathew: You're right; over time, we will realise that the days of people working for 25 years in a company are gone. It doesn’t happen anymore. The youngsters of today we've seen in our own companies are different; their outlook on life is very different. I think companies first need to realise that what worked for people in our age group is not going to work for the people in 20s today. They will not stay in companies in the hope of growth that will happen 10 years later; they want to see how their jobs are getting enriched here and now. They’re more aware of the opportunities that exist across the world.

Companies need to rethink the model of engagement. You have to keep employees engaged with challenges and an inspiring vision. Having a strong purpose that motivates people becomes even more important. At the same time, companies will need to get smarter; for example, if I look at this today, there will be a lot of people who don't want to work with one company. They have skillsets that they feel can be sold to many people and as skilled individuals, they question the need to get themselves logged in into one company. There'll be a lot more people in the future who are going to be freelancers. They’ll work in their own hours, they’ll work out of where they want, and they’ll make their services available to multiple companies and multiple people. The good thing with the digital ecosystem is that it makes it possible to connect the freelancers with the companies. So, you don't need to hire all of them. If I need a new design idea, there are 1000s of smart guys and girls out there who can give me those ideas and who don't want to be tied onto my company, and I don't need to hire them for forever and even the whole year. Therefore, companies will need to get smarter in the way they use crowdsourcing. Of course, there will be a core competence that the company will have, but that's the kind of ecosystem one needs to work with in the future. The days of expecting people to come, stay, and retire with one company are gone. Of course, one needs to try to keep them motivated. But in parallel, we need to also be able to work with these kinds of situations going forward.

Porus: People have realised that this cradle-to-grave kind of loyalty is not going to continue anymore. Like you said, the younger generation, the millennials, and Gen Zs are more interested in things such as: What is the company doing from a CSR perspective? What is it doing from an ESG perspective? What we used to think were important aspects for us no longer really hold true and we have to change to meet their expectations rather than the other way around.

Mathew: Yes, absolutely. I just remember that I had recently gone on a training programme to Harvard Business School and one of your colleagues from Deloitte US presented a personal case study on how they use crowdsourcing in consultancy. Many companies globally are doing this more and more.

Porus: One of the things we saw happening quite significantly during the pandemic, that disrupted companies was supply-chain disruptions. The impact on the supply chain was felt by everyone across the spectrum, especially with the lockdowns; we never had envisaged a situation where we're just going to be based at home and locked down. What are your learnings from that? What do you think you would do differently, should such a situation ever occur again?

Mathew: Every company always makes business continuity plans in case one of its offices or the server was to shut down, some fire broke out in a factory, etc. But it’s the pandemic that taught us that the scale of that could be more than you could ever imagine! It's not one office or one place—everything was shut down and we didn't know for how long! In terms of supply chain, it brought home the revelation that you need to have an agile supply chain and also have to diversify your risks. For example, if you had the entire supply chain in China, you would be stuck when China went through the pandemic recently. It’s about diversifying your supply bases, and even if it’s only a low-cost producer such as China, you still need to diversify and spread your risks properly.

The second point is about agility. If you have such huge costs that a three to six months shutdown will sink the company, then it’s not going to work. You need to be able to scale up and scale down as quickly as possible. Things such as automation will help do that. But one needs to have the ability to scale up and scale down quickly. Companies that had huge, fixed costs in the time when the business demand went down almost sunk and some of them even went out of market. Hence, the importance of diversification of risk, having the agility and ability in the supply chain to respond quickly, either by ramping up or ramping down, are some of the key learnings from the pandemic in terms of supply-side risk.

Porus: When we look at the shift in trends in business—for example, in case of FMCG companies during the pandemic and thereafter—we saw a significant shift towards a hybrid model or E-commerce model which gained a lot of momentum, both during and after the pandemic. How have you started thinking differently about your products from an E-commerce perspective? I know that your products are a little more difficult to manage in the E-commerce world, but how have you tried to shift gears out there?

Mathew: Earlier, people used to buy from E-commerce primarily to avail cheaper prices. But with people having gone through the pandemic, there is a whole space of convenience today. People have got used to having stuff delivered at home. During the pandemic, new direct-to-consumer models came up. This definitely accelerated E-commerce even in our industry, and we think that it's going to be an extremely important channel going forward, because people will have less and less time to go shopping or travel long distances to buy stuff. Today, the growth and development of the online medium has given us the ability to see products in greater detail. Even if you look at the price difference between an E-commerce site and the general store, it has reduced and not increased. Companies have realised that otherwise, one will grow at the expense of the other, but people who are buying today more on ecommerce site is because of convenience. Of course, there are deals available, but the ability to see the products online well, is becoming increasingly better and emerging as the game-changer, as one can even have a look at the product reviews as well.

Even the sale of products such as fans is digitally influenced, though eventually they might buy them in the store. Five years ago, only 30 percent of fan purchases was digitally influenced, but today it is 75 percent! Five years ago, we could never think that we would have this kind of a jump in five years. This trend is here to stay. One needs to really build a strong business model with a strong presence in both; of course, there's a risk in E-commerce just like in case of general competition; if you don't have differentiated products and propositions, you will not survive in E-commerce as well.

Earlier, distribution used to be a big competitive advantage for companies, especially in a country such as India where you have a highly fragmented landscape. But E-commerce created an ability to reach the far nooks of the country much faster today. One needs to also be very strong in the E-commerce space, otherwise, you run the risk of being overtaken by younger, nimbler competitors.

Porus: Right, it forces you to think differently. It forces you to innovate, because unless you innovate, you will just be a commodity amongst other fan companies. And that, probably, is the best thing for a consumer, right?

Mathew: Yes. The consumer is obviously very smart; he knows where to buy and what to buy. Information asymmetry used to exist in the past because of lack of access. But information asymmetry is far gone, so, companies cannot hope that information asymmetry will help them survive. It’s good for companies that really want consumers to make an informed choice, right?

Porus: Absolutely. Like you rightly said, price convergence is going to happen between E-commerce and brick and mortar stores. What advice would you give aspiring companies who are on the journey to become “best managed” companies? What should they look at and focus on to get there?

Mathew: A lot of companies have done well with operational effectiveness or operational excellence. When that works, you think you have a great strategy. However, operational excellence is not strategy; a strategy needs you to make a specific choice and do better there than everybody else.

Typically, Japanese companies managed operational excellence most effectively. It pushes the productivity frontier outward, but then everybody does it and it is no longer a competitive advantage. Suddenly, you will find that you are no longer winning. So, one needs to keep in mind that what is succeeding is not necessarily because you have a great strategy. When you really want to become a company that outperforms for a long period of time, you need to get away from just being operationally excellent. Having a strategy means that you have to make some choices. And, wherever you make the choice, you have to really outdo everybody. This is one thing that I can suggest to the companies that aspire to be in the “Best Managed” companies league.

Interview with Yogesh Agrawal

Managing Director
Ajanta Pharma Limited

Amit Sarker: From a regulatory landscape and in terms of the work environment, can you highlight some of the challenges that you or your industry is facing not only within India but also while expanding business outside the country?

Ans: Yogesh Agrawal: Globally, Indian pharma companies and Indian pharma products have been well received and well accepted. Even before the IT industry became the torchbearer for India, it was the Indian pharma company which reached out to almost all parts of the world, whether it was Latin America, Middle East, Southeast Asia, America, or Europe, and so on and so forth. Today also, more than 40 percent of the generics being sold in the US are manufactured in India, and a bulk part of that is being manufactured by the Indian companies. Some MNCs also have plants here and are supplying from here to the US.

At large, there was some colour which the Indian pharma industry got because of some US FDA inspections a while ago, with some companies not having really great practices. But those were isolated incidences. We have more than 100 facilities in India which are approved by the FDA. In most part, Indian companies are able to not only meet but exceed the expectations of the FDA.

If you see the overall percentage of the 483s or the warning letters which come, since India has the largest manufacturing facilities outside of the US, naturally, that percentage of the 483s or warning letters will also probably come to Indian companies. That gets slightly more attention in the media on isolated cases. But in general, the quality of the Indian pharma companies is top notch. It is one of the best. At Ajanta and a lot of other India companies, we employ the best of the equipment and processes, and we invest a lot in training people.

The regulatory landscape in the pharma industry is always evolving. We are in a knowledge-based industry, and we are continuously trying to see what the future is. Not only in the pharma industry but also globally, everything is changing; we do not do business today the same way we did yesterday, or the way we will tomorrow. But I don’t see huge challenges there. Of course, any FDA inspection, particularly US, is a new inspection, but generally, in Ajanta and in the Indian pharma industry, we understand what the requirement is.

Amit Sarker: Given the entire innovation-driven ecosystem that India is trying to evolve around the pharma industry, do you have any thoughts in terms of the regulations on intellectual property?

Ans: Yogesh Agrawal: Since the post-GATT era, our IP has been quite strong. Companies that have IP and novelty can now get protection in our patent office here; it is a well-laid out process. We don't see any significant concerns on IP. We can see more and more companies feeling comfortable coming to India and doing their R&D because they know that any discovery that they make here will be protected by the Indian IP laws. The laws are pretty robust and up there to meet the demands and requirements of the industry.

Amit Sarker: What will be your key priority areas in the next six months to a year as an organisation, and what will be your focus areas?

Ans: Yogesh Agrawal: This has two parts. On the growth part, we are extremely focused on execution. Whatever we do in the current year is the work that we planned three years ago in our industry. The products that are launched now were filed in various markets for approval two to three years ago; which means, the R&D work would have started even two years in advance. So, pretty much it is a four to five years’ journey for the product to come in. Our focus is two-pronged: for whatever we have in the current year, we are extremely focused on execution. All the work that we did five years ago is now fructifying.

The second part is on the cost-control measures. Currently, we know that because of global inflation and the geopolitical turmoil across Europe, the world is not as predictable. We see some challenges, and the pre-COVID raw material costs have cooled down but not yet come back to the earlier levels. Because of the global scenario, there are cost pressures. The focus is to be extremely vigilant on the cost part and see to it that we spend every penny judicially. These are the two focus areas for us in the current six months to one year.

Amit Sarker: With inflation, the Indian currency comes under challenge both on the imports and the exports sides; how do you see that impacting your business, may be from an industry standpoint as well?

Ans: Yogesh Agrawal: Currency is positive for the industry if there's a devaluation because most of the companies have around 40 to 70 percent of the export revenues. Accordingly, even for Ajanta, if there is a devaluation of the rupee, it's a positive for us, because it helps us improve our margins to that extent. But the imports are a very small percentage. So, we are still a net exporter. When the Euro dropped from 88-89 to 81-82, we got adversely impacted because some part of our exports is in Euro. But now again, as the Euro has bounced back to 88 levels, our margins are back to the earlier levels.

Historically, we've seen, and we all know that on an average, four to five percent currency devaluation has been common historically, for decades and decades. But interestingly, in India or a lot of other places, the devaluation doesn't happen linearly; we go in steps. It could be stable at a particular level and then, it would further go up like a step in the next one or two months, and then again, it would stabilise for a while. So, we factor in that if history has to repeat itself, it should pan out the same way going forward too.

With respect to the swings in the currency, generally,the industry is able to tackle the four-five percent devaluations.

Amit Sarker: And again, as you rightly said, because you are more of an export-oriented business, any devaluation generally would not impact you adversely unless you have significant imports also.

Ans: Yogesh Agrawal: Absolutely.

Amit Sarker: I think, disruption is the buzzword on which some sectors are thriving as well, right? How do you see disruptions coming to your industry in the last one or two years? And what are the three top disruptors in your industry according to you?

Ans: Yogesh Agrawal: That's an interesting question—it has an extremely wide canvas. Because, disruption can happen, let's say, on innovation, on the R&D side. In the pharma industry, there are talks already that there should be a targeted delivery system for products—a targeted disease kind of products. This can bring in a lot of disruption to the conventional way of dosing patients, which is tablet and capsules. When you have such kind of drugs, which are targeted at something really chronic, like oncology or all those kinds of things, it is going to be a big disruption.

It is extremely difficult to predict when disruptions will happen; it's like a big submarine—it stays below for a long time and only when it comes up, we realise how massive it is. So, it’s also extremely difficult to predict when it will become a full-blown disruption. But we see work happening on the R&D side.

On the technology side, i.e., digitisation and automation, I don't think it’s a big disruption. I think, the pharma industry is catching up with the tech industry. In fact, two of our facilities are now fully digitised; we are able to now warehouse all the data of all the manufacturing equipment as well as the quality-control equipment in a central platform, and utilise it for data analytics. This helps us to do predictive analytics of any equipment breakdowns and variabilities—about where are we more efficient, where is the downtime more across all facilities, which are the products taking a longer lead time, etc.

This brings a lot of certainty. If we are able to have more predictable output, we can do more better work. At Ajanta, we are at the forefront in terms of digitisation. We are one of the small pool of companies who has embarked on the production/ manufacturing side.

Amit Sarker: In terms of your consumer centricity or distribution, is there any disruption that you see, or, if not disruption, a deviation or a new way of achieving consumer centricity and distribution?

Ans: Yogesh Agrawal: Yes, today, technology allows us to do that. What we have done is a sizeable field of our Ajanta Pharma—on the international front, we have more than 4,000 people in the field. And we have given a part of them tools such as tablets or laptops. Our journey is on course to digitise all our customers and see how we can pay attention to their needs in a targeted way. At the same time, we are able to see the patterns there. In terms of consumer centricity, at Ajanta also, we have a strong mantra of customer obsession. We believe that we have to identify our customers, service them, and guard them well.

On this digital journey, earlier it was being done in the slightly primitive way of Excel statements coming out at a defined frequency. Whereas now, when you have everything digitised and a medical rep carrying an iPad, going around the whole day punching the data live, all the data becomes live and there's no longer the lag of a month or a month and a half. When the lag is removed, we are able to respond and react to the market requirements much faster.

At Ajanta, we have embarked on this journey, and we are at an advanced stage of execution. We believe that this can become a mode for the companies who are able to execute well on digital in the front for example, Bajaj Finance or a number of companies say that they are more of a data analytics company and finance; the product itself is an outcome of the data analytics. Amazon, in a big way, is a data analytics company because they're able to predict the trends that can push the consumer. In a similar way, we are also seeing our future.

Data analytics is where we would like to excel, and that will probably become a competitive edge once we reach the pinnacle of data analytics and digitisation.

Amit Sarker: Absolutely. I think capturing data is the foremost thing to do for analytics, also to reap the benefits of data. And, as one of my friends in the retail industry told me, Amazon is a search-based marketplace where you just go and search and the search engine is just so strong that you get results compared to a different option, for example a brick and mortar marketplace, for retail. These are the kinds of USPs for new-age businesses, and I think you are capturing the trend of capturing data and then using it for your own analysis and business decisions.

Yogesh Agrawal: Absolutely. Conceptually, everyone understands this pretty much. But when you start to design the kind of data you want, you get overwhelmed about what the frequency or how the data should be. In organisations such as Amazon, I'm sure there are hundreds and thousands of people who are working day and night to simplify this. It's indeed complex to design, refine, warehouse, or populate the data at the right time, but these organisations have been able to do that, and then they go into a different bracket because nobody else is able to catch up. If it's Amazon or Bajaj Finance, there's no competition for them because they have such strong data, and it takes a lot of effort for anyone who is still catching up. I think we are at an advanced stage of that kind of a digital analytics transformation. So hopefully, I think we should be able to build some competitive advantage there.

Amit Sarker: I think, a key element of achieving whatever we expect to achieve is our talent, right? How do you hire the right talent and how do you retain good talent, considering that in today's world, the working population's demographics have significantly changed? Retaining people when they have lots of options, including the option of not to work for some time or taking sabbaticals is also important for us to keep in mind.

With this background, what are the challenges that you've seen while building and developing talent for your organisation?

Ans: Yogesh Agrawal: It's vital. I believe that when you have a right pool of talent, it differentiates you from other organisations. My endeavour since the last three years has been to increase the talent density at Ajanta every day. I believe that we should hire some intelligent, smart, and hungry people. We have good rigour with identifying such people. I myself make sure that I sit through the round of interviews with them. We put a lot of cost in identifying the talent and getting them on board.

After that, I see the challenges under three areas: are we giving our people the good-enough or right challenges? If I tell them to do the impossible while calling it a "challenge", they will get frustrated! The challenges should be exciting and achievable, but at a stretch. Are we giving them the independence and also a canvas so that whatever talent they have, they are able to put to work? Do we give them the opportunity to add value to the organisation?

Second, is the organisation adding value to him? When they are here, are they learning things? Smart people always get motivated with stimulation. When they know, they learn; they understand that is what stimulates them. I firmly believe that once you have good talented people, and they get used to working with each other, then they grow in any organisation, and where there is no such high talent density, they don't like to be there. It is like being in Harvard; you take a person from Harvard, and you put him or her in a college that is not rated high; he or she will feel uncomfortable and wouldn't want to be studying there. So, the question is, are we giving them enough learnings so that they feel that the organisation is also adding value to them?

The third point is about recognition and rewards. Recognition is also about acknowledging the people who have done a fabulous job. And that also goes with promotions or compensations. It goes without saying that in today's world, you have to have a good work environment, with good HR policies which are progressive and not watertight—an environment where people can flourish and practise a collaborative mindset.

These are the three things I follow and, fortunately for us, I think we've had very little attrition in the longest time.

Amit Sarker: You might agree that for various roles, the lines are getting blurred, especially at the senior level. What would be your mantra to manage the stakeholders as well as make sure that your organisation growth is not compromised, in terms of the roles where there are overlaps?

Ans: Yogesh Agrawal: There are three-four stakeholders; two prominent ones are the employees or the executives who build the organisation and second, the shareholders. The other stakeholders are our suppliers or the vendors. In today's world, I think it is taken for granted that we manage them well. We respect them, we are collaborative with them, we are transparent with them-in terms of addressing their expectations and requirements for today and tomorrow, so that we can build a robust supply-chain pipeline, etc. We are strong on the vendor management part.

To me, this question is vast, and I don't think that it's one stakeholder over another. In any organisation or a successful entrepreneur, money is a byproduct; no one starts with thinking that I want to become a millionaire or billionaire. You have an idea, you have passion, and you go executing about it. Once you execute it successfully, of course, the stock-value goes up and the profitability comes. So, as we say, money is a by-product of your idea and your excitement. Similarly, for employees with that kind of passion and hunger, money becomes a byproduct because, naturally, whatever they do at a senior level or at a middle management level, it adds up into the company's performance and sales profitability-which means, it is more money to be shared with all the team members. Without them, the shareholders cannot exist because if they do not deliver work, shareholders' value will not go up. Both are deeply interlinked; I can't say I'm committed to the shareholders alone and I'm doing everything for them. I cannot do that unless I have an extremely strong executive team who's really motivated and hungry to achieve things. They go hand in hand; it's very difficult to pick one over another.

Amit Sarker: So, it's more about accomplishing your vision and mission with the help of a dedicated team, which also brings value, not only to the business, but also to your stakeholders as well as your employees?

Yogesh Agrawal: Absolutely, I agree. Well put!

Amit Sarker: I have been privy to some discussions with industry associations where the government wanted to bring innovation and pharma parks for R&D. We recently also had the Union Budget announced by the Finance Minister, and I believe that there is an allocation specific to the pharmaceutical industry which is almost 10 times of what it was in the last year. They have allocated about 1,200 crores to the industry. What is your thought about-one, in general, the government-what kind of policies or support you expect from the government as an industry, to create that environment of R&D? What kind of incentives do you expect in that direction?

Ans: Yogesh Agrawal: There are two aspects to this; one is the regulations-how easy or difficult it is to be able to do innovation in the country. Second is the cost aspect of it. I will touch upon on both the aspects. On the regulation part, I think the industry has been in touch with the government on various platforms to see how we can simplify various things-such as, the approvers' permission during the phase one and phase two, because somewhere, as an industry India may be more regulated than some of the other countries where it is easy to do all these things, or may be the time taken in India is slightly longer than that. I think there's a healthy discussion going on in the industry with the government. Hopefully, we'll be able to put our rationale and come to some understanding there.

Second is on the cost aspect. The innovation that we're talking about is the NCE, the new compound. It's an extremely high commitment and high expense activity. That is why very few companies based out of India are onto that journey, and the chances of failure are quite high. I think that requires some kind of partnership or handholding from the government, so that some kind of risk element is mitigated for the industry and they feel more confident. Because, on one side, if we are so committed to delivering the results for the shareholders or for the market, at the same time, we are also worried about how much can we invest on the discovery research, which will have a lot of uncertainties. Some handholding from the government should encourage the industry here even more. The PLI scheme which is being talked about should be on those lines as well. I think that's a welcome move from the government. We are yet to see the fine prints, but hopefully, they're exciting enough for the industry to feel good about and engage into this path more aggressively. The discovery research is one such area for companies; they will benefit, no doubt. But it brings pride to the nation as well, as in, when we say new compounds are developed in, say, the US or Europe, there's a lot of pride associated with the country too. And if, in India, we are able to come out with a battery of new compounds product, then people will see the whole brand "India" differently—that, we are a country which has the capability to deliver innovations and NCEs. That's where we are yet to see the fine prints of the PLI scheme.

Amit Sarker: Taking your point on government partnership further, per this year's Budget announcement, the government has allocated INR 500 crores to IIT Chennai to carry out research on artificial diamond growth in India. I think this is a step in the right direction—one, to preserve foreign exchange, and second, because we are an import-dependent country for diamonds, to preserve a natural resource such as diamond by promoting artificial diamond. This is one related example of government partnership in terms of promoting a particular product or segment, which came up in this year's Budget. Something similar, wherein a research institution of eminence could handhold and collaborate with the pharma industry to explore innovation avenues, should be more than welcome for you and as the industry.

Yogesh Agrawal: Absolutely. What it requires is—one, the drive, then, the culture, skillset, and talent of people. We believe that we have the vision. Today, as they say, the world is flat. 15-20 years ago, a lot of knowledge was localised in certain books and certain countries. But today, with the internet and Google, a person sitting in a village here has similar access to the knowledge that someone in Europe or Japan or US has. Knowledge is widely available in a way, so what it requires is first, the vision, then second, the talent-pool, and third, the culture. We believe that there is a talent pool as well, which is available for a lot of Indians in the West or Europe who are also wanting to come back and do this kind of work in India.

Talent can be built. Who knew that 40 percent of the generics would be supplied from India? That's because, we built that talent in production. Also, if you are able to build the culture of innovation in India or in the organisations, then I think this is possible.

Of course, money is a big part of it. You need to pump in a lot of money. That's where the government role comes in, i.e., if they are able to handhold.

Amit Sarker: Lastly, what would be your suggestions for companies to reach the "Best Managed" company tag that Ajanta Pharma has won? What's your message for companies that aspire for that tag?

Yogesh Agrawal: I am a big believer of the power of simplicity. Try to simplify what you want to achieve and stick to it without getting distracted. A lot of time you get pulled into what the market will think, what the analysts will think, what the employees will think, what the XYZs will think, etc. But if you have a conviction about what you want to achieve, then yes, it may be a bumpy ride, but at the end of the day, you will get there. I try to keep everything simple, and I have seen, in the long run, everyone is able to see the merit in that, and then everyone gets aligned to that thought. That has worked for me, so I think that's what I can share.

It is extremely difficult to make things simple!

Interview with Sridhar Vembu

CEO
Zoho Corporation

1. **With the growing uncertainty in the external environment including the fast-paced regulatory changes, what are some of the challenges your industry is facing?**

   The biggest challenges right now for the tech sector are talent retention amid layoffs and an extended funding winter. Times like now, when the overall employee morale is low, ensuring an employee experience that's built on transparency and empathy becomes critical. Other challenges for the industry include longer sales cycles, multi-regional regulatory compliance, corporate/consumer spending cuts and budgeting, inflated value of software, and cost optimisation.

2. **As an organisation, what are your key priorities for the next six to twelve months?**
   We will continue to focus on strengthening the breadth and depth of our diverse product portfolio based on customers' needs. We will also prioritise our R&D efforts towards deeply unifying our technology stack to enhance UX, building know-how in deep-tech fields (AI/blockchain), empowering our customer-facing teams, and talent-nurturing (moving

closer to where talent comes from by opening offices in smaller towns or villages, hiring locally while expanding to new geographies, and starting upskilling initiatives there).

3. **Consumer centricity and digital transformations have been of paramount importance to all companies in the last one-two years. What are the top three disruptive trends you are seeing in your industry?**

   I. Businesses are increasingly choosing unified suites over standalone software solutions because the former offers better value, easier digital collaboration, and smoother data flow across functions. Unified offerings also greatly reduce data friction for companies looking to implement real-time business intelligence programmes.

   II. Given the current macroeconomic outlook—as consumers and businesses optimise for cost—affordably priced solutions that promise unbeatable value will tend to become natural choices.

   III. AI-powered enablers are transforming the way business operations are run, from CX/EX to internal functions such as HR, finance, etc. AI will soon find its way into every corner of every business' digital footprint.

4. **We hear a lot about challenges in finding and retaining the right talent; what are the key challenges you see in building and developing the right talent, and where are the overall gaps?**

   The tech industry is a dynamic landscape that evolves rapidly to keep up with users' lofty digital needs. The talent and skillsets that tech companies need also evolve constantly with the changing industry trends. The talent gap only widens when companies demand industry-ready talent instead of investing in upskilling and immersive learning programmes for the workforce. In fact, the moment you remove credentials and qualifications from the equation, your talent pool becomes a lot bigger—one that's simply waiting for an opportunity to be nurtured and trained. However, this is only possible when an organisation is looking at talent building and profitability with a long-term lens.

5. **The lines between roles of various executives in the organisation are getting blurred. What is your mantra for managing the stakeholders as well as making sure the organisation growth is not compromised?**

   The boundaries are definitely blurred when it comes to customer-facing roles and that's what customer experience is all about—having a single source of truth that's shared across customer-facing teams including sales, pre-sales, marketing, and support, to enable unified experiences. But within an organisation, it's best to have focus areas and responsibilities that are well-defined for every leader. The good thing is that technology has evolved today to support the transition. Modern workplace tools and CX platforms facilitate cross-functional collaboration, allowing teams to work together for shared goals and elevated experiences, while simultaneously offering distinct ownership.

Connect with us

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