There is a dawning realisation that to expect compliance without a company culture of corporate governance is a fallacy, and boards must play a central role here. PG.12
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VENUE: UDAIPUR - THE CITY OF LAKES
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DELOITTE KNOWLEDGE SERIES
38 UNDERSTANDING THE TRUE POTENTIAL OF FORENSIC TECHNOLOGY
The audit trails that technology use leaves behind are powerful allies for businesses to attain the desired results.

LEGAL ANGLE
41 VALUATION UNDER IND AS
Ind AS will be applicable to subsidiaries, joint ventures, associates as well as holding companies of the entities covered in the roadmap. Here is how companies will need to work it out…

INSIGHT
46 HIGH-PERFORMING TEAMS: A TIMELESS LEADERSHIP TOPIC
CEOs and senior executives can employ proven techniques to create top team performance.

IN PRACTICE
50 SIX CHARACTERISTICS OF EARLY AI ADOPTERS
Mckinsey & Company defines six characteristics of early AI adopters that differentiate them from late bloomers.

CFO PROFILE
34 MASTERING THE ART OF ADVERSITY
The hardships he faced early in life forged Ravi Kejriwal's character in steel. The Future Retail CFO is a winner.

CFO SPEAK
30 TECHNOLOGY IS OVERWHELMINGLY THE MOST IMPORTANT ENABLER OF FINANCIAL TRANSFORMATION
Kanwar Singh, Vice President – Finance, Oracle discusses the importance of enterprise-wide digital transformation and the role of finance function as an enabler in this transition.

12 CORPORATE GOVERNANCE: FROM COMPLIANCE TO CULTURE?
Even as governments across the world push regulatory measures to drive corporate governance compliance, there is a dawning realisation that governance without culture is a paper tiger.

CFO LOUNGE
54 ON WHEELS | TEUTONIC TRANSCENDENCE
58 GIZMOS | HTC U11

REGULARS
02 EDITOR’S NOTE
04 O-ZONE
08 POLICY CAPSULE
10 GLOBAL ROUND-UP
52 LEADER’S WORLD
60 NOT JUST THE LAST WORD

cover design: Haridas balan
THE INFOSYS saga got murkier recently. But what has fazed me is not just the battle lines drawn between the board and the founders, but the blurred lines between journalism and partisan rhetoricism and social media diatribe. Emotions seem to be running high on all sides, and from most accounts, it no longer pays to remain a dispassionate business journalist who belts out fact-laced reportage. We at CFO India, meanwhile, try to look at another and totally relevant aspect of corporate governance to understand what is actually wrong or lacking in our efforts to establish the bedrock of good governance in our companies.

In its recent corporate governance report 2017, Grant Thornton draws the attention of companies, boards and governments to what it calls ‘corporate culture’. To sum up, the report based on the survey of 2,500 business leaders across the world, emphasises that corporate governance must move beyond compliance to become an embedded attitude (culture) in companies. And what is this culture you may ask? There are several definitions articulated by our business gurus. But the sum of all revolves around values, attitudes and behaviours of a company in all its conducts.

So, is corporate governance a culture thing? Who will be responsible for instituting such a corporate culture and who will be the custodian of it? We try to figure it out in the light of the Lok Sabha passing The Companies (Amendment) Bill, 2017, and the recommendations of Sebi in its recent guidelines on board evaluation, that boards must set a corporate culture and values to be followed by the company.

As we chew on this cud, one thought flashes past; our guru Peter Drucker was certainly a visionary. “Culture eats strategy for breakfast… eh?”

Meanwhile, the stage has been set for our upcoming Eighth Annual CFO Leadership Conclave at Udaipur from September 15–17, where we plan to serve this and many other scintillating items on your plate. Lights, camera, action… Udaipur here we come!
EXCELLENT MAGAZINE

CFO India is an excellent magazine with great insights on the financial issues, which need utmost attention of professionals like us. It also inspires us to think as to what we can contribute through our profession and expertise in addressing the issues and contribute towards the financial growth of the Indian economy at large.

The articles covered in the magazine are quite good, with analysis provided to the relevant themes in detail. I would accord my wishes to the 9.9 team for a great show. Just keep the momentum going!
– Navvin Amaar, Senior VP - Finance, Compliance & CS, MSD Wellcome Trust Hilleman Labs Pvt Ltd

FOCUS ON POST-GST ERA

As the Goods & Services Tax (GST) completes 50 days in the country, I would like CFO India Editorial team to include more and more Expert views/recommendations on the issues and the solutions to the problems in the post-GST era for our professional colleagues.
– Deepak Kalera, Finance Controller, Quick Heal Technologies Ltd.

WELL WRITTEN COVER STORY, EXCELLENT CONTENT

As always, I liked the contents of the July issue of the magazine. What interested me about the well written cover story on 2017 being a benchmark year was the way multiple data sources were woven together to present a view of the future. The Knowledge Series articles are always excellent – despite their brevity, the message is always conveyed effectively.

The McKinsey Insight story on how one must manage up, down and sideways to be an effective leader reminded me of a behavioural trait that we often tend to overlook; reminded me about a story that David Lim had written a few months ago (or was it a year or more?) about two groups of Sherpa’s on an Everest expedition getting into a fight and injuring themselves and the climbers.
Oh yes, I missed David’s earthy and insightful article on Leadership this time. I hope you are able to bring him back in your next issue.
– Joydeep Datta, Director-Finance, Sapient
ENVIRONMENT

Indian Ocean level rising faster than global estimate

Recently Minister of State for Earth Sciences YS Chowdary told the Rajya Sabha in a written reply that from 1993 onwards, an acceleration in the rise in global sea level has been noticed, taking the annual rise to current 3.2 mm from previous 1.7 mm. Moreover, if the sea level acceleration continues, the possibility of rise in the sea level in the next 10 years is about 3.2 cm in the northern Indian Ocean. Between 1901 and 2010, the global mean sea level rose by 19 cm or 0.19 meters, the minister informed.

This has happened at the rate of global averaged sea level rise of 1.7 mm per year between 1901 and 2010 within which an accelerated rate of 3.2 mm per year was noticed between 1993 and 2010.

As per the fifth assessment report of inter-governmental panel on climate change, the estimates made for the period 1993–2010, are found to be 3.2, with an error estimation of 0.5 mm per year and 2.8 error estimation of 0.8 mm per year respectively, he said.

With a view to ensure livelihood security to the fisher communities and local communities living in the coastal areas, the central government has already issued a notification. The focus is to conserve and protect coastal stretches and its marine area taking into account the dangers of natural hazards.

Indian scientists have revealed that the trend of rising sea level in the northern Indian Ocean is higher than the global estimate of 3.2 mm per year. This means even a small increase in the sea level can have devastating effects on coastal habitats.

As seawater reaches farther inland, it can cause destructive erosion, wetland flooding, aquifer and agricultural soil contamination, and lost habitat for fish, birds, and plants.

The two major causes behind rise in the sea level are thermal expansion caused by warming of the ocean as water expands as it warms and increased melting of land-based ice, such as glaciers and ice sheets.
THOSE DEPRIVED of proper sleep at night are more likely to be overweight and also at high risk of developing Type 2 diabetes, a recent study has warned.

People who were sleeping on an average six hours a night had a waist measurement 3 cm greater than individuals who were getting nine hours of sleep or proper sleep at night, as per the findings which also showed that such people are also heavier than those getting six hours of sleep.

Moreover, the study also has full evidence that insufficient sleep could contribute to the development of metabolic diseases such as diabetes in the long run. Many studies have already linked obesity with diabetes and it contributes to the development of Type 2 diabetes. The number of people with obesity has more than doubled since 1980 worldwide.

For the study, the researchers have included 1,615 adults who reported how long they slept and kept records of what they eat. Further, people who sleep for shorter duration also had a decrease in the levels of HDL cholesterol. It also known as good cholesterol which helps in removing bad fat from the circulation and protect against conditions such as heart disease and other cardiovascular diseases.

Those who are sleeping less than their peers were more likely to be overweight or obese; the findings highlight the importance of getting enough sleep. Seven to nine hours of sleep is best for most adults.

The study was published in the journal *PLOS ONE.*
SCIENCE

Moon’s interior may contain water

BY ANALYSING satellite data and images, researchers in the US have said there might be considerable amount of water trapped in the interior of the moon surface. They have discovered rich amount of indigenous water within the volcanic deposits or within layers of rocks spread across the lunar surface after ancient volcanoes erupted on the moon.

Researchers at Brown University in the US suggested that water may be rich in the moon’s mantle, the layer between the crust and the core, as per the study published in the journal Nature Geoscience.

The finding also sheds light on future lunar exploration as water could potentially be extracted from volcanic deposits. However, the exact origin of water in the lunar interior is still a big question for the researchers.
PLAYING MUSICAL INSTRUMENTS MAY BOOST BRAIN FUNCTIONING

ALLOW YOUR children to learn playing a guitar or piano or any musical instrument as according to a study this may help improve the connection between the brain’s hearing area and the motor zone.

When someone gets training, he or she spends many years learning to play a musical instrument, there are more effective connections between the auditory and motor systems, regions mainly involved in playing an instrument, said Maraa Angeles Palomar-Garcia, researcher at the Universitat Jaume I (UJI) in Spain.

The study, published in the journal Cerebral Cortex, showed that musical training produces an increase in audio-motor interactions in the right hemisphere at rest. Researchers studied the impact of music training on the brain via both functional and structural images of the brain in rest through high field magnetic resonance imaging.

The study also revealed a degree of brain plasticity, which indicates that the brain is able to adapt itself. Further, the research also revealed an adaptation in musicians’ brain areas is responsible for controlling hand movement. Brain plasticity is fundamental to understanding the factors that determine the brain flexibility to adapt the situation.

Drinking 3–4 times a week may keep diabetes at bay

ALCOHOL CONSUMPTION for three-four times a week is associated with a reduced risk of diabetes both in men as well as women, said researchers.

According to the team from the National Institute of Public Health at University of Southern Denmark, alcohol drinking frequency is associated with the risk of diabetes and that consumption of alcohol over 3–4 weekdays is associated with the lowest risks of diabetes.

The study by Professor Janne Tolstrup and colleagues, examined the effects of drinking frequency on diabetes risk, and also considered association with specific beverage types. The study, used data from the Danish Health Examination Survey (DAHNES) from 2007-2008, was published in the journal Diabetologia.

It comprised 70,551 participants who had given details of alcohol consumption. No clear evidence of an association was found between binge drinking and diabetes risk, authors suggest, low statistical power since few participants reported binge drinking. Heavy consumption, however, is associated with a risk greater than or equal to that of abstainers.

Source: All stories collated from media reports

CFO MOVEMENTS

Just Dial CFO resigns
Ramkumar Krishnamachari, the CFO of local search engine Just Dial, has resigned from the post. In a regulatory filing to the stock exchanges on July 3, the company said, “Ramkumar Krishnamachari, chief financial officer and key managerial personnel of the company has submitted his resignation...” He will be relieved from his position on 30 September 2017.

Rajesh Rohilla quits as Cantabil Retail India CFO
Cantabil Retail India announced the resignation of Rajesh Rohilla from the post of CFO with effect from 30 June 2017. He had joined the company in December 2011.

Mindteck India announces resignation of CFO
Anand Balakrishnan has resigned from the position of CFO of Mindteck India Ltd effective from 21 July 2017. The company, in its filing to the stock exchanges on July 24, said the “company has accepted his resignation and appreciated his contributions and commitments as CFO.”

Amit Aggarwal appointed as Tridev Infraestates CFO
Tridev Infraestates has appointed Amit Aggarwal as the CFO of the company. In its filing to BSE on 4 July 2017, the company said, “...The Board of Directors of Svam Software Limited at its meeting held on 26 May 2017 appointed Mr Amit Aggarwal as a chief financial officer (CFO) w.e.f. 26 May 2017.”
CLOSE TO 1,200 complex laws and procedures have been scrapped by the government for easy registration of startups to motivate entrepreneurs in the country, Niti Aayog CEO Amitabh Kant today said at the Entrepreneur India Congress 2017 in New Delhi.

Kant underlined the fact that in the last two years, the government has taken a lot of steps especially for Micro, Small and Medium Enterprises (MSMEs). The primary idea is to create wealth in the country by buoying up entrepreneurship.

“In the last two years, we have tried to dismantle lots of rules and laws, procedures and paperwork. We have scrapped about 1,200 laws which has never happened before,” PTI quoted Kant as saying.

In its 7th Annual edition, Entrepreneur India Congress 2017 brought together inspiring entrepreneurs and investors for creating new opportunities for investment, building new partnerships and collaboration avenues and highlighting entrepreneurship as means to address some of the most intractable society challenges. The summit included four distinct summits, keynotes and panels, and networking sessions to give participants tailored opportunities to gain skill and relationships to help their ventures grow.

“Today one can register a company in a day and for an MSME, it takes around five minutes to register,” Kant said.

He added: “The country has brought in bankruptcy law and GST. These are the measures for making India a very viable place for doing business.”

The government has created the ‘Fund of Funds’ of Rs 10,000 crore so that startups can have access to money from a vast number of venture funds. “Once venture funds support startups, the ecosystem of startups will grow and flourish,” Kant added.
RBI cuts repo rate by 25 bps

THE RESERVE bank of India (RBI) recently lowered the benchmark repo rate by 25 basis points (bps), in line with what most economists and analysts had expected. Notably, credit rating agency ICRA had earlier said that the Monetary Policy Committee (MPC) would reduce the repo rate by 25 bps at its upcoming policy review in August 2017.

ICRA also sees a low likelihood of further rate cuts in the second half of FY2018. However, the decision is unlikely to be unanimous and the tone of the policy document may not signal that further cuts would be forthcoming, the agency said.

“With the CPI inflation easing below the 2 per cent floor of the inflation target band in June 2017, a reasonably favourable progression of the monsoon and kharif sowing so far, and limited evidence of a knee-jerk rise in prices following the imposition of the goods and services tax (GST), there is a high likelihood that the MPC would vote to reduce the repo rate by 25 bps in their upcoming meeting,” Business Line quoted Naresh Takkar, Managing Director and Group CEO, ICRA, as saying.

The agency added: “The monsoon dynamics have been reasonably favourable so far, which has boosted the sowing of most crops. Moreover, prices of a number of food items such as pulses, vegetables (barring tomatoes) and oils remain weak on a seasonally adjusted basis so far in July 2017.

CII seeks new industrial policy

CONFEDERATION OF Indian Industry (CII) has sought a new industrial policy as the existing one is more than 20 years old, a PTI report said.

“We need a new industrial policy. At this time, we are working on an industrial policy which was crafted in the 90s. There seems to be so much happening in the industry including presence of e-commerce (companies)....” Apollo Hospitals Executive Vice Chairman, Shobana Kamineni was quoted as saying.

Kamineni assumed office as the new President of CII in May this year.

Commenting on the recent roll-out of the Goods and Services Tax (GST), she said: “This is a reform which has come for the industry to benefit.”

Kamineni earlier underlined the need to address the non-performing assets in the banks. “We need to resolve the NPAs. If industry needs to go ahead, we need to resolve the NPAs,” she added.

SNIPPETS

Taxpayer base to touch 90 lakh in coming months

WITH THE advent of the Goods and Services Tax (GST), there is a significant expansion in the taxpayer base. The GST Network looks forward to the total registrations for the new tax to touch at least 90 lakh in the coming months, said a media report.

“We will cross 80 lakh within the next two-three days. We don’t know how many taxpayers will come in, but at least another 10 lakh are likely,” Navin Kumar, Chairman, GSTN was quoted as saying. The system is now ready for more registrations, he added.

As per the initial projections, the government expected a total of 70-80 lakh taxpayers to migrate and enrol for the new levy.

“Our expectation based on a study we had got done was that the taxpayer base will expand by five per cent annually, meaning 4 lakh new registrations every year,” Kumar quipped.

CAD to widen to 1.3% of GDP in 2017: Report

DUE TO STRONGER domestic growth in the second half of 2017, India’s current account deficit (CAD) is likely to widen to 1.3 per cent of GDP in 2017 from 0.6 per cent in 2016, as per a Nomura report.

Nomura said in the report that import demand is expected to resume once GST disruptions settle down after July.

The Japanese financial services major further said export growth moderated sharply to 4.4 per cent in June from 8.3 per cent in the previous month, while import growth eased to 19 per cent from 33.1 per cent in May.
DURING election campaign last year, Donald Trump had promised its businessmen of all the benefits by re-working on trade tariffs with countries across the globe. However, seven months have passed since Donald Trump became President of America, and there is little hope of any concrete step from the White House. Within a few days of presidency, Trump announced his country’s withdrawal from the Trans-Pacific Partnership (TPP) pact in January. He has also been threatening to pull out of North America Free Trade Agreement (NAFTA) if the negotiations do not work in US favour. Although, his achievements are of little else significance when it comes to reorienting deals with other countries. His administration has been struggling to work through the complicated rules that dictate international commerce, and have realised that bold campaign promises made are hard to keep when many voices advocate different plans.

The businesses community, which was highly optimistic, is now frustrated with no concrete trade policy coming its way. America’s steelworkers are waiting for tariffs on steel imports, real estate companies want a deal with Canada to end a dispute over its softwood lumber exports, and cattle ranchers are longing for a bilateral pact with Japan to ease the flow of beef exports. “It’s frustrating because of the impact it’s having on the industry,” said Leo W Gerard, international president of United Steelworkers, of the delayed outcome of a highly anticipated steel investigation. “It’s creating a crisis that’s being exacerbated.” The state commerce department was to provide a report to US president by June-end, with suggestions for steel tariffs. The report said that cheap imports pose a national security threat. However, the industries that buy steel raised objections and other countries threatened retaliation. Recently, Trump said that dealing with steel was no longer a top priority. Commerce Secretary Wilbur Ross told Congress members in briefings that a decision was no longer imminent.

One achievement that Trump can count on trade is his agreement with China that opened its market to American beef exports. For the beef industry, however, the benefits of that deal are not significant in comparison with the cost of abandoning the Trans-Pacific Partnership, which had been spearheaded by President Barack Obama. It would have provided access to the enormous Japanese market. Instead, Japanese tariffs on American frozen beef has increased to 50 per cent from 38 per cent, making America’s meat even more vulnerable to competition from countries such as Australia. “TPP was fantastic,” said Kent Bacus director of international trade for the National Cattlemen’s Beef Association. “When you walk away from it without a meaningful alternative, that causes a lot of alarm in the beef industry.” Trade experts say dithering pace of trade negotiations is another example of the administration’s realising that governing is more complicated than campaigning.
UK govt to release key Brexit policy papers

BRITISH Prime Minister Theresa May will make public papers on Brexit negotiations in the coming weeks, on issues such as Northern Ireland and the customs union. The move is also an apparent attempt to head off criticism of the UK for failing to tell the EU what it wanted and being insufficiently prepared for talks with Brussels. The business groups have long been demanding clarity on the UK’s proposals for replacing the customs union, which allows easy transfer of goods across the borders of EU member states.

The UK PM has so far made it clear that she wants to leave the customs union in order to strike free trade deals with other countries and achieve “frictionless trade”, however, the UK is expected to seek to replicate the current arrangements as closely as possible during a transitional period at least. The issue of Northern Ireland is equally pressing for UK negotiators, as European Union (EU) would not proceed to the next stage of talks on the future relationship between the EU and Britain until progress had been made on resolving the border with the Republic of Ireland.

The government’s announcement to unveil UK’s Brexit policy came as Sir Simon Fraser, a former head of the foreign office, accused the government of being “a bit absent” from negotiations because it had not put many suggestions on the table. “The negotiations have only just begun. I don’t think they have begun particularly promisingly, frankly, on the British side,” said Fraser, who also served as chief of staff to the European trade commissioner in Brussels. “We haven’t put forward a lot because, as we know, there are differences within the cabinet about the sort of Brexit that we are heading for and until those differences are further resolved I think it’s very difficult for us to have a clear position,” said Fraser, who now advises businesses on Brexit.

The spokesperson of Theresa May, however, rejected Fraser’s comments, and said, “The last two months, we’ve had a constructive start to the negotiations. We’ve covered a significant amount of important ground.” The government officials opine that the confusion only underlines their view that the key challenges of Brexit are interrelated and cannot be dealt with sequentially in the way Brussels negotiators favour.

Japan’s current account surplus at 10-year high

THE current account surplus in the January-June period reached its highest level in 10 years. With a surplus of ¥10.51 trillion in the first six months, up 0.3 per cent from a year earlier, it marked the largest figure since the 2008 financial crisis, the finance ministry said in its preliminary report. The current account balance is one of the widest gauges of international trade for a nation. The latest surplus was the largest for a half-year period since the ¥12.25 trillion logged through the second half of 2007. Japan’s imports jumped 11.8 per cent (¥35.25 trillion), while exports gained 10.1 per cent (¥37.31 trillion), as per the latest data. The surplus in the primary income account grew 2.2 per cent to ¥9.76 trillion, helped by the yen’s depreciation against the dollar. The primary income account is a reflection of how much Japan earns from its foreign investments. The country’s trade surplus, however, contracted to 11.7 per cent (¥2.05 trillion). The factors were by rising crude oil prices at a time when robust exports of semiconductor equipment and auto parts lifted the trade-reliant economy.

Source: All stories collated from media reports
Corporate Governance: From Compliance to Culture?
Even as governments across the world push regulatory measures to drive corporate governance compliance, there is a dawning realisation that governance without culture is a paper tiger. Corporate governance must move from being compliance driven to becoming the embedded culture of a company, and in this, boards have a huge role to play. It is culture not strategy that is the foundation of sustainable governance.

Sangita Thakur Varma

In recent years, the successive waves of scandals rocking the global corporate world have led to a greater demand for transparency and accountability in the affairs of a company. Apparently, a corporate governance wave is sweeping across the globe as investors, promoters, directors, and stakeholders big and small seek a say in how a business is run. The result is a rapidly changing corporate landscape, even as governments and regulators grapple with the emerging reality and look to strengthen the regulatory framework and clean up the Augean stable.

In early August, the Federal Reserve Board invited public comment on two proposals – corporate governance and rating system for large financial institutions. The proposal would focus the Federal Reserve’s supervisory expectations for the largest firms’ boards of directors on their core responsibilities, which will promote the safety and soundness of the firms, according to its press release. Further the press release states, “The corporate governance proposal is made up of three parts. First, it identifies the attributes of effective boards of directors, such as setting a clear and consistent strategic direction for the firm as a whole, supporting independent risk management, and holding the management of the firm accountable. For the largest institutions, Federal Reserve supervisors would use these attributes to inform their evaluation of a firm’s governance and controls. Second, it clarifies that for all supervised firms, most supervisory findings should be communicated to the firm’s senior management for corrective action, rather than to its board of directors. And third, the proposal identifies existing supervisory expectations for boards of directors that could be eliminated or revised.”

Elsewhere in Africa, Ethiopia was scheduled to host the 11th conference of African Corporate Governance Network in Addis Ababa, to be attended by a host of policymakers and large company owners from 19 member states. The network is acknowledged to be playing a constructive role in the development of a strong fair and ethical business system in the country.

A new Harvard research, published in August that studied the effects of stock index on corporate behavior of Japanese firms, suggests that the prestige associated with inclusion in the index could be a “novel mecha-
nism” to transform long-standing corporate behaviors. In 2013, the Japanese Exchange Group and Nikkei had jointly launched JPX400, a new index to display the 400 “best” Japanese companies. The criteria for inclusion in the index included quantitative factors such as historical return on equity, operating profit, and total market cap, and also factors like the presence of multiple independent directors, earnings reports in English, and observance of IFRS accounting standards. The idea behind the Japanese government adopting the index was to bring about a change in managers’ behaviour and get the Japanese companies to spend more.

In India, The Companies (Amendment) Bill, 2017 tabled in the recent monsoon session of Parliament, was passed by the Lok Sabha. It seeks to amend the Companies Act, 2013 and once enacted, it will bring about far reaching changes in the corporate governance framework by strengthening governance standards, enabling strict action against defaulting companies and improving the ease of doing business in India. The bill amends more than 40 provisions of the Act.

India wakes up

Apparently, economies big and small, advanced or emerging are refocusing their lens on corporate governance to up their ranks in the ease of doing business index and also establish a clean image of their business environment. Corporate governance has taken the form of a movement across the globe. Discussions everywhere are bubbling with concerns on how to improve governance in companies. Regulations are the order of the day and different governments are mulling changes, amendments and new initiatives to take governance to another level. As UD Choubey, Director General, SCOPE and member of the Uday Kotak Committee on corporate governance, in a media article observes, “There is fresh thinking at the board level to arrive at new institutional mechanism, codes and standards, strategy formulation and its execution” and that “evaluation and accreditation of achievement of corporate governance in an enterprise is a critical issue today.”

In the past more than 15 years, India too witnessed a series of initiatives aimed at strengthening the compliance framework. However, the corporate governance record remained dismissal and a series of high profile controversies involving boards, promoters, investors and stockholders has intermittently grabbed headlines. However, with a reformist and business focused government at the Centre, corporate governance is once again on the radar.

From the government to the regulators, the shift in stance is obvious. In December 2016, Bombay Stock Exchange (BSE) in collaboration with International Finance Corp (IFC), a member of the World Bank Group, and Institutional Investor Advisory Services (IIAS), a leading proxy advisory firm in India, launched a Corporate Governance Scorecard for Indian corporate. There was no standard or comprehensive tool for assessing the corporate governance status of companies in India and in the absence of one, companies could not self-assess themselves or benchmark themselves against international corporate governance standards. Investors too could not measure a company’s performance on corporate governance in the absence of a standardised measure for corporate governance status.

Notably, in April 2014 market regulator, Securities and Exchange Board of India (Sebi), had brought out detailed corporate governance norms for listed companies providing for stricter disclosures and protection of investor rights, including equitable treatment for minority and foreign shareholders. The new rules that became effective from October 1 that year require companies to get approval from shareholders for related party transactions. Companies also have to put in place whistle-blower mechanism, elaborate disclosures on pay packages and have at appoint at least one woman director on their
Source: Corporate governance frequently asked questions, International Finance Corporation
boards. The new norms were aligned with the new Companies Act and aimed to promote best practices on corporate governance.

About a year later in June 2015, a Companies Law Committee set up by the government had examined the need for further amendments in the Companies Act, 2013 and invited suggestions from all stakeholders. Thereafter, it held consultations on recommendations received, and in February 2016 submitted its report to the government. In March 2016, the Companies Bill, 2016, based on the report, was introduced in the Lok Sabha. It was referred to a Standing Committee on Finance in April 2016, which tabled its report in December 2016. A revised bill based on the recommendations of the panel had been cleared by the Cabinet in March this year.

In a bid to strengthen the corporate governance framework and mechanism further, in June this year, Sebi instituted a committee under the chairmanship of Uday Kotak, Executive Vice Chairman and Managing Director of Kotak Mahindra Bank. The aim is to improve the corporate governance standards of listed companies. The committee comprises representatives of Sebi, professional organisations, investor groups, stock exchanges, chambers of commerce, law firms, academicians and researchers. The panel which is to submit its report in four months will make recommendations about several important issues. The role of independent directors that has been mired in controversy recently will be addressed with the committee making its suggestions on “ensuring independence in spirit of independent directors and their active participation in functioning of the company”. It will also give its advice on steps to “improve safeguards and disclosures pertaining to related party transactions”. Issues faced by investors on voting and participation in general meetings and ways for improving effectiveness of board evaluation practices will also be reviewed and the panel would recommend steps to address these. Besides, the committee will also advise Sebi on issues pertaining to disclosure and transparency.

Why the amendments?

Amit Tandon, MD, Institutional Investor Advisory Services, explains: The many amendments to the Companies Act, 2013 became essential as “post-enactment of the Companies Act, 2013, which was made effective on 1 April 2014; companies have been facing challenges with its implementation. Further, as some of the provisions of the Companies

Formation of Committee on Corporate Governance

Sebi has set up a committee under the chairmanship of Shri Uday Kotak, Executive Vice Chairman and Managing Director of Kotak Mahindra Bank to advise on issues relating to corporate governance. The other members of the committee are the representatives of Corporate India, stock exchanges, professional bodies, investor groups, chambers of commerce, law firms, academicians and research professionals and Sebi.

Terms of Reference of the committee:
The Committee shall make recommendations to Sebi on the following issues with the aim of improving standards of corporate governance of listed companies in India:
1. Ensuring independence in spirit of independent directors and their active participation in functioning of the company;
2. Improving safeguards and disclosures pertaining to related party transactions;
3. Issues in accounting and auditing practices by listed companies;
4. Improving effectiveness of board evaluation practices;
5. Addressing issues faced by investors on voting and participation in general meetings;
6. Disclosure and transparency related issues;
7. Any other matter, as the committee deems fit pertaining to corporate governance in India.

The committee shall endeavour to submit the report within a period of four months.

Corporate governance: key milestones

- Constitution of the Kumar Mangalam Committee
- Introduction of Clause 49 in the listing agreement
- Revision in Clause 49 on recommendations of the Narayana Murthy Committee
- Issue of voluntary guidelines on corporate governance based on recommendation of the Adi Godrej Committee
- The enactment of the revised Companies Act
- Sebi announces new corporate governance norms
- Sebi put in place a stricter set of regulations for the prohibition of insider trading
- Sebi put in place a stricter set of regulations for the prohibition of insider trading

Source: Securities and Exchange Board of India

Source: EY, Updated by CFO India
Act, 1956, were reiterated, these had become redundant (for example, transaction of certain business items only through postal ballot in spite of mandating e-voting for certain companies). As a consequence certain provisions of the Act required a relook and the amendment is aimed at remedying several drafting errors and execution problems that companies have been facing."

The Amendment Act is primarily to facilitate ease of doing business and to achieve this end, certain provisions have been modified, e.g., the requirement of ratification of auditors at each AGM post appointment for five years to be omitted, explains Tandon. However, the Companies (Amendment) Bill, 2017 will pave the way for improved corporate governance standards in the country. This will happen as "the amendment brings an ease in doing business for companies, thus, making compliance easier. Introducing simple and relatively less burdensome regulatory norms is expected

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<thead>
<tr>
<th>Key changes by Sebi</th>
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<tr>
<td>Board of directors and its committees</td>
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<td>• Mandatory stakeholders relationship and nomination and remuneration committee with an independent chairman</td>
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<tr>
<td>• At least one woman director on the board</td>
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<td>• Expanded role of audit committee, mandatory performance evaluation, succession planning for the board and KMP</td>
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<tr>
<td>Independent directors</td>
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<td>• Nominee director not to be considered as independent director</td>
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<td>• Prohibition on stock options</td>
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<td>• Mandatory performance evaluation</td>
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<td>• Separate meetings of independent directors</td>
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<td>• Number of companies restricted to 7 (3 if serving as whole-time director)</td>
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<td>• Maximum tenure restricted to 2 terms of 5 years</td>
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<th>Other governance aspects</th>
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<td>• Prior approval of all material related party transactions from audit committee</td>
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<td>• Definition of relative covering Companies Act and accounting standards</td>
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<td>• Compulsory whistle-blowing mechanism</td>
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<td>• Disclosure of remuneration policy</td>
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<td>• Specifying principles of corporate governance</td>
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<td>• Risk management</td>
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**Steps being taken by boards globally to drive corporate culture**

- **71%** Establishing internal controls that address culture and employee behaviour
- **63%** Considering a business customer’s culture
- **57%** Considering a supplier’s culture

"It is surprising to see environmental and diversity issues so low on the list, when you consider how much discussion there is around those two issues at the moment – particularly in relation to businesses and corporate social responsibility."

Simon Lowe, Chair of the Grant Thornton Governance Institute, Grant Thornton UK

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Source: Beyond Compliance, Corporate governance report 2017, Grant Thornton
Factors business leaders globally see as most critical to reputation/brand image

- **90%** Quality of products/services
- **89%** Customer service
- **84%** Conduct of senior management team
- **80%** Treatment of and relationship with employees
- **80%** Financial performance
- **75%** Treatment of and relationship with suppliers
- **74%** Overall mission or sense of purpose
- **71%** Business’s culture
- **64%** Innovation around products and services
- **58%** Environmental impact of operations
- **55%** Level of diversity in workforce
- **54%** Advertising and communication activities

Source: Beyond Compliance, Corporate governance report 2017, Grant Thornton

The amendment Act also seeks to increase transparency which will be achieved by the present disclosures required under the Act and the Sebi (Listing Obligations and Disclosure Requirements) Regulations, 2014, Tandon adds.

Earlier this year, speaking at CFO100 Conference and Felicitation Ceremony, Tandon had highlighted how “regulations are pushing governance centre stage and in different ways”. For instance, the code for independent directors contained in the Companies Act, 2013 provides that companies issue a letter of appointment to independent directors and sets out the terms and conditions covering such appointments. “Independent directors should be aware of what their responsibilities are – whether it be compliance, strategy, or others,” says Tandon. Prof. (Dr.) Saurabh Agarwal, Dean & Professor of Accounting and Finance, Indian Institute of Finance, agrees: “Amendments were required to clarify or remove any doubts present in the Companies Act, 2013. Absence of these amendments would have given a win-

to lead to greater compliance by companies and ultimately improve the corporate governance standards,” says Tandon. Globally too, “we see many countries moving towards a “comply or explain” model of corporate governance – giving firms greater autonomy to carry out their business,” says Tandon and adds, “This is a move in that direction.”
It is not that India has just recently woken up to the need for reforms in corporate governance. As an EY paper outlines, the history of reforms in India began with the constitution of the Kumar Mangalam Committee (1999), introduction of clause 49 in the listing agreement (2000), revision in clause 49 on recommendations of the Narayana Murthy Committee (2006), issue of voluntary guidelines on corporate governance (2009), issue of guiding principles on corporate governance (2012) based on recommendation of the Adi Godrej Committee, enactment of the revised Companies Act (2013) and the new corporate governance norms by Sebi (2014). To add to this list, we have the IFC Corporate Governance Scorecard (2016), institution of panel under the chairmanship of Uday Kotak (2017), and the Companies (Amendment) Bill, 2017.

Notably, the Sebi corporate governance norms (2014) clearly indicated a shift towards enhanced transparency on board matters and spelt out various changes in the roles and responsibilities of the board, board committees and independent directors. As the EY paper notes,
this move also indicated “the intent of the regulators to align with the global standards on corporate governance adopted in mature economies (such as the UK Companies Act, US MBCA, US-DGCL, UK FRC Code, Stewardship Code and SOX).”

Tandon, though, had pointed out that while Sebi has been on track with rules and regulation, what has evaded these from becoming effective was the question “how to operationalise them”. However, when institutional investors like FII sell on corporate governance issues, the company behaviour starts to change. Proxy firms in the market have also been raising the red flag on governance issues and therefore there is a discussion around these changes. On account of these changes in the market the governance landscape is changing and will change very dramatically over the coming years, Tandon had explained.

**Subtle shift – compliance to culture**

But is a stringent corporate framework enough to ensure good corporate governance? Or should companies move away from a culture of compliance to a DNA of culture? To quote Mark Hucklesby, national technical director, Grant Thornton New Zealand, “A phrase originated by business guru Peter Drucker, is ‘culture eats strategy for breakfast’ – and that’s an observation many involved in corporate governance

**Criteria defining a director’s independence**

1. Director does not receive any other compensation from the company in addition to his or her board fees
2. Director must not have been employed by the company in the recent past
3. Director has no other close links to the management or its major shareholders
4. Director has not provided significant services to the company (especially audit and legal services) in the recent past
5. Director has no actual or potential conflict of interest with the company, including employment or other service on the board of the company’s affiliates or competitors
would strongly agree with. Any organisations disconnecting the two are putting their success at risk.”

The gleanings of a Grant Thornton survey report “Beyond Compliance: Corporate Governance 2017 - Building Blocks of Corporate Culture”, released in August point to just such thought dominating corporate governance discussions around the world. There is marked shift in the thinking of governments, regulators and companies as culture takes over from where compliance failed. The report defines “corporate culture” as a combination of values, attitudes and behaviours that a company exhibits in its operations and relations with those affected by its conduct, e.g., employees, customers, suppliers and wider society. The report, based on a global survey of 2,500 businesses in 36 economies, found that the issue of corporate culture is receiving unprecedented regulatory attention as a foundation of good governance and today it is high on business agenda as never before.

In tune with this line of thinking, Sebi had issued guidelines on board evaluation in January, and recommended that boards set a corporate culture and values which should be followed by the company.

Across the globe, the importance of instituting a corporate culture in companies is being realised, as found the survey. The Australian Prudential Regu-
The Australian Prudential Regulation Authority (APRA) has mandated board responsibility for risk culture. The Australian Securities and Investments Commission (ASIC) has also called for greater civil penalties for executives responsible for poor culture. In the UK, the Financial Reporting Council (FRC) is encouraging companies to focus on broader aspects of governance such as culture and strategy, while the Financial Conduct Authority (FCA) also encourages companies to make sure their culture supports a strong control environment.

In Japan, in light of culture failings, its Financial Services Agency published a new code of governance for audit firms in March 2017 encouraging them to ‘develop an organisational culture of openness’.

There are more examples. The New Zealand Stock Exchange (NSX) is preparing a revised corporate governance code. Its Financial Market Authority (FMA), in a report published this year reviewing licences granted to financial services firms over the last three years, emphasised the importance of boards and senior teams leading company culture. In South Africa, King IV governance codes released in 2016 set out the importance of an ethical culture as part of effective governance.

The numbers in India are not surprising given the rapidly globalising business environment and outlook in the country. According to the Grant Thornton...
Asia Pacific
Steps being taken by boards in Asia Pacific to drive corporate culture
- 74% Establishing internal controls that address culture and employee behaviour
- 61% Considering a business customer’s culture
- 55% Making culture a standing item on the board’s agenda

Factors business leaders in Asia Pacific see as most critical to reputation/brand image
- 90% Quality of products/services
- 90% Customer service
- 87% Conduct of senior management

North America
Steps being taken by boards in North America to drive corporate culture
- 75% Establishing internal controls that address culture and employee behaviour
- 60% Considering a business customer’s culture
- 54% Benchmarking your corporate culture against competitors or peers

Factors business leaders in North America see as most critical to reputation/brand image
- 91% Quality of products/services
- 91% Customer service
- 87% Conduct of senior management

Europe
Steps being taken by boards in the EU to drive corporate culture
- 62% Considering a business customer’s culture
- 61% Establishing internal controls that address culture and employee behaviour
- 59% Considering a supplier’s culture

Factors business leaders in the EU see as most critical to reputation/brand image
- 86% Quality of products/services
- 84% Customer service
- 76% Conduct of senior management

Africa
Steps being taken by boards in Africa to drive corporate culture
- 90% Establishing internal controls that address culture and employee behaviour
- 84% Considering a business customer’s culture
- 79% Considering a supplier’s culture

Factors business leaders in Africa see as most critical to reputation/brand image
- 99% Quality of products/services
- 99% Customer service
- 95% Conduct of senior management

Source: Beyond Compliance, Corporate governance report 2017, Grant Thornton
and directors’ roles and responsibilities and evaluation in India. Tandon feels the realisation has dawned that being a director “is not about going and attending the board meeting and nodding at what the management is saying, it’s also about putting your point of view and realising there are real life issues and how we change them”.

IFC corporate governance officers Vladislava Ryabota and Lopa Rahman in a media interview (thehindubusinessline.com) remarked that IFC’s definition of independent directors is more stringent than India’s. The IFC criteria requires that an independent director does not receive any other compensation from the company in addition to his or her board fees; must not have been employed by the company in the

Latin America

Steps being taken by boards in Latin America to drive corporate culture

- 78% Establishing internal controls that address culture and employee behaviour
- 78% Considering a business customer’s culture
- 74% Considering a supplier’s culture

Factors business leaders in Latin America see as most critical to reputation/brand image

- 91% Quality of products/services
- 87% Customer service
- 84% Conduct of senior management

Business’s culture: 69% 8th out of 12

survey, 80 per cent of the boards in India say that culture is now a standing item on their agenda as against 50 per cent globally. In fact, this was the second most cited measure in India whereas it is the third most cited one in APAC.

Corporate culture, like any other, must come from within companies to be sustainable. Grant Thornton’s report makes some practical recommendations for boards to work with leadership teams in order to develop such a culture:

1. **Understand culture.** This entails a culture audit to understand the positioning of the organisation’s culture and then working upon it from there.
2. **Set culture.** This includes code of conduct which would act as the bedrock of corporate culture.
3. **Test culture.** Culture is not a theoretical concept and should be applicable to real-life business problems.
4. **Refine and improve culture.** Boards must interact with senior leaders who set the tone of corporate culture to find out how culture plays out in their day-to-day dealings. Culture can also be improved through diversity of the board and ways to enrich this must be explored.

**Board – custodian of company culture?**

Regulations drive in a culture of compliance, but an embedded corporate culture is the key to driving corporate governance in spirit. Sebi guidelines on board evaluation recognise the need for the board to actively set culture and values for the company to follow especially in owner-managed companies. It becomes the responsibility of the board to understand the cultural rooting of the owner and engage with him/her to implement good culture benefits for all stakeholders.

Little wonder then that there is increasing emphasis on the board and directors’ roles and responsibilities and evaluation in India. Tandon feels the realisation has dawned that being a director “is not about going and attending the board meeting and nodding at what the management is saying, it’s also about putting your point of view and realising there are real life issues and how we change them”.

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recent past; has no other close links to the management or its major shareholders; has not provided significant services to the company (especially audit and legal services) in the recent past, and has no actual or potential conflict of interest with the company, including employment or other service on the board of the company’s affiliates or competitors.

The key changes introduced by Sebi in 2014 in the code for independent directors included – nominee director not to be considered as independent director, prohibition on stock options, mandatory performance evaluation, separate meetings of independent directors, number of companies restricted to seven, and three in case serving as whole-time director and the maximum tenure restricted to two terms of five years (see infographic for key changes). Mandatory performance evaluation was also stipulated for board of directors and its committees.

But the moot question is how far have we succeeded in implementing these clauses? According to IFC experts as regards board evaluation “some just tick the box that they have done evaluation”. Additionally, most board directors in India need education as to what being on the board entails as in India “nobody is trained to be a director”.

However, the IBR report points to boards taking steps to institute a corporate culture of “ethos and values” beyond the regulatory pressure. Sebi, in its guidelines on board evaluation, recommends boards set up a
What is the board’s role?

With all the emphasis on corporate governance and the increased responsibilities being placed on boards, it is important that your directors remain conscious of the important role that they play. It is critical that they understand their role and responsibilities within the company, which will help maintain a balance between running the business and supervising how the business is run. While the board needs to actively participate in strategy and be well-informed about the company’s activities, it needs to refrain from interfering with day-to-day management.

Due to the increased focus on regulatory requirements and other best practice guidelines your company will experience, your board can easily fall victim to complying with rules that do not fit your company. If the focus is on meeting the letter of the law, there is a definite risk that the real issues behind your company’s governance become obscured.

Notably, if the focus on governance processes leads the board being too slow or overly risk-adverse in making decisions, your company or shareholders may not benefit. Business is never about a “sure thing,” and bold moves are never without risk. If your board’s focus on process overcomes its willingness to take risk, shareholders will not be better off. In the end, your board must take more into account than strict compliance to the code. It is important that the board be responsible for the overall performance of the company.

Beyond compliance, really?

So is corporate governance finally moving “beyond compliance” and is now more focused on building a strong corporate culture? To quote Anita Skipper, senior analyst—corporate governance, Aviva Investors, “Culture has always been important to governance, it’s just never been identified as such. The progress we’ve made over the years is such that where before we were talking about CSR, remuneration, tackling and avoiding controversies, [until now] we never pulled it all together.”

“Indeed, the changes have been welcomed by the industry as they reduce the ambiguities present in The Companies Act, 2013. However, we are far from the levels of corporate governance we should have reached after 70 years of Independence. Corruption, bureaucratic delays and agency problem in some companies, continue to be the major problems in implementing robust corporate governance standards,” quips Prof. (Dr.) Agarwal.

The International Business Report of Grant Thornton seems to justify this view. In India, 85 per cent (71 per cent globally) of boards are establishing internal controls that address culture and employee behaviour. Practices such as benchmarking against peers and exploring customer relationships are also prevalent. And the more developed are expanding their internal auditors’ remit to test how embedded culture is at all levels of their company. India is the only major economy where treatment and relationship with employees and conduct of senior management team are cited as the most important factor (87 per cent) that has biggest impact on their brand.

Culture certainly appears to be big on companies’ agenda and businesses...
are not shying from investing resources to institutionalise the right culture in their company. Town hall meetings have become de rigueur for instituting an open culture of internal communication, there are codes of conduct to guide employee behaviour aligned to the vision of the company, and organisations are ensuring periodic training to keep the conversations alive. Not only this, Indian firms are also acknowledging the importance of engagement with external stakeholders in a bid to align their culture with the company vision and mission. There is increasing emphasis on recognising customers and other external stakeholders as partners in the business (66 per cent of IBR respondents in India acknowledge this). Third-party risks to company culture are being recognised and steps are being taken to minimise them, as per the report.

Developing the practice of healthy corporate culture, not just in words but actions also, starts at the top and boards are intrinsic to this endeavour. Corporations are ignoring the corporate governance issues as a matter of course in this new era of increased stakeholder activism. Here at least, a top down approach is the most effective one. The tone of culture that a company adopts flows from the executive level and the board has to play the role of the culture guardian, through its own conduct and by becoming the facilitator of this change. It remains to be seen though what lessons India’s company boards imbibe from the Infosys saga and what role they finally assume for themselves. One thing is clear though that in this era of increased stakeholder activism, corporations can ill afford to ignore corporate governance issues.

Stay tuned! We are watching this space…

(Based on secondary research, media reports and interviews)

(Join our panel on corporate governance–Founders, Executive, Investors…: who is the new boss?–at CFO Leadership Conclave from September 15-17 at Udaipur for an exciting discussion and learn more)

The Companies (Amendment) Bill, 2017 promises far-reaching changes in corporate governance framework.

- **Related Party to Include Investing Company**
  This means that for transactions with the investing company, the investee company would have to follow the due approval process as outlined by section 188(1) of the 2013 Companies Act. Special resolution may be required for certain transactions. Audit committee approval will be required for transactions, which are either not in the ordinary course of business or not at arm’s length. Disclosure will be required in the board report, website and annual report.

- **Change in Definition of Subsidiary**
  The introduced change of the words “total share capital” with the words “total voting power” has the impact on the level of control the holding company has on the subsidiary company. Shares may be issued with differential voting rights. In absence of voting rights, key managerial decisions can be taken without the consent of share capital holders. Now a subsidiary would be one in which the holding company exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies. For example recently Mr. Mark Zuckerberg made headlines of giving away 99 per cent of his wealth during his lifetime. Zuckerberg can donate 99 per cent of Facebook shares he owns while retaining the voting rights. Face-
book’s unique dual-class structure permits him to have special voting shares. Zuckerberg can give away ordinary shares of stock while still maintaining majority control of the social network Facebook.

- Change in Definition of Associate Company
As per the Companies Act, 2013, an "associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. The term significant influence and joint venture required further clarification.

The amendment has further clarified the meaning of "significant influence" as control of at least 20 per cent of total voting power, or control of or participation in business decision under an agreement. Having at least 20 per cent of total voting power gives the holding company right to some of the key decisions that the company might undertake and the another company having influence over such decisions.

The expression “joint venture” has also been explained as joint arrangement whereby the parties that have joint control of the net asset of the joint arrangement. Now, control over the net asset of the joint arrangement is an essential criterion to be classified as “associate company”.

- Change in Loan & Investment by Company
The amendment has clarified that loans can be given to employees of the company exceeding 60 per cent of its paid-up share capital, free reserves and securities premium account or 100% of its free reserves and securities premium account...

The amendment has clarified that loans can be given to employees of the company exceeding 60% of its paid-up share capital, free reserves and securities premium account or 100% of its free reserves and securities premium account...

and securities premium account or 100 per cent of its free reserves and securities premium account, whichever is more. Hence, the term “person” has been further clarified.

Section 186 sub-section (3) has been substituted. According to this new sub-section, when loan or guarantee is given or where a security has been provided by a company to its wholly owned subsidiary company or a joint venture company, or acquisition is made by a holding company, by way of subscription, purchase or otherwise of, the securities of its wholly owned subsidiary company, the requirement of prior approval by means of a special resolution passed at general meeting shall not apply. This will provide ease of doing business as it is not easy to pass a special resolution.

In sub-section (11), the exemptions to other clauses of Section 186 except sub-section (1) were allowed to any acquisition made by a company whose principal business is the acquisition of securities. Now, this has been made broader by replacing term “acquisition” with “investment” in the amendment.

- Related Party Transactions
The transactions that are not ratified by the audit committee and are with related party will make the director concerned indemnify the company against any loss incurred by it. Hence, caution must be exercised by directors while dealing with related party.

- Independent Director
Earlier under section 135 of Corporate Social Responsibility, the corporate social responsibility committee of the board was required to have at least one director as independent director. Now, it has been further explained that this requirement is exempted where a company is not required to appoint an independent director under sub-section (4) of section 149.

Earlier a requirement of a deposit of one lakh rupees or more was there for standing for directorship and this amount to be refunded if the proposed person gets elected as a director or gets more than 25 per cent of total valid votes cast either on show of hands or on poll. Now with the amendment, this requirement of deposit shall not apply in the case of appointment of an independent director. (Prof. Saurabh Agarwal)
Applicants from companies with over 2500 employees: 48%

Applicants handling IT budgets of more than 5cr each: 53%

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TECHNOLOGY IS OVERWHELMINGLY THE MOST IMPORTANT ENABLERS OF FINANCIAL TRANSFORMATION

Kanwar Singh, Vice President - Finance, Oracle discusses the importance of enterprise-wide digital transformation and the role of finance function as an enabler in this transition.

BY SANGITA THAKUR VARMA

As enterprises adopt digital, the finance function is expected to lead the digital transformation. What are the specific expectations from finance in this transformation that companies have? Kanwar Singh: Digital transformation is creating new demands on CFOs and their finance teams, which is driving finance to rethink their mission and operating model. CFOs are increasingly being asked to act as corporate strategists or “co-pilots” to the CEO to ensure the business adapts to the digital age. The finance function has to balance ‘operational efficiency’ with ‘operational agility’.

- ‘Operational efficiency’ is focused on cost, quality, perfecting transactional processing and workflow.
- ‘Operational agility’ is about harnessing the ability to manage hyper-growth, using predictive analytics and modeling to uncover insights. Robotic process automation (RPA) and machine learning further improve process efficiency, as well as securing skill sets required to be
The finance function must provide forward-looking guidance to the business, helping their management and line of business executives make the right decisions on future investment avenues in order to drive profitable growth, mitigate risks, and maximise shareholder value.

**KS:** The digital age and turbulent market conditions present opportunities and threats to all current business models.

There’s a perception that large organisations are built to survive by default due to their size, strength and history/legacy. It is believed that they become almost institutionalised in thought, processes and infrastructure; however, this limits their ability to innovate and adapt to change. Digital technology enables innovation, agility, efficiencies and, when leveraged appropriately, provides enterprises with a distinct competitive edge.

Adoption of digital technology and automation, leveraging cloud services, is a global trend. The challenge faced by all companies is to grow at, or above the pace of their industry without losing control of their operations. The Innosight (a growth strategy consulting firm) study shows that very few companies achieve this goal. Most corporations fade, meaning that most firms see their performance and their stock price fall as new technologies and startups with new business models enter and disrupt the economy.

Research suggests that many large companies have moved out of the Fortune 500 list in the past 10 years and in multiple instances, have been replaced by a company that would have started operations in the last 20 years or even less. We have examples of technology-driven businesses overtaking market capitalisation of corporations with a significant legacy.

Here at Oracle, we believe that to survive and thrive, organisations need to be increasingly agile. Companies should be able to make informed decisions swiftly about how to adapt to rapid and constant changes and then implement new strategies. In addition, they need to be able to manage performance nimbly, constantly monitoring what is working and what is not working, as well as redeploying resources to where the returns or opportunities are best.

**Q** What are the primary compulsions/concerns that are forcing enterprises in India/globally to adopt digital? Are these concerns universal or are there some issues specific to Indian markets?

**KS:** The digital age and turbulent market conditions present opportunities and threats to all current business models.

**Q** Digital transformation is taking time in advanced countries like France despite the availability of various tools and technologies. Do you think Indian businesses are ready for it in such a scenario?

**KS:** Change is the new constant – 88 per cent of organisations are undergoing some type of transformation today (Altimeter Group The 2014 State of Digital Transformation (http://altimetergroupdigitaltransformation.com/img/dt-report.pdf)). I don’t think Indian businesses have any choice but to embrace digital transformation.

To secure their future, they need to radically reshape their business models. That has big implications on finance teams and the types of systems they use, in addition to the data needed to run the business. India’s transition to GST is a superb example of digital transformation for indirect taxation in India. Businesses large and small have to adopt “digital” to leverage GST.

At Oracle, we’ve seen a big shift in our customers’ willingness to embrace cloud applications. This pace is accelerating and Indian companies can only benefit from this digital transformation. Very recently we announced the availability of Oracle Enterprise Resource Planning (ERP) Cloud in India. The GST Bill was passed in Parliament in March 2017, and Oracle was ready with the solution two months before it was to take effect nationally in India.

**Q** What is the roadmap to digital transformation for businesses and finance? Is there a strategy companies must adopt? If so, what are the elements one should consider in developing such a strategy? Is digital transformation strategy adopted by a company cross-functional, or is each department including finance expected to develop its own strategy?

**KS:** Every business is unique in terms of their digital transformation journey. Their vision, driving force, how they leverage their existing set up & resources, scalability, security/reliability, ability/cost and readiness to adapt with the latest technologies are some of the factors that could impact collaborative and partner with the business to help guide the business forward.

I don’t think Indian businesses have any choice but to embrace digital transformation. To secure their future, they need to radically reshape their business models. That has big implication on finance teams.”
their digital transformation roadmap. We often help our customers define such a digital roadmap.

During these disruptive transformations, finance leaders and their teams might find it challenging to assess such a transformation could impact. Would it be sales or marketing or even the service side of the business? At Oracle, we believe that digital transformation helps companies to step into the future, and it enables them to be more competitive. The wonderful benefit of an enlightened digital enterprise, aside from making better decisions and optimising assets, is spending less on initiatives and programs that don’t advance the agenda of the company or empower employees/customers, and spending more on core strengths.

What are the key elements to be considered in digital transformation of finance?

KS: While factors like leadership and having a mandate are undoubtedly important, technology is overwhelmingly the most important enabler of financial transformation. As appropriate cloud-based solutions are available, technology is not the biggest challenge. Far from it – cloud technologies put the new operating model for modern finance within the reach of most businesses. The challenge then is to implement a change program and to develop or recruit the talent that’s needed to do so.

Oracle recently partnered with the Association of International Certified Professional Accountants in the US to conduct a study on finance transformation and business agility, and that study made the following recommendations on how CFOs and their finance teams can jumpstart their digital transformation strategy. Some of the findings included:

- Finance transformation is a major change project. The starting point is to have three important properties: a clear understanding of the new role for finance; sponsorship from the leaders of the business; and buy-in from those going on the journey. In addition, success stories that provide proof of concept by showing what finance can contribute may improve finance’s credibility.
  - A gap analysis should also be carried out. Where are we now relative to where we want to get to? What resources will we need? What capabilities do we need to develop? Do we have the capacity and culture to be flexible and implement change?
  - The CFO must agree to a map for the journey, the milestones to be achieved, and the measures of performance. The software-as-a-service cloud-computing model limits the level of capital expenditure required.

But, as this will inevitably be a major project, sign-off will be required on the business case.

- Partners with experience of similar projects and expertise in technology must be selected on merit, based on their track record and reference clients.
- Project and change management disciplines must always be applied.
- To manage the transformation, organisations will need measures of their progress towards the new operating model for modern finance.
- To build credibility and maintain buy-in from internal customers across the business, organisations will need measures or evidence of how finance supports business agility.
While automation provides agility, there are concerns around it especially in an era which is witnessing massive job cuts. How will it affect the finance function in India?

KS: New tools such as machine learning and artificial intelligence (AI) enhance human decision-making, they do not replace it. Automation has always served to free up people to focus time and energy on what matters most and the new era of digital automation is no different. We believe that an enlightened digital enterprise allows you to focus on your customers and new innovations that can advance the well-being of everyone. We continue to be positive on finance talent in India.

What are the technologies and tools available for digital transformation of finance?

KS: Digital transformation of finance leads to “Agile Finance” and has three broad KPIs:

i. Greater Efficiency: through relentless automation:
   a. Simplify, standardise, and automate transactional processes
   b. Centralise subject matter expertise in integrated business services, shared services, and centers of excellence

ii. Better Information: to predict the future:
   a. Manage performance with planning and driver based forecasting
   b. Stretch FP&A into a powerhouse to develop innovative strategies
   c. Unleash potential in big data, advanced analytics, and artificial intelligence

iii. More Influence: to drive business outcomes:
   a. Develop new skill sets in statistics, data analysis, and data visualisation
   b. Implement cross-functional teams with multidisciplinary and business partnering skills
   c. Support rapid decision making and strategic guidance to lines of business.

Your advice to our CFOs on digital transformation?

KS: Digital transformation is critical to securing a competitive edge. CFOs should consider the following to effectively manage the transformation journey:

- Secure an executive mandate to implement transformation
- Simplify operations as much as possible before embarking
- Develop optimised business processes and then deploy using modern systems that follow vendor best practices
- Implement a shared services or outsourced model that follows these standardised processes globally
- Transform customer experience to stay ahead of the competition
- Empower the workforce with collaborative tools and modern, socially-enabled self-service applications
- Move fast and stay on the course
- Commit to continuous transformation.
Mastering the Art of Adversity

The hardships he faced early in life forged Ravi Kejriwal’s character in steel. The Future Retail Group CFO is a winner.

THE RISE OF Future Retail Ltd and Future Group is well documented, a success story with its share of ups and downs and tears and laughter. Much like the company, the success story of Ravi Kejriwal, CFO, Future Retail Ltd, is also built on sound middle class principles and closely mirrors the meteoric rise of the company.

“My childhood was one of struggle,” Kejriwal reminisces. When most boys of his age were enjoying life without a care in the world, Kejriwal took his first tentative steps in the workforce. He was just 15, but then life had different plans for him. “Due to financial constraints, I became an earning member for the family at the age of 15,” says Kejriwal without a trace of bitterness at the tough hand that fate had dealt him then. It was at the age of 21 that Kejriwal finally had the time and the means to turn his focus on pursuing his education. He enrolled in the CA course and since then there has been no looking back for this hard-core finance professional.

A family man at heart, Kejriwal’s moorings lay in his strong family. “My family is the jewel in my crown,” says Kejriwal beaming with obvious pride and happiness. The selflessness of his being is reflected in the strong bond he shares with his family. “It’s a beautiful feeling where you like to give everything even if you don’t get anything in return and that’s a family.” Kejriwal defines his concept of a family beautifully. For him, family is an ennobling feeling, not a burden or a responsibility. It is this sense of selfless giving that helped him carry on the huge responsibility on his young shoulders at the age of 15.

The family too has proved to be Kejriwal’s biggest strength. “My parents have always supported and guided me to achieve the best.” It is in fact a family of high achievers and his siblings like him are luminaries in the finance field. Kejriwal’s elder sister is a chartered accountant settled in Sydney, and younger brother has a string of qualifications – CA, ICWA, CS and CISA, and is a banker with Deustche. His sister played a crucial role in shaping the career choices of her two younger brothers. “She mentored all of us,” says Kejriwal proudly.

A family with strong values has meant that his wife, a homemaker, has always stood by him in all his decisions. “When someone believes in you, it gives you courage and motivation,” Kejriwal reflects. The good breeding and upbringing is reflected in his children as well. Though he is mostly an absent father at important occasions in their lives, his two kids have never made him feel guilty about it. “My son has never complained to me for not attending his open house forums and prize receiving ceremonies in school,” says the proud father. But the icing on the cake for Kejriwal is his daughter whom he calls “my princess” and adds, “she is like my granny, and takes utmost care of me although still in school.”
MILESTONES

ONE BIG HIGH
Challenged the IAS officer during an income tax raid

PASSION BEYOND NUMBERS
Playing piano

DREAM JOB
To run a manufacturing plant on my own

LESSER KNOWN FACT
Can cook delicious food and sweets

HOBBIES
Coins collection & spending quality time with family
A strong family support indeed has been the foundation on which was built Kejriwal’s successful journey as a professional. He recognises this and appreciates the contributions in his life that have come from various members of the family. In fact, in his childhood, Kejriwal had never given a thought to becoming what he is today. Unlike his contemporaries, many of whose lives and career progressions were well mapped right in childhood by their parents, for Kejriwal it was only the blessings of his mother and support of his wife at every significant stages in life that have brought him to this position of honour. “Today I am an achiever, it is due to my self-confidence that I have achieved that others may not even dream of,” acknowledges Kejriwal. Pushed into the mainstream at a tender age, he had not only learnt to become a breadwinner but also became a confident young man who knew what he wanted and how to achieve that.

It is not surprising then that Kejriwal is most satisfied with what he has in life so far: “I have my dream family, dream house, my dream car and have visited my dream holiday destination.” It is this total agreement with whatever life doled out for him that makes him a unique individual. Not many at such a young age as him would be uttering such words.

The love for family and home was apparent in what he chose to do with his first salary. Kejriwal was no superfluous young man even at that young age. Hence, there were no parties nor personal indulgence for him. “I spent the first several months’ salary on renovation of the house that we lived in. It was the most proud and loving moment.”

Kejriwal’s first job proved to be the learning board not just for the skills as a finance professional that would help him climb higher and higher up the professional ladder, but the necessary chutzpah as well, a necessary ingredient in any recipe for success. After completing his chartered accountancy, for Kejriwal’s the first opportunity came knocking from India’s leading CA firm, AF Ferguson & Co. “Here I shaped up my skills on the job.” AF Ferguson and Co was a great learning place for the young CA. It provided the right mix of ambience and action – great teamwork, sound professionalism and exhaustive learning with 24–36 hour deadlines on many occasions. “The experience there enriched my inherent capabilities to deliver complex tasks with ease,” Kejriwal says acknowledging the contributions of his first company in the making of the mature professional that he is today.

The 25 years he has spent in the finance profession has been an exciting one exposing him to an eclectic mix of opportunities and learning experience. “Finance is my passion,” concedes Kejriwal. It is not mere number crunching for him but a way of life, “a mirror to the business on what, how and why a particular model is in existence.” And, Kejriwal has been exposed to many models, each unique with its own set of challenges. From essaying the role of internal mentor on Time Management to recovery of funds lost to overview operations in India and abroad to creating panic on the projects to fraud detection to handling legal court cases to selecting Femina Miss India on jury panel, Kejriwal surely hasn’t had a dull moment in his varied career roles and goals.

Part of the Future Group stable for more than a decade now, Kejriwal has been witness to the company’s phenomenal journey from a small organisation to a diversified group having multifold turnover. His role, too, has seen growth over the years and Kejriwal has worked in several capacities – from capital budgeting to business plan formulation, corporate actions to risk management,
cost optimisation to commercial operations, and to presiding as the CFO of the mega mart Big Bazaar. “This company is truly the manufacturer of leaders in the industry,” Kejriwal opines on the role Future Group plays in shaping the career progression of professionals. “With the theme of speed and imagination, customer orientation and value for money, the long term growth objectives of the company have been shaped well,” Kejriwal says and adds, “I feel proud to have contributed significantly in establishing requisite controls in the operations.”

Kejriwal’s contributions to the company have also been no mean feat. The most significant accomplishment of his career is the turnaround he helped the company achieve with a loss-making entity. He explains, “The group CEO asked for review of a loss-making business and after my review it turned around into a profitable venture.” No wonder, being so much complementary to the company’s goals, missions and vision, for Kejriwal, his vision is the vision of Future Group achieving organic and inorganic growth in retail to serve maximum consumers in India. “I see myself growing with the company,” he emphasises the unique relationship he enjoys with company.

Kejriwal’s practical, down to earth nature is visible in his career choices as much as his personal ones. When ask for his inspiration in life, he doesn’t spin a grand story nor does he mouth obscure quotes of great philosophers. He found his inspiration very near to him, in a college friend. He gave him a simple kernel of wisdom that has helped Kejriwal at every tricky corner in his life. “My friend convinced me that all the closed doors may not be locked . . . they may be waiting for your gentle push! Your attitude defines your life,” Kejriwal reminisces.

Kejriwal’s gospels are all such homely truths. “In today’s fast changing world, many times we feel that we have been rejected by something good but actually we are being re-directed to something better, he says – a perfect weapon to fight despondency and a feeling of failure when they creep up.” A man of measured responses, Kejriwal does not believe in wasting words. To him, “a meaningful silence is always better than meaningless words.”

He gives us lots to ruminate when he tells us, “When you are interested in doing something, you do it only when it’s convenient, but when you are committed to something, you accept no excuses – only results. Think only of the best, work only for the best and expect only the best. All of us do not have equal talent but we have equal opportunity to develop our talents, it’s just the matter of commitment to ourselves. I don’t believe in any fiction character.” Using the metaphor of racing cars, he adds, “A race cannot be won by accelerating in top gear, but it can be won by changing gear at the right time. Timely decisions in life can help win the race of life” – an advice that is a reflection of his life philosophy.

Given his busy schedule that made him miss many special landmarks in his children’s life, it is understandable that his biggest worry is achieving some modicum of work-life balance. “I believe, managing time is the biggest challenge for the CFO of a public company. Apart from this, a CFO must also be an expert at multitasking, executive management and team management, risk management, financial planning and analysis, corporate development, policy and investors relations.

With so much on is plate, how does Kejriwal unwind? The super busy CFO explains his to de-stress mantra – consolidate and devote some time for social services – but all this is on his bucket list as yet.

Meanwhile we leave him with his bible book – You Can Win – knowing that he has already aced the game called life.
The audit trails that technology use leave behind are powerful allies for businesses to attain the desired results.

Can you imagine running a business without use of technology? It seems very difficult, perhaps almost impossible to most of us. It is not just new age businesses that are technology dependent; even traditional businesses such as trading, manufacturing, mining, and construction, among others, rely on technology to operate. Whether it relates to production, distribution, accounting, or communication, technology is all-pervasive, and because of the all-pervading nature of technology, it becomes critical to compliance and reporting as well.

If we were to look at the evolution of technology in the financial services sector, while the journey started with creating efficiencies through implementation of core banking systems, it soon became an enabler for compliance. Along with the development of newer service delivery platforms such as ATMs, internet banking, and now app based banking, the evolution of the underlying technology focused increasingly on compliance tracking and monitoring.

In the current context, almost every form of a compliance review or investigation in almost any industry uses some kind of a technology enabler. From data analytics to digital forensics and discovery, the reliance of companies, governments and investigators on Electronically Stored Information (ESI) cannot be undermined. The reason for this is simple and easy to understand—technology almost always leaves a footprint, and permits for faster information analysis. Whether it is a scenario of compliance monitoring or of an investigation, such footprints (or audit trails) and speed of analysis become powerful allies in attaining desired results.

Data analytics and robotics
Data analytics has been long heralded as a power tool for internal audit and forensic investigations. Often, companies believe that forensic data analytics will provide results that will identify or prove fraud. However, data analytics remains a means to identify patterns, and hence, outliers. Considering the volume of data generated by companies every day, the identification of outliers is itself an important task. Companies are considering continuous monitoring, automated visual dashboards, and robotics to assist with reduction of human effort in detection of anomalies. Even though technological challenges continue to exist in the optimal architecture for continuous monitoring or robotics, we have
observed that an increasing number of companies are seeking to implement visual dashboard solutions as these are easy to understand for a user and, in most cases, allow for a drill-down to specific transactions.

A number of Enterprise Resource Planning (ERP) solutions also have some anomaly identification capabilities as add-on modules. However, due to the ever evolving nature of fraud schemes, the business rules for identifying anomalies need to be updated regularly. We believe that in order to improve their efficacy, core systems should be allowed to function as transactions recording systems and a fraud detection application should sit over and above as a monitoring mechanism—these can be dashboards, or advanced intelligence based platforms. This allows changes and adjustments to be made to the monitoring systems more quickly, and hence makes the entire fraud management exercise more robust and agile. The actual validation of whether anomalies are due to fraud or for other reasons continues to be reliant on human intervention.

**Digital forensics**

Digital forensics is an area of forensic technology which is getting a lot of attention nowadays. Whether it relates to internal fraud investigations, data theft and data leakage, or to external attacks and cybercrime, digital forensics covers the entire gamut. What started as computer forensics many years ago is at the center of most investigative activities today.

Extracting emails and other documents, and recovering deleted items are just part of what digital forensics encompasses. Analysis of a computer’s registry can reveal information related to USB devices...
that may have been attached. Similarly, analysis of the internet history and event logs can reveal other aspects. These are just a few of the analyses that can be performed.

Digital forensics also becomes relevant when analysis of servers, cloud storage, external storage devices, cameras, mobile phones and tablets, and network printers is involved. Depending on the needs of an investigation, the strategy can include items that need to be analysed based on the kind of information that they can yield. Digital forensics thus plays a critical part in cyber-crime investigations and in breaches of technology systems.

Electronic discovery
The other area where technology plays a very powerful role in forensics is in the area of electronic discovery. Electronic discovery, or ‘eDiscovery’, is traditionally used in civil litigation, commercial disputes, arbitration, and reviews related to regulatory matters. However, principles and procedures of eDiscovery prove to be very valuable allies in large investigations of all types.

Tools, technologies, and procedures allow for vast volumes of emails and user created digital documents, such as word documents, presentations, spreadsheets, PDFs, etc., to be searched and reviewed for evidence of potential fraud or noncompliance. While financial statement reviews and analytics would point to outliers and indicators of fraud, discovery procedures allow identification of specific conversations and documents that provide evidence for such misconduct. An added benefit is that conversations and communications can be seen in their entirety, allowing for both contextualisation and relevance to the matter under review.

The potential of discovery tools has grown significantly over the years to improve effectiveness of the entire process, whether through working out permutations and combinations of search terms, or selecting a set of documents for review, or through the ability to de-duplicate emails, and so on.

Good discovery platforms also allow for review of digitised versions of hard copy documents, data extracted from mobile devices, and in some cases, use of advanced machine intelligence to make sense of the data for review.

How companies can leverage technology for fraud risk management
Companies can integrate forensic technology with their core business processes to help manage the risk of fraud more efficiently.

- Automation and robotics are increasingly finding their way into core business processes in many industries in order to reduce human effort and improve efficiencies. Much like the financial services sector, adding data analytics to the mix of technology in use can help many industries track their processes and transactions more efficiently, with recognition of established and emerging patterns, and enhanced capabilities to detect deviations from these patterns.

- Utilising digital forensics tools can not only help businesses maintain data integrity, but can also help recover lost data, track historical data exchanges, and search for strategic information that can reveal clues or evidence of misconduct. External experts can step in to support efforts if required, especially in the event of a data breach.

- In case of a suspected incidence of fraud, eDiscovery tools and technology can be very helpful to identify evidence and support enquiry proceedings and investigation of the matter. While many companies tend not to use these systems in the normal course, they can be a reliable means to gather evidence and help close enquiries quickly, especially in businesses where transaction frequencies are high and quick resolution is a business imperative.

Forensic technology can play a very important role in fraud risk management, as it can help detect anomalies and raise red flags, recover lost or intentionally deleted data, and review and analyse information to find evidence of fraud, misconduct or noncompliance. We believe every company should analyse their requirements according to the nature of their business and attempt to utilise forensic technology, whether in-house or with the help of experts, to deter fraudsters and support their business objectives.

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Ind AS will be applicable to subsidiaries, joint ventures (JVs), associates as well as holding companies of the entities covered in the roadmap. Here is how companies will need to work it out…

VALUATION UNDER IND AS

Indian corporates are in the process of changeover to a new set of accounting standards called the Indian Accounting Standards (Ind AS). The roadmap regarding application of Ind AS is based on the listing status and net worth of a company. It is important to note that Ind AS will also apply to subsidiaries, joint ventures (JVs), associates as well as holding companies of the entities covered in the roadmap. Ind AS apply to both consolidated and stand-alone financial statements. Adoption of Ind AS will be challenging but at the same time will be rewarding as well, since it is likely to result in improved comparability, transparency and quality of financial statements. One fundamental change in Ind AS is the significant increase in focus on Fair Value accounting.

The Ind AS are applicable from 1.4.2016 to companies (listed and unlisted) whose Networth is equal to or exceed INR 500 crores. From 1.4.2017, it is expected to expand to all Listed Companies and those unlisted companies whose Networth is equal to or exceed INR 250 crores. w.e.f. 1.4.2018, it is expected to be applied to all companies with Networth over INR 250 crores.

As Ind AS focus more on substance rather than legal form, therefore it is expected that more entities will be consolidated under Ind AS, as a parent would consolidate based on control over the investee having exposure or rights to variable returns from its involvement which is not in Indian GAAP. Further a push towards the increased use of fair value-driven accounting under Ind AS, could have a fundamental impact on financial statements as a whole.

Under Indian GAAP, no emphasis was given to Purchase Price Allocation, as net assets were generally recorded based on the carrying value in the acquiree’s balance sheet. Ind AS 103 places significant importance on the Purchase Price Allocation process. All identifiable assets of the acquired business must be recorded at their fair values. Many intangible assets that would previously have been included within goodwill must be separately identified and valued. Therefore, it is also expected that under Ind AS, goodwill could generally be lower compared to Indian GAAP mainly due to the recognition of intangibles.

Other areas of financial valuation under Ind AS include Investment in Securities, Derivative Financial Instruments, Borrowings, Preference Shares/Debentures, ESOPs, Non-Controlling Interest, Contingent Claim considerations (Earn Outs), Corporate Guarantee etc.

Ind AS 113 is a dedicated Standard on Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
**FINANCIAL ASSETS** | **FINANCIAL LIABILITY** | **COMPOUND INSTRUMENT**
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Investments in Equity Instrument of another entity | Mandatory Redemption of Preference Shares | Optionally Convertible Bonds / Debentures
Investment in Debt Instrument of another entity | Mandatory Interest Payments | Fully Convertible Bonds / Debentures
Trade Receivables | Contingent Settlement Provision, which may rise at the occurrence of any event |
Derivate Financial Assets (Options & Futures) | | Non-redeemable Preference Shares

- Fair Value is a market-based measurement, NOT an entity-specific measurement
  - It is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity’s intention to hold an asset or to settle or otherwise fulfill a liability is NOT relevant when measuring fair value

**Ind AS 109 deals with Fair Value of Financial Instruments.**

Some of the challenges we face in valuing complex/hybrid financial instruments are as under-
- Separating the Liability and Equity Component
  - The distinction between equity and liability component of any financial instrument is of careful consideration before making out which valuation methodology we need to apply. A preference share, for example, may display either equity or liability characteristics depending on the substance of the rights attaching to it.

**Non-redeemable Preference Shares: Fair Value Hierarchy:**
- Level 1: It includes financial instruments measured using quoted prices. The Fair value of all equity instruments which are traded in the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued using the closing NAV – market based methodology.
- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely little as possible on entity specific estimates – comparable companies multiples methodology. Fair valuation of whole instrument by applying the Comparable Companies Multiples Methodology i.e. valuation Comparable Instrument (with similar terms and credit status) is getting in the market.
- Level 3: Fair valuation of liability component (if any) i.e. fair valuation of interest component that Company is bond to pay to the holder which will be calculated by discounting the interest payments to present value.

Finally the fair value of the liability component is deducted from the fair value of the instrument as a whole, with the resulting residual amount being recognized as the equity component.

- Level 3: This level is for unlisted equity securities, contingent consideration and indemnification assets which can be valued by using discounted cash flow methodology and complex option pricing methods including black scholes methodology, binomial methodology, etc.

Fair valuation of liability component (if any) is done by discounting the interest component that Company is bond to pay to the holder of instrument which will be calculated by discounting the interest payments to present value.

Fair valuation of Equity component i.e. Fair Valuation of the Company by applying DCF methodology. Classification of embedded derivative component is necessary which depended upon the terms of financial instrument issued because it has huge impact on the fair value of derivative component.

Accordingly proper evaluation of terms of agreement is of utmost important. However there are various other factors in compound financial instrument valuation which makes it more challenging like:
- Volatility: historical or implied
- Default risk or credit risk adjustment
- Listed comparable compound instrument with similar terms
- Probability for magnitude of up and down moves in value of underlying asset while building binomial tree
- Calculation of value of the embedded derivative feature i.e. premium value that holder of the instrument has paid by applying Black Scholes or Binomial Methodology
- Summation of premium value calculated through black scholes or binomial methodology and face value of instrument is fair valuation of whole instrument.
- Allocation of fair value between equity, liability and derivative component for accounting purpose.

**Concluding thoughts**

Ind AS requires application of fair value principles, which would result in significant differences from financial information being presented currently. With increased scrutiny from regulators and investors, management and auditors will have to ensure that fair valuation of assets and liabilities is not only technically correct and supportable but also complies with principles of Ind AS. 

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The impact of Ind AS adoption has been all pervasive, says a recent PwC report. A look at the key areas affected.

From the Indian Accounting Standards (Ind AS) results reported by Phase-I companies for the year ended 31 March 2017, it is clear that the impact of Ind AS adoption has been all-pervasive and not restricted to only one industry sector. This resulted from a fundamental change in the financial reporting framework, a general shift from the historical cost convention to use of fair value and increased focus over substance, rather than the legal form of the underlying transaction, thereby impacting every company and industry sector.

Overall, the Ind AS transition resulted in a decrease of around 3.5 per cent in the reported net income of companies for the year ended 31 March 2016.

Let us take a look at a few key impact areas...

Revenue
There was an overall increase in reported revenues of around 4.6 per cent. The main reason for such increase was gross-up of revenue due to excise duty adjustment of around 7.1 per cent. It is interesting to note that, with the implementation of Goods and Services Tax (GST) from 1 July 2017, companies will again see a reduction in their top line, as GST replaces the existing excise-duty tax based on production and will be reported by companies as net of revenues. Excluding the impact of excise duty, revenues declined mainly due to:

- Deferral of revenue on customer contracts where revenue recognition criteria have not been met under Ind AS — for example in service arrangements, maintenance contracts, upfront fees, etc.
- Linked arrangements — sale and subsequent repurchase agreements: Ind AS 18 requires accounting to reflect the economic substance of transactions and not merely their legal form. Ind AS 18 gives the example of a situation where an entity sells goods but, at the same time, enters into an agreement to repurchase the goods at a later date, thus negating...
the effect of the original sale. In such a situation, the two transactions should be dealt with together as a single transaction, and when the seller has retained the risks and rewards of ownership, even though the legal title has been transferred, the transaction is accounted like a financing arrangement not giving rise to revenue. This results in deferral of revenue, with the inventory continuing to be recognised on the balance sheet:

• Discounting contract consideration to its fair value in case of long-term construction contracts/extended payment terms, including adjustments related to retention money.
• Determination of principal versus agent relationships in customer arrangement – in case of agent relationships the net fees instead of the amount of gross billing is recognised as revenues.
• Awards and incentives given to customers, promotional expenses/customer reimbursements, cash discounts, etc., being netted from revenue.

Taxes
There was an overall increase in reported net income on account of taxes by around 3.7 per cent. Under Ind AS, deferred taxes are recorded based on the temporary differences – as opposed to timing differences model under Indian Generally Accepted Accounting Principles (GAAP). This approach under Ind AS is broader and results in deferred taxes on more items, and also additional deferred taxes on some items. The major reason for such increase in income was due to the lower recognition threshold under Ind AS compared to the virtual certainty supported by convincing evidence presently required to recognise deferred tax assets on carried forward business and long-term capital losses under Indian GAAP. Other adjustments on account of taxes included:

• Recognition of deferred tax liability on undistributed earnings from subsidiaries and joint ventures.
• Impact of deferred taxes on unrealised profits on intra-group transactions.
• Income tax effects of group share-based payment arrangements.

Financial Instruments
There was an overall decrease in reported net income of around 1.4 per cent on account of financial instruments. The reasons for
Ind AS adjustments included:

- Recognition of impairment losses under the expected credit losses (ECL) as compared to the ‘incurred loss’ model under Indian GAAP. The ECL model seeks to address the criticisms of the incurred loss model which arose during the global economic crisis and contains a ‘three-stage’ approach which is based on the change in credit quality of financial assets since initial recognition – resulting in an overall higher provision.
- Under Indian GAAP, financial liabilities are generally recorded at face value basis the legal form of the instrument, whereas under Ind AS the appropriate liability/equity classification is based on the substance of the contractual arrangement. As an overriding principle, Ind AS requires a financial instrument to be classified as a liability if the issuer is required to settle the obligation in cash or another financial asset. For example, mandatory redeemable preference shares, which were previously shown as part of equity have been classified as a liability under Ind AS. The dividend and dividend distribution tax on such capital also get recorded through the income statement using the effective interest method (instead of equity). This also includes items such as premium on redemption of debentures.
- Ind AS also requires certain compound instruments such as optionally convertible debentures/preference shares to be separated into their liability and equity components. All of this results in higher interest expense/lower net income under Ind AS;
- Under Ind AS, long-term financial assets such as interest-free deposits, long term receivables, and employee loans are also recorded at fair value with the corresponding adjustment to costs/employee benefit expense as applicable;
- Under Indian GAAP, investments were carried at lower of cost and fair value or at cost less impairment, if any (depending on short-term or long-term nature of investment). Ind AS significantly changes this, where except for certain debt instruments, financial assets are recorded at fair value.
- Finally, under Ind AS, all derivatives are recorded at fair value with recognition of both gains and losses, whereas under Indian GAAP, fair value losses were recognised but not gains (except when hedge accounting was applied).

Business Combination and Consolidation

There was an overall decrease in reported net income of around 0.7 per cent on account of business combination and consolidation. The adjustments were mainly due to:

- Retrospective application of business combination principles resulted in increased amounts of tangible/intangible assets due to fair valuation and a consequential impact on subsequent depreciation/amortisation.
- Consolidation of results of certain entities now being classified as subsidiaries, including ESOP trusts and on the other hand de-consolidation of investments to be accounted as associates and joint ventures under Ind AS, which were previously consolidated under Indian GAAP.
- Fair valuation of deferred and contingent consideration in business combinations, including options issued to non-controlling shareholders; and
- Recognition of business acquisition related costs in the income statement vis-à-vis cost of investment/goodwill asset under Indian GAAP.

What’s Next?

Reporting of 31 March 2017, annual financial results under Ind AS by Phase-I companies, proved to be a testament of India’s readiness to embrace such a significant change in financial reporting. Investors, stakeholders, and other users will see additional disclosures of financial information in the annual reports of the companies, which will help better understand the company’s business story, performance, and financial position.

With Phase-I transition substantially complete, now it is for Phase-II companies, including financial services companies to embark on this journey and learn from the transition experience of Phase-I companies.

(This data is from the Price Waterhouse & Co. LLP. Ind AS Impact Report published in July 2017)
HIGH-PERFORMING TEAMS: A TIMELESS LEADERSHIP TOPIC

The value of a high-performing team has long been recognized. It’s why savvy investors in start-ups often value the quality of the team and the interaction of the founding members more than the idea itself. It’s why 90 percent of investors think the quality of the management team is the single most important nonfinancial factor when evaluating an IPO. And it’s why there is a 1.9 times increased likelihood of having above-median financial performance when the top team is working together toward a common vision. “No matter how brilliant your mind or strategy, if you’re playing a solo game, you’ll always lose out to a team,” is the way Reid Hoffman, LinkedIn cofounder, sums it up. Basketball legend Michael Jordan slam dunks the same point: “Talent wins games, but teamwork and intelligence win championships.”

CEOs and senior executives can employ proven techniques to create top-team performance.
The topic’s importance is not about to diminish as digital technology reshapes the notion of the workplace and how work gets done. On the contrary, the leadership role becomes increasingly demanding as more work is conducted remotely, traditional company boundaries become more porous, freelancers more commonplace, and partnerships more necessary. And while technology will solve a number of the resulting operational issues, technological capabilities soon become commoditized.

Building a team remains as tough as ever. Energetic, ambitious, and capable people are always a plus, but they often represent different functions, products, lines of business, or geographies and can vie for influence, resources, and promotion. Not surprisingly then, top-team performance is a timeless business preoccupation. Amid the myriad sources of advice on how to build a top team, here are some ideas around team composition and team dynamics that, in our experience, have long proved their worth.

Team composition
Team composition is the starting point. The team needs to be kept small—but not too small—and it’s important that the structure of the organization doesn’t dictate the team’s membership. A small top team—fewer than six, say—is likely to result in poorer decisions because of a lack of diversity, and slower decision making because of a lack of bandwidth. A small team also hampers succession planning, as there are fewer people to choose from and arguably more internal competition. Research also suggests that the team’s effectiveness starts to diminish if there are more than ten people on it. Subteams start to form, encouraging divisive behavior. Although a congenial, “here for the team” face is presented in team meetings, outside of them there will likely be much maneuvering. Bigger teams also undermine ownership of group decisions, as there isn’t time for everyone to be heard.

Beyond team size, CEOs should consider what complementary skills and attitudes each team member brings to the table. Do they recognize the improvement opportunities? Do they feel accountable for the entire company’s success, not just their own business area? Do they have the energy to persevere if the going gets tough? Are they good role models? When CEOs ask these questions, they often realize how they’ve allowed themselves to be held hostage by individual stars who aren’t team players, how they’ve become overly inclusive to avoid conflict, or how they’ve been saddled with team members who once were good enough but now don’t make the grade. Slighting some senior executives who aren’t selected may be unavoidable if the goal is better, faster decisions, executed with commitment.

Of course, large organizations often can’t limit the top team to just ten or fewer members. There is too much complexity to manage and too much work to be done. The CEO of a global insurance company found himself with 18 direct reports spread around the globe who, on their videoconference meetings, could rarely discuss any single subject for more than 30 minutes because of the size of the agenda. He therefore formed three top teams, one that focused on strategy and the long-term health of the company, another that handled shorter-term performance and operational issues, and a third that tended to a number of governance, policy, and people-related issues. Some executives, including the CEO, sat on each. Others were only on one. And some team members chosen weren’t even direct reports but from the next level of management down, as the CEO recognized the importance of having the right expertise in the room, introducing new people with new ideas, and coaching the next generation of leaders.

Team dynamics
It’s one thing to get the right team composition. But only when people start working together does the character of the team itself begin to be revealed, shaped by team dynamics that enable it to achieve either great things or, more commonly, mediocrity.

Consider the 1992 roster of the US men’s Olympic basketball team, which had some of the greatest players in the history of the sport, among them Charles Barkley, Larry Bird, Patrick Ewing, Magic Johnson, Michael Jordan, Karl Malone, and Scottie Pippen. Merely bringing together these players didn’t guarantee success. During their first month of practice, indeed, the “Dream Team” lost to a group of college players by eight points in a scrimmage. “We didn’t know how to play with each other,” Scottie Pippen said after the defeat. They adjusted, and the rest is history. The team not only won the 1992 Olympic gold but also dominated the competition, scoring over 100 points in every game.

What is it that makes the difference between a team of all stars and an all-star team? Over the past decade, we’ve asked more than 5,000 executives to think about their “peak experi-
While some teams have more work than others, most will benefit from a program that purposefully mixes offsite workshops with on-the-job practice.

Getting started
The starting point is to gauge where the team stands on these three dimensions, typically through a combination of surveys and interviews with the team, those who report to it, and other relevant stakeholders. Such objectivity is critical because team members often fail to recognize the role they themselves might be playing in a dysfunctional team.

While some teams have more work to do than others, most will benefit from a program that purposefully mixes offsite workshops with on-the-job practice. Offsite workshops typically take place over two or more days. They build the team first by doing real work together and making important business decisions, then taking the time to reflect on team dynamics.

The choice of which problems to tackle is important. One of the most common complaints voiced by members of low-performing teams is that too much time is spent in meetings. In our experience, however, the real issue is not the time but the content of meetings. Top-team meetings should address only those topics that need the team’s collective, cross-boundary expertise, such as corporate strategy, enterprise-resource allocation, or how to capture synergies across business units. They need to steer clear of anything that can be handled by individual businesses or functions, not only to use the top team’s time well but to foster a sense of purpose too.

The reflective sessions concentrate not on the business problem per se, but on how the team worked together to address it. For example, did team members feel aligned on what they were trying to achieve? Did they feel excited about the conclusions reached? If not, why? Did they feel as if they brought out the best in one another? Trust deepens regardless of the answers. It is the openness that matters. Team members often become aware of the unintended consequences of their behavior. And appreciation builds of each team member’s value to the team, and of how diversity of opinion need not end in conflict. Rather, it can lead to better decisions.

Many teams benefit from having an impartial observer in their initial sessions to help identify and improve team dynamics. An observer can, for example, point out when discussion in the working session strays into low-value territory. We’ve seen top teams spend more time deciding what should be served for breakfast at an upcoming conference than the real substance of the agenda. One CEO, speaking for five times longer than other team members, was shocked to be told he was blocking discussion. And one team of nine that professed to being aligned with the company’s top 3 priorities listed no fewer than 15 between them when challenged to write them down.

Back in the office
Periodic offsite sessions will not permanently reset a team’s dynamics. Rather, they help build the mind-sets and habits that team members need to first observe then to regulate their behavior when back in the office. Committing to a handful of practices can help. For example, one Latin American mining company we know agreed to the following:

- A “yellow card,” which everyone carried and which could be produced to safely call out one another on unproductive behavior and provide constructive feedback, for example, if someone was putting the needs of his or her business unit over those of the company, or if dialogue was being shut down. Some team members feared the system would become annoying, but soon recognized its power to check unhelpful behavior.
- An electronic polling system during discussions to gauge the pulse of the room efficiently (or, as one team member put it, “to let us all speak at once”), and to avoid group thinking. It also proved useful in halting overly detailed conversations and refocusing the group on the decision at hand.
- A rule that no more than three PowerPoint slides could be shared in the room so as to maximize discussion time. (Brief pre-reads were permitted.)

After a few months of consciously practicing the new behavior in the workplace, a team typically reconvenes offsite to hold another round of work and reflection sessions. The format and
content will differ depending on progress made. For example, one North American industrial company that felt it was lacking a sense of renewal convened its second offsite in Silicon Valley, where the team immersed itself in learning about innovation from start-ups and other cutting-edge companies. How frequently these offsites are needed will differ from team to team. But over time, the new behavior will take root, and team members will become aware of team dynamics in their everyday work and address them as required.

In our experience, those who make a concerted effort to build a high-performing team can do so well within a year, even when starting from a low base. The initial assessment of team dynamics at an Australian bank revealed that team members had resorted to avoiding one another as much as possible to avoid confrontation, though unsurprisingly the consequences of the unspoken friction were highly visible. Other employees perceived team members as insecure, sometimes even encouraging a view that their division was under siege. Nine months later, team dynamics were unrecognizable. “We’ve come light years in a matter of months. I can’t Imaging going back to the way things were,” was the CEO’s verdict. The biggest difference? “We now speak with one voice.”

Hard as you might try at the outset to compose the best team with the right mix of skills and attitudes, creating an environment in which the team can excel will likely mean changes in composition as the dynamics of the team develop. CEOs and other senior executives may find that some of those they felt were sure bets at the beginning are those who have to go. Other less certain candidates might blossom during the journey.

There is no avoiding the time and energy required to build a high-performing team. Yet our research suggests that executives are five times more productive when working in one than they are in an average one. CEOs and other senior executives should feel reassured, therefore, that the investment will be worth the effort. The business case for building a dream team is strong, and the techniques for building one proven.

About the author(s): Scott Keller is a senior partner in McKinsey’s Southern California office, and Mary Meaney is a senior partner in the Paris office.

This article was originally published in McKinsey Quarterly, www.mckinsey.com/insights/mckinsey_quarterly. Copyright (c) 2017 McKinsey & Company. All rights reserved. Reprinted by permission.
Mckinsey & Company defines six characteristics of early AI adopters that differentiate them from late bloomers.

Artificial Intelligence creates news almost every day. In the last year, tech giants, such as Google and Baidu, invested between $26 billion to $39 billion in artificial intelligence (AI). However, according to a research paper published by Mckinsey & Company, the adoption of AI in 2017 has remained low – with 41 per cent of enterprises saying that they are still uncertain about the benefits of the technology. The survey that gathered responses from 3,000 businesses around the world also found that many business leaders are uncertain about what exactly AI can do for them, where to obtain AI-powered applications, how to integrate them into their companies, and how to assess the return on investment in the technology.

For the rest, Mckinsey & Company defines six characteristics of early AI adopters that differentiate them from late bloomers as follows:

The first feature is that early AI adopters are from verticals already investing at scale in related technologies, such as cloud services and big data. Those sectors are also at the frontier of digital assets and usage. This is critical, as it suggests that there is limited evidence of sectors and firms catching up when it comes to digitisation, as each new generation of tech builds on the previous one.

Respondents from firms that have successfully deployed an AI technology at scale tended to rate C-suite support nearly twice as high as those from companies that had not adopted any AI technology.

Second, independently of sectors, large companies tend to invest in AI faster at scale. This again is typical of digital adoption, in which, for instance, small and midsized businesses have typically lagged behind in their decision to invest in new technologies.

Third, early adopters are not specialising in one type of technology. They go broader as they adopt multiple AI tools addressing a number of different use cases at the same time.

Fourth, companies investing at scale do
it close to their core business.

Fifth, early adopters that adopt at scale tend to be motivated as much by the upside growth potential of AI as they are by cutting costs. AI is not only about process automation, but is also used by companies as part of major product and service innovation. This has been the case for early adopters of digital technologies and suggests that AI-driven innovation will be a new source of productivity and may further expand the growing productivity and income gap between high-performing firms and those left behind.

Finally, strong executive leadership goes hand in hand with stronger AI adoption. Respondents from firms that have successfully deployed an AI technology at scale tended to rate C-suite support nearly twice as high as those from companies that had not adopted any AI technology.

First published in http://www.cioandleader.com
The Coaching Journey – a View from the Top

Leaders must ask pointed questions if they want their teams to succeed. David Lim tells us why...

PEOPLE TEND TO FALL backwards into a swimming pool, or off a mountain. In my case, I fell backwards into my business, and from that perspective, knowing what coaching question, or questions to ask in decisive moments in your life and business really matter.

In 1993, when I revived the idea that a team from the flat, tropical city-state of Singapore could succeed at climbing Mt Everest, the idea itself was laughed at in many quarters. The internet was just being embraced by Asia, and Singapore was abuzz with the culture of making money and material success. The highest building here is 280m above sea-level, the highest peak, 161m. Not exactly ideal conditions for developing a team for Everest. Sure, we had a lot of technical rock-climbing experience, but only mud walls to sink our ice axe picks into. The right preparation involved a lot more equipment, leadership, team dynamics, endless fundraising, and then pulling off a number of expeditions to 6,000m, 7,000m and 8,000m peaks. I’ll fast forward the tale by nearly four years to when we had raised the funds, and had finally reached Everest.

The journey up to Everest involves a series of yo-yo like steps where you climb here to establish successively higher campsites and acclimatise to the altitude; and then descend to let your bodies build up more red blood cells. With greater oxygen-carrying ability, you climb up again, move equipment you placed earlier and press up higher and repeat the process. We had successfully placed and stocked our campsites, and with a decent window of good weather in mid May, began to make the four-day summit push. Leading four other members of my team on the summit push, I was climbing well until the persistent cough that affects many climbers became so virulent and violent, I cracked two ribs as a result. The “KhumbuKoff” nicknamed after the region where Everest is located, is a pernicious condition brought about by the persistent super-dry and cold atmosphere at over 5,000m. Lying in my tent with knives stabbing my side at every cough or sneeze, hopes of
my own summit success faded away quickly.

I lay in a deep blue funk, feeling depressed and sorry for myself until the following morning when I asked myself, what I have later discovered to be one of the ultimate coaching questions:

“So Dave, what do you want now?”

I sat there for a while thinking until the answer I came up with was “I want the team to succeed, even if I am unable to reach the top myself”. That immediately galvanised me into action. I was still the team leader of the 1st Singapore Mt Everest Expedition – and I could still contribute in so many ways. I recall being motivated in devising a way I could retreat down the mountain safely with my injury (a huge worry). I also swapped my far lighter alloy ice-axe and crampons with Edwin’s heavier steel axe and crampons. Edwin, one of the youngest and least experienced in the team, had been invited to accompany the summit team to advanced base camp half way up. As it panned out, he took my place, and with my lighter gear, joined the rest of the summit team. That team did not succeed in reaching the top two days later owing to a lack of fixed rope to protect the trickiest parts of the route. They and 30 other climbers from other teams came within 150 vertical metres and a couple of hours to the summit and turned back.

I then asked myself and the team a series of questions, each one exploratory and divergent; gathering as many views and opinions as possible. But they were mostly slanted towards exploring the strength of commitment to mount a second attempt, as well as the resources we had.

Four days later, on 25 May 1998, Edwin was one of the two climbers I picked for the second and final attempt on the summit. He reached the top first; using my ice ax and crampons. I didn’t make the top that year, but my hardware did! So the question I used to coach myself is one I refer to now as a powerful ‘future-forwarding’ question. The answer it demands can’t lie in the past. You can’t change the past, but you can influence the future. It’s a coaching question that can be transformational as it asks for some future action towards a goal.

In the workplace, the biggest resistance you get from leaders who should, but don’t coach their teams is “I don’t have time”. But you definitely do have time to ask a few pointed questions – and that’s my point.

In the workplace, the biggest resistance you get from leaders who should, but don’t coach their teams is “I don’t have time”. But you definitely do have time to ask a few pointed questions – and that’s my point. A ‘coaching session’ isn’t a long sit down, formal session, although it can be. Leaders can coach others in more informal settings – over some coffee, in a drive through Mumbai traffic. It always starts with an open-ended problem or issue. Start by getting a permissive frame, e.g., “I heard you...now permission to coach for a few minutes?”. The next few minutes could be asking a series of exploratory question, setting up the options on the table so far, then maybe unearthing more options the coachee hadn’t considered or given enough serious consideration. Sometimes, the answers to these questions themselves will help the coachee understand what they need to do. Very often the way ahead, or the decision to take action is held up not because of a lack of technical know-how (it rarely is, past a certain level of workplace competency), but more to do with mindsets about what people will think, or the risk-reward equation, or even the fear of failure. Your job then is to gradually but surely loosen some unproductive beliefs, to allow access to more solutions and then encourage action.

My journey as a speaker and a coach hasn’t ended yet, nor has my love for the mountains and the climbs I have planned. You never know what life has planned. But keep asking the right questions and you’ll start getting better quality answers.
The 3 Series GT is a fantastically well-rounded package, though not many know about it. It straddles the gap between 3 series and 5 series sedans and offers the best in between. Time to explore its many facets. Also check out Gizmos for the latest must have gadgets.

Teutonic Transcendence

The BMW 3 Series GT is a hidden gem, waiting to be discovered, says Amit Chhangani.

THE BMW 3 SERIES GT is exceptional in many ways. It’s not a very popular model though, and someone who hasn’t heard of it would flip over on knowing what a fantastically well-rounded package it is.

Overview
After the 3 series GT made its debut four years ago, the face lifted version is a mild improvement over a car which tries to straddle the gap between the 3 series and 5 series sedans. The 3 Series GT's brief is to offer more space, comfort, luggage hauling capabilities and well, a bit of style differentiation over its sedan counterpart.
The 3 series GT offers significantly more legroom than the 3 series sedan, heck, more than even the 5 series sedan; and more convenient ingress and egress thanks to its slightly raised seats. It rounds up the package with a unique coupe styled roof, frameless door windows and a generous boot compartment hidden under an electric liftback.

The 3 series GT sits between the 3 series and 5 series sedans price-wise as well, trying in a way to plug the wide gap between the two model lines in its own unique way. It’s a bigger, more spacious and more touring oriented 3 series with its own, unique visual character. In fact, it’s so different in so many ways to its sedan sibling, it could well have been a different model altogether if BMW so wished. And all of that is a very, very positive thing, for the 3 series GT offers surprisingly more on several counts.

For the 2017 version, the 3 series GT has received a mid-life facelift with some changes up front, at the rear and some updates on the inside. The engines now boast a bit more spunk, along with better efficiency.

**Exterior changes**
The new 3 series GT gets newly designed headlights and tail lights. The car also gets a restyled rear bumper. The air intakes on the Sport Line and Luxury Line variants have been modified and now feature horizontal chrome accents on the Luxury Line, and a mix of aluminium and black accents for the Sport Line range.

We tested the Luxury Line variant for this review and you can see the chrome highlights in the image here. The front foglamps now get LED tech for the first time on the BMW 3-Series GT and are fitted as standard. The spoiler which extends automatically at higher speeds is still there, and slides back almost imperceptibly into the car’s silhouette.

At the rear, the full-LED lights taper towards the centre, mimicking the treatment given to the headlamps. The reflectors in the rear bumper are now positioned higher up. There’s also a trim strip on the rear bumper to make the car look wider from the rear.

**Changes inside the cabin**
The focus here was to make the cabin look richer, while also upgrading the infotainment system. The Central Information Display on the new model gets a flatter design and narrower frame profile for a slimmer and more elegant look. The surrounds for the air vents are now finished in an electroplated material which can be found elsewhere in the cabin too. The panel housing the controls for radio and air conditioning is now finished in piano black while the control knobs themselves get a dash of chrome for a richer feel.

The interface for the infotainment system also gets a refresh and is targeted at being more intuitive and looks more premium. In a clear departure from previous versions, the top menu features a “tile” display of the six main categories with the following menus also having been redesigned for a more intuitive user experience.

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**BMW 320D GT**

**Price:**
- BMW 320d GT Sport Line: `44.32 Lakhs
- BMW 320d GT Luxury Line: `47.64 Lakhs
- BMW 330i GT Luxury Line: `48.65 Lakhs

**Tech Specs**
- Engine: 2.0 litre, 4 cylinders, turbo diesel
- Power: 190 hp
- Torque: 400 Nm
- 0-100 km/h: 7.9 seconds
- Top Speed: 230 km/h

IF YOU HANKER FOR A CAR WITH MORE LEGROOM, THEN BMW 320D GT IS MADE FOR YOU. IT IS BUILT TO ACCOMMODATE LONG LEGS IN ITS ROOMY INTERIOR.

**The 3 series GT offers significantly more legroom than the 3 series sedan, heck, more than even the 5 series sedan; and more convenient ingress and egress thanks to its slightly raised seats. It rounds up the package with a unique coupe styled roof, frameless door windows and a generous boot compartment hidden under an electric liftback.**
Engine, performance and handling

We drove the 320d variant of the car, powered by the 2-litre 4-cylinder Twin-Power Turbo diesel motor. The output for the oil burner unit has been slightly increased and it now produces 190 hp of power and 400 Nm of torque. The engine comes mated with an eight-speed Steptronic transmission which is pretty smooth and appreciably quick, if not the quickest within its class.

An interesting introduction with regards transmission is that the Sport+ mode now allows the driver to push the engine all the way up to the rev limiter. One may also perform multiple downshifts using paddle shifters, for instance, from eighth gear straight to fourth.

From the driver’s perspective, the 3-series GT feels slightly bigger and a bit softer as compared to its sedan sibling. The two-litre diesel is smooth, refined and responsive as ever, and packs sufficient punch to stamp its authority over lesser machines. It’s a rev-happy motor for a diesel with redline marked at a high 5,500 rpm. It spins intently to its upper limit, and in the process offers brisk, reassuring acceleration, making the 3 GT feel pretty swift. The 3 GT would do its 0-100 km sprint in well under 8 seconds.

The relative softness of suspension brings in advantages in the form of a more absorbent ride quality and additional comfort for the cabin occupants though. In conjunction with the tilt adjustable rear seats and a very generous legroom, it makes for a very comfortable experience for the backbenchers even on not-so-smooth roads on those longish journeys.

Having driven the 3 series sedan several times, the difference in the dynamic ability of the sedan and GT is quite perceptible. There is that wee bit more roll around corners, sliding the rear out doesn’t feel as natural as the sedan and the car overall feels a tad bit less involving than its lighter, smaller counterpart.

Features and goodies

The 3 series GT is a pretty loaded model in terms of features, and the Luxury Line variant we drove for this review is the most heavily equipped version available. For any BMW 3 series GT variant, however, you will get automatic climate control, push button start, Servotronic steering, six airbags, adaptive LED headlights, LED front foglamps, a high-resolution colour screen with iDrive Controller, rain sensors and a leather multifunction steering wheel.

The Luxury Line variant gets its window frame and exhaust tailpipe embellishers in chrome. Inside, the door sill plates are finished in aluminium. You get exclusive colours for the ambient lighting and chrome edging for the air vents too. Leather upholstery here gets contrast stitching here.

Other features include tyre pressure indicator, brake energy regeneration, rear view camera, navigation system professional, panoramic sunroof and high-beam assistant which automatically adjust high beam based on oncoming and leading traffic.

In conclusion

The 3 series GT is priced bang in the middle of the 3 series and 5 series carlines. It offers the space of the 5 series for a price which is a little over that of the 3 series. Meant primarily for those who value a mix of space, comfort and practicality, the 3 Series GT is a pretty solid offering – quite unmatched in its class on a variety of parameters.

The styling may not be to everyone’s taste or liking but you cannot question the exclusivity and differentiation it brings along. If you travel often with family, and are looking for a large premium car from Germany which ticks all the boxes, this might be the most value offering you might find today on the market. Do take it out for a spin, you would experience something refreshingly surprising.
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NEW LAUNCHES

SoundMagic E10BT

The E10BT is the Bluetooth version of the much-loved E10 series from SoundMagic.

Having the battery and Bluetooth transmission circuitry on the cable makes the driver housing fairly light and compact — making it more comfortable for longer listening sessions. The only problem we felt was that the cable is a little too long if you clip it to your collar. A fair bit of slack remains. But it’s not long enough to go to, say, your sleeve. In terms of build quality there’s nothing to write home about — no fibre braiding, reflective paint etc — but it’s certainly not flimsy.

ZION Blaze RAM

8 GB 2400 MHz

Zion is a homegrown brand which has been around for about 20 years now. Their Blaze series is their line-up which is supposed to appeal to the enthusiasts and gamers.

From an aesthetics standpoint, the Zion Blaze series has a pretty standard red and black colour scheme on the heatspreader which resembles a stretched out batarang. The heat spreader is made out of aluminium but the thickness... well the thinness is concerning. It’s barely a millimeter thick and it’s affixed to the memory modules using double sided film tape.

HOT SPOT

HTC U11

A flagship that could have been better.

By Prasid Banerjee

It’s easy to write off HTC in the current market but the HTC U11 is something new and it’s something different. It’s got the good elements of the HTC 10, and is better in a lot of ways. From the front, the HTC U11 looks almost entirely like the HTC 10, but it’s got a liquid glass surface on the back. It sort of changes colour depending on how light falls on it. The U11 has a 5.5 inch QHD display with Gorilla Glass 5 protection and the colours aren’t punchy so to speak, but they’re neither too warm, nor too bright. Amongst the many advertised features of the HTC U11 is the new Edge Sense feature.

The U11 is squeezable and you can customise the feature to launch any app, or perform other function, like turn on the torch, launch the camera and so on. There’s even a distinction for squeeze-and-hold actions and a short squeeze.

The HTC U11 is a flagship class flagship, and that’s the best way to put it. HTC fans will not complain with this phone, but as good as the HTC U11 is, it’s just not good enough anymore. We routinely picked the OnePlus 5 and Galaxy S8 over this.

SPECIFICATIONS

OS: Android 7.1; Chipset: Snapdragon 835; CPU: Octa-core, (4x2.5 GHz Kyro & 4x1.9 GHz Kyro); GPU: Adreno 540; Battery: Non-removable Li-Po 3000 mAh; Camera: Primary (Dual 12 MP, f/1.7), Secondary (16 MP, f/2.0)

Price: ₹51,990
डिजिट
अब हिंदी में

देश का सबसे लोकप्रिय और विश्वसनीय टेक्नोलॉजी वेबसाइट डिजिट अब हिंदी में उपलब्ध है। नयी हिंदी वेबसाइट आपको टेक्नोलॉजी से जुड़े हर छोटी बड़ी घटनाओं से अवगत रखेगी। साथ में नए हिंदी वेबसाइट पर आपको डिजिट टेस्ट लैब से विस्तृत गैजेट रिपोर्ट से लेकर टेक सुझाव मिलेंगे। डिजिट जल्द ही और भी अन्य भारतीय भाषाओं में उपलब्ध होगा।

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The fall of Enron in 2001 – a Wall street darling and hailed as America’s most innovative company for successive years in the 90s – was my first exposure to a corporate governance failure, especially of a boardroom and audit committee. The Enron Scandal, as it came to be known, shook the world and made corporate governance a subject of discussion, and a lesson to be taught to managers and professionals. The Sarbanes-Oxley Act of 2002 redefined corporate accountability and responsibility for organisations, the world over, with debilitating consequences for those who faltered. But, even so, transgressions continue.

Going forward for some time to come, students will learn from case studies of ‘failures’ through Tata and Infosys – two institutions that were bellwethers for benchmark corporate governance, ethical business practices, values – and promoters who were an embodiment of these principles. Is that how it should be?

The storyboard for both these cases follows a similar and, now familiar, script – Cyrus Mistry and Vishal Sikka were handpicked after extensive search, outsiders taking charge of institutions stewarded until then by a trusted few; started with the blessings of the promoters and the larger-than-life Indian corporate ‘Bhishmas’ – Ratan Tata and Narayana Murthy; analysts and the Board sought to defend their performance citing improvement in the company’s valuations and growth path; promoters were worried, however, about a decline of values, vision and governance; each ended in a bitter battle of the old and the new, showcased on front pages and primetime, raising concerns about the independence of board members and promoters’ ability to let go.

What went wrong with Tatas has been speculated, debated and written about extensively, and the script is following its course with Infosys, even as we write this column. Like with every recent issue in recent memory, media and critics have been quick to crucify Ratan Tata, Narayan Murthy and their institutions – for resisting change, and dealing with the situation rather poorly, and unprofessionally.

None of us, I am confident, disagree with the fact that we must continuously aspire towards better governance, stronger corporate ethics, benchmark professionalism, and good behaviour. But the question is ‘what should model governance, behaviour and the ideal promoter/Board look like?’

Is there a leader, an institution or even kingdoms and countries which have unblemished records on any of these fronts? Should a record of good practices and behaviour over an extended period give an individual or an organisation some leeway before they are declared ‘failures’? At the end of the day, it’s about people and human beings don’t come ‘perfect’. The study of psychology or philosophy will tell us that ‘perfect’ includes ‘imperfect’. Can we then continue to think of the Tatas and Infosys, and their leaders, as ‘perfect’ and the benchmark, despite recent events?

Memories are short and history will be kind to these people if Tata and Infosys bounce back to grow further, deliver better value to their shareholders eventually and continue to uphold their business practices – N. Chandrashekar has started asserting his influence in a shared vision with its promoter, and Infosys has already announced a Rs 13,000 crore share buyback.

We should be kind too, an error (which is also debatable!) must not rob 30+ years of what we have heralded as ‘model’ governance and values. That’s me, and how I feel minded to record this ‘blip’.

But, what do you think?

– with Sabarithinam Selvaraj

Anuradha Das Mathur, Editor, CFO India
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Daniel Wagner
MD, Risk Solutions, Risk Cooperative

V S Parthasarathy
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CHIEF GUEST

Ms Meera Shankar
Former Ambassador to the United States & Germany

Post an illustrious career in the Indian Foreign Service spanning 38 years, Ms Meera Shankar serves as a Non-Executive Independent Director of ITC Ltd, Pidilite Industries Ltd, Adani Transmission Ltd and Hexaware Technologies Ltd. Ms Shankar holds the distinction of being the second female ambassador to the United States of America, after Vijaya Lakshmi Nehru Pandit. Prior to 2009, she served as India’s Ambassador in Berlin, Germany. Ms Shankar has extensive experience on South Asia, USA, Europe, security and economic issues.