

Special Issue winning globally

BEST CFO
RAJENDRA
PRASAD
SRF
LIMITED



IN TUNE
WITH THE
CHANGING
TIMES

How he turned around a family-run business by bringing in professionalism

by Anup Jayaram

NOT many can boast of having worked for the Indian government, with a US multinational and a traditional family-run Indian business house in their career. But that's what Rajendra Prasad, 53, winner of the Best CFO Award, has done. A chartered accountant by profession, Prasad (better known as 'RP') did a short stint in the Indian Railways before trying out many things including being a broker with the Delhi Stock Exchange. Thereafter, he spent 17 years with American Express. In 2006, RP did the unthinkable. He moved from the public-run, US financial multinational to the family-owned, listed Indian manufacturing company — SRF — that makes technical textiles, packaging film and industrial plastics.

The experience of working for the government and American Express came in handy when Prasad took over as president and CFO (chief financial officer) at Arun Bharat Ram's SRF nearly six years ago. It was a radical change in business culture. What he realised was the need to bring in systems and processes into the company. Says Prasad: "I had the support of the family. But they pointed out that I should go about things in a manner where they can be achieved." That meant doing things in a slow and staggered manner rather than changing the way the company functioned at one go. That definitely helped. Putting in controls and compliance has been one of RP's biggest achievements.

Around the time RP joined, SRF was itself looking at a global presence. That's easier said than done. The first thing that he did was to change the auditors — from a local outfit to Deloitte, Haskins & Sells. "It is not that they were bad auditors, but I pointed out to the promoters that for a global footprint, you need a global name. The moment an international company realises that the company is audited by one of the Big Four, it gives it a greater level of confidence. That helps in closing deals."

He, then, hired KPMG to advise him on setting up an overseas holding company in a reputed governance jurisdiction. That led to the formation of SRF Global, a wholly owned subsidiary incorporated in the Netherlands. The company's presence in Europe lends a measure of confidence to international companies. Today, SRF Global has subsidiaries in South Africa (Industex Technical Textiles), Thailand (SRF Technical Textiles) and Dubai (SRF Overseas).

In 2008, SRF acquired South Africa's Industex Technical Textiles, making it the second largest belting fabric producer worldwide. It is now putting up a biaxially oriented

polypropylene plant in South Africa. The South African acquisition has ensured that SRF is in a position to cater to the European and Latin American market. Most importantly, it is much cheaper to cater to these markets from South Africa, simply due to lower freight rates.

Now that SRF is a global player, the company gets close to 10 M&A requests each year, many of which do not happen for a variety of reasons. However, financing an acquisition has not been an issue for SRF. The acquisition of Thai Baroda Industries in 2008 was funded by Bank of Ayodhya. Within a year, SRF managed to turn around the tyre cord supplier.

What RP has done is ensure accountability even at the lowest levels. SRF initiated an organisation-wide system of Control Self Assessment (CSA). The tool provides the CFO with an online dashboard of key processes in each unit. It covers nine processes. There are different questions for people in each of the different units. The answers to these questions are a simple yes and no. Based on the answers that each individual provides, RP can identify problem areas in the entire manufacturing process on the screen in his office. RP claims that there was hardly any resistance to implementing CSA. This was one of the experiences from American Express that he was able to implement in SRF. By doing so, he got onto the right side of the audit committee.

While that sounds fine, the CFO has to be in touch with the changing times. To do just that, RP acquired the necessary skills. He acquired a Diploma in Information Systems Audit (DISA). The Reserve Bank of India (RBI) has mandated that banks should be audited by persons with a DISA. As a hobby, he also became a Certified Information Systems Auditor. "Now the IT team realises that I speak their language. That makes implementation of various new programmes easier," avers RP.

During 2010-11, SRF recorded a net profit of Rs 677 crore on net sales of Rs 2,986 crore. In 2009-10, SRF had a net profit of Rs 454 crore on a turnover of Rs 2,181 crore. RP points out that SRF is also in a state of readiness to implement the International Financial Reporting Standards as and when it becomes mandatory in India.

RP's is a classic case of taking a family-run firm places by implementing global practices. They have helped SRF to be present across markets. While RP has done the basics, SRF needs to be at the cutting edge of technology and business practices to deliver on global aspirations.