



President's Message



India is set to become one of the key export hubs owing to reforms in manufacturing, ease of doing business, emission standards, safety standards, other policy decisions and cordial bi-lateral relationship with many countries.

Foundry Fraternity, Namaste!

Strategic Financial Management

In any industry globally, strategic financial management is essential for every organisation. Its primary goals are profit generation and maintaining a satisfactory ROI (Return on Investment). Achieving these objectives relies on employing diverse tools, financial plans, and effective decision-making. Strategic financial decisions are crucial for companies, driving long-term goals and aiding daily operations. They identify strategies for maximising market value and ensure effective implementation for both short and long-term objectives.

Strategic Financial Management: Functions

Strategic financial management doesn't adhere to a one-size-fits-all approach; it varies from business to business. This necessitates creativity in designing financial strategies to effectively allocate company resources. Some basic functions include:

Planning:

- ▶ Precisely defining organisational goals and objectives.
- ▶ Identifying available resources.
- ▶ Designing specific business budgets.

Budgeting:

- ▶ Aiming for economic efficiency and waste reduction.
- ▶ Identifying budget overruns.
- ▶ Ensuring sufficient liquidity for operational costs.
- ▶ Identifying profitable investment areas.

Risk Assessment:

- ▶ Identifying, analysing, and mitigating uncertainties.
- ▶ Using risk management tools such as the Sharpe Ratio and Standard Deviation.

Decision Making:

- ▶ Collecting and analysing data.
- ▶ Making data-driven decisions and monitor budget variances.

Strategic Financial Management: Practical Tips

Establish Clear Financial Goals:

- ▶ Define specific and measurable financial goals that align with your startup's overall business objectives.
- ▶ Break down these goals into manageable milestones to effectively track progress.

Implement Robust Budgeting:

- ▶ Develop a detailed budget that considers all operational expenses, revenue projections, and contingency plans.
- ▶ Regularly review and update the budget to reflect changes in the business landscape.

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Cash Flow Management:

- ▶ Prioritise cash flow management to maintain a healthy financial position.
- ▶ Negotiate favourable payment terms with suppliers and ensure timely customer payments.

Risk Assessment and Mitigation:

- ▶ Identify potential financial risks and devise strategies to mitigate them.
- ▶ Diversify revenue streams to reduce dependency on a single source.

Scenario Planning:

- ▶ Conduct scenario analysis to prepare for various economic situations.
- ▶ Develop contingency plans for potential disruptions, such as market downturns or unexpected expenses.

Investment Strategy:

- ▶ Carefully evaluate investment opportunities, considering both short-term gains and long-term sustainability and align investment decisions with the overall strategic objectives of the startup.

Solar Waste: Emerging Business

A study conducted by the Ministry of New and Renewable Energy and an independent think-tank, the Council on Energy, Environment, and Water, reveals alarming projections regarding India's solar waste. By 2030, it is estimated that India's solar waste could soar to a staggering 600 kilotonnes. The study highlights that 67% of this waste originates from Gujarat, Karnataka, Rajasthan, Andhra Pradesh, and Tamil Nadu. Currently, with an installed capacity of 66.7 GW, India has already generated 100 kilotonnes of waste. By 2030, this figure is expected to rise to 340 kilotonnes, and by 2050, it could reach a daunting 19,000 kilotonnes.

The Missing Skilled Labour

India despite having the world's largest employable population, Indian manufacturers are struggling to find skilled labour. The shortage of skilled labour can be attributed to multiple reasons such as:

- ▶ **Wage Dilemma:** Informal workers are reluctant to take low-paying urban jobs due to inadequate access to housing, healthcare, and other essentials. Instead, they choose local, lower paying work for immediate survival.
- ▶ **Educational deficiencies:** India's education system prioritises theory over practical skills. Vocational training is lacking, limiting the talent pool for manufacturing.
- ▶ **Skill shortage:** Manufacturing demands specialised skills, yet workers lack training in robotics, automation, and other technical areas.
- ▶ **Sectoral shift:** Industries like e-commerce, IT, BPO, and retail attract workers away from manufacturing with better pay and job security.
- ▶ **Shift-based requirement:** Employees calling out of shift, labour schedule adjustments and high employee burnout are some of the major challenges faced by companies.

Here are some focused approaches to address the skilled labour issue:

- ▶ **Succession Planning:** Establishing a balance between the "build" and "buy" decision involves developing the existing workforce to assume management roles while simultaneously hiring entry-level manpower to build the talent pipeline.
- ▶ **Gig Workers:** Innovative solutions such as hiring temporary workers for jobs that don't require much skill make the most economic sense.
- ▶ **Internships and Apprenticeships:** Employers can identify and select the best candidates at an early stage, preparing them to be inducted as needed.
- ▶ **Reskilling:** Training individuals to meet the newer requirements of the industry is essential for bridging skill gaps.
- ▶ **Cross-Leverage:** Leveraging talents from other industries and assigning them to relevant roles in manufacturing can be beneficial.

Jai Hind and Happy Reading!

Best wishes

D S Chandrashekar

President IIF, 2023-24