



President's Message



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Foundry Fraternity, Namaste!

Enterprise Value

Enterprise value, also known as total enterprise value or firm value, serves as a crucial economic gauge representing the market worth of a business. Essentially, it encompasses the combined interests of all stakeholders, including creditors and shareholders. Calculating the enterprise value involves assessing the present value of anticipated future free cash flows generated by the firm. This evaluation typically relies on proforma Free Cash Flow projections and a consideration of the cost of capital. However, projecting an infinite number of free cash flows is often deemed impractical by financial analysts. Consequently, these projections are truncated at a specific point, and a terminal value is introduced to account for cash flows beyond that horizon. This approach offers a pragmatic method for determining the enterprise value of a firm.

Key value Creation Levers and Potential Actions

Value creation isn't just about cutting costs; it's about finding lasting efficiencies in how operations are managed, and work is executed, to withstand external pressures. It involves fostering responsiveness and agility, with business, technology, finance, and operations collaborating effectively.

KPMG proposes seven levers for enhancing value that organisations can explore. It begins with gathering and analysing pertinent operational and financial data to gain a clear understanding of operational, financial, tax positions, and cash flow.

- 1. Operating Model** - Create an advanced operating model capable of adjusting to fluctuating demand. Thoroughly evaluate the necessary capabilities to achieve strategic objectives, preserving strengths while addressing organisational weaknesses.
- 2. IT and Systems** - Use technology and advanced analytics to discover opportunities for lowering overall service costs. Optimise the value of technology investments by integrating interdependent systems effectively.
- 3. Process Improvement** - Assess processes throughout the organizational value chain that may become bloated over time, leading to increased operational costs in serving customers.
- 4. Third Party Spend** - Evaluate vendors and how the organisation engages with them to maximise the value derived from organisational spending.
- 5. Product, service & customer profitability** - Review your products and services portfolio to identify opportunities for enhancing profitability across different customer segments.
- 6. Balance Sheet** - Create a precise understanding of the balance sheet's strength to enhance decision-making capabilities.
- 7. Effective Tax Management** - Develop standalone tax strategies aimed at reducing tax expenses across the profit and loss statement or integrate them with other value creation levers to maximise returns.

Enhancing Enterprise Value

The Ten Drivers of Enterprise Value are essential considerations for any business striving for sustainable growth:

- ▶ **Revenue Diversity:** Overreliance on a single revenue stream can pose risks, making it crucial for companies to diversify their revenue sources to withstand market fluctuations.

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- ▶ **Leadership Development and Management Succession Planning:** Strong leadership is vital for long-term success. Investing in leadership development and succession planning ensures a continuous supply of capable leaders to guide the company forward.
- ▶ **Financial Condition:** A robust financial foundation is critical. Assessing key financial metrics such as liquidity, debt levels, and profitability helps identify areas for improvement.
- ▶ **Operations - Standard Operating Procedures:** Consistency in operations is key to efficiency. Well-defined standard operating procedures streamline processes, reduce errors, and enhance overall performance.
- ▶ **Human Resources Best Practices:** Employees are a company's greatest asset. Implementing best HR practices in recruitment, training, retention, and engagement positively impacts enterprise value.
- ▶ **Legal Exposure:** Legal issues can undermine enterprise value. Conducting a comprehensive review of legal compliance, contracts, and potential liabilities helps mitigate risks.
- ▶ **Brand Reputation:** Brand equity is invaluable. Maintaining a positive reputation among customers, stakeholders, and the public is crucial for sustained success.
- ▶ **Sales and Marketing Systems and Support:** Effective sales and marketing strategies drive revenue growth. Evaluating sales and marketing systems, including customer relationship management tools and support resources, is essential.
- ▶ **Market/Industry/Supplier Risk:** External factors can pose significant risks. Analysing market, industry, and supplier risks enables proactive risk management.
- ▶ **Cyber Security and Technology Systems:** In the digital age, cybersecurity is paramount. Ensuring the integrity of technology systems protects sensitive data and preserves enterprise value.

Vietnam's Foundry Capabilities

Visit to Vietnam organised by the IIF National & International Relationship Committee led by Mr Amish Panchal as Chairman and mentored by Past President Mr Subodh Panchal. The international visit took place from April 18th to 22nd 2024 which was meticulously planned and executed.

During the visit, Mr Mike Luu, Vice Chairman, Vietnam Foundry and Metallurgy Science & Technology Association organised visits to three foundries—two government-owned and one private limited. Positive observations were made at these foundries and many takeaways. We could also experience the hospitality of the management and employees of the foundries we visited.

Additionally, we enjoyed two days of sightseeing. Members from various regions of IIF participated in the visit. Past President Mr Subodh Panchal, who accompanied the team, ensured our well-being along with the tour organiser. Such international visits strengthen relationships between countries, foster understanding of similar businesses, and share technological know-how.

We express our sincere gratitude to Mentor, the IIF National and International Committee members for organising this valuable and impactful tour abroad. We extend special thanks and appreciation to Past President Mr Subodh Panchal for his dedication, commitment, and personal involvement throughout the entire process of the international foundry/works visit. Additionally, we thank Mr Mike Luu for his efforts in organising the foundry visits, and the management of the Vietnam Foundries—M/s DISOCO, M/s Futu 1, and M/s VICO for their permission to tour their facilities and for the hospitality extended to us.

75 Years of Service

Since its inception on August 17th, 1950, IIF has relentlessly served all its stakeholders. As decided in the recent National Council and Past Presidents meeting, the 75th year commemorations of IIF will be celebrated on a grand scale across all Regions and Chapters. The Core Committee and Steering Committee members are preparing a blueprint for the 75th year commemorations, featuring impactful activities that will begin unfolding on August 17, 2024.

Jai Hind and Happy Reading!

Best wishes

D S Chandrashekar
President IIF, 2023-24