

NEERAJ BHAGAT & CO.
—— Chartered Accountants ——

**Business
in India**



Content

1. Success Stories of Japanese companies in India

- a) Suzuki
- b) Daikin
- c) KUMON Global

2. Success story of McDonald in India

3. Corporate Frauds

4. GST

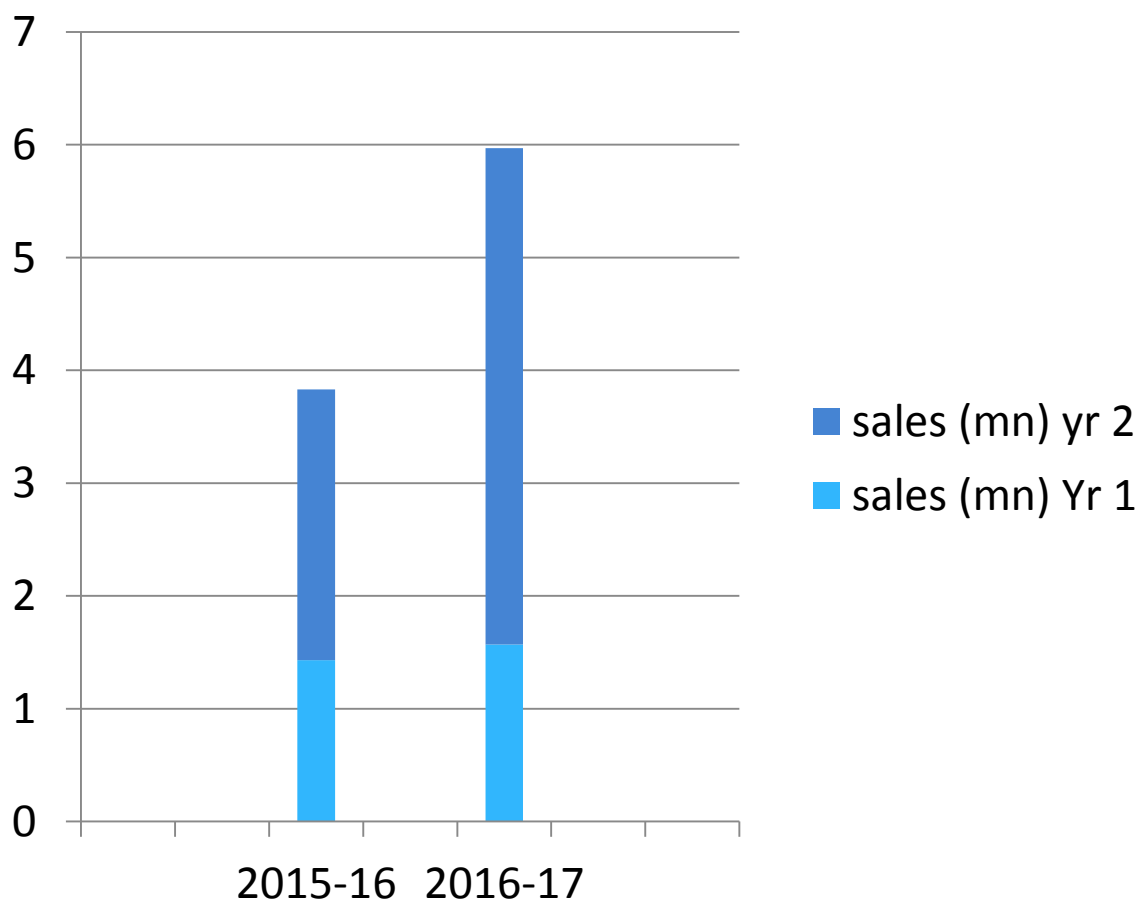


Maruti Suzuki India Ltd.

Connected For Success

Sustained Performance

- ✓ 1.57 million cars in the financial year 2016-17
- ✓ 9.8% growth
- ✓ Hyundai, sold close to 509,707 units in 2016-17

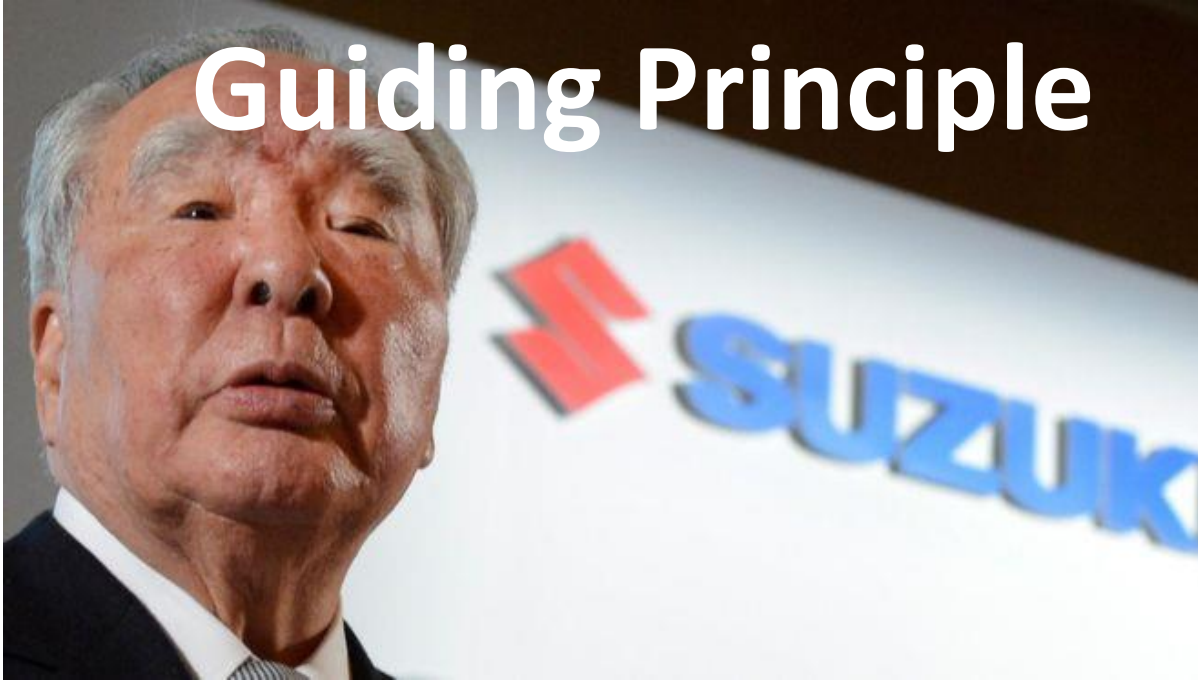


Background

- Founded in 1981
- To provide affordable mobility to India's masses
- **Minute detail-orientation of the Japanese**
 - Observing customers in detail, identifying their needs
 - Aligning the whole value chain to deliver this need at an appropriate value



Guiding Principle



- **Osamu Suzuki's conviction**
 - “Cleanliness would drive effectiveness”
- Check signs of inefficiency and waste
- **Every employee is equal**
 - Open offices, one uniform, a common canteen for everyone from sweeper to Managing Director

Philosophy that drove Maruti's success

- ✓ Smaller, lighter, lesser and more beautiful
- ✓ “1 component, 1 gram, 1 yen” initiative
 - Identify cost improvements of at least ¥1 as well as weight reduction of at least one gram.
- ✓ Mobilized an army of about **6,000 employees**



Exchange programmes

- Adherence to standards
- Continuous improvement of standards via **Kaizen**
- Management principles such as 3G, 3K, 3M and 5S.
- Phased manufacturing programme
- Balance between handholding and leveraging competition
- **Quality of components:** increased cooperation between OEM and supplier
- **Financially responsible:** Displaying real profits in books
- Create more value than potential tax “savings”

Digital training academy

- First large-scale deployment of satellite broadband solution
- Facilitating training in a corporate environment.
- Training time slashed from 3 weeks to 3 hours
- Training modules comprise technical, commercial, HR, product module, functional and soft skill sessions.
- High quality, interactive, real-time and two-way engagement with dispersed participants
- Wide variety of vehicles to various classes of customers
- Good mileage
- Better after sales service
- Continuous innovations

Strategies of Maruti Suzuki

Advertising strategy

- TVCs
- Radio and print ads
- Point of sales
- Mobile promotions
- Online marketing
- Outdoor promotions
- **Focus** on Corporate image as well as promotion of cars
- **Organizing various events** : Teacher plus scheme, 2599 scheme



MARUTI SUZUKI
Count on us

PRESENTING

EECO

Happiness family size!

Starting price Rs. 2.59 lacs*

Presenting EECO, a car for the great Indian family. With looks that reflect style and substance, interiors that redefine spaciousness and a powerful 1200 cc engine, the EECO is designed to turn every drive into a joyride for you and your family. Go ahead, experience **happiness family size**.



Powerful 1200 cc engine that delivers 73 bhp and a torque of 101 Nm.

Spacious and stylish Dual Tone interiors.

AC* & Heater for enhanced comfort.

Flexibility of space for all your business and family needs.

Available in 5 & 7 seater variants. *Digital meter cluster. *Integrated head rests in front seats. *Diagonal Shift Assistance for a smoother ride. *Superb Riding Comfort. *Extended nose, crumple zones and side impact beams for safety.

To know more, call "Any Time Maruti" at 1800 1800 180 (Toll free) / 09910202020 or visit us at www.marutisuzukieeco.in or SMS "EECO" to 53636

15.1*
km/l
PETROL

BS IV compliant. ELV compliant.

Pricing Strategy

- Caters to all segments
- Product offering at all price points
- Reasonable profit margins
- Not being a profiteering company

**INDIA'S MOST
FUEL-EFFICIENT
CAR HAS ARRIVED.**
THE CELERIO DIESEL IS HERE.



*Test results of Rule 115 of CMVR, 1989.

Sales Promotional Strategies of Maruti Suzuki

- **Change Your Life**
- Vehicle insurance for One rupee only
- Gifts worth Rs.50 million

MARUTI 800

Change your life

Change Your Life.....
WITH MARUTI



Distribution Strategy

- Unique distribution network
- Wide network of Dealers
- Maruti service zones
- To reach the customers in remote areas
- **Major thrust** : easy availability of vehicles to all the customers across the whole country
- **Factory fresh condition**
- **Reduced time gap** between the manufacture of the car and its availability to the customer



Service Feedback & After Sales Service

- Encourage feedback
- Register online or toll free number
- Identify the customer satisfaction level
- 2034 sales outlets in 1667 cities
- 3228 authorized service stations across 1574 cities in India



Cost management System

- **JIT:** reducing in-process inventory and its associated carrying costs
 - Locally based suppliers
 - 76% of 246 suppliers are located within 100 kms of radius
- **E- nagare system** : schedules on **hourly systems**
 - Right material inventory,
 - At the right time,
 - At the right place,
 - In the exact amount,
 - Reducing high inventory carrying cost

Internal efficiency

- **Kaizens** : reduction in consumption of power and water
- **Just-in-time** approach towards operations
- **Pika Pika** and **Poka Yoke**
- Dealer Management System (**DMS**)
- Optimum levels of inventory
- Results in multiplicity of efficiency



Re-use

- Waste Heat Recovery
- Sheet metal scrap utilization
- Reuse of sewage treatment plant sludge
- Reuse of packaging material



Recycle

- Recycling groundwater
- Soak pits, recharging shafts, rain-water harvesting and water lagoons
- Reverse osmosis
- Tertiary treatment



Recent Cost cutting move

- Print services contract with Canon India
- To cut printing costs by over 20 percent
- Improve the employee device ratio from 2:1 to 6:1



Suraj, the Rising Star

- Remake of Japanese baseball anime “Kyojin no Hoshi”, sponsored by Maruti Suzuki.

Daikin Industries Ltd.



Success Story

- First worldwide in air conditioner sales
- Expansion of Neemrana factory: 4 billion yen investment
- For doubling the plant's annual capacity to 1 million units
- A training program in India: for expansion of local production
- Japanese-style manufacturing school
- Revenue for the Indian operation : **40 billion yen** (\$366 million) in FY 2015-16
- Aims to double the combined sales of air conditioners in India and Southeast Asia to **200 billion yen** in fiscal 2020

KUMON Global



KUMON in India

- **Method of learning** gives students a head start
- **Self-discipline and problem-solving skills**
- Education is not by age or grade but by ability
- Teaching structure is individualised and tailor-made
- 12th centre in Hyderabad
- “Free Registration” Campaign
- 1st phase in South Indian cities

McDonald's Global Dominance



Things that led to McDonald's company's global dominance

1. Consistency

- Quality, Service, Cleanliness and Value

2. Taking risks

3. Adapting to customer's changing tastes

- More transparent

4. Art of cross-selling

5. How to work with people

6. Spot and grow talent

7. Importance of philanthropy

McDonald's India Entry Strategy

- Large eating out market in India
- Increasing propensity to spend by customers
- American food not a substitute for Indian food
- Adapting McDonald's menu to Indian tastes
- 50% population vegetarian
- Limited purchasing power
- **4 phases:** entry, building the supply chain, aggressive growth and penetration
- 100% subsidiary MIPL
- Two 50:50 joint ventures (JV)

McDonald's Indian Adaptations

- To suit Indian tastes with spices and ingredients preferred
- Maharaja Mac
- McAloo burger and Vegetarian Salad Sandwich
- A Restaurant Management System (RMS)
- No beef or pork



The Launch

- First restaurant in New Delhi in October 1996
- Initially targets were Delhi and Mumbai
- Continuous research
- Highest levels of cleanliness
- Quick service restaurant (QSR)
- Happy meals to attract kids
- Value for money



Setting Up Exclusive Supply Chain

- Trikaya Agriculture, Talegaon, farmed Iceberg Lettuce, special herbs and oriental vegetables
- Advanced agricultural practices
- Cold chain
- Ensure freshness, nutrition and low operational wastage
- Add new products, increase seating, add birthday party areas, home deliver the products

THREE E'S: McDonald's Sustainability Supply Chain Vision



Finance at McD's

- Evaluation of past performance
- Appraisal of future opportunities
- Integrated accounting and finance function
- Each restaurant structured as an independent business
- Centralized Accounting & Finance department

Department Structure & Function

- Financial reporting
- Management accounting



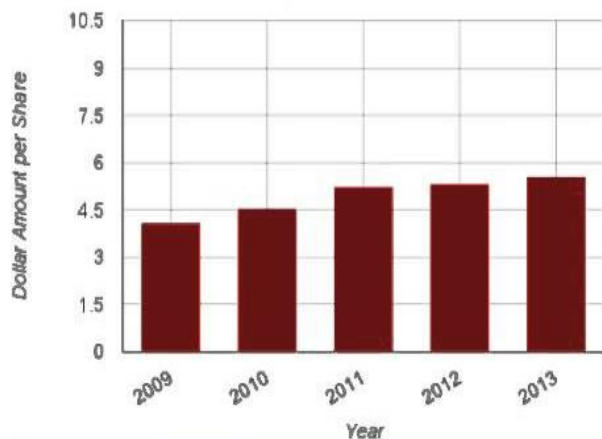
Financial Reporting

- Historical performance
- Preparation of annual financial statements
- Reporting the results
- Centralized accounting centre
- Treasury and tax experts
- Payroll staff

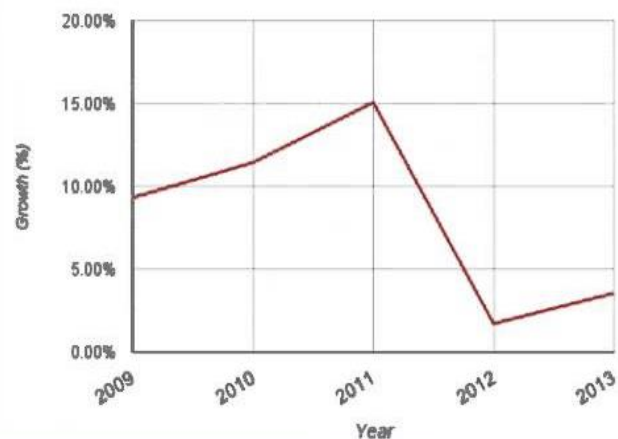
McDonald's Financial Statements Trends for the Past 5 years

Earnings Per Share (EPS):

Earnings Per Share (past 5yrs)



Earnings Per Share Growth Trend



Management Accounting

- Analyze past financial performance
- Improve future results
- Aid commercial decision-making
- McDonald's Business Strategy & Intelligence department
- Achieve the financial KPI's
- 375,000 employees and 36,899 restaurants in 120 countries

Franchises

- Paying salaries, ordering supplies and paying rent/owning the premises
- About 85% of restaurants are owned by franchisees

Leadership

- 2016 net income \$4.7 billion
- Up \$200 million

The Bottom Line

- Familiarity and consistency

How NBC can assist in cost reduction?

- Conduct comprehensive cash flow analysis
- Use business benchmarking to understand how top-performing companies structure and deliver key functions
- Develop and execute a road map for cost optimization, including a service delivery strategy
- Assess performance, fast and objectively
- Functional and process benchmarking services provide your executives with insight they need to:
 - Evaluate performance relative to business value and strategy
 - Identify, quantify and prioritize process improvement opportunities
 - Develop a factual basis for driving change
 - Digitalization of the existing operations.

How NBC can assist in cost reduction?

- **Proven business best practices**
 - o Inventory management
 - o Accounts payable
 - o Accounts receivable
- Assess and improve the health of your working capital and cash flow management practices
- **Target and improve key working capital performance metrics**
 - ✓ Cash Conversion Cycle (CCC)
 - ✓ Days Sales Outstanding (DSO)
 - ✓ Days Payables Outstanding (DPO)
 - ✓ Days Inventory Outstanding (DIO)
 - ✓ Net Working Capital Value
 - ✓ Net Working Capital as % of Sales
 - ✓ Shareholder Value Add (SVA)
 - ✓ Return on Capital Employed (ROCE)

Corporate Frauds in India



Introduction

- A constant feature posing a threat

Fraud can be classified into:

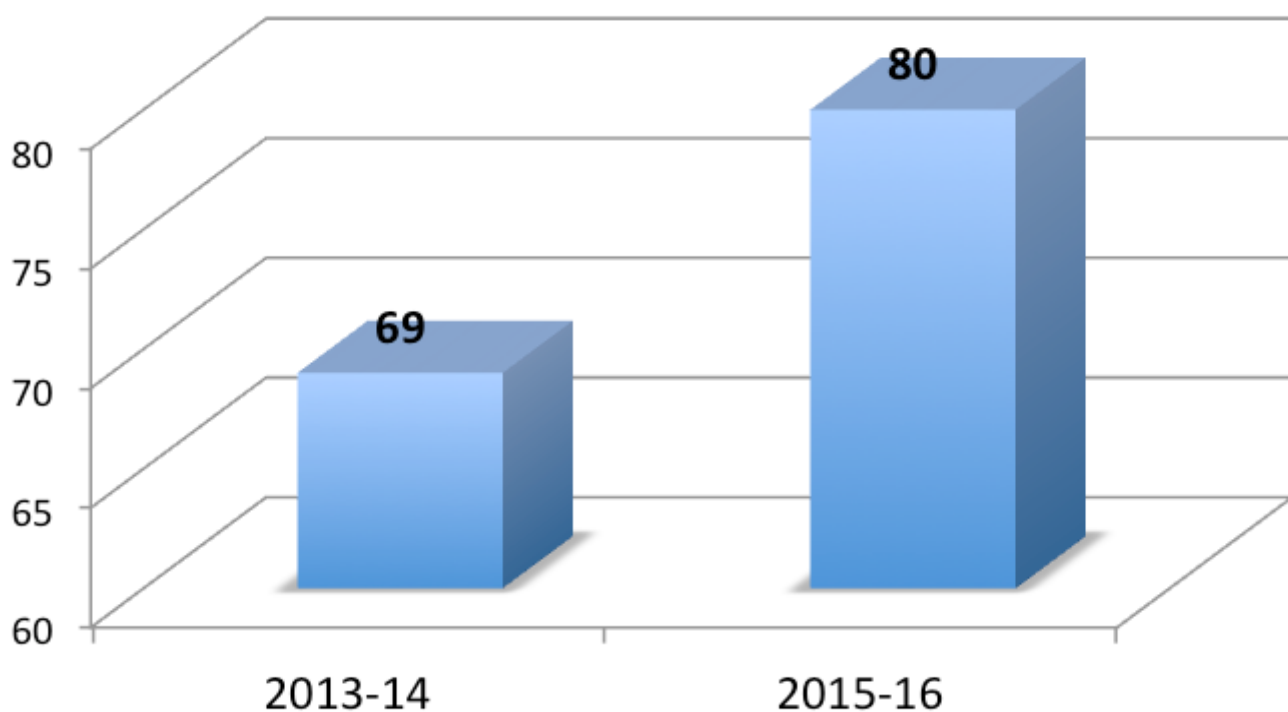
- Financial reporting fraud;
- Misappropriation of tangible assets, intangible assets or proprietary business opportunities; and
- Corruption, including bribery, gratuities, money laundering and embezzlement.



Factors behind corporate frauds

- Top management
- Corporate governance culture at functional head level
- Greed and weak internal controls

**Companies affected by fraud in India
(prevalence %)**



Corporate Scandals in India

Wipro

- Financial fraud of about \$4 million
- Lack of internal controls

Satyam Computer Services

- Falsifying and overstating accounts worth more than \$1.5 billion

Air Asia India

- Irregular personal expense claims

Fraud detection and control

- Governance structures
- Modification in the legal and reporting systems
- Self-correction exercise

Requirements as per the New Companies Act 2013

- **Section 134:** Directors' Responsibility
- **Section 177:** Audit committee
- **Section 143:** Auditor's report
- **Schedule IV:** Integrity of financial information

How NBC can assist?

- Train Board members on IFC related requirements of the Act
- Establish internal controls framework : both Entity Level Controls and Process Controls
- Benchmark controls against leading practices
- IT controls, prevention vs detection, manual vs automated
- Establish a comprehensive Risk Management Framework and/or targeted intervention in areas such as:
 - Identifying and prioritizing risks that matter
 - Automating the risk monitoring process
 - Defining “value at risk” and/or “risk impact”
 - Monitoring and management of fraud risks

How NBC can assist?

- Continuous controls monitoring and fraud risk analytics
- Design and implement controls self-assessment
- Design and assist in implementation of delegation of authority, segregation of duties etc.
- Develop standard operating procedures
- Rationalize and automate current controls portfolio
- Design MIS and board reporting framework
- Train employees on their role in the overall internal controls process and on leading practices for managing emerging risks in areas such as IT, fraud, contract compliance etc.

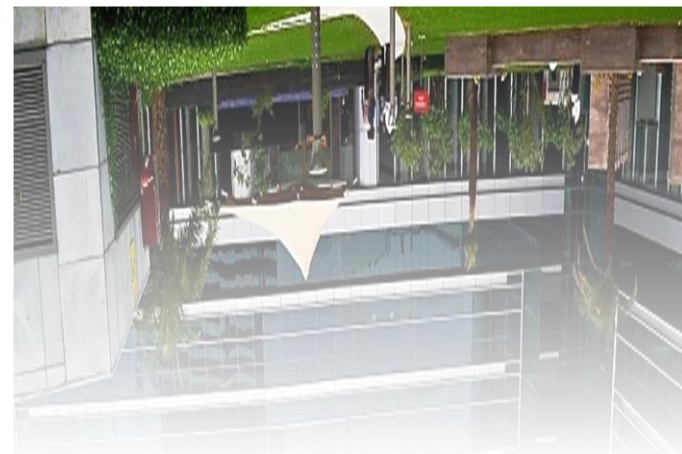
About Us

NEERAJ BHAGAT & CO.
Chartered Accountants

We are a team of 40 professionals comprising of Chartered Accountants, MBA's and other finance professionals.

Our team is mix of experience and youth and working for companies in different industries across the globe. Our team is rendering services in the field of Accounting, Statutory Tax Compliances, FEMA, Transfer Pricing, Statutory Audits and Tax due diligence since last 19 years.

Since 1997, Neeraj Bhagat & Co. is growing on a fast pace and has its own office space in New Delhi, Gurgaon and Mumbai. All the offices are equipped with modern IT and other infrastructure facilities for its employees & clients. We are part of Allinial Global which is one of the World's Top 20 in accounting associations.



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Thank you !

