



**Arun Balakrishnan*

Farewell 2020, Welcome 2021

This is the last piece
I would write before the
dawn of the **New Year**.

But what a year 2020 has been. Started with a declining economy in the first few months only to be topped by a pandemic that has never before been seen by anyone in the last two to three generations. While the govt action in shutting down the country may have saved quite a few lives and many million infections, it has devastated the economy. The small and medium enterprises that are employers to many millions of our countrymen have mostly been obliterated. The travel, tourism and hospitality industry have been brought to their knees. Those of us who have been on the Board of these companies know what corporates have gone through.

Preserve cash and build in resiliency have been the key operating words. Cost cutting, resorted by many mid and large size companies, has made many organisations lean and resulted in better EBITDA and margins in the second quarter of the year. Independent Directors have been cheerleaders in this regard, prodding reluctant Boards to push ahead. And, in adopting technologies and digitising whatever activities that could be. To protect lives, we started work from home or work from anywhere. While this brought sorrow to

both the commercial and real estate business, employees happily went back to the towns, big and small, from where they came.

And as the months progressed, the government pro-actively changed the regulations to make corporate life easier. I was so delighted to attend Annual General Body meetings sitting at home like most of you who do not relish delayed flights and lonely hotel rooms. Not that I love AGM's, but as Chairman of Audit Committee or Stockholder Relations Committee, one had little choice.

The terrible year 2020 was, it fortunately is coming to a close in a little while from now, but with some good tidings. Research Labs & Pharma companies have come out with vaccines that will hopefully kill this virus that has been keeping us indoors or worse still killing us. Quite likely, our country may follow the footsteps of United Kingdom in approving the Vaccines which hopefully will let us mingle socially and have in-person Board meetings, at least occasionally.

Ironically, the Stock Markets across the world are reaching new heights every day. Corporates are showing higher profits while sales are declining. Whether investors are seeing a bright future or is it the easy money or a combination of both, I am not sure. But certainly, it has improved my portfolio

and made me tolerate the covid-19 restrictions.

Whatever that may be, it is a happy farewell to a year that has changed our lives. Ring out the old and ring in the new, as they say. Let us hope the New Year will bring in new tidings.

But great many challenges are staring at us. In many parts of the world, cyclones and heavy rains have caused untold mystery in the last couple of years. The way things are going, the world will run out of names for the new typhoons and cyclones that our environment is being subject to and which in turn is flooding human and animal habitat across continents. The melting of the arctic snow and rising oceans is also likely to sink the coastal cities. And unprecedented heat waves and drought are burning up ancient and much required forest cover.

In the New Year, Climate change may have as much a negative impact as maybe the pandemic did in 2020. And the vaccine for the impact of climate change, we know, cannot be synthesised in a year or two as the Pharma companies have done to keep the pandemic at bay.

To keep the next catastrophe at bay, a carbon free economy will be an imperative. Our 2000 CC internal combustion engine powered personal cars and public transport may have to give way to Electric and hydrogen powered fuel cells. Green Hydrogen by synthesising water is the new mantra. The oil Refineries which were so much part of my professional life may have to be dismantled and trees planted in its place. The smokestacks, which once upon a time represented growth and prosperity, will now be gory symbols of a polluting past. The case of the famous textile mills of erstwhile Central Bombay, which are now Shopping and Office complexes, is probably the

way the world will go. The votaries of clean air should put up a two-hundred feet statue of Dr. Datta Samant, the venerable Trade Union leader, to commemorate the comparatively clean air that Mumbai has today. And maybe Elon Reeve Musk's Tesla cars will do the rest.

ESG (or Environment, Social & Governance) has already become the new way to go. Board members will have to play a key role in this transformation and, government regulations can make the Independent Directors responsible for ensuring the companies whose Boards they sit on, follow the guidelines in this regard. There is already an index to show where companies stand in this role of honour. While the IT companies can easily take a lead here, I was delighted to find an oil company in the list.

The Mutual Fund industry have already joined the bandwagon with multiple new ESGF Funds with companies which have adopted ESG in their portfolio. With promises of superior TSR's (Total Shareholder Return) as large investors such as Pension Funds, etc are putting their money where the ESG is. And that will bring in value to corporates and citizen shareholders. And that is what 2021 may be all about. ■

Best wishes for the New Year.

**Mr. Arun Balakrishnan is the founder Chairman & Independent Director, HPCL-Mittal Energy Ltd. (HMEL) & former CMD, HPCL. He is also IOD's Chairman for the Bengaluru region.*

<http://blog.iodglobal.com>

IOD
Institute of Directors

Building
Tomorrow's
Boards

IOD BLOG

BRINGING A SILENT REVOLUTION THROUGH THE BOARDROOM

HOME

ABOUT

AUTHORS

CONTACT



Thought Leadership

Board Effectiveness

Leadership

CSR

Sustainability

Smart Phone
QR Reader App:

