

Interview with **Ajay Sethi** Managing Partner, ASA

1. Tell me a bit about your background? What experiences led you to found ASA?

On qualifying as an Indian Accountant in 1989, I joined Arthur Andersen in their Tax & Business Advisory Services. It was an eye opener as to how developed the professional services firms were outside India. The sheer professionalism and scale of integrated operations made me think if only this could be duplicated within an Indian firm. Just to place things in perspective, India was a closed economy till 1991, which meant exchange controls, licences to set-up business, booking for telephone connections, gas, etc. against actual delivery ran into years! Expectantly, the professional services firms were living a cocooned life. While working with Andersen, I realised the possible future potential, in setting-up a thoroughly professional firm, which would cater to the flood of MNC which, I believed, would soon invade India! I further believed that the Big 4 (Big 6 then) will not be able to hold a monopoly, as there would be demand for local alternate firms as well.

My near and dear regarded this as a foolhardy act, given the place I was working in and how difficult it was to get in there. I shocked my wife by coming home one day and announcing my having been relieved. I casually added that now I will figure out what to do next! To be honest, I had a vague idea and no solid business plan, unlike what we nowadays advise our clients as the bare essential before venturing out! It can be now attributed to being young and not so worldly wise. In 1991, this enthusiasm resulted in the accounting firm, Ajay Sethi and Associates, rechristened as ASA and Associates in 2008. As luck would have it, within a couple of months of setting up the practice, India opened its arm and welcomed capitalism through its hallmark fiscal budget of 1991. This fuelled my belief, but added little to my pocket. I had just begun and acceptance of a fledging practice was yet a far cry.

Later, in 1995, we added Corporate Catalyst India, as the consulting arm. However, before it sounds like a rosy story, let me mention that the initial 3 years were sheer hard work. All the pomp and glory of Andersen days were pushed aside. Any job was god sent. The initial team was me, an administration person and an office - 8 x 10 feet room! And then things slowly began to move.

We are now a **22 year** old accounting practice (**ASA & Associates -'ASA'**) besides the consulting firm (**Corporate Catalyst India Pvt Ltd -'CCI'**). **ASA** is a member of [NIS Global](#), an international association of independent accounting and advisory firms whereas **CCI** is in a joint venture with SCS Global, a Japanese consulting group. Our team of **500 plus** professionals, guided by a board of 22 partners/directors, is now spread across **8 offices in India**. We assist our clients in setting up their business, M&A, partner search, market research, audit, taxation and compliance issues viz accounting, SOX, IFRS etc. Today, we sit amongst India's top 10 firms!

2. Tell me about ASA – number of clients, types of clients (size, industry sectors), services, culture. Can you share a few examples of what you might have done for these US clients in India (setting-up, establishing distribution channels, finding acquisitions)?

ASA has a diverse clientele from across industries viz. Automotive, Aviation, Chemicals, Education and welfare, Electronics, Energy, Food Processing, Infrastructure, Leisure, Lifestyle, Logistics, Media, Real Estate and Construction, Software and Information Technology, Travel and Tourism, etc. Majority of our clients, besides Indian corporate, are Japanese, American, British, German, Swiss and French.

We have assisted a number of American companies operating in India viz. Seagate, Amway, Sify.com, Hewlett Packard, DIG, IHS, Aspect Software Inc., Sourceone Management Services, Responsys Business Solutions India, Hutchinson & Co., LAPP India, CGN IT Services etc. Services to these clients range from set-up, payroll, accounting, tax submissions and representation, audits, etc.

Some of our well known clients include Wipro, Shashun Pharmaceutical, Kerry Reliable Logistics, Cartier, Pigeon, Renault Nissan, Sumitomo Corporation, Mitsubishi, Sony, Hitachi, Dentsu, Audi, etc. It is worthwhile to mention that we are preferred consultants with US Commercial office and have often been engaged to prepare industry report and manage meetings for visiting delegations. We have similar relationships with Swiss chamber, German chamber, Japan Trade Organization, UK Trade Offices, etc.

3. When and how did you get involved with NIS Global? Can you talk about the relationship and any mutual US clients?

Meeting NIS was a wonderful chance encounter, as has been the story of our lives in most key interactions. This was through a letter of inquiry of October 5, 2005 from our ever enterprising Pete. We were mentioned to him by the CFO of a client, who had relocated to the Indian subsidiary of the US parent, and was seemingly not to unhappy with our work. Pete was looking to broaden NIS horizons, specifically towards Asia, while we were looking westwards to become a member firm of a cohesive and forward looking group. That CFO, as is destiny, had heard both stories.

Initial exchanges made us realise that NIS had similar ideology – it was all about people. And we discovered a very cohesive and warm group when we met. Since then, there has been no looking back. NIS has added to our practice, and we have pitched and together landed engagements from American companies. Some of these are Cambium Networks India, Rimini Street, Bookinggrid, 7 Networks, Big Fix etc. With no client attrition till now, it appears we are in a fair direction. We have added our bit to NIS by introducing SCS Global, with whom NIS now has a strategic alliance for Asia. A good story already now appears to be getting bigger and better.

4. What are the typical issues that US companies face when entering India? Can you discuss what these companies need to do to meet the regulatory compliance requirements? Anything else that you think might be relevant for US companies to know?

Typical issues faced by a corporate in their India entry strategy usually begin with poor experiences in dealing with a distributor or prospective Indian partner. This we attribute to poor due diligence or poorly drafted documentation. These issues we see less with American firms coming to India, but more often with European or Japanese corporate.

Manufacturing companies entering India are usually troubled by - land acquisition, varied set-up approvals from multiple agencies, understanding varied types of taxes, ranging from central, federal and even municipal, and, finally, planned exit mechanism. These issues have a bearing on profitability of foreign company dealing in the Indian regulatory environment. Unless a clear business plan is vetted against multiple regulatory norms, an encouraging feasibility study may turn into an unviable plan.

And then the universal problem area – tax! The prime area where we believe initial energy be placed, specifically by American IT companies, should be (i) transfer pricing as regards transactions between Indian operations and parent, (ii) measuring and mitigating risk of Indian operations being classified as a Permanent Establishment of the parent, (iii) indirect tax issues, both around sale of goods and services, and (iv) Payroll management. A poor tax structured entry will result in likely exposure of some global income getting taxed in India, should the tax officer be able to prove a nexus between the parent and Indian entity as a PE. That can be very troublesome. Indirect tax issues are complex and deserve closer attention. Payrolls in India are not as simple as elsewhere. Complex bit of legislations, a legacy of our past socialist incline, govern hire and fire policy. Even day-to-day operations need vigil. We have summarized such key regulatory issues in Key to India Investment (which can be accessed at <http://www.asa.in/pdfs/collaterals/Key-to-India-Investment.pdf>)

Though, India has a stable political environment, a strict compliance of the regulatory regime, which is open to legal interpretation, highlights the need to have trained teams to monitor transactions. This is where we play a key role. With highly structured compliance teams, which take over client's accounting and payrolls on a turnkey basis, play more than mere book-keepers. They are able to flag transactions, which have a possible risk of exposure, and bring to bear ethical corrective action, much before it becomes a mere audit matter or gets limited by time.

5. Why have you been so successful with ASA – growing the firm to 22 partners/ directors and 500+ professionals?

It was, and is, all about people. It is those who joined and found the idea of building a home grown professional practice interesting enough to add their own vision who has built the practice. And thus the vision grew. I may have been the flag bearer, but it is this joint vision which now shapes the firm. It is to do with the excellent partners/colleagues and the comradeship we share. Similarly, clients initially experimented with our limited service offering, logically hedging the risk with a start-up, and then opening up with larger engagements.

The game changer was Japanese business, which started as a single job in 1995, and today we are a highly trusted group to advise Japanese corporate in India. With time, this gave us visibility within other business communities and we today have a very large and diversified base of domestic and international clients.

Internally, we have always paid attention to creating systems and processes to ensure sustainable growth – a legacy and a mind-set from Andersen days! A written code of conduct i.e. the Firm Manual guides all aspects of internal functioning viz. HR, office management, enterprise strategy etc. We have Standard Operating Procedures (SOP) guiding our National practice. These include Audit Manual, Tax Manual, Compliance Services Module, etc, all with a singular focus to enhance client deliverables. We have clearly demarcated service verticals with team leaders and teams at each office, and national leaders guide these efforts. Business Development is a structured process and involves participation by the entire senior management and is supported by well researched white papers, handouts, updated websites etc.

Our global networks NIS and SCS, have added not only to our topline, but to our thinking and learning. Great relationships with our business connections, which we nurture, no matter if that key person has retired or is no more linked to India. It has given us many Ambassadors of our firm all across the globe, and, more importantly, friendships!

Entire operations of the firm are scrutinized and guided through quarterly board meetings and strategic group meetings. Through the concept of Sub Committees we promote and live the concept of 'participative management'. Sub Committees are the catalyst which causes us to think on similar lines across offices and then implement a unified thought. It is the most powerful tool in unifying us into a single organism.

6. *What's your vision for ASA in the future? What do you see as the biggest challenges and opportunities to achieving your vision?*

The ultimate goal is to build India's finest home-grown practice. Towards this, my immediate focus is to bring high standardisation across offices. This in terms of first visitor experience (reception/conference room, telephone greetings, etc.), documentation (presentations, letters – font type and size, etc), administration policies and branding processes. A dedicated Enterprise Strategy team has been created to co-ordinate these efforts. Similarly, we need to streamline our HR functions and have a dedicated team to manage staff issues and ensure that every voice is heard and handled.

In the bigger picture, our focus is to double ourselves in term of people and revenue by 2016! May sound like a tall order, but we have a plan, and we are a team. And we love what we do. It is likely to happen.

7. *What do you do to unwind from the hectic pace? If you weren't doing this job, what would you be doing?*

I am an avid reader and love to travel. The other joys are theatre and cinema. Any of this or a good workout/swim gets me going, and an occasional spa adds to the joy! A trip to the hills around North India or a beach holiday at Goa with family is the most desired stress buster.

If not this, I would have probably been in a business. It would have been something interesting. Maybe, in partnership with my wife, who presently runs a very successful graphic design studio. Maybe I still will, once I hand over the reins here. Miles to go.....