

RISING IN RETAIL



Treasury acts as a strategic partner to fast-growing Dubai-based shopping mall operator Majid Al Futtaim, explain Shrimati Damal and Laura Ford



Words: **Sally Percy** / Photos: **Louise Shrigley**



➤ If you're looking for an example of how treasury can reach beyond its traditional transactional remit and influence corporate strategy, then look no further than Majid Al Futtaim. Treasury plays a critical role in the strategic capital allocation that supports the Dubai-based shopping mall pioneer, which has operations in 12 markets, and boasted annual revenues of over \$6bn and assets worth nearly \$1bn in 2013.

"We're growing quite fast," comments Shrimati Damal, Majid Al Futtaim's Indian-born senior VP and group treasurer. "The company has a goal of doubling in size every five years. This involves expanding into new businesses and geographies. As a treasury function, we derive our goals from these objectives." The group, which generates EBITDA of some \$1bn, complements its shopping mall operation with hypermarkets that it runs as a franchisee of French retailer Carrefour, as well as ancillary businesses such as hotels, cinemas and other entertainment offerings.

Majid Al Futtaim's treasury undertakes a wide range of functions. These include cash management, funding, holistic financial risk management, and maintaining bank and credit rating agency relationships. It also manages the top-down capital allocation for the group. In addition, the task of debt investor relations falls within treasury's remit. "We look at the debt capacity within our credit rating thresholds and how much money the company can spend in any given year," Damal explains. "Based on the strategic priorities, we assist the board and the senior management in deciding where the money should be used."

Although Majid Al Futtaim is a privately held company (it was founded in 1992 by billionaire Majid Al Futtaim), it has a governance structure of a listed company. It also has conventional and Islamic debt programmes that involve bond issuance and mezzanine finance, as well as a credit rating – BBB with a stable outlook from both Fitch and Standard & Poor's.

By its nature, shopping mall development is a capital-intensive business that requires long-term funding and project finance, which keeps Majid Al Futtaim's treasury team busy. "Over the past three years, we have worked on investor education," Damal reveals. "Not just about the company and the business model, but also about the region. This region doesn't have that many

corporate issuers, so building investor awareness has been a really critical area for us."

Expansion into new markets poses a steady stream of new challenges for Majid Al Futtaim's treasury. It has to identify and manage the risks associated with these markets, ensure that the bank operations and systems can support the company's geographic footprint, and source local financing where necessary. It also needs to understand any local capital restrictions and manage the capital structure of the group's subsidiaries accordingly. "It's an interesting time for treasury within the company," says Damal. "We have evolved from being a transactional function to being a strategic function. Now, the board sees us as key to long-term decision-making."

Quest for qualifications

Today, Majid Al Futtaim's treasury team consists of 10 treasury professionals plus a team assistant. When she's hiring, Damal looks for individuals who have a positive attitude and a commitment to succeed, but she also believes in the value of complementing these personal attributes with professional training. Two members of the team are studying for the AMCT, and Damal encourages her staff to do extra training when they take on a new role.

Damal herself is CFA-qualified and she also holds an MBA from the Indian Institute of Management. Before she joined Majid Al Futtaim, she worked for fast-moving consumer giant Procter & Gamble for 16 years in a variety of finance roles in India, Japan, Europe and the US. Although she does not have any professional treasury qualifications, she admits that they would have made her life easier. "I had to go through the difficult phase of learning on the job," she relates. "I covered a lot of corporate finance in my MBA. But the technical aspect of treasury was totally new – and that I had to learn on the job." With hindsight, she would have benefited from studying for the ACT's Certificate in International Cash Management, she says.

Laura Ford, Majid Al Futtaim's senior treasury manager, was born in Wales and grew up in South Africa. She joined Majid Al Futtaim in 2008 as she saw it as an "exciting opportunity to ➤



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SHRIMATI'S TIPS FOR SUCCESS

- ❶ "The biggest part of my success is understanding what motivates me. Challenging work and variety motivate me, which is why I put up my hand when there's something new."
- ❷ "It's important to have the attitude and drive to learn constantly. Don't give up easily, be tenacious and keep at it until you've figured it out."
- ❸ "CertITM is a good place to start for everybody because it gives you a good understanding of treasury and how everything fits together."
- ❹ "A job or a career is what you make it. Don't wait for someone to design it for you."
- ❺ "It's OK to fail. But it's not OK to not try your best."



LAURA'S TIPS FOR SUCCESS

- ❶ "Make sure you surround yourself with people you can learn from. Never be afraid to ask questions and to learn new things."
- ❷ "Always challenge yourself, both as a person and as a professional."
- ❸ "I believe in the old adage that anything worth doing is worth doing well."
- ❹ "Studying is not easy. There are no shortcuts. It requires hard graft."
- ❺ "While it's important to improve yourself, it's also important not to lose sight of yourself as a person."



get in on the ground floor" of a new treasury function. A year later, she took the ACT's Certificate in International Treasury Management (CertITM) because she believed that it would be relevant to her day-to-day work. "It introduced me to new concepts that I was not familiar with, especially within the area of corporate finance." From time to time, she still refreshes herself by referring to the course training material and argues that the CertITM is a "great place to start" for anyone embarking on a career in treasury.

As it happens, Ford is a strong advocate of treasury qualifications in general. "I believe that having the solid knowledge base provided by a qualification empowers you to make sound decisions," she explains. "In hindsight, I wish I had taken the CertITM earlier in my career. Sometimes I feel like I've done it the hard way, being a practitioner first and then doing the qualification later on." Ford has recently taken on a new role encompassing funding and investor relations, so she's now considering enrolling for the Certificate in Corporate Finance and Funding.

Damal notes that while awareness of ACT qualifications is growing in the Middle East, the ACT has an opportunity to promote its certificates to SMEs that don't have the resources to do their own training.

Land of opportunity

In the Middle East, the concept of a company having its own dedicated, fully fledged treasury function is still relatively new. Thus approaches that might be considered 'best practice' elsewhere in the world are not necessarily so intuitive in the region.

Nevertheless, the ambitious plans for growth that many regional companies have give their treasury teams the opportunity to make a real difference. "The role of treasury has started to evolve," says Ford. "Its scope is expanding from cash management and risk management to being more of a strategic partner. But it's a gradual change and it also requires the organisation to shift its own mindset."

"Companies are in different stages of evolution," observes Damal. "There are corporates that are very



VITAL STATISTICS

1992

the year in which Majid Al Futtaim was founded

\$10.75bn

Majid Al Futtaim's assets at the end of 2013

27,000+

employees - the size of Majid Al Futtaim's workforce

17

the number of Majid Al Futtaim shopping malls in the United Arab Emirates, Egypt, Oman, Bahrain and Lebanon

175 million

the number of people who visited Majid Al Futtaim shopping malls in 2013

advanced and do a whole gamut of treasury functions. Then there are smaller firms that are just starting cash management. But, in general, treasurers in the Middle East face a less structured environment than they would face elsewhere. It's a less structured environment in terms of bank offerings, standardisation of services and regulation. And capability levels can vary across banks and organisations."

She continues: "As a treasurer, you can end up getting into areas that are not necessarily finance- or treasury-related. For example, you might get into the legal aspects of financing discussions, whereas in other places you would have legal experts handling that for you. Here, as a treasurer, you need to be multifaceted. You do legal, and a lot of project management, too."

Damal also notes that, when hiring, employers in the Middle East tend to look for what she terms as a "cooked profile". "They want people who have already done the job before and demonstrated the skills as opposed to taking on people with the right attitude, drive and potential, and developing them over time. That makes it difficult for junior staff to have streamlined career development. I hope this changes and that there will be room to take on people who have potential, but just haven't demonstrated the specific skills in a previous job."

Bright future

While treasury already plays an important strategic role at Majid Al Futtaim, Damal believes that the function is set to become a more prominent strategic partner for Middle Eastern businesses in general. "There's no other way," she says. "As treasurers, I expect we'll spend less time on day-to-day operations and focus the rest of our time on corporate decision-making and the more strategic direction-setting for the company." The future for treasurers, she says, is being a "critical part of communication to the board".

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