

IN FOCUS: THE **STOCKMARKETS**

STAY AHEAD.
EVERY WEEK

5 June 2006

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INDIA'S MOST RESPECTED COMPANIES

ICICI BANK, K.V. Kamath
2006: Ranked 4th
2004: Ranked 9th

FAST CLIMBERS

TCS, S. Ramadorai
2006: Ranked 5th
2004: Ranked 13th

CRASH COURSE

What triggered the fall, and what happens next



INDIA'S LARGEST SELLING
BUSINESS MAGAZINE

the tally: sectors

Current Rank	Prev. Rank	Company	Total score*	Innovativeness	Quality & depth of management	Financial performance	Ethics & transparency	Quality of products or services	People practices/ talent mgmt	Global competitiveness
AUTO										
1	3	Tata Motors	1,226.8	175.0	170.9	178.9	178.9	169.0	184.0	170.1
2	6	Mahindra & Mahindra	1,186.3	175.0	169.3	169.6	169.6	169.3	169.3	164.2
3	1	Maruti Udyog	1,166.1	170.9	160.7	162.2	162.2	174.9	167.6	167.6
4	5	Bajaj Auto	1,068.0	165.4	155.8	142.5	142.5	172.2	139.7	149.9
5	4	Hero Honda Motors	1,050.9	158.0	160.0	145.1	145.1	151.4	145.4	146.0
6	2	Hyundai Motor India	939.8	121.2	149.4	113.1	113.1	157.0	137.2	148.8
7	8	TVS Motor Co.	899.9	135.0	144.0	120.0	120.0	128.0	130.0	122.9
8	N.R.	Ford India	798.1	112.1	116.0	98.0	98.0	123.0	124.0	127.0
9	9	Ashok Leyland	784.0	106.1	105.0	128.0	128.0	107.0	106.0	104.0
10	7	Toyota Kirloskar Motors	763.9	114.0	100.0	91.0	91.0	129.0	120.0	119.0
AUTO ANCILLARIES										
1	3	Bharat Forge	1,151.4	190.0	177.1	132.1	132.1	177.1	159.9	183.1
2	1	Sundram Fasteners	1,104.9	156.0	161.9	146.0	146.0	183.1	149.9	161.9
3	5	Lucas-TVS	1,072.5	182.0	163.0	124.0	124.0	167.0	160.4	152.0
4	4	MRF	921.1	130.0	145.0	113.0	113.0	133.9	133.4	152.0
5	2	Motor Industries Co. (MICO)	917.4	137.0	144.0	136.2	136.2	127.0	121.0	115.9
6	6	Delphi India	773.4	137.9	115.8	85.0	85.0	100.9	133.9	114.9
7	N.R.	Motherson Sumi Systems	591.4	98.5	86.9	75.0	75.0	92.0	77.0	86.9
8	7	Brakes India	555.2	80.0	86.0	69.0	69.0	85.0	74.0	92.0
9	9	Wheels India	549.0	76.0	74.0	78.0	78.0	93.0	97.0	53.0
10	N.R.	Rane Madras	502.0	68.0	82.0	63.0	63.0	76.0	80.0	70.0
BANKING & FINANCE										
1	3	State Bank of India	2,537.8	343.2	383.0	376.4	376.4	345.1	359.0	354.8
2	1	HDFC Bank	2,423.8	347.8	356.0	371.5	371.5	337.9	332.0	307.1
3	4	Citibank	1,868.3	301.2	290.2	219.2	219.2	277.5	249.9	311.2
4	2	ICICI Bank	1,757.1	269.2	251.1	256.9	256.9	259.0	232.0	232.0
5	N.R.	Punjab National Bank	1,159.3	159.1	178.1	182.0	182.0	141.1	156.0	160.9
6	N.R.	UTI Bank	1,020.6	169.0	152.9	130.0	130.0	169.9	139.0	130.0
7	6	Hongkong & Shanghai Banking Corp.	1,018.8	172.9	147.0	108.5	108.5	154.0	146.0	182.0
8	N.R.	Kotak Mahindra Bank	962.9	152.0	152.0	135.0	135.0	140.9	163.0	105.0
9	9	Sundaram Finance	848.8	105.0	125.0	131.9	131.9	128.0	128.0	99.0
10	N.R.	Oriental Bank of Commerce	841.8	121.0	126.0	123.9	123.9	123.1	126.9	97.0
BPO										
1	2	Convergys India Services	487.9	70.0	73.0	72.0	72.0	81.8	62.0	57.0
2	N.R.	Genpact ¹	457.0	68.0	80.0	60.0	60.0	67.0	69.0	53.0
3	1	Wipro BPO ²	448.0	59.0	60.0	66.0	66.0	57.0	77.0	63.0
4	N.R.	Progeon	439.1	65.0	73.0	53.0	53.0	69.0	63.0	63.0
5	9	24/7 Customer	388.5	75.0	64.0	40.0	40.0	55.0	65.6	49.0
6	6	IBM Daksh ³	350.0	61.0	48.0	60.0	60.0	42.0	45.0	36.0
7	4	Msource ⁴	295.5	48.0	50.2	35.0	35.0	40.0	44.4	43.0
8	N.R.	WNS Group	294.0	51.0	50.0	39.0	39.0	44.0	34.0	37.0
9	N.R.	Sutherland Technologies	249.0	41.0	42.0	28.0	28.0	41.0	39.0	30.0
10	7	EXL Services	187.0	30.0	28.0	27.0	27.0	26.0	26.0	23.0
FAST-MOVING CONSUMER GOODS										
1	1	Hindustan Lever	2,149.2	312.2	335.7	274.4	274.4	318.2	306.8	327.6
2	2	ITC	1,798.7	261.5	275.3	252.8	252.8	245.9	253.3	257.3
3	5	Nestle India	1,487.9	213.0	239.0	177.3	177.3	232.8	222.1	226.5
4	4	GCMF (Amul)	1,464.1	257.7	210.3	170.8	170.8	260.4	189.6	204.6
5	N.R.	Dabur India	1,331.6	204.9	202.2	174.0	174.0	213.6	171.1	191.8

*The sectoral tally is based on Phase I of the survey and, hence, there is a difference between the scores here and those in the Top 25 and Attributes tallies; 1. Formerly GECS Global; 2. Formerly Wipro Spectramint; 3. Formerly Daksh eServices, bought by IBM; 4. Bought by EDS; N.R.: Not ranked; To find out overall ranks of companies outside the Top 25, write to mro@bworldmail.com

beyond the

One of the early globalisers, Bharat Forge makes it to the top of the list.

frontier

READ MY MOVES: Bharat Forge CMD Baba Kalyani is reaping the benefits of catching the globalisation train early



ANCILLARIES

IT'S a sector that heralded India's manufacturing revival. It's a sector where even the smaller players have a plan to go global. It's a sector that's got venture capitalists all agog. It's also the sector where Baba Kalyani's word is gospel these days. Any surprises that Bharat Forge is on top?

The reasons behind Bharat Forge's rise to the top — it was ranked third in the previous survey — lie outside India's borders. In the last five years, it has done five deals worth around \$115 million, globally. Today it is the world's second largest automobile forgings company, with a stated ambition to be the largest soon, as Kalyani, chairman and managing director of the company, puts it. (Germany's ThyssenKrupp is the largest at the moment.) Moreover, he has been advocating the path of dual shoring for the Indian auto ancillary sector — buy companies or even order books abroad and relocate some of the manufacturing back to India while keeping the rest overseas. It's an approach he has mastered. Little wonder Bharat Forge ranks ahead of its peers in two parameters — 'innovativeness' and 'globalisation'.

While Bharat Forge and Kalyani are slowly gaining the kind of aura that Infosys and N.R. Narayana Murthy enjoy in IT, the industry isn't about them only. Prior to the ascendancy of Bharat Forge, another company, along with

its CEO, was considered somewhat iconic — Sundram Fasteners. It was ranked No. 1 in the last survey and this time round has been dislodged to the second position.

Yet, industry watchers argue that Sundram hasn't of late been displaying the kind of well-thought-out aggression that some of the other players are showing and has, therefore, slipped in the perception rankings.

After all, the previous year or two have been mostly about deals that Indian auto-ancillary companies have struck around the globe. Tata Technologies picked up UK's Incat International for \$95 million. Ucal Fuel Systems picked up Amtec Precision in the US for \$28 million, Sona Koyo bought 21 per cent of Fuji Autotech (France) for \$6.15 million and so on.

In all this spate of cross border M&As, besides Bharat Forge, the one other company that has demonstrated plenty of aggression is Amtek Auto, maker of auto components that are used in engine, transmission and suspension systems. This will be a company to watch out for in the future.

Yet, five years ago, very few could have predicted the kind of growth that the sector is showing.

The Indian auto ancillary industry was born in the early 1980s, shortly after Maruti Suzuki set up shop here. But it was only in the late 1990s that the industry was confident enough to take on the world. Years of working with world class car makers (GM, Ford, Hyundai, Toyota, DaimlerChrysler, etc.) helped auto component companies sharpen their engineering and design skills. Those, along with relatively cheap manufacturing costs, have come together to create an almost unbeatable combination.

According to estimates by the Automotive Component Manufacturers Association (ACMA), domestic production increased by 17 per cent in 2005-06 to \$10 billion. This marks an almost five-fold increase in the last decade (\$2.4 billion in 1997). Exports have grown impressively by 30 per cent to \$1.8 billion this year. Its share as a percentage of total output has risen from 12.9 per cent in 2001-02 to 18 per cent this year.

It is estimated that the Indian auto components industry will invest about \$1 billion towards ramping up capacities and acquiring newer technologies every year for the next 10 years.

Riding on the buoyancy in the industry and a study by McKinsey & Co., ACMA has set an export target of \$20 billion-25 billion by 2015.

Companies such as Ford, General Motors, Fiat and DaimlerChrysler are already sourcing significant volumes of auto components from India every year.

Bharat Forge's is perhaps somewhat representative of how the sector has evolved. It began its export drive around 10 years ago. The natural progression was, as Kalyani puts it, "how do you globalise your company".

"We identified for ourselves three markets — North America, Europe and Asia. And while we said we must have a footprint in each, there must be a bigger emphasis on Europe. In our business, all the technology development happens in Europe. We wanted to be plugged in to the high-end auto business circuit and that's really why we focussed on Europe," says Kalyani.

But the one curious thing is that auto-component manufacturers still aren't cutting the mustard when it comes to the overall rankings. Bharat Forge, the first auto-component company on the overall rankings, debuts at No. 38.

top five

Rank	This survey	Last survey
1	Bharat Forge	Sundram Fasteners
2	Sundram Fasteners	MICO
3	Lucas-TVS	Bharat Forge
4	MRF	MRF
5	MICO	Lucas-TVS

DNM