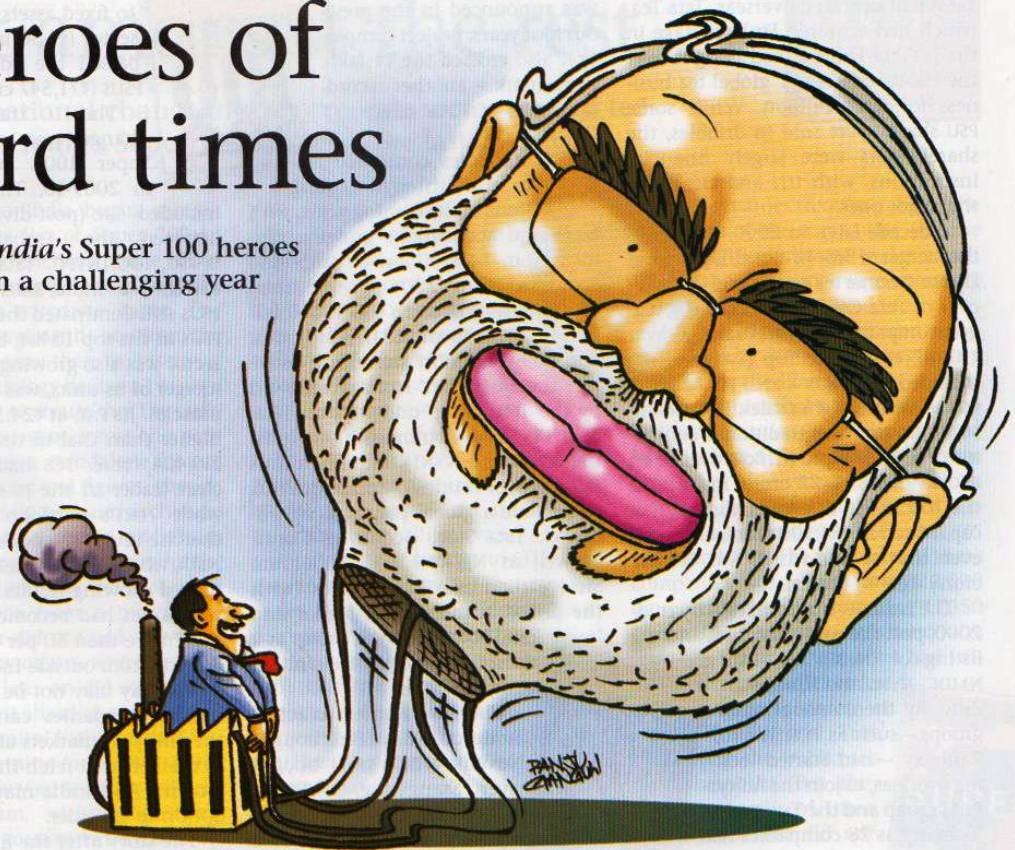


Heroes of hard times

Business India's Super 100 heroes did well in a challenging year



Corporate historians have a unique way, right or wrong, of classifying the turning points in the economy. The period before 1990 was dubbed as pre-liberalisation and the period thereafter as the post-liberalisation. A few years from now they may well describe the current period as post-Modi era.

Of course, the clouds of despair and pessimism of the last few years have given way to the euphoric clouds of optimism in the Indian economy. Cutting across generations which want a change, the new dispensation at the Centre has seen everyone, including businessmen and corporates, brimming with hope and a new found confidence. So much so we tend to forget what the Indian

economy had undergone over the last few years. Like a bad dream.

The GDP growth had remained submerged below the 5 per cent mark in FY14. Industrial growth as measured by the Index of Industrial Production (IIP), was non-existent. Rising inflation, high interest rates, soaring crude prices adversely impacted the economy. This was accentuated by a policy paralysis in the government, which was engulfed in scams. Project activities had come to a virtual standstill.

Buffeted by problems on the

domestic front and tardy pace of global recovery, (save for the green-shoots in the US economy) saw consumers defer their purchases. As a result several companies which had invested in capacity addition during the earlier years had to cope up with low utilisation. Declining consumer demands led to low investments, which took its toll on corporate India's performance.

The fiscal mismatches on the macro-front coupled with fears of the US planning to cut down its quantitative easing programme (QE) which it had embarked on in the wake of the global financial crisis, had sent the currencies of the emerging markets in a tizzy. India was no exception and the rupee made the dubious record of plummeting to a new low of nearly

Changing Landscape - leaders in Super 100

YEAR	1990	2000	2010	2014
Total Sales	13,405	176,851	909,312	1,342,979
Total Pat	1,553	14,841	99,744	136,172
Total NFA	27,827	36,619	565,914	711,018

Top 10 companies



₹69 to a dollar. The emerging markets – especially the BRIC countries, along with Indonesia were called the Fabulous Five, being the growth drivers of the global economy – were dubbed as the 'Fragile 5.' The last ditch attempt made by P. Chidambaram who was brought in as the finance minister once again, by the Manmohan Singh led government did not help – especially the fast track committee to speed up project implementation failed miserably. The promised green-shoots envisaged in the earlier year did not emerge. And it was a case of too little, too late.

It was in this dismal environment that the Indian companies had to operate. Growth which was on the top of the agenda till 2010, was replaced by survival and consolidation. The challenges for large corporate houses like the Tatas, Birlas and Mahindras were even more as they had to cope up with problems of making their mega acquisitions in the period before 2010, work. Corus Steel continued to be the bug-bear for Tata Steel, Kingfisher Airlines for the UB group and Bruner Monde for Tata Chemicals. There were a few like Jaguar and Land Rover which did wonders for Tata Motors. As did Taro for Sun Pharmaceutical, which continued to grow from strength to strength. Novelis also continued to boost Hindalco's profit. Ssang Yong also turned cash positive for Mahindras. However the other mid-sized companies acquired by Mahindras in Europe could not deliver as parts of Europe slipped into recession. The slowdown in Europe also impacted some IT companies as well as some manufacturing companies including pharma which had production bases in Europe. Several mid-size acquisitions made overseas by other

companies also had to be digested. One could debate whether FY13 or FY14 was the worst year. But for India Inc 2010-14 was indeed a bad patch with the only difference being in the degree of badness.

Rising coal prices globally and inadequate availability of coal in the

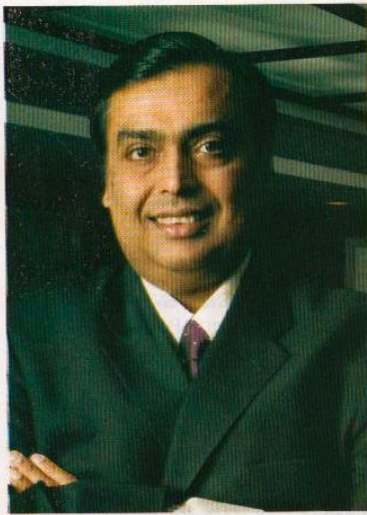
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domestic markets hit many power projects badly. Adani, Reliance Power, Tata Power, JSW, Jindal Steel and Power, Lanco, GMR, GVK were amongst the companies impacted by the changing environment and the poor policy responses of the government.

Large groups like Jaypee, GMR, GVK, Lanco, Reliance Power, Essar, and United Spirits which had incurred huge debts in pursuit of growth, were faced with problems of debt servicing and repayment. They had to resort to write-offs and sale of assets, restructuring and other modes. Jaypee group started selling its cement and some of its hydel power plants. Essar raised funds in the overseas market to lower its cost burden while United Spirits group had to sell control in its prized export business to overcome problems in its airlines business.

Stock markets remained lacklustre for the better part of the year with the Sensex remaining virtually range-bound between 18900 and 21000. It touched a low of 17488 giving opportunities to long term investors to shore up their holdings. It was only during the latter part of the fiscal year that the shares started moving up in anticipation of a change in the government at the Centre. It reached a high of 22467 in March. But the markets always run ahead of any real turn in the economy. Realty markets continued to droop with several developers dragging their feet for completing projects. Quite a few cash-strapped project developers also sold off their stakes in the existing projects. Banks and NBFCs which, though not a part of the rankings of our Super 100, were

Business houses				
Group	Net sales	PAT	Total Assets	
			Assets	Mktcap
PSU group	1,701,786	108,257	917850	1387,273
MNC group	231,768	26,087	69979	1029,221
Tata group	560,629	38,144	224153	810,475
Reliance Ind	434,460	22,548	148651	323,222
Infosys	50,133	10,656	7017	232,649
Aditya Birla group	190,997	10,382	157679	216,430
Bharti group	96,690	4,016	85942	214,672
Vedanta group	98,550	29,676	114853	201,860
Sun Pharma	16,080	3,881	4340	175,127
L & T	85,128	4,875	25368	153,609
Mahindra group	92,832	7,386	20321	140,113
Wipro	43,424	7,991	5136	139,066
Adani group	75,659	4,096	148822	125,891
HCL Tech	25,581	4,045	2898	112,611
Bajaj Auto	20,158	3,266	2039	75,497
ADAG group	45,373	3,730	118,310	63,664
Asian Paints	13,414	1,263	2,404	62,938
Lupin	11,287	1,870	2,888	61,478
Hero MotoCorp	25,275	2,106	2,866	61,136
UB group	14,845	-4,262	3,968	58,556
OP Jindal group	79,929	3,058	114,886	58,405
Dr. Reddy's Labs	13,415	1,963	4,480	53,865
Cipla	10,100	1,417	4,350	53,563
Godrej group	15,520	1,115	2,326	43,028
Dabur	7,094	916	1,155	39,676
Eicher Motors	6,810	525	1,729	34,609
Zee Entertainment	4,422	890	402	33,126
Shree Cement	5,682	1,004	2,327	31,718
Torrent group	12,866	772	16,090	22,733
Marico	4,687	504	599	20,094
Murugappa group	31,002	1,101	6,147	19,853
Bharat Forge	6,716	519	3,107	18,908
TVS group	17,723	380	3,488	15,709
RPG group	15,665	844	18,857	11,590
Lalbhai group	9,406	573	3,532	11,482



PALASHRANJAN BRAMBICK

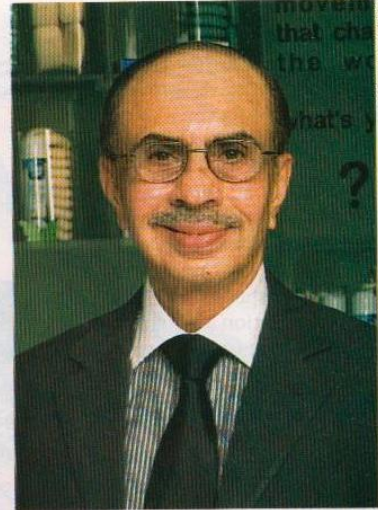
Ambani: renewed optimism augurs well

also impacted by the harsh operating environment with several PSU and private banks nursing high levels of NPAs. This in turn made them even more cautious in granting credit to medium and small scale companies. The lower bank credit and drying out of capital markets coupled with high interest rates also created funding problems for some companies.

Sensing an opportunity, MNCs holding a long term view on the future, started consolidating their equity holdings in companies. GSK group did it for both its arms in India, GSK Consumers in 2013 and GSK Pharma, a year later. While GSK Pharma was a \$1 billion offer, Hindustan Unilever's offer brought over \$3 billion forex to the country. Tatas did the same for upping their stakes in some of their companies viz. Tata Sponge and Tinplate. There were as many as 31 buy-back offers collectively worth ₹5,200 crore were completed in FY14 by Indian companies. The largest being that of NHPC which was nearly ₹2,400 crore. Cairns' offer of over ₹5,200 crore was also launched in FY14.

For most companies the objectives included paring debt, shrinking balance sheets and product portfolios, besides adopting various initiatives to survive

and retain market share. While consolidation was the mantra, even at the cost of dwindling profit margins, there were a few brave-hearts who not only completed their existing projects but also committed fresh capex, even in adverse times. Hindalco was one which committed \$1.5 billion towards its ongoing projects to double its capacity of alumina to 3 mtpa and aluminium to 1.3 mtpa. Earlier this year, Reliance Industries committed a capex of ₹150,000 crore across its various divisions. Tata Steel pumped in ₹8,000 crore for its 3 mtpa Kalinganagar, Odisha greenfield project. But the overall fresh investments in creating new capacities were small. Even M&A activity was on a low key with Indian corporates going in for need-based acquisitions.



SANJAY BORADE

Godrej: strong growth

During these challenging times Heroes of the Indian corporate sector in FY14 Super 100 did relatively well. In the top 5, TCS with a current market cap of over ₹5 lakh crore retained the number one position, with ONGC and RIL changing places, thanks to a larger profit and size as also a higher market cap pipped Reliance Industries. The same was with PSU giant Coal India. It nudged Tata Motors to number 5. For Tata Motors this was its best year. The total sales of ₹2.32 lakh crore and PAT of ₹14,000 crore made it the real Indian MNC.

Save for some minor changes, NTPC and Infosys inched up by one notch, Bharti Airtel slipped down a couple of notches, the top 20 remained virtually the same. Sterlite's takeover of Sesa Goa and consolidation of the group's holdings saw Sesa Sterlite move to the top 20 list. Total sales

moved up dramatically from ₹2,709 to ₹66,152 crore with its PAT moving to over ₹10,000 crore. This was short of Cairn's, the other major company in the Vedanta group which posted a profit of over ₹12,000 crore. There were nine companies with profits of ₹10,000 crore. To bring this in context the total PAT of *Business India's* Super 100 in 1990 was just a little over ₹1,500 crore and ₹36,000 crore in 2010. Four companies have exited from the Super 100 list: Videocon, Essar Oil (in the process of delisting), Bhushan Steel and Jet Airways.

Jaiprakash Associates, which is in the process of monetising its assets, has dipped to the 65th rank.

The tough times which have once again seeing the best companies flexing their muscles are expected to notch up handsome gains in the coming years. Better working capital management, frugal spending and need-based acquisitions compared to bargain buys over the last four years have provided them with rich experience which will fortify them and help them ride the business cycles better. For now however the environment has changed. And it is not just the Modi effect. While a government

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PSU vs Pvt 2014				
(₹ crore)	PSU	Pvt Cos	Total	Change (%)
Net Sales	1,701,786	2,817,272	4,519,058	38
PAT	108,257	226,635	334,892	32
Total Assets	917,850	1,577,628	2,495,478	37
Market Cap	1,387,273	5,464,595	6,851,868	20
Top 200 cos, 28 PSU cos				



Balasubramanian: seeing a revival

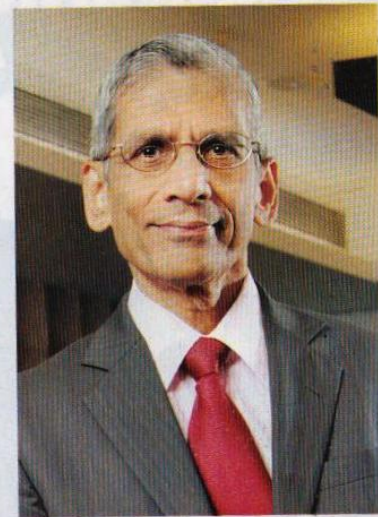
pushing for growth does help in creating an enabling climate for businesses to flourish, the changes in the external global environment is a big plus for Indian companies. Especially with some of the major super heroes deriving more than 50 per cent of their total income and revenues from overseas.

Modi's emphasis on the manufacturing sector embodied in his slogan 'Make in India' will also give the manufacturing sector a fillip. Industrialists are optimistic of a transformational change coming through. Mukesh Ambani, CMD, RIL, in his communiqué to the shareholders, says that "renewed optimism in the domestic economy augurs well for business and consumer confidence, particularly against the backdrop of continuing concerns on global economic growth". Adi Godrej, head of the Godrej group which controls several companies, is also gung-ho. "I expect the Indian economy will pick up strongly from the second half of this financial year and continue to grow strongly in the next financial year (FY16). I feel the GDP growth rate in the next financial year will be around 7 per cent."

An enabling environment augurs well for businesses to flourish. And this will have a positive impact on

their earnings. "The economy's sure but steady momentum during the past few months augments well for growth in equities prices and should drive EPS expansion going forward," predicts Nimesh Shah, CEO, ICICI Mutual Fund. Shah predicts that "the earnings growth of the Sensex is likely to be in the high growth range of 20 per cent in FY15-16 and FY16-17, something that we have not seen in a long time."

Most experts in the financial sector share this optimism. "We are quite bullish about the improvement in the output of the manufacturing sector," says A. Balasubramanian, CEO, Birla Mutual Fund. He predicts that it is earnings of the company purely on the basis of higher productivity which will drive this sector. "The manufacturing sector will also get support from the uptick that could be witnessed in government spending in roads and railways." He also sees a revival in mining which could also lead to better output. It is true that it will take some time before companies start committing investments in new projects. Some feel that this may take some time. Y.M. Deosthalee, MD, L&T Finance Holdings, feels that there are certain critical issues which need to be addressed, "In 2015 the theme will be consolidation. We do not expect growth to be phenomenal. There are a lot of structural issues like which require to be sorted out. GST, clarity on the land acquisition issue and single window clearance are some."



Deosthalee: don't expect great growth

But while companies will do well, the big social issue will be how much additional employment is generated. With an emphasis on change and growth, Modi has raised high hopes amongst the youth. With the changes in labour laws being proposed, it should be easier for industry to be bolder in hiring larger numbers. But this is an area that are openly discussing.

GST will be a major game changer as it will ensure equal footing for companies irrespective of where they operate. If that comes through, Indian corporates will have a field day. *Business India* feels that Modi will succeed in ushering in structural changes in the economy. And with a little bit of luck if the global environment changes for the better, in the coming years, Indian companies will be back on the growth mode. And India will shine, once again. Of course the companies in the super league may change. We could also see a few stand alone retailers vying for a place in the Super 100 league in the years to come. However new age companies may well have to slug it out to get a berth to dislodge veterans in the manufacturing sector which are also getting their act together and embracing all modes to reach out to the consumers.

◆ DAKSESH PARIKH

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Movement in Super 100	
In	Out
Aurobindo Pharma	Bhushan Steel
Castrol (I) **** (S)	Crompton Greaves
Colgate-Palmolive(S)	Essar Oil
Cummins (I) (S)	GMR Infra
Divis Labs	Jet Airways
Eicher Motors ****	Videocon Ind !
GSK Healthcare (S)	

Essar Oil due to delisting we have not ranked
Videocon Ind due to results were not available
****: Dec 2013; (S): Standalone