cover story

Companies To Watch In 2006

Promise and potential, as anyone associated in anyway with the stock markets will tell you, are the things that make the world (or at the very least, stock market indices) go around. For four years, Business Today has been tracking promise and potential in a very tangible way, through a listing of 20 companies that merit watching. BT's editors and reporters meet venture capitalists, execs at private equity firms, headhunters, CEOs and consultants to compile a shortlist of companies. The final list of 20 is arrived at after several rounds of validation. The result is an eclectic list of companies large and small, listed and unlisted, and across a variety of industries. Then, it's variety that makes it fun.

Sahad P.V.

AIR DECCAN

G.R. Gopinath/*Managing Director*

The Life Option

In August 2003, Captain G.R. Gopinath, the Managing Director of Air Deccan, a company with a workforce of three and a fleet of one (a turbo-prop, if you must know), announced his wannabe low-cost airline's maiden flight, from Bangalore to Hubli (a large city in Northern Karnataka that wasn't, until then, connected by air). Today, Air Deccan employs 1,300, has a fleet of 24 aircraft including seven new Airbus A320s, operates 140 flights a day, and would have flown some four million passengers in 12 months by the time this year ends. Along the way, the company has engendered a low-cost airline revolution in India; three more low-cost airlines are already in the air and some 12 are waiting to take wing. And in this, its second full year of operation, it has turned profitable (analysts expect Air Deccan to close this year with Rs 1,000 crore in revenues; the company itself isn't willing to share any numbers as it is in the quiet period in a run-up to its initial public offering).

"Even if I am able to convert 5 per cent of the 800,000-1 million people who use Indian Railways every day to fly Air Deccan, I will realise my dream of selling one billion seats a year," says Gopinath, who will add one aircraft to Air Deccan's fleet every month for the next 76. Already, he claims, "40 per cent of the people who fly us are first time fliers". Scale and profits have meant recognition. Last month, Warwick Brady, a longtime employee of Ryanair (the world's best-known low-cost airline) signed on as coo of Air Deccan. "Our head of maintenance is from GE and controller of operations from (another international low-cost airline) Jet Blue," laughs the captain. "People have realised this is where the action is." The buzz on Deal Street is that Air Deccan will raise between $200 million and $250 million (Rs 800-1,100 crore) in early 2006 to fund its growth. Gopinath would rather not comment on the timing and the amount but admits that an issue is very much in the offing and that the company will probably spread its wings to West Asia and India's neighbours after that. Can Air Deccan become a regional low-cost airline for this part of the world? Well, no one thought it could succeed in India, and it has.

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Retail Conundrum
The entry of foreign players, and FDI, could galvanise the retail sector and provide employment to

thousands. Left parties, however, feel it would push small domestic players out of jobs. What is the real picture?

The Foreign Hand
Huge spikes and corrections in the BSE Sensex have lately come to be associated with the infusion and withdrawal of capital from foreign institutional investors (FIIs). Are India's stock markets becoming over dependent on FIIs?
More Net Specials

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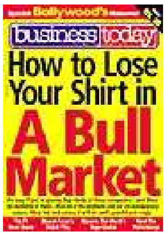


Venkatesha Babu

BILCARE

Mohan Bhandari/*Managing Director*

The Magic Pill (Pack)

It isn't just Indian pharmaceutical majors that have global aspirations. Bilcare, a company that develops and manufactures packaging for pharma companies, has them too. "Our strategy is all about increasing capacities and addressing challenges faced by pharma companies worldwide," says Mohan Bhandari, Managing Director, Bilcare. Already, the company that closed 2004-05 with Rs 165 crore in sales (it expects to grow by 30 per cent in 2005-06) has founded an eponymous subsidiary in Singapore, and acquired Proclinical Inc, a us-based packaging firm that boasts the likes of Astra Zeneca and Johnson & Johnson among its customers. "Apart from being the largest market, the us is also the fastest growing (for pharmaceutical packaging) at 15 per cent plus," explains Bhandari.

Packaging plays a crucial role in the pharmaceutical business. At one level, the packaging has to ensure that the drug remains in a hermetically sealed environment for a fairly long period of time (most drugs have a long shelf life) without losing its efficacy. At another, packaging innovations often play a part in the adoption, usage and success of a drug. Bhandari offers the instance of a pack Bilcare developed for Shelcal, a calcium-based drug launched by Elder Pharma, which helped the latter increase sales by almost 20 per cent. Shelcal was a success but Elder wasn't reaping the rewards it should have been; counterfeiters had their own versions of Shelcal out. Bilcare, Bhandari claims, developed a package for Shelcal that wasn't just high-quality, but also difficult to counterfeit. Ergo, R&D plays just as critical a role in the pharma packaging business as it does in pharma itself.

Apart from tapping the Asian and North American markets, Bilcare is also considering a foray into Europe and Latin America and getting a foot into the emerging biotech and life sciences space. Bilcare works with companies to understand the drug, its benefits and its delivery mechanism before developing a package, and then manufactures it, and Bhandari believes this "integrated business model" is the company's unique selling proposition. Form, it would appear, matters as much as content in pharma.

-Krishna Gopalan

CAVINKARE

C.K. Ranganathan/*Chairman and Managing Director*

The Other FMCG Major

In India's hyper-competitive fast moving consumer goods industry, any company that has been able to consistently stand up to behemoth Hindustan Lever Limited is sure to attract attention, fill reams of column space, and be described by terms such as giant-killer and ambitious upstart. CavinKare (formerly Beauty Cosmetics, and renamed, perhaps as a play on founder C.K. Ranganathan's initials and on Calvin Klein) is all that; only, with revenues of Rs 400 crore today and targeted revenues of Rs 1,200 crore by 2008, the company, whose Chic is the second-largest shampoo brand in the country (in terms of volumes sold), is no longer small and no longer regional in terms of its reach. Today, ck products are available in Sri Lanka, Nepal, Singapore, Malaysia, Myanmar, Indonesia and West Asia; Ranganathan is busy assessing the potential of the African market; and CavinKare has formed an alliance with a contract manufacturer in Bangladesh to tap that market.

Then, there is the company's plans for the foods business, which it entered in November 2003 with the acquisition of Ruchi Agro Foods, an Andhra Pradesh-based company that was largely in the business of pickles. By January next year, says Ranganathan, the pickles and the other products the company has launched (masalas, ready-to-cook mixes and the like) will be available nationally. Soon after that, he adds, the foods business will go global by entering the US and the UK markets. "Every year, we will come out with five to six new products in both segments (personal care and foods)." And become less of an upstart.

-Nitya Varadarajan

CENTURION BANK

Shailendra Bhandari/*Managing Director*

Sharp Turnaround

It has perhaps been among the most interesting turnarounds in the banking sector. Centurion Bank, whose story seemed all but over a couple of years ago, is today in the news for its merger with Bank of Punjab. Centurion Bank itself was taken over in mid-2003 by a combine comprising Sabre Capital (founded by former Standard Chartered ceo Rana Talwar who is now Centurion's Chairman) and Bank of Muscat; a fresh infusion of capital and a focus on operating efficiencies turned it around. Ironically, Bank of Punjab finds itself in a position similar to that of Centurion at the time of its acquisition, and most of its problems can be addressed through a fresh infusion of capital. The merger, apart from doing this, will also put Centurion on the fast track. The merged entity will be called Centurion Bank of Punjab and its Managing Director Shailendra Bhandari is upbeat about where the bank is headed. "The primary thrust will continue to be retail," he says. "Over the next five years, there could also be inorganic growth." The emphasis on retail shouldn't surprise anyone; Centurion disburses 40,000 loans for two-wheelers every month (a fifth of all loans for two-wheelers disbursed).

That, of course, is only one side of the story. The merger with Bank of Punjab will help Centurion tap sectors such as small and medium enterprises (SMEs) and agriculture. The merger has a rationale on the geographical front too; Bank of Punjab is very strong in the North while Centurion Bank's base is the South and West. "Together, we will have about 240 branches with just a limited overlap," says Bhandari. He adds that the merged entity will foray into areas like credit cards and retail broking, admitting candidly that while the bank is unlikely to become the largest entity in either, it will have a significant presence in both.

-Krishna Gopalan

DQ ENTERTAINMENT

Tapaas Chakravarti/*CEO*

Animation Hypermart

Animation has been touted as the next big thing in India for some time; gaming is the new kid on the block in the next-big-thing firmament. Yet, it isn't merely its presence in the two areas that earns the Hyderabad-based DQ entertainment (DQE) entry into this listing (for the record, the company also offers pre- and post-production services). What does is the other things the company is doing. "DQ Entertainment has to expand its revenue stream with natural forward and backward linkages," says Tapaas Chakravarti, CEO, DQE.

That spans everything from software for gaming consoles, mobile-gaming and animated TV series (for children) to distribution, licensing and merchandising of its own work and that whose (content) rights it has acquired, to a joint venture with two large studios to co-produce content. That's a significant leap forward for a company that started life in the business of it consulting (its heritage is evident in the fact that it has implemented a proprietary enterprise resource package for production planning across its eight development facilities in India, two in China and one in the Philippines).

With private equity and venture investments of $9 million (Rs 39.6 crore) from a clutch of companies including IFC, TDA capital, GW capital and ilabs, and long-term contracts from the likes of Disney, Sony, NBC universal, PBS kids and Mike young productions, DQE claims it is on its way to becoming the world's largest animation outsourcing and co-production firm.

By 2008, says Chakravarti, the company's revenues will nudge the $100 million mark (Rs 440 crore; he is unwilling to disclose current revenues). A significant part of that will come from a foray that it has just made into distribution-it has started distributing in India some of the animation series it produces for customers in other countries such as the us, Canada, France and Spain and some 22 series produced by other global firms for which it has acquired rights-and co-production (DQE has invested $10 million or Rs 44 crore in a joint venture that will create and hold rights to new animation series). That's more than animation the way the rest of the industry sees it.

-E. Kumar Sharma

GEOMETRIC SOFTWARE

Manu Parpia/*Managing Director*

The Shape Of Things To Come

Eleven years after it was spun off from the Godrej Group, and four years after a particularly bad financial performance, Geometric Software looks every inch a company for the future. One reason for that is the business it is in, the happening area of product lifecycle management (PLM). Unlike other next big things, PLM is one of the current big (fine, reasonably big) things in the technology space. It is about the management of products from their initial concept, through design, launch and production to their eventual obsolescence. At one time, PLM was all about computer-aided design (cad) and computer-aided manufacturing (cam), the two businesses that Geometric started off with (hence the name; cad and cam are geometry-based work); today it includes several other things such as electronic design automation (EDA), maintenance, and computer aided production engineering (CAPE). Essentially, PLM reduces the time to market and is something that can be applied across sectors, from auto to aerospace, from ship-building to financial services.

The second is its business model. Being too small to effectively approach end-users, Geometric partners large software firms in the PLM space such as Dassault Systems, becoming, as Harit Shah, an analyst with Mumbai-based equity research firm Quantum Information Services puts it, "an extended R&D arm for such firms". In 2004-05, 60 per cent of the company's revenues of Rs 173.3 crore (net profit: Rs 27.4 crore) came from software companies and 40 per cent from direct sales to the end-user segment (of which half came from the automobile sector). And between 2000-01 and 2004-05, the company's revenues have grown at a compounded annual growth rate (CAGR) of 29.9 per cent; net profit, 25.3 per cent. Now, says Manu Parpia, Managing Director, Geometric, the company is of a size where it can target end users. "In the next three years, 60 per cent of revenues will come from end users." Profitability remains an issue and Geometric has already revised its guidance (downwards) twice in 2005-06, but as Quantum's Shah puts it, "it takes time to scale up". "Given that most other companies this size in the IT sector are either being acquired or going out of business, Geometric is doing well," he adds. That it is.

-Priya Srinivasan

GVK BIOSCIENCES

G.V. Sanjay Reddy/*CEO*

The Bio-supermarket

Back in 2002, when India woke up to the possibilities of bioinformatics (essentially, the use of computers to extract and analyse biological, and especially genetic data), GVK biosciences was among the first companies to enter the space. Apart from offering bioinformatics services, it set out to train people in the science (for some time in 2002 it looked as if bioinformatics schools would supplant computer ones).

Since then, the company has added several services to its bouquet: medicinal and process chemistry, clinical trials, clinical data management, bio-availability and bio-equivalence (BA and be) studies, even it and it-enabled services targeted at pharma companies.

GVK wouldn't share numbers with BT, but the buzz in Hyderabad is that its revenues and profits have grown at an average of 150 per cent since inception. "I find them in an aggressive growth phase," says Deepanwita Chattopadhyay, CEO, ICICI Knowledge Park, where the company's laboratory has grown in size from 3,000 sq. ft to 14,000 sq. ft over the past two years. For much of those two years, GVK was content to remain in the shadows (the company is still low-profile, almost regimentally so). If something has changed, it is the fact that D.S. Brar, the high-profile former CEO of Ranbaxy Laboratories, chose to join the board of GVK as Chairman in July, 2004. His very presence seems to have helped the company attract new clients (12 of the world's 20 largest pharma firms are its clients) and employees (it has 800 right now and 85 per cent of that number is scientists). And if something has changed, it is the fact that India now has a product patent regime in place, making it easy for multinationals to outsource research work (even manufacturing) to Indian firms. GVK Biosciences (the group has no other interests in the lifesciences space), which offers an integrated research platform and is entering into partnerships with clients to share intellectual property, definitely stands to gain from that.

-E. Kumar Sharma

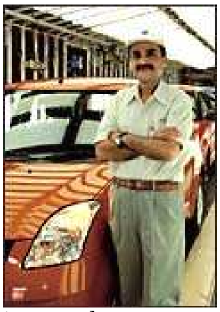
INDIAN RAYON

Sanjeev Aga/*Managing Director*

More Is More

Indian Rayon, soon to be renamed Aditya Birla Nuvo, has always been a diversified company. Over the past five years, the company's portfolio of businesses has got even more diverse: since 2000, it has acquired Madura Garments (and brands such as Van Heusen and Louis Philippe), PSI Data Systems, Transworks (a BPO firm) and, recently, a large equity stake in Idea Cellular (in which its holding and that of other companies belonging to the Aditya Birla Group add up to a little over 50 per cent). It also entered the insurance business through a joint venture with Canada's Sun Life. "In four words, Indian Rayon will become a 'diversified high growth company'," says Sanjeev Aga, Managing Director. Today, the new businesses account for a little over half of the company's consolidated revenues; over the next five years, this proportion is expected to increase to 75 per cent. Eventually, says Kumar Mangalam Birla, Chairman, Aditya Birla Group, there will be two groups of businesses within Indian Rayon. "There will be the value businesses, which are the brick-and-mortar businesses throwing up cash but where growth opportunities are limited, and the high growth businesses, which are garments, financial services, BPO, telecom, mutual funds and insurance," he explains. Seen from that perspective, the recent mergers of Indo-Gulf and Birla Global into Indian Rayon are strategic plays. "Birla Global's financial services business includes mutual funds distribution and insurance advisory but not insurance, which is Indian Rayon's business," points out Aga. And, "the cash generation of Indo-Gulf is sub-optimally employed; if it comes into Indian Rayon, this money can be invested in telecom and financial services, which hopefully will give faster returns", he adds. Over time, the Indian Rayon story could turn out to be one of diversifying sensibly into high-value businesses successfully while making the most of traditional businesses. When the recent restructuring was announced, the majority opinion among analysts was that it was a 'value-neutral' move. It could well be that it was a value-enhancing one.

-Krishna Gopalan



MARUTI UDYOG LIMITED

Jagdish Khattar/*Managing Director*

Four Wheels Good

In 2000-01, when Maruti Udyog made a net loss of Rs 269 crore on revenues of Rs 9,253 crore, some saw it as the beginning of the end for what was then India's largest car maker. In 2003, when the company made an initial public offer (IPO) with shares priced at Rs 125, some equity analysts considered the price high. Circa October 2005, Maruti continues to be India's largest car maker (it has sold 262,406 cars in the first six months of 2005-06; it earned revenues of Rs 13,734 crore in 2004-05); it has a portfolio of 11 brands, the largest among any company selling cars in India; it has a 54.5 per cent share of the market; it has plans to invest some Rs 6,000 crore over the next five years; and its stock is trading at a healthy Rs 558.10 as this article goes to press.

If Jagdish Khattar, the company's managing director, looks happy (he does, especially when asked about the competition), it is because he has reason to be: in a six-year stint, he has overseen several successful launches, increased efficiencies and reduced costs, upgraded the dealer network, launched a successful used-cars initiative, and been rewarded with another three-year term at the top for his efforts.

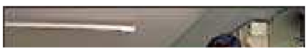
Over the next five years, the company plans to launch five new models; then, there is the new plant it is setting up through a JV with parent Suzuki Motor Corp. that will eventually produce a quarter of a million cars a year. By 2007 (which is when some of the new capacity will go on-stream), the company will make a serious play in the diesel car segment, which constitutes around a fifth of the total car market (Maruti has an insignificant presence in this segment today). And taking a leaf from its own book (it worked closely with its large vendors to reduce costs and improve quality), the company, says Khattar, is "going to Tier-II vendors to improve the quality of the products they supply to Tier-I vendors and bring down costs". That should address the concerns of analysts such as Kalpesh Parekh of ask Raymond James who believes that although Maruti is a "company to watch out for, its margins will continue to be under pressure".

-Swati Prasad

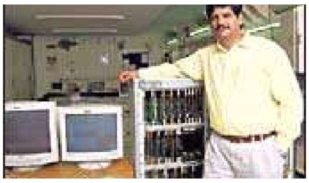
MIDAS COMMUNICATION TECHNOLOGIES

Shirish Purohit/*Managing Director*

Bits To Gold

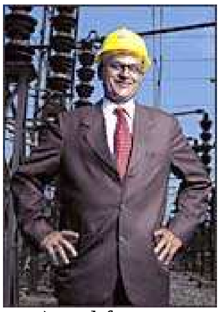


he term wireless in local loop (WLL) may have entered



public consciousness in the late 1990s with the fight between India's CDMA and GSM lobbies, but it was actually popularised almost a decade earlier by a Chennai-based start-up. Midas Communication Technologies was the name of the company; it was founded by some alumni of the Indian Institute of Technology, Chennai, in association with the school's TeNet Group (founded by Professor Ashok Jhunjhunwala, this has incubated several companies, including Midas); and it set out to license, a la Qualcomm, a technology called cordect (where DECT stands for digital enhanced cordless telecommunications) that the good professor had come up with. cordect remains an ideal technology (for telcos and internet service providers) seeking to connect remote regions with a scattered population and although it never really took off in India (from a telecom mainstream point of view) it is quite popular in several Asian markets. Along the way, Midas has ventured into the manufacture of cordect equipment; it has also merged another TeNet incubated firm Banyan Networks (an early broadband technology firm) with itself. The company is hoping that Citius, its broadband technology offering that allows companies to provide broadband through existing cable (television) networks, will help it enter the big league (its current revenues are in the region of Rs 400 crore). With technology solutions for broadband access through cable, DSL (digital subscriber line), even Wi-Max (Wi-Fi, over a much larger region, say an entire city), says Shirish Purohit, Managing Director, Midas, the idea is to "reach customers through every entry point". India's broadband policy envisages that the country will have 50 million broadband users by 2010. Those who believe that target is achievable will have no problems with Midas' ambitions of becoming a $1-billion (Rs 4,400-crore) company by 2010.

-Nitya Varadarajan



NATIONAL THERMAL POWER CORPORATION

C.P. Jain/*Chairman and Managing Director*

Power To The People

These days, everyone who meets with C.P. Jain, the Chairman and Managing Director of NTPC, wants to know about the Dabhol Power Company (or Ratnagiri Gas & Power as it has been renamed), in which the public sector behemoth owns a 28.3 per cent stake, and whose plant (which has remained shut for four years) it is trying to revive. The man himself is, quite frankly, amused. "In the context of our overall existing capacity (23,935 mw) and future programmes (a doubling of capacity in the next seven years), Dabhol is just a 2,150-mw facility," he says, with the quiet confidence that comes with heading one of the world's 10 largest power generating firms.

The correlation between economic growth and power generation and consumption is a linear one, and if the Indian economy continues to grow at an average of 7.5 per cent-plus over the next five years, the country will need much, much more power than the 1.18 lakh mw it currently produces. That could explain NTPC's capacity-doubling initiative that will see an investment of Rs 90,000 crore over the next seven years. And thanks to an agreement hammered out between the company, the Union government, the governments of various states and the Reserve Bank of India (RBI) in April 2002 that converts outstanding dues of Rs 17,000 crore from the State Electricity Boards (SEBs; most SEBs do not pay on time; some do not pay at all) into interest-bearing bonds, the company's realisation has increased to 100 per cent from the 73 per cent it was at in 2001-02.

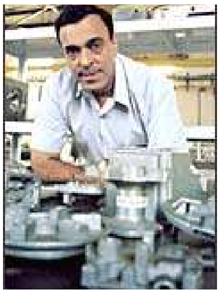
Meanwhile, NTPC is doing what power companies all over the world are doing, diversifying its fuel mix (including a venture into nuclear power that should bear fruit by the turn of this decade, and an increased emphasis on hydel power that should kick in by 2008), striking long-term contracts to reduce the average cost of fuel and working towards acquiring its own coal mines (coal accounts for 86 per cent of its fuel consumption). At Rs 1.52 a unit, NTPC's cost of power is among the lowest in the country and Jain admits that it will be a challenge to hold it at that level for long. "Last year, the overall price increase (we effected) was 5 paise," he says. "The increase in fuel cost was 10 paise but we pruned 3 paise through efficiency-enhancement measures (and another 2 paise was cut by the regulator)." When the CEO of a Rs 24,992-crore (overall revenues in 2004-05) company speaks in terms of paise, you know you are on to a good thing.

-Kumarkaushalam

RICO AUTO

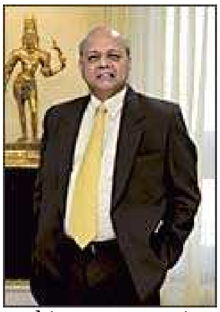
Arvind Kapur/*Managing Director*

Made For The World



urgaon-based Rico auto is in this list not because it is the largest supplier of components to Hero Honda Motors and Maruti Udyog. The Rs 598-crore group, which manufactures more than a dozen products like clutch assemblies, brake panels and wheel hubs, figures here for the global play it is gearing up for. "We are working on all major models being planned by some of the big global auto companies," says Arvind Kapur, Managing Director, Rico, speaking to bt from Germany where he is visiting as part of a delegation from India's Auto Component Manufacturers Association (ACMA). The delegation is to visit BMW the following day, he says, then Audi and Mann, and none of the three buys from Rico right now (others like Ford, General Motors, Cummins, Matsuka and Delphi do). "Our growth is going to come from exports," gushes Kapur, indicating that exports will increase from 7.2 per cent of sales to a fifth by 2008 (by which time revenues will touch Rs 1,300 crore). "By being export-driven, Rico is trying to derisk itself from an over-dependence on Hero Honda and Maruti," says Piyush Parag, an analyst at Mumbai-brokerage Sharekhan who, in a report he put out last month, issued a 'buy' call on Rico, with a one-year price target of Rs 157 (current price of stock: Rs 90.60 on October 14).

-Sahad P.V.



STATE BANK OF INDIA

A.K. Purwar/*CEO*

The Biggest Of Them All

India's largest commercial bank (deposits: Rs 3,76,141 crore till June 30, 2005), State Bank of India, is plagued by several ills that usually come with size or being government-owned. For one, its very size makes it difficult for the bank to be nimble. Then, constraints over how much it can pay its people ensure that it loses out to not just foreign banks but Indian private sector ones in the fight for talent. And mandatory lending to priority sectors and investments in rural areas means that it can never be driven purely by profit-considerations.

Strangely enough, size, reach and government-ownership are the very things that make it the only bank in this year's listing of 20 Companies to Watch.... Government-ownership (despite the said government's articulated stance of non-interference in the financial services sector) translates into credibility, from the P.O.V of customers, partners and regulatory authorities in countries where SBI is trying to establish a presence (it recently acquired a 76 per cent stake in Kenya's Giro Commercial Bank and 51 per cent of Mauritius' Indian Ocean International Bank). The bank's Chairman A.K. Purwar expects overseas operations to account for 15 to 20 per cent of SBI's profits in the next two years (they account for 5-6 per cent today). "Tapping into the savings of the growing and wealthy Indian population in countries of Asia and Africa is a good way to increase its business," says a Mumbai-based analyst. And size (think 9,000 branches, 51 offices outside India, 5,000 ATMs, and a net profit of Rs 4,304.52 crore in 2004-05) is the bank's core strength. "The large network, the huge customer base, the big balance sheet, all this allows SBI to increase its exposure to all kinds of businesses to keep the growth momentum going," says Rajat Rajgriha, a banking analyst and Head, Research, Motilal Oswal Securities.

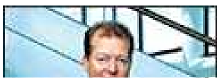
In many ways, 2006 could well be the year when it all comes together for the 200-year-old bank and not because of the in-your-face advertising campaign it has just launched. The bank, its seven associates, and its eight non-banking subsidiaries (such as SBI Capital Markets, SBI Life Insurance and SBI Securities) stand to benefit from increased economic activity. And SBI itself is almost unrecognisable from its earlier self: it has embarked on a large initiative to it-enable most of its branches; it has created new business units that will focus on small and medium-sized enterprises, personal banking, agriculture and government, all segments that Purwar believes will be future growth engines. The bank has also created a Stressed Assets Management Group to monitor and maintain credit quality of loans, improve credit appraisals and risk management practices, and become more aggressive on recoveries. All these are part of Project Vijai, Purwar's gameplan to make SBI one of Asia's Top 5 and the world's Top 50 banks by 2008. That would be something.

-Ashish Gupta

SYMPHONY SERVICES

Gordon Brookes/ *President & CEO*

The Techie's Techie



wo years from now, a third of symphony's revenues will come from business analytics, one of the possible next big things (there

are several) in the software industry. A technological probability, however, isn't the reason for the company's presence in this listing. Rather, a business reality is. The Indian it services industry is built on the premise that the software that runs enterprises (a Wachowskian thought but one that is rapidly emerging the norm rather than the exception) can be developed less expensively in countries such as India than in the places where these enterprises are based, say, the us, Europe or Japan. Symphony has just extended that strand of reasoning to its logical end: the software that goes into (software) products can be developed less expensively in India, and given the urgencies of the technology marketplace, not too many software product firms may have the resources to develop captive facilities (read: owned offshore software development centres) in countries such as India.

Are there companies that buy this logic? There are, and a listing of Symphony's clients would include names such as Autodesk, Sapient and BMC (some also have captive facilities). "With an India plan becoming critical, companies do not want to waste time and money with their own centres, when companies like us can do it cheaper and faster," says Gordon Brookes, President and CEO, Symphony Services. "In addition to pure labour arbitrage, companies outsource to gain flexibility, access to specialised skills and access to high-quality software development processes," says Stephanie Moore, an analyst with Gartner, an it consulting firm. "Although we have a significant operation in India, we've found it beneficial to employ a hybrid approach to augment our offshore development capabilities," adds Dayon Kane, Director and General Manager, Legacy Business, BMC Software. Brookes won't share Symphony's numbers, but claims the company has been growing at an average rate of more than 100 per cent over the past two years. That, and the fact that it is building a 5,000-seat campus in Bangalore seem to indicate that it is on to a good thing.

-Rahul Sachitanand

TATA STEEL

B. Muthuraman/*Managing Director*

Good For The Next 50

The next 50 years will be India's steel age. That's what B. Muthuraman, the Managing Director of Tata Steel told this magazine a few months back, shortly after moving from Jamshedpur, where Tata Steel is based, to a corner-office at Bombay House, the headquarters of the Tata Group in (where else?) Mumbai. The per capita consumption of steel, he added, would jump from 30 kg now to around 250 kg in 25 years and a whopping 300-400 kg in 50. In aggregate terms, that will mean steel consumption will increase from 40 million tonnes currently to 250 million tonnes by 2030 and 500 million tonnes by 2050.

Everything that is happening in India's steel sector (and a lot is) should be seen from this perspective, Posco's proposed investment of $12 billion (Rs 52,800 crore) for a 12-million tonnes per annum (MTPA) steel plant (by 2016) in Orissa, and Mittal Steel's $9.3-billion (Rs 40,920 crore) one for a 12-mtpa one (by 2009) in Chattisgarh. Tata Steel's proposed investment of $23 billion (Rs 1,01,200 crore) over the next 10 years to take its capacity from 7 million tonnes now (including 2 million tonnes that come from the acquisition of part of NatSteel's operations) to 35 million tonnes compares well with these numbers.

Some of that money will go into upgrading the company's existing steel plants, and some into new plants in Iran, Bangladesh and other Asian countries. "India, thanks to its rich mineral resources, is a good location for producing iron and steel," says a Tata Steel spokesperson. "It will not be foreign companies only, even Indian companies will expand."

The company's manufacturing model (which the spokesperson describes as de-integrated) involves producing semi-finished steel close to the source of raw material and finished products closer to the markets. Not surprisingly, it has indicated that its acquisitions overseas will largely be what are termed 'downstream assets' that can source steel from the company's own plants and convert it into value added products.

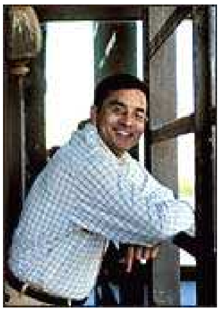
That's a model that finds favour with analysts. "This will help Tata Steel leverage its existing facilities in India and emerge as one of the cheapest suppliers of value-added steel products globally and eventually emerge as a global steel major," says Nirmalya Mukherjee, industry analyst and editor of a leading metal journal. Well, Tata Steel has always said it will eventually become a global company.

-Ritwik Mukherjee

TEJAS NETWORKS

Sanjay Nayak/ *Managing Director*

The Network Is It



The dotcom boom, and subsequent bust, wasn't just about dotcoms. Companies sprung up to facilitate the creation and maintenance of high-speed virtual highways. At one time, there were over 200 optical networking companies feeding off the boom; then, the bust happened and most went under, leaving behind a dozen survivors, including Bangalore-based Tejas Networks. The company may have closed last year with just around Rs 47 crore in revenues but as Sanjay Nayak, its Managing Director points out, the R&D intensive products business Tejas is in has a long gestation period. There is more going for Tejas. Most of its revenues come from the domestic market (companies such as Railtel and Tata Teleservices are customers), and the Indian telecommunications market is widely reckoned to be the most happening in the world. "The telecom boom in India has provided a local market with access to customers," says Nayak. And leveraging the cost advantage and its R&D skills, Tejas hopes to forge alliances with global networking majors and equipment makers "who will find it more attractive to source products rather than develop it themselves", according to Nayak. That sounds almost too easy.

-Rahul Sachitanand

TKML

A. Toyoshima/*Managing Director*

Driven!

There has been a sense of purpose (menace according to rival car makers) to the way the world's most profitable car-maker, Toyota, has approached the Indian market through its subsidiary Toyota Kirloskar Motor Limited (TKML). First off, it chose not to launch a car, but a multi-utility vehicle (MUV), the breadbox-shaped Qualis that proceeded to emerge the leader in its segment. Then, five years and 1.42 lakh units later (a period when it quietly launched its offerings in the C and D segments, sedans Corolla and Camry), the company surprisingly announced that it was stopping production of Qualis and replaced it with a mini-van-like MUV, Innova, which has sold some 25,000-plus units to date. "The last 12 months have been exciting and challenging for us in India," says A. Toyoshima, Managing Director, TKML, reflecting the understatedness that one has come to associate with the company.

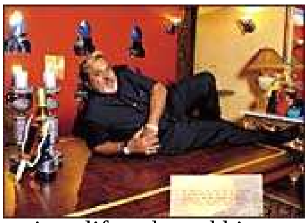
In March 2005, the company hiked production capacity at its Bidadi plant on Bangalore's outskirts to 60,000 units from 40,000 units. It now plans to make India an auto-component hub for the global Toyota system with Toyota Kirloskar Auto Parts and, eventually, launch a small car to enter the largest segment of the Indian car market (70 per cent of the one-million plus cars sold last year in India is small cars). "Our target is to achieve 10 per cent market share by 2010," says Toyoshima. "We are evaluating various alternatives to achieve this growth and are looking at products in the volume segment to reach our goal." The company denies it, but the buzz in Bangalore is that TKML is looking out for another site for its second manufacturing facility. Twenty-two years after Toyota first entered the market through a joint venture with DCM to make light commercial vehicles, the Japanese major's story may finally be unfolding.

-Rahul Sachitanand

UNITED SPIRITS

Vijay Mallya/ *Chairman*

The 20-year Single-minded Obsession



When Vijay Mallya walked into Wallace House on Kolkata's Bankshall street on September 21, and when he, later in the day, noted the event for posterity's sake in his own hand (seen in inset; Mallya's photograph, however, has been shot elsewhere), he had reason to be happy. After all, he was entering the HQ of a company he had first tried to acquire 20 years ago in 1985. Sentiment is a good thing. Then, in the noise about Mallya's passion for all things fast, cars, yachts, race-horses, aircraft, his luxurious lifestyle and his reputation for throwing the best parties money can buy, it is easy to forget the fact that he is one smart businessman. And his extended celebration of the acquisition of Shaw Wallace may have more to do with what the company can do for his spirits business than anything else.

While United Breweries, Mallya's beer business, has always been a major player in its segment, McDowell's, the flagship of his spirits business, never enjoyed the same cachet. The acquisition of Shaw Wallace and the earlier settlement with Kishore Chhabria over Herbertsons (it is finally Mallya's alone) should change that. This year, the 10 companies that now constitute Mallya's spirits business will sell around 65 million cases making it the second largest in the world (Diageo is the only player ahead of it), earn revenues of more than Rs 3,000 crore, and control over 55 per cent of Indian market.

And while some analysts have expressed concern that UK may have overpaid for some of its acquisitions, Mallya doesn't seem unduly perturbed over the Rs 1,300 crore he had to borrow from ICICI for the Shaw Wallace deal alone. The man may have a long-term plan for the spirits business that could make fears over money meaningless. The first step of this plan, something he has already initiated, is the merger of the 10 spirits companies (companies like McDowell's, Shaw Wallace Distilleries, Herbertsons, Triumph Distillers and Vintners, Phipson Distillery) into one entity, United Spirits. That done, he could well take the same route he did with the brewing business, United Breweries, which divested 17.5 per cent of its equity to Scottish and Newcastle for Rs 217 crore. For any company interested in an India play, a stake, however small, in United Spirits should be worth its weight in gold. Mallya himself would rather not disclose his plans for the company (he refuses to speak about a possible divestment). "We will look at potential overseas acquisitions to enhance our share in the global markets," he says. United Spirits may be #2 in the world, but its revenues (an estimated Rs 3,000 crore) still lag far behind the £8.9 billion (Rs 70,310 crore) that Diageo's spirits business earns. While it is likely to stay that way for some time, the booming Indian market could see United Spirits becoming the world's largest spirits company (by volume).

-Venkatesha Babu

VIMTA LABS

S.P. Vasireddi/*Chairman and Managing Director*

The Offshore Story

The second wave of Indian it, the one that started post 2000 (after the end of the onsite-heavy y2k wave) was driven by what companies term offshore development centres (ODCs), essentially dedicated software facilities created by Indian it services firms for their clients outside India. For instance, Satyam Computer Services would have an ODC for GE, another for Caterpillar, and still another for General Motors, among others, apart from its generic facility (think of it as something akin to a store-within-a-store). Vimta Labs is in the process of doing something similar in the contract-research space in pharmaceuticals; by 2006, it will have several customer-specific research labs up and running. "We are the first in the country to set up an RPO (research process outsourcing) hub," says S.P. Vasireddi, Chairman and Managing Director, Vimta. The process will cost Rs 50 crore, occupy 200,000 sq. ft (all laboratory space) across 10.7 acres in Genome Valley near Hyderabad, boast 40 walk-in cold rooms, 80 safety hoods, a training school, a 5,000 sq. ft archive centre for samples and records, and a secure data centre and network managed by IBM that will provide remote access to clients. "Outsourcing is the name of the game and we have to have systems in place (to facilitate that)," says Vasireddi. "(At the same time) we have to have a molecular research focus," he adds. If the man's plans fructify, Vimta, which posted a net profit of Rs 14.1 crore on a total income of Rs 52.5 crore in 2004-05, could realise his goal of figuring "among the top 10 contract research and testing organisations in the world by 2010". And to think Vimta began life as a single-bench analytical lab.

-E. Kumar Sharma

WNS

Neeraj Bhargava/*Group CEO*

Third-party Troubadour

hen British Airways sold a majority stake in its captive business process outsourcing (BPO) operations in India to private equity behemoth Warburg Pincus in mid-2002, not too many people paid too much attention to the deal. It was only in 2003-04, when the company declared revenues of over $111 million (Rs 499.5 crore at the then exchange rate), making it the largest third party BPO in the country, that people sat up and took notice. In 2004-05, with income from segments such as insurance and healthcare kicking in, the contribution of travel services that once accounted for all business of WNS declined to 49 per cent (on revenues of $163 million or Rs 717.2 crore). "The bottom line is that you just have to go out there and get the customers; there is simply no other answer," says Neeraj Bhargava, Group CEO, WNS. "We leveraged the fact that as a captive, WNS had sophisticated processes that helped us bag a lot of non-voice work, which accounts for over 80 per cent of our business." That’s significant, given that most BPOs in India still bank on voice revenues. The company may have had size on its side; it was smaller at the time of transition from a captive to a third-party BPO, unlike, say GECIS (now Genpact). WNS’ big thrust, Bhargava says, will be in financial services, which currently accounts for 5 per cent of revenues. Sometime in 2006, WNS will make a public offering in the US, UK or India. Investors must be hoping it is the last. With Warburg Pincus’ earlier track record on taking companies public (think Bharti Tele-Ventures), this one needs to be watched.

-Priya Srinivasan