Chapter 3
Introduction to Industries and Companies selected

3.1 Introduction to:
- Pharmaceuticals Industry
- Banking Industry
- Cement Industry
- Steel Industry
- Automobile Four wheeler Industry

3.2 Introduction to:
- Cipla Ltd., Sun Pharmaceuticals
- State Bank of India, ICICI Bank Ltd.
- Gujarat Ambuja Ltd., UltraTech Ltd.
- Tata Steel, SAIL
- Tata Motors, Mahindra Mahindra Ltd.
3.1 Introduction to Industries and Companies

The research is based on different industries and companies selected under those industries. The criteria chose to select industries and companies is their year over year turnover. The industries selected are Pharmaceuticals Industry, Banking Industry, Cement Industry, Steel Industry and Automobile Four wheeler Industry. The companies chose under this industries are Cipla Ltd., Sun Pharmaceuticals, State Bank of India, ICICI Bank Ltd., Gujarat Ambuja Ltd., Ultratech Ltd., Tata Steel, SAIL, and Tata Motors, Mahindra Mahindra Ltd. Respectively.

(A) Indian Pharmaceuticals Industry: The Indian Pharmaceutical industry has been witnessing phenomenal growth in recent years, driven by rising consumption levels in the country and strong demand from export markets. The pharmaceutical industry in India is estimated to be worth about US$ 10 bn, growing at an annual rate of 9%. In world rankings, the domestic industry stands fourth in terms of volume and 13th in value terms. The ranking in value terms may also be a reflection of the low prices at which medicines are sold in the country.\(^\text{12}\)

The industry has seen tremendous progress in terms of infrastructure development, technology base and the wide range of products manufactured. Demand from the exports market has been growing rapidly due to the capability of Indian players to produce cost-effective drugs with world class manufacturing facilities. Bulk drugs of all major therapeutic groups, requiring complicated manufacturing processes are now being produced in India. Pharma companies have developed Good Manufacturing Practices (GMP) compliant facilities for the production of different dosage forms.

\(^{12}\) www.Res ear handmarkets.com
in addition to having GMP, WHO, several Indian companies have also been getting plant approvals from international regulatory agencies like US FDA, MCA (UK), TGA (Australia), MCC (South Africa). India possesses the highest number of US FDA approved manufacturing facilities outside the USA and currently tops in filing the drug master files (DMF) with the US FDA. This has also facilitated the domestic industry to attract contract manufacturing opportunities in the rapidly growing generics market.

A paradigm shift occurred in the Indian pharmaceutical industry with India becoming a signatory to the WTO order, ushering in the Product Patent Regime. Earlier, with the enactment of The Patent Act, 1970, only process patent was applicable for pharmaceuticals. With the introduction of the product patent beginning 01-Jan-05, which has now made India TRIPS compliant, the Indian market has become an attractive option for the introduction of research-based products. As a result, the Indian companies are now exploring new business models such as contract research, for drug and discovery research & development, as well as contract manufacturing.

However, it poses a challenge to the generics industry as it would no longer be able to freely continue with the production of generics of the new patented molecules without license/payment of royalty to the innovator company.

**Industry Trends**

A highly fragmented industry, the Indian pharmaceutical industry is estimated to have over 10,000 manufacturing units, as given by the Organisation of Pharmaceutical Producers of India. The organized sector accounts for just 5% of the industry with around 300 players, while a huge 95% is in the unorganized sector. A large number of players in the unorganized segment are small and medium enterprises and this segment contributes 35%\(^\text{13}\) of the industry’s turnover.

In calendar year (CY) 2005, turnover of the organized sector companies aggregated to Rs 302 bn, of which 19% came from MNCs while the remaining 81% was contributed by Indian companies. Turnover of players in the unorganized segment, though difficult to assess, is estimated to be around Rs 160 bn.

The Indian pharmaceutical industry consists of manufacturers of bulk drugs and formulations. Bulk drugs include the active pharmaceutical ingredients (APIs) which are used for the manufacture of formulations. According to estimates, the proportion of formulations and bulk drugs is in the order of 75:25. There are believed to be over 60,000 formulations manufactured in India in more than 60 therapeutic segments. More than 85% of the formulations produced in the country are sold in the domestic market. India is largely self-sufficient in case of formulations, though some lifesaving, new-generation-technology-barrier formulations continue to be imported.

Among the therapeutic segments, the anti-infectives top domestic production in volumes. In 2005, the chronic therapy segment accounted for around 26% of the domestic formulation business, growing at a rate of 10%\textsuperscript{14}; faster than the acute therapy segment. The chronic therapy segment includes anti-diabetics, cardiac and neuro-psychiatry formulations.

Bulk drug manufacturing is largely concentrated in Andhra Pradesh, which accounts for more than one-third of the country’s total bulk drug production, followed by Gujarat. The Indian bulk drug industry has lately been gaining significant presence in the global market as foreign and multinational companies are looking to sourcing APIs and intermediates from Indian manufacturers. Factors favoring the industry are a vast resource of technical people, state of- the-art manufacturing facilities, low cost and the advantage of the English language.

\textsuperscript{14} www.scribd.com
As part of government’s support to increase exports, duty free zones have been set up and several manufacturers of bulk drugs have been shifting their facilities to these areas. As a result, the diverse spread has now started getting consolidated and concentrated in certain regions across the country.

India has a significant share in the global generics market and is ranked third. In recent years, this segment has been facing stiff competition which makes the scale of production important to improve profitability. India has pre-dominantly been a generic player and has the potential to gain a global presence for the following key developments:

- Multiple branded drug patent expirations in the short term. According to IMS Health, in 2006 and 2007 a total of US$ 28 bn and US$ 20 bn, respectively, of branded sales were likely to become susceptible to the entry of generic equivalents.
- Increasing confidence of consumers in generics in the developed markets.
- A pro-generic sentiment from healthcare authorities driven by the pressure of containing rising healthcare costs.
- An aging population across the world, leading to increasing demand for low cost therapies.
- Global healthcare crisis like AIDS in the developing world, necessitating affordable medication for the masses.

Generic companies in India are recognizing the importance of patent expiries and are making significant incremental investments in research and drug development.

**Production and Trade**

The domestic bulk drug and formulation industry has been able to largely meet the domestic demand for these products. Besides, it also exports to several regions, including the EU and US. Exports currently constitute nearly 48% of the industry’s turnover, and have been growing at an average 22% annually since 1994.

15. EPW, Indian Pharma Industry Report, 2006, pg.56
In FY06, exports grew by an impressive 21% touching Rs 215.8 bn. The growing demand from the domestic market and increased manufacturing activities has led to rising imports during the past few years. In FY06, imports were worth Rs 45.2 bn as against Rs 31.7 bn in FY05. The nature of imports has undergone a significant change over the years, from finished doses imported prior to the 1970s, to largely bulk drugs today.

Domestic demand has been showing significant growth; the rise in consumption being primarily attributed to the rising population, rise in income levels and increasing health awareness among people. New product launches by the Indian and multinational companies have also catalyzed market demand. Moreover, the favorable regulatory environment, increased expenditure on R&D and improved technical skills in the field of chemical synthesis has also played an important role. The increasing alliances and tie-ups of Indian companies with global players have further given a boost to Indian exports.

**Key Drivers for the Pharmaceutical Industry**

**Growing orientation towards Research and Development (R&D):** The introduction of product patent in India has brought some fundamental changes in strategies of Indian pharmaceutical companies, with focus shifting more towards R&D.

The original Indian patent law, which recognized only process patent, gave Indian companies the opportunity to produce products under patent in overseas markets, particularly regulated markets, by adopting new processes. Consequently, companies were in advantageous position to produce drugs through reverse engineering at relatively very low cost that helped the domestic industry to grow faster during the initial stages of development. On the other hand, this discouraged multinational companies from launching their new products in India, fearing duplication of their new drug discovery through reverse engineering. As a result, MNCs’ market share declined from 70% prior to 1972 to 20% at present.
The introduction of product patent has led the domestic industry towards exploring new avenues of drug development, which would require higher capital investment in R&D, and greater thrust towards innovation. Current trends indicate that R&D expenditure of top domestic companies has increased from a mere 2% of total turnover in CY00 to nearly 4% in CY05. Though this is the average for the industry, top-line players have spent in the range of 8-10% during FY06. This level of expenditure is however low compared with the spending of 12-16% of turnover on R&D by international leaders.

![Growth in R&D expenditure chart](image)

Source: D&B Research

R&D by Indian pharmaceutical companies is backed by a favorable policy environment and availability of surplus skilled technical workers at low costs. This is to the advantage of the sector and will see a significant thrust in coming years.\(^{16}\)

**Leveraging CRAMs opportunities:** The global pharmaceutical industry is increasingly facing cost pressures on various counts, and R&D productivity of these players has gone down significantly in recent years, under rising manpower costs and higher regulatory risk. In fact, the process of getting approval of new products in regulated market requires strict compliance of quality norms, which is stringent and is also subject to high legal risk.

\(^{16}\) D&B Research
This factor is forcing MNCs to outsource part of their R&D and manufacturing activities to low cost destinations like India and China.

India is emerging as the global hub for contract research and manufacturing services (CRAMs) due to its low cost advantage and world class quality standards. The Indian pharma industry possesses world standard manufacturing facilities as per the GMP norms which are approved by various regulatory agencies across the globe. The diverse disease profile and abundance of patients in India provides better ground for clinical trials. India has leveraged this advantage to attract clinical trials process outsourced by the companies involved in innovation.

Majority of the contract manufacturing deals relate to production of active pharmaceutical ingredients (APIs) and intermediates, in which India possesses competence. Nicholas Piramal, Shasun Chemicals, Divi’s Lab, Dishman Pharma, Cadila Healthcare, Lupin, Matrix Lab and Aurobindo Pharma are some of the companies which have witnessed impressive growth in revenues from their CRAMs business under various tie-ups with global pharmaceutical majors.

**Growing exports:** Exports have been the major growth enabler of the Indian pharmaceutical industry in recent years. India exports pharmaceutical products, APIs and intermediates to more than 200 countries across the world. Traditionally, Russia, Germany, Nigeria and India’s neighboring countries like Sri Lanka, Nepal, and the Middle East were the major markets for Indian pharmaceutical exports. Most of these markets are not highly regulated and are considered to be low-value markets.

Remarkably, the proportion of exports in domestic turnover has been increasing over the years, despite the growing domestic demand. Currently, exports constitute 48% of estimated turnover of the industry as compared to nearly 35% during CY02.\(^\text{17}\)

17. D&B Research
Expanding presence in regulated market: Over the years, India has shown better regulatory awareness and superior technical skills, which has enabled Indian companies to penetrate the high-value markets like the US and EU. Exports of pharmaceutical products (finished products as classified under heading 30 of ITC-HS code) to the US grew by an impressive 33% to Rs 23 bn and by a whopping 62% to Rs 35 bn to the EU during FY04-FY06. Regulated markets, though difficult to penetrate due to stringent regulations, are known to give better value and margin to exporters.
Competition getting stiffer in the regulated markets and the consequent pressure on margins. Indian players are also expanding their geographical reach to high-growth regions such as the CIS and Latin American countries. Although considered as low-value markets, these markets are witnessing impressive growth and therefore it provides great opportunity for Indian players.

**Rise in new product launches:** In the pharmaceutical industry, new product launches create new demand. After the introduction of product patent in India, the domestic industry has witnessed a fresh spell of new product launches. New products launched since 2005 accounted for around 12% of the overall market growth. These launches have been done by both domestic and international players and some of them are first time launch of new chemical entity (NCE).

The Regulatory Control of the Pharmaceutical Industry

The rise in new launches of products has emerged as one of the important factors, which has driven the growth in recent past. In fact, the rate of launching new molecules had come down during the process patent era.
Key issues facing the Pharmaceutical Industry

Increasing span of price control: The draft National Pharmaceuticals Policy, 2006, currently underway and awaiting approval from the Parliament, intends to bring 354 drugs under price control, which is in addition to the 74 bulk drugs already notified under price control. The price control as proposed in the Policy is likely to cover at least 50-60% of the domestic market under price control. The proposed control on prices is set to impact the industry margin significantly, especially those players having only local operations. However, to secure the profitability, firms will have to increase their scale of production.

The number of drugs under price control had come down from nearly 400 in the 1970s to 72 in 1995, and further reduced to 29 in 2002. This decision was however stalled by the Supreme Court, asking the Department of Fertilizers and Chemicals, GoI, to identify the essential and lifesaving drugs that need to continue remaining under price control. The Department listed 354 items that it purchases for its hospitals called the National List of Essential Medicines (NLEM). The new draft policy consists of these 354 drugs that are likely to be under the cost based price control.

Price erosion in generics: Indian generics market is witnessing a margin pressure in most of the product categories due to two
main reasons: the proposed price control likely to be imposed by the Government and the stiff competition among domestic players. In fact, India has witnessed a fast rise in the number of players over a period of time. Moreover, the expansion of capacities by certain leading players has also fuelled competition in certain product categories, which restricts margins of the smaller players.

The fall in prices of generic drugs are not limited to India only. The US, which is the world’s largest pharmaceutical market, is also experiencing a sharp reduction in prices of generic drugs due to stiff competition. Some other developed countries like the UK and Germany have also witnessed the same scenario. The erosion in prices is to the extent of 90% in some cases. Indian players, which have been operating in these markets, have also witnessed erosion in margins in certain therapeutic segments.

**Low R&D productivity:** Despite the increasing expenditure on R&D, the introduction of new molecules by Indian players has been limited. It is, in fact, a hit-and-miss situation in the field of discovery and developments of new chemical entity (NCEs), where misses are more than hits. Very few discoveries reach the final stages of approvals, and in most of the cases, the claim for patent gets stuck in legal battles.

In spite of the rising expenditure in R&D, the level of investment in R&D is still low, at average 4% as compared to the global practice of spending 12-16% of sales on R&D.

The changing global pharmaceutical industry has transformed prospects of Indian pharmaceutical companies. The leading pharma companies in India have been actively extending the frontiers of scientific knowledge and going global through mergers and acquisitions. In 2005, acquisitions by the Indian pharmaceutical companies were the highest, with 20 buyouts abroad. A similar trend was observed during 2006, which include Dr Reddy’s buyout of Germany’s Betapharm and Ranbaxy’s purchase of Romania’s Terapia. Europe has emerged
as the most preferred destination for acquisitions by Indian companies.

The European generics market has emerged as a major attraction for acquisitions by Indian companies. According to reports, margin erosion in Europe is much less compared to the US when a drug or formulation becomes generic.

Consolidation is inevitable and is expected to bring in economies of scale and provide access to newer geographies to regional players. The Government has estimated that by year 2010, the industry has the potential to achieve a size of US$ 28 bn.

(B) Indian Banking Industry: The banking system in India is significantly different from that of other Asian nations because of the country’s unique geographic, social, and economic characteristics. India has a large population and land size, a diverse culture, and extreme disparities in income, which are marked among its regions. There are high levels of illiteracy among a large percentage of its population but, at the same time, the country has a large reservoir of managerial and technologically advanced talents.

Between about 30 and 35 percent of the population resides in metro and urban cities and the rest is spread in several semi-urban and rural centers. The country’s economic policy framework combines socialistic and capitalistic features with a heavy bias towards public sector investment. India has followed the path of growth-led exports rather than the “export led growth” of other Asian economies, with emphasis on self-reliance through import substitution.

These features are reflected in the structure, size, and diversity of the country’s banking and financial sector. The banking system has had to serve the goals of economic policies enunciated in successive five year development plans, particularly concerning equitable income distribution, balanced regional economic growth, and the reduction and elimination of private sector monopolies in trade and industry.
In order for the banking industry to serve as an instrument of state policy, it was subjected to various nationalization schemes in different phases (1955, 1969, and 1980). As a result, banking remained internationally isolated (few Indian banks had presence abroad in international financial centers) because of preoccupations with domestic priorities, especially massive branch expansion and attracting more people to the system. Moreover, the sector has been assigned the role of providing support to other economic sectors such as agriculture, small-scale industries, exports, and banking activities in the developed commercial centers (i.e., metro, urban, and a limited number of semi-urban centers). The banking system’s international isolation was also due to strict branch licensing controls on foreign banks already operating in the country as well as entry restrictions facing new foreign banks. A criterion of reciprocity is required for any Indian bank to open an office abroad.

These features have left the Indian banking sector with weaknesses and strengths. A big challenge facing Indian banks is how\(^\text{18}\) under the current ownership structure, to attain operational efficiency suitable for modern financial intermediation. On the other hand, it has been relatively easy for the public sector banks to recapitalize, given the increases in nonperforming assets (NPAs), as their Government dominated ownership structure has reduced the conflicts of interest that private banks would face.

**Financial Structure**

1. Commercial banks
   a. Public sector
   b. Private sector
   c. Foreign banks
   d. Cooperative institutions
      i. Urban cooperative banks
      ii. State cooperative banks
      iii. Central cooperative banks

18. Khan, M.Y., Indian Financial System, IMH, pg. 16
2. Financial institutions
   a. All-India financial institutions (AIFIs)
   b. State financial corporations (SFCs)
   c. State industrial development corporations (SIDCs)

3. Nonbanking financial companies (NBFCs)

4. Capital market intermediaries

The classification of commercial banks into scheduled and nonscheduled categories that was introduced at the time of establishment of RBI in 1935 has been extended during the last two or three decades to include state cooperative banks, primary urban cooperative banks, and RRBs. RBI is authorized to exclude the name of any bank from the Second Schedule if the bank, having been given suitable opportunity to increase the value of paid-up capital and improve deficiencies, goes into liquidation or ceases to carry on banking activities.

**Magnitude and Complexity of the Banking Sector**

The magnitude and complexity of the Indian banking sector can be understood better by looking at some basic banking data. In terms of growth, the number of commercial bank branches rose eightfold from 8,262 in June 1969 (at the time of nationalization of 14 banks) to 64,239 in June 1998. The average population per bank branch dropped from 64,000 in June 1969 to 15,000 in June 1997, although in many of the rural centers (such as in hill districts of the North), this ratio was only 6,000 people per branch. This was achieved through the establishment of 46,675 branches in rural and semi-urban areas, accounting for 73.5 percent of the network of branches. As of March 1998, deposits of the banking system stood at Rs6,013.48 billion and net bank credit at Rs3,218.13 billion.

The number of deposit accounts stood at 380 million and the number of borrowing accounts at 58.10 million. There has been a net decline in the number of rural branches and a marginal rise in the number of semi-urban branches.

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19. Pathak, Bharti, Indian Financial System, pg. 59
In an effort to increase the flow of funds through cooperative banks, the resources of the main refinancing agency, NABARD, were boosted substantially through deposits under the Rural Infrastructure Development Fund placed by commercial banks, as well as through the improvement of NABARD’s capital base and increase in the general line of credit by RBI. The functioning of cooperative banking institutions did not show much improvement during 1996/97 and 1997/98. With deposits and credit indicating general deceleration, the overdue position of these institutions remained more or less stagnant. However, cooperative banks emulated the changing structure and practices of the commercial banking sector in revamping their internal systems, ensuring in the process timely completion of audit and upgrading of their financial architecture. In various regions, there is a differing pattern of cooperative banking, determined according to the strength of the cooperative movement. Some cooperatives such as those in the dairy and sugar sectors are as big as corporate entities.

**Problem of the real sector vs. banking sector reforms**

Changes in M3 and its select components—net bank credit to Government (NBCG) and net bank credit to commercial sector (NBCCS)—show that credit off take has slowed down and even declined in 1998/99 for NBCCS. Government funding from banks has been rising in the last three years. An increase in new bank credit to three problems is interrelated and suggests the need for short- and long-term measures. The basic maladies affecting the financial sector in India are as follows:

- Structural weakness of the real sector and lack of competitiveness in international markets, and
- Underdeveloped credit delivery systems that fail to respond to fast changing situations.

Strengthening the viability of the real sector has much relevance to the future strength of the Indian financial system. The Committee on Capital Account Convertibility has not dwelt on the impact of expected inflows of capital in relation to efficiency and absorptive capacity of the real sector on the one hand, while emphasizing the needed strength of the financial sector on the other. It is mainly the second malady that has to be overcome by banks and financial institutions. Future reforms will have to focus on how the real and the banking sectors can strengthen each other.

**Mergers and Recapitalization: Consolidation of the Banking Industry**

Global trends in the banking industry in recent years have focused on cost management, which drove banks to venture into nontraditional functions, standardize products, and centralize activities, and form mergers and alliances to gain capital strength and access to broader customer bases. Such global trends are found in India, with the exception of consolidation. The Indian banking system is still in the growth phase. The impulses of consolidation are not yet seen in private banks and much less so in PSBs whose policies originate from the Government. Even the merger of one PSB with another that took place five years ago in the early period of banking sector reforms benefited neither bank.

The increasing forays of banks into new areas and convergence of business operations of banks, DFIs, and NBFCs raise the issue of merging banks, based on specific business complementarities. Mergers would be determined by the size of the balance sheet, or by efficiency, competitiveness and strategic repositioning to reduce intermediation costs, expand delivery platforms, and to operate on economies of scale. The Government is disinclined to urge mergers whereas RBI wants market forces to decide. In the corporate world, 50 percent of mergers fail due to cultural incompatibility of the two organizations coming together.

21. EPW, Indian Banking Sector report, 2006
The Government in 1996/97 favored merging banks to create megabanks of international size and competitiveness. The only merger that materialized was five years ago between ICICI (a DFI) and the financially ailing Imperial Tobacco Company (an NBFC of the multinational: ITC). ICICI had the incentive of a tax shield advantage in addition to expansion into retail business and a network advantage. But the resulting merger was widely regarded as unsuccessful for both parties. Mergers of international banks are being evolved to develop synergy and worldwide international competitiveness. Indian banks have a long way to go in this regard. The country has a lot of small banks not interested in the global market, for they lack the required expertise. They need to remain focused on doing what they do best—understanding their local market base. The danger is that of becoming too specialized, because when business drops, the difficulties start. Banks need to diversify. In the right place and with the right focus, there is room for big multinationals and small private banks operating within a country.

A smooth merger may be possible among the eight state banks because of their 50 years of staffing and management homogeneity, while small private banks may be forced to merge to remove diseconomies of scale. Consolidation will remain a matter of theoretical discussion at least until after the merger of New Bank of India with Punjab National Bank has been studied. The problem of weak PSBs is a separate one. Banks that were nationalized in 1969 had a regional branch network and influence before nationalization. Instead of mergers, they should be given freedom to expand their branch network in regions of their choice to facilitate relocation of staff that were rendered surplus due to computerization. SBI has allowed its associate banks to expand in their respective regions. Such a policy may accelerate improvement in the population per branch ratio and also productivity.

Recapitalization
The Government owns the core of the Indian banking sector, a factor that has contributed to its quick recovery from capital shortage. It did not need to adopt the complicated procedures observed in the rehabilitation processes of Japan and Korea to inject public funds into major banks. The Government even helped the nationalized banks increase their CARs.

Recapitalization has been going on since 1991 in line with the implementation of the recommendations of Narasimham Committee (I). The total amount of net contribution of the Government to the nationalized banks up to February 1998 was Rs194.03 billion, which was 5.5 percent of total assets as of March 1997. Needless to say, this recapitalization of the nationalized banks has been supported by India’s taxpayers. Additionally, some PSBs issued equity or subordinated debt to increase CARs. Three nationalized banks (Dena Bank, Bank of Baroda, and Bank of India) raised capital of Rs17.05 billion through public issues. In contrast, four PSBs obtained capital by issuing subordinated debt. However, the precise figure of the amount of capital derived from the subordinated debt is not available.

This process of bank recapitalization was guided by the Indian authorities because the Government and RBI are major holders of PSBs. Thus, in theory, there should be no conflict between shareholders and the regulatory authorities that monitor the process on behalf of depositors and other debt holders. This conflict sometimes complicates and hinders the process of disposing of distressed banks in a fully privatized banking industry, such as that in countries like Japan. The public issues by PSBs suggest that the Indian Government believes that bailout of such banks through capital injection is costly. However, according to the recapitalization figures of nationalized banks, the Government has not yet abandoned the policy of restricting interface of PSBs with the capital market. It will take a long time for the capital market to play a pivotal role in monitoring and disciplining bank managements in India. Meanwhile, the shortage of capital seems to be getting worse in
the cooperative bank sector although the expert committee organized by NABARD\textsuperscript{23} recommends that the stringent capital adequacy norm should be extended to cooperative banks and RRBs. The committee recommends that the Government rescue program should be quickly implemented to assist cooperative banks to achieve 4 percent capital adequacy level by the end of March 1999.

**Rural Banking: Position of Rural Banks**

RRBs (accounting for 30 percent of the branch network of SCBs) are prime candidates for merger to create a single large rural-oriented outfit with a commercial approach and competencies. PSBs perceive RRBs as a drag on the system. Although RRBs sponsored by different banks are fragmented outfits, their staff unions have successively fought and secured wage parity with the staff of sponsor banks. As a result, there is a weak rural banking system of branches with highly paid staff instead of the original plan to create “barefoot bankers.” RRBs as small banks will remain fragile and their recapitalization (Rs3.64 billion added so far to the Rs1.96 billion of the earlier paid-up capital) has remained a long haul, though the amounts required are much smaller than those received by sponsor banks themselves by way of recapitalization. A large scale merger would force an appropriate recapitalization, which entails only a one-time cost to the taxpayer instead of a continuous annual invisible cost load.

Traditionally rural and semi-urban areas have been looked upon as requiring help and lacking in competent management. This mindset in policy formulation, regulations, and procedures governing the rural banking system has left the rural system ailing, as was revealed during recapitalization/restructuring exercises on RRBs, which had operated under adverse regulatory constraints.\textsuperscript{6} Liberalization of RRBs’ activities has permitted them to participate in more profitable businesses. A single, strong, merged RRB setup would bring to the rural economy a well-directed banking apparatus to take care of infrastructure, export financing, and traditional businesses.

\textsuperscript{23} NABARD website
This will require better management or setting up new RRB branches in district locations and state capitals, regional boards, and a central board for operational policy governance. Such a bank should be charged with developing linkages between rural and urban centers to provide commercial banking services and not merely rural finance. Agricultural product exports are increasing, establishing the need for new services even at rural and semi-urban level. Unfortunately, post-reform thinking has dampened the will of nationalized banks to serve such needs. Reform proponents have advocated pruning of priority sector credit from 40 to 10 percent for PSBs without considering how cooperative banks and RRBs can fill the void that may be created by withdrawal of major players from the activity.

Bank Restructuring: Fiscal Implications
All bank restructuring attempts have fiscal implications that are bad if considered in isolation. The advantage lies in taking on the fiscal impact and not allowing problems to fester. The Government should draw up a total balance sheet of bank nationalization and socioeconomic gains to strengthen PSBs, on which it will have to depend if it is to reduce the population/branch and ATM ratio from 15,000 to 3,000.

Asset Reconstruction Company
The Government should not provide capital support or indirect financing to ARCs. The Narasimham Committee (II)\(^{24}\) recommended that there should be no further bank recapitalization other than the un disbursed amount of Rs4 billion from the previous budget provision that can be diverted as seed capital for ARCs. ARCs will be required for banks that are not viable over a three-year period. Such banks will have to be referred to the Restructuring Commission. The Narasimham Committee proposed the establishment of ARCs to tide over the backlog of NPAs.

\(^{24}\) Narasimham Committee Report
Banks would undertake financial restructuring by hiving off their NPA portfolios to ARCs and obtaining funding from it through swap bonds or securitization. But the Indian banking sector does not require any emergency policy for rebuilding, despite the NPA problem. The only banks that need to be recapitalized in the near future are some rural and cooperative banks.

**Operational Efficiency**

The private sector's partial ownership of SBI has contributed to its exceptional operational efficiency even after 1955 when RBI acquired majority shares.

This suggests that it is advisable in the long term for the Indian banking sector to increase the share of private ownership. In order to reduce the social burden caused by banking sector inefficiency; banks should be given wider management autonomy. The Government should gradually but steadily reduce its ownership of the banking industry while maintaining rigorous prudential regulation and rationalizing its supervision capacity. To bring about efficiency in banks, the Narasimham Committee (II) recommended a number of measures.

These included revision and regular update of operational manuals, simplification of documentation systems, introduction of computer audits, and evolution of a filtering mechanism to reduce concentration of exposures in lending and drawing geographical/industry/sectorial exposure norms with the Board's concurrence. Besides, the Narasimham Committee suggested the assignment of full-time directors in nationalized banks.

**Autonomy and Governance**

Autonomy and sound governance are likely to be achieved after privatization of banks has taken place. The Narasimham Committee's observation that most banks do not even have updated instruction manuals proves the point. RBI's selection of statutory auditors for banks may seem to conflict with the
requirement for sound corporate governance. However, such regulatory intervention will remain useful until banks can fully strengthen their internal systems and procedures, risk management standards, and the required preventive and detective controls.

Human Resources Development
Human resources are not merely an asset but the real capital of a bank. Banking in the future will require knowledgeable workers. A bank should have a group of chief officers in a variety of fields so that the collective wisdom of their organization is at the fingertips of every employee. An integrated body of knowledge and professionalism in banking has to be in place to ensure continued financial viability. Staff morale plays a crucial role in developing good organizational culture. In that context, training is going to be an important factor. Resuming recruitment of young trainees, training and retraining of personnel, accelerated promotions for young people through competition, studious habits, strong staff management, matching resources with emerging responsibilities, developing backup support to determine recruitment needs of new skills, and spread of an IT culture are among the issues that have to be addressed. The focus should be to create core competencies for handling various types of risks and customer sophistication, to meet all needs, from rural to urban.

Reduction in Priority Sector Loans
Both Narasimham Committees recommended that the directed credit component needs to be reduced from 40 to 10 percent since contamination of banks' balance sheets has come from payment defaults in this sector. With more disintermediation and competition coupled with rising costs and falling income margins in metro and urban centers, more than 70 percent of the branch network of PSBs situated in rural and semi-urban areas should look upon local market opportunities as being a "priority" for the banks themselves. These areas are rich in potential, which banks can tap only if they can introduce technology and computerization at relatively low investment
costs. Banks' neglect in this area explains to some extent the growth of the informal sector and NBFCs.

(C) **Indian Cement Industry:** The cement industry presents one of the most energy-intensive sectors within the Indian economy and is therefore of particular interest in the context of both local and global environmental discussions. Increases in productivity through the adoption of more efficient and cleaner technologies in the manufacturing sector will be effective in merging economic, environmental, and social development objectives. A historical examination of productivity growth in India’s industries embedded into a broader analysis of structural composition and policy changes will help identify potential future development strategies that lead towards a more sustainable development path.

The cement industry is one of the main beneficiaries of the infrastructure boom. With robust demand and adequate supply, the industry has bright future. The Indian Cement Industry with total capacity of 165 million tones is the second largest after China. Cement industry is dominated by 20 companies who account for over 70% of the market. Individually no company accounts for over 12% of the market. The major players like L&T and ACC have been quiet successful in narrowing the gap between demand and supply. Private housing sector is the major consumer of cement (53%) followed by the government infrastructure sector. Similarly northern and southern region consume around 20%-30% cement while the central and western region are consuming only 18%-16%. India is the 2nd largest cement producer in world after china. Right from laying concrete bricks of economy to waving fly over’s cement industry has shown and shows a great future.

The overall outlook for the industry shows significant growth on the back of robust demand from housing construction, Phase-II of NHDP (National Highway Development Project) and other infrastructure development projects. Domestic demand for cement has been increasing at a fast pace in India. Cement consumption in India is forecasted to grow by over 22% by 2009-10 from 2007-08.

25. [www.researchandmarkets.com](http://www.researchandmarkets.com)
Among the states, Maharashtra has the highest share in consumption at 12.18%, followed by Uttar Pradesh. In production terms, Andhra Pradesh is leading with 14.72% of total production followed by Rajasthan. Cement production grew at the rate of 9.1 per cent during 2006-07 over the previous fiscal's total production of 147.8 mt (million tons). Due to rising demand of cement the sales volume of cement companies are also increasing & companies reporting higher production, higher sales and higher profits.

The net profit growth rate of cement firms was 85%. Cement industry has contributed around 8% to the economic development of India.

Outsiders (foreign players) eyeing India as a major market to invest in the form of either merger or FDI (Foreign Direct Investment). Cement industry has a long way to go as Indian economy is poised to grow because of being on verge of development. The company continues to emphasize on reduction of costs through enhanced productivity, reduction in energy costs and logistics expenses. The cement sector is expected to witness growth in line with the economic growth because of the strong co-relation with GDP. Future drivers of cement demand growth in India would be the road and housing projects.

As per the Working Group report on Cement Industry for the formulation of the 11th Plan, the cement demand is likely to grow at 11.5 percent per annum during the 11th Plan and cement production and capacity by the end of the 11th Plan are estimated to be 269 million tones and 298 million tones, respectively, with capacity utilization of 90 per cent.

Despite the growth of Indian cement industry India lags behind the per capita production. Supply for cement is expected to remain tight which, in turn, will push up prices of cement by more than 50%. The most important factor for better prices is consolidation of the industry. It has just begun and we will see more consolidation in the coming years. Other budget measures such as cut in import duty from 12.5 per cent to nil etc. are all intended to cut costs and boost availability of cement. Sadly the adverse effects of global slowdown have not spared this industry too. Demand is sluggish, the government is
keeping an eagle eye on prizes, domestic coal and pet coke, prizes have increased sharply and utilizations rates are down. The numbers coming out are a reflection of grim times. ACC the country’s largest cement company that’s controlled by Swiss giant HOLCIM, registered 2% fall in august sales. It is the biggest fall since Feb 2007. Production fell by 5%. To stand against the problematic situation, government as well as cement industry has taken some steps.

Companies are focusing on cost of transportation. One of the strategy is to decrease dependence on road & opt for sea logistics as that can cut transportation cost by 30-50%\textsuperscript{26}.

Some plants are adopting futuristic plan such as setting up captive power plant, moving closer to the customers by creating clicker, crushing, and capacity in key markets, to be more customer centric to generate better revenue. India should push for stricter regulations of market place as to control the prices of big companies and prevent them from forming cartels and exchanging information. To fight with the high inflation, government wants to import more cement from Pakistan. However cement prizes are not very much high as other items but still they are increasing. And the reason of high prize is surging cost of raw material and transportation cost. Apart from this government also discussed with cement industry not to have increase in prizes and keep consumer interest in mind. Now the question arise in front of the government is whether the demand by the government is possible to increase through expenditure on infrastructure or not according to the current state of economy when so many crises are going on or how the government allocation of US$ 3.23 billion for the National Highway Development, Project will keep the demand for cement alive?

And to what extent the prizes of cement should be increase so that consumer can’t affect. Cement industry in India has also made tremendous strides in technological up gradation and assimilation of latest technology. Presently, 93 per cent of the total capacity in the industry is based on modern and environment-friendly dry process technology. The induction of advanced technology has helped the industry immensely to conserve energy and fuel and to save materials substantially.

Indian cement industry has also acquired technical capability to produce different types of cement like Ordinary Portland Cement (OPC), Portland Pozzolana Cement (PPC), Portland Blast Furnace Slag Cement (PBFS).

**Mergers and Acquisitions in Cement Industry in India**

- UltraTech Cement\(^{27}\) is going to absorb its sister concern Samruddhi Cement to become biggest cement company in India.
- World's leading foreign funds like HSBC, ABN Amro, Fidelity, Emerging Market Fund and Asset Management Fund have together bought 7.5% of India Cements (ICL) at a cost of US$ 124.91 million.
- Cimpor, a Cement company of Portugal, has bought 53.63% stake that Grasim Industries had in Shree Digvijay Cement.
- French cement company Vicat SA bought 6.67% share of Sagar Cement at a cost of US$ 14.35 million.
- Holcim now holds 56% stake of Ambuja Cement. Previously it held 22% of stake. The company utilized various open market transactions to increase its stakes. It invested US$ 1.8 billion for that.

**Recent Investments in the Indian Cement Industry**

- In a recent announcement, the second largest cement company in South India, Dalmia Cement declared that it's going to invest more than US$ 652.6 million in the next 2-3 years to add 10 MT capacity.
- Anil Ambani-led Reliance Infrastructure is going to build up cement plants with a total capacity of yearly 20 MT in the next 5 years. For this, the company will invest US$ 2.1 billion.
- India Cements is going to set up 2 thermal power plants in Andhra Pradesh and Tamil Nadu at a cost of US$ 104 billion.
- Anil Ambani-led Reliance Cementation is also going to set up a 5 MT integrated cement plant in Maharashtra. It will invest US$ 463.2 million for that.

\(^{27}\) UltraTech Cement Ltd. website
• Jaiprakash Associates Ltd has signed a MoU with Assam Mineral Development Corporation Limited to set up a 2 MT cement plant. The estimated project cost is US$ 221.36 million.
• Rungta Mines (RML) is also planning to invest US$ 123 million for setting up a 1 MT cement plant in Orissa.

(D) Indian Steel Industry: India’s economic growth is contingent upon the growth of the Indian steel industry. Consumption of steel is taken to be an indicator of economic development. While steel continues to have a stronghold in traditional sectors such as construction, housing and ground transportation, special steels are increasingly used in engineering industries such as power generation, petrochemicals and fertilizers. India occupies a central position on the global steel map, with the establishment of new state-of-the-art steel mills, acquisition of global scale capacities by players, continuous modernization and upgradation of older plants, improving energy efficiency and backward integration into global raw material sources.

Steel production in India has increased by a compounded annual growth rate (CAGR) of 8 percent over the period 2002-03 to 2006-07. Going forward, growth in India is projected to be higher than the world average, as the per capita consumption of steel in India, at around 46 kg, is well below the world average (150 kg) and that of developed countries (400 kg). Indian demand is projected to rise to 200 million tonnes by 2015\(^28\). Given the strong demand scenario, most global steel players are into a massive capacity expansion mode, either through Brownfield or Greenfield route. By 2012, the steel production capacity in India is expected to touch 124 million tonnes and 275 million tonnes by 2020.

28. Interregional economic Growth with transportation and residential distribution
While Greenfield projects are slated to add 28.7 million tonnes, Brownfield expansions are estimated to add 40.5 million tonnes to the existing capacity of 55 million tonnes.

Steel is manufactured as a globally tradable product with no major trade barriers across national boundaries to be seen currently. There is also no inherent resource related constraints which may significantly affect production of the same or its capacity creation to respond to demand increases in the global market. Even the government policy restrictions have been negligible worldwide and even if there are any the same to respond to specific conditions in the market and have always been temporary. Therefore, the industry in general and at a global level is unlikely to throw up substantive competition issues in any national policy framework. Further, there are no natural monopoly characteristics in steel. Therefore, one may not expect complex competition issues as those witnessed in industries like telecom, electricity, natural gas, oil, etc. This, however, does not mean that there is no relevant or serious competition issue in the steel industry. The growing consolidation in the steel industry worldwide through mergers and acquisitions has already thrown up several significant concerns.

The fact that internationally steel has always been an oligopolistic industry sometimes has raised concerns about the anticompetitive behaviors of large firms that dominate this industry. On the other hand the set of large firms that characterize the industry has been changing over time. Trade and other government policies have significant bearing on competition issues. Matters of subsidies, non-tariff barriers to trade, discriminatory customs duty (on exports and imports) etc. may bring in significant distortions in the domestic market and in the process alter the competitive positioning of individual players in the market.

29. Paredes, Dusan, A methodology to compute regional housing price index using matching estimator methods
The specific role of the state in creating market distortion and thereby the competitive condition in the market is a well-known issue in this country.

Technological innovations have provided the competitive edge to the technologically strong companies. Smooth and quick transfer of technology has, however, meant an increasingly competitive pressure on the companies to be ahead of the others in the race for technological superiority to maintain and, if possible, to strengthen the bottom lines.

Sagging prices in the backdrop of economic slowdown have spelt turmoil in the industry the world over. As in the case of oil and natural gas, there is a felt need for the steel producing countries to come together and evolve an understanding on production and pricing of steel products. Some effort in this direction is being taken, but, it is yet to take firmer roots. The future is uncertain, but challenging, and holds great promise if the right steps are taken because of the inherent qualities of steel.

The Indian steel industry comprises of the producers of finished steel, semi-finished steel, stainless steel and pig iron\(^30\). Indian steel industry, having participation from both public sector and private sector enterprises, is one of the fastest growing markets for steel and is also increasingly looking towards exports as driving the growth of the industry.

**Global Scenario**

- In 2011 the world crude steel production reached 1527 million tonnes (mt) and showed a growth of 6.8% over 2010. (Source: World Steel Association or WSA; data provisional)
- China remained the world’s largest crude steel producer in 2011 (695.5 mt) followed by Japan (107.6 mt) and the USA (86.2 mt). India occupied the 4th position (72.2 mt) for the second consecutive year. (Source: WSA; data provisional)

\(^30\) Vandegrift, Donald, & Micheal Lahr, Open space, house prices, and the tax base.
• The WSA has projected that apparent steel use will increase by 6.5% to 1,398 mt in 2011, following growth of 15.1% in 2010. In 2012, it has projected that the same will grow further by 5.4%. Such growth will be largely driven by China and India with China’s apparent steel use in 2011 and 2012 expected to increase by 7.5% and 6% respectively. For India, growth in apparent steel use is expected to be subdued at 4.3% in 2011 but expected to go up by 7.9% in 2012.

• Per capita finished steel consumption is estimated at 206 kg for world, 427 kg for China.

Domestic Scenario

• The Indian steel industry has entered into a new development stage from 2007-08, riding high on the resurgent economy and rising demand for steel.

• Rapid rise in production has resulted in India becoming the 4th largest producer of crude steel and the largest producer of sponge iron or DRI in the world.

• As per the report of the Working Group on Steel for the 12th Plan, there exist many factors which carry the potential of raising the per capita steel consumption in the country, currently estimated at 55 kg (provisional). These include among others, an estimated infrastructure investment of nearly a trillion dollars, a projected growth of manufacturing from current 8% to 11-12%, increase in urban population to 600 million by 2030 from the current level of 400 million, emergence of the rural market for steel currently consuming around 10 kg per annum buoyed by projects like Bharat Nirman, Pradhan Mantri Gram Sadak Yojana, Rajiv Gandhi Awaas Yojana among others.

• At the time of its release, the National Steel Policy 2005 had envisaged steel production to reach 110 million tonnes by 2019-20. However, based on the assessment of the current ongoing projects, both in Greenfield and Brownfield, the Working Group on Steel for the 12th Plan has projected that the crude steel capacity in the county is likely to be 140 mt by 2016-17. Further, based on the status of MOUs signed by the private
producers with the various State Governments, it is expected that India’s steel capacity would exceed 200 mt by 2020.

- The National Steel Policy 2005 is currently being reviewed keeping in mind the rapid developments in the domestic steel industry (both on the supply and demand sides) as well as the stable growth of the Indian economy since the release of the Policy in 2005.

**Opportunities for growth of Steel in Private Sector**

The New Industrial Policy Regime

The New Industrial policy opened up the Indian iron and steel industry for private investment by (a) removing it from the list of industries reserved for public sector and (b) exempting it from compulsory licensing. Imports of foreign technology as well as foreign direct investment are now freely permitted up to certain limits under an automatic route. Ministry of Steel plays the role of a facilitator, providing broad directions and assistance to new and existing steel plants, in the liberalized scenario.

The liberalization of industrial policy and other initiatives taken by the Government have given a definite impetus for entry, participation and growth of the private sector in the steel industry. While the existing units are being modernized/expanded, a large number of new steel plants have also come up in different parts of the country based on modern, cost effective, state-of-the-art technologies. In the last few years, the rapid and stable growth of the demand side has also prompted domestic entrepreneurs to set up fresh Greenfield projects in different states of the country. At present, crude steel making capacity is 84 mt and India, the 4th largest producer of crude steel in the world, has to its credit, the capability to produce a variety of grades and that too, of international quality standards. The country is expected to become the 2nd largest producer of crude steel in the world by 2015-16, provided all requirements for creation of fresh capacity are adequately met.

31. Knowledge-based spatial differences in economic activity, job related migration and housing related migration
Indian Automobile Four Wheeler Industry: The first car ran on India's roads in 1897. Until the 1930s, cars were imported directly, but in very small numbers. Embryonic automotive industry emerged in India in the 1940s. Mahindra & Mahindra was established by two brothers as a trading company in 1945, and began assembly of Jeep CJ-3A utility vehicles under license from Willys. The company soon branched out into the manufacture of light commercial vehicles (LCVs) and agricultural tractors.

Following the independence, in 1947, the Government of India and the private sector launched efforts to create an automotive component manufacturing industry to supply to the automobile industry. However, the growth was relatively slow in the 1950s and 1960s due to nationalization and the license raj which hampered the Indian private sector. After 1970, the automotive industry started to grow, but the growth was mainly driven by tractors, commercial vehicles and scooters. Cars were still a major luxury. Japanese manufacturers entered the Indian market ultimately leading to the establishment of Maruti Udyog. A number of foreign firms initiated joint ventures with Indian companies.

In the 1980s, a number of Japanese manufacturers launched joint-ventures for building motorcycles and light commercial-vehicles. It was at this time that the Indian government chose Suzuki for its joint-venture to manufacture small cars. Following the economic liberalization in 1991 and the gradual weakening of the license raj, a number of Indian and multinational car companies launched operations. Since then, automotive component and automobile manufacturing growth has accelerated to meet domestic and export demands.

Following economic liberalization in India in 1991, the Indian automotive industry has demonstrated sustained growth as a result of increased competitiveness and relaxed restrictions.

32. www.gaddi.com
Several Indian automobile manufacturers such as Tata Motors, Maruti Suzuki and Mahindra and Mahindra, expanded their domestic and international operations. India's robust economic growth led to the further expansion of its domestic automobile market which has attracted significant India-specific investment by multinational automobile manufacturers. In February 2009, monthly sales of passenger cars in India exceeded 100,000 units and have since grown rapidly to a record monthly high of 182,992 units in October 2009. From 2003 to 2010, car sales in India have progressed at a CAGR of 13.7%, and with only 10% of Indian households owning a car in 2009 (whereas this figure reaches 80% in Switzerland for example) this progression is unlikely to stop in the coming decade. Congestion of Indian roads, more than market demand, will likely be the limiting factor.

SIAM is the apex industry body representing all the vehicle manufacturers, home-grown and international, in India. The Indian Automobile Industry manufactures over 11 million vehicles and exports about 1.5 million each year. The dominant products of the industry are two-wheelers with a market share of over 75% and passenger cars with a market share of about 16%. Commercial vehicles and three-wheelers share about 9% of the market between them. About 91% of the vehicles sold are used by households and only about 9% for commercial purposes. The industry has a turnover of more than USD $35 billion and provides direct and indirect employment to over 13 million people.

The supply chain is similar to the supply chain of the automotive industry in Europe and America. Interestingly, the level of trade exports in this sector in India has been medium and imports have been low. However, this is rapidly changing and both exports and imports are increasing. The demand determinants of the industry are factors like affordability, product innovation, infrastructure and price of fuel. Also, the basis of competition in the sector is high and increasing, and its life cycle stage is growth.

33. EPW, Indian Four wheeler industry
With a rapidly growing middle class, all the advantages of this sector in India are yet to be leveraged. With a high cost of developing production facilities, limited accessibility to new technology, and increasing competition, the barriers to enter the Indian Automotive sector are high. On the other hand, India has a well-developed tax structure. The power to levy taxes and duties is distributed among the three tiers of Government. The cost structure of the industry is fairly traditional, but the profitability of motor vehicle manufacturers has been rising over the past five years. Major players, like Tata Motors and Maruti Suzuki have material cost of about 80% but are recording profits after tax of about 6% to 11%.

The level of technology change in the Motor vehicle Industry has been high but, the rate of change in technology has been medium. Investment in the technology by the producers has been high. System-suppliers of integrated components and sub-systems have become the order of the day. However, further investment in new technologies will help the industry be more competitive. Over the past few years, the industry has been volatile. Currently, India's increasing per capita disposable income which is expected to rise by 106% by 2015 and growth in exports is playing a major role in the rise and competitiveness of the industry.

Tata Motors is leading the commercial vehicle segment with a market share of about 64%. Maruti Suzuki is leading the passenger vehicle segment with a market share of 46%. Hyundai Motor India and Mahindra and Mahindra are focusing expanding their footprint in the overseas market. Hero Honda Motors is occupying over 41% and sharing 26% of the two-wheeler market in India with Bajaj Auto. Bajaj Auto in itself is occupying about 58% of the three-wheeler market.

Consumers are very important of the survival of the Motor Vehicle manufacturing industry. In 2008-09, customer sentiment dropped, which burned on the augmentation in demand of cars. Steel is the major input used by manufacturers and the rise in price of steel is putting a cost pressure on
manufacturers and cost is getting transferred to the end consumer. The price of oil and petrol affect the driving habits of consumers and the type of car they buy.

The key to success in the industry is to improve labour productivity, labour flexibility, and capital efficiency. Having quality manpower, infrastructure improvements, and raw material availability also play a major role. Access to latest and most efficient technology and techniques will bring competitive advantage to the major players. Utilising manufacturing plants to optimum level and understanding implications from the government policies are the essentials in the Automotive Industry of India.

Both, Industry and Indian Government are obligated to intervene in the Indian Automotive industry. The Indian government should facilitate infrastructure creation, create favourable and predictable business environment, attract investment and promote research and development. The role of Industry will primarily be in designing and manufacturing products of world-class quality establishing cost competitiveness and improving productivity in labour and in capital. With a combined effort, the Indian Automotive industry will emerge as the destination of choice in the world for design and manufacturing of automobiles.

Exports

India's automobile exports have grown consistently and reached $4.5 billion in 2009, with United Kingdom being India's largest export market followed by Italy, Germany, Netherlands and South Africa. India's automobile exports are expected to cross $12 billion by 2014\textsuperscript{34}.

According to \textit{New York Times}, India's strong engineering base and expertise in the manufacturing of low-cost, fuel-efficient cars has resulted in the expansion of manufacturing facilities of several automobile companies like Hyundai Motors, Nissan, Toyota, Volkswagen and Suzuki.

\textsuperscript{34} New York Times, 2011.
In 2008, Hyundai Motors alone exported 240,000 cars made in India. Nissan Motors plans to export 250,000 vehicles manufactured in its India plant by 2011. Similarly, General Motors announced its plans to export about 50,000 cars manufactured in India by 2011.

In September 2009, Ford Motors announced its plans to set up a plant in India with an annual capacity of 250,000 cars for US$500 million. The cars will be manufactured both for the Indian market and for export. The company said that the plant was a part of its plan to make India the hub for its global production business. Fiat Motors also announced that it would source more than US$1 billion worth auto components from India.

In July 2010, The Economic Times reported that PSA Peugeot Citroën was planning to re-enter the Indian market and open a production plant in Andhra Pradesh with an annual capacity of 100,000 vehicles, investing EUR 700M in the operation. PSA's intention to utilise this production facility for export purposes however remains unclear as of December 2010.35

In 2009 India (0.23m) surpassed China (0.16m) as Asia's fourth largest exporter of cars after Japan (1.77m), Korea (1.12m) and Thailand (0.26m) by allowing foreign carmakers 100% ownership of factories in India, which China does not allow.

In recent years, India has emerged as a leading center for the manufacture of small cars. Hyundai, the biggest exporter from the country, now ships more than 250,000 cars annually from India. Apart from shipments to its parent Suzuki, Maruti Suzuki also manufactures small cars for Nissan, which sells them in Europe. Nissan will also export small cars from its new Indian assembly line. Tata Motors exports its passenger vehicles to Asian and African markets, and is in preparation to launch electric vehicles in Europe in 2010. The firm is also planning to launch an electric version of its low-cost car Nano in Europe and the U.S. Mahindra & Mahindra is preparing to introduce its pickup trucks and small SUV models in the U.S. market.

35. The Economic Times, July 2010
Bajaj Auto is designing a low-cost car for the Renault Nissan Automotive India, which will market the product worldwide. Renault Nissan may also join domestic commercial vehicle manufacturer Ashok Leyland in another small car project. While the possibilities are impressive, there are challenges that could thwart future growth of the Indian automobile industry. Since the demand for automobiles in recent years is directly linked to overall economic expansion and rising personal incomes, industry growth will slow if the economy weakens.

3.2 Introduction to companies

(A) Cipla Ltd.: Cipla Ltd. (Cipla) is a pharmaceutical company. It offers various drugs and healthcare products. The company manufactures and sells various OTC products, prescription products, flavors and fragrances, pesticides, bulk drugs and animal products. They are offered in the form of tablets, capsules, injection, suspension, syrup, and disp tablet. More than 50 per cent of the Company’s turnover is contributed by overseas business. The Company has long-standing key alliances for product development and supply with large generic companies in the developed markets and has over 6,000 product registrations. Cipla exports its products to 170 countries across the globe\(^{36}\). The company’s products are certified by various recognized regulatory authorities namely Food and Drug Administration (FDA), USA; PIC, Germany; WHO; Medicines and Healthcare products Regulatory Agency (MHRA), UK and so on. It has various manufacturing facilities and R&D centers located across India. The company is headquartered in Mumbai, India.

In November 2009, the company launched Flu drug, oseltamivir, under the brand name of Antiflu. Other drugs like amoxycillin and clavulanic acid syrup in the brand name of Advent Forte, Bosentan tablets in the brand name of Bosentas and so on were also introduced during the year 2009.

\(^{36}\) Cipla Ltd., website
Cipla is 2nd largest pharmaceutical company in India in terms of retail sales. Cipla manufactures an extensive range of pharmaceutical & personal care products and has presence in over 170 countries across the world. Cipla's product range includes Pharmaceuticals, Animal Health Care Products, OTC, Bulk Drugs, Flavours & Fragrances, and Agrochemicals. Cipla also provides a host of consulting services such as preparation of product and material specifications, evaluation of existing production facilities to meet GMP, definition of appropriate plant size and technologies etc.

The origins of Cipla can be traced back to 1935\textsuperscript{37}, when Dr Khwaja Abdul Hamied set up "The Chemical, Industrial and Pharmaceutical Laboratories Ltd", popularly known by the acronym Cipla, in a rented bungalow, at Bombay Central. Cipla was registered as a public limited company on August 17, 1935. Cipla's first product was launched into the market in 1937. In 1940, during the Second World War when the drug supplies were cut off, Cipla started producing fine chemicals. In 1944, Cipla bought the premises at Bombay Central to build a modern pharmaceutical laboratory. In 1946, Cipla's product for hypertension, Serpinoid, was exported to the American Roland Corporation. In 1952, Cipla set up first research division for attaining self-sufficiency in technological development. In 1960, Cipla started operations at second plant at Vikhroli, Mumbai. In 1968, Cipla manufactured ampicillin for the first time in India. In 1976, Cipla launched medicinal aerosols for asthma. In 1982, Cipla's fourth factory became operational at Patalganga, Maharashtra.

In 1984, Cipla developed anti-cancer drugs, vinblastine and vincristine in collaboration with the National Chemical Laboratory, Pune. In 1991, Cipla pioneered the manufacture of the antiretroviral drug, zidovudine. In 1994, Cipla's fifth factory began commercial production at Kurkumbh, Maharashtra. In 1997, Cipla launched transparent Rotahaler, the world's first such dry powder inhaler device.

\textsuperscript{37} Cipla Ltd., website
In 2000, Cipla became the first company, outside the USA and Europe to launch CFC-free inhalers. In 2002, Cipla set up four state-of-the-art manufacturing facilities set up in Goa. In 2003, Cipla launched TIOVA (Tiotropium bromide), a novel inhaled, long-acting anticholinergic bronchodilator. In 2005, Cipla set up a state-of-the-art facility for manufacture of formulations at Baddi, Himachal Pradesh.

**Cipla's products include Pharmaceuticals:** Cipla manufactures anabolic steroids, analgesics/antipyretics, antacids, antihelmintics, anti-arthritis, anti-inflammatory drugs, anti-TB drugs, antiallergic drugs, anticancer drugs, antifungal, antimalarial, antispasmodics, antiulcerants, immunosuppressants etc.

**Animal Health Care Products:** These include: aqua products, equine products, poultry products, products for companion animals, and products for livestock animals.

**OTC:** These include: child care products, eye care products, food supplements, health drinks, life style products, nutraceuticals & tonics, skin care products, and oral hygiene products.

**Flavour & Fragrance:** Cipla manufactures a wide range of flavours, which are used in foods and beverages, fruit juices, baked goods, and oral hygiene products. Cipla fragrances have wide ranging applications such as in personal care products, laundry detergents and room fresheners.

**Major Achievements of Cipla:**

Manufactured ampicillin for the first time in India

Launched etoposide, a breakthrough in cancer chemotherapy, in association with Indian Institute of Chemical Technology

Launches transparent Rotahaler, the world's first such dry powder inhaler device
Launches transparent Rotahaler, the world's first such dry powder inhaler device

Became the first company, outside the USA and Europe to launch CFC-free inhalers

(B) Sun Pharmaceuticals Ltd.:
Sun Pharma\(^{38}\) began in 1983 with just 5 products to treat psychiatry ailments. Sales were initially limited to two states in Eastern India. Sales were rolled out nationwide in 1985. Products for cardiology were introduced in 1987, and Monotrate, one of the first products launched then, continues to be sold even today. Important products in Cardiology were later added; several of these introduced for the first time in India, and these brought patients the latest treatments at a sensible cost, a belief we've always lived by.

Realizing the fact that research is a critical growth driver, they established their first research center, SPARC, in 1993 and this created the base for strong product and process development that enabled growth in the subsequent years.

Sun Pharma was listed on the main stock exchanges in India in 1994; and the Rs. 55 crore issue of a Rs. 10 face value equity share offered at a premium of Rs. 140/-, was oversubscribed 55 times. The minimum 25% that was required under the regulations then for listing was offered to the public, the founder's family continues to hold a majority stake in Sun Pharma.

Company used this money to build a Greenfield site for API manufacture, as well as for acquisitions. For allowed acquisitions, typically companies or assets that allowed us entry into a new market or therapy area, assets that could be turned around and brought on track were identified.

\(^{38}\) Sun Pharmaceuticals website
The first API manufacturing plant was built in Panoli in 1995, for access to high quality actives ahead of competition, and in order to tap the vast international opportunity for specialty APIs.

Another API plant, Ahmednagar plant, was acquired from the multinational Knoll Pharmaceuticals in 1996, and expanded and substantially upgraded for regulated markets, with capacity addition over the years across differentiated API lines such as anti-cancers and peptides. This was the first several sensibly priced acquisitions, each of which would bring important parts to our long-term strategy.

In 1997, our headquarters shifted to Mumbai, India's commercial capital. We began the first of our international acquisitions with an initial $7.5 million investment in Caraco, Detroit. By 2000, we had completed 8 acquisitions, each such move adding new therapy areas or offering an entry to important international markets. A new research center was set up in Mumbai for generic product development for the US market. In India, as new therapy areas were entered into post acquisition; customer attention, product selection and focused marketing helped us gain a foothold in areas like orthopedics, gynecology, oncology, etc. From a ranking at 38th in 1994, by 2000 we were ranked 5th with a leadership in 8 of the 11 therapy areas that we are present in. The year 2000 was the year of turnaround at the US subsidiary, Caraco, as it began to receive approvals after successful inspection by the USFDA.

In December 2004, a research center spread over 16 acres was inaugurated by the President of India, with special lab space for drug discovery and innovation. The post 2005 years have witnessed important acquisitions to strengthen our US business—the purchase of manufacturing assets for controlled substances in Cranbury, NJ; that of a site to make creams and lotions in Bryan, that of Alkaloida, a Hungary based API and dosage form manufacturer, and, Chattem Ltd., a Tennessee-based controlled substance API manufacturer.
In September 2010 acquisition of Taro Pharmaceuticals doubled the size of our US business and brought us a range of generics including a strong line of dermatological. Taro's manufacturing facilities in Israel and Canada substantially add to our production capacity.

The tally at the end of 2010:

- 23 manufacturing plants in 3 continents
- 9000 employees
- 4 World class research centers
- Brand in markets worldwide
- A strong presence in the US generic market
- Increasing research investments
- Over 58% of sales from international markets
- Dilip Shanghvi, CMD, received the E&Y Entrepreneur of the Year Award for 2010

Looking Ahead

While we have been becoming more international and formulations-driven over the past decade, the acquisition of Taro in 2010 places us firmly on a new growth orbital, with over half our sales now coming from North America.

We are well on our way to the future, with brands registered in major branded generic markets of the world, and in most of these markets, promoted by a high quality field force.

In the high value US generics market we are working to become a trusted, high quality generic company, with a balanced portfolio comprising both of complex and simple-to-file generics including injectables, controlled substances and dermatologicals. As we build this part of our business, our insistence on technology and the cost advantage will remain unchanged. We are open to acquisitions in the US generic space.

39. Sun Pharmaceuticals Ltd., website
In India, where we are built leadership in chronic therapy areas over the last 25 years, we will be working hard to retain leadership and add to prescription share.

In key international markets across Asia, South East Asia, Russia, China, the Middle East, Latam and Africa where we have a footprint firmly in place, we will continue to build prescription driven sales and customer share of mind. Backed with a strong network and established company equity, we would be an excellent partner for a company seeking to license out products across markets.

(C) State Bank of India:
The evolution of State Bank of India\(^{40}\) can be traced back to the first decade of the 19th century. It began with the establishment of the Bank of Calcutta in Calcutta, on 2 June 1806. The bank was redesigned as the Bank of Bengal, three years later, on 2 January 1809. It was the first ever joint-stock bank of the British India, established under the sponsorship of the Government of Bengal. Subsequently, the Bank of Bombay (established on 15 April 1840) and the Bank of Madras (established on 1 July 1843) followed the Bank of Bengal. These three banks dominated the modern banking scenario in India, until when they were amalgamated to form the Imperial Bank of India, on 27 January 1921.

An important turning point in the history of State Bank of India is the launch of the first Five Year Plan of independent India, in 1951. The Plan aimed at serving the Indian economy in general and the rural sector of the country, in particular. Until the Plan, the commercial banks of the country, including the Imperial Bank of India, confined their services to the urban sector. Moreover, they were not equipped to respond to the growing needs of the economic revival taking shape in the rural areas of the country.

\(^{40}\) State Bank of India website
Therefore, in order to serve the economy as a whole and rural sector in particular, the All India Rural Credit Survey Committee recommended the formation of a state-partnered and state-sponsored bank.

The All India Rural Credit Survey Committee\textsuperscript{41} proposed the takeover of the Imperial Bank of India, and integrating with it, the former state-owned or state-associate banks. Subsequently, an Act was passed in the Parliament of India in May 1955. As a result, the State Bank of India (SBI) was established on 1 July 1955. This resulted in making the State Bank of India more powerful, because as much as a quarter of the resources of the Indian banking system were controlled directly by the State. Later on, the State Bank of India (Subsidiary Banks) Act was passed in 1959. The Act enabled the State Bank of India to make the eight former State-associated banks as its subsidiaries.

The State Bank of India emerged as a pacesetter, with its operations carried out by the 480 offices comprising branches, sub offices and three Local Head Offices, inherited from the Imperial Bank. Instead of serving as mere repositories of the community's savings and lending to creditworthy parties, the State Bank of India catered to the needs of the customers, by banking purposefully. The bank served the heterogeneous financial needs of the planned economic development.

**Branches**

The corporate center of SBI is located in Mumbai. In order to cater to different functions, there are several other establishments in and outside Mumbai, apart from the corporate center. The bank boasts of having as many as 14 local head offices and 57 Zonal Offices, located at major cities throughout India. It is recorded that SBI has about 10000 branches, well networked to cater to its customers throughout India.

\textsuperscript{41} The All India Rural Credit Survey Committee
ATM Services

SBI provides easy access to money to its customers through more than 8500 ATMs in India. The Bank also facilitates the free transaction of money at the ATMs of State Bank Group, which includes the ATMs of State Bank of India as well as the Associate Banks – State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Indore, etc. You may also transact money through SBI Commercial and International Bank Ltd by using the State Bank ATM-cum-Debit (Cash Plus) card.

Subsidiaries
The State Bank Group includes a network of eight banking subsidiaries and several non-banking subsidiaries. Through the establishments, it offers various services including merchant banking services, fund management, factoring services, primary dealership in government securities, credit cards and insurance.

The eight banking subsidiaries are:

- State Bank of Bikaner and Jaipur (SBBJ)
- State Bank of Hyderabad (SBH)
- State Bank of India (SBI)
- State Bank of Indore (SBIR)
- State Bank of Mysore (SBM)
- State Bank of Patiala (SBP)
- State Bank of Saurashtra (SBS)
- State Bank of Travancore (SBT)

(D) ICICI Bank Ltd\textsuperscript{42}:

ICICI Bank is India's second-largest bank with total assets of Rs. 4,062.34 billion (US$ 91 billion) at March 31, 2011 and profit after tax Rs. 51.51 billion (US$ 1,155 million) for the year ended March 31, 2011.

\textsuperscript{42} ICICI Bank website
The Bank has a network of 2,752 branches and 8,003 ATMs in India, and has a presence in 19 countries, including India.

ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialised subsidiaries in the areas of investment banking, life and non-life insurance, venture capital and asset management.

The Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. Our UK subsidiary has established branches in Belgium and Germany.

ICICI Bank's equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange (NYSE).

**Investments:** ICICI Bank disseminates information on its operations and initiatives on a regular basis. The ICICI Bank website serves as a key investor awareness facility, allowing stakeholders to access information on ICICI Bank at their convenience. ICICI Bank's dedicated investor relations personnel play a proactive role in disseminating information to both analysts and investors and respond to specific queries.

**Awards**:

- ICICI Bank won the "Century International Quality Era Award" at Geneva. The award recognizes commitment towards Quality, Excellence, Customer Satisfaction, Leadership and Strategic Planning as established in the QC 100 model of Total Quality Management (TQM).

43. ICICI Bank website
• For the second year in a row, Ms. Chanda Kochhar, Managing Director & CEO, is in the Power List 2012 of 25 most influential women professional in India, by India Today.

• Ms. Chanda Kochhar, Managing Director & CEO, is amongst the nine Indian women to be named in the Forbes magazine's inaugural 'Asia Power Businesswomen list'

• Mr. N.S. Kannan, Executive Director & CFO, received the "Best CFO", in the Banking / Financial Services category by CNBC - TV 18.

• ICICI Bank was recognised for the first Credit Default Swap (CDS) deal in India at the Fimmda annual conference in Kuala Lumpur.

• Ms. Chanda Kochhar, Managing Director & CEO was awarded the "CNBC Asia India Business Leader of the Year Award". She also received the "CNBC Asia's CSR Award 2011"

(E) Gujarat Ambuja Ltd.:

Gujarat Ambuja Cement Ltd (GACL) is one of the major players in the cement industry of India today. The Group's principal activity is to manufacture and market cement and clinker for both domestic and export markets. It is ranked as one of the best well managed companies in India. Its continuous drive for cost efficiency and quality has taken GACL to the position of frontrunners in the country.

The company was established in the year 1986, the main promoter being Mr. N. Sekhsaria. The market demand at those times was very moderate, but promising. GACL started with a 0.7 million tonnes per annum (mtpa) plant in Ambuja Nagar, Gujarat. But the growth was promising, given that there were only few large players in the market and also the fact that the demand for cement will only go on increasing, since it will never become obsolete. For a country to grow, cement is a must and India was on its way to become a very rapid, growing economy.

44. Gujarat Ambuja Cement Ltd. website
During the early years, GACL also tried diversification, but later switched to focusing on cement only. The volumes and growth has been increasing ever since. Increasing volumes: Realizing the importance of volumes, GACL lit a second kiln in Ambuja nagar, called Gajambuja cement, which was of 1 million tonne capacity, in 1993. Again, GACL started production at the new 1.5 mtpa kilns at Suli in Himachal Pradesh, in 1995. GACL finished setting up this plant in are cord three months. This is a remarkable feat given the difficult and remote terrain. The average production from this plant has been more than 100%.

The company set up a third 1 million tone cement plant in Ambuja nagar in 1996. One more cement mill was added in Himachal Pradesh to cater to the increasing demand from the neighboring states. This gave a sustainable logistic advantage to the company over the competitors, owing to the distance the competitors have to negotiate. In 1997, GACL acquired Modi Cements, and named it as Ambuja cement Eastern Ltd, giving it good exposure to eastern India. GACL took over DLF cement in 1999, becoming the fourth largest cement producer in the country.

One of the most remarkable decisions taken by GACL was to ship cement from Gujarat plant. It had the advantages of remarkable reducing the travel time, distance and per kg cost to the company due to the bulk nature. This also made possible to export cement to emerging markets like Middle East. But this demanded creating infrastructure, technology and convenience. Many jetties, ports and ships were set up.

The technology to deliver cement the way the customers demanded helped GACL deliver cement to virtually every corner. By 1996, GACL’s three ships carried 8.24 lactones to cement. Another landmark occurred when GACL successfully handled coal imports at Port Ambuja, by which GACL considerably reduced fuel costs. In short, the sea movement gave GACL the advantages of scale and scope, reduced fuel cost, and the flexibility to transcend geographical boundaries.
The strive to improve efficiency has been a continuous effort as far GACL is concerned. All efforts to reduce power consumption has been taken by GACL and the company has achieved remarkable fetes. A new method to crush limestone saved considerably saved time and electricity. The extensive tests in R&D, helped in producing types of cement as per demand. GACL put in efforts to expand its power capacity. All efforts are directed to strengthen Ambuja’s position as the lowest cost cement producer in India.

Present Status
Currently, GACL has a port terminal at Muldwarka, Gujarat. It is an all-weather port that handles ships with 40,000 DWT. The port has a fleet of seven ships with a capacity of 20500 DWT to ferry bulk cement to the packaging units.

The company has bulk cement terminals at Surat, Panvel, and Galle. The Surat terminal has a storage capacity of 15,000 tonnes and Panvel terminal has a storage capacity of 17,500 tonnes. Both the terminals have bulk cement unloading facility. The port at Galle, 120 km from Colombo, Sri Lanka, handles million tonnes of cement annually.

Major Achievement of GACL

- Most profitable cement company in India.
- Lowest cost producer of cement in the world.
- Its environment protection measures are at par with the best in the world.
- The pollution levels at all its cement plants are lower than the rigorous Swiss standards of 100mg/NM3.
- The only cement company to be awarded with the National Quality Award.

45. GACL website
Study of Financial Performance Evaluation of Indian Companies

- First cement company to first to receive the ISO 9002 quality certification.
- Received ISO 14000 Certification for environmental systems.
- India's largest exporter of cement.
- Received Best Award for highest exports by CAPEXIL.
- First company to introduce the concept of bulk cements movement by sea in India.
- The company has three subsidiaries, viz, Ambuja Cement Rajasthan Limited (ACRL),

AmbujaCement Eastern Limited (ACEL) and Ambuja Cement India Limited (ACIL). Ambuja also has a strategic investment in ACC through its subsidiary (ACIL). Very recently, the company has entered into a strategic partnership with Holcim, the second largest cement manufacturer in the world. Holcim had, in January, bought a 14.8 per cent promoters' stake in the GACL for Rs 21.4 billion. Currently (2010) Holcim holds about 46% of shares in GACL Limited

(F) UltraTech Cement Ltd.:

UltraTech Cement was incorporated in 2000 as Larsen & Toubro. Later it was demerged and acquired by Grasim and was renamed as Ultra Tech Cement in 2004. Today UltraTech cement a part of Aditya Birla group is the country's largest exporter of cement clinker. UltraTech Cement Limited has an annual capacity of 52 million tonnes. It manufactures and markets Ordinary Portland Cement, Portland Blast Furnace Slag Cement and Portland Pozzalana Cement. It also manufactures ready mix concrete (RMC). All the plants have received ISO 9001 certification.

UltraTech Cement Limited and its subsidiaries have an annual capacity of 52 million tonnes, making it among the top 10 producers of cement globally. UltraTech is also the largest manufacturer of White Cement in India.

46. UltraTech website
The company manufactures and markets Ordinary Portland Cement, Portland Slag Cement and Portland Pozzalana Cement, Ready Mix Concrete (RMC), White Cement, Building Products and offers Building Solutions.

UltraTech has 11 integrated plants, 15 grinding units, five bulk terminals and 92 RMC plants – spanning India, UAE, Bahrain, Bangladesh and Sri Lanka. UltraTech Cement is also India’s largest exporter of cement clinker reaching out to meet demand in countries around the Indian Ocean, Africa, Europe and the Middle East.

UltraTech's subsidiaries are Dakshin Cements Limited, Harish Cements Limited, UltraTech Cement Lanka (Pvt.) Ltd, and UltraTech Cement Middle East Investments Limited, which completed the acquisition of ETA Star Cement together with its operations in the UAE, Bahrain and Bangladesh, and acquired management control.

The company has 11 integrated plants, one white cement plant, one clinkerisation plant in UAE, 15 grinding units 11 in India, 2 in UAE, one in Bahrain and Bangladesh each and five terminals, four in India and one in Sri Lanka. The export markets span countries around the Indian Ocean, Africa, Europe and the Middle East.

Narmada Cement Company Limited was amalgamated with UltraTech in May 2006, while Samruddhi Cement Limited was amalgamated with UltraTech Cement Limited in July 2010. UltraTech Cement Middle East Investments Limited, a wholly owned subsidiary of the Company acquired management control of ETA Star Cement together with its operations in the UAE, Bahrain and Bangladesh in September, 2010. UltraTech's other subsidiaries are Dakshin Cements, Harish Cements, UltraTech Ceylinco (P) and UltraTech Cement Middle East Investments.
Study of Financial Performance Evaluation of Indian Companies

Products

It manufactures ordinary Portland cement commonly used in dry-lean mixes, general-purpose ready-mixes, and even high strength pre-cast and pre-stressed concrete.

It produces Portland blast furnace that has features like lighter colour, better concrete workability, easier finishability, higher compressive and flexural strength, improved resistance to aggressive chemicals and more consistent plastic and hardened consistency. It also manufactures Portland pozzolana cement.

Ultratech cement exports over 2.5 million tonnes per annum which accounts for 30% of country’s total exports. It exports to countries like Africa, Europe and the Middle East.

Milestone


The Aditya Birla Group is the 11th largest cement producer in the world and the seventh largest in Asia.

In 2004-05 it received State and Zonal level I prize for overall performance in Mines safety.

Uptill now different sub companies of UltraTech have received more than 50 awards at national and International level.

(G) Tata Steel Ltd.:

Jamsetji Nusserwanji Tata's brainchild, Tata Steel, has many 'firsts' to its credit in its journey of 100 years47. From being the first steel plant in India and Asia, to bagging the Anglo-Dutch steelmaker, Corus Group, the largest acquisition by an Indian company abroad, Tata Steel has lived up to its reputation of creating history.

47. The Economic Times, Article, July 2010
The genesis of Tata Steel lay in a report by a German geologist, Ritter Von Schwartz, claiming significant iron ore deposits in Chanda, a district close to Chhota Nagpur. The report spurred Jamsetji who struggled till his very end to set up the plant. But three years before the plant site was discovered Jamsetji died. He had ensured that his dream was in safe hands. The team which finally gave shape to Jamsetji's dream had C M Weld, an expert surveyor, Dorabji Tata, Jamsetji's son and Shapurji Saklatvala, who was later elected to the British House of Commons and last but not the least, Charles Page Perin, the eminent consulting engineer from New York.

Perin made what in today's parlance would be the DPR or the detailed project report for the plant. Even after the report, Perin stayed till the site for the plant was fixed at Sakchi, or what is known as Jamsehdpur (Sakchi was renamed Jamshedpur by Lord Chelmsford, the viceroy of India, and Kalimati station Tatanagar in 1919). Leveraging the swadeshi spirit which ran high during the time, Tata Iron and Steel Company Limited, as it was registered, decided to tap the Indian capital market and issued shares on August 26, 1907.

Within three weeks, 8,000 subscriptions were received from Indian investors. When debentures were issued to provide the working capital, the entire issue of 400,000 pounds was subscribed by the Maharaja of Gwalior. A total of Rs 2.32 crore (Rs 23.2 million) was raised through issuance of ordinary, preference and deferred shares, to set up a plant with a rated capacity of 72,000 tonnes per annum, 14 per cent of India's total steel requirements.

Work on the plant began in 1908 and the first ingot was rolled out on February 16, 1912. Tatas retained 11 per cent in the company. It wasn't a smooth ride for the fledgling company, which came close to being taken over by the government quite a few times. So much so, that the Steel Industry (Protection) Bill had to be introduced in the Central Legislative Assembly in 1924 to prevent this from happening.
The fears of nationalization were to haunt the company one more time during the Janata Party rule (1977-79) when George Fernandes, the then industry minister, floated the idea. However, it did not happen. Jamsetji dreamt of building Tata Steel but it was JRD Tata who took it to new heights. Under his leadership, the Tata assets grew from Rs 62 crore (Rs 620 million) to Rs 10,000 crore (Rs 100 billion) in 1990.

Apart from being a great leader himself, JRD Tata had the rare ability to create leaders. He chose Russi Mody, a manager par excellence, to succeed him in 1984 while JRD became chairman emeritus. Mody beefed up marketing operations and started an export cell. He also gave the company the legendary 'G' blast furnace, which he discovered on one of his holidays. The 'G' blast furnace happens to be Tata Steel's biggest blast furnace even today and created national record in 2004.

JRD Tata's successor, Ratan Tata, took over from Mody as chairman in 1992, though it was not a smooth baton-passing, and JJ Irani assumed the role of managing director. The transition was critical in the history of Tata Steel not for the way it happened but because the company was faced with competitive pricing at the dawn of a liberalized Indian economy.

And Tata Steel was in bad shape. What came as an eye-opener was a McKinsey report in the late 1990s, asking Tata Steel to exit the steel business. What followed was far from an exit. Drastic changes were brought about. The company was right sized with innovative schemes so as not to disturb the industrial harmony, from around 80,000 to less than 40,000 today.

The company also exited a host of non-core activities. From "We also make steel", the company made a conscious effort to establish "We make steel", operationally. The product-mix was changed as Tata Steel moved up the value chain to set up a cold rolling mill. B Muthuraman stepped into Irani's shoes in 2001. 2001-02 was also the year when steel prices touched rock bottom. But Tata Steel emerged as one of the five steel manufacturers across the world to post profits.
What followed were efforts to break the commodity cycle with branding initiatives and retailing. The steel cycle had also turned. In the last couple of years, under the leadership of Muthuraman, the company has pulled off several global acquisitions, Corus Group being the most historic.

It's not easy for a 100-year old company to vault from 56 to sixth largest in the world and that too in its 99th year! Many century-old companies in India are living in past glory. And only 2.1 per cent of their companies listed on the New York Stock Exchange at that time exist today. The rest have perished. But Tata Steel seems to have just picked up speed. It's yet to peak.

**Looking ahead**

- By 2012, its capacity of 40 million tonnes will make it the SECOND LARGEST STEELMAKER in the world
- By 2015, its de-integrated capacity will be in excess of 50 MILLION TONNES
- It plans to have a STRONG BASE IN INDIA and primary steel making in countries rich in iron ore, coal and gas
- It will be on the lookout for ACQUISITIONS in growing and mature markets
- It wants to become a GLOBAL PLAYER with balanced presence in developed European markets and fast-growing Asian markets
- It will aim for OWNERSHIP OF STRATEGIC RAW MATERIALS and control over logistics

**Steel Authority of India Ltd. (SAIL):**

SAIL is one of the largest state-owned steel makers in India and one of the top steel makers in the world. With a turnover of 48,681 crore (US$9.71 billion), the company is among the top five highest profit earning corporate of the country. It is a public sector undertaking which trades publicly in the market is largely owned by Government of India and acts like an operating company. Incorporated on January 24, 1973, SAIL has more than 1 lakh employees.

48. SAIL official website
During 2010-11, the manpower of SAIL reached a level of 110,794 (as on 31.3.2011) from 116,950 (as on 1.4.2010). The company's current chairman is C.S Verma. With an annual production of 13.5 million metric tons, SAIL is the 14th largest steel producer in the world.

Major plants owned by SAIL are located at Bhilai, Bokaro, Durgapur, Rourkela, Burnpur (near Asansol) and Salem. SAIL is a public sector company, owned and operated by the Government of India. According to a recent survey, SAIL is one of India's fastest growing Public Sector Units. Besides, it has R&D center for Iron & Steel (RDCIS), Centre for Engineering and Technology (CET), Management Training Institute (MTI) and SAIL Safety Organization (SSO) located at Ranchi capital of Jharkhand.

Steel Authority of India Limited (SAIL) is the leading steel-making company in India. It is a fully integrated iron and steel maker, producing both basic and special steels for domestic construction, engineering, power, railway, automotive and defense industries and for sale in export markets. SAIL is also among the five Maharatnas of the country's Central Public Sector Enterprises.

SAIL manufactures and sells a broad range of steel products, including hot and cold rolled sheets and coils, galvanized sheets, electrical sheets, structural, railway products, plates, bars and rods, stainless steel and other alloy steels. SAIL produces iron and steel at five integrated plants and three special steel plants, located principally in the eastern and central regions of India and situated close to domestic sources of raw materials, including the Company's iron ore, limestone and dolomite mines. The company has the distinction of being India's second largest producer of iron ore and of having the country's second largest mines network. This gives SAIL a competitive edge in terms of captive availability of iron ore, limestone, and dolomite which are inputs for steel making.
SAIL's wide range of long and flat steel products is much in demand in the domestic as well as the international market. This vital responsibility is carried out by SAIL's own Central Marketing Organization (CMO) that transacts business through its network of 37 Branch Sales Offices spread across the four regions, 25 Departmental Warehouses, 42 Consignment Agents and 27 Customer Contact Offices. CMO's domestic marketing effort is supplemented by its ever widening network of rural dealers who meet the demands of the smallest customers in the remotest corners of the country. With the total number of dealers over 2000, SAIL's wide marketing spread ensures availability of quality steel in virtually all the districts of the country.

SAIL's International Trade Division (ITD), in New Delhi- an ISO 9001:2000 accredited unit of CMO, undertakes exports of Mild Steel products and Pig Iron from SAIL's five integrated steel plants. With technical and managerial expertise and know-how in steel making gained over four decades, SAIL's Consultancy Division (SAILCON) at New Delhi offers services and consultancy to clients world-wide.

SAIL has a well-equipped Research and Development Centre for Iron and Steel (RDCIS) at Ranchi which helps to produce quality steel and develop new technologies for the steel industry. Besides, SAIL has its own in-house Centre for Engineering and Technology (CET), Management Training Institute (MTI) and Safety Organization at Ranchi. Our captive mines are under the control of the Raw Materials Division in Kolkata. The Environment Management Division and Growth Division of SAIL operate from their headquarters in Kolkata. Almost all our plants and major units are ISO Certified.

49. EPW, Indian Steel Industry report
(I) Tata Motors:

Tata Motors Limited is India's largest automobile company, with consolidated revenues of INR 1,23,133 crores (USD 27 billion) in 2010-11. It is the leader in commercial vehicles in each segment, and among the top three in passenger vehicles with winning products in the compact, midsize car and utility vehicle segments. It is the world's fourth largest truck and bus manufacturer.

The company's over 25,000 employees are guided by the vision to be "best in the manner in which we operate, best in the products we deliver, and best in our value system and ethics."

Established in 1945, Tata Motors' presence indeed cuts across the length and breadth of India. Over 6.5 million Tata vehicles ply on Indian roads, since the first rolled out in 1954. The company's manufacturing base in India is spread across Jamshedpur (Jharkhand), Pune (Maharashtra), Lucknow (Uttar Pradesh), Pantnagar (Uttarakhand), Sanand (Gujarat) and Dharwad (Karnataka). Following a strategic alliance with Fiat in 2005, it has set up an industrial joint venture with Fiat Group Automobiles at Ranjangaon (Maharashtra) to produce both Fiat and Tata cars and Fiat powertrains. The company's dealership, sales, services and spare parts network comprises over 3,500 touch points; Tata Motors also distributes and markets Fiat branded cars in India.

Tata Motors, the first company from India's engineering sector to be listed in the New York Stock Exchange (September 2004), has also emerged as an international automobile company. Through subsidiaries and associate companies, Tata Motors has operations in the UK, South Korea, Thailand, Spain and South Africa. Among them is Jaguar Land Rover, a business comprising the two iconic British brands that was acquired in 2008. JLR supports two state of the art engineering and design facilities and three manufacturing plants (Solihull, Castle Bromwich & Halewood) in the UK.

50. Tata Motors official website
In 2004, Tata Motors acquired the Daewoo Commercial Vehicles Company, South Korea's second largest truck maker. The rechristened Tata Daewoo Commercial Vehicles Company has launched several new products in the Korean market, while also exporting these products to several international markets. Today two-thirds of heavy commercial vehicle exports out of South Korea are from Tata Daewoo. In 2005, Tata Motors acquired a 21% stake in Hispano Carrocera, a reputed Spanish bus and coach manufacturer, and subsequently the remaining stake in 2009. Hispano's presence is being expanded in other markets.

In 2006, Tata Motors formed a joint venture with the Brazil-based Marcopolo, a global leader in body-building for buses and coaches to manufacture fully-built buses and coaches for India and select international markets. In 2006, Tata Motors entered into joint venture with Thonburi Automotive Assembly Plant Company of Thailand to manufacture and market the company's pickup vehicles in Thailand. The new plant of Tata Motors (Thailand) has begun production of the Xenon pickup truck, with the Xenon having been launched in Thailand in 2008. Tata Motors (SA) (Proprietary) Ltd., Tata Motors' joint venture with Tata Africa Holding (Pty) Ltd., has its assembly plant in South Africa at Rosslyn, north of Pretoria, in the Gauteng province of South Africa. The plant can assemble, from semi knocked down (SKD) kits, light, medium and heavy commercial vehicles ranging from 4 - 50 tonnes. Tata Motors is also expanding its international footprint, established through exports since 1961. The company's commercial and passenger vehicles are already being marketed in several countries in Europe, Africa, the Middle East, South East Asia, South Asia, CIS, Russia and South America. It has franchisee/joint venture assembly operations in Bangladesh, Ukraine, and Senegal.

The foundation of the company's growth over the last 65 years is a deep understanding of economic stimuli and customer needs, and the ability to translate them into customer-desired offerings through leading edge R&D. With over 4,500 engineers and scientists, the company's Engineering Research Centre, established in 1966, has enabled pioneering
technologies and products. The company today has R&D centers in Pune, Jamshedpur, Lucknow, Dharwad in India, and in South Korea, Spain, and the UK. It was Tata Motors, which developed the first indigenously developed Light Commercial Vehicle, India's first Sports Utility Vehicle and, in 1998, the Tata Indica, India's first fully indigenous passenger car. Within two years of launch, Tata Indica became India's largest selling car in its segment. In 2005, Tata Motors created a new segment by launching the Tata Ace, India's first indigenously developed mini-truck.

In January 2008, Tata Motors unveiled its People's Car, the Tata Nano\textsuperscript{51}, which India and the world have been looking forward to. The Tata Nano has been subsequently launched, as planned, in India in March 2009. A development, which signifies a first for the global automobile industry, the Nano brings the comfort and safety of a car within the reach of thousands of families.

Designed with a family in mind, it has a roomy passenger compartment with generous leg space and head room. It can comfortably seat four persons. Its mono-volume design will set a new benchmark among small cars. Its safety performance exceeds regulatory requirements in India. Its tailpipe emission performance too exceeds regulatory requirements. In terms of overall pollutants, it has a lower pollution level than two-wheelers being manufactured in India today. The lean design strategy has helped minimise weight, which helps maximise performance per unit of energy consumed and delivers high fuel efficiency. The high fuel efficiency also ensures that the car has low carbon dioxide emissions, thereby providing the twin benefits of an affordable transportation solution with a low carbon footprint.

In May 2009, Tata Motors ushered in a new era in the Indian automobile industry, in keeping with its pioneering tradition, by unveiling its new range of world standard trucks called Prima. In their power, speed, carrying capacity, operating economy and trims, they will introduce new benchmarks in India and match the best in the world in performance at a lower life-cycle cost.

\textsuperscript{51}. www.gaddi.com
In October 2010, Tata Motors launched the Tata Aria, the first Indian four-wheel drive crossover. The Tata Aria redefines several benchmarks with its design and technologies, offering class leading features that take comfort and safety to a new height.

Tata Motors is equally focused on environment-friendly technologies in emissions and alternative fuels. It has developed electric and hybrid vehicles both for personal and public transportation. It has also been implementing several environment-friendly technologies in manufacturing processes, significantly enhancing resource conservation.

Through its subsidiaries, the company is engaged in engineering and automotive solutions, construction equipment manufacturing, automotive vehicle components manufacturing and supply chain activities, machine tools and factory automation solutions, high-precision tooling and plastic and electronic components for automotive and computer applications, and automotive retailing and service operations.

Tata Motors is committed to improving the quality of life of communities by working on four thrust areas employability, education, health and environment. The activities touch the lives of more than a million citizens. The company's support on education and employability is focused on youth and women. They range from schools to technical education institutes to actual facilitation of income generation. In health, our intervention is in both preventive and curative health care. The goal of environment protection is achieved through tree plantation, conserving water and creating new water bodies and, last but not the least, by introducing appropriate technologies in our vehicles and operations for constantly enhancing environment care.
Mahindra & Mahindra Ltd.:

Mahindra & Mahindra was set up as a steel trading company in 1945. It soon expanded into manufacturing general-purpose utility vehicles, starting with assembly under license of the iconic Willys Jeep in India. Soon established as the Jeep manufacturers of India, M&M later branched out into the manufacture of light commercial vehicles (LCVs) and agricultural tractors. Today, M&M is the leader in the utility vehicle segment in India with its flagship UV Scorpio and enjoys a growing global market presence in both the automotive and tractor businesses.

Over the past few years, M&M has expanded into new industries and geographies. They entered into the two-wheeler segment by taking over Kinetic Motors in India. M&M also has controlling stake in REVA Electric Car Company and acquired South Korea's SsangYong Motor Company in 2011.

The US based Reputation Institute recently ranked Mahindra among the top 10 Indian companies in its 'Global 200: The World's Best Corporate Reputations' list. Mahindra & Mahindra is a major automobile manufacturer of utility vehicles, passenger cars, pickups, commercial vehicles, and two wheelers. Its tractors are sold on six continents. It has acquired plants in China and the United Kingdom, and has three assembly plants in the USA. M&M has partnerships with international companies like Renault SA, France and International Truck and Engine Corporation, USA.

M&M has a global presence and its products are exported to several countries. Its global subsidiaries include Mahindra Europe Srl. based in Italy, Mahindra USA Inc., Mahindra South Africa and Mahindra (China) Tractor Co. Ltd. M&M made its entry into the passenger car segment with the Logan in April 2007 under the Mahindra Renault joint venture.

52. Mahindra Motors website
M&M will make its maiden entry into the heavy trucks segment with Mahindra Navistar, the joint venture with International Truck, USA.

M&M's automotive division makes a wide range of vehicles including MUVs, LCVs and three wheelers. It offers over 20 models including new generation multi-utility vehicles like the Scorpio and the Bolero. It formerly had a joint venture with Ford called Ford India Private Limited to build passenger cars.

At the 2008 Delhi Auto Show, Mahindra executives said the company is pursuing an aggressive product expansion program that would see the launch of several new platforms and vehicles over the next three years, including an entry-level SUV designed to seat five passengers and powered by a small turbo diesel engine. True to their word, Mahindra & Mahindra launched the Mahindra Xylo in January 2009, and as of June 2009, the Xylo has sold over 15000 units.

Also in early 2008, Mahindra commenced its first overseas CKD operations with the launch of the Mahindra Scorpio in Egypt, in partnership with the Bavarian Auto Group. This was soon followed by assembly facilities in Brazil. Vehicles assembled at the plant in Bramont, Manaus, include Scorpio Pik Ups in single and double cab pick-up body styles as well as SUVs.

Mahindra planned to sell the diesel SUVs and pickup trucks starting in late 2010 in North America through an independent distributor, Global Vehicles USA, based in Alpharetta, Georgia. Mahindra announced it will import pickup trucks from India in knockdown kit (CKD) form to circumvent the Chicken tax. CKDs are complete vehicles that will be assembled in the U.S. from kits of parts shipped in crates. On 18 October 2010, however, it was reported that Mahindra had indefinitely delayed the launch of vehicles into the North American market, citing legal issues between it and Global Vehicles after Mahindra retracted its contract with Global Vehicles earlier in 2010, due to a decision to sell the vehicles directly to consumers instead of
through Global Vehicles. However, a November 2010 report quoted John Perez, the CEO of Global Vehicles USA, as estimating that he expects Mahindra's small diesel pickups to go on sale in the U.S. by spring 2011, although legal complications remain, and Perez, while hopeful, admits that arbitration could take more than a year. Later reports suggest that the delays may be due to Manindra scrapping the original model of the truck and replacing it with an upgraded one before selling them to Americans.

Mahindra & Mahindra has a controlling stake in Mahindra Reva Electric Vehicles. In 2011, it also gained a controlling stake in South Korea's SsangYong Motor Company.

Mahindra & Mahindra Ltd. (M&M), has launched its much awaited SUV, XUV 500, code named as W201 in September 2011. The last '500' in the name is pronounced as '5 double-O' (alphabet). The new SUV by Mahindra has been designed in-house and it is developed on the first global SUV platform that could be used for developing more SUVs. In India, the new Mahindra XUV 500 comes in a price range between Rs 14 lakh to Rs 15 lakh. Besides India, the company also targets Europe, Africa, Australia and Latin America for this model.