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Special Issue: The Outlook Money Awards 2003

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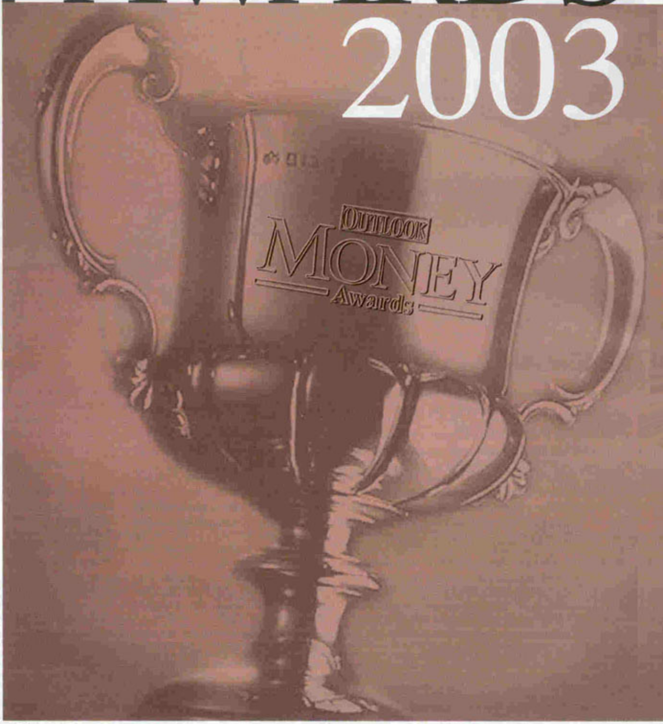
AWARDS 2003



Four-plus years of keeping a hawk-eye on all the purveyors of personal finance products and services in the country taught us one more lesson lately: to honour excellence when we see it. That's the guiding principle of the *Outlook Money* Awards 2003. This year we instituted four, which go to: i) the companies that most consistently enhanced shareholder value; ii) the mutual fund asset management companies (AMCs) that grew the wealth of unitholders with different degrees of risk-affinity, with diverse investment objectives in different timescapes; iii) the best players in the retail home lending segment; and iv) the most innovative, fastest-growing players in the recently demonopolised insurance field. Helping us in the exercise were global audit firm Ernst & Young (as consultants), and Crisil MD and CEO R. Ravi Mohan and former Sebi chairman G.V. Ramakrishna (as advisors).

The **Value Creator Awards** go to companies that have generated healthy returns on equity investments (RoE) and grown sales and profits consistently while following investor-friendly practices. The three that made it at the end of two rounds of screening on a set of stringent quantitative and qualitative parameters (*See 'Awards Methodology'*, Page 48) were Infosys Technologies, India Inc.'s brand ambassador and the second-largest IT services company in the country; Hero Honda, the world's largest two-wheeler manufacturer; and Dr Reddy's Laboratories, arguably India's strongest R&D-based pharma player.

At 67.5 per cent, Hero Honda logged the highest RoE, while Dr Reddy's posted exceptional profit growth (three-year CAGR: 107 per cent). Infy measured up on all the parameters—always among the top three, except on the count of dividend payouts, where it was in fourth place.

The **Dream Home Awards** go to the most effective home loan players in terms of their reach (number of loans), size of operations (total disbursals), ease of processing (loan sanction and processing time), and competitive lending rates. The winners: ICICI Bank Home Finance, with a 285 per cent increase in the number of loans and a 232 per cent increase in total disbursals for the year to March 2002; HDFC, the market leader in total disbursals; and State Bank of India, with its unmatched reach.

The **Wealth Creator Awards** go to AMCs that have grown unitholders' wealth the most consistently (measured in risk-adjusted returns across the AMC's entire portfolio of schemes), given them the widest range of investment options (systematic investment plans, systematic withdrawal plans...) and offered value-added services (trigger facility, inter-scheme switching facility...).

Zurich, Birla Sun Life and Templeton emerged the winners, while Alliance ran them close. IDBI-Principal earns special mention for the quality of its service, symbolised by its record of having the least investor complaints (measured as a ratio of complaints to number of investors).

The **Insurance Awards** go to the most aggressive, most innovative new players. LIC, a monopoly till 2000 and still the leader by miles, wasn't considered, to create a level playing field for the newer players. However, in recognition of its almost five decades of peerless service in the area of risk protection, it becomes the first entrant to the *Outlook Money* **Hall of Fame**.

ICICI Prudential, HDFC Standard Life and Max New York Life came out tops in this category. While ICICI Pru scored consistently on most counts—agent strength, policies sold, sum assured, premium income and range of products—HDFC Standard had the widest reach and Max New York Life among the widest range of products.

Our heartiest congratulations to all the winners and our best wishes to those that didn't make it this time. Here's hoping a newer crop will give this year's winners a run for their money when we reconvene for Awards 2004. ■

INSIDE

The Value Creator awards for consistently growing shareholder value go to Infosys...

The Infosys brains trust

Just nine years ago, there weren't many takers for its shares, and an IPO at a premium of Rs 85 per share was undersubscribed. Today, after three bonus issues and having acquired an unimpeachable reputation for transparency and good governance, Infosys Technologies is a darling of the stock markets. It has become India's second largest software exporter (behind Tata Consultancy Services) and has grown its turnover from less than Rs 15 crore in 1993 to Rs 2,600 crore in the year to March 2002.

Infy was incorporated in 1981 by seven people who shared a vision of building a world-class IT services company based on an impeccable value system, leadership-by-example and continuous innovation. True to this vision, the company went on to establish a world-class operating model (the first Indian company to obtain a SEI CMM Level 5 Certification), invested heavily in human resources (it has 10,000-plus employees with an attrition rate of 7.6 per cent), broadened service offerings by moving up the IT value chain, established a record of 90 per cent repeat clients, and built an excellent offshore development model.

It was voted the 'The Best Indian Company' by the *Far Eastern Economic Review* in 2000 and 2001, and was the first recipient of the National Award for Excellence in Corporate Governance in 2002. It was the first Indian company to adopt US GAAP reporting in 1995 and quarterly-audited financial statements in 1998.

After doubling profits in 1999, 2000, and yet again in 2001, Infosys shocked investors by projecting a slowdown for fiscal 2002 due to the US recession. It subsequently overshot projections, with profits sustained at 42 per cent, giving new meaning to its 'understating-and-overperforming' tag. II

N.R. NARAYANA MURTHY

Chairman & Chief Mentor

This award is great motivation for us to work harder and smarter. I am delighted.

The Story in Numbers

Return on equity	39.1
Dividend/Profits	16.4
Income 3-yr CAGR	72.3
Profits 3-yr CAGR	81.4

All figures in % for the year to June 2002

...and Dr Reddy's Laboratories

Dr Reddy's owes much of its success to its team of scientists. Thanks to their skill and dedication, Dr Reddy's became the first Indian company to win a six-month exclusivity clause for a generic drug in the US. In monetary terms? Profits from the sale of this drug is believed to be around Rs 200 crore. And, news is that Dr Reddy's is gearing up to launch another blockbuster in the US, which, industry watchers say, could prove a goldmine. Says the company's executive vice-chairman and CEO G.V. Prasad: "Amlodipine represents a significant milestone in the execution of our US specialty business strategy. The specialty business will be a vital link in our transition from a generic pharmaceutical company to a discovery-led global one."

Beginning with bulk drugs in 1984, Dr Reddy's moved to formulations in 1987. It entered the US generic market in 1998. In the early years, the company concentrated on strengthening its reverse engineering capabilities to produce high-quality bulk drugs and formulations at low cost. However, it soon realised that the ultimate accolade for a pharmaceutical company comes from the strength of its drug discovery programme and the size of its new chemical entity (NCE) pipeline. Consequently, in 1992 it began investing in new drug discovery capabilities and research. These efforts have paid off and today the company is known for its rich R&D pipeline of patent-ready drugs, with nine new drugs in various stages of trial. It is also the only company to have licensed three such drugs to companies abroad for further development.

ANJI REDDY

Chairman

We cannot be a prisoner of averages; the test is to consistently beat these so-called averages.

The average cost of launching a new drug is over $800 million and the time taken, 10-12 years. But as chairman Dr K. Anji Reddy says: "We cannot be a prisoner of averages. The test of a successful R&D-driven pharmaceutical company should be its ability to consistently beat these so-called averages." His vision for the company—about eight new drugs in late development stages over the next five years. "As we go forward, we will follow a calibrated strategy of licensing out our molecules to facilitate our move up the value chain," he adds.

The company also has an aggressive export strategy in the US. Of the 14 marketing approvals pending in the US, half are patent-challenging, addressing an opportunity of close to $10 billion in innovator sales. So far, Dr Reddy's has had one success (fluoxetine) and one failure (omeprazole), but plans to stay with this high-risk, high-return strategy. Says a company spokesperson: "There is always a degree of uncertainty but we expect to benefit significantly from the upside possibilities of this approach."

Historically, the company has grown fast. Over the last 12 years, sales have grown at a CAGR of 41 per cent and net profit at a CAGR of 73 per cent. Its profit margins are among the best in the industry. Although the company says it does not provide earnings guidance for the future, it says there are a lot of opportunities in the near term in the US generics and specialty business, which could drive growth beyond historical growth rates. Clearly, the future for Dr Reddy's appears as exciting as the past. ||

The Story in Numbers

Return on equity	31.5
Dividend/Profits	12.5
Income 3-yr CAGR	54.3
Profits 3-yr CAGR	107.1

All figures in % for the year to June 2002