

From the Editor

Business Today Editor Chaitanya Kalbag shares how the rankings of India's top 500 companies have thrown up more than their share of surprises this year.

Chaitanya Kalbag Edition: Nov 10, 2013



Once every year, we pay obeisance to the best and strongest companies in India. It is not grudging admiration. Our corporate icons deserve every bit of their applause. No management school, or case study, or how-to hardback that you pick up at an airport bookstore can teach you how to plot a steady course when the stars in our firmament are obscured by dark economic clouds. It is not an easy challenge. As of December 31 last year, there were a total of 1,289,229 companies registered in India; of these 872,957 were "at work" or functioning, and about four-fifths of those, the Ministry of Corporate Affairs says, were engaged in 'Financing, Insurance, Real Estate and Renting, Business Services' (31.57%), 'Manufacturing' (22.31%), 'Wholesale and Retail Trade, Restaurants and Hotels' (15.85%), and 'Construction' (10.74%).

In *Business Today* of course, we cannot list and rank that heaving, teeming mass of enterprise: we focus on the marquee BT500, the most valuable Indian companies by market capitalisation (we list the next 500 too by the way). We have been doing this from 1992, and these rankings are cloaked in the same gravitas as the Ten Commandments. We take months to crunch numbers and sift through arcane metrics; then we double- and triple-check them, because reputation is as precious to a company as the most glittering top line.

But the top line does matter, and I can think of no better summation of the entire exercise than the Overview by Senior Editor N. Madhavan, who toils alone in Chennai

but travelled up to our Noida HQ to herd every last frisky critter into our stunningly designed cover package.

But I digress - the rankings have thrown up more than their share of surprises this year, starting with Tata Consultancy Services (TCS) which dethroned Reliance Industries to grab top spot last year. TCS widened its lead handsomely. Senior Associate Editor Goutam Das takes a very deep look indeed at the manner in which TCS now stands as the world's second-largest IT company, although IBM still towers over everybody else. Many things about TCS are larger than life. Das notes for instance that it has more than 285,000 employees, more than the population of Barbados. In quaint contrast for a new-economy company, its top executives work out of a handsome heritage sandstone building in south Mumbai. BT gained unprecedented access to an array of TCS's senior leadership team, customers, and competitors - topped by an exhaustive interview with CEO N. Chandrasekaran. A long-distance runner, Chandra worked patiently with Senior Photographer Rachit Goswami to give us a breathtaking lead picture atop one of Mumbai's tallest buildings.

Some other points to note from the entire cover package: FMCG companies have done well even during these gloomy times; the rise of Tech Mahindra as well as a 'newer economy' company, Just Dial, which just completed an impressive IPO; cable companies, aided by digitisation, have also much to crow about; and state-owned companies have fared poorly; and banks, which are a preferred destination for many young job-seekers, now command 12 per cent of market capitalisation.

Don't miss the Methodology or the excellent graphics illustrating many interesting points from our study - a collaboration between Assistant Art Director Santosh Kushwaha and Senior Researchers Jyotindra Dubey and Niti Kiran. Indeed, Dubey and Kiran contributed mightily to making sense of the ocean of numbers throughout the package.

There is a lot more to read in this special edition than just the cover package, ranging from Coalgate to compact luxury cars - and yes, even tattoo artists. Enjoy yourselves - it's a sight for sore eyes.

Behind the Rankings

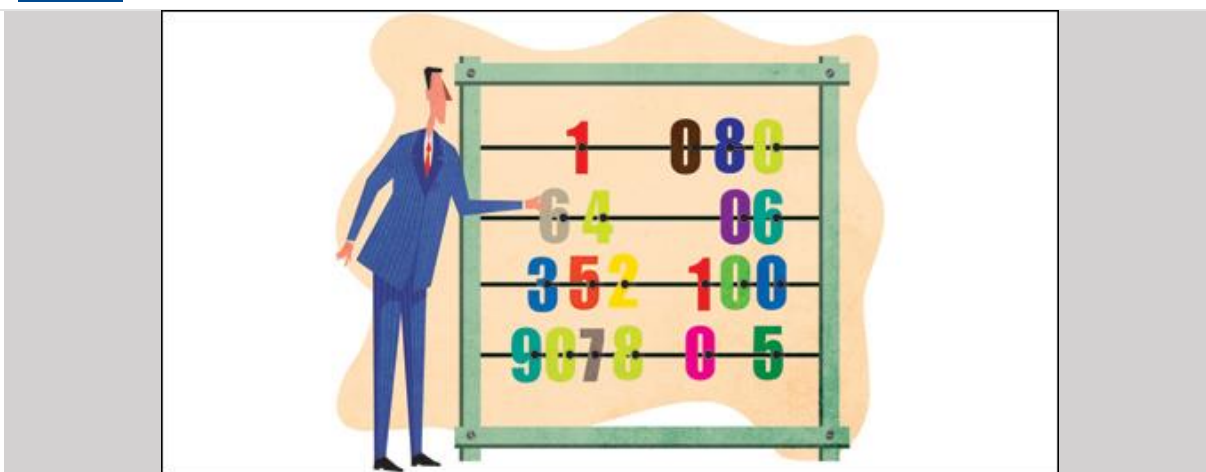
Companies have been listed on the basis of market capitalisation, but for a better understanding, they have also been ranked separately on other parameters.

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Number crunching the BT 500 data is a fascinating exercise. It reveals not only which are the most valuable companies in India and in what order, but also throws light on how corporate India has been performing across a multitude of parameters. The exercise becomes all the more significant when the economy hits a downturn, as at present. The data pinpoints both the spots where companies are suffering pain, as also how a few of them are effectively managing and mitigating that pain.

The extent of stress this year can be gauged from the fact that the aggregate total income and net profit of the BT 500 companies rose by just 0.1 per cent and the net profit margin remained flat at 7.7 per cent compared to the previous year. The aggregate market capitalisation grew 0.06 per cent.

Our rankings were reached through a rigorous process of evaluation. There has been no change in the methodology this year - the 23rd edition of BT 500 rankings - from previous years. We ranked only listed companies on the basis of their average market capitalisation for a period of six months. We also ranked them separately on other financial parameters and compared their performance this year to last year's.

The Process: We relied on Prowess, the database of the Centre for Monitoring Indian Economy (CMIE). We screened all 5,183 companies listed on the Bombay Stock Exchange and National Stock Exchange. We considered the six months average market capitalisation between April and September 2013 of each of these companies. To avoid including less traded stocks, we excluded illiquid companies that traded for less than 20 per cent - that is 25 days - out of the total number of trading days (126) between April 1 and September 30, 2013. In all 3,146 companies qualified for the ranking and from that list we picked the top 1,000.

Financial Parameters: The market capitalisation of a company captures investors' sentiment towards it, which also takes into account its financial performance. For a better understanding of the corporate scenario, we have also separately ranked companies on parameters such as Total Assets, Total Income, Net Profit, etc and provided additional information such as profit as percentage of total income, return on net worth (RoNW), return on capital employed (RoCE), and earnings per share (EPS) apart from the main ranking. For all the financial parameters used we have considered the financial year ended March 2013; in case of exceptions, we have specified them in footnotes. We have used standalone numbers - not consolidated results - for all companies.
