



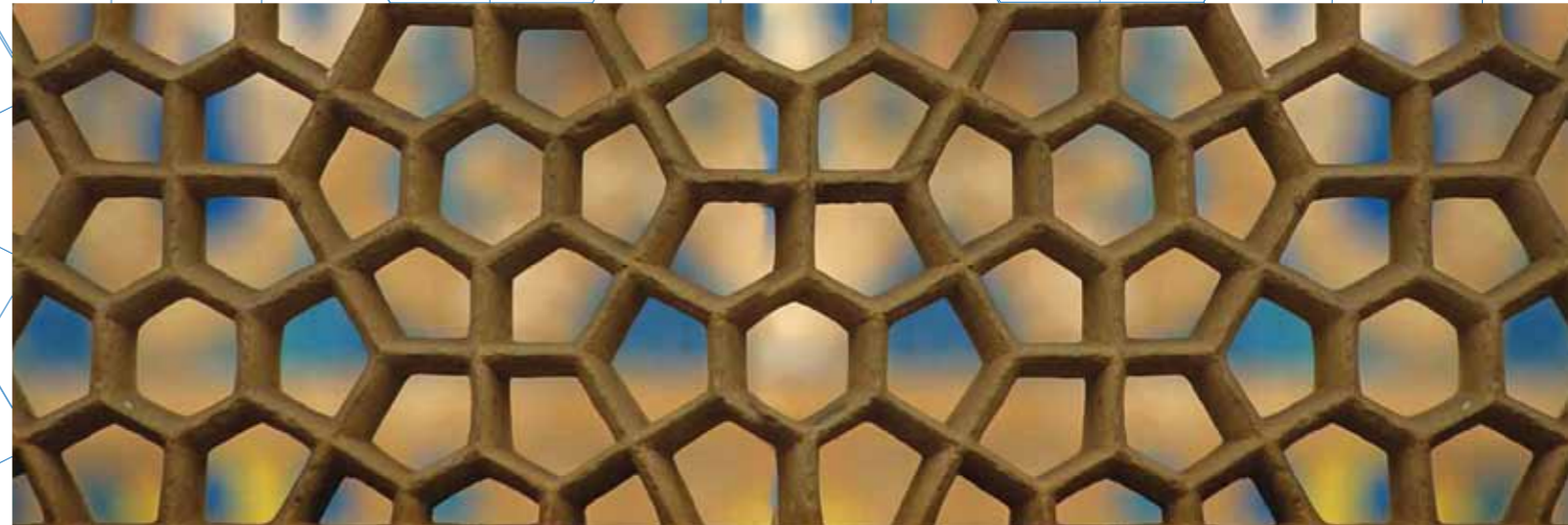
**Contact us:**

Ashwani Singla,  
Managing Director  
& Chief Executive  
asingla@ps-b.com  
M: +98 1107 5843

Shefali Khanna,  
Director, Marketing  
skhanna@ps-b.com  
M: +971 111 8615

Penn Schoen Berland, South Asia  
603, Unitech CyberPark,  
Sector 39, Gurgaon  
Haryana, India  
www.psbresearch.in

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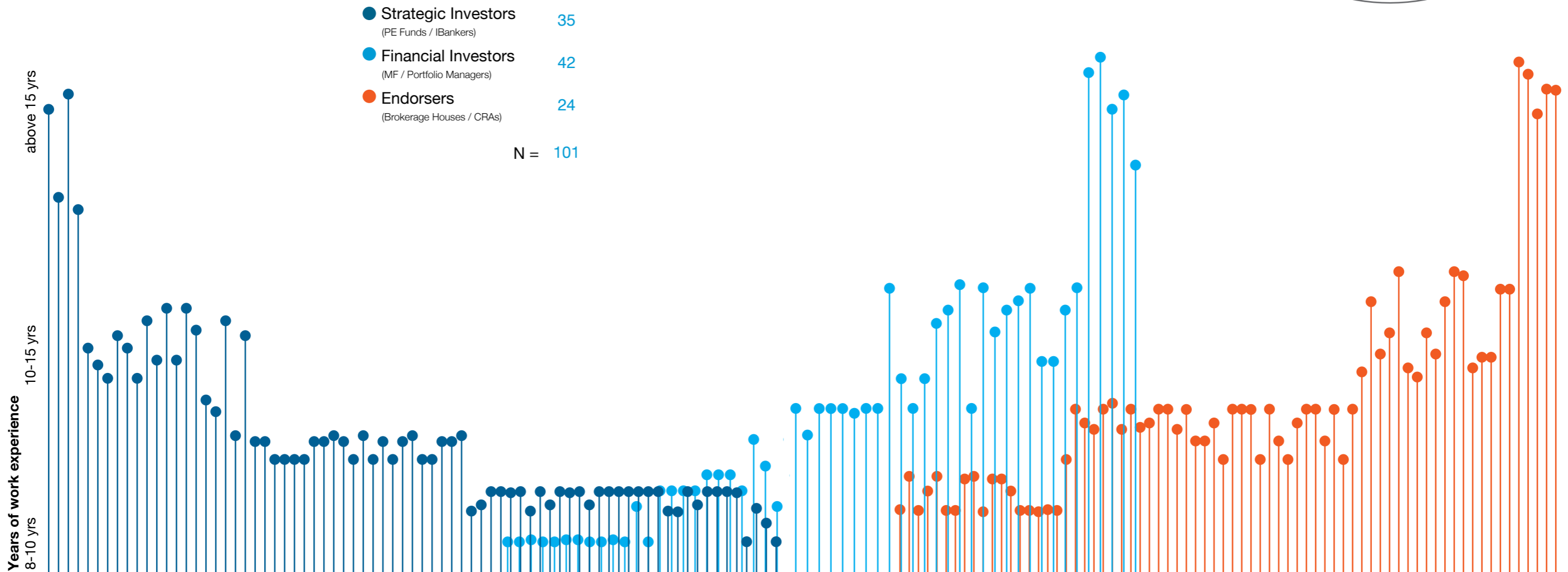
**Winning Strategies for  
Financial Competitiveness**

# Penn Schoen Berland's survey among Financial Influentials™

Aims to better understand the internal and external factors that drive valuation & financial competitiveness.

The analysis of our online survey among 101 financial Bizfluentials from Equity Research Houses, Private Equity Funds, Investment Banks, Mutual Funds, and Portfolio Management Companies with a minimum experience of 8

years in the financial world and commanding an influence of \$10 billion supports a positive sentiment toward the economy, with more than 75% of financial players believing that the market is headed in the right direction.



## Why & How Of The Poll

### Objective

- To help companies become relevant and compelling to Financial Influentials

### Methodology

- An online survey conducted between August 8 - 30, 2012 in Mumbai
- PSB's proprietary C<sup>3</sup> (C-Cube) framework was used for drawing insights

## Understanding the forces that drive winning strategies



**Ashwani Singla,**  
Managing Director & Chief Executive,  
Penn Schoen Berland, South Asia

Competitiveness is best described in the words of Charles Darwin, who said, "In the struggle for survival, the fittest win out at the expense of their rivals because they succeed in adapting themselves best to their environment."

Even in the marketplace, it's not the strongest who win, but ones most responsive and adaptable to change. Today, for business leaders and CXOs, it is a constant struggle to adapt to a fast-changing business environment. It's not just about making the right choices for themselves but for all their stakeholders – employees, business partners, clients, customers, policy makers, shareholders and investors.

## The key questions that businesses need to understand for financial competitiveness are

1. How do financial investors choose the right business to invest in?
2. How can one understand these choices?
3. What does one need to do in order to gain a competitive edge?

We try to find the main factors that will drive strategies to make companies more relevant and compelling to their investors.

## The Investment Climate Relies On Three Critical Questions

- 1 How are we feeling about the economy?

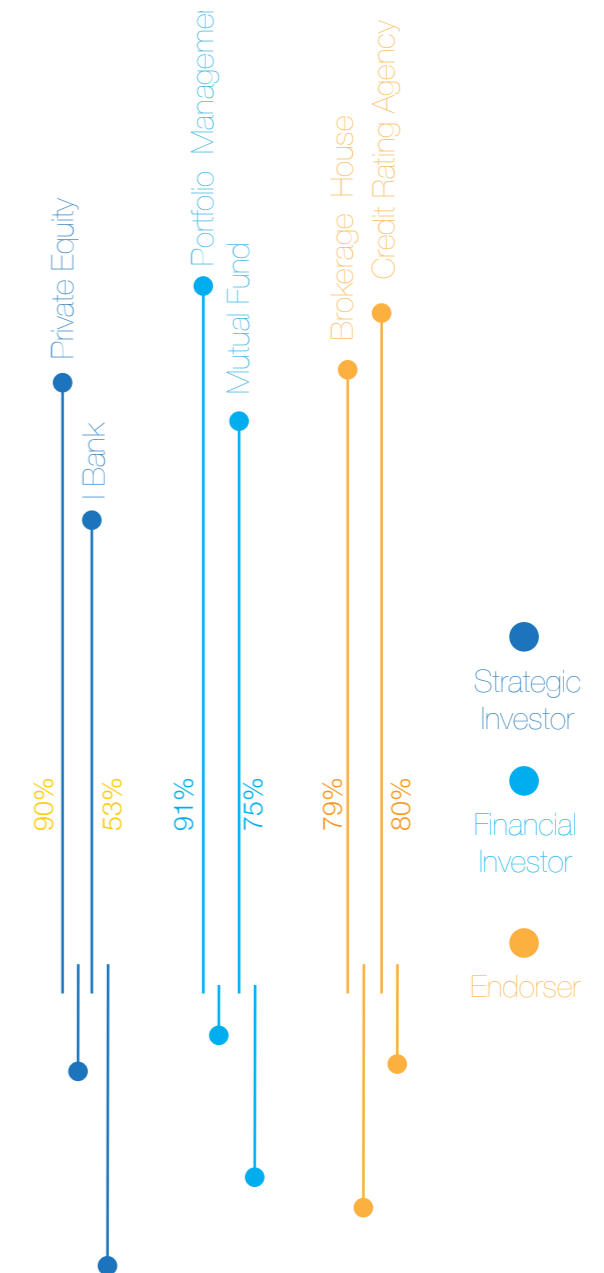
Investors and endorsers feel positive about the direction of Indian economy.

Even as the economy slows down, investors and endorsers feel that India's economy will remain resilient, irrespective of the policy issues. Four-fifth of the Bizfluentials who participated in our survey said that they believe the Indian economy is on the right track.

74% of strategic investors believe that Indian economy is in the right direction, 83% of financial investors and 79% of endorsers also feel positively about the direction of the economy.

91% of portfolio managers, 79% of brokerage houses and 75% of Bizfluentials working for mutual funds saw the Indian economy moving in the right direction despite all the clutter, making financial investors and endorsers a much more optimistic group than strategic investors.

Among the key concerns raised by strategic and financial investors and endorsers, were scams, poor governance and tardy policy implementation.



## 2 Will the market look up in the near future?

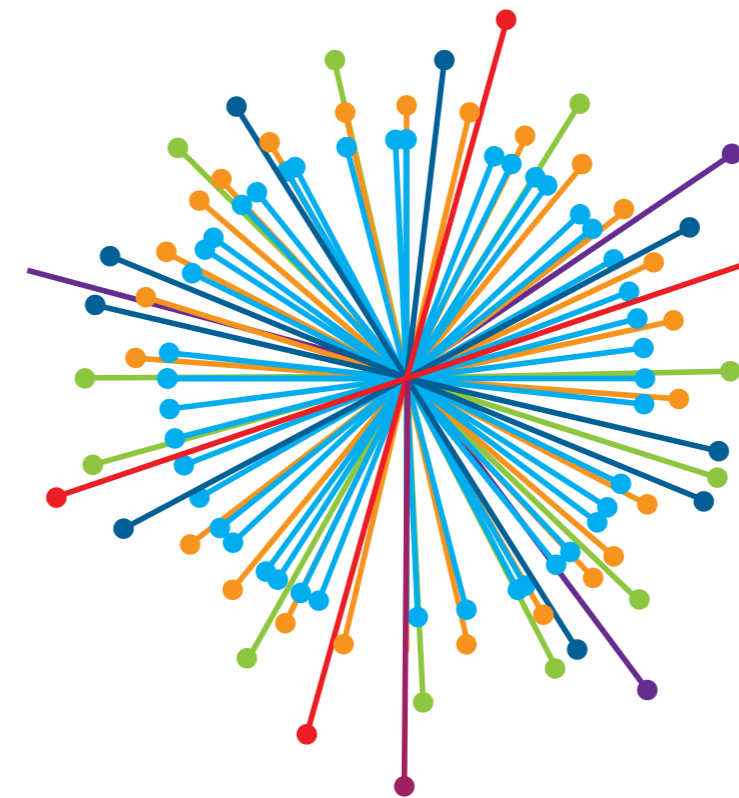
According to our study, the market outlook remains positive in the 12-36 month horizon. Aligned to this, is the investors' preferred investment horizon of 1-5 years, even as scams and poor governance continue to be top of mind concerns.

51% of the participants believed that the stock market would witness a ~5% growth over a 12-36 months window, while only 2% said that the markets would see a 15% jump over 12 months. One-fifth of the Bizfluentials surveyed feel that this might happen, but over the next 36 months.

## Markets to move up in 12-36 months

Despite the optimism about the economy, it was clear that when it came to stock picks, most would study both past track record and closely view the future potential of a company before investing.

7 out of 10 participants said that they believed in balance between past and the future before taking a call. However, 20% were willing to pay a premium on the perceived future of a company and 13% said they still rely entirely on past track record as perceived in the public.

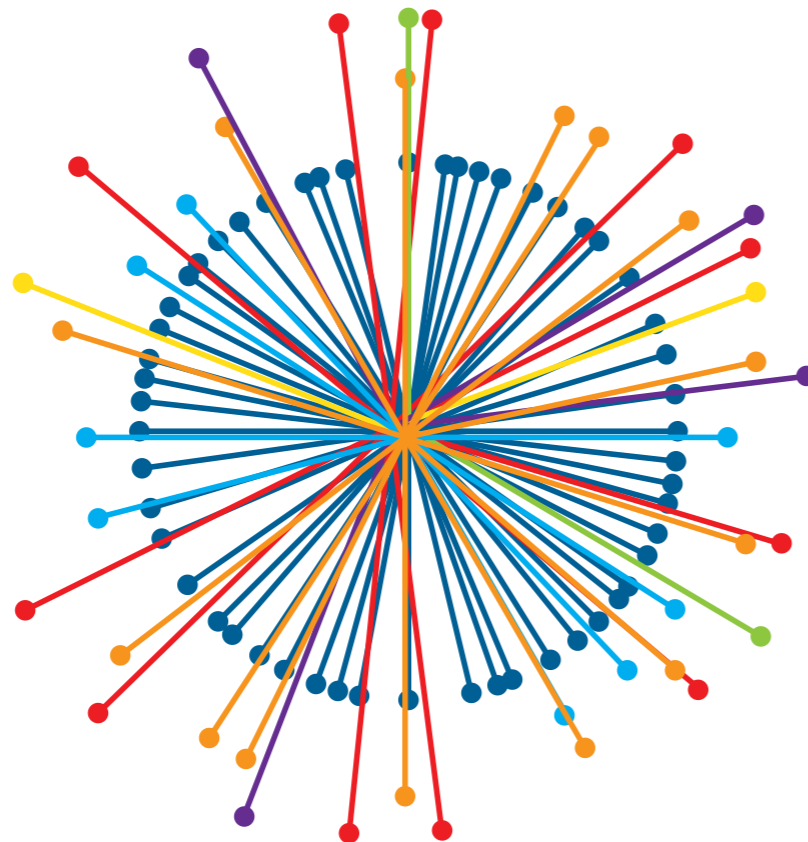


### 24 months

Growth	No.
Up to +5%	09
+5% to +10%	46
+10% to +15%	26
More than +15%	11
-5%	04
-5% to -10%	03
10% to -15%	00
More than -15%	01

### 12 months

Growth	No.
Up to +5%	51
+5% to +10%	15
+10% to +15%	15
More than +15%	02
-5%	11
-5% to -10%	04
10% to -15%	02
More than -15%	00



### 36 months

Growth	No.
Up to +5%	03
+5% to +10%	21
+10% to +15%	49
More than +15%	20
-5%	01
-5% to -10%	02
10% to -15%	02
More than -15%	02



### 3 Which are the Sectors that will drive the Market?

Pharmaceuticals all set to emerge as the next big influencer

Pharmaceuticals made the largest leap up the ranks as the next big influencer set to make a huge impact on the market. While Bizfluentials ranked it 11th most important sector in the last decade, this year Pharma is among the Top 5 sectors that will play a major role in the next ten years.

Infrastructure, Real Estate, BFSI, and Energy shaped the last decade and will continue to be the key sectors for growth over the next. High Tech, ICTS, Capital Goods will remain among the Top 10 influential sectors.

### Top sectors by Investors

#### Strategic Investors

- 1 Real Estate
- 2 BFSI
- 3 Infrastructure
- 4 Energy & Resources
- 5 Pharma & Biotechnology

#### Financial Investors

- 1 Real Estate
- 2 Infrastructure
- 3 Pharma & Biotechnology
- 4 Energy & Resources
- 5 BFSI

#### Endosers

- 1 Energy & Resources
- 2 Infrastructure
- 3 Real Estate
- 4 Pharma & Biotechnology
- 5 Technology & IT

Previous Decade	Next Decade
Infrastructure	1 Real Estate
Real Estate	2 Infrastructure
Banking, Financial Services and Insurance	3 Energy & Resources – Oil & Gas / Power / Electricity
Energy & Resources – Oil & Gas / Power / Electricity	4 Banking, Financial Services and Insurance
Telecommunication Infrastructure	5 Pharma/Biotech
Technology & IT services	6 Telecommunication Infrastructure
Steel/Metals/Alloys	7 Technology & IT services
Telecommunication Services	8 Steel/Metals/Alloys
Auto	9 Telecommunication Services
Capital Goods/Engineering	10 Auto
Pharma/Biotech	11 Infrastructure Related
Consumer Processed Goods	12 Capital Goods/Engineering
Media & Entertainment	13 Consumer Processed Goods
Travel & Hospitality	14 Travel & Hospitality
Infrastructure Related	15 Education
Education	16 Media & Entertainment
Aviation	17 Aviation

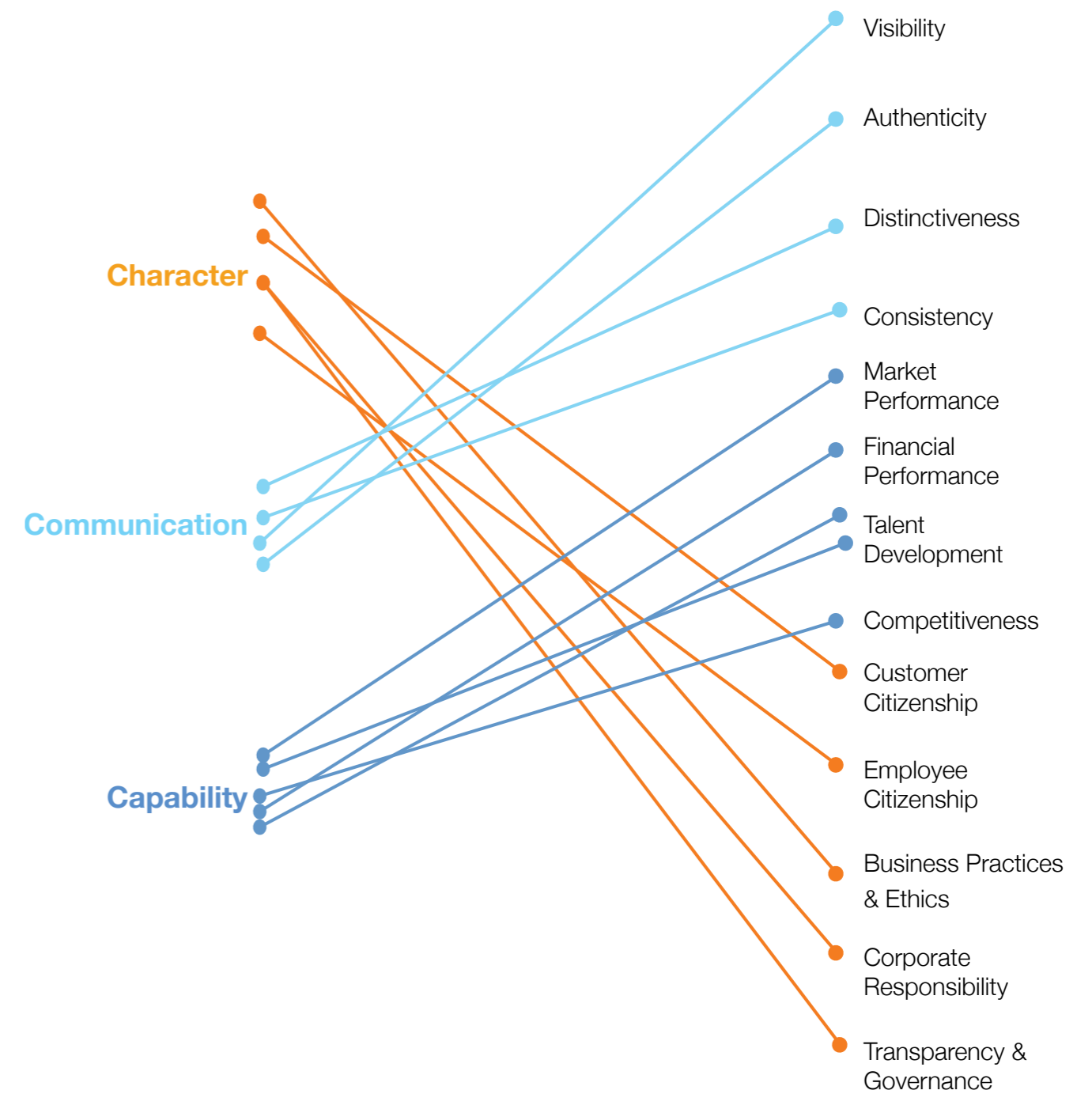
## To identify what drives competitiveness

The C<sup>3</sup> framework is used to strategically manage corporate image, also referred to as corporate reputation or corporate equity. This dynamic framework helps board members and CEOs decode and monitor the stakeholders that have maximum impact on the company's image. It helps decision makers focus on what the company needs to do & say in order to persuade stakeholders to take action that gives companies competitive edge.

The C<sup>3</sup> framework looks at three 'Dimensions' of corporate equity: Character, Capability & Communication. Each of these Dimensions comprises of 'Attributes' that define a company's equity and each Attribute has a set of 'Strategic Actions' that impact its equity. C<sup>3</sup> not only establishes the correlation between these actions and the most important stakeholder expectations, it also benchmarks a company's relative standing vis-a-vis its peers, thereby providing a clear direction on what it needs to do in order to stand apart from its competitors.

We have used the C<sup>3</sup> framework to generate insights into what the financial influentials consider before they invest or make a recommendation to invest.

## C<sup>3</sup> Gold Standard of Corporate Equity



## Competitiveness is driven by fundamentals

Traditionally, fundamental financial analysis is about determining the value of a stock by looking at the variables that are directly related to the company, making stock-related and financial parameters more important for hedging risks than as a crucial differentiator.

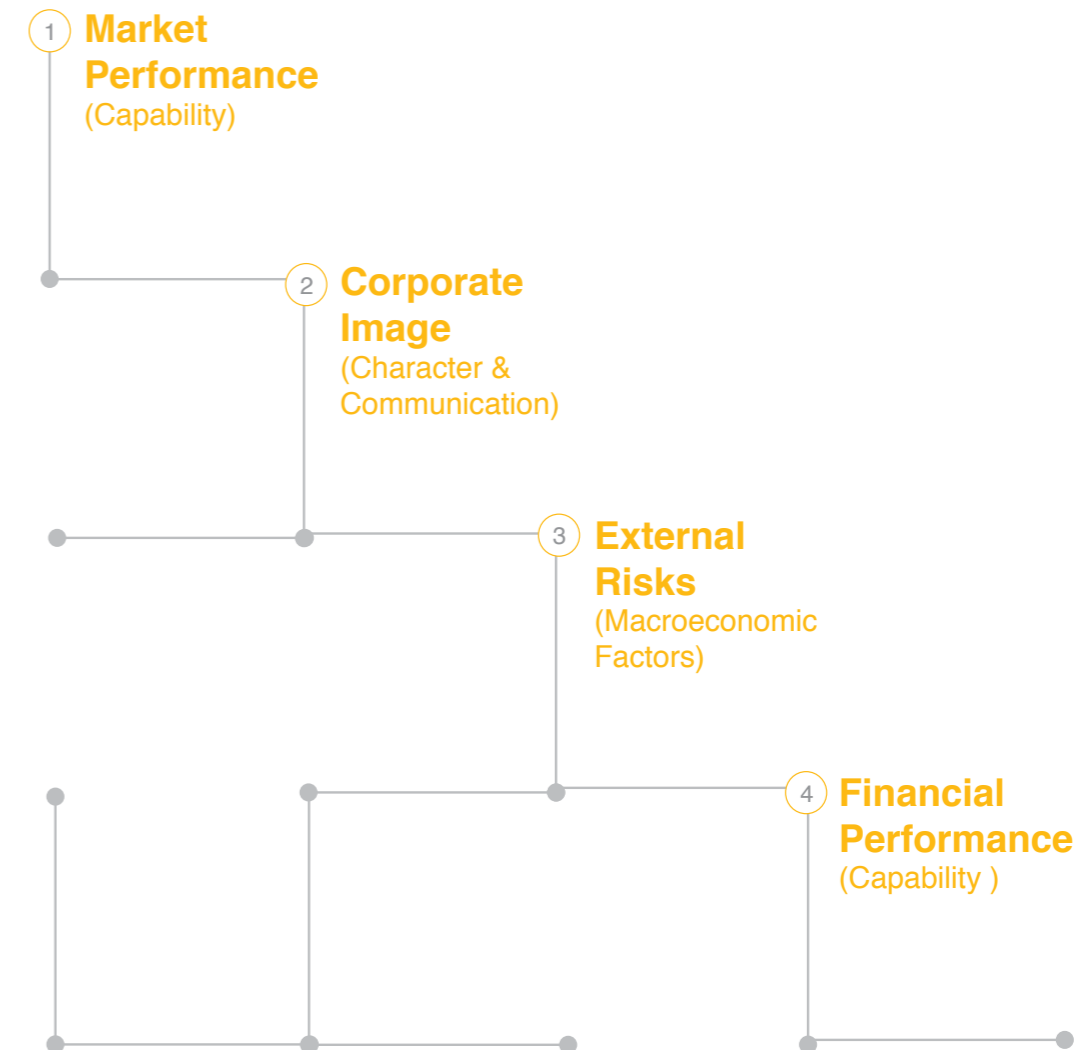
The underlying message from the financial influentials who participated in our survey defined what financial competitiveness means for today's businesses.

## Financial competitiveness is about focussing on the right fundamentals and getting the fundamentals right

- The fundamental **Capability** of the company in terms of its management team, business practices, and financial stability
- The fundamental **Character** of a company in terms of its corporate vision for the future, transparency on business associates, employees and governance
- The fundamental **Communication** of its clear vision for the future and how successfully the company communicates its character and capability to its stakeholders

Often, in looking at the minutiae, the bigger picture consisting macro-economic factors and company image in the minds of stakeholders can be overlooked. Several factors impact value, but Bizfluentials feel that it's the external factors that exert most influence on company equity.

## Top factors for Financial Competitiveness Factors

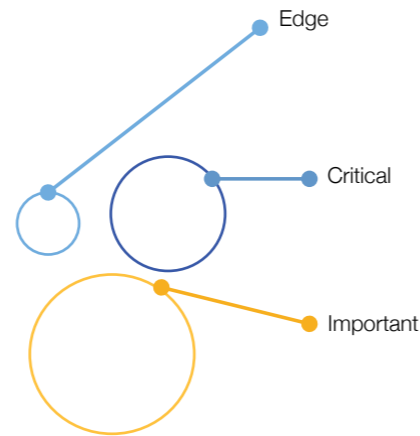


Efficient use of resources and macroeconomic factors top the list for leaders in the financial world, but they must also be careful about what drives investors. Our survey showed a clear distinction within preferences of different kinds of investors within the Top 5 drivers.

# 1 Market performance

Create competitiveness to gain a winning edge.

Among the various drivers that affect Market Performance, strategic investors focus on global competitiveness and market share while financial investors value a capable management team higher than endorsers, who look at the future potential of the business as a key valuation parameter.



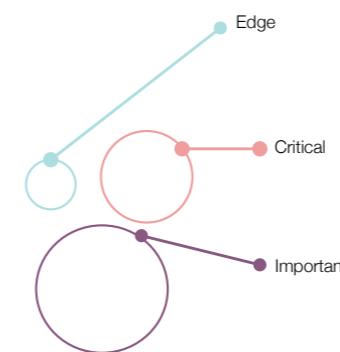
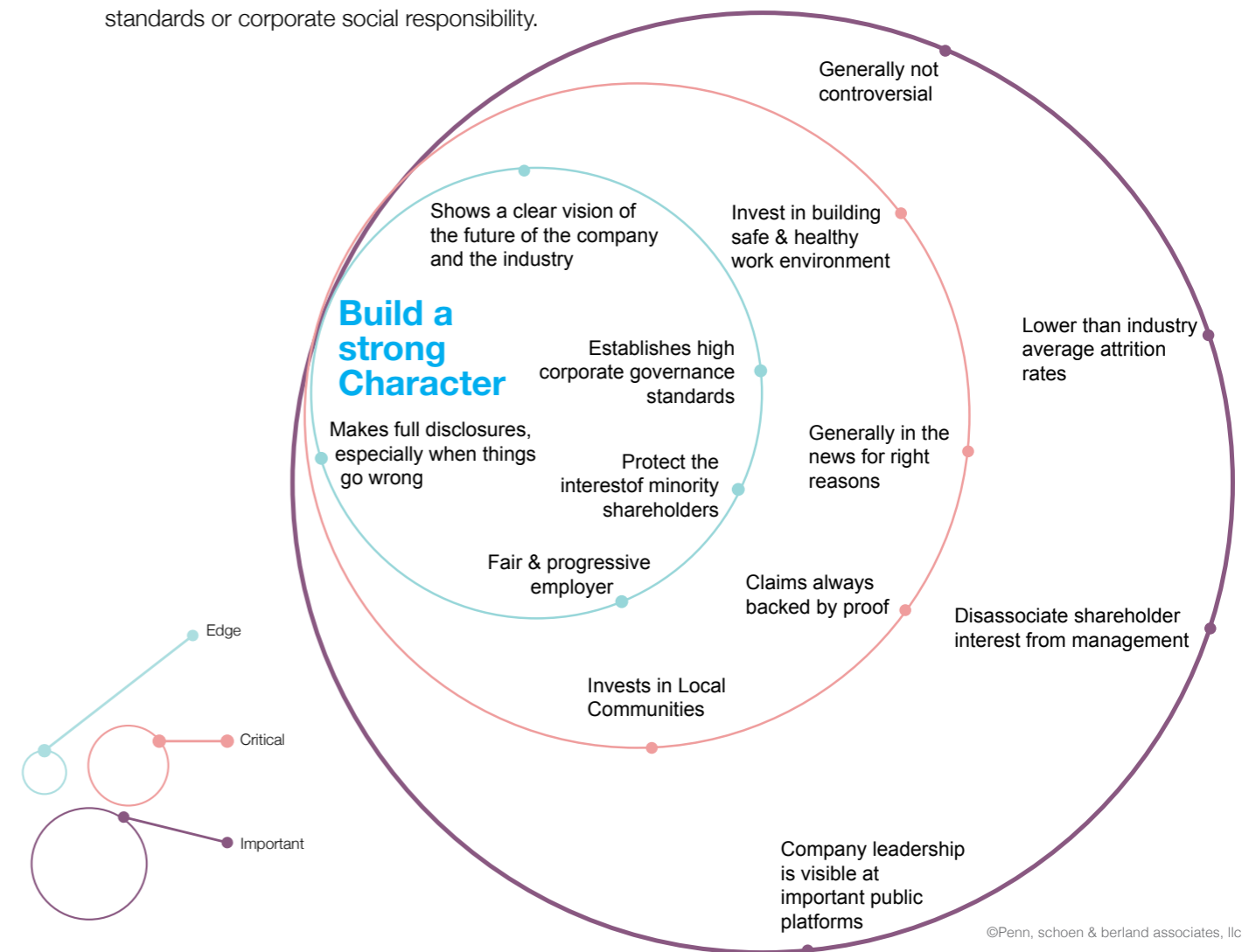
# 2 Corporate Image

The ability to manage risks and build a clean image is rewarded by the market. So, focus on governance and engage with stakeholders to build the right image.

Financial investors, with their lesser interest in business drivers, prefer to rely on capable management teams, positive news coverage and financial indicators, such as debt-equity ratio, cash reserves and earnings per share. Being closer to market movements, financial investors also rely on market indicators like share price/volume volatility and share group.

Endorsers look for the management's ability to hold views that are not just determined by customers and shareholders – their expectations revolving around a balance of long and short term goals, transparency and disassociated shareholder interest from that of management.

Strategic investors are looking for a clear vision for the future and expect full disclosures from the company, even during difficult times. Strategic investors also care about the larger role played by the company, be it in establishing high governance standards or corporate social responsibility.



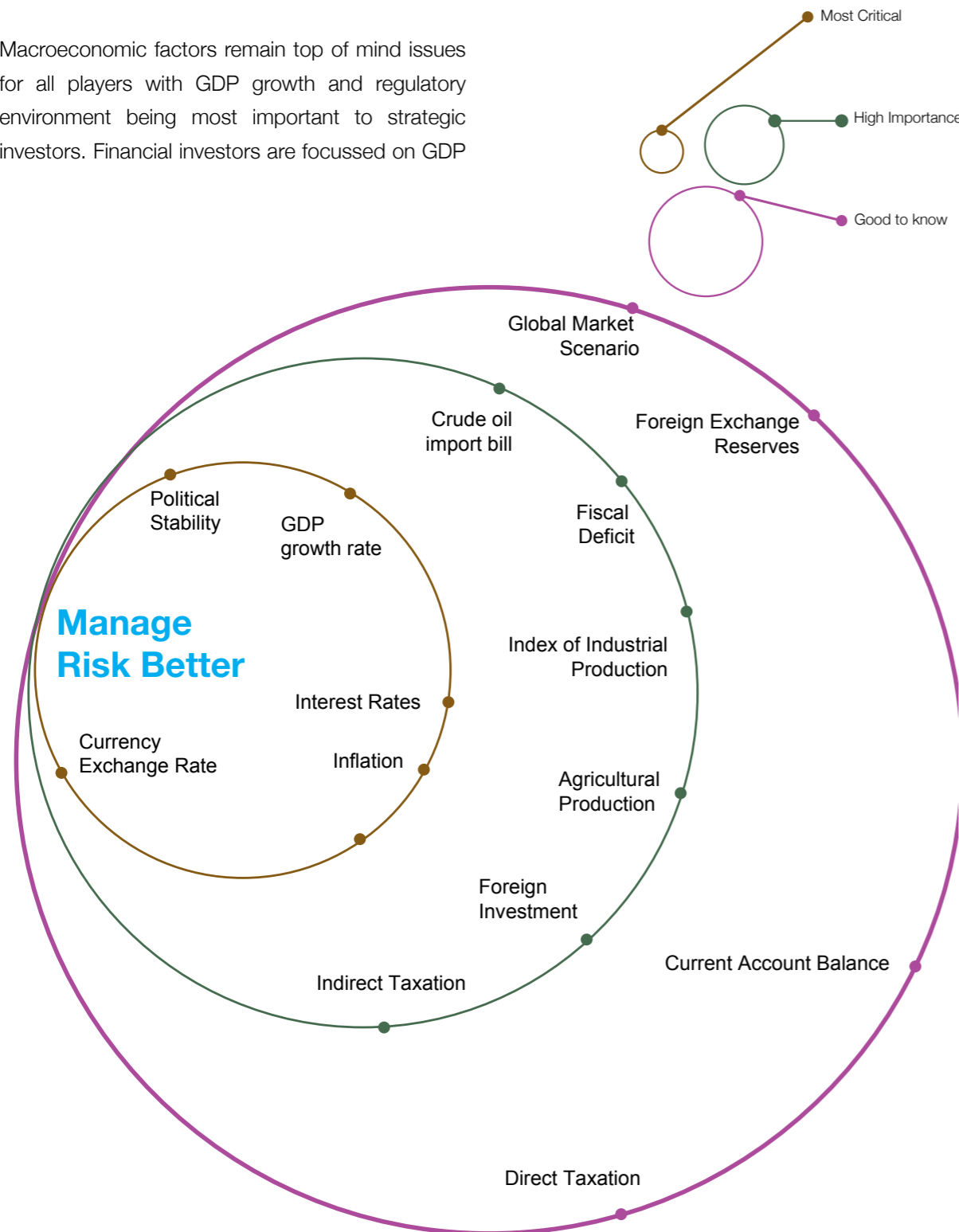


### 3 External risks

Leverage external opportunities and mitigate external risks to stay ahead.

Macroeconomic factors remain top of mind issues for all players with GDP growth and regulatory environment being most important to strategic investors. Financial investors are focussed on GDP

and interest rates while endorsers look at the larger picture, ranking inflation and fiscal deficit as preferred macroeconomic parameters.

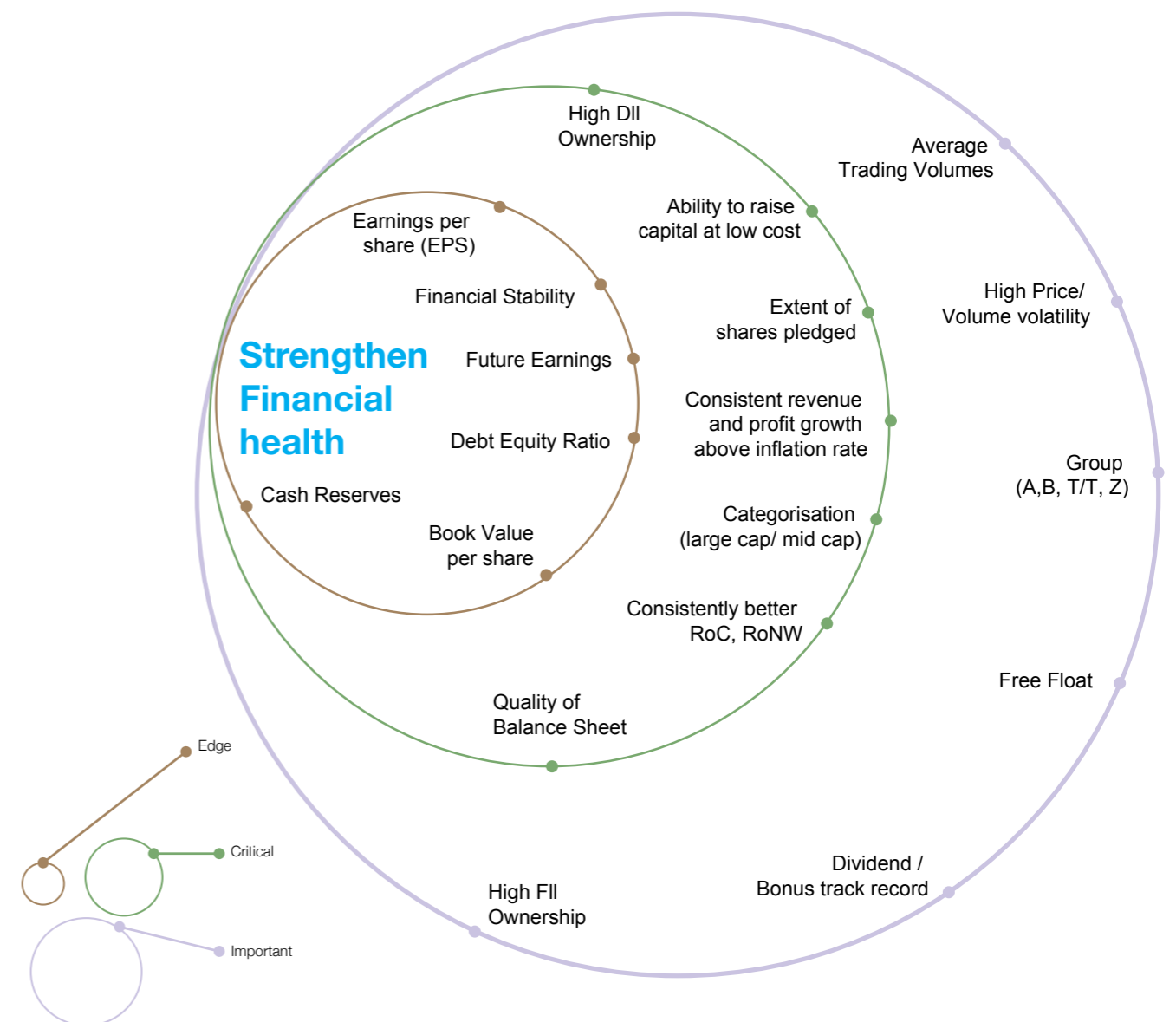


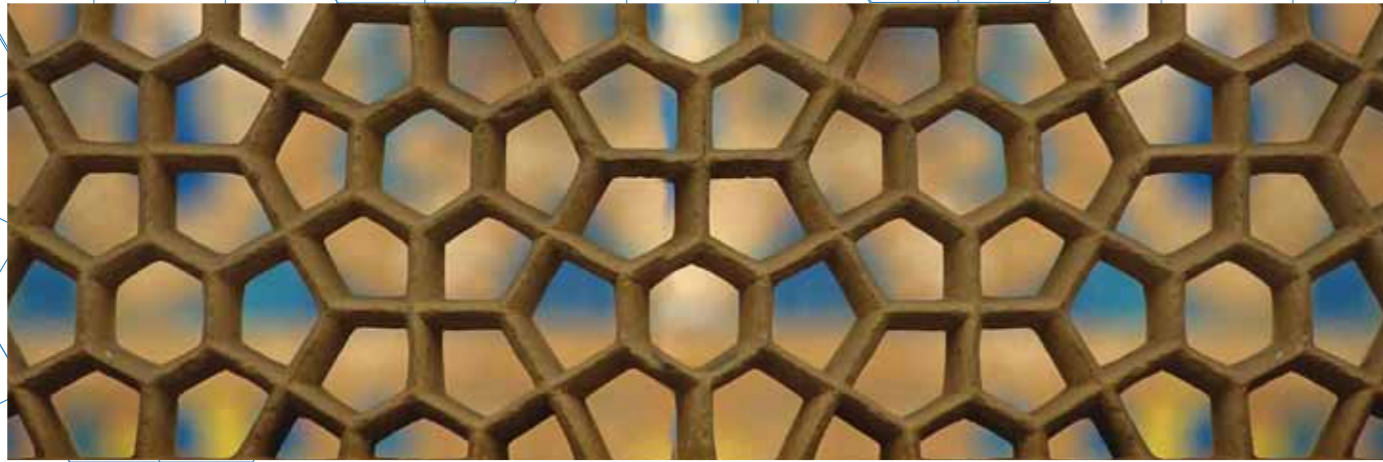
### 4 Financial performance

Demonstrate financial acumen to attract investors

Strategic investors look at financial stability and revenue growth, while financial investors opt to look deeper into the finances of the company, looking for debt/equity ratio, EPS and future earning potential of the company for valuation. Endorsers also value EPS and future potential.

Strategic investors focus on segmentation of the company stock, whether it is a large-cap, mid-cap or small-cap. They also worry about the number of shares pledged by the management to feel confident of the company. The financial investors on the other hand are more focussed on pricing and volatility of the stock. Endorsers meanwhile have ranked volatility, volumes and number of shares pledged as the key factors that impact their decision making for stock picking.





## Conclusions

- ① Focus on the right fundamentals and get them right
- ② Corporate Image is a key differentiator
- ③ Winning hearts and minds of stakeholders is a science. Invest in it.

## About Penn Schoen Berland

Penn Schoen Berland (PSB) is a 'Global Research based Strategic Communication Advisory' that brings the lessons learnt from its campaign trails into the board room to help companies negotiate some of their toughest corporate image & corporate affairs challenges. For over thirty years PSB has used research to leverage unique insights about public opinion, to give our clients a competitive edge. PSB serves Fortune 100 Corporations, leading Hollywood Studios and has helped elect over 30 Presidents and Prime Ministers around the world.

PSB, South Asia office was established early 2011 in Gurgaon and serves a blue-chip clients comprising leading Indian transnationals and Multinational corporations operating in the Indian Sub-continent, South East Asia & The Middle East. The South Asia is led by Ashwani Singla, formerly the CEO of Genesis Burson-Marsteller (GBM) & Board Member, Burson-Marsteller (B-M), Asia Pacific.

PSB is a part of Y&R Brands and WPP (NASDAQ:WPPGY), More information is available on [www.psbresearch.in](http://www.psbresearch.in)

## About PSB's Capital Markets Communication

At PSB, we create research based business & financial communication roadmaps that guide CEOs and CFOs of publicly traded companies be financially competitive and command best value in the market. Experts at PSB combine financial & communication acumen to make your investor relations objectives measurable and build compelling investment stories. When you work with us, you can be sure that we will not only help you better understand the drivers of your valuation but also enhance the appreciation of your long term business strategy among sell-side analysts & investors.

We have also generated sectoral & investor specific insights. Should you want to know more, please contact Shefali Khanna, Director, Marketing, PSB, South Asia at [skhanna@ps-b.com](mailto:skhanna@ps-b.com)

