



# TATA MOTORS

PEOPLE'S CAR | JAGUAR LAND ROVER

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TATA



# ABOUT TATA MOTORS

- Established in 1945
- India's largest automobile company and commercial vehicle manufacturer
- First Indian automobile company to be listed on the New York Stock Exchange
- One of Tata Group's 98 operating companies
  - Tata Group is one of India's largest conglomerates, with revenues averaging to \$28 billion USD, or 3.2% of India's GDP
- Falls under the "Engineering" section of Tata Group's 7 business sectors (Engineering, Materials, Energy, Chemicals, Services, Consumer Products, Information systems & communications)



# AUTOMOTIVE INDUSTRY

- Dominated by oligopolies
- High barriers to entry
  - Input costs
  - Infrastructures
- Tata Motors is India's biggest car company
  - Has already overcome industry barrier
  - Next move is to expand efforts globally

**TABLE 3.3** *Bain's Overall Barriers to Entry*

Industry	Overall Barriers
Automobiles	Very high
Cigarettes	Very high
Liquor	Very high
Soaps	Substantial
Steel	Substantial
Tractors	Very high
Flour	Moderate to low
Cement	Moderate to low
Meat packing	Moderate to low
Tires	Moderate to low
Rayon	Moderate to low

Note: Industries with very high barriers could elevate price 10 percent or more above competitive levels. Substantial and moderate-to-low entry barriers allow prices to be in excess of competitive levels by 7 percent and 4 percent respectively.

Source: Bain (1956: 170).



IMPROVING THE QUALITY OF LIFE





# TATA MOTORS BUYS FORD'S JAGUAR LAND ROVER (JLR)

- On March 26, 2008, Tata Motors confirmed the agreement with Ford to purchase Jaguar Land Rover, its comprising brands, plants, and intellectual property rights for \$2.3 billion USD in cash.
- Ford wants a sale because its CEO, Alan Mulally, wants to focus on turning round its North American business. Because the company has lost \$15 billion in the past 2 years, Mulally states that it's time for Ford to start concentrating on integrating its brand globally by implementing a strong plan that delivers profitable growth—and the JLR sale to Tata Motors will allow Ford to focus on itself and generate some much-needed revenue.
- Jaguar (founded in 1922) and Land Rover (founded in 1948) have been under Ford's ownership since 1989 and 2000 respectively. The two together have about 16,000 employees.

# JAGUAR LAND ROVER ACQUISITION

- Ownership will be transferred to Tata by the end of the next quarter if regulatory approvals go through.
- Ratan N. Tata, the chairman of Tata Sons and Tata Motors, stated that Tata “will endeavor to preserve and build on their heritage and competitiveness” of the two brands, while “keeping their identities intact.” No changes are expected to employment terms for the 16,000 workers of JLR.
- As part of the transaction, Ford will continue to supply Jaguar Land Rover for differing periods with vehicle components.
- Ford has also committed to provide engineering support, including research and development, plus information technology, accounting and other services.
- In addition, Ford Motor Credit Company will provide financing for Jaguar and Land Rover dealers and customers during a transitional period, which may be up to 12 months.

# MOTIVES FOR THE ACQUISITION...?



- It may simply be the fact that it is too good of a deal to pass up: Jaguar alone had cost Ford some \$10 billion during its 18-year stewardship.
- Tata Motors states that the acquisition is a strategy in the “entrepreneurial mode,” characterized by the active search for new horizons and opportunities.
- Acquiring Ford’s brands will catapult Tata into the league of luxury carmakers, giving it access to valuable U.S. and European customer bases, which ultimately translates into more profit since Land Rover has been sustainably profitable.
- The transfer of automotive technology is important component, especially if Tata is to expand its People’s Car line.



# IMPLICATIONS OF THE ACQUISITION



- Ultimately Tata was looking to increase its profitability by taking this opportunity to globally expand its automotive reaches into the luxury market.
- Buying JLR was a horizontal acquisition, since it purchased another company in the automotive market.
- JLR Acquisition may even be a conglomerate acquisition from perspective of Tata Group, since it adds to the diversified products and services Tata Group offers and produces.
- The next step for Tata Motors is to continue the JLR legacy while combating new carbon-emission laws in Europe.

# THE NANO



- Priced at \$2500 USD
- 4 door 5 seater car
- 624 cc two-cylinder engine in back
- Max speed is 43 mph
- Body made of sheet-metal and plastic
- Plastic and adhesive replaces welding
- Manual steering and no air bags
- No air condition
- 360 view





The Basic & Luxury Versions  
unveiled at Geneva Motorshow



## WHAT MAKES THE TATA NANO SO CHEAP?

No air conditioning  
on standard model

Windows wind down by hand

Height 1.6m (5ft)

Manual steering,  
no air bag

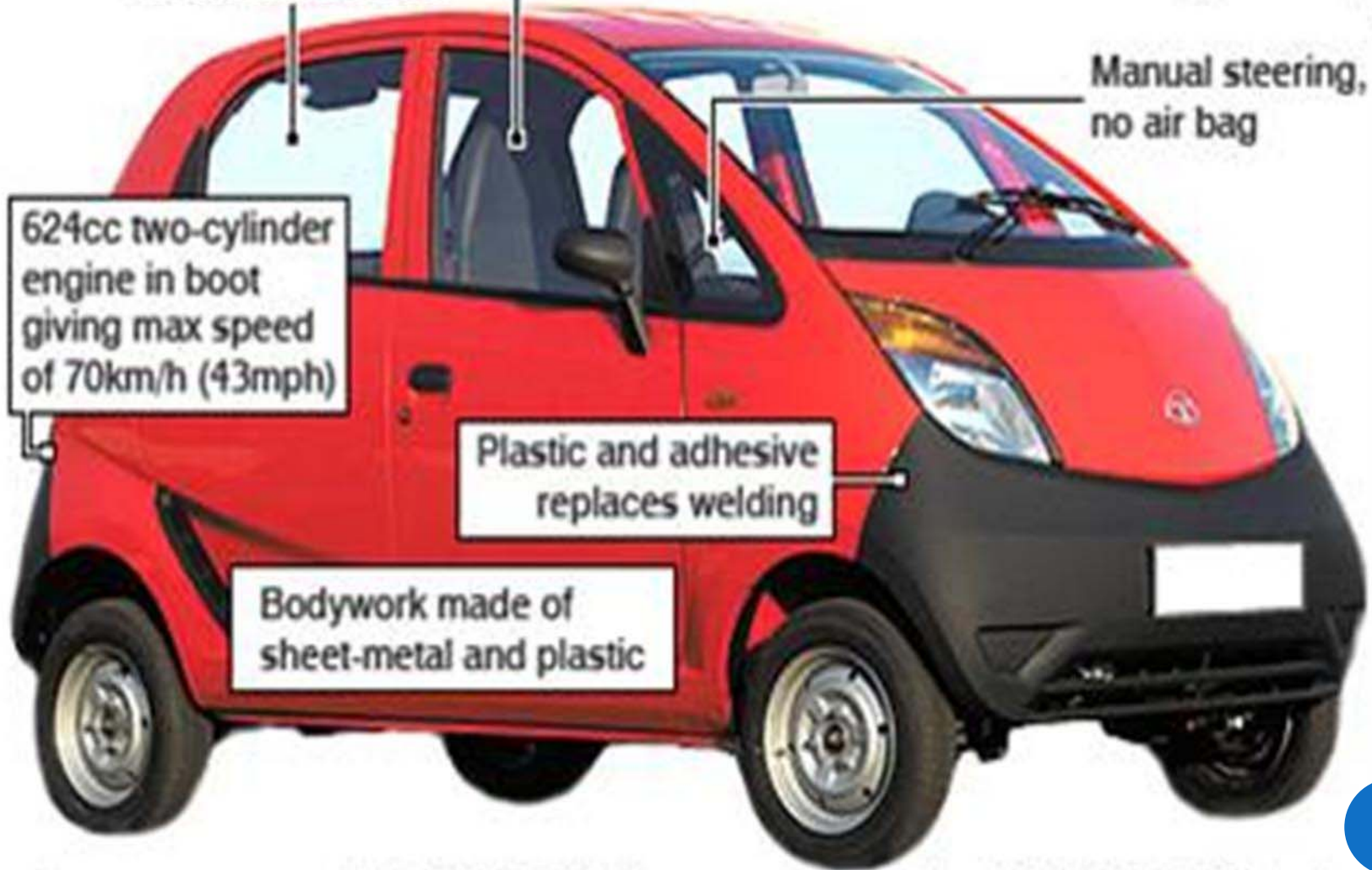
624cc two-cylinder  
engine in boot  
giving max speed  
of 70km/h (43mph)

Plastic and adhesive  
replaces welding

Bodywork made of  
sheet-metal and plastic

Length 3.1m (10ft)

Width 1.5m (5ft)



# THE TATA NANO PROMISE

*“This is an ultra cheap, ultra small car, created for the common man in India— and it is an attempt to give millions of Indians the chance to participate in the benefits of India's strong economic growth.”*

— BBC News (January 10, 2008)

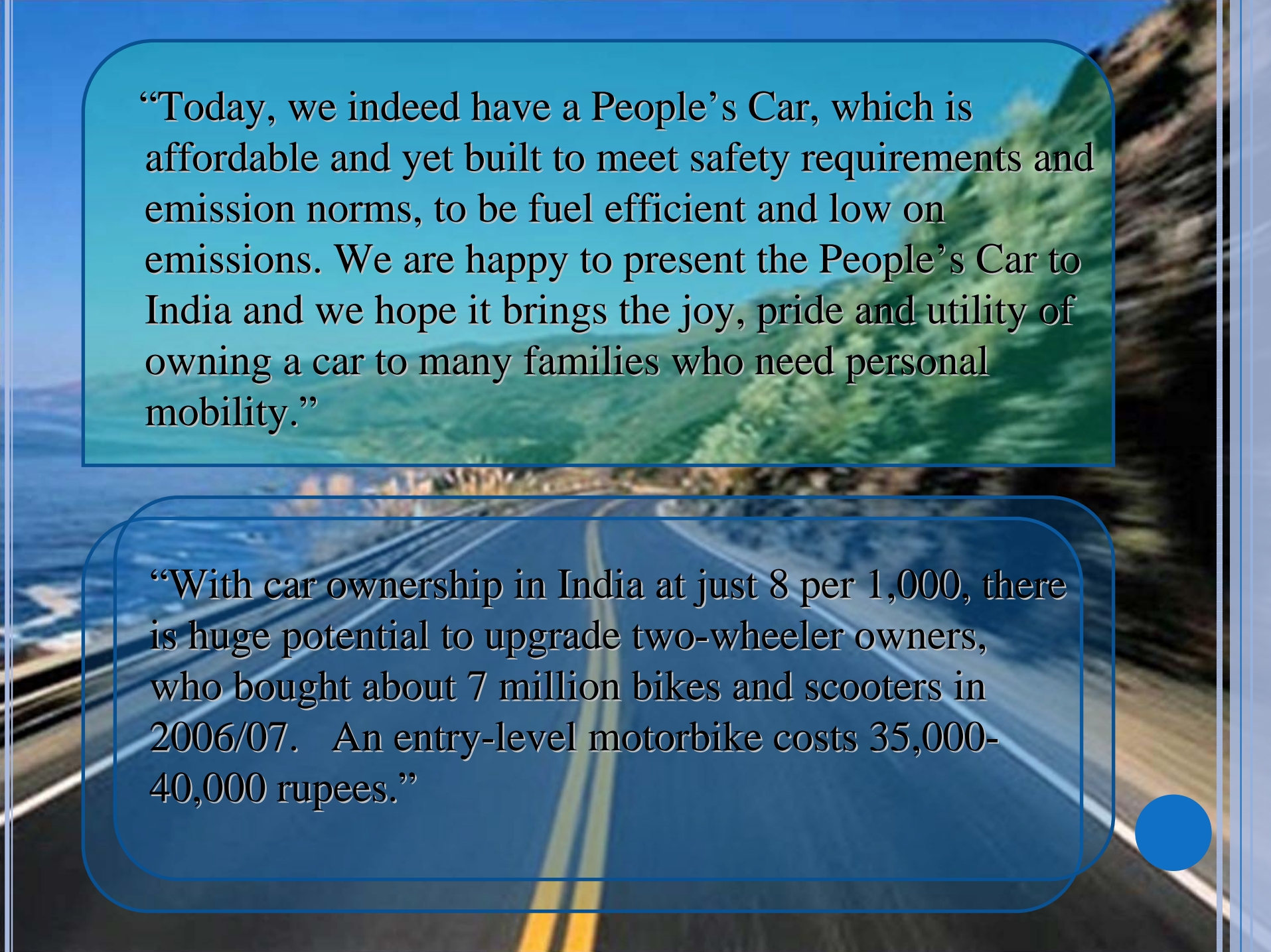




# RATAN TATA'S INSPIRATION FOR BUILDING A \$2500 CAR


“I observed families riding on two-wheelers –the father driving the scooter, his young kid standing in front of him, his wife seated behind him holding a little baby. It led me to wonder whether one could conceive of a safe, affordable, all-weather form of transport for such a family.”





“Today, we indeed have a People’s Car, which is affordable and yet built to meet safety requirements and emission norms, to be fuel efficient and low on emissions. We are happy to present the People’s Car to India and we hope it brings the joy, pride and utility of owning a car to many families who need personal mobility.”

“With car ownership in India at just 8 per 1,000, there is huge potential to upgrade two-wheeler owners, who bought about 7 million bikes and scooters in 2006/07. An entry-level motorbike costs 35,000-40,000 rupees.”





# ENVIRONMENTALLY FRIENDLY



“The People's Car's tailpipe emission performance exceeds regulatory requirements. In terms of overall pollutants, it has a lower pollution level than two-wheelers being manufactured in India today. 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.” –  
*www.tatapeoplescar.com*



# SAFETY STATEMENTS (BEFORE 1-10-08)



“The biggest hurdles to selling such a car in the West would be its technology. Tata will save about \$900 per car by skipping equipment that the U.S., Europe, and Japan require for emissions control... And Tata will forgo features such as antilock brakes, air bags, and support beams that protect passengers in a crash. ‘It's safer than putting four people on a scooter, but that's it.’”

–Business Week (January 3, 2008)





# **SAFETY REQUIREMENTS STATEMENT (AFTER 1-10-08)**

“The People’s Car’s safety performance exceeds current regulatory requirements. With an all sheet-metal body, it has a strong passenger compartment, with safety features such as crumple zones, intrusion-resistant doors, seat belts, strong seats and anchorages, and the rear tailgate glass bonded to the body. Tubeless tires further enhance safety.”

– [tatamoters.com](http://tatamoters.com)





# LABOR AND PRODUCTION COSTS

- Tata Motors has forcibly acquired 347 acres in Singur.
- “Until farmers get back their land forcibly acquired for the Tata Motors small car plant at Singur, we will not allow the company to manufacture cars there,’ Leader of the Opposition in the assembly Partha Chatterjee told a press.”

–Economic Times



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