Introduction & Industry Analysis

Tata Motors Limited, (formerly ***TELCO – TATA Engg & Locomotive Company***) is an Indian multi-national automobile manufacturer. It is the world's 16th largest medium vehicles manufacturing company, the 4th largest truck manufacturer and the 2nd largest bus manufacturer by volume.

According to SIAM (Society of Indian Automobile Manufacturers Association) Annual Report for 2012, the Indian Automotive Industry, by volume was of around 4,145,194, while that of 84, 141,209 worldwide. This was a growth of 13.83% in production, while a 12.24% growth in domestic sales over the period. To become the 6th largest automobile manufacturer globally, over Brazil, India grew 16-18% selling around 3 Million units in the course of 2011-12. Similar growth trends are expected over the years, with SIAM predicting 4 million vehicles in India by 2015. Tata Motors competitors in the Indian subcontinent, sit within the various industrial segments encompassing passenger, commercial, & heavy vehicles; over the recent timeline, Toyota, Mahindra Navistar, Ford, VECV-Eicher/Isuzu, Honda, to name a few.

Evaluating this industry, Tata Motors enjoys a rich and loyal customer base because of its unique & historical position as a premium Indian automobile manufacturer. Other than a major slump from the TATA Nano, its 2500$ mission over production issues at the Singur area of West Bengal, Tata's ACE sold 1 million units worldwide in only 1680 days, while Tata's new acquisition Jaguar & Land Rover became an extreme positive on its accounting books over the last year. Indian Car Market Statistics (2012), Tata Motors Turnover, Net Income, EBITDA, and a few other factors over the recent years are shown in **Exhibit 1.** Market Shares lowered down slightly to 59.5% over the year, and according to some estimates is yet to lower down, owing to new entrants over various geographic segments.

Environmental Analysis

Developing the Environmental Analysis of the industry, the various important factors to be taken into consideration are the impacts and issues of Demographic, Technological, Macroeconomic, Political-Legal, & Global Trade. The effect of these factors is very much favorable to the medium & heavy vehicles industry, also opening a number of doors to various luxury vehicle manufacturers. This is due to greater market growth & increasing consumer adoption for a number of reasons, coupled with a rich customer base willing to pay the price. The only adverse factors over here are the rising fuel prices, and a deadlock into the introduction of eco-Drive vehicles. As Tata Motors is just 12-13% of the total Indian industry, it looks well-positioned to capitalize even strongly on these various attractive industry fundamentals for medium & heavy vehicles. The Environmental Analysis of the industry is shown in **Exhibit 2**.

Porter's Five Forces Analysis & Capabilities Analysis

Tata Motors also retains a very firm standing as of its Internal & External environments. It has the advantage of a very strong supply chain management, as was displayed by the 2500$ Tata Nano. It also has a strong cost management framework that of Ariba Spend. Tata Motors have also regained the British & European markets by reinforcing the heritage of Jaguar & Land Rover. Driving market forces, with compelled poor economic results could only make this possible. Being one of every two heavy vehicles on Indian Roads is also another proof of loyalty they add up with. The complete Five Forces Analysis is shown in **Exhibit 3**, whereas an informal Resources & Capabilities Analysis is shown in **Exhibit 4**.

Competitor Environment

Sustainable competitive advantage lies not in one, but a combination of multiple resources, each of which individually need not necessarily be the best, but in overall weighted average terms, presents the best solution. For Tata Motors, the combination of resources providing it competitive superiority on a weighted average basis includes Product Reliability, Service Network, & Channel Reach. In terms of product reliability, Tata Motors offers products of reasonably high standards. However, foreign players like Volvo and even local competitors like Ashok Leyland arguably offer products that are far more refined. But this is more than compensated by a dependable service network and extensive channel reach. Tata's service and distributor network is by far the most extensive of any player in the trucks industry. Hence in overall weighted average terms, Tata Motors still has a winning proposition.

In terms of its own, Tata Motors has a lot to do. Only slowly would it be able to handle the global markets. A higher focus on costs could lead out on advanced features that are stocked in European cars. A greater manufacturing capability would have to be needed. The effects of the transfer of the manufacturing plant from Singur to Gujarat could be very great if looked at with the supply chain also in view, as they would have had to shift, and many of them would not be able to. These threats and weaknesses would have to be looked into and nullified, thus satisfying customer expectations.

Competitive Positioning

As of the heavy vehicles industry, Tata Motors is obviously at number 1, closely around Ashok Leyland. But more would have to be done towards vehicular efficiency, owing to the face that newer entrants like Beiqi Motors Ltd from China & Daimler AG from Germany, having lower costs, more efficiency packed with higher corporate discounts have been able to promise good openings.

Coming to the medium/passenger vehicles industry, Tata Motors has been facing a lot of competition from its current competitors, especially that of Maruti Suzuki, Ford Motors Co., Hyundai. Datsun also is yet to launch with small passenger vehicles in the coming year. However, internally, collaborations and agreements with Daewoo, serving to Korea & Pakistan audiences, added with Tata’s entry into the Bangladesh automotive market only opens new potentials towards greater market shares, higher profits & more increased stability in the Indian subcontinent. Tata’s recent acquisition of Jaguar & Lang Rover also serves as a step towards improving learning curves across global markets for its own brand. Its commitment towards the World Truck Program is also a commendable effort reminding everyone of its bright and rich history with automotive vehicles.

Recommendations

- TML could revise its Supply Chain Management & Service Management in alignment with that of the growing needs across their various segments, thus making it cross-platform. This would not only open up new initiatives towards over-the-country market produce, but also reduce costs.
- TML could pause focusing on expanding into integrated production plants abroad, owing to the already very highly appreciated rupee.
- The Singur Loss would definitely be very high, this resulting in High D/E Ratio. Needs to be optimized with at the least, some capital expansion.
- Looking to the foreign markets, TML could focus more on rapid acquisitions, than of long term consolidation, as this could serve as middlemen towards higher integration between various segments, thus creating much more differentiation, and a larger variety in customer bases.

	CAPITAL ACCOUNTS (₹ in lakhs)						REVENUE ACCOUNTS (₹ in lakhs)						RATIOS					
Year	Capital	Reserves and Surplus	Borrowings	Gross Block	Accumulated Depreciation	Net Block	Turnover	Depreciation	Profit/ (Loss) Before Taxes	Taxes	Profit/ (Loss) for the year	Dividend including tax (including group's share of subsidiaries dividend tax	PAT to Sales	Earnings Per Share (Basic)* (₹)		Dividend Per Share*(#) (₹)		Net Worth Per Share* (₹)
														Ordinary Share	'A' Ordinary Share	Ordinary Share	'A' Ordinary Share	
2007-08	38554	831198	1158487	1892393	606049	1286344	4060827	78207	308629	85154	216770	67674	5.3%	56.24	-	15.00	-	225@
2008-09	51405	542659	3497385	6900238	3326905	3573333	7489227	250677	(212925)	33575	(250525)	36458	-3.3%	(56.88)	(56.88)	6.00	6.50	114++
2009-10	57060	763588	3519236	7291985	3441352	3850633	9736054	388713	352264	100575	257106	100185	2.6%	48.64	49.14	15.00	15.50	144^
2010-11	63771	1853376	3281055	8291975	3969870	4322105	12684370	465551	1043717	121638	927362	148130	7.3%	155.25	155.75	20.00	20.50	302^^
2011-12	63475	3206375	4714896	10572497	4951247	5621250	17133935	562538	1353387	(4004)	1351650	148862	7.9%	42.58**	42.68**	4.00**	4.10**	103^^
2012-13	63807	3699923	5359138	12098843	5150482	6948361	19439548	756930	1363348	377099	989261	75614	5.1%	31.02	31.12	2.00	2.10	118^^

Exhibit 1.a.: Tata Motors Ltd: Financial Statistics (07'-13')

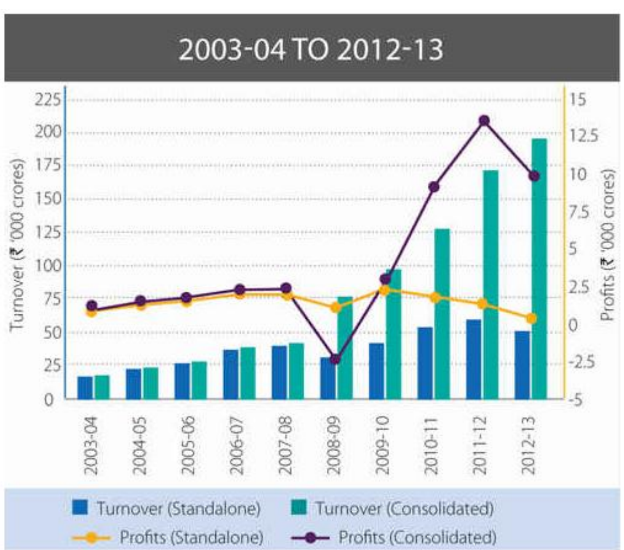
Indian Car Market by Groups 2012

	Units Sold	Share
1 Maruti-Suzuki	1.063.599	40%
2 Hyundai Motor	391.276	15%
3 Tata	290.428	11%
4 Mahindra	261.450	9,8%
5 Toyota	172.241	6,5%
6 VW Group	110.541	4,2%
7 GM	92.059	3,5%
8 Ford Motor	87.600	3,3%
9 Honda	73.130	2,8%

	Change 2012-2011
1 Renault	2400,5%
2 Nissan	97,6%
3 Honda	53,8%
4 Mahindra	33,2%
5 Toyota	26,5%
6 VW Group	7,2%
7 Maruti-Suzuki	6,6%
8 Hyundai Motor	4,4%
9 BMW	-0,4%

	Change Share
1 Mahindra	1,78
2 Renault	1,27
3 Toyota	0,89
4 Honda	0,80
5 Nissan	0,76
6 BMW	-0,03
7 Hindustan-Mitsubishi	-0,03
8 Daimler	-0,04
9 VW Group	-0,07

Exhibit 1.b.: Indian Auto Market Statistics, as of 2012, company-wise; by SIAM (Society of Indian Automobile Manufacturers Association)



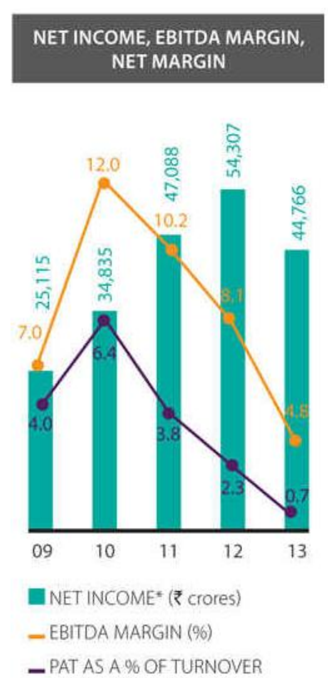


Exhibit 1.c/d: Tata Motors: ever-increasing milestones

Tata Motors: Profits, Net Income, & EBITDA

Demographic/Social Trends	Technological Trends
Upward trends in salaries- growth in urbanization Increasing Labor/Social Mobility Need for smaller cars/improved fuel efficiency	With introduction of global companies, advanced technologies have entered into the market. Evolution of Hybrid Cars Few companies have set up R&D Centers in India.
Political-Legal Trends	**Macroeconomic Trends**
No minimum criteria for foreign investments Govt Initiatives – Tax Rebates for R&D Centers Environmental Regulation & Protection Consumer Protection	Wide Financing, Low interest rates Economy Growth – 8.5% Manufacturing Sector Growth – 10 – 12% High Exchange Rates is a downside.
Global-Trade Trends	
Recent cut in excise rates is big boost to automobile manufacturers.	

Exhibit 2: Environmental Analysis for TATA Motors Ltd.

Threats to Entry

1. High Capital Required
2. Knowledge, Experience & Technology
3. Product Differentiation & Cost Advantage
4. Strong Distribution Network
5. High Learning Curve
6. Strong Brand names associated

Intensity of Rivalry

1. Large industry size
2. Decent industry growth rate
3. Diverse range of products & services

Threat of Buyers & Suppliers

1. High Switching costs
2. Competition among suppliers
3. Uniqueness of service/product
4. Volume of Sales
5. Brand Image
6. Diverse distribution channel

Threat of Substitutes

1. Price bands of products & their substitutes.
2. Buyer willingness

Exhibit 3: Porter's Five Forces Analysis for TATA Motors Ltd.

Resources & Capabilities

Tangible - Countrywide network of services
- Recent Patent Acquisitions
- New plants coming & proposed
- Alliances with leading manufacturers
- Technology Partners – Fiat, Daewoo, Hispano
- Excellent Cost Management Framework (Ariba Spend Management)

Intangible – Large & Loyal Customer base
- Excellent Brand Reputation
- Years of Expertise
- Global Recognition in light buses & other heavy vehicles
- High quality, productive & low cost work force
- World class quality accreditations (ISO 9001, ISO 20000, ISO 14001)

Exhibit 4: Informal Capabilities Analysis for TATA Motors Ltd.

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