

Contribution of TATA Motors to Indian Economy

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Abstract

The automobile industry is one of the key drivers that boost the economic growth of the country. Since the de-licensing of the sector in 1991 and the subsequent opening up of 100 percent FDI through automatic route, Indian automobile sector has come a long way. Today, almost every global auto major has set up facilities in the country. Tata Motors is the largest automobile manufacturing company in the world by volume, with presence across a range of passenger cars and Commercial Vehicles (CV). It is the market leader in terms of volumes in CV Segment (including, Light Commercial Vehicle, Medium & Heavy Commercial Vehicles segments) and enjoys a market share of ~ 58% in the CV segment which has grown consistently over the last few years. This paper gives an overview of Indian automobile industry and the contribution of Tata motors. This paper also explains the strategic position of Tata Motors in Indian economy.

Keywords: LCV, M&HCV, GDP, Fiscal, Automotive

I. INTRODUCTION

India's GDP grew at a better pace, mainly towards the second half of the fiscal, at 7.3% in 2014-15. The basic parameters of the Indian economy signaled movement in the right direction. A reasonably good performance of the manufacturing sector, a reduction in interest rates by RBI by 75 basis points, declining inflation aided by favorable global commodity prices like oil, all provided encouragement for an overall more positive economic outlook.

In 2014-15, the Indian automotive industry registered a growth of over 2.5 percent over last year, with overall automobile exports growing by 5.2 percent. Growth in domestic passenger vehicles

was stronger at 5.5 percent by improving consumer sentiment on account of lower fuel price and interest rates. However, Commercial vehicles contracted by 8.4 percent, mainly on account of significant decline in small commercial vehicles. Heavy truck sales showed early signs of revival with increasing economic activities in the 2nd half of the year.

In commercial vehicles, Tata Motors dominates the market with more than 60 per cent share, with Ashok Leyland and Volvo-Eicher commercial vehicles at numbers two and three places respectively. Tata motors are having major contribution in terms of CSR and environmental issues.

II. OBJECTIVES:

The objectives of this paper are:

1. To analyze the Fiscal growth of TATA Motors
2. To analyze the economic activity designed by TATA Motors.
3. To study Indian automobile industry by using the SWOT method.

III. LITERATURE REVIEW

Globalization of Indian economy, invited foreign players in the automobile industry. The Indian Automobile industry has witnessed major changes in the past few years. Shukla A C (2009) After liberalization of the market, many global automobile manufacturers such as Ford, General Motors, Suzuki, Honda, Mercedes (in the car segment) and Piaggio, Suzuki, Honda, Yamaha, Kawasaki (in the motorbike segment) have established manufacturing bases or international purchase centers in India (Singh et al. , 2004).

The industry is the backbone of Indian economy, this industry can be divided into three categories: cars, two-wheelers and heavy vehicles. Among the two-wheeler segment, motorcycles has a major share in the market. Hero Honda contributes 50 % of motorcycles to the market. Honda holds a 46 % share in scooters and TVS makes 82 % of the mopeds in the country; 40 per cent of the three-wheelers are used for goods transport purposes - Piaggio holds 40 per cent of the market share. Regarding passenger transport three wheelers, Bajaj is the leader, making 68 percent of the three-wheelers. Cars dominate the passenger vehicle market segment by 79 per cent. Maruti Suzuki has around a 47 per cent share in passenger cars and has a complete monopoly in multi-purpose vehicles. In utility vehicles, Mahindra holds a 42 per cent share (Auto SCM India, 2006).

According to Dey M et al (2012) an important aspect of stakeholder analysis is that it is essentially a dynamic process. Over time, the mix of stakeholders as well as issues may change. New stakeholders may be identified as the business expands, diversifies or explores new markets, some dormant stakeholder group may become more vocal, while some existing stakeholders may drop out or become practically irrelevant. Freeman (1984) acknowledges this dynamism, and according to him, stakeholders change over time and their stakes change depending on the strategic issue under consideration.

Mitchell et al. (1997) proposed that the identification of different classes of stakeholders based on three attributes possessed by them: power of the stakeholder, the legitimacy of their concern, and the stakeholder's urgency. By combining these three attributes, a topology of stakeholders could be created.

Corporate social responsibility CSR Initiatives of Tata have their core competencies, core competencies can be defined as sets of skills, experiences and abilities that represent the company's collective learning. Core competencies are considered as the very foundation of the company's competitiveness as they "are unique to the company and cannot be easily imitated by

competitors" (Porter, 1990). It is these core competencies that "allow a company to adapt to new opportunities and coordinate and integrate multiple production and technology processes to develop new products-cheaper and quicker than competitors" (Prahalad and Hamel, 1990).

The domestic auto industry witnessed growth during Fiscal 2015, compared to a contraction in the previous year. Lower interest rates and inflation in Fiscal 2015 compared to Fiscal 2014 contributed to an improvement in consumer sentiment, which in turn contributed to an increase in automobile purchases. Expectations of higher capital expenditures and revivals in the mining, quarrying and manufacturing sectors contributed to replacements of old vehicles in commercial fleets, which in turn contributed to growth in the domestic auto industry.

Global growth remains moderate with uneven prospects across the major economies. The outlook for advanced economies is improving, while growth in emerging market and developing economies is projected to be lower, primarily reflecting weaker prospects for certain large emerging market economies alongside oil and raw material exporting economies. Oil prices have declined during the year due to weaker than expected global activity and a weaker demand for oil against the available supply. Exchange rate movements in recent months have been sizable, reflecting changes in expectations about growth and monetary policy across major economies. Long term government bond yields have declined in major advanced economies, reflecting in part lower inflation expectations, the sharp decline in oil prices and weak domestic demand. Economic expectations and results for emerging markets differed across regions, and were impacted by various economic factors.

Recognizing a gap in the market for small commercial vehicles, Tata Motors worked toward an innovative solution. To transport goods speedily, conveniently, and in a cost-effective manner - while providing comfort, style, and easy maintenance - Tata Motors developed Tata Ace, India's first mini truck. The Ace is ideal for short, narrow village roads, as well as for long highway hauls, and for

both small, bulky and large, heavy loads.(Singh et al.)

(Das et al) However, India's gross domestic product (GDP) growth picked up momentum in the 1980s. There was a period after 2000 when its real GDP growth rate came tantalizingly close to double digit. Optimism about its growth potential grew. Hope was expressed in some quarters that India could emulate China's sustained superlative economic performance and that it could develop into a China-like growth pole in a multi-polar global economy (Rodrik and Subramanian, 2004b).

SWOT analysis . Almost every organization engaged in a formal strategic planning exercise has employed some variation of this systematic framework, first introduced in the 1960s . The technique requires an Inventory of the firm's strengths and weaknesses, followed by an assessment of potential threats and Opportunities. The importance for managers of a rigorous and consistent situation analysis is indisputable, and a SWOT analysis can provide a useful lens.

Indian Automobile Industry -SWOT ANALYSIS

Strength: Large domestic markets, preferential treatments by governments, reduced labor cost, large pool of technical training institutes, demographic dividends, the status symbol for possessing a car, growing economy.

Weakness: Low productivity, poor infrastructure growth, tax structure of government, poor research and development, fragmented industry, poor testing facilities, heavy dependence on import-for supply of fuel, poor environmental measures, monopoly of few suppliers in the market, heavy dependence on SMEs for components.

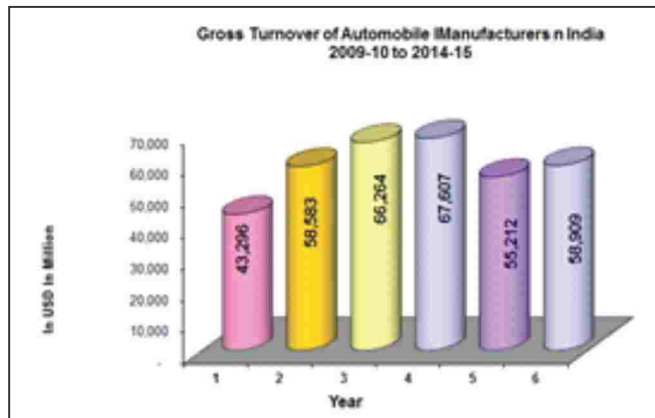
Opportunity: Rise in demand, reduction in excise duty, rise in income levels, mergers and acquisitions, Increase in exports, rise in car / SUV demand in market.

Threats: Slowdown, Competition from foreign players, rise in cost of raw materials, innovations in fuel type, Land acquisitions, growing mass transportation system like metro. Growing concern for environment, political interference.

As shown in fig no-1, (1-2009-10,2-2010-11,..) it

can be understood that this segment of the industry is in growth phase after 2009-10, year of globalization.

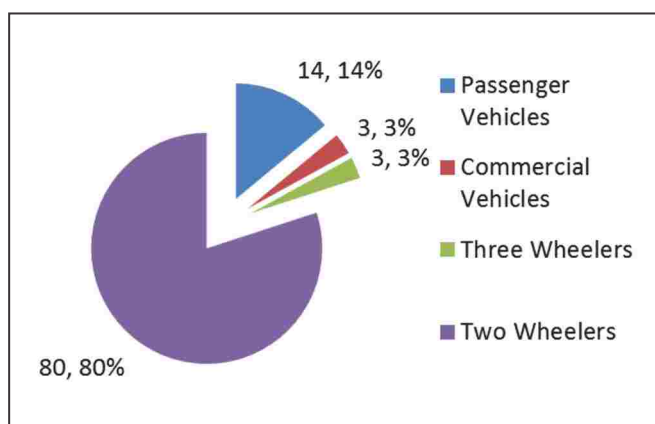
Fig no1



Source: SIAM, 2015

Domestic Market Share 2015-16

Fig no 2



Source: SIAM, 2015

From above Fig 2, we can say that Indian automotive industry is dominated by two wheelers, with 80% share, in case of commercial vehicles where Tata Motors is leader measures 3% market share.

IV. THE COMPANY'S STRATEGY

Corporate Social Responsibility: is the major strategic initiative taken by the company. The reason why most companies are unable to reap sufficient benefit from their CSR initiatives or even why their CSR initiatives do not yield the anticipated level of social benefit is mainly because in most cases, the CSR initiatives undertaken fall outside the company's core competencies, when, in fact, these core competencies should serve as a primary basis for selecting CSR initiatives in the first place.

Leveraging brand equity: The Company believes customers associate the Tata name with reliability, trust and ethical values, and that the Company brand name gains significant international recognition due to the international growth strategies of various Tata companies. The Tata brand is used and its benefits are leveraged by Tata companies to their mutual advantage. The Company recognizes the need for enhancing its brand recognition in highly competitive markets in which it competes with internationally recognized brands.

Mitigating cyclical: The automobile industry is impacted by cyclical. To mitigate the impact of cyclical, the Company plans to continually strengthen its operations by gaining market share across different vehicle categories and offering a wide range of products in diverse geographies.

Expanding the Company international business: In Fiscal 2015, Jaguar Land Rover commenced operations at its manufacturing and assembly joint venture in China with Chery Automobile Company Ltd, which opened in October 2014. The Company will continue to build upon the internationally recognized brands of Jaguar Land Rover.

Reducing operating costs: The Company's ability to leverage its technological capabilities and the manufacturing facilities among its commercial vehicle and passenger vehicle businesses enables it to reduce costs.

Maintaining financial strength: The Company's cash flow from operating activities in Fiscal 2015 and Fiscal 2014 was Rs. 35,182.89 crores and Rs.36,151.16 cores, respectively. The Company's operating cash flows is primarily due to volumes at

Jaguar Land Rover business. The Company has established processes for project evaluation and capital investment decisions with the objective of enhancing its long-term profitability.

Tata and other brand vehicles (including vehicle financing)

The Indian economy experienced a GDP growth of 7.3% in Fiscal 2015, compared to 6.9% in Fiscal 2014 (based on data from the Ministry of Statistics and Program Implementation). The Indian automobile industry experienced an increase of 2.5% in Fiscal 2015, as compared to a 9.3% decrease in Fiscal 2014. Falling crude oil prices, lower inflation, resumption of manufacturing and mining activities, and lower interest rates appear to be helping the Indian auto industry revive after two years of decline.

The following table sets forth, the Company consolidated total sales of Tata and other brand vehicles:

Table 1

	Fiscal 2015		Fiscal 2014	
	Units	%	Units	%
Passenger cars	121,741	23.2	123,431	21.0
Utility vehicles	25,588	4.9	32,626	5.5
Light Commercial Vehicles	222,006	42.3	296,873	50.4
Medium and Heavy Commercial Vehicles	155,187	29.6	135,727	23.1
Total	524,522	100.0	588,657	100.0

Source: SIAM

The Company's overall sales of Tata and other brand vehicles decreased by 10.9% to 524,522 units in Fiscal 2015 from 588,657 units in Fiscal 2014, however, the revenue (before inter-segment elimination) increased by 6.8% to Rs. 44,111.24 crores during Fiscal 2015, compared to Rs.41,299.44 crores in Fiscal 2014, due to a better product mix, primarily due to relatively more sales of M&HCVs as a proportion of overall sales in Fiscal 2015 compared to Fiscal 2014.

Table 2

Category	Industry Sales			Company Sales			Market Share	
	Fiscal 2015	Fiscal 2014	Growth	Fiscal 2015	Fiscal 2014	Growth	Fiscal 2015	Fiscal 2014
	Units		%	Units		%	%	
Commercial Vehicles ¹	699,005	697,254	-8.4	317,780	377,909	-15.9	49.7	54.1
Passenger Vehicles ²	2,576,861	2,442,434	5.5	1,36,633	141,186	-3.2	5.3	5.8
Total	3,275,866	3,140,688	2.4	454,433	519,095	-12.5	14.1	16.5

Source:
Society of Indian Automobile Manufacturers report and Company Analysis
¹ Commercial vehicles include V2 van sales.
² Passenger vehicles include Fiat and Jaguar Land Rover-branded cars.

Source: SIAM

Vehicle Sales in India

The following table sets forth the Company's (on a standalone basis) sales, industry sales and relative market share in vehicle sales in India. Passenger vehicles include passenger cars and utility vehicles. Commercial vehicles include medium and heavy commercial vehicles and light commercial vehicles.

V. OPPORTUNITIES:

Sales of M&HCVs in India may grow by the continuing trend towards the replacement of ageing fleet vehicles and expectations of increases in demand from the infrastructure and industrial sectors due to reforms being initiated by the Government of India. The Company expects that the demand for new commercial vehicles will also be driven by gradual acceptance of advance trucking platforms, the progression to Bharat Stage V emission norms and the introduction of technologies, such as anti-lock braking systems. The Company is focusing on increasing its offerings in the commercial vehicle segment.

Furthermore, the Company is focusing on increasing its offerings in the defense sector from providing only pure logistics solutions to tactical

and combat solutions. The Company believes these efforts will provide the opportunity for capturing a larger share in a growing market.

Growing wealth in rural markets in India also provides an added opportunity to expand sales reach and volumes. The sales reported out of rural areas is growing year-on-year. The overall gap of the volume of automobile purchase between rural and urban areas is narrowing in India. The Company is focusing on reaching rural target market to address demand in rural markets in cost effective ways.\

VI. FINANCIAL PERFORMANCE ON A CONSOLIDATED BASIS

The financial information discussed in this section is derived from the Company's Audited Consolidated Financial Statements.

The following table sets forth the Company's revenues from its key geographical markets and the percentage of total revenues that each key geographical market contributes for the periods indicated

Table 3

Revenue	Fiscal 2015		Fiscal 2014	
	(₹ in crores)	%	(₹ in crores)	%
India	35,669.64	13.6	34,448.15	14.8
China	76,170.40	29.0	65,903.91	28.3
UK	35,129.16	13.4	29,293.77	12.6
United States	31,469.53	12.0	26,764.90	11.5
Rest of Europe*	31,791.99	12.0	29,285.88	12.6
Rest of World*	52,565.61	20.0	47,137.05	20.2
Total	262,796.33	100.0	232,833.66	100.0

* Rest of Europe is geographic Europe excluding the United Kingdom and Russia. Rest of the World is any region not specifically included above.

Source: SIAM

The Company's operations are divided into automotive operations and other operations as described further below. The table below sets forth the breakdown in revenues between the Company automotive operations and other operations in the years ended March 31, 2014 and 2015 and the percentage change from period to period.

Table 2

	Fiscal 2015	Fiscal 2014	Change
	(₹ in crores)		%
Automotive operations	261,477.08	231,601.80	12.9
Others	2,747.79	2,518.99	9.1
Inter-segment elimination	(1,428.54)	(1,287.13)	11.0
Total	262,796.33	232,833.66	12.9

Source: SIAM

Automotive operations

Automotive operations are the Company most significant segment, accounting for 99.5% of the Company's total revenues in Fiscal 2015 and 2014 respectively. In Fiscal 2015, revenue from automotive operations before inter-segment eliminations was Rs. 261,477.08 crores in Fiscal 2015 as compared to Rs. 231,601.80 crores in Fiscal 2014, an increase of 12.9%.

The Company's automotive operations segment is further divided into Tata and other brand vehicles (including vehicle financing) and Jaguar Land Rover. In Fiscal 2015, Jaguar, Land Rover contributed 83.2% of the Company's total automotive revenue (before intra segment elimination) compared to 82.2% in Fiscal 2014 and the remaining 16.8% was contributed by Tata and other brand vehicles in Fiscal 2015 compared to 17.8% in Fiscal 2014.

VII. CONCLUSION:

The Company expects that the M&HCV Truck segment in India will likely register a growth in Fiscal 2016, driven by the continuing trend towards

the replacement of ageing fleet vehicles and expectations of increases in demand from the infrastructure and industrial sectors due to reforms being initiated by the Government of India. The Company expects that the demand for new commercial vehicles will also be driven by gradual acceptance of advance trucking platforms, the progression to Bharat Stage V emission norms and the introduction of technologies, such as anti-lock braking systems.

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She is working with Aditya Institute of Management since last one year. She was associated with Sinhgad Institute of Management & Computer Application for 10 years. She has done her MBA in Finance. She wrote 6 national/international papers.