

# Tata Motors Ltd. (TML)

## Background

### Passenger Cars

1. During the last four years, the market has become significantly competitive, with over 5 MNCs launching over 50 new products. In this time, TML has launched only 2 new products, the Bolt and Zest, which were an evolution of the past design language. Other models such as the Manza, Vista and Safari Storme were seen as only facelifts.
2. The existing product pipeline needed a great deal of work, to ensure we had aspirational products going into the future.
3. Apart from the product portfolio issues, TML suffered from issues relating to quality and service responsiveness, all having an adverse impact on the Brand. In this period, major new players strengthened their position with re-engineered products specifically designed for the Indian market.
4. Lastly, we had some legacy passenger car product lines which had a large negative contribution and suffered from large discounts in the market place, further eroding market share and brand perception

### Commercial Vehicles

5. Our commercial vehicles business also had many challenges including a significantly higher level of competitive intensity from Bharat Benz, The Eicher Volvo partnership, Mahindra & Mahindra and Ashok Leyland's new product portfolio.
6. This required us to invest significantly in new products as well as future investments in new technologies to meet the regulatory environment. Product gaps in our portfolio enabled our competitors to nibble away at our market share
7. Tata Motors Finance had also been used to aggressively finance select models leading to a higher proportion of NPAs in the portfolio which had a knock-on effect of a depressed second hand market value further challenging new sales.

Most importantly, Tata Motor employees had suffered the instability of four Managing Directors in the last 10 years. Hence it was very important that we found the right candidate with global experience, yet having worked in a multi-cultural environment and committed to a transformation within the company.

## **Strategic initiatives to regain lost ground**

### **1. Building a strong and exciting product pipeline**


#### **Passenger Vehicles**

- a. Tiago, was the first of our products designed with the new Impact design language and achieving a higher quality standard than its peer set as rated by many reviews and reflected in the significant demand. Today, the Tiago has a waiting period of over 4 months and was recently awarded by Overdrive as the Best Compact Car for the year 2016. The credit for this must surely go to the creativity and dedication of our design, engineering and marketing teams.
- b. The Kite 5, the Hexa and a new compact SUV is expected to be launched in the near future. All of them were shown at the Auto Expo in Delhi and received significant interest from potential customers. Hexa is now undergoing customer trials and has extensive reviews, clearly showing that the product line is a step jump ahead of the past and its competitors.
- c. The company will soon unveil its new platform strategy which will ensure competitiveness and access to the latest global technology.

#### **Commercial Vehicles**

- a. Tata Motors, under the World Truck Platform had developed the Prima range of trucks. These were exceptionally capable vehicles for the Global market but had a high price differential from the existing portfolio. During the last three years, we have value-engineered Prima significantly, bringing out the Prima-LX range, while ensuring the high quality of the product. We have also recently launched a new Signa range of commercial vehicles that provides a superior platform to our customers at a lower price point, while not compromising on cabin comfort, driveability, ergonomics and providing new telematics solutions.

Also, in the LCV / ICV segment, the company launched the Ultra range of trucks to good reviews. There is also a rich pipeline of products in the SCV and LCV segment that will come out in the future. The product gaps, which were a result of underinvestment in the past, are being bridged and this will augur well for the company in the future.


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2. **Quality issues and impact on brand perception.** Tata Motors had been historically securing very low rankings in the J.D. Power Initial Quality Study (IQS) on quality. These issues were arising from gaps in manufacturing, supplier quality processes and lack of robust quality assurance protocols during the product development process. To address these, several quality initiatives were put in place, including the World Class Quality practices. These were being taken up in 5 stages for all our manufacturing locations. The effort has been to evolve from a Defect Containment stage to a Zero-defect creation stage.

Our Factories have moved from Level 0 to Level 2 now and in J.D. Power IQS 2015, we moved up from 12th rank (2014) to 7th (2015). Additionally, Net Promoter Score (NPS) for the company has significantly improved in the past two years, a precursor to better consideration and conversion of the company's products.

For the month of November, your company became the third in sales, overtaking Mahindra and Mahindra. While there is a long way to go, we are on the path to significant improvements.

3. **Improving Cost Structures:** PVBU was significantly behind the industry benchmark in terms of cost structure. To address this, the Better Than Our Best (BTOB) initiative was initiated to first achieve our best cost position delivered in the past. Several cross-functional teams and review mechanisms were put in place to ideate and deliver stretched targets.
4. **Improve Sales Effectiveness and Customer Experience** There was high attrition in sales force and dealer profitability was under pressure, leading to poor customer engagements. Initiatives were put in place to expand the network aggressively over time, with renewed focus on high demand centres. Initiatives were also on to tap specific revenue streams for better dealer profitability, improving showroom / service formats and mobile workshops were organised to train and deploy a digital sales force.

In October of this year, your company announced that it has achieved No 3 position in the J.D. Power 2016 India Customer Service Index Study. (It was 7th in 2011). The Company is among the most improved brand in its customer service levels with a formidable increase of 39 points, from 2015, scoring a total of 888, and with a mere difference of 13 points from the front-runners.

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5. **Future proofing JLR:** JLR is at a critical juncture. The decisions taken today will decide its future resilience. The company faces many challenges, but also many opportunities. The strategy at JLR has been to achieve scale as well as minimize currency and supply chain risks by investing in new facilities. Its lack of scale required it to invest disproportionately compared to the industry in new technologies that will help meet regulatory requirements and differentiate its products. All this has been done without leveraging the balance sheet and retaining adequate liquidity. The result is a stronger company that will reward the shareholders more consistently in the future.

On the back of the successful launch of the Jaguar XE and Jaguar F-Pace, the company also showcased the I-Pace concept SUV, an all-electric vehicle, at the recent Los Angeles Motor show. These products continue to demonstrate JLR's global technology and design leadership.

All these actions have decelerated the cash requirements despite a drop in revenues. In addition, with the successful rights issue, the company has funded the required investments in new products. The improvements are showing green shoots now – in FY 16, the standalone PBT including other income etc. improved to ₹ 150 cr, compared to loss of ₹ 3,975 cr in FY 15.

The company continues to seek avenues to unravel its crossholding in group companies and exit strategically from unrelated businesses to generate funds for growth. The turnaround of Tata Motors is a long journey. While some of these initiatives have started to bear fruit, the others will take shape over the coming years. There has already been an improvement in the stock performance, which during the period 22nd Oct 2012 – 21st Oct 2016 fared better than the BSE Sensex.



Time period growth: Sensex: 49% TML: 106%

The transformation journey of Tata Motors would not have been possible without the support of our dealer partners, who have supported us through the tough times. Delivering on our roadmap for our company will be our way of thanking them for their unstinting support.

The Tata Motors team has been tirelessly working on our vision of the Automotive Industry, and they will give the world a glimpse of their view of the future at the 2017 Geneva Motor Show. I am confident that the work put in by the multiple teams of Tata Motors will redefine the very essence of the company you know today.