RATAN TATA
Legacy

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An Illustrious Career

Ratan Tata has achieved change and success, with dignity

BUSINESS STANDARD / DEC 28, 2012

Think back to 1991. The 87-year-old J R D Tata had been Tata chairman for more than half a century. With the group's leading companies managed by similarly ageing satraps, the last thing the Tata name stood for was vibrancy and energy; the more usual adjectives were staid and unenterprising. That was when a relatively young Ratan Tata (53) was named the new group chairman, provoking questions about his track record (undistinguished) and therefore capability, quite apart from acceptability. Those questions got answered long ago, though acceptability was acquired only by hoofing out some superannuated recalcitrants. Two decades later, as a 75-year-old Ratan Tata prepares to step down today, the Tata brand stands for vibrancy and energy, innovation and even daring (pace its over-the-top bids for overseas assets), and still doing business the Tata way. Equally important, as Mr Tata hands over the reins to 44-year-old Cyrus Mistry, most group company CEOs are men (yes, no women unfortunately) in their 40s, with the companies themselves held together more tightly through shareholding and brand discipline. As Rahul Bajaj said, Ratan Tata has changed the group's DNA — almost entirely for the better.

The group itself is 18 times bigger than in 1991, if counted in US dollars; in rupees, it is 51 times bigger, and compares well with the rest of corporate India, which it dominates in all rankings. The growth numbers for profits are similarly impressive. Both have been helped by the stellar performance of Tata Consultancy Services (TCS), which remains the country's largest software services firm. TCS also bankrolled much of the increased intra-group shareholding and asset acquisition drives. But even without TCS, the group's performance under Ratan Tata has been impressive, though growth in market capitalisation (without TCS, which was listed only in 2004) has been below par at an annual rate of 10.8 per cent. The return on capital employed too has taken a dip, from 15.2 per cent in 1992 to 14.4 per cent even with TCS — reflecting the under-performance of some of the overseas assets, and the fact that an on-again-off-again Tata Motors has by far the lowest price-earnings multiple in the auto industry.

It is also important to note the personal dignity with which Ratan Tata has conducted himself throughout these two dynamic and often tumultuous decades, and to recognise that he long ago became the doyen of Indian industry. Elegantly attired, and moving at ease among the world's business leaders, Mr Tata has also acquired global standing for himself and his group — becoming, for instance, the largest private employer in the UK. Some would question his endorsement of Narendra Modi when the Tata Nano project moved to Gujarat, others would point to the scandal at Tata Finance (led at the time by someone who had worked closely with Mr Tata), and many will remember Niira Radia and her desperate attempts to influence the choice of telecom minister in 2009. Mr Tata has also had his run-ins with the media, more than once denying words attributed to him, being excessively sensitive about criticism, and blacklisting one large media house after the other when it came to group advertising. But these are minor aspects of an illustrious business career that in the end has more than vindicated JRD's choice of successor in 1991, and which leaves the Tata name shining brighter than the others.

PROLOGUE

Life begins at 75

He may no longer be steering India's largest conglomerate, but make no mistake - Ratan Tata will have his hands full in his second innings, too

SHYAMAL MAJUMDAR / DEC 28, 2012

Titoo and Tango must be eagerly looking forward to tomorrow morning. Reason: their master, who works 16 hours a day and often flies between four countries in a week, would finally be able to spend more time with them after he retires from Tata Sons this evening.

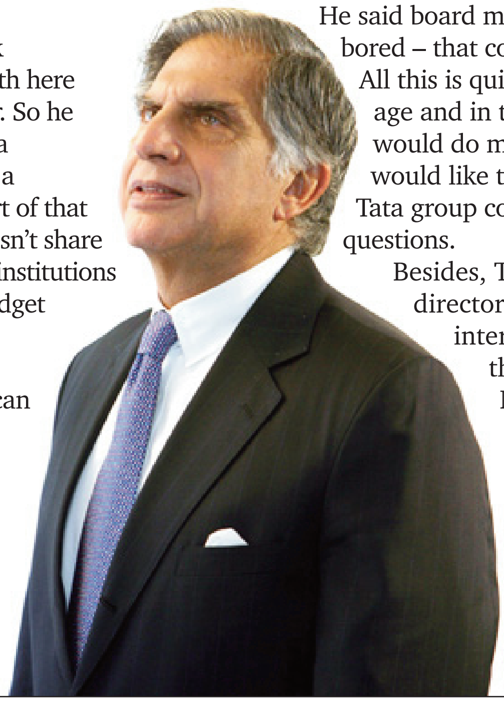
But the two German Shepherds may be in for disappointment. While he would surely stick to his words of not allowing his "shadow to hang over Bombay House like a ghost walking the corridors," it's also equally certain that Ratan Tata, 75, would not slow down his pace and be happy watching the seagulls on the Arabian Sea, which is just 40 meters away from his apartment in Colaba.

Unlike his predecessor, JRD Tata, who in 1991 handed over to him the chairmanship of Tata Sons as well as control of the trusts, Ratan will continue to retain control of the latter. Significantly, there is no retirement age at the trusts, which together control around 66 per cent of the shares of Tata Sons.

But what will keep Tata really busy in his new office at Elphinstone Building (a new elevator has just been installed in the building, which is just a few blocks away from Bombay House), are his mega plans for the trusts, which were so far attracting only half his attention. The first indication of that came in his acceptance speech for a Lifetime Achievement Award instituted by the Rockefeller Foundation when he said his "life's work isn't done yet" as he hasn't been able to touch as many people at the bottom of the pyramid.

Tata clearly believes "patchwork philanthropy" — giving a bit of cloth here and food there — would not go far. So he had moved away quite early from a benefactor-dependent model from a partnership model. The second part of that drive would come now as Tata doesn't share the common belief that charitable institutions have to operate on a shoestring budget and does not need to create a professionally-run corporate body.

In a recent interview to American television journalist Charlie Rose, Tata laid out at least a part of his action plan. He said he would focus on rural development, conservation of water and his most visible goal is to do something in nutrition in children and pregnant mothers.



That's a long enough list. But does it mean he would cut himself off completely from all that is remotely considered commercial in nature? The answer is a big No. Just like JRD, he would remain Chairman Emeritus of Tata Sons and several group companies – an ornamental position — but one which gives him the moral authority to give advice if asked for by the new Chairman. Tata himself has made it clear that he would be available to anyone seeking his advice but would refrain from taking any active role in the running of the group's businesses.

Going by the extraordinary closeness he shares with Cyrus Mistry, the latter wouldn't be miser in seeking his counsel. The advice would certainly be much more frequent in matters relating to Tata Motors. The company, which is clearly closest to Tata's heart, is suddenly feeling the pressure from newer competitors like Mahindra & Mahindra because of an indifferent performance in domestic markets. Tata has also made no secret of his desire to remain involved with the Nano.

Going by his public statements, Tata would obviously try to reverse that even after he retires as he has himself said he would love to be "involved" rather than think this is the level that Nano sales can be.

And then there is the buzz about Tata planning to set up an international centre with state-of-the-art facilities to design a wide range of products. The design centre would be quite close to his heart as Tata has said quite a few times that the one benefit of studying in the School of Architecture was that it taught him to doodle when bored. He said board meetings were one place he would get bored – that compulsion, thankfully, has just got over.

All this is quite a handful for people much younger in age and in the prime of their working life. But Tata would do more. For example, he has already said he would like to attend the annual general meetings of Tata group companies as a shareholder and ask questions.

Besides, Tata will continue to be on the board of directors of Alcoa, apart from being on the international advisory boards of Mitsubishi, the American International Group, JP Morgan Chase, Rolls Royce, Temasek Holdings and the Monetary Authority of Singapore. He is also on the board of trustees of Cornell University and the University of Southern California.

Clearly, his two canine friends would continue to have a difficult time in getting Ratan Tata's attention.

TCS provided wings to Tata's dreams

Just four companies account for 85% of the Tata Group turnover. This isthe first of a four-part series on these crown jewels of the Tata empire

KRISHNA KANT / DEC 24, 2012

TATA SONS: HOW IT EARNED AND SPENT (Rs crore)

Year	Dividend*	TCS Shares sale **	Borrowings	Investments
FY05	445.2	2800.0	0.0	3241.1
FY06	540.6	835.9	178.5	1640.7
FY07	753.7	696.6	1802.6	2610.6
FY08	740.7	3873.8	4662.5	9111.5
FY09	1019.2	892.5	1969.2	5772.9
FY10	1226.9	0.0	361.3	3032.7
FY11	2886.8	0.0	1661.9	4712.8
FY12	2453.8	0.0	446.3	2451.3

* Dividend from TCS; ** Proceed from sale of TCS shares including IPO

Source: Capitaline, BS Estimates

Apart from his vision, what helped Ratan Tata pursue his global dreams was the phenomenal success of Tata Consultancy Services, which is 74 per cent owned by Tata Sons.

Beginning with its initial public offering in August 2004, which helped Tata Sons raise around Rs 2,800 crore, TCS indirectly funded the bulk of investments by Tata Sons in key group companies as they went out to conquer the world. The numbers speak for themselves. Since 2004, Tata Sons has invested Rs 34,000 crore in various group companies, including unlisted ventures. During the period, Tata Sons earned around Rs 10,000 crore as dividend from TCS; another Rs 9100 crore was raised by selling TCS shares (including IPO). A further Rs 11,500 crore came from borrowings largely secured by pledging shares of TCS, the group's most valuable company.

So, if not for TCS, Tata might have had to either scale down his global ambitions or the funding cost of big-ticket global acquisitions would have stretched the group's balance sheet to unsustainable levels. Investment bankers agree. "The majority control of TCS gives great financial firepower to Tata Sons. The recurring cash from TCS and the market value of TCS provided Tata Sons the cushion to absorb minor losses if the bet didn't work out in the short term," said Dara Kalyaniwal, vice-president, investment banking, at Prabhudas Lilladher. He is not exaggerating. Tata Sons'stake in TCS is currently valued at around Rs 1.8 lakh crore, nearly six per cent of which was pledged at the end of September. In comparison, Tata Sons' holding in all listed group companies is currently valued at around Rs 2.4 lakh crore.

TCS has a policy to distribute 30-50 per cent of net profit as dividends, in four quarterly pay-outs. In FY10, however, it distributed 55 per cent of consolidated net profit and 70 per cent of its standalone net profit as equity dividend, by way of a special dividend.

Ratings agencies recognise the power of TCS, which, they say, plays a significant role in Tata Sons enjoying AAA ratings, helping it to borrow at the lowest possible rate of interest. "The ratings reflect Tata Sons' exceptional financial flexibility which arises from its ability to raise additional funds by sale or pledge of TCS shares," said CRISIL, while assigning top rating to Tata Sons' non-convertible debenture programme in November.

Icra holds a similar view. "AAA ratings incorporate Tata Sons' strong financial flexibility despite increase in the debt levels to support funding requirement of its investee companies," said the agency.

The group's globalisation drive and its appetite for inorganic growth have closely followed the rise of TCS in the last 10 years. And, as TCS got bigger, so did the ambition of its chairman. The holding company has smartly leveraged the future cash flows from TCS (as dividends) to borrow and support various group growth plans.

A consistent financial performance by TCS and its high market valuation enabled Tata Sons to act as the investor and lender of last resort to group companies. For example, when Tata Motors' Rs 4,145-crore rights issue in October 2008 devolved on promoters and Indian Hotels Company's rights issue in 2008 received muted response from retail and institutional investors.

TCS also enabled Tata to see new businesses and nearly half of the Tata Sons portfolio is accounted for by its investment in unlisted subsidiaries.

As of now, there is no sign of any slowdown in the TCS cash machine. In the first half of the current year, net profit jumped 43 per cent, while revenues were up by 36 per cent on a consolidated basis. This has translated into handsome gains for shareholders, including Tata Sons, which has already received Rs 3,175 crore in the first six months, 30 per cent more than what it earned during the whole of FY12. More will come in the last quarter.

Stumbling along in Europe, Tata Steel reaches a crossroads

Tata Steel group's fortunes have seesawed with steel prices, primarily because European operations accounting for 60% of revenues don't have captive raw material resources

ISHITA AYAN DUTT / DEC 25, 2012

CHILL WINDS IN EUROPE

Tata Steel's Indian business is much healthier than its global operations

Rs Crore	FY92	FY12		CAGR (%)	
		Consolidated	Standalone	Consolidated	Standalone
REVENUES	2,845.3	1,38,620.6	35,551.6	21.4	13.5
OPERATING PROFIT	584.7	17,351.7	12,934.2	18.5	16.7
NET PROFIT	214.2	5,389.8	6,696.4	17.5	18.8
EQUITY DIVIDEND	80.6	11,65.46	1,165.5	14.3	14.3
NET WORTH	1,545.5	43,061.0	52,621.5	18.1	19.3
ASSETS	3,596.8	1,02,857.9	78,793.8	18.3	16.7
MARKET CAPITALISATION	13,808.4	45,685.7	45,685.7	6.2	6.2
ROCE (%)	11.7	12.5	15.0		

Source: Capitaline, BS Research

At a dinner in Taj Chambers on July 22, 1993, after a marathon annual general meeting of Tata Steel, Ratan Tata asked B Muthuraman and T Mukherjee (senior general managers then), "Would you let the bluest of blue chip companies have a red bottom line?" The context of that question was a miserable first quarter result in the backdrop of competition from imports, signalling a transition to a buyer's market.

The question helped Tata, who was then new to his role of Tata Steel chairman, extract a promise from the two gentlemen. Before the end of the financial year, the company would reduce cost by Rs 500 a tonne, which translated to 7.5 per cent of the cost at that point in time. Till then, every year, cost had actually gone up.

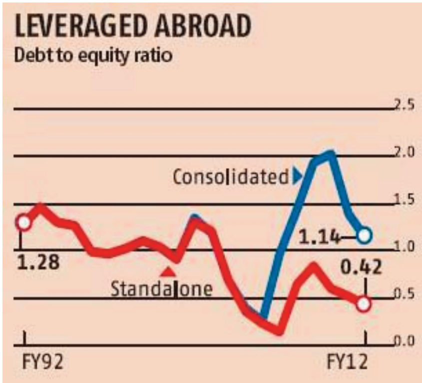
By December, at a meeting that lasted till two in the morning, Tata was told by a group of very satisfied executives that they had managed a cost reduction of Rs 350 a tonne.

But Tata's response was a clear expression of disappointment: "Your promise is with me, you don't have to make another promise. What is at stake is your prestige and reputation."

The message was, therefore, loud and clear: By March, costs were brought down by Rs 500 a tonne even though there was an increase on almost every other count, including railway freight. Target-led innovation had made it possible.

It was an achievement indeed, but towards the late 1990s, profitability started suffering once again, prompting Tata Steel to appoint three consultants— Booze Allen Hamilton, McKinsey and Arthur D' Little. The report card: a grade 'C'.

Tata Steel was told in clear terms that it was flabby and no good compared to global peers. McKinsey had even cautioned that the steel business was subject to commodity cycles and Tata Steel should diversify.



It came as a rude jolt, but the management took the cue. From 1995 to 2001, Tata Steel reduced workforce from 78,300 to 47,300 by implementing a voluntary retirement scheme (VRS), and an early separation scheme (ESS). At the executive level, Tata Steel introduced the performance ethic programme. Had the VRS not been introduced in 1995, all its profits, especially in 2001-02, would have gone towards payment of salaries. In short, Tata Steel would have been in the red.

But the company bounced back. In 2001, it topped the World Steel Dynamics (WSD) chart of world class steel makers against several parameters that included operating cost, technology, product quality, position in the domestic market. Small acquisitions — NatSteel and Millennium Steel — followed and till 2006, that's before Tata Steel acquired Corus, the company featured among the top four steel makers in the world. But following two financial crises that reverberated through the world, Tata Steel has slid down the charts. A lot of it is linked to its European operations.

Five years after the high profile buyout of Corus — the biggest foreign acquisition made by an Indian company at $12 billion in those times — Tata Steel is at a crossroads. At 608 pence a share, the price was a 34 per cent premium to Tata Steel's original offer. Though the deal catapulted Tata Steel to the fifth largest steel maker, in hindsight, it looks like a costly deal.

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The Tata Steel group's fortunes have seesawed with steel prices, primarily because the European operations that account for 60 per cent of revenues don't have captive raw material resources, unlike its Indian operations. Together, coking coal and iron ore, account for about 65 per cent of the total cost of steel production.

Unsurprisingly, profitability has slipped down the years. From a high of Rs 12,322 crore at the end of March 2008, Tata Steel's consolidated profit after tax stood at Rs 4,49 crore in 2009 and 2010 ended with a loss of Rs 2,121 crore. 2011 was better at

Rs 8,856 crore, but in 2012, it almost halved to Rs 4,949 crore.

Raw materials, however, are still a part of the bigger problem. According to some, Corus buys the Rolls-Royce of raw materials, but with that it is possible to achieve records in technical parameters, not profits. It's a combination of factors that's affecting Tata Steel Europe, raw material apart, such as under-investment in plants by erstwhile promoters, and high employee cost, though Tata Steel has downsized significantly, and slowdown in Europe.

There are issues with the integration process as well. Ratan Tata had recently said the earlier British managers of Corus were not ready to go the extra mile. Whether that has affected the $450 million savings from synergies expected to be achieved over three years is not known

Of course, some captive raw material will flow in from Riversdale. Tata Steel is expected to receive its first shipment of 850,000 tonnes of coking coal and 200,000 tonnes of thermal coal from these mines in Mozambique shortly. But for its European operations that have a capacity of about 18 million tonnes yearly, it could just be a peck in the ocean.

The demand scenario for Corus doesn't look quite bright either, at least in the near term. According to Tata Steel's forecast, the European economy was expected to contract in 2012, with only marginal growth predicted in 2013. That's not good news for a company which now depends on Europe for 66 per cent of its total production capacity,

So, the focus obviously would be to correct the imbalance and focus on India to achieve business growth. The Indian operations are on a steady course, which is poised to better once the steel plant at Kaliganagar is commissioned in 2014, though the project is delayed by about five years and Tata Steel is almost sure to miss its target of achieving a capacity of 50 million tonnes by 2015.

Recently, Ratan Tata said in his interview to the group's in-house journal that his involvement in Tata Steel's growth and evolution has been significant. It looks like his successor will have a lot to straighten in the group flagship.

JLR's success masks Tata Motors' failure

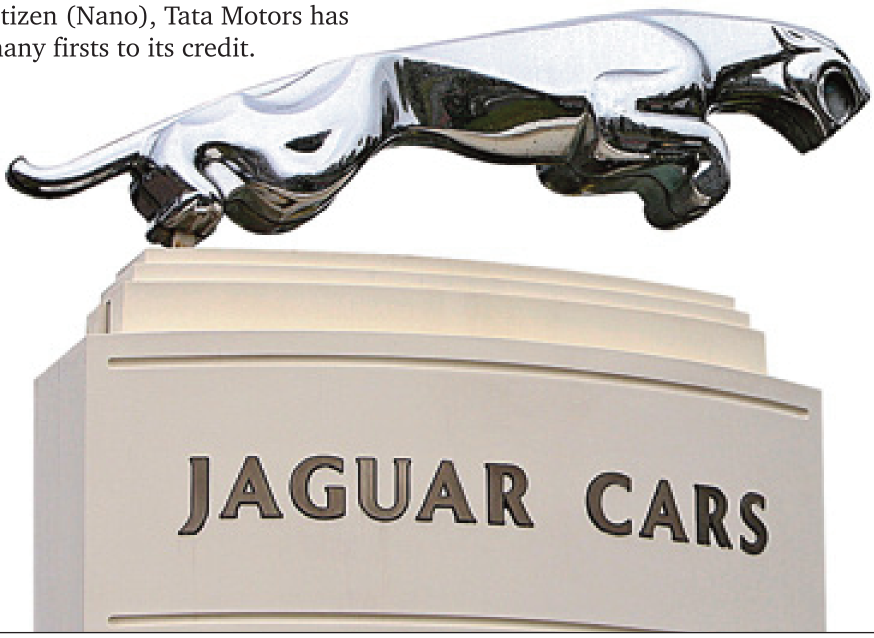
Company has been sliding in consumer offerings and performance at home

KRISHNA KANT & SWARAJ BAGGONKAR/ DEC 26, 2012

Ratan Tata became the chairman of Tata Motors in 1988, a full three years before he took the leadership mantle of Tata Sons. Since then, the company has been a canvas for Tata to give expression to his aspirations. Be it India's first indigenous car (Tata Indica), first SUV (Safari), first micro truck (Ace) or a Rs 1 lakh car for the common citizen (Nano), Tata Motors has many firsts to its credit.

The acquisition of Jaguar Land Rover in 2008 catapulted Tata Motors to one of the world's top car makers. It has also been an unqualified financial success. JLR accounts for nearly two-thirds of revenue and 90 per cent of consolidated profit. It also helped the company de-risk its finances from the vagaries of the commercial vehicle business.

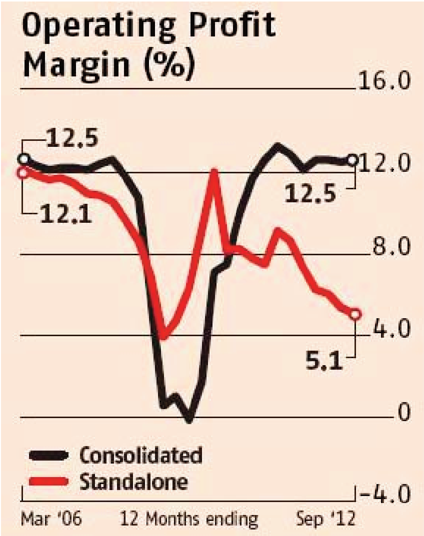
The JLR success, however, masks Tata Motors' failure to connect with Indian car buyers, increasingly shifting to its rivals. Fixing this will be top priority for Cyrus Mistry, the new chief, given the amount of financial and strategic capital invested by Tata Sons in the company over the years.



According to the Society of Indian Automobile Manufacturers (Siam), Tata Motors' market share in the passenger vehicle segment fell to 12.7 per cent during April-November 2012 from 16.4 per cent in 2006-07. It is India's fourth largest passenger car brand, after Maruti Suzuki, Mahindra & Mahindra and Hyundai.

The slowing in its domestic business is a financial drag. During the 12 months ending September, the domestic business earned just 5.1 per cent operating profit against 12.5 per cent for its consolidated operations. The financial ratios of the domestic business are even worse, with a return on capital employed (RoCE) of just 3.3 per cent in FY12.

Analysts, however, are not losing sleep over Tata's apparent failure in the passenger car market. "At best, it accounts for five per cent of the company's consolidated profit and its financial performance is linked to JLR, followed by its commercial vehicle business in India," says the



automobile analyst at a leading brokerage company. However, he adds, success in the home market matters in the longer term, as India is set to become one of the world's top car markets in 10-15 years.

COMPLACENCY

Experts say the company failed to build on initial successes. "Tata Motors is an engineering powerhouse and most of its products have been segment builders. Indica was India's diesel hatchback, Sumo started the MPV (multipurpose vehicle) segment, while Safari pioneered SUVs in India but the company failed to carry it forward," says Pradeep Saxena, executive director, TNS India. He finds a paradox here. "Brand Tata has certain inherent values embodied in it, such as trust, fairness and integrity. The issue is whether these are good enough for the car category or a buyer cares for another set of values such as modernity, innovation and style," he says.

The poor show in the domestic car market is recognised by the company, up to Ratan Tata himself. "Success in the domestic passenger car market is non-negotiable for us. The goal is to become a strong number two in the near term, and eventually target for the market leadership," says the company's spokesperson.

To achieve this, it will first need to fix Tata Motors' brand image and then flood the market with new products. "A product is a brand in the auto industry and Tata Motors' product line-up is neither exciting enough or come about as sophisticated and stylish. The company's portfolio hasn't changed much in 10 years, except routine product refreshments," says an analyst. Others put the blame on the Nano failure; the vehicle consumed resources and management bandwidth for years. "If the Nano had clicked and sold as per the company's expectations, Tata Motors would have been the number two car maker by now," says V G Ramakrishnan, director of Frost & Sullivan.

The company's innovation machine has slowed in recent years. In the seven years from 1991 to 1998, Tata Motors launched five distinct products — Tata Sierra, Estate, Sumo, Safari and Indica. The pace of new launches has considerably slowed and in the past 10 years, it launched just four new products — Indica Vista, Indigo Manza, Nano and Aria, besides refreshing older models.

ACTION NEEDED

"When the Indica was first launched in 1998, it was competing against the Maruti Zen and Hyundai Santro. The new generation Indica Vista is up against a dozen or more compact cars. The company needs a breakthrough product and not incremental model changes as it has been doing all through," says Pradeep of TNS India.

The company seems to agree. "There has certainly been a quiet period of late (in terms of new product launches). However, there are new products and offerings in the pipeline," it says.

Experts said it might take time but the company had the means and resources to make a strong comeback. "JLR's acquisition distracted the top management for a while but the domestic market will be its top priority now. JLR's success gives Tata Motors the financial muscle and the engineering prowess to adopt an aggressive posture in India," says the auto analyst at a brokerage house here.

If the company succeeds, this will be the best retirement gift from Cyrus Mistry and the company's top management to Ratan Tata.

A PIGGYBACK RIDE

Tata Motors is surfing on JLR success wave

Rs Crore	FY92	FY12		CAGR (%)	
		Consolidated	Standalone	Consolidated	Standalone
REVENUES	2824.6	168,852.0	55,504.5	22.7	16.1
OPERATING PROFIT	420.4	22,141.5	4,166.4	21.9	12.2
NET PROFIT	136.6	13,516.5	1,242.2	25.8	11.7
EQUITY DIVIDEND	43.9	1,280.7	1,280.7	18.4	18.4
NET WORTH	1032.0	28,817.9	14,091.2	18.1	14.0
ASSETS	1787.8	89,136.0	38,187.8	21.6	16.5
MARKET CAPITALISATION	6553.0	87,494.8	87,494.8	13.8	13.8
ROCE (%)	7.6	15.2	3.3		

Market capitalisation on the last trading day of each financial year

Source: Capitaline, BS Research

Global expansion to charge up Tata Power

Tata Power finds itself in a financial storm, as its biggest investment, on the 4,000 Mw Mundra Ultra Mega Power Project didn't go according to the script

ABHINEET KUMAR / DEC 27, 2012

Tata Power, the country's largest power utility in the private sector, would like to forget 2012. It had a loss for the first time in over two decades, quite a setback for a company which not so long ago was a key source of growth capital for the entire group. It helped fund the acquisition of Tata Communications and is a promoter of the group's telecom venture, Tata Teleservices. The company remains a heavy hitter in the group, with the third largest balance sheet after Tata Steel and Tata Motors.

Ratan Tata became the chairman of Tata Power quite late, six years after he became chairman of Tata Sons in 1991.

The company now finds itself in a financial storm, as its biggest investment, on the 4,000 Mw Mundra Ultra Mega Power Project (UMPP) didn't go according to the script. Scheduled to be fully operational by the middle of next year at a total cost of Rs 18,000 crore, it will nearly double Tata Power's generating capacity but is extracting a big financial cost. The total investment in Mundra accounts for nearly a third of the consolidated assets.

When the company won the bid to develop the Mundra UMPP, to be based on imported coal, this was supposed to free Tata Power from the constraints of its regulated business that capped returns from its bread-

FINANCIAL PERFORMANCE

		FY12		CAGR 20 Yr (%)	
	FY92	Consolidated	Standalone	Consolidated	Standalone
NET SALES	541.26	26152.89	8562.14	21.40	14.80
OPERATING PROFIT	92.50	3368.98	2768.09	19.69	18.52
PAT	26.48	-1087.70	1169.73	Loss	20.85
EQUITY DIVIDEND	4.10	296.92	296.92	23.88	23.88
NET WORTH	254.63	12810.79	11957.42	21.64	21.22
TOTAL ASSETS	963.24	60654.94	25218.99	23.01	17.73
MARKET CAPITALISATION	513.00	23932.71	23932.71	21.18	21.18
ROCE (%)	12.36	8.03	10.80	-	-

Market capitalisation on the last trading day of each year

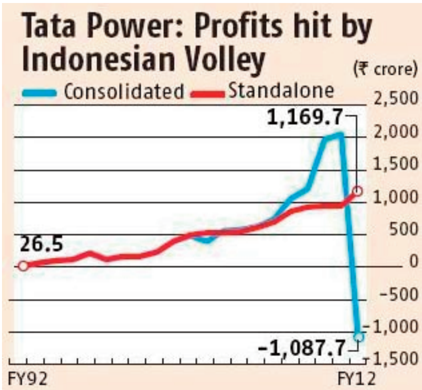
Source: Capitaline, Compiled by BS Research Bureau and butter-power distribution and generation business in the Mumbai region. The company was hoping to earn better returns from Mundra through economies of scale and energy-efficient super-critical technology. It had bid aggressively, promising to supply power at Rs 2.26 a unit. In comparison, NTPC, the country's largest operator of coal-fired plants, sold power at an average of Rs 2.66 a unit in FY12. The government had envisaged imported coal-based power plants as domestic supply was not able to meet the demand.

Tata Power's calculations were based on plans to import coal from Indonesia when international prices were around $40 a tonne at the time of bidding in 2006. It then bought a 30 per cent equity stake in two major Indonesian thermal coal producers, KPC and PTA, in March 2007. But global coal prices surged past $100 a tonne in 2011 and the Indonesian government banned exports below the notified price from September 2011. This made import of coal economically unviable for Tata Power and the Mundra project is now unable to make even operational profit; it cannot service the project debt on its own.

Coastal Gujarat Power Ltd (CGPL), the special purpose vehicle set up to implement the project, reported operating losses of Rs 2.3 crore on revenues of Rs 363 crore in the quarter ending September. The total loss, including finance and depreciation cost, was Rs 461 crore. In comparison, the Tata Power standalone business reported an operating margin of 27 per cent in the last quarter.

PLEADING

Cyrus Mistry, the new chairman of the group, now faces the challenge of convincing Mundra customers – six beneficiary state governments – to agree to a price rise so that the project becomes financially viable. CGPL is seeking intervention from the Central Electricity Regulatory Commission for an upward revision in rates to above Rs 3 a unit. "We are hopeful of an early resolution of the issue," said Anil Sardana, managing director, Tata Power.



Global rating agency Standard & Poor's has downgraded Tata Power's long-term rating to BB-. This is a speculative and non-investment grade rating. "The outlook revision reflects our expectation that Tata Power's cash flow and financial risk profile could deteriorate over the next six to nine months because the company has breached a debt-to-equity ratio covenant on loans to its Mundra project," S&P credit analyst Rajiv Vishwanathan said in a statement this July.

To mitigate the risk, the company has offered to restructure — it will transfer 75 per cent of its equity interest in Indonesian coal mines to CGPL, so that it uses the dividends from coal to service the debt in the interim period.

"To an extent, Tata Power was aware of the risk it was taking on coal prices, so it tried to mitigate it by taking part-ownership of the mines," said Murtuza Arsiwalla, analyst at Kotak Institutional Equities. "But the extreme volatility of coal prices that followed was completely unexpected."

The setback at Mundra has, however, not deterred Tata Power's growth plans or to go slow on globalisation. It is aiming for 26,000 Mw of generation capacity by 2020, by setting up more power plants in India and expanding abroad, to de-risk itself from fuel shortages here.

Its non-Mundra business, however, continues to be healthy and are growing at a steady pace. The company enjoys a strong AA- rating for its domestic and rupee-denominated borrowing programmes, thanks to its regulated power generation and distribution business. "The rating on Tata Power continues to reflect its strong business position as an integrated power company. Its cash flows from core licensed operations are stable due to the regulated nature of the business," said Amod Khanorkar, analyst with CARE Ratings in a note last month.

His dot balls

Tata will surely feel good about many of his initiatives, but there were a few missed opportunities as well

BHUPESH BHANDARI / DEC 28, 2012

On November 15, 2010, Ratan Tata delivered a lecture on "India in the 21st century: opportunities and challenges" in Dehradun, the capital of Uttarakhand. The lecture would have gone unnoticed, had Tata not revealed that he thrice tried to get into civil aviation but his attempts were futile because a minister demanded to be paid Rs 15 crore in bribes and he refused to do so.

"We approached three prime ministers also, but an individual thwarted our efforts to form the airline," he said. "I did not want to go to bed knowing that I set up an airline by paying Rs 15 crore." This kicked up a storm. Some people urged Tata to name the minister, given the strong anti-corruption sentiment in the country. Others said there was no point speaking out against the misdemeanor ten years later. Yet, it was a rare admission of missed opportunities in Tata's 20-year-long career as the chairman of Tata Sons.

As he takes stock, Tata will surely feel good about many of his initiatives: the transformation of Tata Steel and Tata Motors, growth of TCS, expansion of Tata Tea et cetera. On the flip side, his domestic car business has failed to live up to the initial promise of two high-profile launches (the Indica and Nano), he exited FMCG (Tomco and Lakme) and missed the boom, his housing initiative is yet to attain scale, his pharmaceutical foray (Advinus) is yet to get into the big league, his telecom companies are way behind the leaders, and his aviation plans just couldn't take wings.

JRD Tata had started India's first commercial airline, Tata Airlines, in the 1930s. After Independence, it was nationalided and renamed Air India. Though the Tata group was out of the airline, the business always remained close to its heart. In the 1990s, when the sector was opened up for private companies, Tata knew the time had come. He quickly put together an alliance with Singapore Airlines to start a domestic carrier. Then the laws changed overnight. Foreign airlines were barred from owning even a single share in a domestic carrier. Tata's proposed airline with Singapore Airlines never took off. Who stymied the plans?

THE RED MARKS

- Telecom companies are way behind the leaders; Tata Teleservices, with 76.7 million subscribers, ranks fifth
- Domestic car business has failed to live up to the initial promise of two high-profile launches (the Indica and Nano)
- Exited FMCG (Tomco and Lakme) and missed the boom
- Housing initiative yet to attain scale
- Pharmaceutical foray (Advinus) yet to get into the big league
- Aviation plans just couldn't take wings

Maharaj Kishen Kaw, a former bureaucrat who was the civil aviation secretary when Inder Kumar Gujral was the prime minister (April 1997 to March 1998), in his recent book, An Outsider Everywhere: Revelations by an Insider, has said that it was the handiwork of Tata's rivals. "The Tatas had mooted a proposal for a private airline with 40 per cent equity contribution from Singapore Airlines. As this would have been a formidable competitor, Jet (Airways) tried hard to upset rules regarding foreign equity contribution," Kaw wrote. He said that CM Ibrahim, the then civil aviation minister, was not convinced about the Tata proposal. "The minister did not clear the file, despite several attempts on my part," Kaw added. The sector, of course, is mired in losses. It's not sure if the stillborn proposal was a blessing in disguise.

Telecom is a different story. Tata Teleservices has 76.7 million subscribers (as of October 31, according to the Telecom Regulatory Authority of India), which puts it in the fifth slot after Bharti Airtel (186.4 million), Vodafone (153.1 million), Reliance Communications (134 million) and Idea Cellular (115.7 million). Tata Teleservices, in the early years had taken the CDMA route, and not GSM, to mobile telephony. Though highly efficient for transmitting data, CDMA suffered from some drawbacks. For example, the handset came bundled with the service. Two, a royalty had to be paid to Qualcomm, the service provider, which eroded the profits. The future was with GSM. The window of opportunity to launch GSM service showed up in 2007 when the department of telecommunications, under Andimuthu Raja, decided to allot GSM spectrum to CDMA players at Rs 1,659 crore for all of India. Things went awry for Tata Teleservices right from the start.

On October 18, Raja, while approving the sale of crossover spectrum noted on the file that "for allocation of spectrum, the date of payment of required fee should determine the seniority". Three CDMA service operators, Reliance Communications, Shyam Telelink and HFCL Infotel, had applied for GSM licence in 2006. In-principle approval was granted to these three on October 18 itself, though the press release to this effect was only issued the next day. On October 19, Reliance Communications deposited the fee of Rs 1,645 crore (for 20 of the 22 telecom circles) and came right on top of the queue for spectrum.

It was allotted spectrum on January 10 and 11, 2008. Tata Teleservices applied on October 20. Now, Raja decided to change the policy and clubbed Tata Teleservices with other seekers of spectrum. He gave in-principle approval to Tata Teleservices's proposal only on January 10, 2008, when the company was required to deposit the licence fee. Its applications were received at DoT's reception counter and further delivered to the office of the wireless advisor. Then, from there the applications went missing!

On December 8, 2010, Tata wrote to Rajeev Chandraskehar, who had accused of incorrectly grabbing spectrum under the crossover window: "The company (Tata Teleservices) has strictly followed the applicable policy and has been severely disadvantaged, as you are well aware, by certain powerful politically connected operators who have willfully subverted policy under various telecom ministers, which has subsequently been regularized to their advantage. The same operators continue to subvert policy, have even paid the fee for spectrum even before the announcement of policy and have 'de facto ownership' in several new telecom enterprises." Tata Teleservices had not got spectrum in Delhi and some other circles even three years after the announcement of the policy. Tata added.

In telecom, lobbying is everything.

Tata and the run-ins

A brief look at the slugfests that Ratan Tata never shied away from

MALINI BHUPTA / DEC 28, 2012

Ratan Naval Tata's illustrious career as the boss of Tata Sons has seen many firsts: high-decibel slugfests were one of them. Throughout his two-decade long stint as chairman, Tata has never shied away from any adversary or adversity. Known to speak his mind, and that too publicly, he has had many run-ins over the years with peers in corporate India, politicians and, of course, media.

His critics say that Tata was not the one to forget things in a hurry, and call him intolerant.

Rajya Sabha member Rajeev Chandrasekhar says: "The Tata group is caught between trying to maximize return on capital employed like any other business groups in India and remaining rooted to doing business that is ethically comfortable".

Here's a snapshot of some of his most high-profile battles:

BATTLING THE OLD GUARD

Soon after JRD Tata made him the chairman of Tata Industries in 1981, four gentlemen decided they would make life difficult for Ratan Tata. That is perhaps an understatement, as what followed would have put even the worst palace intrigues to shame. The battle Tata faced was from Russi Mody at Tata Steel, Darbari Seth at Tata Chemicals, Ajit Kerkar at Indian Hotels and Nani Palkhivala at ACC – people who ran their companies without any interference.

But Tata delivered a asterstroke — the Tata Sons board gave full support to his proposal for enforcing a rule that set 75 as the retirement age for all Tata directors. While this helped the exit of Seth, ill-health hastened Palkhivala's departure. Ajit Kerkar, who ceased to be the executive chairman of Indian Hotels when he turned 65, was of course turfed out for different reasons.

It's another matter that Tata himself again changed the retirement rules to continue running the group as the non-executive chairman for another 10 years.

THE TELECOM TANGLE

Telecom has been one of the bitterest battles that Tata has fought. By the time the big boys – read Tata and Reliance – wanted to get into the business, upstarts were already doing well. From entering the fray to choice of technology, Tata fought the GSM lobby tooth and nail. The public slugfest started in 2006, when a committee of the Department of Telecom announced its spectrum allocation policy for new technologies like 3G and Wimax. The policy stated that telecom companies would get spectrum depending on the number of subscribers they had. With its

subscriber base, there was no way that Tata could have aspired for a higher share of spectrum when compared to rivals.

So Tata wrote letters to J.S. Sarma, the then secretary, DoT, and Prime Minister Manmohan Singh, suggesting that additional spectrum should be auctioned as it was a scarce resource.

Whether it's the matter of out-ofturn spectrum allocation or getting additional spectrum for free, most of these vexing issues have been raised by Tata at various points. Tata has also admitted that he had a "chemistry problem" with ex-telecom minister Dayandhi Maran.

LIGHTS OUT

Like telecom, Tata has fought other business houses even in the power sector. And his bête noire in this sector is Anil-Ambani's power companies. Whether it's the battle for consumers in Mumbai or ultra mega power projects, Tata has used the legal system to fight rivals in this space. Reliance Infrastructure (erstwhile Reliance Energy) has accused Tata Power of poaching its customers, while Tata Power sought payment of dues built up over the years.

Tata Power has gone to court on the issue of surplus coal by Reliance Power from the captive mines that came with the UMPP.

THE SINGUR CAULDRON

This clearly was one of his biggest disappointments. The Nano project in West Bengal, ended up as a disaster after the Tatas moved out of the state on October 3, 2008, after Mamata Banerjee's Trinamool Congress started the Rs save farmland' movement. Tata finally left Singur, but not before a public disapproval of the agitation led by Banerjee. Though the court battle over compensation for the Singur land continues, the two protagonists have subsequently sought to mend their fractured relationship through conciliatory tones in their public statements.

THE TAPE MUDDLE

What really put Tata in the eye of the storm were the leaked tapes that revealed conversations that his lobbyist and owner of public relations firm Vaishnavi Communications, Niira Radia, had with journalists and government officials. After the tapes caused a national furore, Tata said that the leaks were to create a smokescreen around the 2G controversy. He also moved the Supreme Court, questioning the disclosure of private conversations.

Tata's global score: 50-50

A blow-by-blow account on the hits and misses on Ratan's acquisition trysts beyond India

JOYDEEP GHOSH & ABHINEET KUMAR / DEC 28, 2012

It took Ratan Tata a full decade to take the group global. But it was the proverbial lull before the storm as what followed was some of the most audacious deals that corporate India had seen till they happened.

The group became bolder as well – Tetley was acquired for $450 million; JLR for $2.3 billion and Corus for $12.1 billion.

"I would put Tata in the larger group of 'globalising'companies, that is, ones that have an international presence but still have not made their presence felt everywhere in the world. Tata is strong in Britain, the US and South Africa, but less high-profile elsewhere," says Morgen Witzel, author of Tata: the Evolution of a Corporate Brand.

In terms of sheer numbers, its global operations contributed as much as 58 per cent of the $100 billion (Rs 4.75 lakh crore) group's consolidated revenues in 2011-12. For Tata Steel, the share of global operations is as much as 74 per cent; for Tata Global, it is 70 per cent; for Tata Motors, it is 67 per cent and for Indian Hotels, it is 25.77 per cent.

A snapshot of the companies, which have gone global, reflect a mixed picture. The return on networth (RoNW or return on equity) for Tata Global at 8 per cent is more or less same at the time of acquiring Tetley and now. In case of JLR, it has shot up from negative to a whopping 52 per cent. For Indian Hotels, however, it has declined from 14 per cent to less than a percentage point. And Tata Steel's RoNW has declined from 37 per cent to 7 per cent. (See Mixed results)

In fact, Tata Steel Europe is hurting the group badly. Even Ishat Hussain, non-executive director of Tata Sons, in response to a story in the Economist, recognised Tata Steel's problems: "The Return on capital employed (RoCE) since 2010 has been highly distorted by the performance of one business: Tata Steel. The RoCE for Tata companies, excluding Tata Steel Europe and the capital work-in-progress of Tata Steel in India, is 14 per cent."

Clearly, a 4 per cent drag on the overall group's RoCE cannot be taken lightly.

Though the financial sector crisis since 2008 has led to slowing down of demand from automobile and construction companies – the key customers of Corus — many say that the deal was expensive. Here's why. Lakshmi Mittal's $34 billion acquisition of Arcelor in June 2006 was cheaper at EBITDA (earnings before interest, tax, depreciation and amortisation) multiple of 4.3 vis-à-vis

9 for Tata Steel's acquisition of Corus.

That is reflected in the performance of the share price. When the deal was announced on June 30, 2006, Tata Steel's share price stood at Rs 473 and market cap at Rs 29,516 crore. In November 2012, the respective figures are Rs 377 and Rs 37,431 crore. The equity base, however, has increased substantially. To fund the deal, the group issued 390 million shares, increasing the equity base from 580 million to 970 million. During the same period, the Sensex went up 82 per cent whereas the company's stock price is down 20 per cent.

The value of the acquisition has eroded considerably. If one considers peers like Arcelor Mittal, which operate in a similar environment, their market cap stands at $26 billion. Tata Steel, Europe which has one-fifth of Arcelor Mittal's capacity should be valued at $5 billion. In other words, the market value of Tata Steel is lesser than the debt ($6 billion) it raised, and half the total price paid at $12.1 billion. Even capacity utilisation has fallen to 14 million tonne in FY 11-12 from 23.1 million tonne in FY 07-08.

JLR, on the other hand, is a completely different story, though there were initial hiccups which forced Tata Motors to post a loss of Rs 2,465 crore in 2008-09. But now, the marquee car company is the crown jewel of the group. In fact, if JLR had not paid a dividend of Rs 1,312 crore to Tata Motors in the second quarter of the current financial year, the parent company would have declared a loss.

Within these two giant deals, there is Tetley which has done quite well. Witzel says, "The Tetley acquisition seems to have gone very well, partly because Tata Beverages has taken a soft approach to managing it. Most people in the UK still don't know that it is owned by Tata Beverages." And the numbers continue to be stable.

Indian Hotels has suffered the brunt of a lacklustre world economy. "The international acquisitions done by Indian hotels have not been earnings per share accretive due to economic slowdown leading to lower passenger traffic," said Rashesh Shah, analyst with ICICI Securities. With the company willing to go aggressive with the Orient Express deal, the results will only show in 10-20 years, say analysts. The numbers, as a result, are not very flattering.

While the jury is still out on how Tata has done in his global ventures, the fact is they have been bold, but not necessarily beautiful.

COMPARISON OF KEY NUMBERS: FROM ACQUISITION YEAR TO 2011-12

Company	Marquee acquisition	Net sales	Net profit	Market cap	Debt-equity ratio	Return on net worth %
TATA GLOBAL	Tetley (2000-01)*	3,015.19	103.48	952.65	1.53	8.02
	2011-12	6,631.16	431.91	6,929.17	0.18	8.14
TATA STEEL	Corus (2007-08)	131,498.03	12,321.76	50,640.15	1.57	32.76
	2011-12	132,899.70	4,948.52	45,685.72	1.49	6.85
TATA MOTORS	JLR (2008-09)	70,880.95	-2,465.00	9,268.32	3.03	0.00
	2011-2012	165,654.48	13,573.91	87,494.77	1.52	51.57
INDIAN HOTELS	Pierre (2005-06)	1,837.31	263.17	7,689.55	0.96	14.16
	2011-12	3,432.71	25.82	4,849.41	1.17	0.73

Consolidated figures in Rs Crore; *While Tetley was acquired in 2000, the consolidated data is available only from 2001; Source Capitaline; Compiled by BS Research Bureau

Tata's little gems

How the small companies in Tata's kitty have contributed to the growth of the conglomerate

VIVEAT SUSAN PINTO & SAMEER MULGAONKAR / MUMBAI DECEMBER 28, 2012, 15:38 IST

Trent, Tata Global Beverages (TGB) may not be big contributors to the Tata kitty, but are still significant to its growth story. Trent, Tata Global Beverages (TGB), Titan Industries and Tata Chemicals have together grown at a compounded annual growth rate of 23% in the last six years. They continue to be the rising stars in the group with each clocking double-digit topline growth. Tata Chemicals grew at a CAGR of close to 23% in the last six years. Trent, Titan and TGB grew by 30%, 35% and 13% respectively in the same time frame.

While the four companies contributed just about 7% to the total turnover of the Tata Group in the 2011-12 financial year, analysts say this number could go up as these businesses ride the consumption boom.

Group observers say that the fab four have actually helped the over 100-year-old Tata conglomerate mark its presence in sunrise sectors such as fast-moving consumer goods (FMCG), retail, agri, bio and nano technology. It is these sectors amongst its other staple categories of information technology, automotive, hospitality, power and steel that the Tatas are increasingly counting on as they position themselves as an organisation of repute on the global stage.

It is also from among these very sectors that the Tatas' first major international acquisition happened.

The year was 2000 and the acquisition was Tetley, a company three times the size of TGB then called Tata Tea, with a 7% share of the world tea market and ranked number two after Unilever's Brooke-Bond-Lipton. TGB was a local player then largely known for tea and coffee production. Its branded play was hardly significant beyond Indian shores though the company did have a joint venture with Tetley for export of its products. But it needed a strong platform to launch itself on the global stage. That opportunity came with the Rs 1,500-crore leveraged buyout of Tetley, the largest cross-border acquisition for an Indian company.

When making the announcement in February of 2000, chairman Ratan

6 YEAR CAGR GROWTH RATE

(in % for FY11-12)	Net Sales	Net Profit
TITAN INDUSTRIES	34.90	39.70
TRENT	29.99	Loss
TATA CHEMICALS	22.97	15.92
TATA GLOBAL BEVERAGES	13.47	5.56
TOTAL *	23.11	15.57

* Consoildated growth Rate for 4 companies

% SHARE OF THE TATA GROUP#

(in %)	Net Sales	Net Profit
TATA CHEMICALS	3.13	3.53
TITAN INDS.	2.01	2.04
TATA GLOBAL	1.51	1.46
TRENT	0.44	-0.16
TOTAL	7.09	6.87

% SHARE IN THE MARKET CAP TATA GROUP#

As on Dec14, 2012	Mcap (Rs Cr)	% shares
TITAN INDS	25626.35	5.34
TATA GLOBAL	10416.95	2.17
TATA CHEMICALS	8586.69	1.79
TRENT	3982.45	0.83
TOTAL	48612.43	10.12

Filtered for listed companies
Source Capiatline Compiled by BS research Bureau

CONSOLIDATED FIGURES IN RS CRORE

Year End	Net Sales	% chg	Net Profit	% chg
TRENT LTD				
FY05-06	403.47	72.14	28.94	46.90
FY06-07	609.36	51.03	35.04	21.08
FY07-08	718.01	17.83	34.04	-2.85
FY08-09	849.73	18.35	0.22	-99.35
FY09-10	1105.36	30.08	1.46	563.64
FY10-11	1591.72	44.00	2.52	72.60
FY11-12	1946.28	22.28	-46.42	-
CAGR (6 Year)	29.99		-	
TATA CHEMICALS LTD				
FY05-06	3992.80	-	428.34	-
FY06-07	5763.34	44.34	508.04	18.61
FY07-08	5982.05	3.79	964.40	89.83
FY08-09	12651.98	111.50	759.81	-21.21
FY09-10	9448.68	-25.32	723.58	-4.77
FY10-11	11060.58	17.06	846.04	16.92
FY11-12	13806.06	24.82	1039.51	22.87
CAGR (6 Year)	22.97		15.92	
TATA GLOBAL BEVERAGES LTD				
FY05-06	3106.52	2.14	312.24	35.96
FY06-07	4024.89	29.56	475.95	52.43
FY07-08	4309.64	7.07	1934.75	306.50
FY08-09	4847.87	12.49	831.90	-57.00
FY09-10	5782.95	19.29	393.31	-52.72
FY10-11	6003.17	3.81	292.04	-25.75
FY11-12	6631.16	10.46	431.91	47.89
CAGR (6 Year)	13.47		5.56	
TITAN INDUSTRIES LTD				
FY05-06	1468.36	32.01	80.93	286.67
FY06-07	2135.88	45.46	99.86	23.39
FY07-08	3053.98	42.98	147.56	47.77
FY08-09	3911.01	28.06	163.92	11.09
FY09-10	4779.13	22.20	251.30	53.31
FY10-11	6533.14	36.70	433.13	72.36
FY11-12	8848.43	35.44	601.50	38.87
CAGR (6 Year)	34.90		39.70	

Data Source Capitaline Compiled by BS Research Bureau

Tata had famously said, "It is a bold move and I hope that other Indian corporates will follow."

They did. But more so it gave the Tatas the courage to take on even bigger risks. That is, acquire more businesses across sectors. In beverages alone in the last decade, TGB has wrapped up a string of buys including Good Earth and Eight O' Clock Coffee in the US, Jemca in the Czech Republic and Grand in Russia.

The company retains its appetite for more, but now says that it would like to focus on consolidation and organic growth. "We are a natural beverages company and our focus will be on tea, coffee and water," Harish Bhat, managing director, TGB, had said in a recent conversation with Business Standard.

The company is open to striking more alliances with like-minded partners if required - it has two at the moment, one with PepsiCo, the other with Starbucks - and is keen to up its revenues from coffee and water.

But TGB is not the only company where Tata's global ambitions have played out ahead of other entities in the group.

Titan is another case in point. Set-up as a joint venture between the Tatas and the Tamil Nadu Industrial Development Corporation (TIDCO) in 1984, the company has in the last three decades positioned itself not only as a leading maker of watches in India, but also amongst the top in the world. It is currently eying the number three position - a jump two places from number five, where it stands globally in the watch market.

In India, Titan accounts for about 25% of the volume and 40% of the value of the over 50-million-unit-watch market.

It has also created some enduring brands such as Fastrack for youth, Raga for women, Nebula, a gold watch targeted at the premium end and Sonata at the lower end.

In the last few years, Titan has devoted its attention to other businesses too such as jewellery under Tanishq, which gives it over 70% of its revenues today, and eye-wear, a new area it ventured into besides leather accessories such as wallets, belts and bags, as it looks to take advantage of India's consumption and retail boom. Titan's managing director Bhaskar Bhat has said that the company will continue looking at all lifestyle categories barring apparels.

While Titan's growth has been largely driven by organic measures, it has wrapped up a few buys such as the acquisition of the Swiss heritage brand Favre-Leuba last year. Speculation was rife in July this year that it was contemplating a $1-billion or over Rs 5,000-crore acquisition of Canada-based luxury watches and jewellery retailer Harry Winston. But this was denied by the company.

On Trent, the government's move to permit foreign direct investment in retail has opened up prospects for an alliance in that area, say analysts. The loss-making company already has a franchise agreement with Tesco under which the Indian firm's Star Bazaar supermarkets use Tesco's supply chains and infrastructure. Both Trent and Tesco are now believed to be exploring the possibility of expanding their alliance in the wake of parliament's nod to retail FDI, say sources.

Tata Chemicals, in contrast, has expanded into three areas: living essentials, industry essentials and farm essentials - from a producer of largely inorganic chemicals such as soda ash, a base ingredient in many industries. Under living essentials comes the company's consumer businesses - salt, water, branded commodities and neutraceuticals. Under industry essentials comes the core bulk & specialty chemicals and cement, while farm essentials dwell on crop nutrition & protection and seeds. Company executives say that the transformation from a commodity company to one providing complex solutions in different areas was led by the need to be relevant in changing times. In the last few years, Tata Chemicals has made a series of acquisitions in inorganic chemicals and has also invested heavily in agri-business. It is now focusing its attention on its research & development capabilities.

Thriving on frugal innovation

Another barrier to innovation in the group was that the various Tata companies wouldn't talk to each other

ABHINEET KUMAR / DEC 27, 2012

The Nano, brainchild of Ratan Tata, has been synonymous with innovations in emerging markets. His effort to fill the white spot between two-wheelers and mini cars for Indian mass family transportation needs has probably captured the maximum mind space globally as a frugal engineering success.

The success of Nano was not in just being the cheapest car in the world, at Rs 1 lakh at the time of launch. It was the innovations that made the car cheap. The global car industry is enthusiastic on modular techniques to produce automobiles with different prices and design features. The Nano is built from modular components, which can be built and shipped separately for assembly at different locations. In effect, the Nano is designed for distribution in kits assembled and serviced by local entrepreneurs globally.

Germany's Roland Berger Strategy Consultants in its recently-released report on global innovation shifting to emerging markets, says, "Frugal product innovations must start in the company's mindset."

This is what Ratan Tata, outgoing chairman of the $100-billion Tata Group, has been driving in the latter half of his leadership of India's largest business conglomerate for over two decades.

This is also the period when Indian companies saw an onslaught of global competition in the domestic markets. This made customers discerning, with better products and enhanced customer service.

"With globalisation, the need for innovation became more critical for Indian companies' survival," says Wilfried Aulbur, managing partner, Roland Berger, who co-authored the report with his other colleagues. "This led many companies to put more focus on innovation to address new market opportunities," he says.

For instance, when Korean auto maker Hyundai Motor set up shop in India in 1996, there were five major auto makers in the country: Maruti Udyog (now Maruti Suzuki India), Hindustan Motors, Premier Automobiles (now Premier Ltd), TELCO (now Tata Motors), and Mahindra & Mahindra (M&M). Today, Hyundai is the second largest auto maker in India after Maruti Suzuki, still leading the pack. Tata Motors and M&M have been in neck-to-neck competition this year for the third and fourth positions.

But the most distinct part is that Hindustan Motors and Premier Automobiles are no-where in the race today, precisely because of their inability to innovate according to the changing market conditions.

Tata Motors had sensed the changing market condition and it brought out the first indigenous car, Indica, in 1999, a small truck, the Ace, in 2005 and the innovative Nano in 2008 to capture new market opportunities. There are more such examples from the group, such as setting up Ginger budget hotels in 2002 and making a super computer, Eka, in 2005.

In fact, there have been many instances when the over-a-century-old Tata Group has been a pioneer. In 1907, Tata Steel became the first Indian company to raise capital in India. J R D Tata set up Tata Airlines in 1932 and TCS in 1968. Tata Motors made India's first indigenous light commercial vehicle, the Tata 407, in 1986.

Though innovation has been in the group's DNA, the urgency for this became more prominent recently. When the economy first opened in the early 1990s, the group realised its business processes were weak. So, in 1995, it instituted the Tata Business Excellence Model. Any company that uses the Tata brand name or logo has to abide by the model. Under this, companies are given scores out of 1,000 every year.

But innovation within the group was sporadic. "We had to accelerate and create urgency for the democratisation of innovation. This had become more important with the

Tata Group going global and the Indian economy getting globalised," said Sunil Sinha, CEO of Tata Quality Management Services (a division of Tata Sons) earlier.

In 2006, an InnoMission (innovation mission) of 10 Tata Group CEOs went to the US and saw innovation at work in companies such as 3M, Microsoft, Intel, Hewlett-Packard and Raytheon. The next year, another mission was launched, this time in the other direction, to Japanese companies such as Fuji, Olympus, Toshiba, Nissan and Hitachi. A third mission went to Cambridge to study the eco-system for innovation there.

The first result was the formation of Tata Group Innovation Forum (TGIF), mandated to act as a catalyst for innovation. It meets every two months (in a different location so that local companies can participate) to take stock of the situation and remove hurdles.

The next step was to recognise and reward innovation within the group: InnoVista. These awards are regional as well as national. Ratan Tata gives the national awards once a year. There are three categories: Promising Innovations, The Leading Edge and Dare to Try. An independent jury judges the entries. From 101 from 31 companies in 2006, entries went up to 117 from 39 companies in 2007, then to 289 entries from 47 companies in 2008, and 1,552 from 62 companies in 2009 to 2,852 entries from 71 Tata companies in 2012.

The sharp jump in entries from 2009 had a lot to do with the successful launch of the Nano. "That fired the imagination of the people in the Tata Group," said R Gopalakrishnan, executive director at Tata Sons, earlier.

After much deliberation, TGIF adopted the Innometer developed by Julian Birkinshaw of the London Business School. It measures the innovation process and culture on a scale of zero to five, and can be run on the whole company, a unit or even a small team.

Another barrier to innovation in the group was that the various Tata companies wouldn't talk to each other. Ratan Tata, when he became chairman in the early 1990s, eased out powerful chieftains like Russi Mody, Ajit Kerkar and Darbari Seth. A group identity was forged, but collaboration still did not happen. So, TGIF decided to set up InnoClusters — groups of companies that could work together in different areas.

There are four such clusters: nanotechnology, plastics & composites, information technology and water. One of the biggest clusters, of 10 companies, is around nanotechnology. "The Swach water purifier is a good example where TCS, Tata Chemicals and Titan came together," said Gopalakrishnan.

Further, the TGIF came with a web-based open innovation initiative called InnoVerse. Employees can post a problem on the intranet, to which anybody can provide a solution. People can bet on ideas with the 1,000 karma points they get.

The group spent $2.7 billion (Rs 12,500 crore) on research and development in 2010-11, about three per cent of its turnover in that year. So, has the Tata Group changed? It is still early days, says Gopalakrishnan. "It's not as if there is a storm gathering; it's just some rain here and there."

The making of Tata's Team A

With Tata promising every help to his successor, it will be now up to Mistry to take the Tata Group to the next level

DEV CHATTERJEE / DEC 26, 2012

From a group run by satraps, the outgoing chairman of Tata group, Ratan Tata, will be credited with building a young team of CEOs to run their respective companies, giving them a free hand as long as they followed the basic principles of ethics, values and corporate governance. Tata hired the best talent from across the world as he saw early on that to survive in the wake of economic liberalisation, Indian companies needed to go global and adopt best practices.

Backed by a trusted Team A, led by fellow Tata Sons director R K Krishna Kumar, Tata led the transformation by selling unrelated businesses such as cosmetics, soaps and cement — angering many satraps close to predecessor J R D Tata. The group instead focused on a new generation businesses such as telecom, software, retail and cars.

Tata built a network of young CEOs, now in their 40s and running their respective companies efficiently. This includes Karl Slym, hired from General Motors to run Tata Motors after Nano failed to make money. Not to forget other performers such as Brotin Banerjee, 36, who heads Tata Housing Development Company; N Chandrasekharan, 48, CEO of TCS; Anil Sardana, 52, of Tata Power; N Srinath, 49, of Tata Teleservices, and R Mukundan, 44, CEO of Tata Chemicals.

Although Tata faced a tough time in his career, thanks to the public fight with Russi Mody and Ajit Kerkar, he managed to ease out the satraps and succeeded in getting his own people at the helm of every company.

According to Tata Group insiders, it was Kumar who was instrumental in setting up the succession committee for Tata and helped set the retirement age of Tata directors to prevent any Russi Mody episode in future. When Ratan Tata was under siege from Mody, the then chairman of Tata Steel and Kerkar, the then chairman of Indian Hotels, the operators of Taj hotels, and Darbari Seth of Tata Chemicals, it was Kumar who played an important role in the ouster of the satraps.

Since then, Tata and Kumar have led the transformation of the group from a bureaucratic setup to a nimble-footed group, which is now earning half of its $100-billion revenues from its overseas operations. In a recent interview with Business Standard, Kumar said the aggressive mergers and acquisitions

policy of the group is now finally giving dividend. "Just look at the JLR; we are now earning every quarter what we spent on buying the company," he said. In 2012, JLR made a profit of Rs 12,900 crore on a revenue of about Rs 1.16 lakh crore.

In Tata Chemicals, R Mukundan is steering the company towards speciality chemicals and consumer products, as consumer demand change along with rising consumption. "As India becomes more urbanised and as income levels and habits change, the country's GDP will rise and supply chains will shift; there will be demand for new types of chemicals and products," says Mukundan. As Tata Steel Managing Director H M Nerurkar is due to retire early next year, insiders say a search is already on for the next MD. Among the front runners is 44-year old Kaushik Chatterjee, the CFO of Tata Steel, who helped the company restructure its debt taken to fund its acquisition abroad of Corus.

As Kumar is also retiring from Tata Sons and group companies by July next year, Tata's new chairman Cyrus Mistry will be starting his innings with a clean slate. This will help the new chairman to build his own team. With Tata promising every help to his successor, it will be now up to Mistry to take the Tata Group to the next level.

TATA'S MILESTONES

1991 JRD Tata retires, Ratan takes over as group chairman

CONSOLIDATING CONTROL OVER THE GROUP

1993 Russi Mody removed. Ratan Tata becomes Tata Steel chairman

1995 Darbari Seth, chairman of Tata Chemicals and Tata Tea (now Tata Global Beverages), retires

1997 Ajit Kerkar retires from Indian Hotels

1997 Ratan Tata becomes chairman of key group companies, Tata Power and Indian Hotels

1998 A unified group logo launched and group companies asked to pay royalty for using Tata name to Tata Sons

DIVESTING NON- CORE COMPANIES

1994 Sells Tata Oil Mills (Tomco) to Hindustan Unilever

1997 Sells Lakme brand and assets to Hindustan Unilever

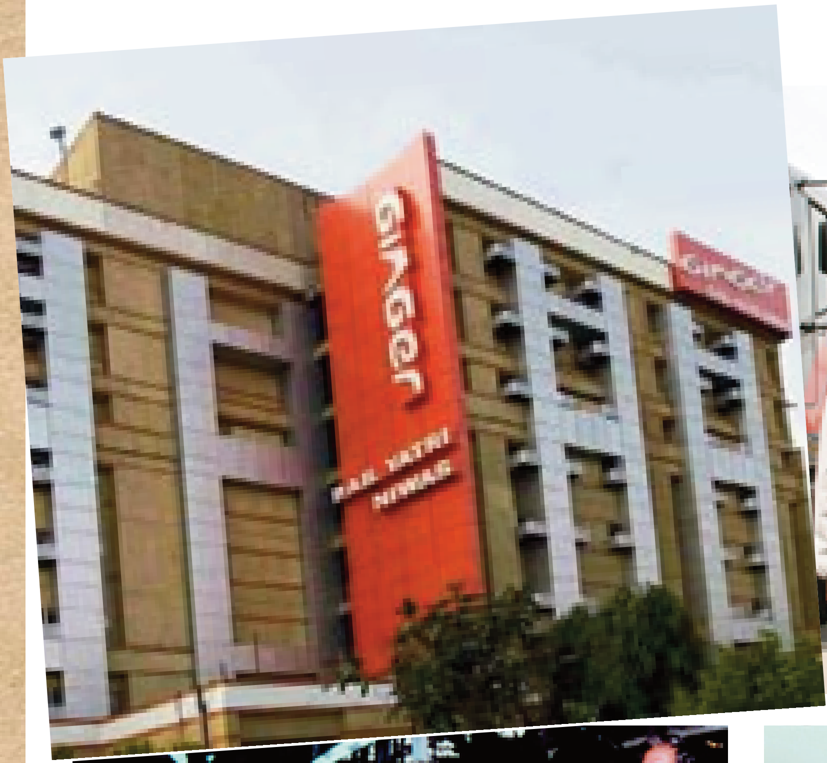
1998 Pharma company Merind sold to Wockhardt

1998 Voltas divests white goods division

CAR DREAMS AND MORE…..

1992 Tata Sierra, the groups first car, launched

1994 Tata Sumo drives out 1998 Tata Indica and Tata Safari launched



1998 Retail debut: Trent starts operations
2003 Tata Indicom begins CDMA mobile service
2004 Indian Hotels launches IndiOne (now Ginger hotels), a chain of no- frills business hotel
2006 Tata Sky, DTH venture, starts service
2006 Croma, a retail chain for consumer electronics and durables starts operations
2008 Tata Motors unveils Nano, the worlds cheapest car
2009 Tata Docomo debuts in mobile service
2009 Tata Chemicals launches Swach, the low- cost water purifier

GOING GLOBAL

2000 Tata Tea acquires Tetley Group, UK for $ 450 million
2004 Tata Motors buys the commercial vehicles unit of Daewoo Motors, South Korea
2006 Tata Chemicals acquires Brunner Mond Group, UK to become world's second largest soda ash maker
2006 Tata Tea acquires Eight O Clock Coffee, US
2006 Indian Hotels buys Ritz Carlton Boston for $170 million
2007 Tata Steel snaps up Corus for $ 12 billion, becomes the worlds sixth largest steel maker
2007 Indian Hotels picks up 11% stake in Orient Express Hotels
2008 Tata Motors acquires JLR for $ 2.3 billion
2008 Tata Chemicals acquires General Chemicals, US for $ 1 billion
2012 Indian Hotels makes bid for OEH

HIS CONTROVERSIES

1997 Tata Tea allegedly paid protection money to ULFA in Assam
2008 Farmers' protest Nano plant at Singur, West Bengal; Tata shifts production to Sanand, Gujarat
2010 Ratan Tata dragged into Radia tape controversy

HIS MISSES….

1998 Tata proposal to launch an airlines rejected by the government
1999 FIs blocked Tata Sons plans to raise stake in ACC through a preferential allotment.
2000 Tata group sells its entire stake in ACC to Ambuja Cement
2001 Withdraws from race to acquire Air India
2012 OEH board reject take- off bid by Indian Hotels

FROM CLOSE QUARTERS

He reshaped the Tata DNA: Rahul Bajaj

Ratan Tata has unambiguously set the direction of the Tatas in the pro-change, global direction. This will be his greatest legacy

I have known Ratan at least since 1986 when we were appointed as Chairman of Air India and Indian Airlines respectively. Of course, in 1949 we were together briefly in Cathedral School, Mumbai but were not in touch for some time thereafter as both of us continued our studies separately. It will be one of my unfulfilled desires that he did not adorn the Bajaj Auto board. At one time when Ashok and then Aditya Birla was on our board I had an urge to invite Ratan. But it was not to be. Ratan must be a good player of bridge. He has played very ambitiously with the hand he was dealt, with great finesse and aplomb. It makes every one of us proud of his and his companies' achievements. That TCS today has the highest market cap is a tribute to the vision of the Tatas.

Ratan has built very adroitly on the grand foundations built by hispredecessors, especially JRD. He has not only nurtured the Tata DNA but reshaped it for the new age. The very fact that he is retiring at 75 speaks volumes of his commitment to managing the Tata companies through values.

Under him the Tatas have been both entrepreneurial and demonstrated their ability to make large companies 'dance'. They have met with the opportunities and challenges of globalisation head on and come out trumps. The transformation of Tata Motors including its acquisition of JLR alone is enough to give him a place in the business history books.

In today's world, direction matters more than detailed maps. Ratan has unambiguously set the direction of the Tatas in the pro-change, global direction. This will be his greatest legacy to the Tatas and to Indian business in general.

It is given to very few of us to live up to our names. Whoever named him was prescient. He proved to be the crown jewel of the Tatas and a 'navratna' for the country.

As a person Ratan is genial, under stated, polished. A gentleman. There does not seem to be an awkward bone in him. There is something of an artist in Ratan. His training as an architect of course adds to this sense.

Ratan is very energetic. I am sure he will pursue his passions. He is still young at 75. To your health Ratan.

(The writer is Chairman , Bajaj Auto)

Quiet titan: Lord Kumar Bhattacharya

I first met Ratan Tata when he was assuming the Chairmanship of TataSons. Unlike most corporate chiefs, Ratan arrived alone, driving himself in a small car made by a Japanese manufacturer.

As we spoke, I realised this personal modesty belied a grand vision: the creation of a global business rooted in the historic Tata values of fairness, charity and upright conduct. He has more than surpassed that ambition. Ratan has succeeded because he knew there needed to be a huge transformation in innovation and R&D capacity to succeed in the newly competitive Indian and global markets.

To take one example, in the nineties, while many cars were being made in India under license, not a single car was being made by India.

Ratan wanted to make a car in India, by India - as that was the way to create expertise and innovation.

I remember many agonising days spent in the design and manufacture of that first car- the Indica. But if you don't do the first one, you never learn.

By the millennium, Tata had a global footprint. However, the biggest turning points were to come. First Tata acquired struggling Jaguar Land Rover, whose turnaround has shown the worldwide business community what Indian leadership can do.

Then came the "car heard round the world", the Nano. Developing an affordable small car for the global masses shows Ratan's psyche.

History will show the Nano as a tremendous design and technological achievement.

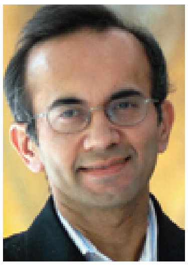
In these decisions we find the core of Ratan's leadership. There's belief in technical innovation and design quality, a refusal to take short cuts and a faith that what matters is how your decisions are judged in the future.

Today, Ratan still devotes countless hours to learning the nuts and bolts of his businesses. When he visits Jaguar Land Rover, he spends time in the design studio and on the production line, motivating engineers through his passion for technology..

Ratan isn't brutal or cruel. He believes that how you achieve your aims is as important as the objectives themselves. That said, while he prefers agreement, he won't allow himself to be deflected from his ambition.

(The writer is Founder and Chairman of Warwick Manufacturing Group)

Commitment to talent: Tarun Khanna



Today, talent from across the world finds voice at the Tata Group in a way that was not the case before Mr Tata took over.

I have had the good fortune to engage with the Tata Group since the mid-1990s, soon after Ratan Tata began a concerted attempt to reshape the group. As an interested outsider – educator, researcher, entrepreneur – I have been trying to identify what most impressed me about the group over the past two decades under Mr Tata's stewardship. I concluded that it was the group's reinvigorated commitment to talent. It is the foundation of the group, and the enabler of the ambitious course on which it has embarked, and on which Mr. Mistry must now build.

There are, of course, other business leaders who have comparably exhorted their people to exceed the self-imposed limitations of their own minds. I can think of Eli Hurvitz at Teva in Israel who converted a small, generics company into a world-class contender in pharma, pioneering a new way to marry generic drugs and new drug discovery. Or the Samsung group leadership.

Like Teva and Samsung, the long-run focus on talent has had an effect. Today, talent from across the world – whether interns from Harvard and other leading universities of the world, or CEOs of the major Tata companies – finds voice at the Tata Group in a way that was not the case before Mr. Tata took office, and managers find their way to leadership positions earlier in their careers.

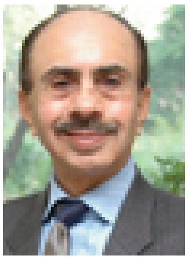
Harvard Business School is fortunate to be the recipient of largesse from the Tata Trusts, thanks to Mr. Tata's leadership. HBS will soon host Tata Hall, a new building overlooking the Charles River in Cambridge, housing a state-of-the-art executive education facility that will nurture management around the world.

Recently Sam Palmisano, just-retired CEO of IBM, reflected on his multi-decade career at IBM, while speaking to one of my HBS colleagues. He pointed out that the IBM tech career isn't for everyone, as successful as it is. There are alternative ways to make a splash in the world of technology. As Palmisano put it, an alternative is the much-glorified Silicon Valley-centric model: Develop an idea, 'flip it' to the equity markets, and move on to the next startup. This isn't what works at IBM, where there is consistent work applying technology to societal problems in the service of, as their slogan puts it, 'a smarter planet.'

Similarly, there are plenty of legitimate ways to make a splash in corporate India today, several of the get-rich quick variety. The Tatas, like IBM at least in the context of this discussion, represent a different path – more values-centric, more focused on a sustainable set of solutions to society's long-standing challenges. The group's focus on talent is what will allow it to pull this off. This is Mr. Tata's biggest contribution.

(The writer is Jorge Paulo Lemann Professor at the Harvard Business School, and Director of Harvard University's South Asia Institute. He is also an adviser to the Tata Opportunities Fund)

Ratan, the strategic innovator: Adi Godrej



Few businessmen demonstrate the zeal that he does for innovating for the bottom of the pyramid

When Ratan took over as chairman of the TATA group, it was a large and reputed group, but it wasn't financially as strong as it is now. During his tenure of 21 odd years as Chairman of TATA Sons, Ratan has grown the group's revenues over 13-fold by making some tough strategic choices. He leveraged the strength of Tata Consultancy Services (TCS) and Tata Motors while getting out of businesses such as Tata Oil mills and Lakme which were not a strategic fit. His clarity of thought and vision for the group has shone through remarkably.

Another one of Ratan's great achievements is globalizing the Tata group which was by and large an Indian conglomerate. Today, 65% of the groups'revenues come from outside India – a very significant achievement. His bold and ambitious deals cut across geographies and scale – simultaneously surprising and impressing the world. To achieve his plans, he constantly demonstrated the ability to stand up to political pressures and business bullies with a tact that is so unique to him.

The Tatas have always been respected for their social commitment besides their business acumen. Ratan has carried forward this legacy admirably. He is a passionate philanthropist. Few businessmen demonstrate the zeal that he does for innovating for the bottom of the pyramid. Therefore, it comes as no surprise to me that he has chosen to remain chairman on the Tata trusts and plans to continue his work for the bottom of the pyramid. I can say with a fair amount of confidence that we can soon expect waves in the traditional concepts of philanthropy and philanthropic institutions!

I have known Ratan as a colleague and a friend. His journey as the Chairman of the Tata Group has been inspirational for all of us. I wish him all the very best as he embarks upon a new chapter of his life. He will be missed in the business fraternity.

(The writer is chairman of Godrej Industries)

EPILOGUE

Cyrus Mistry can hit the ground running

Mistry's task is cut out: Don't lose wickets in the rush to make quick runs

KRISHNA KANT /DECEMBER 27, 2012

Cyrus Mistry, who took over captaincy of the Tata group on December 28, doesn't have to worry about the wicket. With a team comprising some of India's best corporate leaders — all carefully handpicked by his predecessor — Mistry can surely hit the ground running. For, Ratan Tata is passing on to Mistry a group much bigger, more profitable, more diversified and financially stronger than what he inherited from his uncle, JRD Tata, in 1991.

Mistry will be chairman when Tata Sons is firmly in control, with a shareholding of well above 30 per cent in all group companies. He inherits a group 51 times larger in terms of revenues and profits than Tata did in 1991. The group has grown at a compound annual rate of 21.7 per cent. Its growth has been at a higher pace than the increase in India's gross domestic product, which grew at a CAGR of 14.4 per cent at current prices, according to Central Statistical Organisation estimates. The group also beat the stock market, with its market capitalisation growing at a faster rate than the BSE benchmark Sensex during the period from FY92 to FY12.

The group has four companies in the Sensex — with a combined weight of 13 per cent — second only to the government-owned companies that together weigh 26 per cent.

Under Ratan Tata's watch, the group spent $20 billion — nearly a quarter of the group's current assets — on acquiring marquee assets, most of which still deliver below-par returns. This opened him to criticism from markets and analysts. "Marquee acquisitions did bring in revenues and global attention but where are the financial returns?" asks the head of a Mumbai-based brokerage house, on condition of anonymity.

The growth in market capitalisation has been slower than headline numbers but that is not a like-to-like comparison. In 1992, India was in the middle of a bull run, while the economy at present is experiencing a downturn, and valuations are depressed. This is clear in Tata Group's performance against the Sensex. At the end of March this year, the group was 15 times more valuable than in March 1992. Even if we exclude Tata Consultancy Services (TCS), the group's combined market value has risen eight times since 1992. In comparison, the BSE Sensex has appreciated a little over four times during the period (see table).

Despite his costly foreign adventures, Tata is retiring with lower debt-to-equity and higher return on net worth than those when he came in. This is partly attributed to free cash flow from TCS. "Even without TCS, most of the large Tata Group companies are financially well placed and Tata Sons has multiple avenues to raise resources, if needed," says Deep Narayan Mukherjee, director of India Rating, which currently rates a dozen Tata companies.

Twenty years after Tata took over,

WHAT CYRUS MISTRY INHERITS

In Rs crore	FY92	FY12		CAGR (%)	
		With TCS	Without TCS	With TCS	Without TCS
REVENUES	8,884	452,857	403,535	21.7	21.0
OPERATING PROFIT	1,643	66,399	51,535	20.3	18.8
NET PROFIT	580	29,369	18,956	21.7	19.0
EQUITY DIVIDEND	1,950	8,669	3,776	20.9	16.0
NET WORTH	3,535	143,858	114,279	20.4	19.0
ASSETS	8,638	349,941	319,174	20.3	19.8
MARKET CAP	29,068	454,645	226,074	14.7	10.8
ROCE (%)	15.2	14.4	11.4		

Source: Capitaline, BS Research

the group is more diversified and less prone to business cycles than earlier.

In 1992, there were 21 listed companies in the group. This tally has now increased to 29, including subsidiaries and associates of key group companies such as Tata Steel, Tata Motors, Tata Chemicals, Indian Hotels, Tata Power and Tata Global Beverages, among others. The group's holding company directly owns and controls only 14 firms.

To that extent, the group has a clean and well-defined ownership structure, with one firm in control of all group assets in a particular sector. For instance, all steel and related assets are housed under Tata Steel. This not only caps the risks of minority shareholders but also gives them the freedom to choose the sector they wish to invest in. This is unlike other business houses such as Reliance Industries and Mahindra & Mahindra where the flagship company holds all group ventures.

Since 1992, the Tata group has transformed from an old-styled conglomerate, earning 90 per cent of its revenues from industrial products such as heavy trucks & buses, steel, inorganic chemicals and electricity. Its portfolio now includes some of India's most successful consumer brands such as Titan, Fastrack, Tata Tea, Tata Salt, Tetley, Westside, Tata Docomo, Voltas, Croma, Tata Sky and Jaguar Land Rover, among others.

Consumer products now account for nearly 40 per cent of the group's revenues while another 10 per cent is accounted for by TCS. This has made the group highly resilient to an economic downturn in India and that is visible in its stock market performance in last three years (see chart).

The transformation is best captured by Tata Motors, now completely different from its avatar in the early 1990s but still the group's largest revenue earner. It accounts for a third of the group's revenues and continues to be the country's largest commercial vehicle maker, even as the segment now accounts for only a quarter of its business. The company, one of the top performers on Dalal Street in recent years, gets nearly three-fourths of its business from selling passenger cars.

CHALLENGES

These, however, does not imply that Mistry will face no challenges. Tata Motors could be the first one seeking his attention. The company, despite its apparent financial success, continues to lose ground to rivals in the passenger vehicle segment in the domestic market. M&M and Hyundai have gained market share at the expense of Tata Motors — the business about which Tata is personally passionate.

Tata Steel, which came on the global map with the acquisition of Corus (now Tata Steel Europe), continues to make losses in that continent. It is a financial drag on the group's balance sheet due to its sheer size. Its other capital-intensive business, Tata Power, is also facing headwinds. Its Rs 18,000 crore investment in the Mundra Ultra Power Project became financially unviable as the backward investment in Indonesian coal mines didn't move according to the script.

Mistry would need to fix the telecom business, too, as it continues to bleed and shows little signs of an operational or financial revival in the near term. In all of this, he has to also demonstrate to the stock market and the minority shareholders that he will provide them with the best bang for their buck. At the end of FY12, only a third of the group's listed companies reported returns of 15 per cent or more on capital employed. At 11.4 per cent, the group's overall return ratios (excluding TCS) don't look great, either. This goes on to show that either the group over-invested during the boom or there remain a lot of inefficiencies in the system.

To that extent, Mistry's task is cut out: Don't lose wickets in the rush to make quick runs.