

The story of IBM was always considered to be the greatest turnaround stories of all times but wait, have you heard how an Indian MNC Tata has turned it around for itself through its acquisition and revival of the global luxury brand , Jaguar-Land Rover(JLR).

In the past few years, Tata motors have gone from a sheen losing family business to a global profitable brand. In April 2012 share price of Tata motors surged 90 % (6 months data) when the BSE rose 10% and the BSE auto Index rose 21% in the 6 month period.



What caused this turnaround?

The beginning was not smooth, when TATA acquired JLR, world was entering recession and the worst recession of them all. There was a bad sentiment everywhere. JLR was a failing brand and TATA paid \$2.3 billion. Analysts feared that TATA has made a mistake and that they will not be able to handle what they have entered.

Also, JLR being a British powerhouse brand, the deal was not very well perceived due to the coming Indian ownership and the fears of outsourcing of jobs, technology and the brand to

India. On the other hand, Indian analysts feared that this whole acquisition may bring the almighty TATAs down.

But that was 2008 and today JLR is contributing 50% of the overall profits of TATA Motors. All the stories and rumors were put to rest when the £400m engine plant in the Midlands was announced that would potentially create up to 2,000 jobs in England and not India as feared.

The most important things which TATA prioritize to start the change were

1) Cost Management: The most important task on hand for TATAs was the reduction in the costs. Consultants from Roland Berger Strategy Consultants and KPMG were hired for this. Strategy plans were made for cross functional teams and the management was shaken at the top.

Also one major cut down was done on the IT front. The systems and software for managing operations were now handled by Tata's own IT firm Tata technologies saving JLR millions of dollars.

2) Cash Management: At the time of acquisition, Cash management was one of the areas where lot of work had to be done, KPMG and TATA combined to devise a cash management system which when combined with the cost management worked wonders.

3) Brand Image Makeover : JLR was always considered to be top end high end luxury brand but TATA added new products like Evoque which actually made the brand image a bit soft targeted towards urban people still keeping the luxury branding intact. Also new products were designed for specific targets like women looking for luxury SUV etc. Being what JLR was, it was getting difficult to survive so this brand image changes by TATA worked in favor of JLR as a brand. It not only survived but is back to becoming an international powerhouse once again.

4) Innovation and New Product Development : As discussed in the last point, TATA infused a new breeze of fresh air into the JLR product team and it resulted in refreshing the old JLR brands which revived them in the market and also introduction of new brands like Evoque which

single handedly is turning the fortunes of JLR and hence TATA Motors. This quality is inherent to the TATAs. The best example is <TATA Nano>.

5) Manpower Management: After TATA acquired JLR, the workforce was reduced by approximately 10000 from the figure of 27000. It was a bit unlike TATAs but was necessary to revive the JLR.

Land Rover Evoque

Evoque needs a special mention here as this vehicle actually is actually is changing things for JLR as well as TATA and at a very fast pace. The SUV is one of the most awarded cars in its segment and is turning around things for TATA Motors as well as JLR. This product was special in the way it actually changed the way JLR made its products and most importantly the way it targeted its customers. Evoque was targeted towards Urban Buyers and became instant hit. It has a high waiting period and the demand is overshooting supply.

Financial Perspective

Jaguar Land Rover sales for Nine months FY 2011-12, stood at 216,412 units, representing a growth of 21.9% as compared to the corresponding period last year supported by better product & market mix with strong growth in China & Russia. Sales for the Quarter ended December 31, 2011, grew 36.7% to 86,322 units supported by the overwhelming response to the recently launched Range Rover Evoque.

Revenues of GBP 3,746 million represented a growth of 40.9% over GBP 2,658 million in the corresponding quarter last year. Strong profit performance was supported by growth in volumes and favorable products and market mix. Operating margins for the Quarter ended December 31, 2011, stood at 20.1% and an Operating Profit (EBITDA) of GBP 752 million in the quarter, a growth of 62.8% over GBP 462 million in the corresponding quarter last year. The PBT for the quarter is GBP 559 million (GBP 300 million in the corresponding quarter last year) and the PAT for the quarter is GBP 440 million (GBP 280 million in the corresponding quarter last year).

The recently launched new products continue to receive positive response. The newly launched Range Rover Evoque, clocked approximately 32,000 wholesale units till December 2011.

Jaguar Land Rover tied up the Revolving Credit Facility (RCF) with a consortium of banks for committed 3 -5 year credit lines of GBP 610 million which has since been upsized to GBP 710 million. This will enable Jaguar Land Rover to have access to such funding as and when required and enable optimization of cash balances, while strengthening the liquidity position. (Source tatamotors.com)

	Quarter ended		New financial year		FY 2012	
	September 31, 2011	September 30, 2010	September 30, 2011	September 30, 2010	March 31, 2012	March 31, 2011
A. Jaguar Revenue						
Full Volume Unit Contributions						
1. Jaguar Land Rover (JLR)	4,438.14	3,534.05	4,225.34	3,844.44	3,844.44	3,844.44
2. Full volume unit contributions - Jaguar and Land Rover	4,438.14	3,534.05	4,225.34	3,844.44	3,844.44	3,844.44
3. Jaguar and Land Rover	4,438.14	3,534.05	4,225.34	3,844.44	3,844.44	3,844.44
4. Land Rover (LR)	4,438.14	3,534.05	4,225.34	3,844.44	3,844.44	3,844.44
5. Other						
6. Other						
7. Other						
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A Company which was being looked down upon for buying a British giant that during peak of recession is today sitting quite comfortable and looking to grow even more in the coming quarters.

Is this the biggest turnaround story of all times? Is Indian management style coming of age? Is Ratan Tata single handedly turned around everything?

Questions will never end but the fact remains that TATA Motors is a force to reckon with in the global automobile industry and very soon will feature alongside the giants like Mercedes, BMW,

Audi etc.

[Image: Courtesy Landrover](#)