

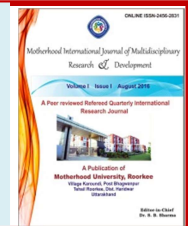


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TATA GROUP Dec 2012 to Oct 2016 - RATAN TATA TO RATAN TATA

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Abstract

Ratan Tata, who Mistry had replaced on December 29, 2012, has been appointed as interim Chairman for four months during which a search committee will look for a replacement.

Introduction

TATA GROUP: OLDEST INDUSTRIAL HOUSE

- Founded under British colonial rule in 1868, it is the country's most famous family conglomerate, and one of the oldest.
- The city-based Tata brands factor daily in the lives of Indians, with products ranging from salt to tea to steel to watches.
- Companies include one of the country's largest IT firms, Tata Consultancy Services; the biggest vehicle maker, Tata Motors; the ritzy hotel chain including TajMahal Palace Hotel; Tetley Tea; and luxury car maker Jaguar Land Rover, the marquee company it bought from Ford Motor in 2008.
- Ratan Tata, who took over as chairman of Tata Sons in 1991 — the same year Mistry was made MD of Pallonji Group - is credited with building it into a global behemoth.

About Cyrus P Mistry:

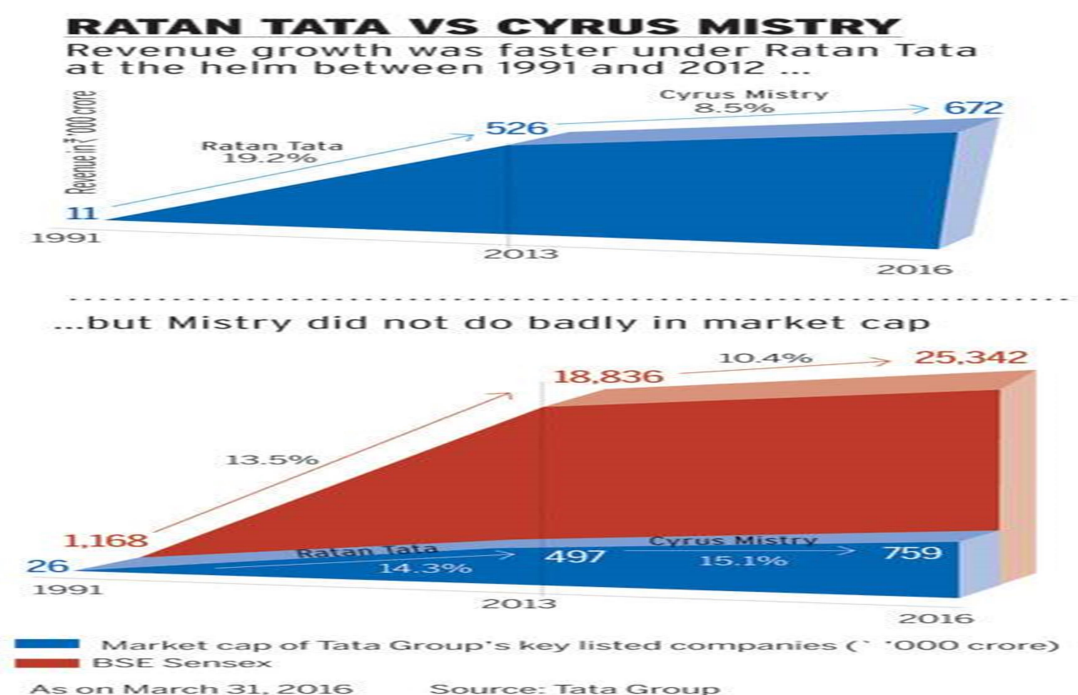
- Born on July 4, 1968, Mistry completed his graduation in civil engineering from London's Imperial College of Science, Technology and Medicine and followed it up with a masters in Management from the London Business School.
- Became MD of his family's ShapoorjiPallonji Group in 1991, which has interests in construction, real estate, infrastructure and textiles; credited for expanding it into a multibilliondollar business through diversification
- He had been on the company's board of directors since 2006

- Cyrus P Mistry, the 48-year-old Irish-Indian, succeeded Ratan Tata as chairman of Tata Sons on December 28, 2012 after being announced the group's heir more than a year earlier

Reasons behind the replacement of Cyrus P Mistry:

- According to sources looped up with the development, Mistry's interest in real estate projects thought to benefit ShapoorjiPallonji& company (SP Group) — controlled by his father PallonjiMistry and elder brother Shaper Mistry — is the real reason he has been booted out. The SP Group is the largest individual shareholder in Tata Sons with an 18.4 per cent stake.
- Despite the fact that Tata Motors accounts for 50 per cent of India's truck-making business, its performance, especially in the passenger car segment, has become a cause of concern. Tata Steel, the other bright star in the group, is also struggling to recover from the costly takeover in 2007 of European steel giant Corous, acquired at a whopping \$12.5 billion.
- Mistry's attempts to sell the loss-making British unit of Tata Steel also did not go down well with old timers, who accused him of landing the concern in a mess as the deal was not sealed before the Brexit referendum in June, when Britain voted to opt out of the EuropeanUnion.
- The final straw, though, came the same month when an international arbitration court in London ordered Tata Sons to pay \$1.17 billion to Japan's telecom firm NTT Docomo for breach of contract.
- Growth in Tata Sons has slowed under Mistry's leadership, with turnover slipping 4.6% to \$103 billion last fiscal year from \$108 billion the previous year, because of lacklustre performances at several companies including Tata Motors, Tata Power and Tata Steel.
- Roughly six in ten rupees deployed by Tata are in businesses yielding returns below its cost of funding, up from three in ten rupees eight years ago, according to The Economist.
- Domestic stock exchanges BSE and NSE have already sought clarifications from Tata Group companies Tata Teleservices, Tata Steel, Indian Hotels and Tata Power, who Mistry said would have to go through a write-off totalling ` 1.18 lakh crore. Tata Sons has hit back in a statement calling the leak "unforgiveable".

Some Controversial Issues on the replacement Decision



- Mistry exposed more than a few skeletons in the cupboard, questioned corporate governance standards and high-cost acquisitions during Ratan Tata's tenure, and stated that he had been reduced to a "lame duck" chairman due to constant interference by his predecessor and Chairman Emeritus Ratan Tata.
- Is performance really the reason for Mistry's ouster? Not exactly. Group market cap was up nearly 80 per cent since he took charge, growing at a CAGR of 15.1 per cent against 14.3 per cent in the Ratan Tata years. Revenue had grown at a CAGR of 8.5 per cent against 19.2 per cent during the Ratan Tata years. But remember, a bulk of the revenue spike during Tata's regime was due to the burst of foreign acquisitions between 2005 and 2012 when market cap more than doubled and revenue went up 5.5 times thanks to the \$12.1 billion Corus acquisition and the \$2.3 billion Jaguar-Land Rover buy, besides nearly 40 other smaller acquisitions.
- Mistry even writes in his letter that during his tenure, group cash flows rose at 31 per cent CAGR, group valuation grew 14.9 per cent per annum (against Sensex growth of 10.4 per cent). And, despite impairments, holding company Tata Sons' net worth rose from Rs 26,000 crore to Rs 42,000 crore. "I cannot believe that I was removed on grounds of non-performance," writes Mistry.

