

---

**IBS Center for Management Research**

## **Tata Motors' Acquisition of Jaguar and Land Rover**

*This case was written by **Indu P.**, under the direction of **Vivek Gupta**, IBS Center for Management Research. It was compiled from published sources, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.*

This case won the **second runner up prize** in the **John Molson Case Writing Competition 2008**, organized by the John Molson School of Business, Concordia University, Montreal, Canada.

---

© 2009, IBS Center for Management Research. All rights reserved.

To order copies, call +91-08417-236667/68 or write to IBS Center for Management Research (ICMR), IFHE Campus, Donthanapally, Sankarapally Road, Hyderabad 501 504, Andhra Pradesh, India or email: [info@icmrindia.org](mailto:info@icmrindia.org)

**[www.icmrindia.org](http://www.icmrindia.org)**

## Tata Motors' Acquisition of Jaguar and Land Rover

*"Acquisition of JLR provides the company with a strategic opportunity to acquire iconic brands with a great heritage and global presence, and increase the company's business diversity across markets and product segments."*<sup>1</sup>

- **Tata Motors, in April 2008.**

*"If they run the brands as a British company and invest properly in new product, it will be successful because they are still attractive brands."*<sup>2</sup>

- **Charles Hughes<sup>3</sup>, Founder, Brand Rules LLC<sup>4</sup>, in 2008.**

*"Market conditions are now extremely tough, especially in the key US market, and the Tatas will need to invest in a lot of brand building to make and keep JLR profitable."*<sup>5</sup>

- **Ian Gomes, Global Head, Emerging Markets, KPMG, in 2008.**

### ACQUISITION OF BRITISH ICONS

On June 02, 2008, India-based Tata Motors<sup>6</sup> completed the acquisition of the Jaguar and Land Rover (JLR) units from the US-based auto manufacturer Ford Motor Company (Ford) for US\$ 2.3 billion<sup>7</sup>, on a cash free-debt free<sup>8</sup> basis. JLR was a part of Ford's Premier Automotive Group<sup>9</sup> (PAG) and were considered to be British icons. Jaguar was involved in the manufacture of high-end luxury cars, while Land Rover manufactured high-end SUVs. Forming a part of the purchase consideration were JLR's manufacturing plants, two advanced design centers in the UK<sup>10</sup>, national sales companies spanning across the world, and also licenses of all necessary intellectual property rights.

<sup>1</sup> Tata Motors, Annual Report, 2007-08.

<sup>2</sup> David Kiley, "Jaguar: Finally Ready to Roar?" BusinessWeek Online, March 27, 2008.

<sup>3</sup> Charles Hughes was involved in the launch of Land Rover North America in the US in the 1980s.

<sup>4</sup> Brand Rules LLC is a marketing consulting consortium that provides advice about shaping and sustaining brands.

<sup>5</sup> Sudeshna Sen, Lijee Philip, Kausik Datta, "Jaguar, Land Rover Find a New Driver in Tatas," www.economicstimes.com, March 27, 2008.

<sup>6</sup> Tata Motors, part of the Tata Group, one of the largest business conglomerates in India with a presence in over 80 countries and a work force of around 290,000 people. Tata Motors is the largest automobile company in India with gross revenue of Rs.330.93 billion in 2007-08. Tata Motors is also the second largest bus manufacturer and the fourth largest truck manufacturer in the world. Tata Motors unveiled the cheapest car in the world, the Tata Nano, priced at around US\$ 2,500, in early 2008.

<sup>7</sup> As of September 19, 2008 1 US\$ = Rs.46.36 (Indian Rupee).

<sup>8</sup> Cash-free, debt-free transaction refers to the amount the buyer would pay if the seller had no debt and no cash on the balance sheet of the company.

<sup>9</sup> Premier Automotive Group of Ford consisted of Jaguar, Land Rover, Aston Martin, Volvo and Lincoln.

<sup>10</sup> The plants were located at Solihull, Castle Bromwich, and Halewood while the design centers were located at Gaydon and Whitley.

Tata Motors had several major international acquisitions to its credit. It had acquired Tetley, South Korea-based Daewoo's commercial vehicle unit, and Anglo-Dutch Steel maker Corus (Refer to Exhibit I for the details of the group's international acquisitions). Tata Motors' long-term strategy included consolidating its position in the domestic Indian market and expanding its international footprint by leveraging on in-house capabilities and products and also through acquisitions and strategic collaborations.

Analysts were of the view that the acquisition of JLR, which had a global presence and a repertoire of well established brands, would help Tata Motors become one of the major players in the global automobile industry. On acquiring JLR, Ratan Tata, Chairman, Tata Group, said, "We are very pleased at the prospect of Jaguar and Land Rover being a significant part of our automotive business. We have enormous respect for the two brands and will endeavor to preserve and build on their heritage and competitiveness, keeping their identities intact. We aim to support their growth, while holding true to our principles of allowing the management and employees to bring their experience and expertise to bear on the growth of the business."<sup>11</sup>

Ford had bought Jaguar for US\$ 2.5 billion in 1989 and Land Rover for US\$ 2.7 billion in 2000. However, over the years, the company found that it was failing to derive the desired benefits from these acquisitions. In 2006, Ford announced a major restructuring program 'The Way Forward'<sup>12</sup>, which involved plans to shut down unprofitable operations. As a part of the program, Ford decided to dismantle PAG and in June 2007, announced that it was considering selling JLR. There were several bidders for JLR but Ford was more concerned about handing over the management of JLR to a company that would take into consideration the interests of the workers. The labor unions of JLR were not in favor of moving the existing manufacturing facilities and factories out of Britain as it would lead to elimination of jobs. These factors, among others, made Tata Motors the preferred bidder. Ford and Tata Motors announced a definitive agreement in March 2008, under which Tata Motors was to purchase JLR for US\$ 2.3 billion.

News of the proposed acquisition by Tata Motors was greeted with much hope and enthusiasm. One of the suppliers to JLR, Grant Adams, Managing Director of Sertec Group Holdings, a UK body panel and stampings supplier for JLR, said, "We are very positive, especially when you look at the other companies that Tata Group has bought such as Corus and Tetley. Both have gone from strength to strength."<sup>13</sup> However, Moody's downgraded Tata Motors' credit ratings from Ba1 to Ba2, citing concerns about operations integration and the impact of the acquisition on the company's finances. According to Moody's, "This acquisition also comes at a time when there is intense competition and rising cost pressure in Tata Motors' domestic market. Furthermore, there are inherent challenges with any major M&A transactions. This deal therefore raises the immediate business risk profile of Tata Motors."<sup>14</sup>

## **BRITISH MARQUES UNDER FORD**

Ford Motors Company (Ford) is a leading automaker and the third largest multinational corporation in the automobile industry. The company acquired Jaguar from British Leyland Limited<sup>15</sup> in 1989 for US\$ 2.5 billion.

<sup>11</sup> "Tata Buys Jaguar in £1.15 bn Deal," [www.news.bbc.co.uk](http://www.news.bbc.co.uk), March 26, 2008.

<sup>12</sup> 'The Way Forward' was Ford's restructuring plan. The plan included resizing the company, selling off some of the unprofitable models, and closing down some of the vehicle plants and component factories. This was estimated to lead to a 28% reduction in the company's workforce in a span of five years from 2006.

<sup>13</sup> John Revill, Tony Lewin, "A Brighter Future for Jaguar, Land Rover," *Automotive News Europe*, March 31, 2008.

<sup>14</sup> "Downgraded by Moody's after JLR Acquisition," *The Times of India*, June 04, 2008.

<sup>15</sup> Jaguar was founded in 1922 by William Lyons and William Walmsley. In 1966, Jaguar merged with the British Motor Corporation to form British Motor Holdings. In 1968, it merged with Leyland Motors Ltd. to form British

After Ford acquired Jaguar, adverse economic conditions worldwide in the 1990s led to tough market conditions and a decrease in the demand for luxury cars. The sales of Jaguar in many markets declined, but in some markets like Japan, Germany, and Italy, it still recorded high sales. In March 1999, Ford established the PAG with Aston Martin, Jaguar, and Lincoln. During the year, Volvo was acquired for US\$ 6.45 billion, and it also became a part of the PAG.

Ford bought Land Rover<sup>16</sup> in 2000 for US\$ 2.7 billion from BMW, and it became a part of the PAG. Since 2002, the activities of both Jaguar and Land Rover were fully integrated. They had a single engineering team, shared technologies and powertrains, and functioned through co-managed engineering facilities. Most of the back office functions like Purchasing, HR, IT, quality and finance were also integrated. Under Ford, the Range Rover MK III was launched in 2002, and the Discovery 3 in 2004. The Freelander 2 was introduced in 2006.

When it acquired Jaguar, Ford had plans to produce around 400,000 units a year to compete with the likes of Mercedes Benz, Audi, and BMW. However, its objective did not materialize as its plans to revive Jaguar's E-type sports car and F-type car failed. Some of the Jaguar models released in 2001 which targeted young customers failed to impress. In 2002, the sales of Jaguar reached 130,000. Analysts were of the view that under Ford, the engineering standards of Jaguar had improved but its image had taken a downturn. According to Paul Horrell, who writes for BBC's *Top Gear* magazine, "The trouble with Ford was, around the Millennium, it became very fashionable to build retro looking cars. A policy of building modern cars that looked like old cars developed. The Jaguar gradually became known as basically an old man's car."<sup>17</sup>

The customers of Jaguar and Land Rover were seen as being highly nationalistic and brand loyal. Jaguar customers were considered to be traditionalists. Analysts cited the case of the X-Type launched by Ford, which consumers did not accept as they did not like the design. They felt that it was more like a Ford Mondeo than a Jaguar. In order to control costs, Ford built Jaguar on the Mondeo platform, but this only served to dilute Jaguar's premium image. Jaguar recorded losses of US\$ 426 million in 2004. By 2006, it was believed that Ford had spent over US\$ 10 billion on Jaguar since acquiring it. However, it had little to show in terms of profit. In the fiscal 2006, Jaguar reported a loss of US\$ 327 million.

Ford reported losses of US\$ 12.7 billion in the year 2006, the worst loss in the history of the company. It lost around US\$ 6 billion in the American operations, and a further investment of US\$ 12 billion was required to make these operations profitable by the year 2009.

By the time the results for the year 2006 were out, analysts believed that in order to salvage the North American business, Ford needed to sell JLR. Strategic reviews conducted by Ford on the two brands ended with recommendations of sale. However, some analysts voiced the view that both brands were on the path to revival. Jaguar had several new models lined up and had introduced the XK in 2006. Land Rover was on its way to profits and recorded sales of 192,000 units in 2006.

JLR had three manufacturing sites spanning an area of around 800 acres. These were located at Hale Wood, Solihull, and Castle Bromwich. Two advanced design centers were located at Gaydon and Whitley. The design centers employed around 5,000 of the total 16,000 workforce in JLR. The facilities available at the advanced design centers included testing facilities, workshops, prototype building facilities, design studio, vehicle development, power train engineering, power train development, and power train integration. (Refer to Exhibit II for Assets and Liabilities of JLR).

---

Leyland Motor Corporation (BLMC). After BLMC faced financial crisis in the early 1970s, it was given government support, resulting in its nationalization and formation of British Leyland Limited. In 1984, Jaguar was floated as a separate company.

<sup>16</sup> Land Rover was founded in the 1860s and the name Rover was introduced in 1884. It became one of the top car manufacturers in Britain by 1920s. It became a part of Leyland Motors in 1967 and was acquired by British Aerospace in 1988. It was sold to BMW in 1994. BMW split the company into two and Rover was sold to Ford.

<sup>17</sup> Amy Blackburn, "A Very British Luxury Brand," www.bbc.co.uk, March 28, 2008.

By the end of 2007, Jaguar had 859 dealers and a presence in 93 markets across the world. The vehicle sales were at 60,485 units, with Europe accounting for 57% of the sales and North America for 26%. Land Rover had a presence in 175 markets through 1397 dealers. Europe accounted for 60% of the sales and North America for 23%. (Refer to Exhibit III for JLR's worldwide sales and to Exhibit IV for the financial performance of Jaguar and Land Rover).

## FORD SELLS JLR

In September 2006, after Allan Mulally (Mulally) assumed charge as the President and CEO of Ford, he decided to dismantle the PAG. In March 2007, Ford sold the Aston Martin sports car unit for US\$ 931 million. In June 2007, Ford announced that it was considering selling JLR. Commenting on the sale of JLR, Lord Bhattacharya, Head, Warwick Manufacturing Group, said, "How often do two such icons come up for sale at the same time? Land Rover is now sustainably profitable and you are about to see a renaissance of Jaguar. But what you really have to look at is the timing."<sup>18</sup>

The bids for JLR came to close in the third week of July 2007. Several private equity firms and automobile manufacturers from across the world expressed an interest in acquiring JLR. These included Cerberus Capital Management LLC<sup>19</sup>, Ripplewood Holdings<sup>20</sup>, One Equity Partners LLC<sup>21</sup>, TPG Capital<sup>22</sup>, Tata Motors, and Mahindra & Mahindra (M&M)<sup>23</sup>.

In November 2007, Ford announced the three preferred bidders: Tata Motors, M&M, and One Equity Partners. Analysts were of the view that Ford was concerned more about the interests of the workers employed with JLR than the price, as it was of the view that any misstep in this direction could adversely affect its image in the UK, which was its second largest market.

JLR's labor unions were looking at a company that would guarantee job security and were against selling it to private equity firms. According to one of the union members, "That's because of the way it operates, loading debt on to companies that they take over, which has the effect of squeezing pay and pensions – and in many cases putting pressure on jobs as well."<sup>24</sup>

In November 2007, Tata Motors secured the support of Unite, the union that represented Ford.<sup>25</sup> All the three shortlisted bidders gave a presentation to representatives of the union. During the presentation, the Managing Director of Tata Motors, Ravi Kant, assured the union representatives that the company did not intend to close any of the plants and would continue to manufacture JLR in the UK. He even came out with plans to employ more people in the next two to three years. He said the executives from JLR were welcome to stay with the company. Most of the union representatives opted for Tata Motors over M&M and One Equity.

<sup>18</sup> "A Used Car Bargain," The Economist, March 26, 2008.

<sup>19</sup> Cerberus acquired 80.1% equity stake in Chrysler from DaimlerChrysler for US\$ 7.4 billion.

<sup>20</sup> Ripplewood Holdings is a US-based private equity firm. Nick Scheele, President of Ford, served as an advisor with Ripplewood Holdings between 2001 and 2005.

<sup>21</sup> Jacques Nasser was the CEO of Ford between 1999 and 2001. After leaving Ford, he became a senior partner of One Equity Partners.

<sup>22</sup> TPG Capital played a major role in turning around Italian Motorcycle brand Ducati.

<sup>23</sup> Mahindra & Mahindra is an India-based auto manufacturer. It is the flagship company of the Mahindra Group. The company's revenues in 2008 were at US\$ 6.7 billion.

<sup>24</sup> "Tata Squeezes Ahead of Equity Firms in Fight for Jaguar and Land Rover," Professional Engineering, January 16, 2008.

<sup>25</sup> Unite is a British Irish Trade union.

On January 03, 2008, Ford announced that it had decided on Tata Motors as the preferred bidder and had entered into focused negotiations with the company. According to an industry expert, "The manner in which the Tata group handled the Corus Steel deal in late 2006 created a major positive impression among the unions and the employees at large. Finally, it was one of the key factors that led to a successful completion of the Jaguar and Land Rover deal."<sup>26</sup>

However, there was widespread skepticism about an Indian company acquiring such iconic brands. According to Ken Gorin, Head of Jaguar's American dealers, "I don't believe the US public is ready for ownership out of India for a luxury-car brand such as Jaguar...."<sup>27</sup>

## THE DEAL

On March 26, 2008, Tata Motors entered into an agreement with Ford for the purchase of JLR. Tata Motors agreed to pay US\$ 2.3 billion in cash for a 100% acquisition of the businesses of JLR. As part of the acquisition, Tata Motors did not inherit any of the debt liabilities of JLR — the acquisition was totally debt free. On the reasons why Ford sold off the brands, John Wolkonowicz, Analyst, Global Insight, said, "They had almost 20 years of playing with Jaguar without success. Ford realized they don't want to put good money after bad any more and it is in a position where they need the money to shore up their core business."<sup>28</sup>

As a part of the acquisition, Tata Motors acquired the manufacturing plants, two advanced design and engineering centers, and a worldwide network of 26 national sales companies<sup>29</sup>. The IPRs on key technologies were to be transferred from Ford to JLR. In case the technology was shared from Ford, a royalty free license for using these technologies was part of the purchase consideration. Ford also provided minimum guaranteed capital allowances of US\$ 1.1 billion for taxation.

Ford was to continue supplying JLR with vehicle components like powertrains, stampings, environment and platform technologies, and services like engineering support, R&D, IT, and accounting. Ford also agreed to provide critical supplies including engines, access to test facilities, and key services in the areas of IT, accounting, etc. The supply of engines included new engines being developed by JLR, produced at the Ford manufacturing plant. The engine supplies were to continue for a period ranging between 7 and 9 years. The design development cooperation included sharing certain platforms, technical support, joint development, and advanced research projects. Ford did not disclose the time period for which it would provide this support. Ford Motor Credit Company, the captive credit division of Ford, agreed to continue providing financing to dealers and customers of JLR during the transition period<sup>30</sup>.

Tata committed itself to following Ford's business plan for JLR till 2011. The plan included new product launches; reducing the dependence on the matured markets, which accounted for 80% of JLR's sales, through strategies to increase sales from the emerging markets; complying with the EU norms pertaining to emissions, etc.

These arrangements would help JLR to continue with their plans and to develop own capabilities. After the deal, not many changes were expected in the employment terms of the around 16,000 employees of JLR.

Tata Motors said it did not have any plans to bring in any major changes in either the brands or the way the companies were run. At the Geneva Motor Show, in March 2008, Ratan Tata said, "We plan to retain the image, touch, and feel of these brands and not tinker with them in any way.

<sup>26</sup> "Tata Name Helped Clinch Jaguar-Rover Deal," www.economictimes.com, April 06, 2008.

<sup>27</sup> "From Cars for Rs One Lakh to Rs One Crore, Tata Makes Them All," www.economictimes.com, March 26, 2008.

<sup>28</sup> "Ford Clears New Path with Sale of Jaguar, Land Rover," www.economictimes.com, March 27, 2008.

<sup>29</sup> Existing national sales companies of JLR and the national sales companies to be created by carving out the Ford operations in some countries.

<sup>30</sup> The transition period was expected to be around 12 months.

These brands belong to Britain and they will continue to belong to Britain. Who owns them is not as material as the brands belonging to Britain and the West Midlands.”<sup>31</sup>

On the completion of sale, Ford was to contribute US\$ 600 million out of the purchase consideration toward the pension fund of JLR in the UK. Tata Motors was also required to contribute to the fund. Ford had funded a substantial part of the deficit as on October 31, 2007. The next evaluation was planned for April 2009.

Tata Motors signed an agreement with the employees of JLR, and those belonging to Unite, safeguarding the jobs till 2011. According to an officer at Unite, “Unite has secured written guarantees for all the plants on staffing levels, employee terms and conditions, including pensions, and sourcing agreements. The sale ensures the future of our members.”<sup>32</sup>

The trade unions in the UK announced that the deal was good news for the automotive industry in the UK. The unions were happy about the fact that, “Tata recognize the Britishness of the two brands and have no intention of closing any plants in the UK.”<sup>33</sup> Analysts were of the view that the support that Tata Motors received from Unite was due to Tata’s track record of managing its employees well and keeping its promises to them. Tata Steel’s acquisition of Corus, where it had kept its promise to the employees, convinced unions about the management’s sincerity. The unions were reportedly in touch with the employees of Tetley and Corus to understand how Tata operated. They found that Tata had not outsourced any jobs and had not even moved the jobs offshore.

However, investors of Tata Motors did not appear too pleased with the deal. When Ford announced that Tata Motors would be the preferred bidder, the share price of the company on the National Stock Exchange (NSE) was at Rs.794.25. It had fallen to Rs 679.40 by the time the deal was announced. Investors expressed concern over how Tata Motors would finance the acquisition (Refer to Exhibit V for stock price chart of Tata Motors).

Initially, Tata Motors obtained a bridge loan of US\$ 3 billion underwritten by a consortium of banks. The additional funding was meant for engine and component supply, for which Tata Motors had entered into a separate agreement with Ford, for any contingencies and requirements that may arise in the future, and for the working capital requirements of JLR. The amount required was to be obtained through a bridge loan raised by Tata Motors UK, a special purpose vehicle, 100% subsidiary of Tata Motors (Refer to Exhibit VI for the acquisition structure).

To refinance the bridge loan, the company planned to raise amount of around US\$ 2.3 billion equity and equity linked instruments. Of this, it planned to obtain US\$ 1.7 billion through three simultaneous but unlinked rights issues and overseas flotation. This rights issues consisted of normal shares and also shares with differential voting rights<sup>34</sup>. The rights issue was priced at Rs.340 for the normal shares and Rs.305 for the shares with differential voting rights.

## THE BENEFITS

Tata Motors was interested in acquiring JLR as it would reduce the company’s dependence on the Indian market, which accounted for 90% of its sales. The company was of the view that the acquisition would provide it with the opportunity to spread its business across different geographies and across different customer segments.

<sup>31</sup> “Tata Motors Appoints SBI as Lead Manager to Raise \$3 Billion Acquisition Corpus,” www.in.ibtimes.com, March 18, 2008.

<sup>32</sup> Krishna Gopalan, “In the Driver’s Seat,” Business Today, April 20, 2008.

<sup>33</sup> Rashmee Roshan Lall, “UK’s Unions Support Tata-JLR Deal,” www.economicstimes.com, March 28, 2008.

<sup>34</sup> The shares with differential voting rights had one vote for every ten shares and were offered at a discount of 12.8% over the regular rights shares and were given 5% extra dividend.

The acquisition provided Tata Motors an opportunity to establish its presence in the high-end premier segment of the global automobile market. According to Peter Cooke, Professor, Automotive Industries Management, University of Buckingham, "For any company with aspiration to become a global player, there's a good opportunity there."<sup>35</sup>

Analysts were of the opinion that Land Rover fitted into the position above the utility vehicles Tata Motors already had. Tata Motors said it was looking forward to synergies in the areas of component sourcing, engineering, and design. The vehicles from the Tata would have better technology in the future, due to its association with JLR. Tata Motors would also benefit from JLR's service and distribution networks.

Unlike in the case of Ford, there would not be any overlap with Tata Motors' existing models. The acquisition would mean that the company would be able to compete both at the low-end of the market, with Nano priced at US\$ 2500 and at the top-end with the Jaguar XF priced at US\$ 64,000.

Another brand that Tata Motors had obtained through the deal was Lanchester, which Jaguar had acquired from Daimler in 1960. The deal also included the right to use the Daimler brand. According to Ratan Tata, "We are looking at whether we can resurrect the Daimler brand, which is sort of moribund."<sup>36</sup> Tata Motors planned to place it in the super luxury segment, competing with Bentley and Rolls-Royce.

Both Jaguar and Land Rover had many new models lined up for the next few years. These launches were expected to take Jaguar's sales volumes beyond the 100,000 vehicle mark for 2008. The XF in particular had received rave reviews and *Auto Car UK* had rated it ahead of the BMW 5 while *What Car* magazine had awarded it the Car of the Year award for the year 2008.

The new products in the offing from the Jaguar stable included the much awaited X351, which would replace the popular XJ Sedan. Another product was a two-seat sports car, based on the XK Coupe. Land Rover had plans of launching a small crossover vehicle by 2010. This would be one of the several small vehicles, including two door and four door vehicles that Land Rover planned to bring out from a common platform (Refer to Exhibit VII for the list of Jaguar and Land Rover products to be unveiled in the next few years).

The success Tata Group had had with other international acquisitions, especially Corus, was often cited as an example of Tata's ability to succeed in its international ventures. According to an analyst from Lehman Brothers in Mumbai, "When they bought Corus, a lot of people said they were stupid. Maybe it's the same with Jaguar. If anyone has a chance to emerge as a big auto player from India, it's Tata."<sup>37</sup>

## THE CHALLENGES

Morgan Stanley reported that JLR's acquisition appeared negative for Tata Motors, as it had increased the earnings volatility, given the difficult economic conditions in the key markets of JLR including the US and Europe. Moreover, Tata Motors had to incur a huge capital expenditure as it planned to invest another US\$ 1 billion in JLR. This was in addition to the US\$ 2.3 billion it had spent on the acquisition. Tata Motors had also incurred huge capital expenditure on the development and launch of the small car Nano and on a joint venture with Fiat to manufacture some of the company's vehicles in India and Thailand. This, coupled with the downturn in the global automobile industry, was expected to impact the profitability of the company in the near future.

<sup>35</sup> "Bidders Drop out of Race for Land Rover and Jaguar as Deal Stalls," Professional Engineering, October 03, 2007.

<sup>36</sup> "JLR Buy: Tata Motors to Revive Daimler Brand," The Times of India, July 25, 2008.

<sup>37</sup> Ian Rowley, Nandini Lakshman, "Can Tata Rev up Jaguar," BusinessWeek Online, March 27, 2008.



Many analysts were skeptical about the synergies Tata expected to achieve out of the deal. They pointed out that even after spending over US\$ 10 billion over a span of 18 years, Ford had not been able to revive the fortunes of Jaguar. Prof. Garel Rhys, Director, Center for Automotive Industry Research, Cardiff Business School, said, "With Jaguar, Tata has to prove it can succeed where Ford failed. Ford couldn't turn the company around despite its knowledge of the European market."<sup>38</sup>

Analysts were of the view that Tata Motors would not get much of a value through the deal. They reiterated that as Tata Motors was a major truck manufacturer and was dealing in the low end of the passenger car market, JLR, which catered to the needs of the premium segment, did not go well with its existing line-up. According to an analyst from Morgan Stanley, "Buying Jaguar, Land Rover was value-destructive given the lack of synergies and the high-cost operations involved"<sup>39</sup>

Analysts were also skeptical about Tata Motors' ability to market such high end products, as it had neither manufactured nor marketed high-end luxury vehicles earlier. The luxury car market was highly competitive, with several prestigious brands vying for the space. These were backed by huge conglomerates like Porsche-Volkswagen, Daimler, BMW, and Toyota. These companies boasted significant financial resources, technology, and vast experience in dealing with the luxury brands that Tata Motors did not possess, they pointed out.

One of the major challenges that Tata Motors could face was the cost of key components. While Ford had agreed to provide access to engine and engine technology for some time, if the prices of these components go up after the deal, Tata Motors might have to incur extra costs on producing the vehicles. Experts were of the view that Ford was highly unlikely to supply the components as per the fixed price contracts as these prices were highly volatile.

The European Commission had decided to adopt a proposal for legislation in December 2007. The proposal aimed at reducing the CO<sub>2</sub> emissions from passenger cars from 160 grams per kilometer to 130 grams per kilometer by 2012. The permitted CO<sub>2</sub> emissions for new vehicles were stipulated depending on the mass of the vehicle. This meant that cars which were heavier needed to bring in more improvements than the lighter ones. Manufacturers could make cars with higher emissions provided they also made smaller cars with lower emissions that would offset the higher emissions.

And this was another problem area for Tata Motors. Jaguar and Land Rover had comparatively high emissions. For example, Jaguar's most fuel efficient model, the X-type, emitted around 194 grams of CO<sub>2</sub> per kilometer. If Jaguar and Land Rover were with Ford, the higher emissions of the two could have been balanced by the lower emissions from Ford's other brands. But Tata Motors did not sell its cars in the UK, nor did it sell any other car in Europe. The company could thus end up facing a proposed penalty in the form of 'excess emissions premium'. For the first year, ie, 2012, the penalty was proposed at € 20 per gram/kilometer, which would increase to € 35 per gram/kilometer by 2013 and to € 95 by 2015. According to Wright, "Neither Jaguar or Land Rover is very well placed in the race to significantly lower the average emissions of their respective ranges."<sup>40</sup> However, Tata Motors on its part was planning to launch Nano in Europe by 2012, after meeting the crash standards and Euro 5 emission standards.

## THE ROAD AHEAD

Tata Motors had formed an integration committee with senior executives from the JLR and Tata Motors, to set milestones and long-term goals for the acquired entities. One of the major problems for Tata Motors could be the slowing down of the European and US automobile markets. It was

---

<sup>38</sup> "Tata Luxury Takeover Welcomed," Professional Engineering, April 09, 2008.

<sup>39</sup> "A Used Car Bargain," The Economist, March 26, 2008.

<sup>40</sup> Jorn Madslie, "Who Gains Most as Tata Buys UK Legends?" news.bbc.co.uk, March 27, 2008.

expected that the company would address this issue by concentrating on countries like Russia, China, India, and the Middle East. As of 2008, China was the fastest growing auto market in the world and was estimated to be Land Rover's fifth largest market and Jaguar's seventh largest market. Russia was expected to be Land Rover's third largest market and Jaguar's eighth in 2008.

Though several analysts were skeptical about Tata Motors being able to turn Jaguar profitable, Tata Motors itself was confident about it. According to C Ramakrishnan, CFO, Tata Motors, "I think Ford has put in several building blocks in terms of turning Jaguar around very successfully. You are looking at the business at a point of time when they are still making losses, but well on their way to a full recovery and we believe some of the work that has already been happened in this company, will take it forward successfully."<sup>41</sup>

Analysts were of the view that Tata Motors needed to understand how to market to the premium segment to take advantage of the opportunities provided by the acquisition of JLR. Going forward, the way Tata Motors managed these brands and derived synergies from them would hold the key to the success of JLR's acquisition. Harbir Singh, Management Professor at Wharton commented, "My sense is that the Tatas are trying to expand their portfolio in general and they are trying to offer [various brands]. I don't think it's a question of the customer viewing Nano, and Jaguar and Land Rover as all offerings of the same company. It's much more a question of like Louis Moet Hennessy having a set of brands and really doing the best you can for Land Rover and the best you can for Jaguar. In terms of the economic sense of the transaction, I think another way of looking at it is: What's the replacement value of those brands, right? And clearly whatever price they pay is much lower than the replacement value. So the real challenge here for them is to make sure that they can enhance Jaguar in its own terms and enhance Land Rover in its own terms."<sup>42</sup>

---

<sup>41</sup> Tata Motors Conference Call, Acquisition of Jaguar and Land Rover, April 02, 2008.

<sup>42</sup> "Tata's Takeover of Jaguar and Land Rover: Bumpy Road or Smooth Ride?" India Knowledge@Wharton, April 03, 2008.

**Exhibit I**

**International Acquisitions by Tata Group**

Year	Company	Country	Acquired for (US\$)	Acquired by
2000	Tetley	UK	432 million	Tata Tea
2004	Daewoo Motors (Commercial Vehicles)	South Korea	102 million	Tata Motors
2005	Nat Steel Ltd.	Singapore	286 million	Tata Steel
	Eight O'Clock Coffee	USA	220 million	Tata Coffee
2006	Teleglobe Holdings Ltd. Intl.	USA	239 million	VSNL
	Tyco Intl.*	USA	130 million	VSNL
	Energy Brands Inc. (30%)**	USA	677 million	Tata Tea
2007	Corus	Anglo-Dutch	12 billion	Tata Steel
2008	PT Bumi Resources (30% in coal mines)	Indonesia	1.3 billion	Tata Power
	General Chemical Industrial Products Inc.	USA	1.01 billion	Tata Chemicals

\*Global undersea fiber optic cable network unit

\*\* Sold the stake for US\$ 1.2 billion in January 2007 to Coca-Cola.

*Compiled from various sources.*

**Exhibit II**  
**Assets and Liabilities – Jaguar Land Rover**  
**(Held-for-Sale Operations)**

	December 31, 2007 (US\$ millions)	December 31, 2006 (US\$ millions)
<b>Assets</b>		
Receivables	758	590
Inventories	1,530	1,404
Net Property	2,246	2,119
Goodwill and other net intangibles	2,010	3,210
Pension assets	696	3
Other assets	297	122
<b>Total Assets of the held-for-sale Operations</b>	<b>7,537</b>	<b>7,448</b>
<b>Liabilities</b>		
Payables	2,395	2,202
Pension liabilities	19	380
Warranty liabilities	645	759
Other liabilities	2,022	2050
<b>Total Liabilities of the held-for-sale Operations</b>	<b>5,081</b>	<b>5,391</b>

Source: Annual Report, Ford, 2007.

**Exhibit III**  
**Jaguar and Land Rover – Worldwide Sales**

No (in units)	2007	2006	2005
Jaguar	57,578	72,680	86,651
Western Europe	33,024	41,367	46,789
America	16,836	22,136	32,131
Rest of the World	7,718	9,177	7,731
Land Rover	202,609	174,940	170,156
Western Europe	109,785	95,399	97,303
America	57,092	53,638	51,634
Rest of the World	35,732	25,903	21,219

Source: Annual Report, Ford, 2007.

**Exhibit IV**

**Jaguar Land Rover – Financial Performance**

*(In US\$ millions)*

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Q1 2007</b>	<b>Q1 2008</b>
Revenue	12462	12969	14942	3548	4145
Cost of Sales	(10955)	(11292)	(12258)	(2747)	(3161)
Gross Profit	1507	1677	2684	801	984
Marketing & Selling	(1112)	(1057)	(1069)	(265)	(275)
R&D	(821)	(683)	(829)	(183)	(226)
Admin	(408)	(360)	(352)	(88)	(82)
Other	336	66	215	24	16
EBIT (excl. special items*)	(498)	(357)	649	289	417
Special Items	(1434)	(1751)	(30)	(15)	(417)
EBIT (Incl. special items)	1933	2108	620	274	0

**Special Items:**

- Impairments of the asset base (2005: \$(1,300)m, 2006: \$(1,600)m, 2008 Q1: \$(421)m)
- Restructuring costs, primarily personnel separation costs (2005: \$(134)m, 2006: \$(151)m, 2007: \$(52)m, 2007 Q1 \$(15)m)
- Variable marketing accrual methodology (2007: \$(53)m)
- Mark to market of forward year hedging contracts (2007: \$143m, 2008 Q1: \$(18)m)
- Other incl. transaction fees relating to the sale of JLR and D&A "held for sale" treatment (2007: \$(68), 2008 Q1: \$22m)

*Source: Presentation by Tata Motors.*

Exhibit V

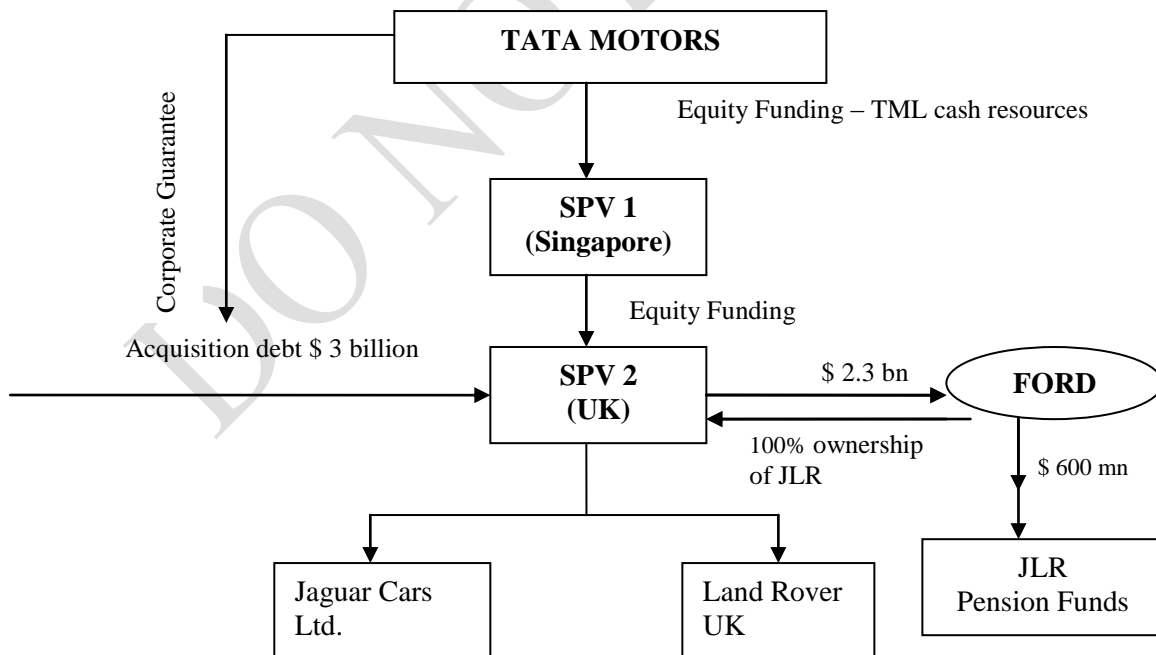
Tata Motors – Stock Price Chart



Source: www.investing.businessweek.com.

Exhibit VI

Tata Motors – JLR Acquisition Structure



SPV 1: TML Holdings Pte. Ltd

SPV 2: Jaguar Land Rover Ltd.

Source: Investor Presentation, Tata Motors, June 06, 2008.

**Exhibit VII**

**Jaguar and Land Rover New Products Pipeline**

<b>Year (Expected)</b>	<b>Models</b>	<b>Description</b>
2009	Jaguar XFR	High performance version of XF Sedan
	Jaguar XKR	High performance version of XK coupe
	Range Rover	Facelift version, with 5.0-liter V8, redesigned interiors
	Range Rover Sport	Facelift version, with 5.0-liter V8, redesigned interiors
2010	Jaguar XJ	Flagship sedan with XF styling, more leg and shoulder room
	Land Rover LR3	Facelift version, with new interiors
2011	Land Rover LRX	Urban chic car also includes hybrid model
2012	Jaguar F Type	Two seat sports car priced around US\$ 50,000
	Land Rover LRX	Spin off of LRX with seven seats
2013	Jaguar Coupe	Range extension with low-roofline style
	All new Range Rover	Replacement of the flagship product
2014	All New Jaguar XF	Aluminum body construction
	All New Range Rover Sport	Variant of the new range rover, with aluminum body.
	All New Land Rover Defender	Similar to Toyota land cruiser targeted at the developing countries

*Adapted from Julian Rendell, "New Lease on Life," Autoweek, April 07, 2008.*

## References & Suggested Readings:

1. **Buyers Line up for Jaguar and Land Rover**, Professional Engineering, July 25, 2007.
2. **Fighting over Ford**, Business India Intelligence, The Economist Intelligence Unit, September 05, 2007.
3. Gail Edmondson, **Is Jaguar an Endangered Species?**, BusinessWeek Online, September 20, 2007
4. James Franey, **New day Nears for Jaguar-Land Rover**, Automotive News Europe, October 01, 2007.
5. **Bidders Drop out of Race for Land Rover and Jaguar as Deal Stalls**, Professional Engineering, October 03, 2007.
6. Amy Wilson, Mark Rehtin, **Some Jaguar Dealers Uneasy about Indian Owner**, Automotive News, December 10, 2007.
7. Jorn Madslie, **What Price for Jaguar and Land Rover?** news.bbc.co.uk, December 21, 2007.
8. Stephen Power, Eric Bellman, **Jaguar Dealers Head Favors Sale to U.S Group**, www.online.wsj.com, December 07, 2007.
9. **Ford to Lose Jaguar, Land Rover Design Staff**, Ward's Autoworld, January 2008.
10. **Ford in Advanced Talks with Tata over Jaguar**, www.msnbc.msn.com, January 03, 2008.
11. **India's Jewel Crown could put the Glint Back into UK Marques**, Marketing Week, January 03, 2008.
12. Manu P. Toms, **Uptrend in Land Rover, Jaguar Sales**, The Hindu Business Line, January 04, 2008.
13. **Tata Squeezes Ahead of Equity Firms in Fight for Jaguar and Land Rover**, Professional Engineering, January 16, 2008.
14. **ANALYSIS - Tata Seen Under-Powered for Jaguar, Land Rover**, www.in.news.yahoo.com, March 04, 2008.
15. **Tata Motors Appoints SBI as Lead Manager to Raise \$3 Billion Acquisition Corpus**, www.in.ibtimes.com, March 18, 2008.
16. **SBI Initiates Fund-Raising for Tata JLR Deal**, Financial Express, March 18, 2008
17. **Tata Buys Jaguar in £1.15 bn Deal**, www.news.bbc.co.uk, March 26, 2008.
18. **Tata Motors Enters into Definitive Agreement with Ford for Purchase of Jaguar Land Rover**, www.tatamotors.com, March 26, 2008.
19. **From Cars for Rs One Lakh to Rs One Crore, Tata Makes Them All**, www.economictimes.com, March 26, 2008.
20. **A Used Car Bargain**, The Economist, March 26, 2008.
21. Sudeshna Sen, **Close Take on Tatas' \$2.30 bn Jaguar Land Rover Deal**, The Economic Times, March 26, 2008.
22. Jorn Madslie, **Who Gains Most as Tata Buys UK Legends?** news.bbc.co.uk, March 27, 2008.



23. Ian Rowley, Nandini Lakshman, **Can Tata Rev up Jaguar**, BusinessWeek Online, March 27, 2008.
24. **Ford Clears New Path with Sale of Jaguar, Land Rover**, www.economicstimes.com, March 27, 2008.
25. David Kiley, **Jaguar: Finally Ready to Roar?** BusinessWeek Online, March 27, 2008.
26. **International Media Divided over Tata-JLR Deal**, Financial Express, March 27, 2008.
27. Andrew English, **Tata must keep up to the Marque**, www.telegraph.co.uk, March 27, 2008.
28. Sudeshna Sen, Lijee Philip, Kausik Datta, **Jaguar, Land Rover Find a New Driver in Tatas**, The Economic Times, March 27, 2008.
29. S. Muralidhar, **Jaguar, Land Rover: From Utilitarian to Premium**, The Hindu Business Line, March 27, 2008.
30. Bryce G Hoffman, **Ford Unloads Jaguar, Land Rover to Tata**, The Detroit News, March 27, 2008.
31. **JLR Deal is a Heavy Burden, Fuel Rating Agencies**, The Economic Times, March 27, 2008.
32. **Not Thought of Bringing JLR Tech to India Yet: Ravi Kant**, www.moneycontrol.com, March 27, 2008.
33. Rashmee Roshan Lall, **UK's Unions Support Tata-JLR Deal**, www.economicstimes.com, March 28, 2008.
34. Amy Blackburn, **A Very British Luxury Brand**, www.bbc.co.uk, March 28, 2008.
35. **Jaguar-Land Rover Buy is a Long-term Strategic Decision**, The Hindu Business Line, March 28, 2008.
36. Lijee Philip, George Smith Alexander **On-Road Price Tag for Jaguar & Land Rover Runs to \$3 bn**, The Economic Times, March 29, 2008.
37. **Now What?** Economist, March 29, 2008.
38. John Revill, Tony Lewin, **A Brighter Future for Jaguar, Land Rover**, Automotive News Europe, March 31, 2008.
39. **Ford Sale Opens Door to Strong New Competitor**, Automotive News Europe, March 31, 2008.
40. Mark Rechtin, **Expect Most Ford-Bred Executives to Stay Put**, Automotive News, March, 31, 2008.
41. Edward Lapham, **Tip for Tata: Let British Brands be British Brands**, Automotive News, March 31, 2008.
42. Richard Truett, **Concern ... Confidence ... Curiosity -- Welcome to America, Tata**, Automotive News, March 31, 2008.
43. Lawrence White, **Tata Says Hello to Land Rover and Jaguar**, Euromoney, April 2008.
44. **Jaguar Land Rover Confident as Tata Agrees Business Plan**, Automotive Engineer, April 2008.
45. **Ford Pulls Trigger on Jag, Land Rover Sale**, Ward's Autoworld, April 2008.
46. Antoinette Odoi, **Tata Takes Turn with British Icons**, Marketing, April 02, 2008.

47. **Classic Names are Part of Tata Deal**, Automotive News, April 07, 2008.
48. Julian Rendell, **New Lease on Life**, AutoWeek, April 07, 2008.
49. **Tata Luxury Takeover Welcomed**, Professional Engineering, April 09, 2008.
50. **Tata Name Helped Clinch Jaguar-Rover Deal**, www.economictimes.com, April 06, 2008.
51. **Tata Luxury Takeover Welcomed**, Professional Engineering, April 09, 2008.
52. **The Tata Bid Really Blew us out of the Water**, www.outlokbusiness.com, April 19, 2008.
53. Krishna Gopalan, **In the Driver's Seat**, Business Today, April 20, 2008.
54. **No Lenders Yet for Tata Motors \$3bn Bridge**. Euroweek, April 25, 2008.
55. **Jaguar and Land Rover: Tata Motors Acquires a Rich Legacy**, Domain-b.com, March 26, 2008.
56. **Tata Motors Plans to Raise \$1.7 bln for Jag Deal**, www.reuters.com, May 28, 2008.
57. **Tough Road Ahead for Tata's Jaguar-Land Rover Ride in Europe**, The Economic Times, May 28, 2008.
58. **UPDATE 1-India Tata Motors Shares Trip on Rights Issues Plan**, in.reuters.com, May 29, 2008.
59. Vipin V. Nair, **Tata Motors Plunges in Mumbai on Fund-Raising Plan**, www.bloomberg.com, May 29, 2008.
60. **Tata Plans \$1.7 Billion Rights Issue for Jaguar**, www.uk.reuters.com, May 29, 2008.
61. **Tata Motors Sinks on Fundraising Plan**, CNNMoney.com, May 29, 2008
62. **Tata Motors to Take Rights Road for JLR**, Business Standard, May 29, 2008.
63. David Isaiah, **India: Tata Motors to Raise Rs72bn Through Triple Rights Issue**, www.automotiveworld.com, May 29, 2008
64. Satish John, **Tata Motors' Differential Rights Likely to Set Trend**, www.dnaindia.com May 30, 2008
65. **Ford Completes £1.7bn Jaguar Deal**, news.bbc.co.uk, June 02, 2008.
66. **Tata Motors Completes Acquisition of Jaguar & Land Rover**, The Economic Times, June 02, 2008.
67. **EXT-Moody's release on Tata Motors Ltd**, in.reuters.com, June 03, 2008.
68. **Downgraded by Moody's after JLR Acquisition**, The Times of India, June 04, 2008.
69. **Tata Motors plans 40% Discount on Rights Issue**, The Times of India, June 04, 2008.
70. **Jaguar, Land Rover See Opportunities in New Markets**, The Economic Times, June 06, 2008.
71. **Tata's Takeover of Jaguar, Land Rover Hailed by Local Leaders**, The Hindu, June 06, 2008.
72. **JLR Buy: Tata Motors to Revive Daimler Brand**, The Times of India, July 25, 2008.
73. Peter Hutchison, **Tata Shelves Cash Call for Jaguar Bill after Shares Fall by a Third**, Telegraph.co.uk, August 21, 2008.

74. Rhys Blakley, **Tata Turns to Asset Sales to Pay for Jaguar and Land Rover**, Times Online, August 21, 2008.
75. **Production Cut at Tata Jaguar in UK**, Hindustan Times, August 24, 2008
76. **Tata Motors Revises Terms for Mega Rights Issue**, The Hindu, September 02, 2008.
77. Baiju Kalesh, **JM to Underwrite Tata Motors Issue**, www.livemint.com, September 06, 2008.
78. **BSE Announcement on Tata Motors Rights Issue**, www.tradingmarkts.com, September 08, 2008.
79. Investor Presentations, Tata Motors
80. Annual Reports, Ford
81. Annual Reports, Tata Motors
82. www.tata.com
83. www.tatamotors.com
84. www.ford.com
85. www.jaguar.com
86. www.landrover.com