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TARUN KHANNA
KRISHNA PALEPU
DANIELLE MELITO WU

House of Tata, 1995: The Next Generation (A)

Ratan Tata has his own vision for the group and there is never any doubt that he will hold it together.[1]

The House of Tata, India's oldest and largest group of companies, was also one of the country's most respected business organizations. The Tata Group enterprises, worth a market value of Rs. 290 billion in FY96, included 84 separately traded companies spanning 25 sectors of the economy, with 270,000 employees and FY95 sales of Rs. 220 billion.[2] Ratan Tata, chairman since 1991 of the group holding company, Tata Sons, had already launched several strategic initiatives that were changing the very character of the group.

In early 1995, Ratan proposed a fee scheme whereby, for the first time, Tata companies would have to pay for the use of the Tata brand name. This proposition met healthy questioning and debate from several Tata company heads. In addition, Ratan was taking steps to increase the degree of group ownership in the individual companies, to revitalize its management development programs through Tata Adminstrative Services, and to move into uncharted territories in new industries. Finally, in late 1995, Ratan contemplated selling a 20% private equity stake in Tata Industries Limited (TIL), a holding company wholly owned by Tata Sons, to a Hong Kong conglomerate.

At a time when conventional wisdom argued against the continued existence of diversified business groups, Ratan's bold decisions seemed especially puzzling to many of his colleagues and admirers. At the March 31 close of FY96, Ratan, the various Tata companies, the media, and the Indian business world at large all waited to see how his plans would unfold in the new year.

The Indian Economy

Following a balance of payments crisis in 1991, the incoming Indian National Congress (Indira) introduced drastic reforms to liberalize the old central planning economy. Far-ranging policies began the process of decreasing government control and moving India towards an increasingly market-based economy. Within just a few years, there was a change away from the license regime and the

[1] N. Radhakrishnan, "Let Us Go Anywhere, I Do Not Care Where…" *Business India*, December 6-19, 1993.

[2] 1996 average exchange rate: Rs. 35.4 : $1. 1995 average exchange rate: Rs. 32.4 : $1. (Rs. = rupee.)

Professors Tarun Khanna and Krishna Palepu and Research Associate Danielle Melito Wu prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

old, protected mindset that had permeated the nation.[3] Product expansion and new market entry became easier as centralized planning ceased. The number of industries in which only public sector (state and central government) firms were allowed to operate decreased from seventeen to six. This opened fast growing industries such as electronics and motor vehicles to the private sector. The government also divested minority shares of its state-owned enterprises (in some cases up to 25%), most notably in the steel, oil refining, air transport, and mining industries. See **Exhibit 1** for market indicators.

A new sealed bid system helped combat a culture of bribery in industries that still required licenses, but corrupt officials could still extract "speed money" to help businesses avoid project delays. Greedy officials could also change the bidding requirements after the bidding had been completed, thereby leaving bidders scrambling to secure favor. Officials had also been known to accept payment from the losing bidders to declare all former bids insufficient and to start the bidding process again.

The reforms had a positive effect on the growth of domestic capital markets. New banking regulations aimed at aiding priority sectors and small firms, but had the effect of restricting lending to the largest 20 groups. These regulations were easily enforced, as the public sector held 87% of the nation's total deposits and received over half of all bank loans.[4] As a result, global depository receipts (GDRs) and private equity investment became popular methods of fundraising among large business groups.[5]

As a way of bringing capital, technology, and modern management practices into the country, the government encouraged foreign investment by reducing red tape and easing the restrictions on ownership stakes for foreigners in 34 high priority industries. For example, foreigners could now own up to 40% of a domestic airline. In priority sectors, such as power, foreigners were permitted to invest up to 100%. As a result of these reforms, foreign direct investment increased from $230 million in 1991 to $8.8 billion in 1995.

However, as foreign investment increased, so did anti-foreign sentiment. With a new takeover code which no longer protected companies from hostile takeovers, the arrival of cash-rich foreign firms appeared as a threat to some incumbent managers. Only investors with at least 26% ownership of a company had the legal right to block takeover resolutions.

Business Groups

Diversified business groups dominated the Indian private sector. The modern groups grew out of the 19th century British "managing agency" system, under which a central agency controlled several companies across a range of industries, with limited liability to the agency. After the government abolished the managing agency system in 1970, diverse family-controlled companies formed identifiable business groups. Group companies were often linked through a maze of cross-holdings and interlocking directorates, and often emphasized a common identity. To venture into a new area of activity the group typically put up some fraction of the capital for the new area, with the remainder provided by state-run financial institutions.

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[3] Prior to reform, businesses were required to obtain licenses in order to enter and exit new markets, and create or expand product lines.

[4] In 1994 and 1995, applications were approved for the launching of 18 new private sector banks.

[5] GDRs allow companies in Europe, Asia, the United States, and Latin America to offer shares in world markets. Local investors can buy shares on their own home exchange and receive dividends in their home currency.

The promoter's own capital often came through other group companies who purchased part of the equity in the new venture.[6] During the 1970s the strict government regulations stifled competition and thereby basically guaranteed success in any line of business. But since liberalization, many Indian promoters had been quietly increasing company holdings in order to deal with the threat of takeovers.

Despite the ongoing debate over whether business groups were a dying breed, they continued to be an important component of the post-liberalized economy. The largest and most successful modern business groups tended to be run by politically savvy entrepreneurs. One study examined the "industrial embassies" that many large groups maintained in New Delhi to interact with the regulators.[7] Other observers claimed that powerful groups sometimes secured licenses solely to preempt others from a particular activity, that they often exceeded their licensed production levels, and that they engaged in "financial preemption" in an environment of capital scarcity.

The House of Tata

Jamsetji Tata planted the roots of the Tata Group by establishing a single textile mill in 1874. Throughout his expansive career, he never lost sight of his goal to encourage India's industrial and intellectual development. The House of Tata built world-class capacity in steel and hydroelectric power, and developed modern manufacturing methods, technical education, and research capabilities. Jamsetji founded the J.N. Tata Endowment Trust in 1892 to provide loan scholarships for Indian nationals with outstanding academic records to pursue higher studies abroad. The later Tatas lived up to their patriarch's legacy, and by the mid 20th century, 85% of the Tata family's original share in Tata Sons was transferred to two charitable trusts, the Sir Dorabji Tata Trust and the Sir Ratan Tata Trust.

Tata Sons, the initial investor in many Tata companies, eventually became the group holding company. As such, it administered current business activities as well as financed new projects. J.R.D. Tata, the son of Jamsetji Tata's cousin, was elected chairman of Tata Sons in 1938. At that time, the group held just 13 companies. J.R.D. hand-picked many of the Tata company chairmen, including Darbari Seth (Tata Chemicals) and Ajit Kerkar (Indian Hotels). J.R.D. presided over the Tata companies during the nationalization of many of India's businesses, including Tata Airlines (nationalized in 1953), later to become India's two national airlines, Air India and Air India International; and Tata's insurance arm, New India Assurance Company Limited (nationalized in 1971).

The Tata companies became legally independent after the dismantling of the managing agency system in 1970. Nevertheless, the force of J.R.D.'s personality, along with a network of inter-corporate shareholdings and weekly cross-company directors' meetings, helped maintain a sense of unity. J.R.D. encouraged his hand-picked chairmen to expand and operate their companies autonomously within the Tata philosophy of professionalism and ethical business practices. As a result, the chairmen of the larger Tata companies grew accustomed to ruling their empires without interference from the Tatas for decades. Ajit Kerkar reminisced, "He [J.R.D.] was the kind of chairman any professional manager should have. He laid down the policies but never interfered with the day-to-day working. Even those areas where he and the board did not agree with me…he never imposed his

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6 In the Indian business context, a promoter was a person (or an entity) who started a business, by investing personal or corporate funds and/or soliciting funds from other investors.

7 Dennis G. Encarnation, *Dislodging Multinationals: India's Strategy in Comparative Perspective*, Cornell University Press, 1989.

own will on anything. That was his greatness."[8] Although these company commanders all traded on the Tata name—one of the most respected brand names in India—they cherished their independence, and vehemently protected their own domains.

J.R.D. fostered this entrepreneurial spirit and believed that it was the main ingredient in the outstanding success of the Tata companies. Among the more notable were the two flagship companies, Tata Engineering and Locomotive Company (Telco) and Tata Iron and Steel Company (Tisco); Tata Power (one of the three Tata Electric Companies); Associated Cement Company (ACC); Tata Chemicals; Tata Tea; and Indian Hotels. These seven companies together accounted for nearly 80% of the Tata Group's sales in FY95. **Exhibit 2** diagrams the intercompany relationships and investment flows. **Exhibits 3, 4,** and **5** provide an overview of the publicly listed Tata companies and a comparison of the major Tata companies with corresponding industry averages.

Ratan Tata

Ratan Tata, the son of one of J.R.D.'s cousins, was an open, trusting man who had never worn his wealth with comfort and as a result developed into a shy, soft-spoken individual. He was an unfailingly ethical man who believed that "the end never justifies the means." After studying engineering at Cornell University, Ratan embarked upon a career in architecture in the United States. He was called back to India in 1962 to work for the House of Tata. He rotated through various Tata companies, attended the Harvard Business School's Advanced Management Program in 1975, and was elected chairman of Tata Industries Limited (TIL) in 1981. Ratan then attempted to turn TIL from a small holding company, with 1981 profits of Rs. 35,000, into a group strategy think tank.

Ratan's 1983 "Tata Strategic Plan" proposed placing TIL as the group's vehicle for growth in high-technology businesses in four areas (advanced electronics, biotechnology, advanced materials, and alternative energy), and simultaneously phasing out "sunset" businesses like textiles and cooking oils. Its other goals included defining the group companies in terms of eight business areas, increasing Tata ownership in group companies, and exploring joint ventures with the government. TIL generally maintained a 10% to 20% stake in the few new ventures that they promoted in the 1980s, including a highly successful entry into several high technology areas and a joint venture in contract drilling for oil and gas.

Ratan's friendship with India's Prime Minister Rajiv Gandhi (PM from 1984 to 1989) sparked a warm relationship between the Tata companies and the government. During Prime Minister Gandhi's tenure, new projects that had been awaiting approval for years were finally granted the necessary licenses. However, the implementation of the "Tata Strategic Plan" was held back by the Tata culture of independence—the various Tata company chairmen, who collectively held TIL's entire share capital, were unwilling to fully support Ratan's plans.

In 1988 the aging J.R.D. promised succession of the Tata Sons chair to Russi Mody, a good friend and long-time chairman of Tata Iron & Steel Company (Tisco). Like many of his contemporaries, Mody figured the shy and soft-spoken Ratan for a lightweight, not viewing him as a serious contender for the chair. A consequent error, and overconfidence on Mody's part, caused J.R.D. to rethink the succession plan. He started with bypassing Mody in favor of inviting Ratan to take over the Telco chair from 82-year-old Sumant Moolgaokar in December 1988. Mody was incensed.

J.R.D., then 88, nominated Ratan, then 54, to the Tata Sons chair on March 25, 1991. Ratan found himself as the head of a conglomeration of companies one Tata director described as "no longer

[8] N. Radhakrishnan, "Let Us Go Anywhere, I Do Not Care Where…," *Business India*, December 6-19, 1993, p. 67.

existing as a group except in their culture and name. Legally, none of the companies has any reason to show allegiance to Tata Sons. It is only because of the financial institutions, who are the major shareholders, that Tata management is allowed in these companies."[9]

Russi Mody and Ratan had a major confrontation when Mody unilaterally decided to change the succession hierarchy in Tisco. Ratan objected, saying that such changes warranted a full-fledged board discussion. Mody disagreed, but after a series of meetings with J.R.D. and other Tata directors was held, Mody withdrew his new management succession plan. A few months later, Mody relinquished his position as managing director in favor of Dr. Irani. Mody remained as non-executive chairman but over the next several months the growing tension between Mody and Irani resulted in open conflict within the company. On April 19, 1993, then 75-year-old Mody was terminated from his position as Tisco chairman.

In the meantime, Ratan revived a much-ignored policy which set the mandatory retirement age for executive directors at 65 and non-executive directors at 75. Enforcement of this policy would make it difficult for the powerful but aging chairmen to remain within the Tata companies. After the episode with Mody, most old-guard chairmen relinquished their posts with little fuss in deference to the new order. Darbari Seth, 73, continued at Associated Cement as a non-executive director and was recognized as chairman emeritus at both Tata Chemicals and Tata Tea. At that time, the remaining powerful chairmen were Ajit Kerkar, 60, of Indian Hotels; N.A. Palkhivala, 72, of Associated Cement; H.N. Sethna, 70, of the Tata Electric Companies; and A.H. Tobaccowala, 68, of Voltas. See **Exhibit 6** for the chairmen and boards of directors of major Tata companies.

Before Ratan could craft a group strategy, he would have to get Tata's two flagship companies, which together accounted for more than half of sales, back into shape. Telco's earnings had dropped 77% in FY93 and Tisco had suffered a 41% earnings loss the same year. Under Ratan's leadership, both Telco and Tisco managed to increase earnings in FY94 and by FY95, earnings for both companies had rebounded. By Ratan's account, "I made no effort to play a group role until Tisco and Telco were doing extremely well."[10]

Between the mid-1980s and mid-1990s, Ratan promoted— through TIL— a total of 20 solo and joint ventures, with combined sales of Rs. 7.5 billion in FY96 (see **Exhibit 7**). These sales were expected to increase tremendously. TIL maintained a 25% to 50% share in all solo ventures. In the case of joint ventures, TIL signed all joint venture contracts, while the Tata company involved usually commanded the controlling interest. Other Tata companies were encouraged to become co-promoters only in those ventures in which they had a strategic interest. Although TIL tended to exclude external investors from its promotion projects, the company had on occasion taken a few of their promoted companies public.

Ratan Tata's Strategy, 1995

> We have somehow to consider ourselves as one group. That's what we're trying to do in terms of corporate communications. We need to get the companies to operate synergetically [*sic*] with each other. After that, we will have to evolve a structure that has to be accepted, not mandated.[11]

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[9] India's financial institutions had strong ties with, and had historically always supported, the Tata family.

[10] Cesar Bacani and Shirish Nadkarni, "The Tata Emperor," *Asiaweek*, January 24, 1997, p. 41

[11] Ibid, quote from Ratan Tata.

The Tata Brand Ratan Tata was considering several steps that he hoped would give the group a stronger collective identity. The principal of these was for Tata Sons to take responsibility for promoting a unified Tata brand which could be used by all companies that subscribed to the Tata Brand Equity Scheme. Each subscribing company would derive the benefits of the centrally promoted Tata brand and of the Tata affiliation. Tata Sons would require an annual contribution related to each company's net income in order to meet the costs of the development, promotion, and protection of the unified Tata brand.

Ratan proposed that each subscribing company pay a contribution (he adamantly avoided using the term "royalty"), based on its degree of association with the brand.[12] Contribution rates would range between 0.10% to 0.25% of a company's net income before taxes and non-operating income, and would be capped at a maximum of 5% of the profit before tax (i.e., profit after interest and depreciation). Participating companies would be required to subscribe to a code of conduct to ensure uniformly high quality and ethical business practices. Participating companies would be eligible for recognition of outstanding representation of Tata values with the J.R.D. Quality Value Award, modeled after the Malcolm Baldrige National Quality Award in the United States.

Many Tata companies had urged Tata Sons to adopt a strong, global Tata corporate campaign, and were pleased with Ratan Tata's plan. The managing director of Titan Industries Ltd., a Tata company, wrote, "[Tata] companies have, in recent years, been pressing Tata Sons to put their act together with some speed so that they can both take advantage of the opportunities and ward off the competitive threats which have suddenly and so dramatically emerged with the opening up of the Indian economy. The Tata name is a powerful force and hugely valuable commercial property."[13]

Tata Sons planned to use the fee money to build a national, and later international, group brand image by emphasizing a set of core values and ethics, largely through advertising. Tata Sons estimated that meaningful domestic brand promotion alone would cost at least Rs. 300 million per annum. A central committee would be set up to facilitate decisions regarding brand promotion.

The boards of directors of the various Tata companies passed a resolution in the last half of FY95 approving this arrangement. However, the Scheme generated debate in the investing public and in the media. The implementation of the Scheme, slated to be retroactively effective April 1, 1995, was deferred to incorporate additional features based on evolving views. Some Tata shareholders resented Tata Sons' attempt to assert itself beyond the limits of an ordinary shareholder (even though the role of Tata Sons in the Scheme had nothing to do with its status as a shareholder of the major Tata companies). Some others doubted whether the brand subscription would offer an immediate benefit to their individual companies. Still others went so far as to claim that the Tata name had not necessarily been the reason for their companies' success. Many of the companies that did openly derive the benefit of the Tata name had enjoyed free access and, therefore, some of their shareholders opposed paying a subscription fee now. Ratan countered these arguments:

> The intention has been that it [brand] would create a single strong equity that will benefit all the companies. …If you are to fight a Mitsubishi or an X or Y in the free India of tomorrow, you better have one rather than 40 brands. You better have the ability to promote that brand in a meaningful manner. … Do we have a common thread that runs through the Tata Group? In the past, that thread was embodied in a personality, maybe J.R.D. Tata. But I think times are different now. You have to institutionalize certain things. You cannot be forever on

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[12] Fee schedule: right to use the Tata name in both company banner and products, 0.25%; right to use the Tata name in either the company banner or products, 0.15%; right to be perceived as a Tata company, 0.10%.

[13] Xerxes Desai, "Much Ado About Nothing," *Business India*, December 2-15, 1996.

> personalities[*sic*]. There may be a Mr. Tata as a chairman, or there may not be a Mr. Tata as chairman of the group.[14]

Companies not using the Tata name or the Tata brand to market their products, such as Indian Hotels, Voltas, and Rallis, were also invited to subscribe to the Scheme.[15] Tata Sons' rationale was that such companies did make use of the Tata reputation when raising money in global and domestic markets, and often accessed managerial and financial support from the group. For example, Indian Hotels (IHC), better known as the Taj Group of Hotels (TGH), devoted four pages of its GDR offer prospectus to its ties with the House of Tata, although management claimed that they did not refer to themselves as a "group company" per se. At one stage, Ajit Kerkar publicly denied that IHC's name would be changed to reflect the Tata brand. One disgruntled IHC share-holder complained:

> Any payment made by the company for questionable returns substantially affects my income from IHC. …It will only tighten the grip of TSL [Tata Sons] over IHC at our expense. …By advertising that our hotels belong to the Tata Group, we will confuse prospective clients and undermine the significance of the TGH brand name which has been built up over 92 years.[16]

Restructuring In 1993 Ratan began taking steps to convert the Tata Group into a tighter, leaner organization by selling the loss-making Tata Oil Mills Company Ltd. (Tomco) to Hindustan Lever Ltd., a subsidiary of the Anglo-Dutch group Unilever. Ratan also favored a merger of Tata's three electric companies, but by 1996 he had yet to coordinate such a transition:

> I think we were in many more areas than we should have been in and we were perhaps not concerned about our market position in each of those businesses. I think the needs today are that we define our businesses much more articulately and that we remain focused rather than diffused, and that we become more aggressive than we used to be, much more market driven, much more concerned about customer satisfaction.[17]

Yet independent-minded Tata companies continued to diversify with little coordination. Despite Tata Sons' concern about Tata companies entering into disparate joint ventures, Associated Cement Company continued to do so. ACC's managing director rationalized, "We are looking at these new areas of business because of the opportunities that exist."[18] In some cases, the lack of coordination was so great that several Tata companies competed with each other, both in domestic and export markets. For example, Tisco, Tata Chemicals, and ACC were each setting up huge cement plants, leading to the possibility of conflict.

Increasing Tata Sons' Investment Capabilities Through Tata Sons, the Tatas held minority shares ranging from 0.01% to 15% in Tata companies. By comparison, Indian entrepreneur Pallonji Shapoorji Mistry, with 18.4%, owned more of Tata Sons than the entire Tata family together. In order to increase (and in some cases, maintain) its stake in various companies and fuel growth in its core divisions, Tata Sons determined that they would need to raise a total of Rs. 7 billion in FY95 and

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14 "Brand Name to Survive Personalities: Ratan," *The Economic Times*, October 14, 1996.

15 Unprofitable companies and joint venture companies in which the non-Tata joint venture partner company did not charge a brand fee would not be required to pay the subscription.

15 "The Tatas: Trust Deserved or Belied?," *The Economic Times* (New Delhi), November 28, 1996.

17 "The Problems of Being a Tata," *The Hindu*, November 24, 1996. Excerpt from Gita Piramal, *Business Maharajas*, Viking Penguin India.

18 D. N. Mukerjea, "ACC's Quest for a Stable Future," *Business World*, May29-June 11, 1996, p. 52.

FY96, to realize a 1% stake increase in each of the major Tata companies. To raise the necessary funds, Tata Sons announced a Rs. 3 billion rights issue on September 25, 1995.[19] The shares were made available to Tata companies (at a premium) through a renunciation of shares by various trusts.[20] The additional Rs. 4 billion would be raised through internal generation and debt. See **Exhibit 8** for the new share ownership.

Group companies could legally purchase Tata Sons shares and vice versa, but collusion between companies to exchange shares would violate the law. The media queried Ratan's plan to increase Tata Sons' equity holdings, raising concerns that (among other issues) the selling price overvalued the Tata Sons' shares. From an analyst's point of view, the deal seemed to lack any benefit for the investing companies. It was estimated that the interest cost on the Rs. 3 billion investment would be Rs. 450 million, whereas even a 100% dividend declaration by Tata Sons would yield only Rs. 30 million. Ratan argued that the shares would appreciate immensely if Tata Sons were to go public, and no shareholders had yet officially complained of the illiquid nature of the Tata Sons investment. But one foreign investor criticized the participation of Tata companies in the Tata Sons rights issue, "Industrial companies in India will need capital to invest to compete over the next decade. …This [diversion of capital] won't do the Tatas any good [long term]."[21]

Tata Administrative Services (TAS) TAS, a department of Tata Services, Ltd., had been recruiting talented individuals for accelerated management careers within the Tata companies since the 1950s. Although TAS had been relatively successful—maintaining an average TAS officer retention rate of 67% over the ten-year period 1986-1995, compared to a 10% to 25% annual attrition rate experienced by many Indian organizations—the prestige had waned somewhat in recent years. Ratan planned to promote TAS as a "premium career" and elevate the program's status among up-and-coming business leaders through media exposure, including high profile TAS coverage in business publications. TAS also planned to develop an audio-visual presentation that would promote TAS and the Tata Group to prospective employees.

Ratan hoped to redefine and develop TAS as a group resource, enlarge the program, and increase the mobility of the TAS participants among group companies. New TAS recruits (mostly MBAs) would be encouraged to take advantage of the opportunity to work in a range of industries within the group by rotating among the Tata companies. Individual Tata companies that opted to participate in the TAS program would receive a newsletter advertising TAS officer openings as well as TAS officers looking for new positions.

During the first ten years of the new and improved program, TAS officers would gain exposure to three different industries through planned job rotation within the Tata companies. Special programs would foster leadership, teamwork, and group values for TAS officers in years 1, 5, and 10. During years 11 to 15, TAS program coordinators would take special pains to match TAS officers with appropriate senior job opportunities in Tata companies.

TAS was prepared to recruit 25 exceptional new officers in the coming year and planned to increase the annual number of recruits if necessary. TAS coordinators were aware that to become competitive TAS would have to be in the top 10th percentile of MBA compensation packages, while

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[19] A rights issue is the offering of common stock to existing shareholders who hold rights that entitle them to buy newly issued shares at a discount from the price at which shares will later be offered to the public. (Source: *Barron's Dictionary of Finance and Investment*, 1995.)

[20] A few years earlier, the government had adopted a regulation forbidding public charitable trusts to invest in the private corporate sector.

[21] Manjeet Kripalani, "Tut-Tutting over Tata's Way of Doing Business," *Business Week*, November 11, 1996.

TAS' current MBA compensation package was below the 35^{th} percentile. To rectify this, TAS calculated that they would need to offer an entry level compensation package of Rs. 20,000 per month in 1996 and Rs. 25,000 per month in 1997 (more than double the current rate). **Exhibit 9** compares TAS' MBA compensation packages with those of other top companies in India.

Taipans and Maharajas[22] Ignoring the concern of Indian industrialists over the entry of foreign firms into Indian industry, Ratan contemplated selling a 20% stake in TIL to the colossal Hong Kong-based Jardine Matheson group (worth Rs. 612 billion) for Rs. 1.26 billion. Jardine, a firm which already boasted significant influence throughout most of Asia, was anxious to get into India's newly liberalized market. The deal was expected to push TIL's share capital up from Rs. 476 million to Rs. 595 million. Ratan planned to use this capital influx for venture start-ups promoted through TIL. Although Jardine probably would not receive a dividend for five years, the Hong Kong company would have the same rights as the other Tata companies: to occupy a TIL board seat, to be involved in project planning, and to invest in new projects promoted by TIL.

Ratan anticipated that Jardine would contribute expertise in a wide range of business activities, such as retailing and distribution, real estate, hotels, engineering, construction, and financial services. Specifically, both Jardine and Tata had interests in exploring the potential synergy between their financial businesses (Tata Finance and Jardine Fleming) and in creating a major car distribution network. A Jardine associate described Ratan as "a careful planner and thinker, and his long-term decisions seem to be spot-on. But he's not good when consumer demand patterns change rapidly."[23] For example, sales of the Telco-assembled Mercedes Benz had been 50% off initial projections and Ratan admitted that the joint venture had not read the market accurately.

Forthcoming Ventures

> If everyone is told not to go into unrelated businesses, how will the airlines, oil, and telecommunications industries develop? The government has said that they can't do it. So there's a social benefit to all this diversification.
>
> —N. A. Soonawala, Tata Sons Director

Indeed, Ratan had several projects in mind which necessitated the deep pockets and clout of a conglomerate like Jardine. For example, the Tata Group was considering joint ventures with AIG (insurance), a Singapore consortium (technology park in Bangalore), Singapore Airlines (airline), and Bell Canada (telecommunications). In addition, many more technology companies would be introduced through TIL.

One of TIL's latest plans was a joint venture with Singapore Airlines (SIA) to create a domestic Indian airline. In February 1995 TIL submitted a bid to the Indian government within the framework of the current government guidelines. If the joint venture were approved, Singapore Airlines would hold a 40% stake, Tata companies would hold another 40%, and Indian institutional investors 20%. In comparison, India's two major airlines, Air India and Indian Airlines, each of which held an equity base of less than Rs. 1 billion, were government owned. One aviation analyst predicted that such a venture would change the entire nature of India's airline industry. "The airline business needs large

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[22] Taipan: a powerful business person, particularly a foreigner who does business in Hong Kong and China. Maharaja: a Hindu prince.

[23] Cesar Bacani and Shirish Nadkarni, "The Tata Emperor," *Asiaweek*, January 24, 1997, p. 43.

amounts of capital. Only a venture with big players such as Tata and SIA could really get a handle on it. They can give Indian Airlines a run for its money."[24]

The project required the approval of the Foreign Investment Promotion Board (FIPB) of the Ministry of Industry, and the Ministry of Civil Aviation. It was expected that the FIPB would eventually approve TIL's joint venture with Singapore Airlines. However, the Ministry of Civil Aviation was strongly opposed to permitting foreign direct investment in the airline industry and planned to adopt a policy to prevent such an occurrence. The civil aviation minister reasoned, "Indian Airlines is the national carrier and we have to protect its interests. Otherwise the future of thousands of employees working for Indian Airlines will be at stake."[25]

Looking Ahead

The plans Ratan had implemented thus far—from the brand fee and share increase to continued diversification—had generated much criticism both inside the group and beyond. It was apparent that the character of the Tata companies had already changed, and Ratan now had to ask himself whether he had chosen the appropriate course for the future.

[24] Ibid.

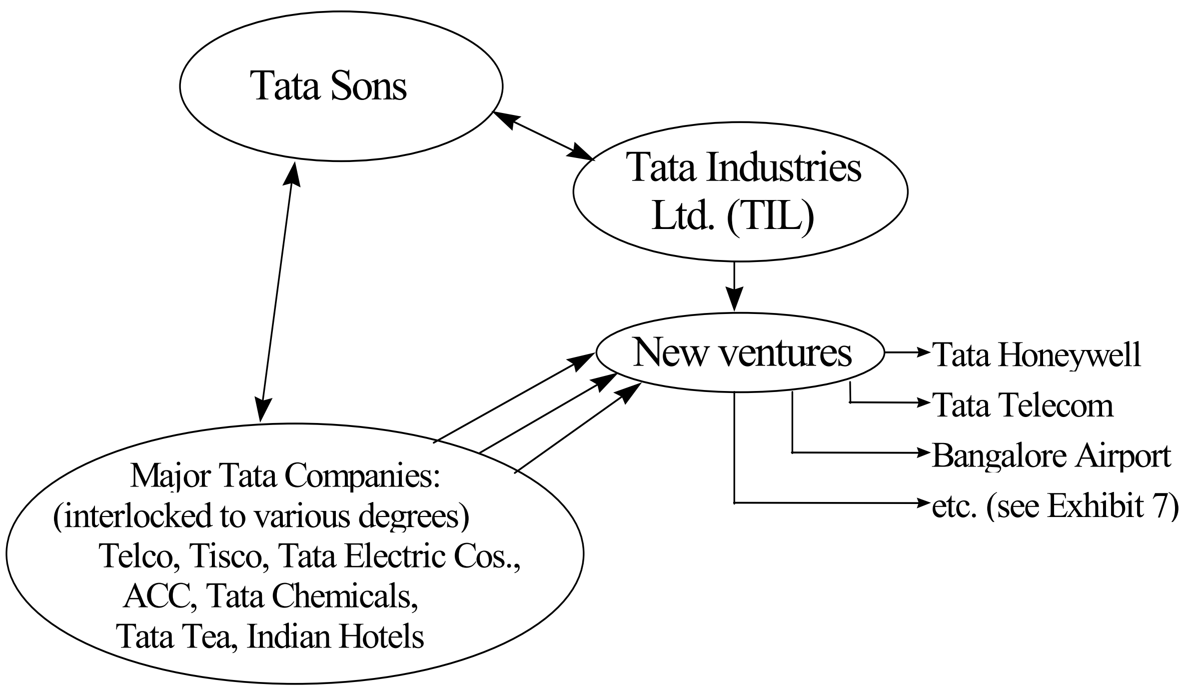
[25] Mark Nicholson, "Indian Ministers Face Fierce Airline Battle," *Financial Times*, January 8, 1997.

Exhibit 1 The Indian Economy in 1995 as Compared to the Economy of the UK and US in 1995

Indicators and Ratings Index	India	UK	US
Local currency : $1[a] (1995 ave.)	Rs. 32.4	£0.63	—
Population[a] (m)	937	59	263
GDP[a] ($bn)	335	1,111	7,254
GDP % real growth[a]	7.0%	2.4%	2.0%
Financial, business & other services as % of GDP[b]	11.1%	22.2%	35.6%[c]
Capital Market			
Bank assets as % of GDP[d]	49%	103%	78%
No. of listed domestic companies[e]	5,000[f]	2,078	7,671
No. of companies followed by at least one analyst[g]	153	n/a	n/a
No. of equity analyst firms[g]	17	59	396
Price index (Dec. 29; 1/31/91=100)[h]	184.3	179.7	186.7
Market Value (Dec. 29; $bn)[h]	85	1,321	5,367
Volume of shares traded (Dec. 29; m of shares)[h]	161,239	10,594	9,375
Value of volume (Dec. 29; $m)[h]	829	57,070	409,962
Ratings Index[e]			
(Ratings are on a scale of 1 to 10. Higher scores indicate higher likelihood of scenario.)			
Ability of foreign investors to control domestic companies	6.57	9.38	8.46
Local capital markets accessible to domestic & foreign companies	5.66	8.72	8.22
Stock markets reflect real value of companies	4.32	6.35	6.91
Availability of venture capital	4.58	7.64	8.31
Information & Infrastructure			
Urban population[e] (1993)	26%	89%	76%
No. of business student as % of population[i]	0.1%	0.4%	0.9%
Radios per 1,000 population[i]	81	1,429	2,122
Phone lines in use per 1,000 population[e]	11	494	599
TVs per 1,000 (1994)[i]	40	439	817
Newspaper circulation per 1,000 population[e] (1992)	31	383	236
Ratings Index[e]			
Adequacy of roads	2.15	5.49	8.34
Adequacy of telecommunications infrastructure	4.00	8.26	9.09
Overall efficiency of distribution systems	5.14	7.54	8.78
Political Risk Factors			
Ratings Index [j]			
Efficiency of judicial system	8.00	10.00	10.00
Rule of law	4.17	8.57	10.00
Corruption	4.58	9.10	8.63
Risk of expropriation	7.75	9.71	9.98
Risk of contract repudiation by government	6.11	9.63	9.00

[a]As reported in *Economic Intelligence Unit (EIU) Country Reports*, various countries, 4th quarter, 1996. India data is based on EIU estimates. [b]As reported in *EIU Country Profiles*, various countries, 1996-1997. [c]1993 data. [d]Bank assets from "Bank Survey, Domestic Credit," *International Financial Statistics*, IMF, July 1997. [e]*World Competitiveness Yearbook*, 1996. [f]Author's estimate. Companies are traded on multiple stock exchanges for which data is often unavailable. Estimates vary widely. [g]*Nelson's Directory of Investment Research*, volume II, 1995 (India). Phone interview with Nelson's (US and UK). [h]Datastream International, 1997. Indian data from CRISIL 500 Equity Index, Bombay, India. [i]*UNESCO Statistical Yearbook*, 1996. [j]*Law and Finance*, by Raphael La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert W. Vishny, working paper #5661, The National Bureau of Economic Research, Inc., July 1996, Table 7. The ratings are an average of the months of April and October from the *International Country Risk*'s monthly index between 1982 and 1995. The "Efficiency of judicial system" rating is a 1980-1983 average of raw numbers provided by the Business International Corporation.

Exhibit 2 Tata Group Company Relationships



Arrows indicate investment flows.

Exhibit 3 Activity between Tata Group Companies by Publicly Listed Tata company, FY94 (year-end Mar 31; Rs. million; 1994 ave.: Rs. 30.5 : $1)

Company	Loans from grp. cos.	Receivables from grp. cos.	Investment in grp. cos.	Net worth
Agricultural Products				
Asian Coffee	0	0	0	150.7
Consolidated Coffee	0	3.2	4.3	245.4
Tata Tea	0	119.8	1,016.5	2,588.8
Base Metals				
India Steel Rolling Mills	0	0	0	-125.2
ACC-Nihon Castings	18.0	0	0	82.5
Tata-Yodogawa	0	0	3.3	181.7
Ipitata Sponge Iron	71.1	44.0	0	220.8
Tata Metaliks	0	0	0	263.6
Tata Metals & Strips	0	0	15.0	352.5
Tinplate Co. of India	0	0	0	1,037.3
Special Steels	0	0	7.0	1,437.2
Tata Iron & Steel (Tisco)	0	140.7	1,920.6	25,247.4
Non-Metallic Mineral Products				
Ipitata Refractories	6.2	0	0	-04.6
Premium Granites	10.0	0	0	36.9
Tata Refractories	0	1.7	17.6	447.8
Associated Cement (ACC)[a]	0	52.3	186.8	4,099.9
Chemicals				
Tata Pigments	0.1	0	0	15.4
Industrial Perfumes	0	0	0	74.0
Lakme Exports	0	1.3	42.1	167.6
Vashisti Detergents	0	0	0	183.9
Merind	0	0	0	214.7
Lakme	0	0	18.4	299.6
Goodlass Nerolac Paints	0	10.3	11.4	465.3
Tata Oil Mills	0	12.2	29.1	652.2
Tata Chemicals	0	72.8	996.4	8249.3
Construction & Allied Activities				
Tata Constructions & Proj.	0	0	0	-120.0
Babcock & Wilcox of India	0	0	0	-03.3
Tata Korf Engg. Services	0	0	0	07.1
Stewarts & Lloyds of India	0	0	0	7.7
Tata Projects	0	0	1.4	123.8
Tata Industries[b]	0	0	728.9	504.3
Electrical & Non-Electrical Machinery				
Voltas Transformers	48.0	0	0	36.1
Voltas Switchgear	130.0	0	0	52.5
AP Industrial Components	0	0	0	21.8
FAL Industries	0	0	7.3	164.2

Company	Loans from grp. cos.	Receivables from grp. cos.	Investment in grp. cos.	Net worth
Associated Tire Machinery	0	0	0	25.3
TRF	0	0	13.2	95.2
Tata Timken	25.2	02.4	0	272.2
Electricity & Non-Conventional Energy				
Tata Hydro-Electric Power	0	37.7	158.4	2,602.5
Andhra Valley Power	0	56.6	154.4	3,776.1
Tata Power	0	94.3	201.8	6,582.7
Electronics				
Tata Elxsi (India)	0	0	0	83.3
Tata Honeywell	0	0	0	158.6
Nat'l Radio & Electronic	0	0	2.6	322.2
Tata Telecom	0	0	74.4	433.7
Tata Unisys	0	0	6.0	457.0
Services				
Forbes Shipping Corp.	0	0	0	0.7
Tata Klockner Indl. Plants	0	0	0	4.0
Tata Services	0	0	8.0	9.4
Voltas Food & Beverages	0	02.5	0	10.1
Latham India	0	0	0	12.9
Bradma of India	0	1.0	3.0	14.2
Benares Hotels	0	0	0	36.2
Indian Resort Hotels	0	0	4.0	58.2
Investa	0	0	33.5	97.9
Eureka Forbes	0	7.5	20.5	101.1
Voltas International	6.1	1.8	24.8	118.6
Piem Hotels	0	13.6	74.6	241.4
Hitech Drilling Serv. India	0	0	0	416.1
Tata Exports	0	0	147.6	550.4
Investment Corp. of India	0	0	370.7	716.1
Tata Finance	0	0	56.1	886.7
Indian Hotels	0	20.0	303.1	1,856.1
Other				
Timex Watches (mfr.)	0	0	0	341.4
Titan Industries (mfr.)	0	0	143.3	1,286.2
Rallis India (diversified)	0	1.0	05.1	563.9
Voltas (diversified)	0	224.5	371.3	1,546.2
Tata Adv. Mat. (plastics)	0	0	0	11.7
Tata Press (pulp & paper)	0	25.9	20.0	295.5
Svadeshi Mills Co.	0	0	01.2	184.1
Forbes Gokak	0	38.3	228.5	1,344.3
Tata Eng. & Loc. (Telco)	0	113.6	1,363.3	8,361.2

Source: Center for Monitoring the Indian Economy (CIMM). Note: Major companies in boldface. [a]ACC is technically referred to as a Tata associate company. [b]Tata Industries is a separate company from TIL.

Exhibit 4a Financials of Tata's Major Companies Compared to Industry Average, FY94 (year-end Mar 31; Rs. millions; 1994 ave.: Rs. 30.5 : $1)

Rs. 30.5 : $1 (# of companies)	**Telco** heavy vehicles	**Industry average:** transport equipment (118 cos.)	**ACC** cement	**Industry average:** non-metal minerals (154 cos.)	**Tisco** finished steel	**Industry average:** base metals (319 cos.)	**Tata Power**[a] electricity	**Industry average:** electricity (19 cos.)	**Tata Chemicals** sodium carbonate	**Industry average:** chemical (415 cos.)	**Tata Tea** tea	**Industry average:** agric. product (55 cos.)	**Indian Hotels** hotels & restaurant	**Industry average:** services (508 cos.)
Sales	36,688	1,492	16,349	935	37,259	1,159	9,498	5,864	4,983	1,049	4,158	759	2,983	1,740
PBDIT[b]	4,057	13	1,592	147	5,940	29	2,240	2,175	3,655	167	1,159	128	981	525
Liabilities	33,686	1,531	14,224	1,127	73,191	2,116	16,304	30,606	23,296	1,269	5,173	888	3,606	5,234
Net worth	8,361	280	4,100	365	25,247	689	6,583	14,674	8,249	398	2,589	544	1,856	1,057
Borrowings	14,132	501	6,788	515	34,285	977	8,044	12,722	12,522	496	1,566	172	956	1,708
Current Liabilities	11,192	750	3,336	246	13,658	450	1,678	3,210	2,525	375	1,019	172	794	964
Assets	33,686	1,531	14,224	1,127	73,191	2,116	16,304	30,606	23,296	1,269	5,173	888	3,606	5,234
Current assets	22,606	1,062	6,239	265	23,588	843	4,385	7,882	6,052	690	3,776	424	2,044	3,234
Sources of funds	1,057	287	2,425	187	12,817	338	4,001	4,097	6,727	259	516	95	573	599
Internal	1,288	63	635	52	2,444	71	1,115	1,436	2,286	57	402	48	515	168
External	-231	224	1,790	135	10,373	267	2,887	2,661	4,441	202	114	47	58	431
Uses of Funds	1,057	287	2,425	187	12,817	338	4,001	4,097	6,727	259	516	95	573	599
GFA[c]	2,390	87	2,575	97	9,772	229	2,133	3,253	7,459	98	116	40	162	247

Exhibit 4b Financials and Activity of Tata Companies Compared FY91 and FY95 (year-end Mar 31; Rs. millions; 1995 ave.: 32.5 : $1; 1991 ave.: 22.8 : $1)

	Telco		**ACC**		**Tisco**		**Tata Power**[a]		**Tata Chemicals**		**Tata Tea**		**Indian Hotels**	
	1991	**1995**	**1991**	**1995**	**1991**	**1995**	**1991**	**1995**	**1991**	**1994**	**1991**	**1995**	**1991**	**1994**
Loans f/ grp. cos.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Receivables f/ grp. cos.	27	724	8	64	106	60	0	54	83	73	138	120	34	20
Investment in grp. cos.	0	1,909	2	391	405	2,057	0	1,922	2	996	226	1,207	30	303
Sales	25,508	56,403	11,513	20,658	21,922	45,487	4,740	10,599	2,994	4,983	2,943	3,991	1,563	2,983
PBDIT[b]	3,704	7,527	2,058	2,810	4,861	7,909	791	3,082	1,316	3,655	1,061	1,085	367	981
Assets	16,975	41,396	6,984	16,960	33,854	77,845	6,510	21,539	10,417	23,296	3,593	5,467	2,325	3,606
Net worth	5,831	14,203	2,384	5,954	14,241	26,880	2,309	10,445	3,345	8,249	1,628	2,888	716	1,856
Internal fund sources	1,520	3,472	1,282	1,550	2,156	3,799	458	1,553	709	2,286	390	383	331	515
External fund sources	894	5,328	-418	1,567	3,391	3,194	666	4,204	2,395	4,441	529	-5	287	58
GFA[c]	10,065	3,860	5,933	2,184	27,029	5,230	5,779	1,634	4,999	7,459	1,404	205	1286	162

Source: Center for Monitoring the Indian Economy (CIMM). Note: Figures may not add up due to rounding. Note for **Exhibit 4a**: The companies being compared were not included in the industry average. Note for **Exhibit 4b**: 1995 CIMM data not available for Tata Chemicals and Indian Hotels. [a]Tata Power is the largest of Tata's two other companies in the electricity sector, Tata Hydro-Electric Power Supply Co. and Andhra Valley Power Supply Co. The three companies together hold a 17% market share of publicly listed power companies. [b]Profit before depreciation, interest, and taxes. [c]Gross fixed asset.

Exhibit 5 Stock Indices of Tata's Major Companies Compared to Industry Average, 12/29/95 (Rs. 35.2 : $1)

		CRISIL 500[a]	**Telco**	**CRISIL 500:** travel & transport	**Tisco**	**CRISIL 500:** metals	**Tata Power**	**CRISIL 500:** power
(# of companies)		(508 cos.)		(2 cos.)		(7 cos.)		(9 cos.)
Price Index	1/31/91 = 100	184.3	372.7	286.5	141.6	96.7	199.0	121.8
Return Index	1/31/91 = 100	n/a	397.0	n/a	151.4	n/a	218.8	n/a
Market value	Rs. billions	2,750.6	83.3	2.3	66.4	29.2	12.5	58.2

		ACC	**CRISIL 500:** cement products	**Tata Chemicals**	**CRISIL 500:** inorganic chemicals	**Tata Tea**	**CRISIL 500:** tea & coffee	**Indian Hotels**	**CRISIL 500:** hotels
(# of companies)			(14 cos.)		(7 cos.)		(9 cos.)		(8 cos.)
Price Index	1/31/91 = 100	274.1	265.1	337.9	370.6	224.9	179.7	1148.7	866.3
Return Index	1/31/91 = 100	288.0	n/a	371.33	n/a	239.5	n/a	1202.9	n/a
Market value	Rs. billions	24.0	80.5	23.4	49.1	14.1	59.8	25. 9	60.5

Source: *Datastream International.*

Note: The tables above compare each major Tata company to a corresponding portfolio of the CRISIL 500. Price index is a measure of capital gains. Return Index is a measure of capital gains and dividends.

[a]CRISIL 500 is a stock information database comprised of 508 actively traded Indian companies. The CRISIL 500 industry averages include data for Tata companies, with the exception of "travel and transport" (Telco) and "metals" (Tisco).

Exhibit 6 Major Tata Companies: Chairmen (1985 and 1995) and Board of Directors (1995)

Company	Est.	Chairman, 1985	Chairman, 1995	Board of Directors, 1995
Tata Sons	1917	J.R.D. Tata	Ratan Tata	Directors: J.J. Bhabha, B.G. Deshmukh, Syamal Gupta, A.B. Kerkar, F.K. Kavarana, F.C. Kohli, Dr. F.A. Mehta, P.S. Mistry, N.A. Palkhivala, S.A. Sabavala, D.S. Seth, H.N. Sethna, J.K. Setna, N.A. Soonawala, J.E. Talaulicar, A.H. Tobaccowala, S.R. Vakil.
Tata Industries (TIL)	1945	Ratan Tata	Ratan Tata	Directors: K.M. Chinnappa, Sujit Gupta, Syamal Gupta, Dr. J.J. Irani, John MacKenzie, Dr. F.A. Mehta, S.A. Sabavala, A.B. Kerkar, F.K. Kavarana, F.C. Kohli, N.A. Palkhivala, D.S. Seth, N.A. Soonawala, J.E. Talaulicar, Mrs. S.N. Tata, S.R. Vakil.
Telco	1945	Sumant Moolgaonkar	Ratan Tata	Exec. Dir.: S.J. Ghandy. Exec. Dir.: V.M. Raval. Exec. Dir.: F.K. Kavarana. Directors: J.J. Irani, S. Jagannathan, A.P. Kurian, A.N. Mafatlal, S.A. Naik, N.A. Palkhivala, F. Plattner, J.K. Setna, N.A. Soonawala, S.R. Vakil, H. Werner.
Tisco	1907	Russi Mody	Ratan Tata	Managing Dir.: J.J. Irani. Exec. Dir.: K.C. Mehra. Exec. Dir.: I. Hussain. Exec. Dir.: R.K. Bhasin. Directors: G.P. Gupta, A. Hydari, P.K. Kaul, S. Krishna, K. Mahindra, S.M. Palia, N.A. Palkhivala, S.A. Sabavala, L.P. Singh, M. Sondhi, N.N. Wadia.
Tata Chemicals	1929	Darbari Seth	Ratan Tata	Chair Emeritus: D. Seth. Managing Dir.: M. Seth. Directors: G. Chidambar, D.M. Ghia, F.J. Heredia, N.J. Jhaveri, D.V. Kapur, R.C. Khanna, A.N. Lalbhai, K. Mahindra, H. Mangaldas, M. Ramaswamy, S. Shervani, N.A. Soonawala, N.N. Wadia.
Tata Tea	1962	Darbari Seth	Ratan Tata	Chair Emeritus: D. Seth. Dep. Chair: N.A. Soonawala. Managing Dir.: K. Kumar. Exec. Dir.: S.M. Kidwai. Exec. Dir.: M.H. Ashraff. Directors: A.S. Bam, B.V. Bhargava, D.B. Engineer, D.N. Ghosh, F.K. Kavarana Y.H. Malegam, M.M. Appaiya, U.M. Rao, Y.T. Shah.
Tata Power	1919	N.H. Tata	H.N. Sethna	Vice Chair: K.M. Gherda. Dep. Chair: Ratan Tata. Directors: N.M. Govardhan, M.S. Patwadhan, B.K. Shah, H.S. Vachha, S.R. Vakil, D.G. Mehra.
Indian Hotels	1902	Ajit Kerkar	Ajit Kerkar	Directors: J.J. Bhabha, N.B. Daruwala, A. Ghosh, S.K. Kandhari, L.A. Menezes, N.A. Palkhivala, Ms. C. Panjabi, J.M.R. Pillai, N.A. Soonawala, Ratan Tata, S.R. Vakil.
ACC	1936	Sumant Moolgaonkar	N.A. Palkhivala	Vice Chair: S. Ganguly. Dep. Chair: P.S. Mistry. Exec. Dir.: T.M.M. Nambiar. Exec. Dir.: R. Bhattacharya. Exec. Dir.: M.M. Rajoria. Directors: A. Ghosh, G. Goswami, P.J. Jagus, H. Mahindra, P.K. Mistry, K.P. Narasimhan, B. Ramakrishna, K.J. Reddy, D. Seth, N.A. Soonawala, S.R. Vakil.

Source: Center for Monitoring the Indian Economy (CIMM).

Exhibit 7 New Ventures Promoted by Tata Industries

Year	Name	Sector/product	Alliance
1984	Tata Finance	Finance	
1984	Tata-Honeywell	IT	Honeywell
1984	Tata Keltron	Terminal instruments, phones	
1985	Hitech Drilling Services	Services	
1986	Tata Telecom	Communications	
1989	Tata Interactive Systems	IT	
1989	Tata Elexsi	IT	Silicon Graphics
1989	Tata Advanced Materials	Composites	
1990	Oriental Floratech	Agro	
1991	Tata Strategic Management Group	services	
1991	Tata Information Systems	IT	IBM
1992	AT&T Switching Systems	Communications	AT&T
1993	Tata Petrodyne	Energy	
1993	Utkal Alumina International	Metals	Norsk Hydro, Indal
1993	Oriental Seritech	Agro	
1994	Information Technology Park	Industrial park	Singapore consortium, Karnataka state government
1995	Tata Autocomp Systems	Automotive Components	
1995	Tata Communications, Ltd.	Cellular telecom services	Bell Canada
1995	Tata Teleservices Ltd.	Fixed line telecom services	Bell Canada
future	Tata-Singapore Airlines	airline	Singapore Airlines
future	Bangalore Airport Project	airport / infrastructure	Singapore consortium, Raytheon

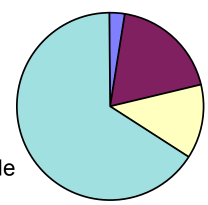
Source: Sanjoy Narayan, "Ratan Tata's New Gameplan," *BusinessWorld*, May 1–14, 1996, p. 58; and Tata Industries Limited.

Exhibit 8a Cross Ownership between Tata Sons and Major Group Companies, FY95 and FY96
(year-end Mar 31; Rs. millions; 1996 ave.: Rs. 35.4 : $1)

Tata Sons		Major group companies	Sales	Value of Tata Sons' shares bought by companies 1995-96	Tata Sons' stake in group companies	
FY96		FY96	FY96	FY96	FY95	FY96
Book value	8,990	Tisco	53,720	688	2.35%	8.46%
Market value	19,900	Telco	77,910	688	1.78%	2.67%
Paid-up cap.	179	Tata Power	11,700	370	5.63%	6.35%
Reserves	6,236	Tata Chemicals	15,150	569	7.91%	8.18%
Net profit	1,240	Tata Tea	5,190	n/a	7.56%	8.58%
		Indian Hotels	5,470	250	13.34%	13.34%
		ACC	n/a	n/a	n/a	n/a

Source: Adapted from Robin Abreu, "Controversial Defense," *India Today*, November 15, 1996, p. 105, and from information provided by Tata Industries Limited.

Exhibit 8b Ownership Structure of Tata Sons (after rights issue), FY96



Source: Adapted from Robin Abreu, "Controversial Defence," *India Today*, November 15, 1996, p. 105, and from information provided by Tata Industries Limited.

Exhibit 9 MBA Compensation Packages, 1994 (Rupees/mo.)

Top overall companies		gross pay	Top groups/diversified companies		gross pay
1	Boston Consulting Group	50,000	1	J.K. Organization	15,000
2	McKinsey & Company	41,667	2	RPG Enterprises	14,145
3	Morgan Stanley Indian Securities Ltd.	33,333	3	Reliance Industries Ltd.	14,006
4	Union Bank of Switzerland	30,000	4	Ballarpur Industries Ltd.	11,750
5	HCL Corporation	25,866	5	Tata Services Ltd. (TAS)	11,250
6	Citibank N.A.	24,333	6	UB Group	10, 875
7	SBI Capital Markets Ltd.	23,374	7	Mafatlal Industries Ltd.	10,000
8	Pepsico India Holdings	23,000	8	Essar Group	8,333
9	Coopers & Lybrand, SRF Finance Ltd.	22,917	9	Walchandnagar Industries	7,000

Source: Tata Administrative Service Secretariat document.