

A Study on Tata Group of Companies Investment Pattern

J.Avinash¹ Seema Nazneen²

² Assistant professor

^{1,2} Anurag Group of Institutions (Autonomous) JNTUH

Abstract- *The purpose of this study is to understand investment pattern Tata group in various companies within the Tata group. This paper first assembles available evidence on the internationalization of Tata firms through mergers and acquisitions and Greenfield investment before discussing the post merger integration of Tetley into Tata tea, seven years after this acquisition. In this conclusion the paper explores the implications of Tata experience for the internationalization of large firms from India and other emerging economics.*

Investment benefits both economy and the society. It is an outgrowth of economic development and the maturation of modern capitalism. For the economy as a whole, aggregate investment sanctioned in the current period is a major factor in determining aggregate demand and, hence, the level of employment.

Keywords: History, Tata steel limited, Tata consultancy services

I. INTRODUCTION

Investment is the employment of funds on assets with the aim of earning income or capital appreciation. Investment means putting your money to work to earn money or simply speaking it is sacrificing of money today for future return.

Investment is one of the most successful ways to make financial provisions for the future, where most of the conditions are uncertain and unpredictable. With well planned investment one can get the satisfaction of safety and surety in life. We are familiar with investment from very early days of civilization. Initially the term saving was more popular, and was considered as safety way of making money stable.

Investment may be said as keeping a sum of money aside from the present savings with the view of earning returns on it. It is done on the cost of sacrifice of present consumption of that part of money.

The dictionary meaning of investment is to commit money in order to earn financial return or to make use of the money for future benefits or advances, people commit money to investments with an expectations to increase their future wealth by investing money to spend in future years.

All investments have some risk, whether in stock, capital market, banking, financial sector, real estate, bullion, and gold etc. the degree of risk however varies on the basis of the features of the assets, investments instrument, the mode of investment, time frame or the issuer of the security etc.

1.2 Scope of the Study:

The scope is confined to Tata group companies for a period of 10 years.

1.3 Objectives of the Study:

1. To study the diversified and expansion of markets Tata has entered during the past decade.
2. To examine the reasons for diversification into GMR Infrastructure.
3. To evaluate the comparative analysis of the firms within the Tata Group.

1.4 Research Methodology:

Exhaustive literature survey regarding the topic and related concepts shall be done. Descriptive and analytical research is considered. Secondary data inclusive of quantitative and qualitative data as well collected from various sources including research papers, magazines, and websites used for the purpose of study.

II. COMPANY PROFILE

Tata group is a private conglomerate with headquarters at Mumbai. The present Chairman is Ratan Tata who took over from J.R.D. Tata in 1991. A member of the Tata family is always the Chairman of the group. Its operations covers many fields related to industry and allied activities concerned with know-how and its application engineering, information technology, communications, materials, automotive, chemicals energy, tele communications,

software, hotels, steel and consumer goods. There are ninety-six companies operating in seven business sectors. A only twenty-eight of the ninety-six in Tata group are publicly listed. Tata operates in more than forty countries across six continents. It exports products and services to one hundred and forty nations.

History:

1868: Jamsetji Nusserwaji Tata starts a private trading firm laying the foundation of the Tata Group.

1874: The Central India Spinning , Weaving and Manufacturing Company is set up, marketing the Group's entry into textiles.

1902: The Indian Hotels Company is incorporated to set up the Taj Mahal Palace and Tower India's first luxury hotel which opened in 1903.

1907: The Tata Iron and Steel Company is established to set up India's first iron and steel plant in Jamshedpur, which started production in 1912.

1910: The first of the three Tata Electric Companies, the Tata Hydro-Electric Power Supply Company, is set up to generate electricity.

1911: The Indian Institute of Science is established in Bangalore to serve as a center for advanced learning.

1912: Tata Steel introduces eight-hours working days, well before such a system was implemented by law even in most western countries.

1917: The Tatas enter the consumer goods segment as the Tata Oil Mills Company is established to make soaps, detergents and cooking oils.

1932: Tata Airlines, a division of Tata sons, is established, opening up the aviation sector in India.

1939: Tata Chemicals is established.

1945: Tata Engineering and Locomotive Company (renamed Tata Motors in 2003) is established to manufacture locomotive and engineering products. The company began manufacturing commercial vehicles in 1954 in a JV with Daimler Benz.

1952: Pandit Jawaharlal Nehru, India's first Prime Minister, requests the group to manufacture cosmetics in India and Lakme is established.

1968: Tata Consultancy Services (TCS), India's first software services company, is established as a division of Tata Sons.

1984: Titan Industries- a joint venture between the Tata group and the Tamil Nadu Industrial Development Corporation (TIDCO) is set up to manufacture watches.

1996: Tata Teleservices Limited (TTSL) is established to spearhead the Groups foray into the telecom sector.

1998: Tata Indica – India's first indigenously designed, developed and manufactured car is launched by Tata Motors, spearheading the Group's entry into passenger cars.

2000: Tata Tea acquires the Tetley Group, UK, in the first major acquisition of an international brand by an Indian group.

2001: Tata–AIG a joint venture between the Tata group and American International Group Inc (AIG) marks the group's re-entry into insurance.

The Group's insurance company, New India Assurance, was nationalized in 1956.

2002: The Tata Group acquires a controlling stake in Videsh Sanchar Nigam Limited - India's leading international Telecommunications service provider.

2004: Tata Motors acquires the heavy vehicles unit of Daewoo Motors, South Korea.

Tata steel makes its first major overseas investment in NatSteel Asia, headquartered in Singapore.

2005: Indian Hotels adds New York's iconic hotel, the Pierre, to its portfolio as also its Ginger "Smart Basics" hotels in India.

VSNL acquires Tyco Global Network, making it one of the world's largest provider of submarine cable bandwidth

2007: In a major step in its unfolding strategy of growth and globalization, Tata Steel acquires Corus, the UK-based steel company, for \$12.1bn, the biggest acquisition by an Indian Company.

Tata Steel:

It is one of the top Steel producing companies globally with annual Crude Steel deliveries of 27.5 million tonnes (in FY 17), and the second largest steel company in India (measured by domestic production) with an annual capacity of 13 million tonnes after SAIL (Steel Authority of India Limited).

Tata Steel operates in 26 countries with key operations in India, Netherlands and United Kingdom, and employs around 80,50 people. Its largest plant is located in Jamshedpur, Jharkhand. In 2007, Tata Steel acquired the UK-based Steel maker CORUS.

Tata Motors:

Tata Motors Limited, formerly Tata Engineering and Locomotive Company (TELCO), is an Indian multinational automotive manufacturing company, it is a part of Tata Group, an Indian conglomerate. Its products include Passenger, Cars, Trucks, Vans, Coaches, Buses, Sports cars, Construction, equipment and military vehicles. In 1998, Tata launched the first fully indigenous Indian passenger car, the **Indica**, and in 2008 launched the **Tata Nano**, the world's cheapest car. Tata Motors acquired the South Korean truck manufacturer Daewoo Commercial Vehicles Company in 2004 and purchased Jaguar Land Rover from Ford in 2008.

Tata Consultancy Services:

Tata Consultancy Services Limited is an Indian multinational Information Technology service and consulting company. It is a subsidiary of Tata Group and operates in 149 locations across 45 countries. TCS is the largest Indian company by market capitalization. TCS is now placed among the most valuable IT services brands worldwide. In 2015 TCS is ranked 64th overall in the Forbes World's Most Innovative Companies ranking, making it both the highest-ranked IT services company and the top Indian company. It is ranked **tenth on the Fortune India 500 list**. In April 2018, TCS became the first IT company to breach \$100 billion market capitalization, and second Indian company ever (after Reliance Industries achieved it in 2007) after its market capitalization stood at \$6,79,332.81 crore (\$102.66 billion) on the Bombay Stock Exchange.

Tata Communications:

Tata Communications, formerly called VSNL (Videsh Sanchar Nigam Limited), is an Indian telecommunications company. It is a part of the Tata Group. Tata Communications network spans more than 500,000 km of subsea fibre and more than 21,000 km of terrestrial fibre. The company has invested \$1.19 billion in its global subsea fibre network. It delivers network services and software defined network platforms, such as Ethernet, SD-WAN, Content delivery network (CDN), Internet, Multiprotocol Label Switching (MPLS) and private lin. It has more than 400 points of presence (POP) globally with data centre and colocation in 44 sites.

III. ANALYSIS**Objective 1:****The study on Mergers, and Acquisitions of Tata group in past 10 decades:**

Tata Steel Limited, with revenues of US\$ 20.41 billion in financial year 2018, is a leading global steel company with an annual steel production capacity of 33mnTPA. It is the one of the worlds most geographically – diversified steel producers with operations and commercial presence across the world. Tata Steel Group is spread across five continents with an employee base of over 65,000.

It focusing on Innovation, Technology, Sustainability, & People, the company strives to be the global steel industry benchmark for value creation and corporate citizenship and become the most admired brand in metals and

minerals space. In India, Tata Steel operates an end-to-end value chain that extends from mining to finished steel goods, catering to an array of market segments such as automotive, construction, general engineering etc.

In Europe, Tata Steel is amongst the largest steel producers with a crude steel production capacity of over 12.3MnTPA. It established its presence in the European continent after acquiring Corus in 2007. With steelmaking facilities in the UK and Netherlands and downstreams plants across Europe, it supplies high quality strip steel products to demanding

Tata Steel announced that it will acquired the steel business of Usha Martin limited (UML) for 4,300-4,700 crore. UML, in a stock exchange filling, said the sale of steel business of Tata Steel will help the company in “significant reduction” of its debt. Tata steel had won the bid to acquire debt-laden BSL in an insolvency auction.

Tata Global Beverages Ltd is acquiring all the branded food businesses from Tata Chemicals Ltd in all-stock transaction that is aimed at creating a consumer business company with revenue of 9099 crore. As a part of deal, shareholders of Tata Chemicals will get 1.14 new shares of Tata Global for every share held, the company said in an exchange filling on Wednesday. The transaction values the consumer business of Tata Chemicals at around 5800 crore. Post the acquisition, Tata Chemicals will own a 31.5 percent stake in Tata Global Beverages.

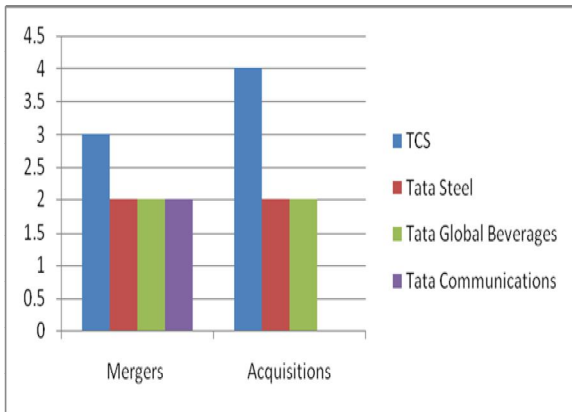
Tata Consultancy Services Ltd is a leading global IT services consulting and business solutions organization. The company offers arrange IT services outsourcing and business solutions. They also offer IT Infrastructure services, business process outsourcing services engineering and industrial services global consulting and asset leveraged solutions. Their segments include banking financial services and insurance; manufacturing; retail and distribution and telecom. Tata Sons Ltd established the company as division to service their electronic data processing (EDP) requirements and provide management consulting services.

No of Mergers and Acquisitions of Tata across different Industries:

Table no :1

Company	Mergers	Acquisitions
TCS	3	4
Tata Steel	2	2
Tata Global Beverages	2	2
Tata Communications	2	0

Figure no :1



Objective 2:

To examine the reasons for diversification into GMR Infrasrtructure:

Tata Group and two foreign entities have agreed to invest in 8000 crore in **GMR (Grandhi Mallikarjuna Rao) Infrastructure Ltd's** airports business, bypassing an unwritten industry practice that discourages companies owning airlines from operating airports.

GMR announced that **Tata Group, Singapore's sovereign wealth fund GIC pte Ltd and Hong Kong-based SSG capital Management** will co-invest in its airports business in the ratio of **44:33:22**. Out of the total investment, 1000 crore will come as equity infusion into GMR Airports Ltd, which will be used to retire the airport operators debt. The three investors will use the remaining 7000 crore to buy GMR Airports shares from parent GMR Infrastructure and its units, which will also be used to pare debt. After this, total debt of GMR Infrastructure will reduce to 12000 crore, Sushil Kumar Modi, GMR's group chief financial officer (strategic finance), said at a news conference in Mumbai.

Post the deal, GMR Infrastructure and its units will hold about 54 percent stake in the airports business, while the company's Employee Welfare Trust will own 2 percent. **Tata will hold about 20 percent**, with GIC and SSG holding stakes of about 15 percent and 10 percent respectively. The deal values GMR's airports business at 18000 crore and allows for

an earn out of 4475 crore linked to achievement of certain milestones and performance metrics over the next five years. This will boost GMR's stake to 62 percent once they are achieved. The pact will also include a non compete clause between GMR and Tata Group in the airport business. While the investment is a lifeline to the debt laden GMR Infrastructure, it is also a strategic entry point for the Tata Group into the airport infrastructure business, which has been heightened investor interest lately. Tata, however, has investments in two domestic airlines, AirAsia India and Vistara. In the aviation industry, it is rare for an airline operator to also own a majority stake in an airport.

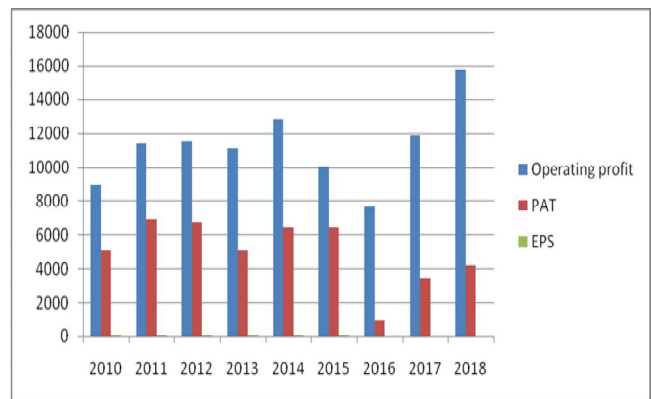
Objective 3:

To evaluate the comparative analysis of the firms within the Tata Group:

Tata Steel comparison of Operating Profit, PAT and EPS: Table no: 2

Particulars	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating profit	8952.09	11432.86	11536.77	11126.24	12816.9	10008.8	7611.79	11875.95	15778.96
PAT	5046.86	6865.69	6696.42	5062.97	6412.19	6439.12	955.65	3444.55	4169.55
EPS	56.87	71.56	68.94	52.12	66.01	66.29	9.84	35.46	36.38

Figure no: 2



Interpretation:

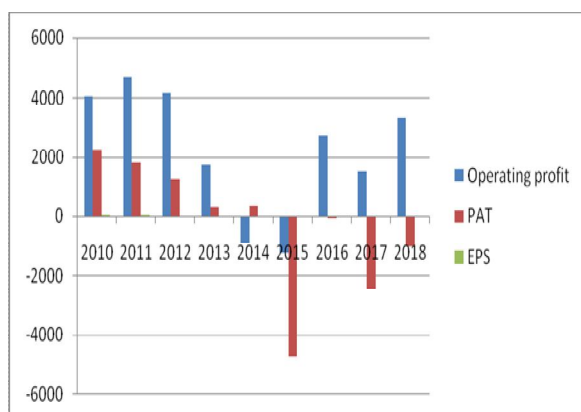
- There is a fluctuation in Profit After Tax, compare to last years the company earing low profits.

Tata Motors comparisons of Operating Profit, PAT and EPS:

Table no: 3

Particulars	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating profit	4034.25	4665.14	4177.55	1717.98	911.15	1237.48	2723.65	1498.64	3308.46
PAT	2240.08	1811.82	1242.23	301.81	334.52	4738.95	-62.3	2479.99	-1034.85
EPS	39.26	28.41	3.91	0.95	1.014	0	0	0	0

Figure no: 3

**Interpretation:**

- In last few years the Earning Per Share is zero (it demonstrates the amount of the net profit of a company per one share of common stock).

IV. FINDINGS

- Tata group operating more than forty countries across six continents and exporting products and services to one hundred and forty nations.
- Tata Steel introduces eight-hours working days, well before such a system was implemented by law even in most western countries.
- Pandit Jawaharlal Nehru, India's first Prime Minister, requests the group to manufacture cosmetics in India and Lakme is established.
- Tata Indica is the India's first indigenously designed, developed and manufactured car is launched by Tata Motors.
- Tata chemicals will own a 31.5 percent stake in Tata Global Beverages.
- TCS company entered into a Joint venture Agreement with the State Bank of India.
- During the year 2006-07 the TCS company in partnership with the Government of Madhya Pradesh formed a company namely MP online Ltd for offering a wide range of computer enabled services in the state of Madhya Pradesh.

- GMR announced that Tata group, Singapore's sovereign wealth fund GIC Pte Ltd and Hong kong based SSG capital Management will co-invest in its airports business in the ratio of 44:33:22.
- The Earning Per Share of Tata Consultancy Service are higher compare to all other companies in Tata Group.
- The TCS company PAT is continuously increasing by year wise.
- Tata Motors EPS is zero in last four financial years.
- In last four financial years the PAT of Tata Motors is in negative.

V. CONCLUSION

It can be concluded that the Tata Group of Companies demonstrates the very high value based business development activities which not only help in the development of its diversified business activities but also help in the overall development and growth of its thousands of workers and their quality of life and ultimately it contributes and create very high standards in the value based development and growth of the economic growth of the nation. 134 years old Tata group is having a brand name and the most trusted brand in India so it should also focus on other emerging business segments and technology, it can enter in any segment freely.

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