

A vision of India's future

INTERVIEW WITH RATAN TATA

CHAIRMAN, TATA SONS



RATAN TATA graduated in Architecture and Structural Engineering at Cornell University, USA in 1962. He joined the family business that year. In 1971 he was put in charge of NELCO and Empress Mills in 1977 in order to turn these businesses round. In 1981 he became Chairman of Tata Industries and Chairman of the Tata Group in 1991. In 2007 he masterminded the takeover of Corus Steel. Mr Tata is Chairman of the Government of India's Investment Commission, a member of the Prime Minister's Council on Trade & Industry and a member of the UK Government's International Business Advisory Council to the Chancellor of the Exchequer. He received the Padma Bhushan Award in 2000.

In November 2006 Her Royal Highness The Princess Royal presented the FIRST Award for Responsible Capitalism to Ratan Tata. He was the unanimous choice of the Award Judging Panel, a worthy winner who undoubtedly encapsulates the ideals of responsible capitalism.

Ratan Tata rightly takes great pride in the fact that India has remained a true democracy throughout its 60 years since independence, and in how a country "with low literacy has gone to the polls reasonably peacefully", and in fair elections "thrown out or brought in different governments". But the next 40 years will, he believes, see a change in the kind of governments India is likely to have. He sees the post electoral grand coalition as becoming the norm, and fears that this could produce ineffective government, "because you get ultimatums popping up everywhere" and the risk of government taking "the lowest common denominator route to keep people happy". Such a change would, he thinks, concentrate peoples' minds on the need to support the creation of "a stronger unified party ideology, leading to the creation of a party that would fight an election on its own". India has not had a strong leader since the end of the Nehru-Gandhi dynasty and he sees a need for the sort of firm leadership strong leaders were able to provide, adding that "it could be one of the children of Sonia Gandhi who resurrects the Congress, or some new person that puts together some other great party". But though he hopes for strong leadership he does not see India being rigidly controlled. "We are in the open market, finally. We may not move as far and as fast as we would like to, but I think we will continue to move. The people have, for the first time in 40 years, experienced the luxury of choosing". They are not, he is clear, going to give that up.

For years the people of India "didn't get any choice. Today that has totally changed and with the competition that has emerged, has come lower prices and more options. In electronic goods, white goods, automobiles – in a whole variety of areas".

As a consequence of this Ratan Tata sees resistance to foreign involvement in retail and real estate withering away. He is very positive that India, with an expected population of 1.4 billion by 2047, will have a consuming class not of the 250 million currently forecast, but of double that number. Given this, India will become a very attractive market. By 2030 it will have the largest working age population in the world – "Japan's population will decline tremendously,

China will have declined, Europe already has, as has Russia. The question is, will India ever become globally competitive, so that we become the factory of the world? Or will it be in services, as it is today: IT services, software, medical services, etc? And will we be able to provide worthwhile jobs for all these young people?"

Ratan Tata is acutely aware of some of the dilemmas. For instance the understandable desire to conserve land for farmers, and on the other hand the need for industry to absorb as much rural labour as possible. He sees a partial solution in the government increasing spending on infrastructure to provide a great number of unskilled jobs in the next fifteen years. This would give a big boost to the economy by putting money into the hands of people, who would otherwise not have appreciable spending power – a development that would help avert any danger of the country descending into political chaos.

Ratan Tata is alive, however, to the difficulties of coping with tensions within the sub-continent – to the uncertainties posed by the instability around India, in Pakistan, Nepal, Sri Lanka, and Bangladesh. In respect of Bangladesh, Tata has taken the view that the corporation can "break the barrier and make a major investment in Bangladesh." He proposed to the last Bangladeshi government the establishment of a 2.4 million tonne steel plant, a 1,000 megawatt power plant and a fertiliser plant, all using gas, which Bangladesh has in abundance, but which it refuses to export. The Tata plan would put three major basic industries into Bangladesh. Bangladesh could almost certainly absorb all that was produced but any surplus could be exported. After Tata made the proposal the Bangladeshi government fell but the new government is reviewing things, and Ratan Tata's view is that "if we can make that happen and bring the basic industries to Bangladesh, then perhaps other user industries might follow. If Bangladesh had some degree of prosperity then perhaps we would help to add great value to one of our neighbours".

He would also like to invest extensively in Pakistan and recently took a group of members of the holding company to have lunch with the Prime Minister and his Cabinet. Sadly nothing has come of this because of Pakistan's insistence on an immediate new attempt to solve the Kashmir issue as a precondition.

In this hundredth anniversary year of Tata Steel, Ratan Tata reflects on the recent acquisition of Corus. Steel now represents over 50 per cent of Tata's activity

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and revenue. In the past it has been around 25 per cent. However, other group companies like Tata Tea, Tata Motors and Indian Hotels, are growing at so fast a rate, as is their IT arm, Tata Consultancy Services, that he sees the present predominance of steel as temporary.

What is particularly striking about Ratan Tata is his visionary approach. He is always looking for new opportunities and for new markets. He takes pride in the fact that Tata has just entered the field of defence equipment. "Our philosophy has been to stay away from the killing side of defence equipment so we will never be involved in armaments or bombs, but we will certainly be involved in guidance systems and things like that." He sees great opportunities, with India opening up and relations with America improving.

He talks very excitedly about the application of nano technology, with particular application to the purification of water. Water shortage is the largest problem facing India and purification of supplies would make a great contribution to improving public health, as would the development of micro nutrients for children – "if we can deliver nutrients to pregnant mothers and children of up to one year we will enormously change the health of the people of India. We haven't found a delivery system as yet".

Tata is also involved in the development of bio fuels and of the "people's car". This will be a four door car with five seats, with a rear engine of about 600cc. It will cost about 100,000 rupees, at current prices. That is around £1,200 sterling. The plan is to unveil the car, which will be made of steel, at the next auto EXPO at Delhi in January 2008 and he hopes that it can be taken to the Geneva Motor Show in March, and be available to dealers and customers in India by June. To start with, it will be principally for the Indian market, but its other

target markets are in Africa and South East Asia.

His eyes light up when he speaks about how he drove the car at 100 kilometres an hour on a test track. Initially, production of the car will involve the employment, directly and indirectly, of around 10,000 people, but the after sales support and the many service providers to the industry will generate employment four or five times that figure. Initially the car will be a petrol vehicle but a diesel model will follow in around six months and the company is looking at the possibility of hybrids. The car will certainly be capable of being run on gas.

Cars are, of course no new venture for Tata. The company already sells around 145,000 Indicas a year across all of India and export a further 11,000, many of which go to Italy or Spain. They had expected the UK would be their largest market but their hopes were dashed with the collapse of Rover. However they are hoping to reintroduce their cars into the UK within the next year.

Although the Tata name is still one that resonates around the world, Ratan Tata explains that they are a very small family today. He has a younger brother who is no longer in the business and a step brother who is. After that there is no one else. The family owns a small stake in Tata Sons, the Group holding company, a fact that, "has probably been one of the reasons why the group has held together, because there has been no personal ownership to carve out shares, which has happened in the case of other business houses in India." And so 66 per cent of Tata Sons stock will continue to be owned by a group of trusts, which will, in turn, continue to give their dividends to charitable institutions and NGOs, mainly in the areas of education and health. Could there be a better example of responsible capitalism? **P**

Interview conducted by Sir Patrick Cormack FSA MP, FIRST

HRH The Princess Royal presents the FIRST Award for Responsible Capitalism to Ratan Tata at Marlborough House, London

