|  |  |
| --- | --- |
|  |  |

9B17m158

Volkswagen and Tata Motors: A Strategic Alliance in India[[1]](#endnote-1)

Meeta Dasgupta wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e) [cases@ivey.ca](mailto:cases@ivey.ca); [www.iveycases.com](http://www.iveycases.com).

Copyright © 2017, Management Development Institute Gurgaon and Richard Ivey School of Business Foundation Version: 2018-10-23

In March 2017, Volkswagen Group (VW) and Tata Motors Limited (Tata Motors) announced an alliance to produce an economy car for emerging markets, including India. The two companies agreed to use Tata Motors’ Advanced Modular Platform (AMP) as a common platform for the alliance. VW believed the platform offered an important cost advantage over its own Modularer Querbaukasten (MQB-A) platform. However, the negotiation talks hit a roadblock, with the two companies having differences on the use of a platform and the practicality of the business model. VW began to feel that it could develop the vehicle, at the same cost, through its own MQB-A platform. Calling off the partnership would hurt Tata Group Chairman Natarajan Chandrasekaran’s attempt to re-energize Tata Motors’ passenger vehicle business. It would also affect VW’s plans in India’s economy car segment.[[2]](#endnote-2) Could the potential partners find a way to resolve their differences, or was going their independent ways a better strategic choice for them? Would they be able to create more value independently as opposed to being in an alliance?

GLOBAL AUTOMOBILE INDUSTRY trends

Total automobile sales worldwide reached 88 million units in 2016, an increase of 4.8 per cent from a year earlier.[[3]](#endnote-3) The annual growth rate in global car sales was expected to drop from 3.6 per cent between 2011 to 2015 to around 2 per cent in 2030. With growth slowing in the established markets, the industry would continue to rely on emerging economies.[[4]](#endnote-4) The worldwide domination of large automobile manufacturers was declining, and the drift in sales was toward more “region-centric” products. International players were being forced to review their relationships with dealers and their strategies of pricing products. Strategic partnerships, mergers, and acquisitions were becoming frequent.

The profit margins of automakers were at a 10-year high. However, when looked at through the lens of total shareholder returns and return on invested capital, the industry appeared to be in trouble. The total shareholder returns of an average automaker were only 5.5 per cent, and in 2016 the return on invested capital of the top 10 players was only 4 per cent. The industry was also challenged by the increasing concern for safety and environmental regulations.[[5]](#endnote-5)

Like other industries, digitization, growing automation, and new business models were affecting the industry. Four disruptive technology-driven trends—shared mobility, independent driving, electrification, and connectivity—were becoming evident in the automotive sector. In the United States, the importance of private car ownership had declined, with the percentage of youth (aged 16 to 24 years) who held a driver’s licence dropping from 76 per cent in 2000 to 71 per cent in 2013. Moreover, in North America and Germany in the previous five years, the number of people sharing cars had increased by 30 per cent.[[6]](#endnote-6)

Rigorous emission regulations, the reduced costs of batteries, more widely accessible infrastructure for charging cars, and increasing acceptance by consumers were factors that were driving the sale of electric vehicles. It was expected that by 2030 the share of electric vehicles would be 10 to 50 per cent of the overall sales of new vehicles.[[7]](#endnote-7)

Traditional car manufacturers were facing competition from diverse fronts—mobility providers such as Uber Technologies Inc., technology giants such as Apple Inc. and Google Inc., and specialty original equipment manufacturers such as Tesla, Inc. (Tesla) (see Exhibit 1).[[8]](#endnote-8)

INDIAN AUTOMOBILE INDUSTRY

According to the Global Trends report published by the National Intelligence Council in 2016, by 2021 the Indian economy was expected to be the most rapidly growing economy in the world.[[9]](#endnote-9) In 2016, the World Bank forecasted the country’s gross domestic product to grow at 7 per cent and the population to grow at 1.4 per cent by 2021.[[10]](#endnote-10) In contrast, global growth was estimated to be 3.6 per cent in 2017.[[11]](#endnote-11) Low vehicular penetration of 15 cars per 1,000 people made India one of the most appealing automobile markets in the world.[[12]](#endnote-12)

The Indian automobile industry played a critical role in this economic growth, with India trailing Japan, Thailand, and South Korea as the fourth-largest exporter of automobiles. It was expected that by 2050, with roughly 611 million vehicles running on the roads, India would top the world in terms of volume.[[13]](#endnote-13) Advancing incomes, the rising proportion of middle class customers, increasing urbanization, changing lifestyles, and a relatively young population were promoting demand for cars. Easier access to credit, a key causal factor for growth, was making it easier for customers to purchase vehicles.[[14]](#endnote-14)

In India, the total production of automobiles, including passenger vehicles, commercial vehicles, three wheelers, and two wheelers, multiplied at a compound annual growth rate (CAGR) of 9.4 per cent during financial years 2006 to 2016. The fastest growth, with a CAGR of 10.09 per cent, was witnessed by the passenger vehicle segment. The overall passenger vehicle segment had a market share of 13 per cent and the total production was 3.4 million units in 2016.[[15]](#endnote-15) During fiscal year 2016–17, the sale of passenger vehicles grew by 9.23 per cent—with passenger cars, vans, and utility vehicles growing by 3.85 per cent, 2.37 per cent, and 29.91 per cent respectively. The commercial vehicle section, consisting of medium and heavy commercial vehicles, and light commercial vehicles, grew by 4.16 per cent. Exports of passenger vehicles and commercial vehicles grew by 16.20 per cent and 4.99 per cent respectively.[[16]](#endnote-16)

Although there were many automobile players in the country, only a few had dominance in the market (see Exhibits 2 and 3).[[17]](#endnote-17) To keep pace with the growing demand in the market, several automakers invested heavily in various segments of the industry. According to India’s Department of Industrial Policy and Promotion, a foreign direct investment of US$15.79 billion[[18]](#endnote-18) was directed toward the industry from April 2000 to September 2016. Hyundai Motor India Ltd. (Hyundai), with strong expansion plans for the future to meet the ambitions and expectation of customers, invested an excess of $2.7 billion.[[19]](#endnote-19)

The government favoured the industry and encouraged 100 per cent foreign direct investment through the automatic route. Automobile manufacturing also occupied a pivotal role in the government’s “Make in India” initiatives. The government, under the Green Urban Transport Scheme, planned to give financial assistance of $3.75 billion to advance the growth of transport in cities along a low carbon path.[[20]](#endnote-20)

Investments in the Indian electric vehicle space were increasing, with Hero MotoCorp Ltd. investing $30.75 million to acquire a stake in a technology start-up, Ather Energy. It was expected that electric automaker Tesla would introduce its products in 2017, and Ola Cabs Transport Company, an online cab aggregator, might bring in a fleet of 1 million electric cars in collaboration with an electric car manufacturer and the government of India. The concept of driverless cars was catching on with players like Audi AG, Maruti Suzuki India Limited, and Mahindra and Mahindra Limited (Mahindra and Mahindra) exploring the potential of introducing such products.[[21]](#endnote-21) With electric vehicles picking up in the Indian industry, Mahindra and Mahindra, the only manufacturer of fully electric cars in the country, planned a major boost to its manufacturing capacity of e‑vehicles from a bare 200 units per month to over 5,000 units per month over the next two years.[[22]](#endnote-22) The company was also in talks with Ford Motor Company (Ford) to enter into a global alliance that would focus on joint development of next-generation technology, products and components, and sharing of excess capacity.[[23]](#endnote-23) Keeping at pace with the fast-changing global regulatory environment, Toyota Motor Corporation (Toyota) and Suzuki Motor Corporation (Suzuki), with a focus on the Indian market, entered into a business partnership to explore the production of green vehicles, safety and information technologies, and shared supply of components and products.[[24]](#endnote-24)

Companies such as Ford, SAIC Motor Corporation Limited—the biggest automobile manufacturer of China, General Motors Company (GM), and Fiat Chrysler Automobiles N.V. (Fiat Chrysler) were investing to increase the manufacturing capacity at their various plants in India or to set up a global technology centre in the country. Companies such as Hyundai also wanted to leverage India as an export hub for small cars.[[25]](#endnote-25) Kia Motors Corporation, the Korean automaker, had set up a manufacturing facility in India to produce compact sedans and sport utility vehicles, especially for the Indian market.[[26]](#endnote-26) On the contrary, the industry also witnessed the painful decision of GM, the American automaker, to stop selling its cars in the country by the end of the year in the wake of minimal sales, increasing losses, and poor business management. Its sales in fiscal year 2016–17 had dropped to 26,000 units from 110,050 units in fiscal year 2011–12. India failed to deliver the returns on investment that other global opportunities promised.[[27]](#endnote-27) India would be used by GM only for manufacturing to export to other markets.[[28]](#endnote-28)

In 2017, it was expected that in the coming decade, driven by changing customer demand, the focus of most automobile players would be to increase productivity and efficiency, and to innovate. The sensitivity of Indian consumers to price, the needs of manufacturers to optimize on cost, rising fuel prices, and an increasing focus on environmental concerns were likely to lead to crucial changes in the industry.[[29]](#endnote-29)

VOLKSWAGEN

VW, with its corporate office in Wolfsburg, Germany, was the largest manufacturer of cars in Europe and one of the major producers of automobiles and commercial vehicles in the world. The number of VW vehicles delivered to customers increased from 9.9 million in 2015 to 10.3 million in 2016 (see Exhibit 4). The global market share declined marginally to 11.9 per cent. VW operated 120 manufacturing plants in 20 European countries and in 11 countries in North and South America, Asia, and Africa.[[30]](#endnote-30)

VW, with its prospective program “TOGETHER—Strategy 2025,” aspired to be the global leader of sustainable mobility. The group offered customer and dealer financing, banking, leasing, fleet management, and insurance activities.[[31]](#endnote-31) Research activities, with bases in Germany, the United States, Japan, and China, ranged from future and mobility research to carbon neutral and sustainable mobility, materials and manufacturing methods, driver assistance systems, and virtual technologies. VW tried to foresee the prospective needs of customers and transform them into innovative technologies.[[32]](#endnote-32)

VOLKSWAGEN IN INDIA

VW Group India, part of VW that employed around 5,000 employees at various locations in India, had its headquarters in Pune, Maharashtra. Its plant in Chakan, Pune, was set up with a total investment of around $603 million. No other German company in India had made an investment bigger than the one realized by VW. The plant, with an advanced level of vertical integration, was the most modern of all its plants worldwide.[[33]](#endnote-33) Five brands—Škoda, Audi, Volkswagen, Lamborghini, and Porsche—represented the company in India. VW entered India in 2001 with its brand Škoda. This was followed in 2007 by the Audi and Volkswagen brands, and in 2012 by Lamborghini and Porsche. VW boasted a vast dealership network in the country, with the Volkswagen brand setting up 122 dealerships in 113 cities sweeping the entire country. These dealerships helped VW deliver excellent customer service.[[34]](#endnote-34)

Škoda Auto A.S. (Škoda), the Czech automaker—a fully-owned subsidiary of VW since 2000—had a manufacturing plant in India. The productions of cars in its manufacturing plant at Pune saw a 16.4 per cent increase in 2015 to 12,676 units from 10,887 units in 2014.[[35]](#endnote-35) To revamp its presence in India, the company reduced the number of its dealers from 100 to around 65. To have a leaner but more effective network, it also pruned its product portfolio and changed its marketing strategy by doing away with discounts. In 2016, Škoda sold 13,370 units in India, a drop from 15,457 units sold in 2015.[[36]](#endnote-36) The company, which had started its operations in the country in November 2001, had up to 2017 sold 250,000 cars.[[37]](#endnote-37) Its market share in India was below 0.5 per cent (see Exhibit 5).[[38]](#endnote-38)

In January 2015, an investment of $33.6 million was announced by VW for Indian-specific diesel engine and tooling. With the launch of its premium model Tiguan, VW was aspiring for a larger role in the Indian sport utility vehicle segment. Also, in an effort to brand itself as an accessible premium car brand offering a complete range of products in India,” VW planned to bring back its sedan, the Passat. VW introduced the diesel edition of its car Ameo, as well as Polo AllStar, a special variant for the Indian market.[[39]](#endnote-39)

In October 2016, with 5,534 units, VW reported a 70 per cent jump in sales over the previous year.[[40]](#endnote-40)

TATA MOTORS

Tata Motors—part of the bigger Tata Group and one of the most trusted brands of cars, with sales of more than 9 million vehicles including cars, utility vehicles, trucks, buses and defence vehicles—had a turnover of $42 billion. It had more than 6,600 sales and service points. The company was the first to develop a fully indigenous passenger car in India, and it furthered its success by developing the world’s least expensive car, the Nano.[[41]](#endnote-41) Its research and development, design, and manufacturing facilities were located in more than 20 locations across Asia, Europe, and Africa.[[42]](#endnote-42) Through various subsidiaries and associate companies, Tata Motors had operations in the United Kingdom, South Korea, Thailand, and Spain.[[43]](#endnote-43) The company had a history of association with international players such as Fiat Chrysler, the PSA Group, and Jaguar Land Rover.[[44]](#endnote-44) By delivering stimulating innovations, the company hoped to be a high-performance organization. It wanted to see itself among the top three global commercial vehicle and passenger vehicle players.[[45]](#endnote-45)

Players such as Hyundai, Toyota, Nissan-Datsun, and Renault Group were proving to be stiff competitors for Tata Motors with respect to the prices and segments in which it had once excelled.[[46]](#endnote-46) The passenger vehicle division of the company saw a drop of 96 per cent in profits in Quarter 3 of 2016, with its share in the market dropping from 13 per cent in 2013 to below 5 per cent in February 2017 (see Exhibit 6).[[47]](#endnote-47)

INITIATING A STRATEGIC ALLIANCE

The high overall costs of manufacturing, poor service quality, the waning confidence of customers, and a product portfolio that had a disparity with respect to meeting the needs of Indian consumers had caused VW, in effect, to be non-competitive in the Indian market.[[48]](#endnote-48) Undeterred from failing to make a mark in the market despite being present for quite some time, Škoda, under the umbrella of its parent VW, planned to be aggressive with respect to launching its products in the Indian market. Through its mini sport utility vehicle and an entry-level sedan, it was looking forward to a return to the high-volume small car segment.[[49]](#endnote-49)

After the start of talks in January 2017, in March 2017, VW signed a memorandum of understanding with Tata Motors to explore the possibility of the joint development of products. That Tata Motors was being led by a German chief executive officer and had a plant in Pune in close proximity to VW’s manufacturing base proved to be a bonus.[[50]](#endnote-50) In partnership with Tata Motors, Škoda planned to introduce multiple car models in India and emphasize bulk production.[[51]](#endnote-51) The combined development of products and the shared value chain activities would start only after the companies reached a clear understanding with respect to the terms of co-operation with each other.[[52]](#endnote-52)

Škoda was appointed to represent VW in the strategic alliance. In addition to a due diligence exercise, many executives from Europe travelled to India to hold meetings with Tata Motors executives.[[53]](#endnote-53) According to VW, the primary purpose of the alliance would be to use unique knowledge about the market and the expert local development of products. The portfolio of new products as an output of the alliance would be jointly owned by Tata Motors, VW, and Škoda.[[54]](#endnote-54) The first rollout of the jointly developed products could be expected only by 2019.[[55]](#endnote-55)

The alliance would encompass the sharing of components and technologies. Tata Motors was eager to use the far superior and cost effective electrical architecture owned by VW in its AMP products. The alliance would create value for Tata Motors through large economies of scale and provide a means for bearing the huge expenses of developing the AMP. Talks with respect to using VW’s MQB-A platform, which the German automaker had been insisting on, had failed, as the cost of developing the platform was turning out to be very high for the price-sensitive Indian market. The AMP had not only a cost advantage but also a flexible architecture to accommodate a vast range of products.[[56]](#endnote-56) On paper, it was expected that the AMP would cost at least 30 to 50 per cent less than MQB or the hybrid version of MQB/PQ25.[[57]](#endnote-57) The development of engines was expected to be directed by Tata Motors to overcome the high cost of VW’s power trains, which had a low level of localization.[[58]](#endnote-58)

Tata Motors was confident that the alliance would give both companies an opportunity to leverage each other’s strengths to produce synergies and develop progressive solutions, for both the Indian and the global market. Part of the company’s strategy was also to be ready for the future by adopting new technologies that encouraged greater skilled use of its platform, and by making available products that related to its customers’ dreams and ambitions.[[59]](#endnote-59)

VW, on the other hand, realized that to have an effect on the Indian market it was important for it to “think local.”[[60]](#endnote-60) The company believed that the alliance would enable it to offer transportation solutions tailored to the needs of customers in emerging, aggressively growing automobile markets and in other markets. This would help VW achieve continuous and profitable growth worldwide.[[61]](#endnote-61) It was also in line with the company’s regional growth strategy.[[62]](#endnote-62) However, the bigger issue that could pull the alliance off track was the strong cultural difference between the two companies.[[63]](#endnote-63)

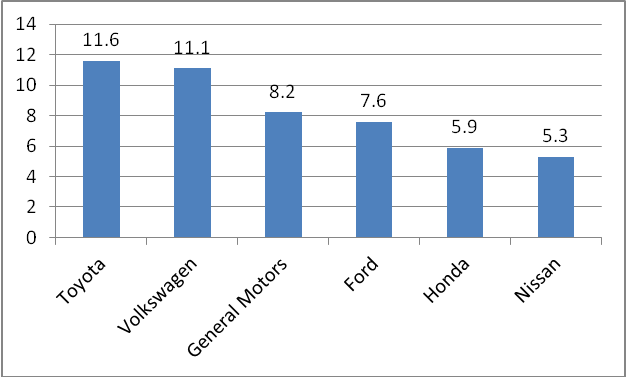
ROADBLOCK AND DILEMMA

The fate of the much-awaited strategic alliance stood in limbo. First, VW found the cost benefits from the alliance not convincing enough to make a good business proposition. Second, there was a dispute with respect to structuring the partnership—whether to announce it as a joint venture, a licensing agreement, or a contract manufacturing arrangement.[[64]](#endnote-64) If the alliance broke up, Tata Motors would have to, on its own, carry out the development process of the AMP. This would further jeopardize its financial position, considering its loss increased to $394 billion in 2017.[[65]](#endnote-65)

VW had been in India for 10 years and was recognized as a brand, but top officials felt they were still in the learning phase. They were of the opinion that some of the assumptions they had made in the early years with respect to their cars, Vento and Polo, had not turned out to be 100 per cent correct. The cars had failed to become popular and accepted by customers, and had not contributed much to the company’s coffers.[[66]](#endnote-66) VW thought that the Indian market had distinguishing attributes and a distinguishing structure of its own, and establishing an international brand in the market had its challenges.[[67]](#endnote-67) The group also realized that Indian consumers were driven by newness, and sought new features in products every year.[[68]](#endnote-68) With a vision to develop cars that were fit to meet the desire of the ambitious middle class in India, the entry-car market, with a price range of $3,175 to $5,556 per vehicle, was outside of VW’s scope in the short term. Officials knew that, in the long run, customers looking out for reduced value could not be ignored. Also, to be commercially competitive, VW wanted to increase the localized production of its cars.[[69]](#endnote-69) It had attempted to expand into emerging markets through a partnership with Suzuki, which had failed. With its Škoda and Polo brands, VW’s market share in India was small.[[70]](#endnote-70)

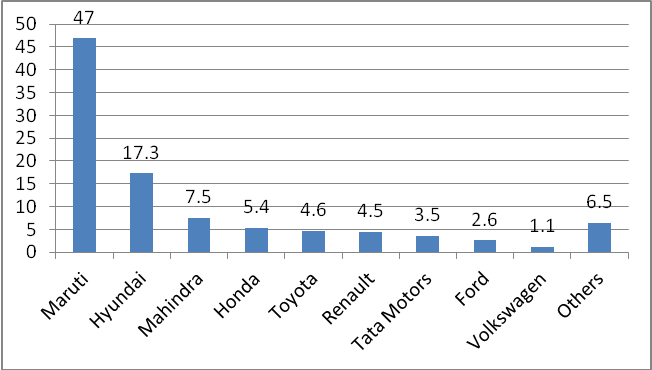
Given the importance of the Indian market, should VW and Tata Motors resolve their differences and take the collaboration forward? A thorough evaluation of the technical feasibility and satisfactory levels of synergies was required.[[71]](#endnote-71)

EXHIBIT 1: GLOBAL MARKET SHARE OF TOP AUTOMOBILE PLAYERS (in %), 2016



Source: Nandini Sengupta, “Top 3 Auto Companies Hold 70% Market Share,” *Times of India,* January 28, 2016, accessed May 18, 2017, http://timesofindia.indiatimes.com/business/india-business/Top-3-auto-companies-hold-70-market-share/articleshow/50749746.cms.

EXHIBIT 2: MARKET SHARE OF AUTOMOBILE MANUFACTURERS IN INDIA (IN %), 2016



Source: Nandini Sengupta, “Top 3 Auto Companies Hold 70% Market Share,” *Times of India,* January 28, 2016, accessed May 18, 2017, http://timesofindia.indiatimes.com/business/india-business/Top-3-auto-companies-hold-70-market-share/articleshow/50749746.cms; Kiran Bajad, “Ashok Leyland Grabs M&HCV Market Share from Tata Motors in 2015–16,” *Autocar Professional,* April 12, 2016, accessed May 24, 2017, www.autocarpro.in/news-national/ashok-leyland-grabs-market-share-tata-motors-2015-11112.

EXHIBIT 3: a COMPARISON OF A FEW INDIAN AUTOMOBILE PLAYERS

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Mahindra and Mahindra Ltd.** | **Tata Motors Group** | **Maruti Suzuki India Ltd.**  **(Formerly Maruti Udyog Ltd.)** | **Ashok Leyland Ltd.** |
| Description | Largest brand of tractors in the world, by volume; largest manufacturer of utility vehicles in India | Leading automobile manufacturer of cars, utility vehicles, trucks, buses, and defence vehicles | Leading automobile manufacturer (passenger vehicles); owned subsidiary (54.2%) of Suzuki Motor Corporation, the Japanese manufacturer of automobiles and motorcycles | India’s second-largest producer of commercial vehicles; the world’s fourth-largest producer of buses and 16th largest producer of trucks |
| Products | Automobiles, commercial vehicles, two wheelers | Compact cars, mid-sized sedans, crossovers, utility vehicles, trucks and buses, municipal solutions, defence and homeland security, Jaguar Land Rover | Hatchbacks, sedans, vans, sport utility vehicles, and multi-utility vehicles | Buses, trucks, light commercial vehicles, defence, power solutions |
| Global presence | Asia Pacific, Europe, Middle East and Africa, the Americas, Australia, China | Africa, Latin America, Europe, Russia, Asia Pacific, Middle East | Exports cars to 125 countries | Exports to over 30 countries; presence in Sri Lanka, Bangladesh, Mauritius, the Middle East, and Africa |
| Sales turnover as of March 2016  (in US$ million) | 6,922 | 42,000 | 8,945 | 3,155 |
| Reported profit after tax (in US$ million) | 503 | 1,750 | 726 | 115 |

Source: “Mahindra and Mahindra,” Moneycontrol, accessed May 22, 2017, www.moneycontrol.com/financials/mahindramahindra/profit-loss/MM; “About Us,” Mahindra and Mahindra Ltd., accessed May 22, 2017, www.mahindra.com/about-us; “Tata Motors Home Page,” accessed May 22, 2017, www.tatamotors.com/; “Tata Products and Services,” Tata Group, accessed May 22, 2017, www.tata.com/products/index/Products-and-services; “Tata Motors 71st Annual Report 2015–16,” Tata Motors, accessed May 22, 2017, www.tatamotors.com/investors/financials/71-ar-html/cons-summ-bal-sheet2.html; “Our Financials,” Maruti Suzuki India Ltd., accessed May 22, 2017, www.marutisuzuki.com/financial.aspx; “History,” Ashok Leyland Ltd., accessed May 22, 2017, www.ashokleyland.com/history; “Products,” Ashok Leyland Ltd., accessed May 22, 2017, www.ashokleyland.com/our-products; “Joint Ventures,” Ashok Leyland Ltd., accessed May 22, 2017, www.ashokleyland.com/joint-ventures; “Ashok Leyland,” Moneycontrol, accessed May 22, 2017, www.moneycontrol.com/financials/ashokleyland/profit-loss/AL.EXHIBIT 4: DELIVERY OF VOLKSWAGEN PASSENGER CARs TO CUSTOMERS (in units)

|  |  |  |
| --- | --- | --- |
|  | **September 2015** | **September 2016** |
| Europe | 158,000 | 160,400 |
| Western Europe | 140,400 | 141,000 |
| Germany | 49,100 | 48,300 |
| Central and Eastern Europe | 17,600 | 19,400 |
| Russia | 6,800 | 7,000 |
| North America | 45,900 | 45,600 |
| United States | 26,100 | 24,100 |
| South America | 38,900 | 20,500 |
| Brazil | 27,400 | 9,900 |
| Asia Pacific | 253,400 | 303,700 |
| China | 235,300 | 288,800 |
| Worldwide | 513,500 | 547,700 |

Source: Benjamin Zhang, “One Country Has Kept Volkswagen’s Global Sales from Cratering after Its Emissions Scandal,” Business Insider, October 17, 2016, accessed October 4, 2017, www.businessinsider.com/volkswagen-sales-increased-after-emissions-cheating-scandal-china-2016-10.

EXHIBIT 5: ŠKODA AUTO FINANCIALS (us$ millions)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| As of December 3 | **2015** | **2014** | **2013** | **2012** | **2011** |
| Sales | 13,541 | 12,871 | 10,476 | 11,294 | 10,860 |
| Profit | 1,325 | 792 | 490 | 660 | 691 |

Source: Škoda Auto, A. S., *Škoda Annual Report 2015,* accessed June 5, 2017, www.skoda-auto.com/SiteCollectionDocuments/company/investors/annual-reports/en/skoda-annual-report-2015.pdf; Škoda Auto, A. S., *Škoda Annual Report 2014,* accessed June 5, 2017, www.skoda-auto.com/SiteCollectionDocuments/company/investors/annual-reports/en/skoda-annual-report-2014.pdf; Škoda Auto, A. S., *Škoda Annual Report 2013,* accessed June 5, 2017, www.skoda-auto.com/SiteCollectionDocuments/company/investors/annual-reports/en/skoda-annual-report-2013.pdf; Škoda Auto, A. S., “Skoda Annual Report 2012,” accessed June 5, 2017, www.skoda-auto.com/SiteCollectionDocuments/company/investors/annual-reports/en/skoda-auto-annual-report-2012.pdf; Škoda Auto, A. S., *Skoda Annual Report 2011*, accessed June 5, 2017, www.skoda-auto.com/SiteCollectionDocuments/company/investors/annual-reports/en/skoda-auto-annual-report-2011.pdf.

EXHIBIT 6: TATA MOTORS FINANCIALS (us$ millions)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2015–16** | **2014–15** | **2013–14** | **2012–2013** | **2011–2012** |
| Revenue from operations | 7,417 | 6,284 | 6,004 | 7,842 | 9,416 |
| Profit | 37 | (753) | 53 | 48 | 198 |

Source: Tata Motors Limited, *68th Annual Report 2012–13*, accessed June 5, 2017, www.tatamotors.com/investors/financials/68-ar-html/profit-loss.html; Tata Motors Limited*, 69th Annual Report 2013–14,* accessed June 5, 2017, www.tatamotors.com/investors/financials/69-ar-html/pdf/Tata-Motors-Annual-Report-2013-14.pdf; Tata Motors Limited, *70th Annual Report 2014–15*, accessed June 5, 2017, www.tatamotors.com/investors/financials/70-ar-html/profit-loss.html; Tata Motors Limited, *71st Annual Report 2015–16*, accessed June 5, 2017, www.tatamotors.com/investors/financials/71-ar-html/profit-loss.html.

ENDNOTES

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Volkswagen Group and Tata Motors Limited or any of their employees. [↑](#endnote-ref-1)
2. Reeba Zachariah, “Tata Motors, VW Alliance for Economy Car Hits Hurdle,” *Times of India,* June 29, 2017, accessed August 4, 2017, http://timesofindia.indiatimes.com/business/india-business/tata-motors-vw-alliance-for-economy-car-hits-hurdle/articleshow/59360364.cms. [↑](#endnote-ref-2)
3. Rich Parkin, Reid Wilk, Evan Hirsh, and Akshay Singh, “2017 Automotive Trends,” strategy&, accessed May 19, 2016, https://www.strategyand.pwc.com/trend/2017-automotive-industry-trends. [↑](#endnote-ref-3)
4. Paul Gao, Hans-Werner Kaas, Detlev Mohr, and Dominik Wee, “Disruptive Trends That Will Transform the Industry,” McKinsey & Company, January 2016, accessed May 19, 2017, www.mckinsey.com/industries/automotive-and-assembly/our-insights/disruptive-trends-that-will-transform-the-auto-industry. [↑](#endnote-ref-4)
5. Rich Parkin, Reid Wilk, Evan Hirsh, and Akshay Singh, “2017 Automotive Trends,” op. cit. [↑](#endnote-ref-5)
6. Paul Gao, Hans-Werner Kaas, Detlev Mohr, and Dominik Wee, “Disruptive Trends That Will Transform the Industry,” op. cit. [↑](#endnote-ref-6)
7. Ibid. [↑](#endnote-ref-7)
8. Ibid. [↑](#endnote-ref-8)
9. PTI, “India Will Be World’s Fastest Growing Economy in Next 5 Years: Top US Think Tank,” *Economic Times,* February 9, 2017, http://economictimes.indiatimes.com/news/economy/indicators/india-will-be-worlds-fastest-growing-economy-in-next-5-years-top-us-think-tank/articleshow/57058618.cms. [↑](#endnote-ref-9)
10. Raghavan Parthasarthy, “India’s Economy Is Not Growing Fast Enough,” *The* *Hindu Business Line*, April 30, 2017, accessed May 19, 2017, www.thehindubusinessline.com/opinion/indias-economy-is-not-growing-fast-enough/article9674753.ece. [↑](#endnote-ref-10)
11. “Subdued Demand Diminished Prospects,” International Monetary Fund, January 2016, accessed May 24, 2017, www.imf.org/external/pubs/ft/weo/2016/update/01/. [↑](#endnote-ref-11)
12. BMR Advisors, “Indian Auto Industry, a Potential World Leader,” *Forbes India,* June 11, 2015, accessed May 22, 2017, www.forbesindia.com/blog/business-strategy/indian-auto-industry-a-potential-world-leader/. [↑](#endnote-ref-12)
13. “Indian Automobile Industry,” *Indian Mirror,* accessed May 18, 2017, www.indianmirror.com/indian-industries/automobile.html. [↑](#endnote-ref-13)
14. India Brand Equity Foundation, *Automobiles,* January 2016, accessed May 22, 2017, www.india-opportunities.es/archivos/publicaciones/Automobile-January-2016.pdf. [↑](#endnote-ref-14)
15. “Automobile Industry in India,” India Brand Equity Foundation, accessed May 18, 2017, https://www.ibef.org/industry/india-automobiles.aspx. [↑](#endnote-ref-15)
16. “Performance of Auto Industry During 2016–17,” accessed May 18, 2017, www.siamindia.com/ statistics.aspx [↑](#endnote-ref-16)
17. Nandini Sengupta, “Top 3 Auto Companies Hold 70% Market Share,” *Times of India,* January 28, 2016, accessed May 18, 2017, http://timesofindia.indiatimes.com/business/india-business/Top-3-auto-companies-hold-70-market-share/articleshow/50749746.cms. [↑](#endnote-ref-17)
18. ₹ = INR = Indian rupees; all currency amounts are in US$ unless otherwise specified; US$1 = ₹66.80 on September 1, 2016. [↑](#endnote-ref-18)
19. “Automobile Industry in India,” India Brand Equity Foundation, accessed May 18, 2017, https://www.ibef.org/industry/india-automobiles.aspx. [↑](#endnote-ref-19)
20. Ibid. [↑](#endnote-ref-20)
21. Ibid. [↑](#endnote-ref-21)
22. Pankaj Doval, “Mahindra and Mahindra Lines Up Mega Expansion in Electric Vehicles,” *Economic Times,* May 23, 2017, accessed June 4, 2017, http://economictimes.indiatimes.com/industry/auto/news/passenger-vehicle/cars/mahindra-and-mahindra-lines-up-mega-expansion-in-electric-vehicles/articleshow/58801814.cms. [↑](#endnote-ref-22)
23. Nandini Sengupta, “M&M-Ford Pact to Focus on Joint Tech,” *Times of India,* March 16, 2017, accessed June 5, 2017, http://timesofindia.indiatimes.com/business/india-business/mm-ford-pact-to-focus-on-joint-tech/articleshow/57661034.cms. [↑](#endnote-ref-23)
24. Amrit Raj, “Toyota, Suzuki Explore Global Tie-Up with India in Sight,” *Livemint,* February 7, 2017, accessed June 5, 2017, www.livemint.com/Companies/VL7p0ALm7azJcCd1DCdjiN/Toyota-Suzuki-poised-to-unveil-partnership-today.html. [↑](#endnote-ref-24)
25. “Automobile Industry in India,” op. cit. [↑](#endnote-ref-25)
26. Ajay Modi, “Why Kia Is Keen to Drive into India,” *Business Standard,* May 24, 2017, accessed October 4, 2017, www.business-standard.com/article/companies/why-kia-is-keen-to-drive-into-india-117052401779\_1.html. [↑](#endnote-ref-26)
27. Pankaj Doval, “GM to Stop Selling Cars in India as Sales Crash,” *Times of India*, May 19, 2017, 21; Pankaj Doval, “Emission Row Hit GM’s India Run, *Times of India,* May 19, 2017, 22. [↑](#endnote-ref-27)
28. “General Motors to Stop Sales in India by 2017 Year End,” Wheels24, May 19, 2017, accessed June 5, 2017, www.wheels24.co.za/News/Industry\_News/general-motors-to-stop-sales-in-india-by-2017-year-end-20170519. [↑](#endnote-ref-28)
29. Durga Prasad, “Indian Automotive Industry: Possibilities and Challenges,” Wipro.com, July 10, 2013, accessed May 19, 2017, www.wipro.com/blogs/indian-automotive-industry-possibilities-and-challenges/. [↑](#endnote-ref-29)
30. “Portrait and Production Plants,” Volkswagen AG, accessed May 19, 2017, https://www.volkswagenag.com/en/group/portrait-and-production-plants.html. [↑](#endnote-ref-30)
31. “Group,” Volkswagen AG, accessed May 19, 2017, https://www.volkswagenag.com/en/group.html. [↑](#endnote-ref-31)
32. “Research,” Volkswagen AG, accessed May 19, 2017, https://www.volkswagenag.com/en/group/research.html. [↑](#endnote-ref-32)
33. “Volkswagen: Indian Spirit Meets German Excellence,” Volkswagen Group India, accessed May 19, 2017, www.volkswagen.co.in/en/volkswagen\_world/volkswagen\_india.html. [↑](#endnote-ref-33)
34. Ibid. [↑](#endnote-ref-34)
35. Škoda Auto A. S., Š*koda Annual Report 2015,* accessed June 5, 2015, www.skoda-auto.com/SiteCollectionDocuments/company/investors/annual-reports/en/skoda-annual-report-2015.pdf. [↑](#endnote-ref-35)
36. Pankaj Doval, “Skoda Plans to Launch Multiple Products in Partnership with Tata Motors,” *Times of India,* May 9, 2017, accessed June 3, 2017, http://timesofindia.indiatimes.com/auto/cars/skoda-plans-multiproduct-rollout-plan-with-tata-motors/articleshow/58585767.cms. [↑](#endnote-ref-36)
37. Ajay Modi, “Skoda Awaits a Ride with Tata Motors,” *Business Standard,* May 3, 2017, accessed May 17, 2017, www.business-standard.com/article/companies/skoda-awaits-a-ride-with-tata-motors-117050200452\_1.html. [↑](#endnote-ref-37)
38. Gulshankumar Wankar, “Is Tata Motors-VW-Skoda Partnership a Win-Win of the Underdogs?” *Hindustan Times,* March 10, 2017, accessed May 17, 2017, www.hindustantimes.com/business-news/tata-motors-vw-skoda-partnership-a-win-win-more-such-tie-ups-to-come-analysts/story-js4gblAZYcELwHDcXkws3J.html. [↑](#endnote-ref-38)
39. PTI, “More Fresh Products, Localisation Volkswagen’s Top Priority in India,” *Economic Times,* February 26, 2017, accessed May 17, 2017, http://economictimes.indiatimes.com/industry/auto/news/passenger-vehicle/cars/more-fresh-products-localisation-volkswagens-top-priority-in-india/articleshow/57354681.cms. [↑](#endnote-ref-39)
40. PTI, “Volkswagen India Sales up 70% in October,” *Economic Times,* November 1, 2016, accessed May 19, 2017, http://economictimes.indiatimes.com/industry/auto/news/passenger-vehicle/cars/volkswagen-india-sales-up-70-in-october/

    articleshow/55180059.cms. [↑](#endnote-ref-40)
41. “About Us,” Tata Motors, accessed June 5, 2017, www.tatamotors.com/about-us/; “Tata Motors Ltd.,” NDTV Profit, accessed June 5, 2017, http://profit.ndtv.com/stock/tata-motors-ltd\_tatamotors/reports. [↑](#endnote-ref-41)
42. “About Us: Facilities,” Tata Motors, accessed June 5, 2017, www.tatamotors.com/about-us/facilities/. [↑](#endnote-ref-42)
43. “Tata Motors Ltd.,” NDTV Profit, accessed June 5, 2017, http://profit.ndtv.com/stock/tata-motors-ltd\_tatamotors/reports. [↑](#endnote-ref-43)
44. Ketan Thakkar, Ruchika Chitravanshi, and Sharmishtha Mukherjee “Tata Motors, Volkswagen Partnership Talks in Advanced Stage; Deal May Have Huge Impact on India, EMs,” *Economic Times,* February 22, 2017, accessed May 17, 2017, http://economictimes.indiatimes.com/industry/auto/news/industry/tata-motors-volkswagen-partnership-talks-in-advanced-stage-deal-may-have-huge-impact-in-india-ems/articleshow/57280511.cms. [↑](#endnote-ref-44)
45. “Mission, Vision and Values,” Tata Motors, accessed May 24, 2017, www.tatamotors.com/investors/financials/71-ar-html/mission-vision.html. [↑](#endnote-ref-45)
46. Gulshankumar Wankar, “Is Tata Motors-VW-Skoda Partnership a Win-Win of the Underdogs?” op. cit. [↑](#endnote-ref-46)
47. Ibid. [↑](#endnote-ref-47)
48. Hormazd Sorabjee. “Exclusive! Tata Motors and VW Group Sign MoU for Joint Cooperation,” Autocar India, March 8, 2017, accessed June 3, 2017, www.autocarindia.com/auto-news/exclusive-tata-motors-and-vw-group-sign-mou-for-joint-cooperation-404400.aspx; Pankaj Doval, “Škoda Plans to Launch Multiple Products in Partnership with Tata Motors,” *Times of India,* May 9, 2017, accessed June 3, 2017, http://timesofindia.indiatimes.com/auto/cars/skoda-plans-multiproduct-rollout-plan-with-tata-motors/articleshow/58585767.cms. [↑](#endnote-ref-48)
49. Pankaj Doval, “Skoda Plans to Launch Multiple Products in Partnership with Tata Motors,” op.cit. [↑](#endnote-ref-49)
50. Ketan Thakkar, Ruchika Chitravanshi, and Sharmishtha Mukherjee, “Tata Motors, Volkswagen Partnership Talks in Advanced Stage; Deal May Have Huge Impact on India, EMs,” op. cit. [↑](#endnote-ref-50)
51. “Skoda Planning Major Product Offensive in Association with Tata,” GaadiWaadi.com, May 9, 2017, accessed May 17, 2017, https://gaadiwaadi.com/skoda-planning-major-product-offensive-in-association-tata-384973/. [↑](#endnote-ref-51)
52. “Tata Motors, Volkswagen Group and Skoda Sign MoU to Explore Joint Product Developments,” News18.com, March 10, 2017, accessed June 2, 2017, www.news18.com/news/auto/tata-motors-volkswagen-group-and-skoda-sign-mou-to-explore-joint-development-projects-1358586.html. [↑](#endnote-ref-52)
53. Ketan Thakkar, Ruchika Chitravanshi, and Sharmishtha Mukherjee “Tata Motors, Volkswagen Partnership Talks in Advanced Stage; Deal May Have Huge Impact on India, EMs,” op. cit. [↑](#endnote-ref-53)
54. Amrit Raj, “Tata Motors, Volkswagen to Jointly Develop Auto Parts, Vehicle Concepts,” *Livemint,* March 10, 2017, accessed June 3, 2017, www.livemint.com/Companies/v4AfVdgYW8Qdte8dmmICAI/VW-Tata-to-jointly-develop-auto-parts-vehicle-concepts.html. [↑](#endnote-ref-54)
55. Press Trust of India, “Tata Motors Inks Pact with VW, Skoda; Products Likely from 2019,” *Economic Times,* March 10, 2017, accessed June 3, 2017, www.business-standard.com/article/companies/volkswagen-tata-motors-confirm-to-explore-cooperation-117031000518\_1.html. [↑](#endnote-ref-55)
56. Hormazd Sorabjee. “Exclusive! Tata Motors and VW group Sign MoU for Joint Cooperation,” Autocar India, March 8, 2017, accessed June 3, 2017, www.autocarindia.com/auto-news/exclusive-tata-motors-and-vw-group-sign-mou-for-joint-cooperation-404400.aspx. [↑](#endnote-ref-56)
57. Ketan Thakkar, “Tata Motors, Volkswagen Partnership Plan Chokes on Structure, Benefits Issues,” *Economic Times,* June 29, 2017, accessed August 4, 2017, http://economictimes.indiatimes.com/industry/auto/news/tata-motors-volkswagen-alliance-runs-into-rough-weather/articleshow/59355298.cms. [↑](#endnote-ref-57)
58. Hormzad Sorabjee, “Tata Motors, Volkswagen in Pact to Explore Collaboration,” *Livemint,* March 9, 2017, accessed June 3, 2017, www.livemint.com/Companies/vqXaN2iGxI3ZnyehK2tMhJ/Tata-Motors-Volkswagen-in-pact-to-explore-collaboration.html. [↑](#endnote-ref-58)
59. “Tata Motors, Volkswagen Group and Skoda sign MoU to Explore Joint Product Developments,” News18.com, March 10, 2017, accessed June 2, 2017, www.news18.com/news/auto/tata-motors-volkswagen-group-and-skoda-sign-mou-to-explore-joint-development-projects-1358586.html. [↑](#endnote-ref-59)
60. “Tata Motors Modular Platform Could Underpin Future Skoda Cars,” MotorBeam, May 11, 2017, accessed May 17, 2017, https://www.motorbeam.com/tata-motors-modular-platform-could-underpin-future-skoda-cars/. [↑](#endnote-ref-60)
61. “Tata Motors, Volkswagen Group and Skoda sign MoU to Explore Joint Product Developments,” News18.com, March 10, 2017, accessed June 2, 2017, www.news18.com/news/auto/tata-motors-volkswagen-group-and-skoda-sign-mou-to-explore-joint-development-projects-1358586.html. [↑](#endnote-ref-61)
62. Amrit Raj, “Tata Motors, Volkswagen to Jointly Develop Auto Parts, Vehicle Concepts,” *Livemint,* March 10, 2017, accessed June 3, 2017, www.livemint.com/Companies/v4AfVdgYW8Qdte8dmmICAI/VW-Tata-to-jointly-develop-auto-parts-vehicle-concepts.html. [↑](#endnote-ref-62)
63. Hormazd Sorabjee. “Tata Motors, Volkswagen in Pact to Explore Collaboration,” *Livemint,* March 9, 2017, accessed June 3, 2017, www.livemint.com/Companies/vqXaN2iGxI3ZnyehK2tMhJ/Tata-Motors-Volkswagen-in-pact-to-explore-collaboration.html. [↑](#endnote-ref-63)
64. Ketan Thakkar, “Tata Motors, Volkswagen Partnership Plan Chokes on Structure, Benefits Issues,”op. cit. [↑](#endnote-ref-64)
65. Reeba Zachariah, “Tata Motors, VW Alliance for Economy Car Hits Hurdle,” *Times of India,* June 29, 2017, accessed August 4, 2017, http://timesofindia.indiatimes.com/business/india-business/tata-motors-vw-alliance-for-economy-car-hits-hurdle/articleshow/59360364.cms. [↑](#endnote-ref-65)
66. “Volkswagen India Localization Is Top Priority, Tiguan Launch in April,” Auto Breaking News, March 1, 2017, accessed May 18, 2017, https://www.autobreakingnews.com/2017/03/volkswagen-india-localisation-is-top-priority-tiguan-launch-in-april-motorbeam/. [↑](#endnote-ref-66)
67. PTI, “More Fresh Products, Localization Volkswagen’s Top Priority in India,” *Economic Times,* February 26, 2017, accessed May 17, 2017, http://economictimes.indiatimes.com/industry/auto/news/passenger-vehicle/cars/more-fresh-products-localisation-volkswagens-top-priority-in-india/articleshow/57354681.cms. [↑](#endnote-ref-67)
68. Ibid. [↑](#endnote-ref-68)
69. Ibid. [↑](#endnote-ref-69)
70. Reeba Zachariah, “Tata Motors, VW Alliance for Economy Car Hits Hurdle,” op. cit. [↑](#endnote-ref-70)
71. Ketan Thakkar, “Tata Motors, Volkswagen Partnership Plan Chokes on Structure, Benefits Issues,” op. cit. [↑](#endnote-ref-71)