

# **BUSINESS PLAN**

## **TATA Nano**



**Ermek Akhanov**

**Rizwan Ghaffar**

**Ioannis Papathanasiou**

**Najam-Ul-Islam Muhammad**

**Luis Salazar Ibanez**

**Hermann Tsobgni Zebaze**

**2009**



# Contents

- EXECUTIVE SUMMARY ..... 1
- Introduction ..... 2
- The Organization and Management Team ..... 3
  - Key Players ..... 3
  - Staffing Costs ..... 6
- The Revenue Model ..... 7
- The Market ..... 9
  - Competitors ..... 10
  - Key Benefits to the Customers ..... 11
- The Marketing Plan ..... 13
- The Manufacturing Plan ..... 17
  - Cost cutting features ..... 17
- The Financial Plan ..... 19
- The Risk & Contingency Plan ..... 21
- Conclusion ..... 22



## EXECUTIVE SUMMARY

TATA Nano is the cheapest car in the world. It is manufactured by TATA Motor Limited, the largest automobile company in India. Its chairman, Mr. Ratan Tata envisions that Tata Nano to become a "People's car" which is affordable by almost everybody. Tata Nano is scheduled to first be launched in India on 1<sup>st</sup> April 2009 and expected to be in Indian market by July 2009. From the first moment that Tata Nano project was published, a huge buzz has been created all over India. It has already received 3000 bookings.

What makes Tata Nano so cheap? Basically, by making things smaller, lighter, do away with superficial parts and change the materials wherever possible without compromising the safety and environmental compliance. It is said that Tata Nano has better millage than Toyota Prius and same gas emission as a scooter.

Tata Nano will be manufactured totally in India. It will be assembled in its two factories at Pantnagar and at Uttarakhand and, also, a mother plant has been proposed for Sanand Gujarat. Regarding the distribution of the car, we have called it "open distribution" innovation because it mobilizes large numbers of third parties to reach remote rural consumers, tailor the products and services to more effectively serve their needs, and add value to the core product or service through ancillary services.

There will be three types of Tata Nano car available i.e. Tata Nano, Tata Nano CX and Tata Nano LX. The selling price of the three models will be 2,185 Euro (Rs. 153,000), 2,585 Euro (Rs. 181,000) and 2,985 Euro (Rs. 209,000) per unit, respectively. Our financial projection for Year 1 is a net loss after taxes of 637,000 Euro. It is estimated that gross profit for the second year would yield 880,000 Euro and the third year 1,097,000 Euro. Estimated monthly installment payment is 10,000 Euro for five years period. With this price, the target market is very wide which includes those with income 30 Euro (RS. 2,000) per month, students, female, workers and scooters' riders.

The 3 million Euro we are seeking will be used to begin production, marketing, and for short term capital and overhead needs.

## Introduction

The Tata Nano is a rear-engine, 3 meters long, four-passenger city car built by Tata Motors, aimed primarily at the Indian market. The car is very fuel efficient, achieving around 26 kilometers per liter on the highway and around 22 kilometers per liter in the city. The car has a price tag of just Rs 1 lakh the same price as the DVD player in a Lexus. Hence making it easily affordable for a middle class family. Tata Nano is a dream come true for an average Indian. Now the medium class people can also have and enjoy the ride of four wheeler.

The car has achieved its low price by minimizing cost on unnecessary 'luxuries', the basic Nano comes without front and rear fog lights, without a heater or air conditioning, without anti-lock brakes, only one single windscreen wiper, manually operated windows, manual steering with no air bags, tiny 12" wheels, plastic body parts joined with adhesive instead of more conventional metal and welding.

In addition, Tata has come up with practical ways to reduce car weight and thereby trim down the overall cost. It uses comparatively small and light engine, a 623cc two-cylinder petrol engine made of aluminum, unlike conventional engines which are made out of cast iron. The engine of Tata Nano is strategically placed at the back of the car leaving the front section for luggage, that too with the capacity of a briefcase. This is the most significant element in bringing down the weight and the overall cost of the car. Other factors that contribute towards the weight reduction are the usage of hollow steering wheel shafts, plastic body panels and smaller tubeless tires. As a result of these measures, Tata Nano weighs only about 590kg. Lesser weight and fewer parts mean less raw material and lower cost for Tata Nano. The manufacturers of the TATA Nano Car are aiming to provide an affordable mode of transport to their initial target market of lower income families in India.

## The Organization and Management Team

The management team for Tata Nano is a diverse group with strong skills in technology, marketing and sales, finance and operations. Our primary criteria when filling these executive positions was extraordinary past achievement.

### *Key Players*

#### **John Smith – CEO**

Mr. Smith brings more than 25 years of marketing and executive management expertise in growing businesses at leading companies. Immediately prior to Tata Nano Mr. Smith was CEO of New One Corporation. While there he led the worldwide widget marketing group, a multi-billion dollar enterprise that is currently ranked first in its industry. Mr. Smith also successfully reorganized the company, streamlining operations and improving profitability.

Mr. Smith had previously spent seven years at Future, Inc. as COO. He was responsible for the development and launch of numerous successful products in growing markets and new business categories for Future. He helped drive revenues from more than \$3 billion to more than \$12 billion. Under his guidance, the company was named the most-respected brand names in America in 1996 and 1997. He holds both a Bachelor of Science in Industrial Engineering and a Bachelor of Science in Management from Northwestern.

#### **Fred Stone – COO**

Fred Stone was brought in a COO in January 2008. As COO, Mr. Stone's mission is to establish Tata Nano's leadership in the worldwide market. Mr. Stone was most recently senior vice president of the global customer service organization at Gravel, Inc. His responsibilities included customer service for all of Gravel's Large Boulder Operations. Prior to his worldwide service role, Mr. Stone was responsible for Gravel's worldwide Enterprise Sales and Service organization.

Mr. Stone has held a variety of sales and marketing management positions at including vice president of Gravel's North America System Sales, vice president and general manager for Gravel's boulder networking product group, and a director of marketing with responsibility for key gravel product lines.

Mr. Stone holds an MBA from the University of North Carolina at Chapel Hill and a degree in Business, with honors, from Michigan State University.

**Bob White** – VP of Product Development

Bob White was named to the Tata Nano, Inc. executive team in August 2007, as VP of Business Development. A 13-year veteran of SIMs Corporation, Mr. White was most recently chief software engineer with SIMs' global development team. Prior to his worldwide development role, Mr. White was responsible for SIMs' worldwide business development group.

He has held a variety of engineering management positions other Fortune 500 companies, including vice president of development at North America Car Sales with responsibility for key network communication product lines.

Mr. White do holds an MBA from the University of California at Berkeley and a degree in Business, with honors, from San Jose State University.

**Kate Brown** –VP of Marketing

Kate Brown is Tata Nano's VP of Marketing. She joined after nine years at OFFON, Inc., where she served most recently as Senior Marketing Director. At OFFON, she was responsible for creating new strategic partnerships and also for creating a brand awareness for a \$500 million joint venture between Act, 1business, and others.

Previously, she served as Vice President at JKL, managing regional business development, marketing and sales teams. Brown also did marketing and consulting for BBB and DDE consulting.

Brown holds an MBA degree from the Duke University.

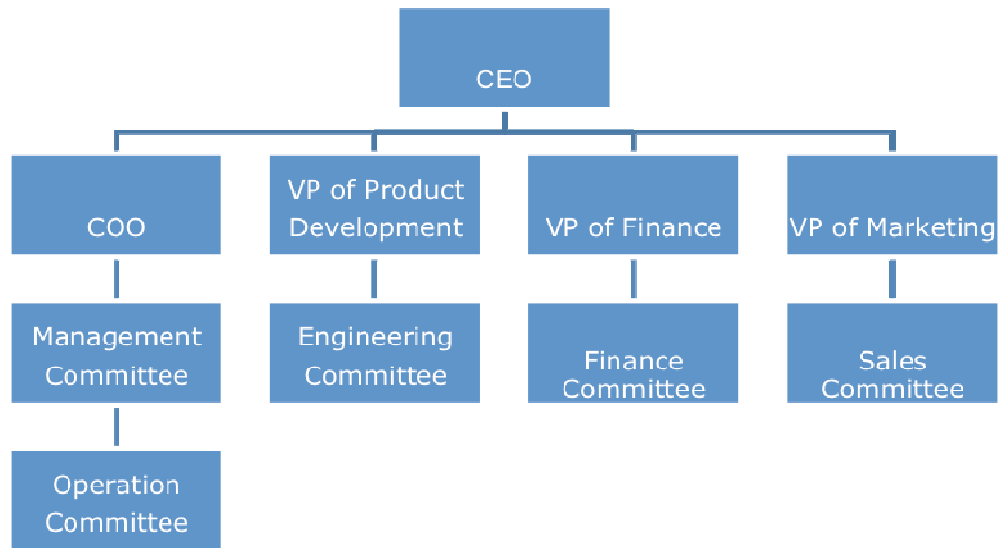
**Johan Bill** – VP of Finance

Johan Bill joined Tata Nano, Inc. as Vice President of Finance in September 2008. He manages the company's finances and has established the financial systems. He worked with his former employer, Wings, for over 12 years, holding numerous executive finance management positions as Wings grew from a \$200 million to a \$2 billion company. Most recently working as Controller of Wings, he was an integral player in executing and integrating numerous acquisitions. He also spearheaded the development of the cash management and capital infrastructure, and streamlined the financial planning process which led to significant improvements in the internal systems architecture.



Mr. Bill has a diverse financial background, with experience at both start-up and large corporations. He graduated Summa Cum Laude from Berkley with a degree in Accounting. He also holds an MBA from Santa Clara University.

The relationship between the Board, the Committees and the senior management functions is illustrated below:



*Staffing Costs*

<b>Title</b>	<b>Salary</b>	<b>Benefits*</b>
CEO	228,000	273,600
COO	180,000	216,000
VP of Product Development	100,000	120,000
VP Marketing	80,000	96,000
VP Finance	100,000	120,000
Management Committee	40,200 - 51,200	48,240 - 61,440
Engineering Committee	40,200 - 51,200	48,240 - 61,440
Finance Committee	40,200 - 51,200	48,240 - 61,440
Sales Committee	46,000 - 56,000	55,200 - 67,200
Operation Committee	19,400 - 22,400	23,280 - 26,880
<b>Total</b>	<b>874,000 - 920,000</b>	<b>1,048,800 - 1,104,000</b>

(\* 20% added for employee benefits)

(These are salary levels where we will be at the end of year one.)

## The Revenue Model

The way Tata Nano raise funds include several aspects. Those aspects are detailed in the as follows.

### **Selling the cars to clients**

This activity is the first revenue flow of the project. The first targeted market is the Indian one. The cars deliveries have started in July 2009. There are also project to extend the market to Malaysia, the rest of Asia, Europe, Africa and south America, starting in 2011.

### **Bank Services**

Tata Nano have sign contract with Indian Banks in order to allow low income people to get loans at low interests. Therefore, they could afford booking for their Tata Nano. In that contract, Tata Nano and the bank all take advantages.

### **Maintenance Services**

The Tata Nano project include a maintenance department. In fact, the customers will be offered maintenance services at a fix price per month. Those services will be extremely competitive and cheap as the car itself.

### **Advertising**

Tata nano have been making a lot of advertisement in a lot of countries. As Tata Nano have become a famous trade, some channel will allow Tata Nano advertisement to be displayed, increasing the channel audience. In addition, Tata Motors will take advantage of sweepstakes organized in order to promote the car. Those events always bring to the company both publicity and money.

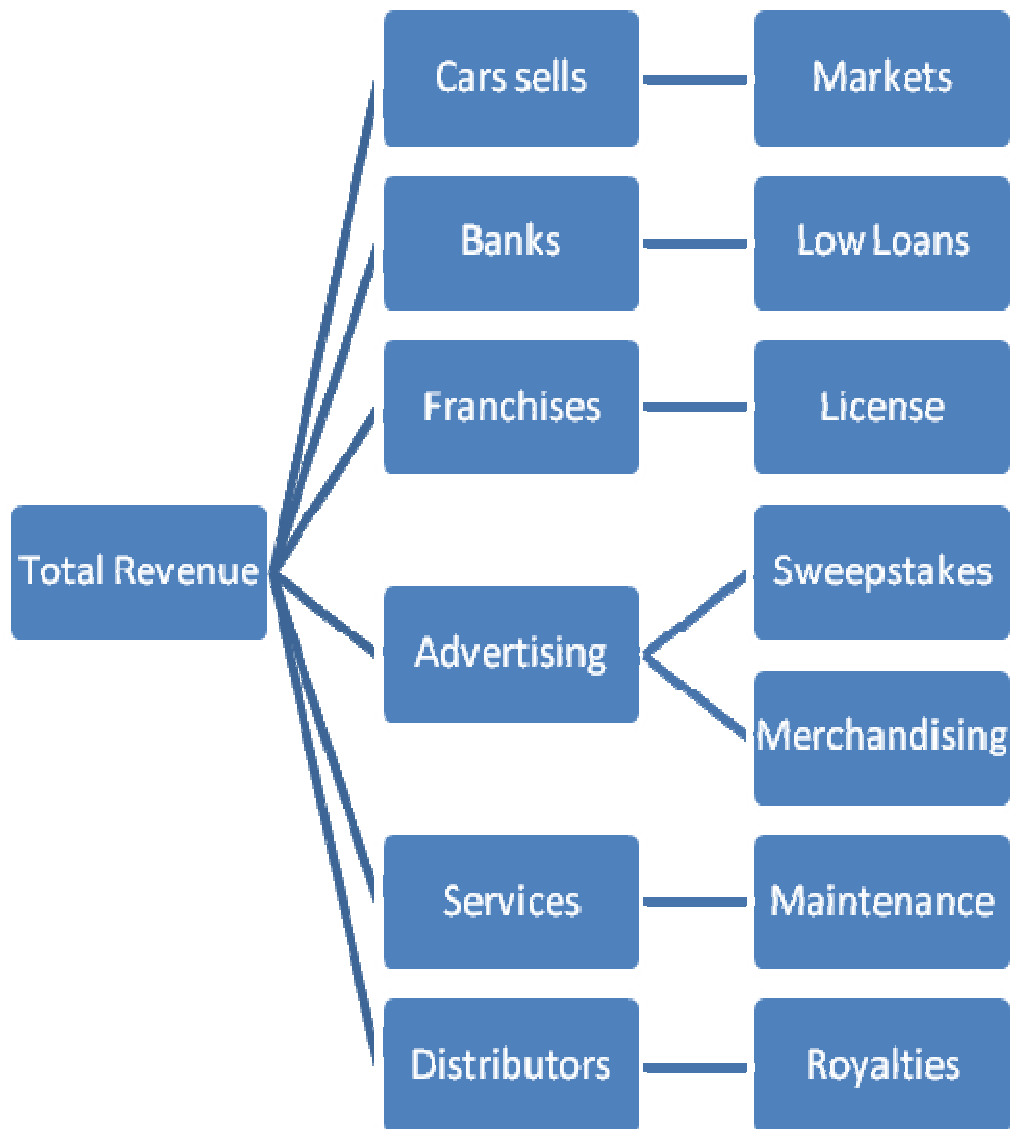
### **Marchandising**

There are a lot of product that have been manufactured in order to promote the Tata Nano, namely hats and cups. The company will therefore sell those product and make money benefits from them.

### **Making franchises**

The development of Tata Nano started 6 years ago and have lead to the production of an extremely efficient car as far as pollution and gas consumption are concerned . The technology used could be sold to other companies as Licenses, leading to funds raise.

**Distributors** In addition, Tata Nano have planned to use Distributors to make its product easily available to the Indian population. Therefore those distributors will pay royalties to Tata Nano after selling each car.



## The Market

Tata Nano's launch could expand the Indian car market by 65%, according to rating agency CRISIL. The low price makes the car affordable for families with incomes of 1,500 Euro (Rs. 100,000) per annum, the agency said. The increase in the market is expected to push up car sales by 20% over the previous year. "The unveiling of Tata Nano, the cheapest car in the world, triggers an important event in the car market. Based on the statement by company officials, CRISIL Research estimates the consumer price of the car at around 1,900 Euro (Rs. 130,000). This brings down the cost of ownership of an entry level car in India by 30%.

The Indian mass who has dreamt of buying a car can enjoy the launch as it is now affordable to most middle class families. According to a rough estimate the average income of middle class has gone up in recent years. Currently the Indian economy is expanding at the rate of 9% which is second fastest growing economy in the world after china and per capita income has increase two fold in past 10 years.. This has perhaps left more disposable income in the hands of Indian consumers. The banks providing various types of loans and credit facilities are also a major reason for consumerism. So the launch is, overall beneficial for Indian consumers and the economy.

Keeping in mind that the Tata Nano was envisioned as the four wheelers for those who can only afford two wheelers, due to its affordable price Nano's impact on two wheelers sales has been widely debated, Nano will also affect sales of higher priced Cars or will motivate competitors to reduce the prices resulting lowered margins for rest of the industry.

As the Nano was conceived and designed around introducing the automobile to a sector of the population who are currently using eco-friendly bicycles and motorcycles, environmentalists are concerned that its extraordinarily low price might lead to mass motorization in countries like India and therefore possibly aggravate pollution as well as increase the demand for oil. The ecology focused German newspaper *Die Tageszeitung* feels that such concerns are "inappropriate" as the Tata Nano has lower emissions compared to the average Volkswagen, and that developing countries shouldn't be denied the right to motorized mobility when industrialized countries should be looking to reduce their emissions and usage of cars. *Die Walts* reports that the car conforms with environmental protection, and will have the lowest emissions in India.

## *Competitors*

### AT NATIONAL LEVEL

The closest competitor of the upcoming "Nano Car" is Maruti 800 which is double of its price. a small car from Maruti Suzuki, which is priced higher than Tata Nano. Despite six percent shorter, Tata nano has about twenty one percent more interior space than the Maruti 800 due to its larger height and width. Suzuki is aware of the gap and is working arduously to improve its current care lineup. It will focus on achieving the practicality and efficiency of Tata Nano without compromising on safety and quality. However, Maruti Suzuki is not in a position to reduce the price of Maruti 800 just for the sake of competing with Tata Nano.

Bajaj auto is also developing a low cost car (code-named ULC) tagged at 2,000 Euro together with Renault-Nissan to rival Tata Nano. This ultra-low cost car is expected to be launched in India in 2012. The companies claim that the new ULC car will consume less fuel than any other four-wheeler on the urban roads. Thus the car is expected to take on the Tata Nano, the cheapest car being produced and marketed by Tata Motors in the country.

### AT INTERNATIONAL LEVEL

The *Toyota IQ* could be a competitor of TATA Nano at international level because it is the world's smallest four seater car. Though the car is a small car since it gives the feel of a large car since it has the power of a Toyota. But the Nano's price and design is much better than the *Toyota IQ*.

Another car that could be a competitor will be *Mitsubishi i*. But there again people may opt for the nano because of the mileage it provides if people are looking for a fuel efficient car in that category. The *toyota aygo* super mini could also compete with this car.

*China's Cherry QQ* could also be considered as a strong competitor who is expected to gain foothold in the Indian market in 2008. The Cherry is expected to retail about 2,600 Euro. But when compared to any of these above mentioned international models the Tata Nano europa model stands out.

Hyundai is another company taking Tata Nano seriously. Hyundai plans to launch a new model in the market which would be priced cheaper than their current cheapest model- Santro. This

new car would not be released at least until 2011, and is expected to be manufactured in Hyundai's new factory.

Honda and Toyota are leading the way on so called cleaner gasoline-electric hybrids, and some environmentalists argue getting prices down on these technologies is where efforts should be concentrated. Inexpensive and eco-friendly electric-cars like Tara Tiny, Oreva Super (both reportedly even cheaper than Tata Nano) and REVA pose even more significant danger to Nano.

The design, mileage, space efficiency, maneuverability of the tata nano europa is better when compared to the others. Also in terms of being less pollutive the tata nano europa is a very environment friendly car. May be it could be found a bit lacking in power and the top speed. But tata nano europa is set to take entire europe and the rest of the world by storm and is sure to give its competitors a run for their money.

### *Key Benefits to the Customers*

#### **AFFORDABLE**

Tata Nano is priced around 1 Lakh rupees or 2,000 Euro. This price tag is almost half the price of the current cheapest [car in India](#), Maruti [Suzuki 800](#), which is priced around 2 Lakhs. Tata Nano is ideal for two-wheeler owners looking forward to switch to 4 wheelers. Its also suitable for women, who would find driving a car safer than driving a scooter.

#### **FUEL EFFICIENT**

Tata Nano has a mileage of 21.97 kilometer per liter, under city road conditions, and 25.97 km/L on highways. This makes Tata Nano a fuel efficient vehicle, which will save money in the long-term. This mileage comes with a powerful engine of 623 cc with a maximum speed of 105 Kilometers per hour

#### **SAFE**

Tata nano has gone through the full frontal crash test according to the standard norms. Although it is 8% smaller than Maruti 800 (the current cheapest car in India), its 21% more spacious. It is a 5-seater, with an ability to carry heavy loads. According to Autocar India, though Tata Nano weighs a mere 600 kg, its robust and well-screwed together.

#### **ENVIRONMENT FRIENDLY**

If you think Tata Nano would increase pollution, think again. Tata Nano emits less carbon than two-wheelers. It also meets emission norms of BS II, III, IV which are Euro II, II, IV equivalent.

**RELAIBLE AS COMPARED TO OTHER TRANSPORT WAYS**

Tata Nano is much better than most of the other transport ways. In comparison to taxis in india it is much cheaper and good at looks. In comparison to rickshaw it is comfortable. It's also better with environment and speed if we compare to rickshaw. It's also cheaper in comparison to rickshaw. Saves lot of energy which with taxis and rickshaws is completely wasted.In comparison to rickshaw at least NANO will protect in rains.



## The Marketing Plan

### **The Marketing Strategy:**

This section discusses the different aspects of the marketing strategy adapted by TATA for their NANO car.

### **The People's car:**

Well before the car is launched, TATA-NANO was already with the people of India by its logo called "the people's car". This is how it all started, the advertisement for the people of India : Can one buy a car with 1-lakh rupees, yes we can in couple of years. This advertisement made a huge impression on the automobile market, as almost the whole middle class of India started dreaming of their own car. This should be considered in the view that in India, the average car price was 3 to 4 times greater than what Tata offered. Also the fact that rupees 100 K was affordable compared to 300 K or 400 K rupees. This soon became a discussion point in India. So instead of providing the advertisement at the launch of new idea or product, nano was the lucky to get the free publicity thanks to the hype that was created by the first move made by TATA.

### **The Buzz**

As stated above, once it became "the discussion point" in a country of population of 1 billion, TATA has no worries of marketing for some time. The TV channels, the automobile industry experts, the investors, the people ... who not; every one discussing "Is it really possible". This first advertisement was a huge success, and it perhaps decreased the marketing cost of TATA. In fact, people started asking the question, "when can we buy the car". The buzz in the market, "tata nano"

### **Auto Exposition 2007**

The first introduction of the nano with the public was made in the auto exposition in 2007 in home country in Delhi. There had been discussion in the market that, "Is it really possible". The answer was the display of the prototype of the car. Now this at once ended few of the rumors in the market; and the attention was switched to technical details of the car. So the exposition proved to be the first grand success point in the marketing of the nano car, if the first advertisement is considered as the buzz. The situation turned out, "Yes, it is possible".

### **Across the borders**

It was the time to show the world, that not only the high-tech cars are the best sellers in the market but there are people who are looking for the cheapest car on earth by a big margin. The car was in 78-th Geneva Motor Show 2008. This helped to make the image of car as a good working replacement to the existing ones back home in India. The participation in the Motor shows was widely discussed inside and outside India helping the TATA experts to better understand, where did they stand to the world's expectation and what are the things to be done. This also changed the face of the Indian automobile industry in the world, and now people were amazed with the fact sheet of the NANO car.

### **Tata Motor Showrooms**

The nation wide motorshows were organized by TATA to bring the whole class of society to the shows that they have never attended in their lives rather most of them never thought of going to such a show. The car became a need as compared to a luxury before.

### **On The web**

Considering the needs of the 21<sup>st</sup> century, the website was launched in the beginning. The website is quite comprehensive yet it provides all the answers to the questions being asked since the start of the project. The marketing team has also put a good effort to keep the website simple and easy to use and understand, it was really a vital requirement considering the intended users / buyers of the product. Just to make a point, that how necessary and successful the website and the car itself are "more than 50 Million hits in the first year". Now one can find the nano on facebook, orkut and twitter.

### **The One Form Booking**

TATA has been successful in this important aspect of the selling by the virtue of some good marketing of the booking of the car. Since there are millions of the interested buyers of the product, a transparent and easy booking procedure was required to keep the faith of customers in TATA. The hype is so much that TATA can't provide the demand for the next many years, so the booking process became a focal discussion point in the market. TATA chose the Internet booking as well as the booking by the agents. In any case, the intended buyer is to fill one single form. The lucky buyers are chosen by a random draw, so NANO is popular, isn't it.

## Bank Financing

TATA is keeping its promise of “people’s car” by providing bank car financing. Despite the fact that NANO has more customers than the production line can produce in next few years at the moment, NANO decided to make the way for the people who can’t afford to pay the price with the booking of the car. The 15 major banks including the state bank of India have been signed with the TATA to finance the low income people. Now how much one has to pay for booking a car, its beyond your imagination ... hold your seat, its 3000 Indian Rupees that makes around 50 Euros .... Not kidding. Now how does this come into the marketing strategy of the NANO, in fact TATA has closed the doors for any competitor by not letting go any one in the India who dreams of a personal car and can’t get it. The customer loyalty is to grow with such moves, specially when TATA has so many buyers at the moment.

## Key Marketing Features

Apart from the buzz, the financing issue etc. there has been some more serious work as well. The TATA is advertising some of the features of the NANO that make it comfortable, usable and not only affordable. Some of the features are discussed here:

The **low maintenance** is a key issue, one can buy a car or get bank finance but One has to maintain the car by oneself in a country where insurances are high. The low maintenance makes NANO an automatic choice for the ones who even normally travel on motorcycles.

The small size of the car gives a big advantage of **parking** in the urban India, where its getting hard to find the places round the clock.

NANO is not only cheap, its so cheap when it comes to the **fuel consumption**. The fuel consumption is far better than the 1000 cc cars which are normally used by the low income Indians.

The NANO is **environmental friendly** as well, and fulfills all the requirements of the international and national laws.

The **Cheapest** is the tag that one can’t take from NANO for few coming years.

The stylish, the car doesn’t look like a rickshaw (a local transport), its not that far away from the stylish 100 times expensive cars.

The wide **color range** provides the choice a colorful India needs, without this forget about selling much.

**“A promise is a promise”**

Here we go; the car was finally launched in the market with the said logo. The promise has been made. The launch is nationwide, so NANO will be seen throughout the country, and will find itself in 1.2 Billion people.

**Warranty**

TATA is providing a 18 months Or 24 K Kilometers warranty, it can't be considered as very good compared to what one gets at the international level but it is still not bad and it sounds good once it is considered in a global package of price, use, fuel consumption etc etc.

**The NANO brand**

Nano has itself become a brand now, and one can find the nano phone, nano watch. The products are available on and offline. These products have of course added to the popularization of already well known Nano.

**The future**

Nano will not be limited to India, the international marketing has started. The advertisements for Malaysia are already underway and an early launch is expected while the NANO Europa launch is expected in 2012.

## The Manufacturing Plan

Development began in: 2003

Scheduled to roll out in: 2008

To achieve its design goals, Tata refined the manufacturing process, emphasized innovation and sought new design approaches from suppliers. Many components of the Nano are made in Germany by Bosch, such as Fuel Injection, brake system, Value Motronic ECU, ABS and other technologies.

The Nano was originally to have been manufactured at a new factory in:

**Singur** (census town, less than 5000 people, 75% working men on non-agricultures, and 400km<sup>2</sup>/citizen),

**West Bengal** (state in eastern of India, with 3rd fastest growing economy in India, best power infrastructure, includes Kolkata city),

but increasingly violent protests forced Tata to pull out October 2008. Currently, Tata Motors is reportedly manufacturing Nano at its existing plant in:

**Pantnagar** (town and university campus)

**Uttarakhand** (state in northen of india, policies for generous tax benefits for investors)

and a mother plant has been proposed for:

**Sanand Gujarat** (largest business in india, 1st nationwide gas-based thermal electricity)

The company will bank on existing dealer network for Nano initially. The new Nano Plant could have a capacity of 500,000 units, compared to 300,000 for Singur. Gujarat has also agreed to match all the incentives offered by West Bengal government.

### Cost cutting features

- The Nano's trunk does not open. Instead, the rear seats can be folded down to access.
- It has a single windscreen wiper instead of the usual pair.
- It has no power steering.
- It has no ABS.
- In Base model it has three lug nuts on the wheels instead of four.
- It has only one side view mirror.

- It has 12" wheels.
- Plastic body parts joined with glue rather than welding.
- A two-cylinder 623 c.c. engine.

Tata initially targeted the vehicle as "the least expensive production car in the world"— aiming for a starting price of 100,000 rupees or approximately US\$2000 (using exchange rate as of 22 March 2009) 6 years ago, despite rapidly rising material prices at the time.

As of August 2008, material costs had risen from 13% to 23% over the car's development, and Tata faced the choice of:

- introducing the car with an artificially low price through government subsidies and tax-breaks.
- forgoing profit on the car.
- using vertical-integration to artificially boost profits on cars at the expense of their materials industries
- partially using inexpensive polymers or biodegradable plastics instead of a full metal-body raising the price of the car.

## The Financial Plan

Investment funding is needed for capital expenses and operating expenses as can be observed by the following financial statements:

<b>BALANCE SHEET</b>			
(Euro'000's)	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Fixed Assets</b>			
Tangible assets	15 350	16 118	16 716
Investments	1 000	1 000	1 000
	<b>19 850</b>	<b>20 618</b>	<b>21 216</b>
<b>Current Assets</b>			
Accounts Receivable	3 785	4 663	5 290
Inventory	2 744	3 372	3 873
Cash at Bank	0	120	550
<b>Net Current Assets</b>	<b>6 529</b>	<b>8 035</b>	<b>9 163</b>
<b>Liabilities</b>			
Accounts Payable	5000	4500	4000
Long-term debt	0	150	750
<b>Total Liabilities</b>	<b>5000</b>	<b>4650</b>	<b>4750</b>
<b>Total Assets less Current Liabilities</b>	<b>21 379</b>	<b>24 003</b>	<b>25 629</b>

**INCOME STATEMENT**

(Euro'000's)	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Sales</b>	20 000	23 000	25 500
Cost of Sales	17 500	19 000	21 000
<b>Gross Profit</b>	2 500	4 000	4 500
Sales, General & Administration Expense	3 000	3 000	3 000
<b>Operating Profit</b>	-500	1 000	1 500
Taxation on Profit/(Loss)	0	0	300
<b>Profit/(Loss) after Taxation</b>	-500	1 000	1 200
Dividends Paid & Proposed	137	120	103
<b>Retained Profit/(Deficit)</b>	-637	880	1 097

**Cash Flow Statement**

(Euro'000's)	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Opening Cash	0	-2 504	-2 998
Cash from Operations	-2 004	-644	992
Increases in Assets	-5 500	-1 500	-1 200
Increases in Liabilities	5 000	1 650	100
<b>Closing Cash</b>	<b>-2 504</b>	<b>-2 998</b>	<b>-3 106</b>



## The Risk & Contingency Plan

### **Risks Exposure:**

- 1) Low impact on the market resulting in slow sales and less than expected cash flow
- 2) Unexpected and excessive cost increase compared to the forecasted sales
- 3) Fluctuations and industry overcapacity
- 4) Overly aggressive and debilitating actions by competitors (effort of depreciation)
- 5) Work stoppages and other interruptions of supply at TATA Motors Ltd. or any key suppliers
- 6) The discovery of defects in vehicles resulting in delays of new models and recall campaigns
- 7) A credit rating downgrade
- 8) The increased cost of fuel
- 9) Changes in economic conditions
- 10) Labor strikes or work stoppages
- 11) Changes in laws, regulations or tax rates
- 12) The ability of the company to achieve reductions of cost and employment levels.

### **Contingency solutions:**

- 1) The Company has a comprehensive system of control, focused on mitigation of risks to ensure achievement of objectives. The risks are assessed on an ongoing basis and controls are designed to respond to risk throughout the Company.
- 2) Assets' liquidation to cover liabilities
- 3) The product cannot support itself on ongoing basis.

## Conclusion

Tata Nano achieves what most people deemed impossible through originality and ingenuity. It is a no frills car that serves the needs of the general public and India's deplorable road conditions and notorious traffic. In this sense, the production and launch of Tata Nano can be called a revolution - not only to the consumers but also to industry players. Other players are contemplating on their own versions of low cost alternatives as a result of the overwhelming response from the Indian public and all over the world. Moreover, their skepticism is met with a surprise upon seeing the model in action. The next step forward for Tata is to address the possible concerns with regard to ownership in order for customers to grasp the value proposition that Tata is trying to propagate. This includes dispelling all perceptions of shortcomings normally associated with a low-cost car through vigorous testing on real roads using real users. The basic rule of customer service still applies. Tata Nano should meet the consumer's expectations by providing a reliable and modestly safe vehicle to drive. The car, with its immense recognition gained even before its launch, is expected to fulfill the dreams of common people.