

Announcer:Ladies and gentlemen, please welcome to the stage Chairman Hochberg and Ratan Tata, Chairman of Tata Trusts.

Chmn Hochberg:We're going to get started. I feel bad I said a few times earlier today that it was going to be my last time to address you as present chairman, so I lied. I'll be up here a few more times before the end of this conference.

We have a really great special guest today joining us. I've gotten to know Ratan Tata over the years. Whenever I visit India, I'm fortunate enough that he makes time out of his schedule, and we have a private lunch. The two of us are able to talk about business, the global economy, Tata Enterprises, and so forth. He has traveled here and is joining us for this morning. We're going to do just a short conversation. He's someone I hold in great affection. I hope by the end of our 20 minutes, you will feel the same way.

Many people in our audience aren't that familiar with Tata Enterprises. I think some of us perhaps first became more aware of it when Tata purchased Jaguar and Land Rover in 2008. Maybe you could give a little history and breadth of what Tata includes. When we were sitting backstage, one of the things that Tata's recently done is Starbucks. Maybe you could just give the audience a little sense of what Tata Enterprises includes today.

Ratan Tata:What they do today?

Chmn Hochberg:Yeah, what's the span of it? I know it's from hotels, to automobiles, to steel making, but I don't want to steal your thunder.

Ratan Tata:Basically, it's a group that has saved about 100 billion US dollars. The largest two companies are the steel company manufacturing steel, about 19 million tons between the UK and India. Automobiles ... We're the largest commercial vehicle manufacturer in the country and more recently Jaguar Land Rover. The most profitable company in the group are our software services, controversial to some extent in the US. Exceedingly profitable. Its largest market is the US and has about 90% of its business outside India.

Then we're in hotels and Starbucks, as the Chairman mentioned. In a series of small retail companies which are now looking at e-retailing as a means of getting away from the brick and mortar edifices that they have.

We're looking very actively at the defense and aerospace area which has just opened up in the country. We have just commenced a joint venture with Boeing. We've been looking at assembling major components for Sikorski and for Lockheed Martin. That's the, broadly, the gamut of ... About 60 to 70 percent of our total turnover is outside India. Mainly driven by software services and Jaguar Land Rover.

Chmn Hochberg:You know when people describe you, they refer to you as an industrialist. Yet, it sounds like a lot of the business as we talked a little bit hotels, software services technology. Is that a 20th-century term, or is that a good term to use?

Ratan Tata:It's more a Soviet term.

Chmn Hochberg:A Soviet term. I don't think there's anything Soviet about a hundred billion dollars in sales. Let me ask you, one of things that I have noticed on my visits to India and globally is the sort of integrity and ethos that is imbued in the whole Tata Enterprises. How did that evolve? How do you inculcate that into ... How many employees are at Tata Enterprises now?

Ratan Tata>About 450 thousand.

Chmn Hochberg:450 thousand. How do you create that culture and keep that culture going in that regard?

Ratan Tata:The culture was always there from ... The Enterprise was built on that kind of basis. I accept that you can't vouch for the DNA of every single person that you have. We codified the ethos with great difficulty because no one could put their arms around it and define it. We had all our employees read it and sign it. We had our directors do the same. The view I have is that you can show your compliance or your commitment to value systems and ethics by how you deal with an errant employee when he veers away from this or does something that goes outside the sphere of that. We have been, at least in my time, absolutely hard on ... Didn't matter who it was. If you broke the code, you left the company.

Chmn Hochberg:Just when we started when you identified some of the key industries that Tata's into, we've read a lot lately about what's going on in Tata Steel in Britain. That's challenging. Tata does steel in Britain and in India. Obviously China is a large manufacturer/producer of steel. Do you have any sense of what that says about where steel can be produced, whether there's a place for it high-labor-cost countries? What does that say globally about ... That's a very vital [crosstalk 00:07:47] for global growth?

Ratan Tata:If you look at the steel industry today, there's the raw material segment, iron ore, which is Australia, Brazil, to some extent India, et cetera. The steel producers which tend to be close either to the raw material end or the market.

Then there's the users of steel which are automotive or whatever it may be. When we acquired Corus, the plan was that we would produce low-cost slabs and ship them to Europe. On the other hand Corus, which was closer to Brazil than we were, would give us a new source of supply and that we would be synergizing locations. That was at a time when China was building enormous steel capacity, which it was absorbing itself in its own growth. I'm afraid no one in Europe saw the impact of what would happen if China started to dump steel on the world market. Nor did many people understand or appreciate the absolute effect of the collapse of the European economy and the problems relating to the Euro.

For a couple of years after we acquired the English Steel Company, it was profitable. Then the bottom just opened up. Right now the problem is that it's the English facilities that are underinvested, overmanned. If we want to continue to be in that business, we have to really cut back on the size and scale of the operation and make them profitable. I don't think anybody could say it's impossible.

Chmn Hochberg:But certainly challenging in-

Ratan Tata:Certainly challenging. Very challenging.

Chmn Hochberg:I would imagine a Brexit might make that more challenging?

Ratan Tata:Pardon.

Chmn Hochberg:If Britain left the EU, would that make that even more challenging?

Ratan Tata:I wouldn't be able to comment on that, and you're not going to catch me in that.

Chmn Hochberg:I was just following Gillian Tett in the last panel. She was trying to get a few people to comment on Brexit.

Let me ask you, when we look at global growth right now, 80% of the world's growth comes from 3 countries: India, the United States, and China account for 80% of global growth. A lot is resting on India as three legs of that stool. We obviously we have to get the rest of the

world to start growing. Right now the world is looking at those three countries to drive global growth.

When Prime Minister Modi came into office about just under two years ago, a lot of enthusiasm from the business community. At least when I was in India, so I'm not really just ... It feels a little more muted, that enthusiasm. Is it just harder to turn that economy around? The world needs India to be thriving. How can you help us understand? We have a lot of people here who want to do business in India, and also as one of the three drivers of global growth, it's important what happens there. How can we better understand what's going on?

Ratan Tata:I'll give you a little long-winded response. When Mr. Modi came in with the new government, it followed a government that'd become dysfunctional in many ways. The last four five years prior to the election had been quite lackluster and flat. Mr. Modi promised a new India, an India that was open. Many of us who'd been through the opening up of India in '91, realized that India's potential, if you just made India operate on market forces rather than heavy regulation, responds very fast. You got a billion four people. A billion four people. You've got resources. You've got a consuming public of about 600 million people growing every day.

Mr. Modi promises new India to take away some of the roadblocks that existed to investment and to make India more market-oriented. He marketed this new India very effectively outside India to the diaspora, and the US, and the UK et cetera.

Unfortunately, one hasn't seen an execution that much in the form of new reforms that would do what he said. One of the new areas that is talked about and could become very big is the defense and aerospace area where he's been trying to attract people to come and do business. People will not come to do business unless either they have a share of the Indian market, you can't disconnect those two, or that India's a very cost-effective place to do business. Neither of those two things are in place. The potential to have growth and to have a very acceptable business base in India is very high. If you were to say, "Have we seen progress on that area?" I would say we've not seen the progress we should see or have expected to see.

Chmn Hochberg:Would that explain ... Because it appears that a number of Indian companies are still looking abroad versus investing in India right now. Is that part of what's ... One, is that a correct trend I just identified? Is that maybe part of the reason you think?

Ratan Tata:The same thing. It gets convoluted. Your investment in India is delayed for one reason or another. Corporates don't keep capital fallow for that period of time. They look somewhere else, either to manufacture because it's easier to do or because the markets there are attractive. Your assessment is correct. I think many companies have been looking at growth outside India, which is almost faster, the possibility of doing it faster, than it can be in India.

Chmn Hochberg:Which I only say since we're all looking. When I say "we," ... The world is looking at India along with China and the US is to drive global growth. We all have a lot at stake in making sure India also is moving and [endows 00:16:12] investments are happening. Do you see a path towards that right now, or do you think it's still a little wait-and-see to see how these changes and reforms go forward?

Ratan Tata:It's very difficult to say whether India's embarked on this new India that Mr. Modi's promised, or is the country becoming very

involved in the new ideology which it's tending to put in place? The fact remains that the day you see two three obvious reform measures taking place that are significant in India, you'll see the economy jump up.

Chmn Hochberg:Jump up.

Ratan Tata:To them. That's all it will take. Even if it's symbolic. If a bad and onerous tax regime such as retrospective tax were removed certainly, I think you'd see a jump of confidence. If you saw some opening up for the private sector that didn't exist either be banks, insurance, et cetera, again, you would see a jump in the production levels and the GDP growth.

Chmn Hochberg:Reforms and changes are hard. I mentioned that this morning. Christine Lagarde was quoted in yesterday's FT. Is it just the resistance of those reforms is just that difficult right now?

Ratan Tata:It's not clear as to what is holding ... First of all, what needs to be done is not precisely defined. I mentioned tax, but there are many other regulatory roadblocks that exist. The convention of India when dealing with the government has often been you have a policy, but to navigate through that policy becomes quite convoluted and time-consuming. That has to be eliminated. More has to happen automatically. The I think you would see a new India. There would be some degree of abuse, which the regulations should deal with the abuse and not deal with making policy convoluted.

Chmn Hochberg:Relating to this, surprisingly in this controversy that has come up in the last week or so the Panama Papers. There was some in the Indian press how this has impacted a number of people in India who have been, if it's accurate, have been involved in this offshoring of money and investments. Obviously people don't like to pay taxes, but it seems to have had a bigger play in India. Is there something in the laws or culture you think that it makes maybe this more prominent in India than in some other places? Unfortunately, we see it in Russia. We see it in Malaysia. I was surprised to see it in India. Is there something culturally about not paying taxes, about avoiding the law that you think is endemic in the culture?

Ratan Tata:The fabric of the country certainly has deteriorated in that sense. People have been evading taxes because income tax has been high or excise duty, which is the main form of taxes, has been high. There's no reason why that should happen.

I need to tell you something that perhaps should not be public, but I feel free to say this. When this Panama thing came up, I got a letter from one of the media saying that my name was there. I thought that's ridiculous. I've never been in Panama. I have nothing to do with Panama. Turned out, believe it or not, there was another Ratan Tata.

Chmn Hochberg:I thought they broke the mold.

Ratan Tata:He doesn't live in India. Apparently, it was his name. There are a lot of people of prominence or celebrities that have been there. I think this is more an issue of the same thing; catch the errant person. Have an aura of overcontrol and command-and-control, which existed in the past. We need to get away from that. We need to create laws not attractive to go to Panama, or Virgin Islands, or such, and to do business in the country.

Chmn Hochberg:I agree. Let me ask one last question. I think I see our time is up. One thing I noticed a year ago and that is that Tata Consulting Services, which is very large in the United States, is the sponsor of the New York Marathon. A few people asked me. We want to know

whether you're going to be running in the marathon in November since you are the prime sponsor.

Ratan Tata:I'm not a runner.

Chmn Hochberg:You're not a runner.

Ratan Tata:Not a runner. In my rundown condition, I don't know how many centimeters I would run let alone kilometers.

Chmn Hochberg:You have run a company that is respected and admired globally both for its breadth, its integrity, for the quality of its products and services. You run a lot of things if not the New York Marathon. Thank you for traveling all the way to join us this year. I really appreciate it and appreciate having a chance to chat with you on stage. Thank you so much.

Ratan Tata:Thank you very much.

Chmn Hochberg:Thank you so much.

Ratan Tata:It wasn't so bad.

Chmn Hochberg:This is nice. Thank you.