

## CASE STUDY

### RELOCATION OF 'TATA NANO' MANUFACTURING PLANT

Site selection in India is often dominated by tax incentives provided by different State Governments. Many times, political reasons dominate the location decision of Government Projects; for example many Indian Railways Projects are located at a particular place due to political compulsions. One of the most talked about plant re-location problem of recent years is that of shifting of Tata Nano Plant from 'Singur' in West Bengal, India.

Tata Nano, an ambitious family car project from Tata Group, is aimed at providing world's cheapest car to the consumers. Its manufacturing facilities were originally set up in Singur to avail the financial subsidies, tax holidays, etc. Land availability and its low cost, cheap labor, raw material availability, etc. were other governing factors in site selection for the low-cost manufacturing.

Singur, a small village in the state of West Bengal, was selected as the site, which required 1000 acres of land. However, political disagreements started growing up soon from opposition political party and the hostility from local communities became unmanageable for Tata Group. Tata Motors eventually had to pull out its Rs. 2000 crore project from Singur despite the fact that it had already suffered a loss to the tune of about Rs. 500 crore.

Many other state governments came up with lucrative proposals to attract Tata Nano project after its relocation. States of Kerala, Jharkand, Orissa, Andhra Pradesh, Gujarat, and even countries like Sri Lanka came out with their attractive proposals. However, Sanand in Gujarat could make it because of various factors such as political stability, availability of economical land and labor, proximity to ports (benefits for both exports and imports), financial incentives like tax holiday for first 10 years, etc. According to Mr. Ratan Tata, "The group had opted for Gujarat because it had already lost a lot of time (in the Singur controversy) and urgency was the need of the day. We had an urgency to move to a new location; the reputation of Gujarat and the 'speed' at which provisions were made, forced us to opt for Gujarat". Sanand is located at a distance of 40 km from Ahmedabad. It is very close to ports like Rajkot as well as Mundra, which is an advantage for export.

There is no doubt that West Bengal's loss is Gujarat's gain. Tata's decision to relocate was based on minimization of the future losses and the salvation of the existing situation in the best possible manner. Captains of Indian Corporate world have learnt their lesson—without socio-political stability, industrial growth is a distant dream.

### QUESTIONS

1. What were the major reasons for Tata's decision to start Nano factory at Singur and why was it relocated?
2. What is the latest status of Nano's production and distribution system?
3. Pick up five recent industrial projects. What were the criteria for facility location?
4. Why is Bangalore a preferred location for software companies in India?