

Tata Motors to raise €1 billion to fund Iveco acquisition

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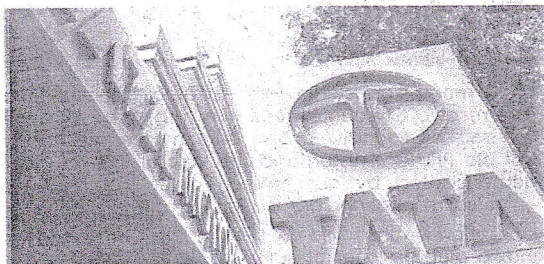
Tata Motors' acquisition of Iveco Group NV (excluding the defence arm) at €3.8 billion (approximately ₹38,000 crore) will be funded through a mix of debt and equity, the management said in a call to discuss the deal.

The company will repay the €3.8 billion acquisition debt within four years, which will be aided by a potential capital raise of €1 billion and free cash flows. Tata Motors stated that it would also monetise its stake in Tata Capital.

"There will be a capital raise that we will do in the next 18 months. We will also monetise our stake in Tata Capital; that value also comes in terms of ensuring that we minimise the debt raised. In any case, given the strong free cash flow profile of both businesses, we should be able to repay within four years," said PB Balaji, Chief Financial Officer.

The acquisition is set to strengthen Tata Motors' global footprint in the commercial vehicle business, which is being demerged into a separate entity. The acquisition is through a voluntary tender offer of €14.1 per share secured through bridge financing committed by Morgan Stanley and MUFG.

The Iveco Group, founded in 1975, employs over 32,000



VROOMING AHEAD. The acquisition is set to strengthen Tata Motors' global footprint in the commercial vehicle business

employees globally with 19 industrial sites and 30 research and development sites.

The company's largest contributor is the truck segment, which has an 11 per cent market share in the European Union and Latin America. The company's manufacturing locations include Italy, Czechoslovakia, Spain and Brazil.

Europe contributes 75 per cent of the revenues for the Iveco Group. One per cent is from Latin America and 12 per cent each from South America and other regions.

REVENUE SYNERGY

Tata Motors will leverage the company's global footprint to introduce its products to the international market. It plans to launch its commercial vehicles in the Latin American market, while Iveco commercial vehicles will be introduced in India.

"We have identified a set of synergies which can deliver improvement in the top

line. There are revenue synergies wherein we can launch Iveco products in India or other markets where Tata Motors is strong. We have also identified the optimisation of capital expenditure by combining some of the R&D projects. Further, by using design to value capabilities, reducing complexity, we can also get the operational expenditure out of the two companies," said Girish Wagh, Executive Director of Tata Motors Ltd.

AFTER SALES

"As the acquisition gets completed, it will give us access not just to the products, platforms and manufacturing facilities, but also a strong brand with Italian heritage. It will also give (us) access to a strong network for after-sales that we will have not just in Europe but also in Latin America. The company will also get access to retail financing capabilities in many of these markets," added Wagh.