IIMC-CRC-2023-09

IIMC CASE RESEARCH CENTER (IIMCCRC)
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MARCH 2024

GENERATING VALUE BY SELLING STEEL: TATA TISCON TRAVERSES THE LIBERALIZATION DISCONTINUITY (PART B)

INTRODUCTION

It was a sunny afternoon on 1st of June 2002 at Tata Center[1], and through its tinted glass, the greens of the iconic *Maidan*, the veritable lungs of the city of Calcutta looked rather alluring. Even though it was a Saturday, an official weekly holiday for the office, the 15th floor of the building was teeming with officers in their casual wear like jeans and T- shirts, the usual dress code for attending office on a holiday. The 15th floor housed the marketing team of Tata TISCON[2], the brand of steel construction rebar, which was (re)launched for the retail markets with much fanfare in December 2000.

But just as in reality the heat beyond the comfort of tinted glasses was debilitating, so was the situation inside the well-appointed and air-conditioned office. The officers looked harried, attending to phone calls, shouting instructions, and generally conveying an unsettled atmosphere.

[1] Tata Steel India's marketing headquarters in the city of Kolkata
[2] http://www.tatatiscon.co.in/

Prof. Biswatosh Saha of Indian Institute of Management Calcutta and Prof. Sankalp Pratap of Desai Sethi School of Entrepreneurship, IIT Bombay wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation.

The authors would like to put on record the active contribution of Mr. P Anand, Mr. Somesh Biswas and Ms. Kavita Mahto of Tata Steel's marketing department towards the writing of the case.

It had not been long since the company had embarked on a drive to reduce its exposure to traditional steel trading markets controlled by powerful steel traders and brokers. Tata TISCON had formally appointed distributors at the turn of the millennium, while extricating itself from the trade markets, which dominated its market play in the 20th century. An 18 month exercise, carried out in consultation with a consultant of international repute, had culminated in the articulation of a distribution dream for various products of the company, including TISCON. The task force had also spent considerable energy in appointing exclusive distributors in line with the dream, evaluating and choosing among thousands who had applied to advertisements in national newspapers. The evaluation process involved travel to concerned markets, scoring of applicants on pre-decided parameters, and finally multiple rounds of interview with the company management.

Yet, the uncertainty in material movement, opportunistic behavior of the channel, and the cyclicity in price realizations had persisted. Around this time, in FY 02, the company posted a dismal result, a PBT of little over Rs 100 Cr. Right through the 90s, after the opening up of Indian markets, the performance of the steel company had been average at best **(Exhibit 1)**. At the macroeconomic level, financial analysts had pointed out that the Indian steel sector was destroying value for its shareholders, posting results far below the risk adjusted return expectations of investors. At this time, intent on justifying its preeminent position in the larger Tata group as also in the Indian steel industry, Tata Steel unveiled its ‘EVA +’ vision which targeted becoming an EVA positive company by 2007 **(Exhibit 2)**. Leveraging branded products to improve profitability was to form part of the core of the marketing strategy, supporting the overall EVA + targets and was articulated as a key support pillar.

It was in this context that the company officials were contemplating acceleration of the distribution dream that begun with breaking away from the trade markets and appointment of distributors.