Tata Motors Profit Up On Jaguar Land Rover

Erika Kinetz, AP Business Writer

MUMBAI, India (AP) — India's Tata Motors reported a 10 percent rise in quarterly net profit Wednesday, as the strong global performance of Jaguar Land Rover masked lackluster results from Tata's core brand.

Net profit was 21.0 billion rupees ($387 million) in the July to September quarter. Sales rose 19 percent from a year earlier to 441.1 billion rupees ($8.1 billion), thanks to strong demand for Jaguar Land Rover vehicles, especially in China, which now accounts for over 20 percent of global sales.

The numbers lagged behind estimates. Analysts polled by FactSet had forecast net income of 24.1 billion rupees for the quarter.

Jaguar Land Rover paid a maiden dividend to Tata Motors of 150 million pounds ($240 million). This extraordinary income swung Tata Motors from a loss to a stand-alone net profit of 8.7 billion rupees ($160 million), up from 1.0 billion rupees a year ago.

Demand for vehicles in India has been hit by poor macroeconomic conditions, which hurt Tata's mainstay commercial vehicle sales especially hard, as well as by rising fuel and tax rates and high interest rates. Tata has also been spending on developing new models and marketing even as price pressures intensify in India's cost-conscious market.

Sales of Tata vehicles rose 5.8 percent from a year earlier to 223,655 vehicles, while wholesale sales of Jaguar Land Rover vehicles jumped 14 percent to 77,442 vehicles.

Car sales for Tata Motors have been particularly weak, and the company has been losing market share even as it gains in the commercial vehicle segment. Managing director Karl Slym said the company would push more aggressively into high volume vehicle segments, like utility vehicles, to improve numbers in India.

"We're a volume player," he said.

Among the new product launches planned for the Indian market are a CNG version of the Tata Nano during the first half of calendar 2013, followed by a diesel version, executives said.

Ranjit Yadav, president of Tata's passenger car business, acknowledged that Nano sales are "way behind what our original plans and expectations were." But he added that sales of the tiny, affordable car, which was intended to serve first time car buyers in rural India, has found an unexpected niche among consumers looking for a second or third vehicle.

The company plans to spend GBP 2.0 billion ($3.2 billion) on capex and product development this fiscal year for Jaguar Land Rover, which it hopes to fund out of operating cash flow, and 30.0 billion rupees ($552 million) for capex and product development at Tata Motors.

Kotak Securities auto analyst Arun Agarwal said the worse than expected results were "largely due to weak performance in the stand-alone operations."

"We expect the JLR business to continue to perform strongly helped by new launches," he said. "Domestic operations too are expected to improve its performance on a gradual note."

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