Tata Motors Ltd.

Tata Motors reported Q2FY13 consolidated net sales at Rs 42819 Cr translating into growth of 19% YoY mainly led by strong demand, growth in volumes and favorable market mix of Jaguar Land Rover (JLR). Jaguar Land Rover wholesales for the quarter ended September 30, 2012 grew up 14 % at total JLR volume for the quarter at 77,442 units . In the domestic market, the commercial vehicles sales for the quarter ended September 30, 2012 stood at 136,353 units, a growth of 4.8% over the corresponding period last year. Operating profit margin on a consolidated basis for the quarter stood at 13.3%. The Consolidated Profit (after tax and post minority interest and profit in respect of associate companies) for the quarter was Rs 2,075 crore, a growth of 10.5% over Rs 1,877 crore for the corresponding quarter of the previous year.

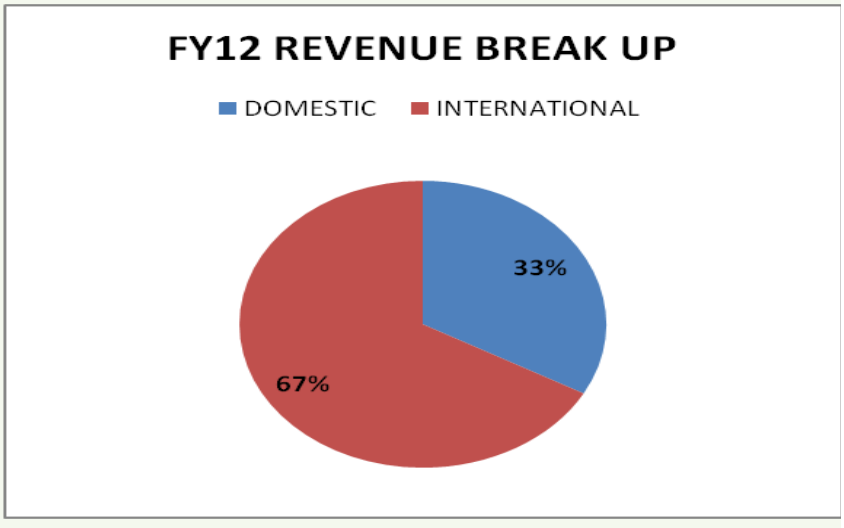
JLR margins were supported by favorable market & product mix, favorable foreign exchange rates and 2Q seasonality.China demand continues to remain strong, though yoy% growth may not remain as strong as the last few years as per management. Pricing has incrementally improved over 1QFY13. Management expects the premium segment to grow faster than the mass segment over the next 2 years. Management said the number of dealerships in China have gone up from 100 at the beginning of FY13 to 130 currently and believes it to go further higher by the end of the fiscal year.

New Range Rover, to be introduced in Q3, has seen strong interests and should lead to improved margins. Further management says focus will be on profitable volume growth and managing costs. Full impact of Halewood plant production moving to 3 shifts is likely to be felt from October onwards, as per the company.

Management reported less than 50% capacity utilization in cars and 60-70% in commercial vehicles. While market share and pricing remained stable, margins took a hit due to heavy discounting in trucks. Volumes in the domestic auto segment are under pressure. Any delay in recovery in domestic demand could pose a risk . Company plans to introduce new models in passenger car and trucks division in India over the next 12 months to improve volumes pricing. However we remain optimistic about demand recovery over the medium to long term. Reasons for positive view over the medium term include possible cut in interest rates, pent-up demand and expected economic recovery.

Management has said Investments in R&D and capex – are likely to be funded entirely through internal accruals.

In the wake of strong and sustained performance on JLR front along with new launches improved product mix we recommend buy view for the stock with a target price of Rs 350.



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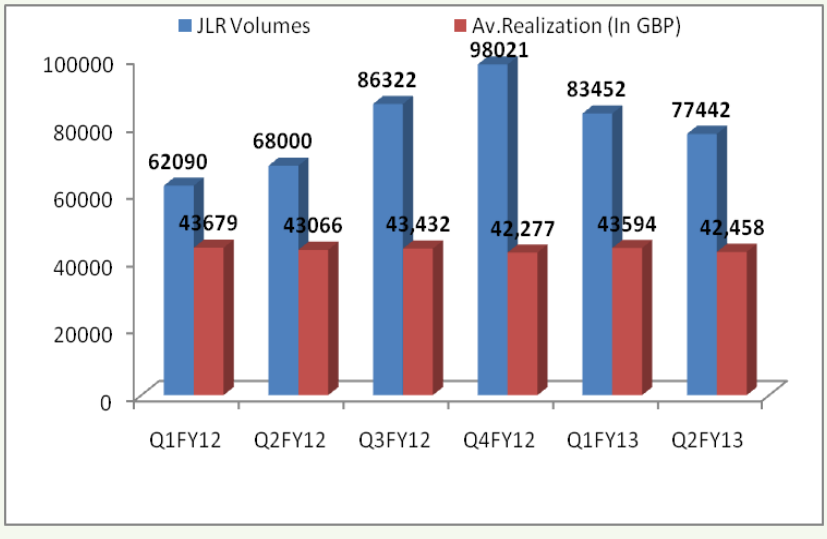

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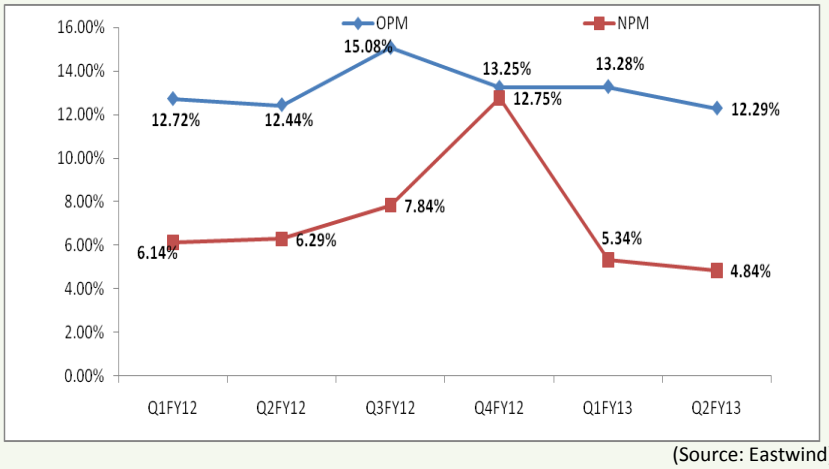

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