‘Global uncertainty won’t affect near-term demand’

JLR CFO Mardell says starting to break through production issues

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The geopolitical tension in Europe and escalating lockdowns in China over rising Covid-19 cases notwithstanding, Tata Motors believes that demand for its luxury British brands — Jaguar and Land Rover — won’t be affected in the near term even as its own struggle to bring supplies on par with demand continues.

In retaliation to Western sanctions, Moscow has halted or reduced deliveries of gas to more than a dozen European Union countries. Germany could lose 1.5 per cent of its GDP in 2022 and 2.7 per cent in 2023, the International Monetary Fund warned last week. GDP of some Central and Eastern European countries could also shrink by as much as 6 per cent. While such disruptions could ideally likely lead to lower demand for luxury cars, Jaguar Land Rover believes that, given its strong order book and upcoming launches, demand won’t be an issue. The two brands claim to be sitting on an order bank of around 200,000 units.

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‘Not worried’

“Demand is not something we are worried about,” PB Balaji, Chief Financial Officer, Tata Motors, told *BusinessLine*, adding that the premium luxury market should be seen distinct from the larger economy. “ JLR being a premium luxury player, sitting with a very strong order book and a pipeline of excellent launches — at this point, we do not see any stress in demand from any part of the world,” he added.

“The underlying demand has weakened in recent months as the economic outlook (of western Europe) has deteriorated,” said LMC Automotive in their July report.

China, US concerns

JLR’s other significant global market is China which generates one-fourth of its retail volumes. While Tata Motors agreed that footfalls in JLR showrooms did take a hit because of the lockdowns, the sales outlook for China is upbeat given the expected improvement in supply chain.

China and the US are huge markets for the Range Rover and the Range Rover Sport; the supplies of which were severely constrained. “We have been the weakest in regions (US and China) ... because of our inability to ramp those products up at the speed we would have wished,” Adrian Mardell, CFO, JLR, said.

The June quarter mix was weak for JLR with the Range Rover contributing just about 8 per cent of 70,000 units. However, between the Range Rover and Range Rover Sport, JLR’s order bank stands at 40 per cent. “We are starting to break through the production issues and we can now see the light at the end of a very long tunnel. A lot of that is not reflected in Q1 and that is why we are disappointed and frustrated,” Mardell added.