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Speed bumps in Jaguar Land Rovers road to recovery

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● SLOW LANE TO LUXURY

Speed bumps in Jaguar Land Rover's road to recovery

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In 2019, recounting his experience of acquiring Jaguar Land Rover (JLR) from Ford, Ratan Tata said his friends had called him 'stupid' for buying the British luxury car maker. Asked what he intended to do with the expensive purchase — priced \$2.3 billion — Tata recalled that "at that time, quite frankly, I didn't know".

Cut to today. JLR is a major component of the Tata Motors group, accounting for around 70 per cent of revenues and 80 per cent of pre-exceptional items profit. The ambitious 'Re-Imagine' strategy in 2021 — to drive JLR's transformation towards sustainability and electrification, and accelerate growth — seemed to be paying off.

But now, suddenly, it seems to have hit speed bumps.

NEW OBSTACLES

It was a difficult FY25 for JLR as the automobile sector globally was buffeted by constraints in supply of critical components, higher marketing and advertising spends, languid demand in China (a big market for JLR) and escalating geopolitical tensions.

Still it came as a surprise when JLR slashed its earnings before interest and taxes (EBIT) margins for

FY26 to 5-7 per cent last month, from the forecast 10 per cent, and projected near-zero cash flows.

JLR reported flat revenue at £29 billion, with EBITDA 14.3 per cent, EBIT 8.5 per cent, and PBT at £2,489 million in FY25. It turned net cash-positive with free cash flows at £1.5 billion for FY25.

In FY24, it reported revenue of £29 billion, PBT £2.2 billion and free cash flow at £2.3 billion.

At the annual investor day, the company cited a number of reasons for the dire forecast, including risks from US tariffs, a cloudy outlook for the Chinese market and the transition to electric vehicles.

Besides the UK, its primary markets include North America, China and Europe.

PB Balaji, group CFO, Tata Motors, said during a media roundtable that the company intends to dial up its market activation and mitigate some of the demand stress on the strength of its brands, including the Range Rover, Range Rover Sport and the Defender. It would also reroute some demand to other parts of the world, he said, pointing to the revival in the UK and a stable Europe.

ROAD TO ELECTRIFICATION

As for the company's transition to battery-operated vehicles, credit rating agency Moody's said, "The launch of JLR's Range Rover Elec-



POWER STEERING. JLR is focusing on building resiliency BLOOMBERG

tric later this year and the relaunch of Jaguar with the first new fully electric model sometime in 2026 are milestones in the company's plan towards a full electrification of its fleet by 2030."

However, sales in China last year were hit by retailer insolvencies and the lack of credit availability.

At the investor meet, JLR contended that while the challenges may impact EBIT margins, it is focusing on building resiliency.

"JLR's move to revise its EBIT guidance downward due to ongoing geopolitical tensions and tariff concerns underlines the growing strain on global automotive operations. The risk of rising trade barriers, especially between the US, the EU and China, complicates cost struc-

tures and market access," Nikhil Dhaka, Vice-President, Primus Partners, told *businessline*.

"For Tata Motors, which derives a significant share of its consolidated revenues and profits from JLR, this downgrade will likely impact overall profitability and market sentiment. This could affect short-term liquidity planning, especially against the backdrop of committed investments in technology and EV platforms."

Tata Motors is, however, anticipating strong performance in its passenger and commercial vehicles in India.

CASCADING EFFECT

Any impact on the company's Re-Imagine strategy will directly affect

its EV expansion plans in India, experts said.

"JLR has outlined a significant R&D roadmap for electrification under its Re-Imagine strategy, including a dedicated EV platform and plans for an all-electric Range Rover in 2025. At the same time, Tata Motors in India is gearing up to launch new EVs under the Gen-2 and Gen-3 architectures, including the Curvv EV and Harrier EV. Given the shared R&D and modular platform architecture between Tata and JLR, any slowdown at JLR may have a cascading effect on Tata Motors' EV rollout," Dhaka said.

In 2024, for the Re-Imagine strategy, JLR stepped up its investment plan to £18 billion until 2028 from £15 billion. During FY26-28, it will deploy 50 per cent towards engineering.

"Under the newly implemented US-UK trade policy, tariffs on automobiles exported from the UK to the US have been reduced from 25 per cent to 10 per cent. The US will allow the import of 1,00,000 units of vehicles annually built in the UK," said a note by BNP Paribas.

"Clarity on multiple architecture approaches, EV rollout, Freelander (dedicated EV) brand launch in China and the commitment to cash generation lend credibility to the plan," said an analyst.

But the road ahead is far from smooth.