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BUOYED by increasing sales in the competitive luxury car market, Swedish luxury car maker Volvo Cars will start a car assembly factory in India even as it gargets 25 per cent year-on-year sales growth in Asia's third biggest economy.

"With sales volumes growing in India, it makes good business to set up a local assembly factory here," Tom von Bonsdorff, managing director at Volvo Auto India told Financial Chronicle.

He said with robust sales, the brand would touch 25 per cent sales growth this year. "With our popular models rolling out of the factory here for the Indian market, we will sell more cars here," Bonsdorff said.

Volvo, which entered India in 2007, competes with market leader German Mercedes Benz, Audi, BMW and Jaguar Land Rover in the country, used to import all its models from its factory in Europe attracting 100 per cent import duties and other levies.

The assembly operations

will be located at Hoskote, near Bangalore and focus on models based on Volvo's SPA modular vehicle architecture.

The first Volvo model to be assembled there is the XC90 premium sport utility vehicle (SUV). Additional models slated for local assembly will be announced at a later stage.

The company will make strategic use of Volvo Group

India's existing infrastructure and production licences near Bengaluru, it said without disclosing further contract and financial details.

The company said it would work together with Volvo Group India -- the truck, bus, construction equipment and Penta engines manufacturer -- to set up its assembly operations in India.

"I am pleased that as of this year we will be able to

start selling Volvos that are Made in India," Håkan Samuelsson, president and CEO at Volvo Cars, said in a statement.

"Starting vehicle assembly in India is an important step for Volvo Cars as we aim to grow our sales in this fast-growing market and double our market share in the luxury segment in coming years," he said.

"Volvo Cars in India have had a robust 32 per

cent growth in sales volumes in the past two years and the 2017 trend is as per our plan to achieve 2000 cars. This will give us a growth of 25 per cent year-on-year," Bonsdorff said.

Last year, Volvo Auto India sold 11 per cent more cars at 1,584 cars compared to the previous year. In 2015, the company had sold 1,423 units while in 2014, total sales stood at 1,202 units.

Volvo has around 5 per cent market share in the luxury car market in the country. It plans to double this by 2020. The Indian luxury car market stood at around 35,000 units last year, down over 5 per cent from about 36,000 in 2015.

"The commencement of local assembly unit is a sign of the company's strong commitment in India," Bonsdorff said.

Backed by a robust sales

growth, expanding network and an array of new product launches, the local assembly would provide an impetus to garner a sizeable segment share in the medium to long term, he said.

"Each locally assembled Volvo Car will have the same international standards as anywhere else in the world," Bonsdorff said.

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VOLVO CARS TO SET UP assembly unit in India

