

Volvo to assemble luxury cars in India by year-end

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The Indian unit of Sweden's Volvo Cars that imports and sells its luxury cars will start assembling them locally by the end of the year, starting with Volvo XC 90, a premium SUV.

Volvo has been selling cars in India since 2010, but unlike its German rivals Mercedes Benz AG, BMW AG and Audi AG, it has been importing them all along.

"We had two years of solid growth that were driven by the new models and, therefore, we thought it was time to commence local operations," Tom von Bonsdorff, managing director of Volvo Auto India Pvt. Ltd, said in an interview, adding the company aims to double its share of the luxury segment to 10% by 2020.

Volvo Auto India sold 1,600 cars in India in 2016, against 1,423 units in 2015. It expects sales to rise 25% to 2,000 units this year over the year-ago period. It has seen sales jump to 35% in the first four months of the current calendar year.



A file photo of Volvo Auto India MD Tom von Bonsdorff.

AFP

To be sure, Volvo is still a tiny player in India's luxury car market, which saw sales of over 33,000 vehicles in 2016.

Volvo will assemble its cars near Bengaluru and focus on models based on Volvo's modular vehicle architecture, officially called SPA (scalable product architecture). The XC 90, a premium SUV model, will be the first to be assembled locally, Bonsdorff said. The company has modified its existing truck plant to accommodate the assembly unit. The XC 90 would be followed by other models later.

Volvo Auto India is working together with Volvo Group

India, the truck, bus, construction equipment and Penta engines manufacturer, and will make use of the group's existing infrastructure. Bonsdorff declined to comment on the investment or the capacity of the upcoming unit.

Volvo currently sells nine luxury models in India, including sports sedan Volvo S60, performance sedan Volvo S60 Polestar, premium sedan Volvo S60 Cross Country and luxury hatchback Volvo V40. India levies a duty of 120% on imported cars, and 60% on completely knocked down kits. But Volvo is unlikely to cut prices even after the local

assembly, said Bonsdorff.

"We don't see big adjustments in prices as the models are already priced competitively," he said.

Volvo plans to launch the V 90 Cross Country in August and the new XC 60, which has already been launched globally, in the last quarter of the current calendar year.

Sales of luxury cars in India slowed over the past three years, which were marked by a ban on the sale of diesel cars in Delhi in 2015 and demonetization of high-value banknotes in November 2016. In 2016, sales contracted 4.24% from a year earlier to 33,279 units, according to market researcher IHS Markit. The firm estimates that the market will expand by more than 10% in 2017, the fastest in three years, and 42% and 21% in 2018 and 2019, respectively.

"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," said Håkan Samuelsson, president and chief executive officer of Volvo Cars, in a statement.