

‘Nearly 50% tax on luxury cars in India absolutely unreasonable’

Even as volumes of Volvo Cars are increasing year-on-year, the company has been unable to reach close to its competitors like Mercedes Benz, BMW and Audi. Charles Frump, MD, Volvo Car India, in an interaction with FE's Prithish Raj, talks about high taxes in India hurting the volume growth, expansion in smaller towns and the need to create awareness of the brand. Excerpts:

Volvo cars are known for their performance and durability worldwide, yet sales numbers in India are far below your competitors. What is not working for you?

Besides FY19, which was a flat year for the entire industry, we have been increasing volumes year-on-year, although on a low base. Four years ago, very few people considered Volvo cars, but today many of our

customers are first-time buyers, so the penetration is increasing. The luxury market is hungry for recipes and we have the best recipe, something I am very proud of.

Top three players (Mercedes, BMW & Audi) are constantly in a fight for the rank, while Volvo seems to be out of the chase. Is it because you are content with volumes you sell or do you in future intend to get into the ranking game?

We will never be happy with what we have and of course we want to increase our rank. I think we have some work to do on awareness of the brand, which is a continuous process. For instance, two years back, we didn't even have four outlets, now we have 26 of them. Customers in India have a larger need and we have massively increased and fulfilled those needs



through our cars.

How many years do you think it will take for you to reach at a stage when you can outrightly challenge your competitors?

Our fight is long term and for new customers. We are very aggressive on Tier 2 and Tier 3 markets and we have enough products and outlets to cater to prospective customers, although there is always a room to expand. I think it's more about getting people to know us and I am very confident that once they know us they will like us and buy us. We have an advantage of being a Swedish brand because when people want to try something apart from the same old luxury brands, we will have an upper hand. The rest can fight for old customers.

Has the Indian operations been profitable for Volvo?

It's not been massively profitable for us like many other foreign automotive companies and high taxes have been a major

deterrent. However, we now have our own plant in Bangalore and with the focus on high localisation content, we will continue to chase profitability.

In a scenario where taxes for luxury cars are the highest, will it be easy for you to keep the business profitable in the long term? Do you have a back-up plan?

It's not easy at all. Taxes on luxury cars in Sweden is around 20%, in the US it's 15% and China imposes 10%. In comparison, India levies nearly 50%, which is absolutely unreasonable. The government has to understand that if taxes are low, sales will increase and therefore the government revenues from the segment will be higher. Many customers who have the pockets to buy luxury cars, refrain from doing so because of the price.