Volkswagen's global model cull may enhance India's production role

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The Volkswagen Group's plan to eliminate up to 50 per cent of its global model portfolio and 75 per cent of its powertrain and equipment variants by 2030 is expected to reinforce, not derail, its India strategy, where much of the simplification has already been completed under the India 2.0 programme.

Industry executives and people familiar with the company's long-term plans that *businessline* spoke to said, "The more significant impact will be on future investment decisions, with every new India programme likely to face stricter scrutiny on localisation, shared platforms, export potential and returns, while niche imports and standalone products will have to clear a much higher commercial hurdle."

INDIA'S IMPORTANCE

There is another side to the same story.

"India may become more important as a manufacturing and localisation base, while becoming narrower as a showcase for Volkswagen Group's full international portfolio," said one senior executive from the company's India operations.

The German automaker announced the global restructuring as part of CEO Oliver Blume's 'Future Plan', which targets a leaner product portfolio, lower manufacturing complexity, annual production capacity of about 9 million vehicles and an 8-10 per cent return on sales.

While the programme is designed primarily to address structural cost pressures in Europe and China, people familiar with the group's long-term strategy said India is expected to remain one of Volkswagen's key growth and localisation markets.

Among the most vulnerable are coupe-SUVs, cabriolets and low-volume derivatives across the Volkswagen, Audi and Porsche portfolios.

CONSOLIDATION

Unlike Europe, where Volkswagen is trying to eliminate duplicate platforms and overlapping products, India has already completed much of that consolidation under its India 2.0 programme.

"For India, the restructuring is less about losing products and more about gaining strategic importance as Volkswagen concentrates global investment on efficient, scalable manufacturing hubs," said a senior analyst from a leading brokerage.