

Volvo to stay the course with EVs in India

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Volvo Cars is unwavering in its commitment to go fully electric. The brand has set itself a target of having only electrics in its portfolio by 2030 and is aiming to be carbon-neutral by 2040. In the run-up to that milestone, the company says it will still not consider a fallback towards ICE (internal combustion engine) even if the conditions for EVs don't progress at the same pace at which its targets were set. So, what can we expect for the Indian market, where EVs are only now making inroads — the same aggressive electrification strategy that it will follow for the global market?

Last week, Jim Rowan, CEO of Volvo Cars and Björn Annwall, Chief Commercial Officer and Deputy CEO, spoke with *businessline* at the company's headquarters in Sweden. While it is well established as a safety-focused luxury passenger car brand, Volvo has had a difficult phase during the pandemic in India. It has since bounced back and has launched the XC40 Recharge, its electric compact SUV built on the XC40 platform. By Q3 2023, Volvo India will also launch the new C40 Recharge here.

FUTURE PLANS

Assembling the XC40 in India in SKD form (semi-knocked down) has helped in keeping the price competitive. Currently the product mix is likely to be ICE and EV, but the future rollouts will be more and more EVs. Will that be a challenge given the relatively



VROOM IN STYLE. The Volvo C40 Recharge displayed at the design studio in Volvo Cars HQ in Göteborg, Sweden. The all-electric SUV-Coupe will be launched in India by Q3 2023

slower growth in EV infrastructure?

Says Björn Annwall says, "In the global premium car market, we have a one per cent share. So, we are not a 'please-all, serve-all' brand. Some markets will take longer to take to electrification, and some will be faster, but we believe that we should focus on being electrics and be really good at that. So, our share could be lower in markets like India where the transition is slower.

There is a risk that we are less relevant for a large part of the market, but the part to which we will be relevant is going to grow the fastest and that for us is the right focus strategy. We are very clear about our priorities. We will continue to grow as a premium brand, we will be fully electric by 2030, we will go towards fully software-defined vehicles, with a core computer architecture and leverage the online space seamlessly. And in all of this, we want to do it in a sustainable way. In the interim, there is bound to be some volatility,

but that is when it is important to have a clear strategy."

But EVs are sensitive to cost inflation and higher tariffs. So, does a SKD (semi-knocked down) assembly operation compared to CKD assembly make it a disadvantage in a market like India. And on the other hand, does the relatively small sales volume rule out the possibility of a larger CKD assembly operation? Since Volvo is owned by Chinese conglomerate Geely Group which has 15 other brands in its portfolio, will a local partnership be possible?

Says Jim Rowan, "In India we currently have a largely SKD (semi-knocked down) assembly operation. It doesn't make sense to have manufacturing operations in every country.

We have built a facility in Slovakia because we know that the capacity will be utilised for the huge demand coming in from the European market. So the supply chain is matched to volumes. By end of 2026, new lines at the facility will give us an EV capacity of

2,50,000 units, expandable to 5,00,000 units per annum. The volumes in countries like India and Malaysia are not high and it would be a stretch to put up a manufacturing facility that caters specifically to that market. But, a unit in India could feed other countries, and for that we need to look at the cost benefits and load logistics compared to some other location in Asia. We are yet to decide on another Asia facility outside of China. But can we do it in-conjunction with some other partner within the Geely group? That is something which we can consider based on how it will fit into our global expansion strategy. However, we have not made any final decisions regarding this yet."

GOOD ECOSYSTEM

Elaborating on that possibility, Annwall adds, "the Geely ecosystem is a good place to be. It is an ecosystem where each brand and company takes charge of its own future, and then collaboration is encouraged but not forced. The collaboration has to be a win-win; whether it is procurement or sharing a vehicle architecture or sourcing batteries etc. It is in fact a smart way of organising a group in an industry that is undergoing massive change."

"Further, sourcing where we produce is a challenge especially if you have non-negotiable sustainability goals. If we have a niche car, it is very difficult to tool that up for factories in every continent; that does not make economic sense. But we need to go in the direction of localised supply chains," said Annwall.