

India on right-track for Skoda, being considered for next investment cycle: Chairman Skoda Auto - Thomas Schäfer

Synopsis

With four new product launches (along with VW brand) introduced in less than a year, Skoda Auto Volkswagen will add a third shift in its production facility in Pune. Giving it confidence is also the expected demand from global markets and the next set of products, that are slated for launch.



Thomas Schäfer, Chairman of the Board at Skoda Auto

After investing a billion euros for its India 2.0, the world's largest carmaker **Volkswagen** Group's Indian arm **Skoda Auto** Volkswagen India is open to considering its next round of investment and expansion here, **Thomas Schäfer**, Chairman of the Board at **Skoda** Auto, told ET in an interview.

The Skoda brand is finally on the "right track" in India, Schäfer said in a video interview from HQ in Prague.

With four new product launches (along with **VW** brand) introduced in less than a year, Skoda Auto Volkswagen will add a third shift in its production facility in Pune. Giving it confidence is also the expected demand from global markets and the next set of products, that are slated for launch.

VW Group views India as a 'focal point' in its future investment plans, Schäfer said.

"India is still in the mix. India, for me, is very important. It stays in the mix for the next investment cycle. India is a continuous story for you to stay in the game. And we believe that is the right thing to do," he stressed.

Skoda to play a volume game in India

"Our factory planning team on both sides in India and HQ are continuously working to strengthen our (production) capacity. We've built the factory for higher capacity. If there is an investment plan for the future, it's better in India than in many places around the world. We see India as a focal point," he reiterated.

Skoda Chairman wants his company to become the most prominent European car brand in India and the future product strategy is being curated accordingly, including the sub-4 metre vehicles for India. Sources said a sub-4 metre SUV is in the works. While the company and its chairman is non-committal in defining its next product.

Skoda will indeed play the volume game in the domestic market. He hinted at more new products on the anvil, including EVs and using India as a base for exports.

He said the 2.0 project has already gotten off to a good start. Since the launch of the project, the brand has already tripled its India volumes.

The company has a cumulative order book of 18,000 Kushaq, and Slavia is the next strategic step for Skoda to build its footprint.

"We are finally on the right track in India. We've been continuously looking at expanding the business and the portfolio of cars to cater to the domestic market. If you want to grow to significant numbers, you need to be in that game (compact car space)," added Schäfer.

On American carmakers exiting from India

The company has ruled out any alliance in India, or it said it has no intention of acquiring any facility from rival carmakers like that of Ford.

On the exit of US carmaker Ford from India, Schäfer said, it was "very sad news". But Skoda believes in India, he reiterated. For the VW Group, India is a focal point (for future growth). He said India would (take time to) develop, it may take a little longer, and Skoda-VW will not pull the plug on it.

"It's no secret that India is a tough market to play. You can't have a toe in the water, you got to be in the game, or you're not in the game. So, we believe that being in the game is the right move. That's why we have invested, that's why we're further investing," he assured.

As part of the global next level Skoda Strategy 2030 - which hinges on three pillars of Expand, Explore and Engage - India specifically is a great place to 'Explore' under the global strategy - Schäfer said, which it wants to leverage to grow the emerging markets through India as a hub.

To be sure, Skoda Auto was responsible for driving the MQB A0 - compact car platform for the VW Group for its international markets, thereby increasing possibilities in India, given that Skoda is leading the Group efforts for the German auto major in the country.

"It is an enormous step for us in the development of the emerging market. The Indian team has excelled so far, and it is now time to give more responsibility to India. The base will work very closely with South America, South Africa, Russia and other regions to build a market for exports of cars and components."

On the challenges faced by the Group, Schäfer said, the Covid-19 crisis and shortage of Semiconductors have been the two most significant issues faced by all the automakers.

He said the extent of chip shortage had surprised him, and he expects that it may linger in 2022-2023 but will prioritise supplies for India.

"We have a very clear allocation system, and the priority is given to the cars that are being launched. India will not be overburdened with shortages. There is an impact, but not much," added Schäfer.

Enthusied by the evolution of the Indian market, especially on the electrification front, he said: "What I love about the current drive in India is that it's all going in the right direction. ... maybe sometimes a little bit too enthusiastically as this is still a challenge of gigantic proportions. Now we need to fulfil these numbers. You will need to triple the electricity supply in the country. That doesn't happen overnight."

Enyaq

Skoda, on its part, will also play in this game in the future. Of course.

"At the moment, the team in India is looking at the options. They'll bring in next year probably a few Enyaqs (Skoda's EV product) to try it on the ground. The car has been super successful in Europe; we believe this can also work in India," he added.