

December 10, 2024

Skoda Auto Volkswagen India Private Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Fund-based/ Non-fund based working capital facilities	2,607.0	2,607.0	[ICRA]AA+ (Stable)/ [ICRA]A1+
Commercial paper	1,200.0	1,200.0	[ICRA]A1+
Total	3,807.0	3,807.0	

*Instrument details are provided in Annexure-1

Rationale

Material Event

As per media articles dated November 29, 2024, the Office of the Commissioner of Customs in Maharashtra has issued a notice to the Volkswagen Group for allegedly evading USD 1.4 billion in taxes by paying lesser import tax on components for its Audi, Volkswagen and Skoda cars since 2012. The notice alleges that Skoda Auto Volkswagen India Private Limited (SAVIPL) has been importing car components deemed equivalent to completely knocked-down units (CKDs) (which attracts a 30-35% import tax in India under rules for CKD units) by categorising them as individual parts (the import tax for which stands 5-15%).

Impact of the Material Event

ICRA notes that the company is in the process of responding to the said notice. While no cash outflow is expected at the current juncture since only a show-cause notice has been received as of now, conversion of the same to a sizeable demand or claim will be a key monitorable. Further, ICRA notes that Volkswagen AG stands committed to all of its subsidiaries / Group Companies, and therefore expects the Group to be willing to extend financial support to SAVIPL, should there be a need. ICRA will continue to closely monitor any further development related to this event and take appropriate rating action as required.

Please refer the following link for the previous detailed rationale that captures key rating drivers and their description, liquidity position, and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Passenger Cars & Utility Vehicles
Parent/Group support	Parent/Group Company: Volkswagen AG (VW AG) ICRA expects the VW Group to be willing to extend financial support to SAVIPL, should there be a need, given the importance that SAVIPL holds for the VW Group in meeting its diversification objectives. SAVIPL and the VW Group also share a common name, which in ICRA's opinion would persuade the Group to provide financial support to SAVIPL to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Skoda Auto Volkswagen India Private Limited.

About the company

The Volkswagen Group in India, headquartered in Pune, Maharashtra, is represented by five brands—Skoda Auto, Volkswagen, Audi, Porsche and Lamborghini. The Indian operations began with the launch of Skoda Auto in 2001. Audi and Volkswagen entered India in 2007, while Lamborghini and Porsche were introduced in 2012. SAVIPL (erstwhile Volkswagen India Private Limited) has a manufacturing unit in Pune with a production capacity of 2,00,000 vehicles per year. At present, the unit manufactures the Virtus and Taigun vehicles of the VW brand, and the Slavia and Kushaq vehicles from the Skoda brand. SAVIPL also runs an assembling facility at Aurangabad (Maharashtra), wherein it assembles Skoda (Superb, Octavia and Kodiaq) and Audi (A4, A6, Q5 and Q7) as well as VW (Tiguan) brands. It has a production capacity of 41,180 cars per annum.

Earlier, the Group had other entities, such as Skoda Auto India Private Limited (SAIPL) and Volkswagen Group Sales India Private Limited (VGS IPL), which were merged with SAVIPL. The merger became effective from October 05, 2019. VGS IPL was the sales and marketing arm for the Volkswagen, Audi, Porsche and Lamborghini brands in India.

Key financial indicators

SAVIPL	FY2023 Audited	FY2024 Audited
Operating Income (Rs. crore)	19,767.8	21,877.9
PAT (Rs. crore)	309.5	95.9
OPBDIT/OI (%)	6.3%	3.2%
PAT/OI (%)	1.6%	0.4%
Total Outside Liabilities/Tangible Net Worth (times)	2.2	2.3
Total Debt/OPBDIT (times)	2.1	4.4
Interest Coverage (times)	5.4	2.2

Source: SAVIPL, ICRA Research; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current Rating (FY2025)				Chronology of Rating History for the past 3 years					
Instrument		Type	Amount Rated (Rs. crore)	Date & Rating on		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
				10-Dec-24	29-Apr-24	26-Apr-23	22-Apr-22	14-Jun-21	7-Apr-21
1	Fund based/Non-fund Based Facilities	Long-term and short- term	2,607.0	[ICRA]AA+	[ICRA]AA+	[ICRA]AA+	[ICRA]AA+	[ICRA]AA+	[ICRA]AA+
				(Stable)/	(Stable)/	(Stable)/	(Stable)/	(Stable)/	(Stable)/
				[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Commercial Paper	Short-term	1,200.0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based/Non-fund Based Facilities	Simple
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Fund-based/Non-fund Based Facilities	NA	NA	NA	2,607.0	[ICRA]AA+ (Stable)/ [ICRA]A1+
INE04TA14436	Commercial Paper	19-Jan-24	7.52%	10-Jan-25	150.0	[ICRA]A1+
INE04TA14444	Commercial Paper	26-Feb-24	7.55%	5-Feb-25	125.0	[ICRA]A1+
NA*	Commercial Paper	NA	NA	NA	925.0	[ICRA]A1+

Source: Company; *Not yet placed

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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