



Volkswagen India Private Limited

Company Name	Instrument	Amount (Rs Crore)	Rating Action
Volkswagen India Private Limited	Fund Based/ Non Fund Based Limits	870.0	Revised from [ICRA]AAA/Negative to [ICRA]AA+/Negative; [ICRA]A1+ reaffirmed
Volkswagen Group Sales India Private Limited		650.0	
Skoda Auto India Private Limited		180.0	

NOTE: AMOUNT IN RS CRORE

ICRA has revised long term rating from [ICRA]AAA (pronounced as ICRA triple A) to [ICRA]AA+ (pronounced ICRA double A plus) while reaffirming short term rating of [ICRA]A1+ (pronounced ICRA A one plus) for bank facilities of Volkswagen AG's (Volkswagen) Indian subsidiaries i.e. 1) Volkswagen India Private Limited (VIPL), 2) Volkswagen Group Sales India Private Limited (VGS IPL) and 3) Skoda Auto India Private Limited (SAIPL)[†]. The outlook on long term rating is retained at 'Negative'.

For arriving at the rating, ICRA has combined financials of Volkswagen India Private Limited (VWIPL), Volkswagen Group Sales India Private Limited (VGS IPL) and Skoda Auto India Private Limited (SAIPL), together referred as VW-India, considering strong operational and financial linkages between these entities.

The long term rating revision follows similar rating action of Volkswagen from A2/Negative to A3/Negative by Moody's. The rating revision reflect increasing risks related to Volkswagen's reputation and future earnings following Volkswagen's announcement regarding irregularities in CO2 emission and fuel consumption level and fresh notice by US EPA (Environment Protection Agency) regarding emission norms violation for some of the Volkswagen group's premium models (under Porsche, Audi and VW brand). Volkswagen has estimated financial risk of EUR 2 billion regarding CO2 violations, which is over and above EUR 6.7 billion already provisioned during Q3CY15 towards costs of fixing diesel cars affected by software that could lower emissions during testing.

The ratings continue to reflect strong operational and financial support from Volkswagen AG (rated A3/Negative by Moody's) and strategic importance for parent entity to develop Indian operation as export hub for small and mid-size cars. Being wholly owned subsidiaries, VW-India has access to technology and product portfolio of VW AG, the world's second largest passenger car manufacturer by volume. The assigned ratings also favorably factors in strong liquidity profile of the company in the form of sizeable cash surplus and unused/committed bank lines of over Rs 2,500 crore.

The ratings strengths are partially offset high competitive intensity in domestic PV market; large dealership and service network of entrenched players which also lends them competitive advantage and VW-India's thin product portfolio especially in compact/small car segment which constitute major share of overall Indian PV market. ICRA also takes note of low localization content which exposes company to foreign exchange movement, though group's plans to gradually increase localization content as well as develop India as export hub (provides natural hedge against imports) mitigate forex volatility risk to an extent.

Company Profile

Headquartered in Pune, Maharashtra, the Volkswagen Group in India is represented by five brands: SKODA, Volkswagen, Audi, Porsche and Lamborghini. The Indian journey began with the launch of SKODA in 2001. Audi and Volkswagen entered in 2007, while Lamborghini and Porsche were introduced in 2012.

SAIPL, incorporated in December 1999, is a subsidiary of Skoda Auto A.S Czech Republic, which is, in turn, a wholly-owned subsidiary of Volkswagen AG. SAIPL has an assembling facility at Aurangabad (Maharashtra); it assembles Skoda brands (Octavia, Yeti, and Superb), Volkswagen brands (Passat and Jetta), and Audi brands (A4, A6, Q5); it has capacity to produce 41,180 cars per annum.

[†] For complete rating definition please refer to ICRA website www.icra.in or any of the ICRA Rating Publications.



Incorporated in 2007, VWIPL and VGS IPL are wholly owned subsidiaries of Volkswagen AG. VWIPL has a manufacturing plant in Pune (Maharashtra) with capacity of 110,000 vehicles per annum; its establishment cost was Rs.39 billion. This plant produces Polo and Vento of the Volkswagen brand. The plant also manufactures 'Rapid' mid-size car for SA IPL. VGS IPL is the sales and marketing arm for the Volkswagen, Audi, Porsche and Lamborghini brands in India.

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