

Peugeot coming back to India in a humble way: Carlos Tavares

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French car maker Groupe PSA and India's CK Birla Group will form two joint ventures to build and sell the Paris-based company's cars in India. PSA has three brands—Peugeot, Citroen and premium brand DS automobiles. The partners have not decided the brand they plan to sell in India. In the first joint venture, which is to build cars, PSA will be a majority stakeholder, and in the second one, which is about making engines, powertrain etc, both the companies will hold 50% each. The manufacturing sites for both vehicle assembly and powertrains will be based in the state of Tamil Nadu. PSA will invest €100 million in India in the first phase. The companies will start selling cars from 2020.

Peugeot, which was once considered as a partner for Maruti Udyog Ltd before Suzuki took that role, entered India in 1994 through a partnership with Premier Automobiles Ltd. Their first product, Peugeot 309, sold around 10,000 units in the first year. But, labour unrest and mounting losses forced Peugeot to exit the joint venture and also India by 1997.

In another attempt in 2011, Groupe PSA even laid the foundation for a factory in Gujarat's Sanand, aimed at producing over 170,000 units annually. But even this plan was later shelved due to their financial woes globally.

In an interview, Groupe PSA's celebrated chief executive Carlos Tavares and C.K. Birla, chairman of the Indian firm, shared plans for the local market. Tavares was also Carlos Ghosn's deputy and played a significant role at Renault-Nissan Alliance. Edited excerpts:

Since you are a late entrant to the Indian market, how do you see your journey 2020 onwards?

Tavares: Indeed three years ago the company was



PSA's Carlos Tavares with Indian partner C.K. Birla.

almost bust but thanks to the strong plan we were able to rebound and in the first half of 2016, in the worldwide automotive industry in terms of profitability, the PSA Group has been number 4, which is a reasonable ranking given the competition we are facing. It demonstrates the strong rebound of the PSA group, which is now a healthy company with a strong strategic plan.

We are indeed delighted to have today the pleasure of signing the partnership with the CK Birla Group to come back in a humble way to the Indian market. You mentioned and rightly so, there have been several attempts which have so far been unsuccessful but this one is very much based on credibility, its based on long-term vision. We step in, in order to not to have to step out later on and we will make sure we move step by step and learn from our previous mistakes and learn from what we have seen elsewhere, maybe some hurdles that our competitors are facing.

The Indian car market is dominated by the Japanese and Koreans. What makes you feel you will be able to make a dent in this market?

Tavares: I know that India concentrates very much on fuel efficiency. I think this is something that Indian consumer is very demanding on, fuel efficiency means slow emissions. You know we are the leaders of European industry in terms of CO2 emissions, we are the best and we beat the Germans, we beat the Japanese, we beat the Americans,

we beat all the other car companies so if we bring the best of our technology to a market where fuel efficiency is the one of the core expectations of the consumers, with the support of a great partner who is already quite an expert in terms of powertrain, I think we have here a combination of positive factors that should give us some kind of edge in the Indian market but I won't make it low key.

We want to take our time, this is a long-term relationship and we will go step by step and the important thing is that we have a scalable business model so that we keep things in the black and that we don't go in the red.

Indian market has started to graduate to cars, which offer luxury, and are premium and then there is a huge pool of customers who are just getting into buying cars. So of these two segments, which one will be your priority?

Tavares: It's a great point. So far it is still under consideration. It is true that by the PSA group we have three brands, two generous brands and one premium brand.

So, we have the opportunity to evaluate different positioning in the Indian market, the low-end, core or premium, it is up to us as we have in the three scenarios, we have the products and the technology... We are still considering the pros and cons of different brands and different positioning and what I can tell you today is we will come with only one brand as a starter...

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