

# Volvo teams up with Bangalore co to produce buses for emerging markets

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Volvo has formed a joint venture with SM Kannappa Automobiles to form a new company, Prakash Bus Corp that will manufacture UD brand of buses.

BANGALORE: Volvo has teamed up with a Bangalore-based company to launch a new range of buses targeted at India and other emerging markets while the Swedish automaker aims for a bigger share of the world's second-largest bus market.

Volvo has formed a joint venture with SM Kannappa Automobiles to form a new company, Prakash Bus Corp that will manufacture UD brand of buses from a facility near Kolar, about 70 kilometre from Bangalore.

"By the year 2020, we see huge growth in the value segment and UD buses will help the company get a significant share of this segment," said Akash Passey, senior vice president of Volvo.

The price of the UD range is yet to be finalised although ET learns that the segment of buses costs Rs 45-50 lakh. Domestic auto firms, including Tata Motors [NSE 0.94 %](#) and Ashok Leyland [NSE 1.71 %](#), sell buses for around Rs 30 lakh apiece. Daimler is also in the process of introducing its buses under the Daimler-Benz (premium) and Bharat Benz (value) brands. Volvo is the dominant player in the Rs 80 lakhplus luxury segment.

Passey said that rising demand in tier I and tier II cities is one factor which made the company venture into this "untapped segment."

Volvo hopes to replicate its success from the top end range which it started selling in 2001. Volvo, which has sold over 5,000 buses since it started operations in the country, has a 90% share in premier inter-city buses and over 50% in airconditioned city buses. Since the demand in this segment is growing at a slower rate, the company is looking to drive up volumes by entering the mid range of the market.

Volvo's expansion comes at a time when it is incorporating more safety features in line with demands by three south Indian [NSE -0.20 %](#) states after two Volvo bus accidents last year claimed 52 lives and put the spotlight on design of its buses.

Volvo will have 15% equity in the joint venture while the land for the facility will be owned by SM Kannappa Automobiles. Volvo will supply the bus chassis and transfer technology while the Bangalore partner will oversee the supply chain for the manufacturing of the buses, according to Subhash Kaul, director at Prakash Bus Corp.

In the initial phase, the company will employ 350-400 staff and make 500 buses a year. UD buses are expected to hit Bangalore roads by the end of this year, by when Rs 50 crore in investments would be made. Volvo and SM Kannappa Automobiles eventually plan to scale up output to 2,500 buses a year at an additional cost of Rs 70-100 crore.

The Swedish company also plans to make Bangalore as its export hub and will ship the UD Brand of buses to other South Asian countries and the Middle East although for now no definite timeline has been decided. UD is a Japanese company bought by Volvo in 2007 and India becomes the first country outside Japan where the brand is being unveiled.

"By 2020, we expect this value segment to be 10,000 numbers in size," said Passey, observing that at present demand is at 2,000 buses a year.



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