Global majors keen to make e-cars in India; Tesla quiet

PUJA DAS
New Delhi, 2 June

Elon Musk-led Tesla Inc is yet to express interest in India's flagship scheme to attract global investment in electric vehicle (EV) manufacturing, said Union Minister for Heavy Industries H D Kumaraswamy on Monday. In contrast, multiple global automobile giants — such as Mercedes-Benz, Škoda Auto Volkswagen, Hyundai Motor, and Kia Motors — are keen to participate, the minister noted.

"Mercedes-Benz, Volkswagen, Škoda, Hyundai, and Kia have already shown interest," Kumaraswamy told reporters while releasing the long-awaited guidelines for the 'Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI)'. "As of now, Tesla is not interested in manufacturing in India, but only in opening showrooms. We will know their real intent when we open the application, and if the company feels like investing."

The window for applications will open within the next one to two weeks.

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Press Note 3 curbs apply to BYD, other Chinese carmakers: Govt

Notified in March 2024, the scheme aims to attract foreign direct investment from global EV players, boost India's EV manufacturing capabilities, and generate employment. Based on the guidelines, approved applicants can import completely built-up (CBU) electric four-wheelers (e4Ws) with a minimum CIF (cost, insurance, and freight) value of $35,000 at a reduced Customs duty of 15 per cent for five years from the date of approval. The number of e4Ws allowed to be imported at the concessional rate is capped at 8,000 units per year, with carryover permitted for unused annual quotas.

Applicants must set up a domestic manufacturing facility and begin e4W production within three years, with a minimum investment of ₹4,150 crore. They are required to meet a domestic value addition threshold of 25 per cent within the first three years, and 50 per cent within five years from the issuance of the approval letter. This is non-negotiable, said Kamran Rizvi, secretary, Ministry of Heavy Industries.

Kumaraswamy said: "Through calibrated Customs duty concessions and clearly defined DVA milestones, the scheme strikes a balance between introducing cutting-edge EV technologies and nurturing indigenous capabilities. By mandating DVA targets, the scheme will further boost the Make in India initiative, while empowering both global and domestic companies to become active partners in India's green mobility revolution."

Expenditure on land will not be counted, though buildings for the main plant and utilities will be considered as part of the investment, provided they do not exceed 10 per cent of the total committed amount. Expenditure incurred on charging infrastructure will be considered up to maximum 5 per cent of the committed investment. Initially excluded, this component was added after stakeholder consultations.

Asked about BYD or other Chinese automakers, Kumaraswamy said standard Press Note 3 (PN3) restrictions apply. PN3, introduced in 2020, imposes FDI curbs on entities from countries sharing a land border with India, including China.

On potential changes to accommodate companies from the European Union and the United States amid ongoing bilateral and free-trade negotiations, the minister clarified that no modifications will be made to specifically attract Tesla to manufacture in India. "Tesla is in its initial stage. They have not confirmed when the company is sending their first car. When this scheme was being designed they had shown interest, but now they are interested in opening showrooms," he said.

Elaborating the point, Rizvi said: "Making a car in the US and sending it to India is always difficult. European countries are similar to our driving conditions. So, for them it is easier to send."

Tesla has finalised showroom space in Mumbai's Bandra Kurla Complex, and is currently testing its Model 3 and Model Y in India.

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