

EV scheme norms to be rolled out soon, but no Tesla update

Fund issues may have come in way of EV major's plan

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After April, when Elon Musk cancelled his India visit and the meeting with Prime Minister Narendra Modi citing 'very heavy' Tesla obligations", the investment plans of the American EV major in this country have remained stalled.

Top government officials confirmed on Thursday that Tesla had been silent on its proposed participation in the flagship scheme to promote investment in electric car manufacturing in India.

Department for Promotion of Industry and Internal Trade (DPIIT) Secretary Rajesh Kumar Singh said the heavy industries ministry would finalise the guidelines for the EV manufacturing scheme. "They have more than one inquiry. It was meant to be a generic policy," Singh told reporters.

A *Bloomberg* report cited unnamed government officials to say that Tesla has capital issues and doesn't plan on pledging fresh investment into India in the near future. This comes in the backdrop of Tesla's second consecutive drop in quarterly deliveries globally and stiff competition in China. Tesla didn't respond to *Bloomberg* queries on the matter.

When *Business Standard* contacted officials at the ministry of heavy industries, they pointed out that interested players can submit their applications online after the guidelines are released and that it's not necessary to visit the ministry. "The policy guidelines provide a window of 120 days or more to publish the guidelines and open the application process. Within weeks, guidelines will be out," an MHI official said, requesting anonymity.

"Not just Tesla, we are not calling any original equipment manufacturers for meetings," another official said. "Tesla sent its representative in the first round of consultation, and over a dozen other players also participated in the two rounds of consultation we have had so far," the official added.

The Centre has conducted several



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- **2020:** Union Minister Nitin Gadkari says Tesla would start operations in early 2021
- **2021:** Tesla registers its India arm in Bengaluru
 - ▶ Lobbies for a cut in import duties on EVs
 - ▶ Gets nod to launch seven EV models
- **2022:** Tesla executives meet PM Narendra Modi in India with a fresh offer to establish a giga factory
- **2023:** In a meeting with Modi in the US, Musk expresses his interest in investing in India
- **2024:** Tesla pauses India investment plans after Musk defers visit

rounds of stakeholders' consultations for its scheme to promote investments in EV manufacturing through import concessions. It's called the 'Scheme to Promote Manufacturing of Electric Passenger Cars in India'.

Major global companies including VinFast, Mercedes-Benz, BMW, Kia, Volkswagen, Toyota, Hyundai, and Renault-Nissan were part of the consultations last month.

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Tesla's India plan may be on hold

Indian car makers such as Tata Motors, Maruti Suzuki, and Mahindra & Mahindra were present during the first round of the meeting. Tesla was represented by its advisor, The Asia Group India, at the meeting with the ministry.

In its first official engagement with the Indian government earlier this year, Tesla and other global automotive manufacturers sought clarification on the new EV policy, specifically regarding investment guidelines and the timeline for the domestic value addition (DVA) requirement.

The ministry clarified the definition of investment for all stakeholders. According to government officials, the definition of investment will be similar to that used in

the PLI (production-linked incentive) auto scheme.

According to the PLI guidelines for the automobile sector released in September 2021, an investment is defined as expenditure incurred on plant, machinery, equipment, and associated utilities. Investment also includes expenditure on packaging, freight/transport, insurance, erection and commissioning of the plant, machinery, equipment, and associated utilities.

However, the building cost of up to 10 per cent can be considered an investment. But royalty paid on the import of technology will not be considered an investment.

The new EV policy announced in March allows reduced import taxes on original equipment man-

ufacturers that commit to investing at least \$500 million (₹ 4,150 crore) and establishing a manufacturing plant within three years. Additionally, they are also required to achieve a 25 per cent DVA within the initial three years and 50 per cent by their fifth year of operations in the country.

The policy proposes to reduce import duties for interested EV makers to 15 per cent from the current 70 per cent or 100 per cent on vehicles having a CIF (cost, insurance, and freight) value of \$35,000 and above for five years from the date of issuance of the approval letter by the government. However, companies seeking the Customs duty relaxation need to invest \$500 million within three years.