

PLI 2.0 FOR EVs LIKELY TO SWEETEN THE DEAL

# Tesla agrees to set up vendor base in India

**Musk may bargain hard as China tries to retain US firm's investments**

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**ELON MUSK'S TESLA** has in-principle agreed to the suggestion put forward by the Centre that apart from assembling its electric vehicles in the country, it also set up a vendor base here. However, the government has said that the company can first start with domestic assembly of cars and later follow it up by setting up a vendor base.

Indications are that Tesla may not delay the setting up of the domestic vendor base much as it does not believe in decoupling manufacturing and supply chain.

Currently, more than half of Tesla's global production happens in China (Shanghai) where it has developed a large vendor base. It has also recently built a megapack battery factory there.

If the company starts a manufacturing base in India, it would mean relocating these vendors to India. The vendors would

## INDIA CALLING

■ The government has said that Tesla can first start with domestic assembly of cars and later follow it up by setting up a vendor base

■ The company is expected to submit a roadmap on the time-frame needed to set up an indigenous supply chain in three to six months

then need to form joint ventures with Indian firms as post-2020 border clashes, India discourages 100% Chinese investments.

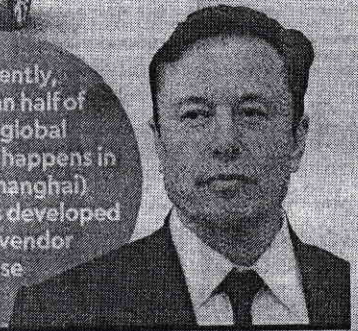
Analysts said that Tesla would drive a hard bargain with India as China is also currently courting Musk on retaining its investments in the country. Musk had recently visited China and met the top leaders there.

As earlier reported by *FE*, the government has asked Tesla to submit a roadmap



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■ Musk was recently in China to discuss Tesla's existing investments in the country



on the time-frame needed by it to set up an indigenous supply chain. The company is expected to submit the same in the next three to six months time.

Officials told the Tesla team, which visited the country last month, that till the time the company sets up its supply chain here, the government is willing to offer import concessions on the components required for the same.

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SUCH A SCHEME currently works for the smartphone production-linked incentive scheme under the phased manufacturing programme (PMP). "The government is willing to give time for setting up a domestic vendor base but Tesla will have to indicate a period by which the duty concessions on components granted to it will come to an end," officials said.

The government has done the same for Apple under the smartphone PLI scheme. Under the PMP, Apple as well as Samsung have duty protection on components required for domestic assembly of phones. But they have to source them locally within the timelines set for them. Recently, several of Apple's Chinese vendors agreed to set up joint ventures with Indian firms for their supply chains in the country.

Once Tesla agrees to set up a manufacturing plant in the country, along with a timeline for meeting indigenisation levels, the government may come out with a modified PLI scheme for electric vehicles and advance chemistry cell battery, to invite fresh investments by companies which did not participate earlier. Official sources said that modifying or coming out with a PLI 2.0 will not be a new thing, which would be done only to include Tesla in the scheme, as it has earlier been done for telecom products and IT Hardware PLI schemes.

The current outlay for the advanced chemistry cell batteries is ₹18,100 crore and that for automobiles and auto components is ₹25,938 crore. Sources said in the modified PLI scheme for the two, the outlay may be increased, incentives can also be tweaked, and participating companies would be given the option to migrate to the new one.

As earlier reported by FE, Tesla is no longer pressing with its earlier demand for lowering import duty on completely built units first, which is at 100% for cars costing