

Wooing Tesla: Four states pull out all the stops

Gujarat likely the front runner but TN, Telangana, Maha not far behind

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As Tesla prepares to make its entry into India, state governments are leaving no stone unturned to woo the electric vehicle titan. Government sources revealed that Gujarat is currently leading the race to secure the project, with Tamil Nadu and Telangana hot on its heels. Not to be left behind, Maharashtra is also making a strong pitch for the industrial belt in Pune.

This development comes in the wake of a *Financial Times* report suggesting that a Tesla team from the US will soon be in India to scout for potential sites for the company's planned \$2-3 billion electric vehicle plant.

Gujarat has emerged as a major automobile hub in the past 15 years through the presence of companies like Tata Motors, Honda Motorcycles and Scooters India (HMSI), and Hero MotoCorp, MG Motor, and JCB India among others.

"Gujarat is the frontrunner at present. However, Tamil Nadu's robust automobile ecosystem and Telangana's aggressive incentives make them strong contenders. Maharashtra is also in the fray, pitching for Pune (the city is known for the presence of major auto companies like Bajaj Auto, Force Motors, Mahindra Auto, Mercedes, Volkswagen, General Motors/

THEIR PITCH



Gujarat: It is already hosting leading automobile companies like Tata Motors and MG Motors. Maruti Suzuki India is investing ₹35,000 cr on setting up a new car manufacturing plant in the state

Tamil Nadu: as a thriving automobile ecosystem; recently secured investments from VinFast and Tata Motors

Telangana: It is willing to line up aggressive incentives

Maharashtra: Pune is a hotspot among auto players with the presence of the likes of Mahindra Auto, Mercedes, and Volkswagen

Hyundai Motor India, and Fiat)," shared a government official, requesting anonymity.

Business Standard tried to reach out to the Gujarat industries department, but officials did not respond to phone calls and messages.

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“The consumer demand and the aggregate demand in the US have been highly resilient and growing at 6-7 per cent, underpinned by a strong labour market and a steady rise in wages and salaries,” said Dhananjay Sinha, co-head of equities and head of Research of Strategy and Economics at Systematix Institutional Equity. While the consumer demand in the US has been above the pre-Covid trend growth, in India it has been lower than in the pre-Covid period, he said.

A relatively weak consumer demand in India has adversely affected the revenue growth for firms in the consumer goods space. This has adversely affected the overall aggregate demand in the economy as private final consumption expenditure accounts for nearly 60 per cent of India’s gross domestic product (GDP).

The growth dichotomy in the two economies also show in their nominal GDP growth in constant currency. India’s GDP at current prices, when converted to US dollar, grew 4.3 per cent Y-o-Y during the year ending December 2023. In the same period, US’ nominal GDP was up 5.9 per cent Y-o-Y. A faster growth in nominal GDP usually translates into higher aggregate demand and a faster growth in corporate revenues.

Others attributed the slower growth in corporate revenues in India to the adverse impact of rupee depreciation and a slowdown in key sectors. “A part of revenue growth for Indian companies was eaten up by rupee depreciation. Besides, we have seen a sharp slowdown in revenue growth in sectors such as FMCG, IT services, tractors, and commercial vehicles that are a big part of the listed universe in India,” said G Chokkalingam, founder & CEO of Equinomics Research.

Tesla...

The latest edition Vibrant Gujarat Global Summit saw investment proposals worth

₹26.33 trillion for the state.

The news about Tesla’s plan to set up a plant in India comes on the heels of the Central government’s decision to slash import taxes on some EVs for companies that pledge at least \$500 million (₹4,150 crore) in investment and a manufacturing plant within three years.

Tesla’s India plans coincide with a decline in its global sales. In the first quarter of 2024, Elon Musk’s auto behemoth reported 386,810 global deliveries, a drop of 8.5 per cent year-on-year, largely due to stiff competition from local EV manufacturers in China.

In Telangana, its Industries and IT Minister D Sridhar Babu has already announced the state’s intent to attract Tesla and confirmed ongoing discussions. “The state is ready to go to any extent in terms of bringing new investments like Tesla,” said a source.

Earlier, Babu said: “Telangana with its industry-friendly policy is working with a progressive and futuristic vision by creating a world-class infrastructure and hassle-free approvals system to enable best-in-class firms like Tesla to do business in the state.”

Tamil Nadu’s trump card is its thriving automobile ecosystem. “Tamil Nadu is the first port of call for any firm looking to invest,” said a source.

The state has attracted two major automobile investments in the past three months. Vietnam-based EV player VinFast, a Tesla rival in the global market, has begun work on its ₹16,000 crore manufacturing facility at Thoothukudi. This was followed by Tata Motors and the state government signing a memorandum of understanding to set up a manufacturing unit in Ranipet near Vellore, with an investment of ₹9,000 crore.

The new EV policy proposes to cut import duties for interested players to 15 per cent from the current 70 per cent or 100 per cent on vehicles with a CIF (cost, insurance, and freight) value of \$35,000 and above for five years.