

# Tesla may be revving up interest in India, again

## Senior executives from firm to hold meetings with top Indian officials

**SURAJEET DAS GUPTA**

New Delhi, 16 May

Senior Tesla executives including those from its supply chain are planning to come to India on Wednesday and Thursday for meetings with government officials, including those in the Prime Minister's Office, according to sources.

Prashant R Menon, director of Tesla India, did not respond to a specific query on the meetings.

Sources say that the executives are coming to see how they can expand and develop local sourcing of components from India for the Tesla car. They already have some suppliers such as the Sona group, which offers them differential gears, and Sandhar Technologies, which provides some components indirectly,

but the numbers have been limited.

Many, however, see the visit more as an attempt to reopen a dialogue with the government after Tesla announced in 2022 that it was shelving its plans to sell cars in India by importing them through the CBU (importing finished, assembled cars). The decision was a response to the government's refusal to accept Tesla's request for a reduction in import duties on luxury cars which were at 100 per cent for cars with a cost insurance freight (CIF) value of over \$40,000. Tesla asked for the duties to be reduced to 40 per cent because, without it, the price of a Tesla 3 went over

₹1 crore for which there was hardly any market.

The government urged Tesla to assemble cars in CKD (exporting cars in pieces and assembling them here) rather than importing them from China as Tesla had wanted and to bring down prices. Tesla had been looking at expanding its supply base from India even earlier. It was working with the component manufacturers' association in India to invite Indian component manufacturers to a tech show in the US to discuss the components Tesla requires from vendors. The discussions were, however, halted when Tesla decided to postpone its plans for India.

Auto industry experts say that Tesla should be looking at the possibility of assembling the Tesla in the manner of Mercedes and Volkswagen through the CKD route and adding value by sourcing seats, tyres, glass, and the internal fit and finishings from a vibrant Indian component industry which would reduce its manufacturing costs.



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# Tesla...

A veteran CEO of a global car company remarked that Tesla could easily buy an assembly facility that would not cost more than \$100 million.

Tesla's experience of India has been a bumpy ride. Two years ago, Tesla founder Elon Musk said he planned to come to India, registered a firm in Bengaluru to import cars, and talked about setting up company-owned retail showrooms.

But Musk soon realised that permissions would not be smooth sailing. He abandoned the search for showroom space and reassigned the small India team around the globe.

Through Twitter, Musk has made no secret of his dislike for India's import duties of 60-100 per cent on electric vehicles which are among the highest in the world. He would like a sharp reduction as a condition for entry.

He has also complained that treating clean energy vehicles on a par with petrol vehicles is inconsistent with India's climate change goals.

The government has not relented, making it clear that Tesla would not be allowed to import cars from China; he would have to assemble them in India.

Domestic manufacturers such as Mahindra & Mahindra and Tata Motors, through the Society of Indian Automobile Manufacturers, have argued against a duty reduction as unfair given that the government has set a high localisation threshold for Indian industry.

