

Govt offers auto PLI 2.0 to bring Tesla to India

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WITH TESLA PROPOSING a manufacturing plant in India, the government plans to come out with a modified production-linked incentive 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. On Wednesday itself the new, modified IT Hardware PLI scheme was approved by the Union Cabinet with the purpose of giving global companies another chance to invest in the country. "A similar modification would be done in the auto and battery PLI once everything gets finalised between the government and Tesla representatives.

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

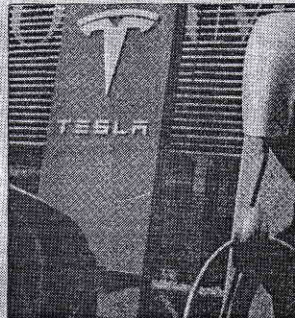
"It will be fair to all the parties and PLI schemes offer such flexibility in restructuring the package," officials said.

As earlier reported by *FE*, in a change of approach, Tesla is now considering manufacturing in India and is no longer pressing with its earlier demand for first, lowering import duty on completely built units, which is at 100% for cars costing \$40,000 and above. The duty on cars costing lower is at 60%. Tesla's demand in the past was to slash the duty to 40%.

A Tesla team, comprising its supply chain executives are currently in India holding meetings with key ministries as well as officials in the Prime Minister's Office (PMO).

The change in Tesla's approach largely came about after seeing the success of Apple's domestic manufacturing in the country.

Government officials have offered Tesla import duty concessions on the



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components which are required for domestic manufacturing. Such a scheme currently works for the smartphone production-linked incentive scheme under the phased manufacturing programme (PMP).

Official sources maintain that offering concessional import duty for domestic manufacturing may not be compliant with World Trade Organisation's norms, but the entire process of appealing in WTO and the appellate processes that follow take long years, by when Tesla's indigenous supply chain would be in place.

Officials feel that by that time the PMP would have run its course and Tesla would have developed indigenous supply chain for domestic manufacturing. This approach successfully worked in the case of auto industry several years ago when foreign manufacturers were setting up base in India and a PMP was put in place for them to meet local sourcing guidelines. By the time the case went against India in WTO, the indigenous supply chain was in place.