

Tesla's long road to India: Past hurdles and a renewed push

G Balachandar
Chennai

Tesla's long-standing interest in entering the Indian market has faced multiple roadblocks over the past decade, but recent policy shifts and high-level discussions signal fresh momentum.

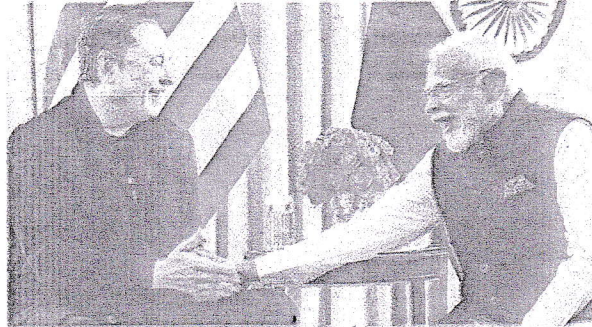
Prime Minister Narendra Modi's meeting with Tesla CEO Elon Musk in the US recently, along with the company's hiring push in India, suggest that the electric vehicle (EV) giant is closer than ever to making its long-awaited debut.

Tesla first hinted at entering India in 2016 by opening pre-orders for its Model 3. However, steep import duties — up to 100 per cent on fully-imported EVs — made Tesla's cars prohibitively expensive for Indian consumers. The high costs, coupled with the Indian government's reluctance to grant special duty reductions, led to delays, frustrating early enthusiasts who had placed orders.

For years, Tesla pushed for lower tariffs, arguing that an initial reduction in duties would allow it to assess demand before committing to local manufacturing. However, the Indian government, keen on protecting domestic automakers, remained firm on its stance, insisting that Tesla invest in local production from the start. This deadlock kept the company from making concrete progress in India.

POLICY PUSH FOR EVS

In March 2024, India introduced a revised EV policy,



GROWING TOGETHER. PM Narendra Modi recently met Tesla CEO Elon Musk during the former's US visit ANI

aimed at attracting global automakers.

The new framework offers reduced import duties for companies that invest at least ₹4,150 crore (about \$500 million) in local manufacturing and achieve domestic value-addition targets. While the policy does not grant sweeping tariff reductions, it indicates a more open approach to accommodating international players like Tesla.

Though the specifics of Modi's discussions with Musk remain undisclosed, Tesla's subsequent hiring drive in India suggests that these regulatory changes may have encouraged the company to move forward with its plans.

REALITY CHECK

Tesla's potential entry comes at a time when India is actively promoting EV adoption through policy incentives. Currently, the market is dominated by affordable models like the Tata Nexon EV and MG ZS EV.

Tesla's arrival could reshape the premium EV segment, bringing it into com-

petition with luxury brands such as Mercedes-Benz, BMW and upcoming global players, according to an industry analyst.

Relying solely on fully imported vehicles may not be a sustainable strategy due to high costs and tariffs.

To remain competitive, Tesla may need to establish a gigafactory in India, following the model it successfully implemented in China, he added.

Infrastructure is another hurdle. While Tesla's Supercharger network could provide a significant advantage, expanding charging infrastructure beyond metro cities will take time, potentially slowing mass adoption.

With India targeting 30 per cent EV penetration by 2030, Tesla's entry aligns with the country's sustainability goals.

However, continued policy support, infrastructure expansion and strategic local investments will be crucial for the company to establish a strong foothold in one of the world's fastest-growing automobile markets.