Chinese EV suppliers prefer tech tieups, shun 'risky' JVs

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Chinese suppliers for electric vehicle (EV) companies in India, especially of lithium ion battery cells which account for 35-40 per cent of the cost, find technology tie-ups more attractive than a joint venture with a local player owing to the government's stringent FDI rules.

A senior executive of an EV company which is planning to set up a lithium cell battery plant said Chinese companies are ready 'to give you technology for which they receive technical fees paid upfront, royalty fees, commissions and installations by manpower and raw material cost'.

"But," he added, "They don't want a JV model because of possible risks of policy changes and also concern about the investigations that have happened with mobile device players."

The executive said that these various heads provided substantial income to the companies with no downside from JV risks.

The concerns are similar to those in the mobile device space where Chinese companies have shown no interest in coming through a JV model.

Apple's contract partners, for instance, received initial clearance for 12 of their vendors from the Ministry of Electronics and Information Technology so that they were allowed to go for a joint venture partner and set up facilities in the country.

However, the experiment did not work as Chinese vendors were not willing to enter even a 50-50 JV. This prompted Apple to look for suppliers in Japan, South Korea, Taiwan and home-grown players like the Tatas.

China is the largest cell and battery manufacturer in the world. Its companies have explored a possible entry to India but did not proceed due to stringent FDI norms for companies from China.

But Kolkata-based Exide Industries has signed up a long term technical collaboration with Chinese battery giant SVOLT to make lithium ion cell manufacturing in India.