

# For now, Tesla to build cars at existing factories

REUTERS

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**T**esla said on Tuesday that it will use its existing factories to build new and more affordable vehicles as early as late this year.

The world's top EV maker said it plans to raise production by 50 per cent from 2023 to its current capacity of close to 3 million vehicles before investing in new manufacturing lines.

"This update may result in achieving less cost reduction than previously expected but enables us to prudently grow our vehicle volumes in a more capex efficient manner during uncertain times," the company said.

Investors cheered the decision not to take the risks of building new models in new factories, with Tesla shares jumping 12 per cent in after-hour trading despite the company's quarterly results missing financial targets.

"I think it's a positive that he's not just barreling ahead with an expansion plan, ignoring the challenges in the market and the fact that he's doing a cheaper vehicle from the existing product line," said Elliot Johnson, chief investment officer at Evolve ETFs, which manages nearly \$6 billion in assets, including investments in Tesla and other EV makers.

Reuters exclusively reported on April 5 that Tesla had scrapped plans to launch its cheap vehicle, known as Model 2, which Tesla planned to build in Texas, Mexico and a third country. The Model 2 had been expected to cost \$25,000 and drive Tesla's growth into a mass-market automaker.

Elon Musk (*pictured*) had responded to the Reuters report with a message on X that "Reuters is lying." He did not give details and did not directly address the Reuters report.

Instead, Tesla discussed unidentified new models that appeared to be different products.

In January, Musk said Tesla aimed to deliver the cheaper new model in the second half of 2025, adding that the model will have revolutionary manufacturing technology and generate the next wave of growth for Tesla.

Musk had been expected to meet with Prime Minister Narendra Modi on Monday and announce major investments in an auto factory to produce a small, affordable model. Musk canceled at the last minute, citing "very heavy Tesla obligations."



## ALIGNED WITH NEW EV POLICY...



## ...Tesla's India factory plan may materialise in 2025

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New Delhi, 24 April

Tesla's plan to manufacture its affordable electric car priced at \$25,000 in India and Mexico could materialise sometime in 2025 or thereafter, with Elon Musk declaring that these models would be produced at its existing factories to utilise their full capacity before investing in new manufacturing lines.

The company operates factories in Texas and Fremont in the US, Berlin in Germany, and Shanghai in China. By the end of the calendar year 2023, Tesla was manufacturing 1.8 million vehicles annually. However, it has a global capacity of 3 million vehicles per annum.

Musk pointed out in Tuesday's earnings call that the company expects a 50 per cent increase in production over 2023. This implies that by the end of 2024, most of its capacity will be utilised, with some spillover into 2025.

This timeline aligns well with the government's new electric

vehicle policy, which mandates setting up a manufacturing plant in India within three years, extending up to 2027. It also corresponds with Tesla's plan to launch new models starting in mid-2025, announced in Tuesday's earnings call.

During the earnings call, Musk said that "the new vehicles, including the more affordable models, will be able to be produced on the same manufacturing lines as our current vehicle lineup".

While he acknowledged that this approach might result in achieving less cost reduction than previously expected, it will enable Tesla to fully use its current maximum capacity of 3 million vehicles, facilitating a 50 per cent growth over 2023 production "before investing in new manufacturing lines".

Musk also provided updates that the future vehicle lineup would commence production in the second half of 2025, dispelling speculation that plans for an affordable car had been abandoned.

