Ease of imports, company-agnostic norms to be focus of scheme for EV cars

Tariff framework is likely to encourage global players' participation

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The Ministry of Heavy Industries (MHI) is in the final stages of coming up with guidelines for the Scheme to Promote the Manufacturing of Electric Passenger Cars in India (SMEC), a senior official said, adding that the final draft would not favour any specific company. Government officials said a key focus area would be keeping import tariffs of electric vehicle (EV) equipment in a way that is lucrative for global players.

Announced last March, SMEC aims to attract investments from leading global EV manufacturers and establish India as a manufacturing hub for EVs. The guidelines are expected to be finalised in about a month after an inter-ministerial consultation, which is scheduled to take place in about three weeks, the officials said.

Since the announcement of the scheme, four-five consultations have so far taken place between MHI and stakeholders like original equipment manufacturers (OEMs) and the Society of Indian Automobile Manufacturers (SIAM) to gauge investor interest. Two people who participated in consultation meetings informed that one of the key discussions was on setting import tariffs in a way that would encourage major global OEMs, like Tesla, to enter the Indian market and help accelerate EV adoption in the country.

To incentivise manufacturers further, the policy plans to slash import duties on EVs priced above $35,000 (cost, insurance, and freight) to 15 per cent from the current rates of 70 per cent or 100 per cent, provided manufacturers meet the minimum investment and DVA (domestic value addition) requirements. The reduced import duties will give a significant boost to automakers keen on entering the Indian market, said the officials.

Tesla had been eyeing the Indian market for its EVs, with its chief executive officer (CEO) Elon Musk expressing interest several times on social media. The company had even planned a high-level visit to India in 2022 to explore entry prospects but cancelled it at the last minute. Tesla was seeking significant cuts in India's import duties for completely built units (CBUs) before committing to local manufacturing. Under the scheme, applicants are required to invest a minimum of ₹4,150 crore and achieve a DVA of at least 25 per cent by the end of the third year and 50 per cent by the end of the fifth year.

"I cannot say whether Tesla will come to India; it's their call if they want to apply or not. We cannot make anything special for any OEM," the government official cited above said when asked if the guidelines would push for Tesla's investment in India.

Currently, the draft guidelines are with relevant ministries, including finance, commerce, power, environment, and road transport and highways, the official said, adding that the inter-ministerial consultations would conclude in coming weeks. Without revealing the key points of the guidelines, the official said: "In the guidelines, we will mention the format a company needs to follow to apply for SMEC, application form, etc. There is no major change from what was notified last March."

Queries sent to spokespeople and secretaries to the above-mentioned ministries remained unanswered at press time.

In the consultations with MHI, several OEMs shared their recommendations on how to help foreign players already in India manufacturing ICE (internal combustion engine) vehicles but need to import key equipment. "So, we have already submitted our responses to the MHI and they are under consideration," an industry executive who participated in consultations said.

"During the consultative processes, we have raised a few concerns to the ministry which can be considered. There are certain operational issues which OEMs might be facing while setting up manufacturing plants, or requiring investment, a certain amount of which, in areas like in plant and machinery, needs to be done here in India," the industry executive informed.

Additionally, industry players requested the MHI that all the investment criteria which the government proposes should be clearly mentioned in the guidelines so that whenever a company is applying under the policy, there is not any discrepancy.

The proposed guidelines, aligned with the production-linked incentive (PLI) scheme for automobiles and auto components, will assess DVA based on various parameters. Expenditures on research and development (R&D) and building EV charging infrastructure may also be considered eligible investments under the scheme.

FINAL TOUCHES

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- SMEC aims to attract investments from leading global EV manufacturers
- Guidelines are expected to be finalised in about a month after an inter-ministerial consultation
- To gauge interest, 4-5 consultations have so far taken place between MHI, OEMs, and Siam