

Behind the scenes: Race for Tesla unit still on

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Amid reports that Tesla's investment plans in India have been put on the backburner, sources close to the development indicate that three states — Maharashtra, Tamil Nadu, and Gujarat — are frontrunners for the global major's manufacturing unit in India. A decision in this regard is likely to depend on the product portfolio of the electric carmaker, say industry sources. The company is also in talks to rope in local partners.

If the company is setting its sights on a low-cost model targeting the Indian domestic market, it may establish a unit in Maharashtra. On the other hand, if exports top its priority list, Tamil Nadu may seal the deal. However, Gujarat will be an option if it receives sufficient subsidies from the state and central governments to cover logistics losses.



Maharashtra, Tamil Nadu, and Gujarat are frontrunners for Tesla's manufacturing unit in India, said sources

According to two sources aware of the development, the company had multiple rounds of talks to rope in a local partner for a possible manufacturing unit based in Pune. The advantage of Tamil Nadu is an established ecosystem and easy access

to ports. As for Pune, if the company plans to tap into the domestic market with a low-cost model in the range of ₹18-25 lakh, the two important sales areas of Mumbai and the National Capital Region (NCR) will be easily accessible. The company did not

respond to questions about its low-cost model and other plans.

Therefore, the top choices for the company are likely to be Maharashtra and Tamil Nadu. However, Gujarat may also be in the company's list if the state government is willing to offer considerable subsidies. Sources indicate that the three states have already had several rounds of meetings with Tesla officials.

As such, Tesla India Motors and Energy Private Limited had leased office space in the Panchshil Business Park in Pune last year.

There were reports that Elon Musk's team hasn't made any further inquiries with officials in New Delhi after the billionaire postponed a visit to India in late April. The company was facing capital issues, leading to its go-slow strategy on India investments.

This comes at a time when Tesla's deliveries dipped for the second

consecutive quarter in June, following stiff competition in China and slow demand due to a lack of new models in the affordable segment. Its new model "Cybertruck" has also been receiving a slow market response.

Tesla's global rival VinFast recently picked Tamil Nadu as its destination, as the location allows for quicker imports and exports compared to other states. To attract players like Tesla and VinFast, the Indian government reduced taxes on imported EVs to 15 per cent on cars costing \$35,000 and above, provided the company commits \$500 million in investment and establishes a manufacturing plant within three years. However, in April, Musk cancelled a visit to India, including a meeting with Prime Minister Narendra Modi, citing pressing issues at Tesla.

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