

Move aimed at pushing electric car mfg

► **From P 1**

The bank guarantees will be equivalent to the value of duty breaks that the companies will get by importing their cars at subsidised rates. The government wants to have a credible cover in hand in case the companies are unable to live up to their commitments of local manufacturing and investments.”

The move is aimed at giving a big fillip to the production of electric cars in India over the medium term.

While government officials have maintained that the policy regime will benefit all players — domestic and global — the plan to lower import tariffs may be seen as a

setback for the ambitious green plans of companies such as Tata Motors and Mahindra & Mahindra, who have committed huge investments for manufacturing electrics within the country. If top global models are available at attractive prices here through lower import duty, luxury buyers may gravitate towards them, at the loss of locally made products.

The plan, if implemented, will be a big boost for companies such as Tesla, BMW and Audi that want to enter the highly promising Indian market with their electric cars, but first want to test-market their products and business case here through some of their imported models.

The government, which has generally been steadfast in its decision to not make any exceptions in the import duty rates, seems to be softening its stance on the issue as it wants to encourage companies that manufacture vehicles with cutting-edge technologies to come and make in India.

“It is increasingly being felt that this will help bring sophisticated technologies and high-value manufacturing to India much faster than it may take if companies wait for the scale to build up. The government has been enthused by the success in smartphone manufacturing where it has given special incentives to get high-value companies such as Apple to invest in the

country,” another source said. The sources said that the government wants to attract Tesla to India and make the company commit investments for a factory here. Tesla officials have already had encouraging conversations with the government on their India plans, and a further push was provided by Prime Minister Narendra Modi’s “positive meeting” with company chief Elon Musk.

Tesla officials have indicated to the government that they want to set up a factory with an annual vehicle capacity of 5 lakh units, which would also be used for exports.

The model line-up will have cars with entry price upwards of Rs 20 lakh.