Centre's new EV policy permits states to offer incentives to bag investments

Rajeev Jayaswal
letters@hindustantimes.com

NEW DELHI: The Union government has already announced a liberal EV policy for all aspiring investors and it is unlikely to give any company-specific concession, but states may offer incentives such as land at a concessional rate to attract foreign investments during Tesla CEO Elon Musk's India visit later this month, two officials said.

Competition among states to attract foreign investments is a healthy trend, which helps in enhancing ease of doing business and two industrial states in western India and two in the South are competing to host Tesla's proposed manufacturing unit, they said.

Last week, a person familiar with Tesla's India plans told HT it is considering Gujarat, Maharashtra or Tamil Nadu as the site for its plant, primarily because these are coastal states with ports. Tesla, the world's leading Indian EV manufacturer, has begun the process of producing right-hand drive cars for the Indian market in its Berlin factory and hopes to have them on Indian roads later this year, one of these people said, asking not to be named. The company is sending a team in the third week of April to India to scout for locations to firm up its mega manufacturing plans to make vehicles in India for the wider developing world, this person said.

A week later, it emerged that Musk would be heading the team. In a twitter post, Musk on Wednesday said, "Looking forward to meeting with Prime Minister @NarendraModi in India!"

The visit may help in resolving issues such as site for the facility and regulatory approvals, the two officials cited in the first instance added.

"Proactive approach of states will help the company in taking a decision. However, a final call will be taken by it based on various factors such as cost of production, law and order situation and infrastructure facilities," one of the two added, saying that Gujarat, Maharashtra, Telangana and Tamil Nadu could be competing for the investment. "Tesla may initially invest $2-3 billion in setting up a plant in India to cater to the demand of the region. It wanted concessional duty on EV imports during the gestation period, which has been addressed by the EV policy released last month," the official said.

The new policy is unlikely to provide any company-specific concession. HT ARCHIVE

Besides Tesla, several other foreign car manufacturers want to invest in India, provided they would also be allowed to import EVs by reducing customs duty. The new EV policy announced on March 15 addressed their demand while protecting the national interest, the second official said. "Multiple firms have expressed interest in setting up manufacturing plant in India because it offers a cost-effective manufacturing base, a large market, a rule-based stable political regime and a favourable policy framework," he said.

The central government on March 15 approved an e-vehicles policy allowing limited imports of cars by global EV giants at a concessional duty of 15%, provided they invest a minimum of $500 million for setting up a manufacturing plant in India. Otherwise, cars imported as completely built units (CBUs) attract customs duty ranging from 60% to 100%, depending on engine size and cost, insurance and freight (CIF) value.

According to the policy, a maximum of 40,000 EVs at the rate of not more than 8,000 per year would be permissible if the investment is of $800 million or more. The carry-over of unutilised annual import limits would be permitted.

"This will provide Indian consumers with access to latest technology, boost the Make in India initiative, strengthen the EV ecosystem by promoting healthy competition among EV players leading to high volume of production, economies of scale, lower cost of production, reduce imports of crude oil, lower trade deficit, reduce air pollution, particularly in cities, and will have a positive impact on health and environment," the commerce ministry said in a statement while announcing the policy that day.

The policy said the investment commitment made by a company will have to be backed up by a bank guarantee in lieu of the custom duty forgone and the bank guarantee will be invoked in case of non-achievement of domestic value addition (DVA) and minimum investment criteria defined under the scheme.

The policy gives a three-year timeframe to global investors for setting up a manufacturing facility and start commercial production of e- vehicles in India. According to the policy, the company is required to reach 50% DVA within five years or earlier while 25% localisation is envisaged in the third year.

The policy has provisions to protect domestic industry as the customs duty of 15% would be applicable on vehicle of minimum value of $35,000 (about Rs 29 lakh) and above for a total period of 5 years subject to the manufacturer setting up manufacturing facilities in India within a three-year period.