Tesla has time till Nov to firm up India plans

ROHIT VAID
New Delhi, May 20

THE GOVERNMENT IS looking at operationalising the electric vehicle policy by the end of July and give companies a 120-day window to apply. The policy allows import of completely built units (CBUs) at a concessional 10% duty for a period of five years. This means that Tesla and other foreign EV-aspirants will need to submit their applications by the end of November.

The development is significant because Elon Musk, who was earlier scheduled to visit India between April 22-30 to unveil his plans, postponed his visit at the last minute. Last week, officials said that there has been no update from Musk about his rescheduled programme.

Officials said that the portal where the applications can be be submitted, will go live by July 31, by which time the government will finalise all the guidelines related to the policy.

The first round of consultations with the industry has already taken place and the second round will be held before July, after which the guidelines will be issued.

Officials said that the policy provides for reopening of the window at a later date.

As reported by FE, the governmen thas provided certain clarifications to the industry in terms of the investment criteria, so that a larger number of global players are able to submit their investment proposals.

For instance, passenger vehicle manufacturers who have made part-investments for manufacturing EVs, will also qualify under the policy. Vietnamese EV manufacturer Vinfast had, in January, announced its plans to invest $500 million in India over a span of five years. Though the EV policy was announced later in March, the company's investments will be counted towards it, officials have said.

BROAD CONTOURS OF EV POLICY

- Global firms will be allowed to import CBUs at a concessional rate of 15% for vehicles priced $35,000 & above for five years
- CBUs priced more than $40,000 will continue to attract 100% duty and those below it, at 70%
- Firms opting will have to commit investment of ₹4,150 crore or more
- They will be required to set up manufacturing facilities in the country within a three-year period

- Further, they will need to achieve 25% localisation by the third year and 50% by the fifth year

Continued on Page 15

Tesla has time till Nov to firm up India plans

SIMILARLY, SEVERAL EXISTING auto firms have announced huge capex for several years ahead. All they need to do is to allocate a part of it towards setting up a new line for EVs to avail the benefits of this policy. They will not need to float separate subsidiaries to qualify for the benefits.

This clarification opens the door for even existing multinational companies like BMW, Volkswagen Group, Mercedes Benz, etc. These companies, along with Korean manufacturers like Hyundai, and Kia and some domestic players, had raised the issue with the government about their earlier investments in the EV space, urging that that these should be counted retrospectively. Their point was that they should not be penalised just because they were early investors in this space. Under the EV policy, global automakers will be allowed to import CBUs at a concessional import duty of 15% for vehicles which are priced $35,000 and above for a period of five years.

However, they will be required to set up manufacturing facilities in the country within a three-year period. Further, they will need to achieve 25% localisation by the third year and 50% by the fifth year. For companies which are not opting for this route, CBUs priced more than $40,000 will continue to attract 100% duty and those below it, at 70%. The 15% concessional import duty is the same which is applicable for completely knocked down (CKD) units, which are assembled in the country.

Companies availing this benefit, will have to commit a minimum investment of ₹4,150 crore ($500 million) in India – there's no upper limit on investments. The duty foregone on the total number of EVs permitted for import will be capped at the investment made or ₹6,484 crore (equal to incentive under the PLI scheme). Additionally, a maximum of 40,000 EVs, at a rate not exceeding 8,000 per year, will be allowed if the investment crosses $800 million.

The scheme also requires companies to back their commitments with a bank guarantee in lieu of the custom duty forgone, which will be encashed in case of non-compliance with domestic value addition and minimum investment criteria.