New EV policy likely to benefit current projects too

Mihir Mishra
mihir.mishra@livemint.com

NEW DELHI: The government is likely to allow electric vehicle (EV) makers to benefit from a new policy that was announced this March, even if their investments were made earlier, according to two officials aware of the development.

Such a move would benefit Vietnam's EV maker VinFast, which had announced in January that it would build an EV plant in India, the first official cited above said on the condition of anonymity, adding that the new policy may attract a few more global EV makers to manufacture in India.

The cut-off date to be included in the new policy is likely to be "some month of 2023", and a formal announcement is likely by August, the first official said.

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As per the original guidelines announced in March 2024, only companies investing in greenfield facilities for manufacturing EVs from the date of approval under the scheme within the next three years would be eligible for incentives.

An email sent to the heavy industries ministry was unanswered till press time.

In January, Vietnamese EV maker VinFast Auto Ltd announced a plan to build a manufacturing facility in Tamil Nadu at an investment of $2 billion, with an initial investment of $500 million.

The officials cited above said that a change in the cut-off date under the new EV policy could make Vinfast eligible for incentives on its investment.

Analysts say such a move would send a positive signal to foreign investors.

"It demonstrates the government's commitment to foster a business-friendly environment by being flexible and responsive to the needs of potential investors," said Saket Mehra, partner and automotive sector leader at Grant Thornton Bharat, adding that it highlights India's willingness to adapt policies to facilitate significant investments.

"This move is likely to build confidence among other global EV manufacturers, showcasing India as a proactive and supportive market for substantial industrial ventures," said Mehra.

Under the EV policy, the government had announced it will also allow imports of completely built-up electric cars that have a minimum cost, insurance and freight value of $35,000 at 15% import duty for a period of five years, if companies make a minimum investment of $500 million to start local manufacturing.

While India wanted to attract US electric car major Tesla to manufacture in India, the Elon Musk-led company is unlikely to announce plans to manufacture in the country for now.

The second official cited earlier said that one of the reasons for Tesla's India venture not working out is that the company wanted to import from China for the first five years as its capacity in China is underutilized.

"India is against any import from China but would have agreed to it if the imported units were to come from Europe or the US," the second official said, also on condition of anonymity. Despite Tesla giving India a miss, the government expects two to three more global players to take the benefit of the EV policy and announce manufacturing plans in India.