

Tata Electronics & Tesla Ink Semicon Agreement

Why In News

- **Tesla** has signed a strategic deal with **Tata Electronics** to obtain semiconductor chips for its global operations.



- The deal, which was quietly signed a few months back, holds importance as it puts **Tata Electronics** in the spotlight as a dependable supplier for major global clients eyeing a crucial part of their **semiconductor setup in India**.
- **US-based Tesla** is eyeing India, known as the world's fastest-growing major car market. This development suggests the electric carmaker's growing interest in India.

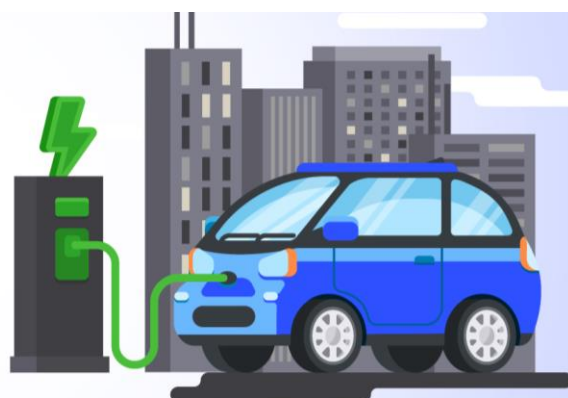
All You Need To Know

- Details regarding the value of the **sourcing deal between Tesla and Tata Electronics**, along with other specifics, remain undisclosed.
- The **US-based electric vehicle (EV)** giant is eager to penetrate India, the world's fastest-growing major automotive market. Elon Musk, the driving force behind Tesla, is scheduled to visit India this month for discussions with Prime Minister Narendra Modi.
- During his visit, **Musk is expected to unveil potential** investments in India, including commitments to EV manufacturing facilities. Tesla currently holds the title of the world's most valuable automotive company.



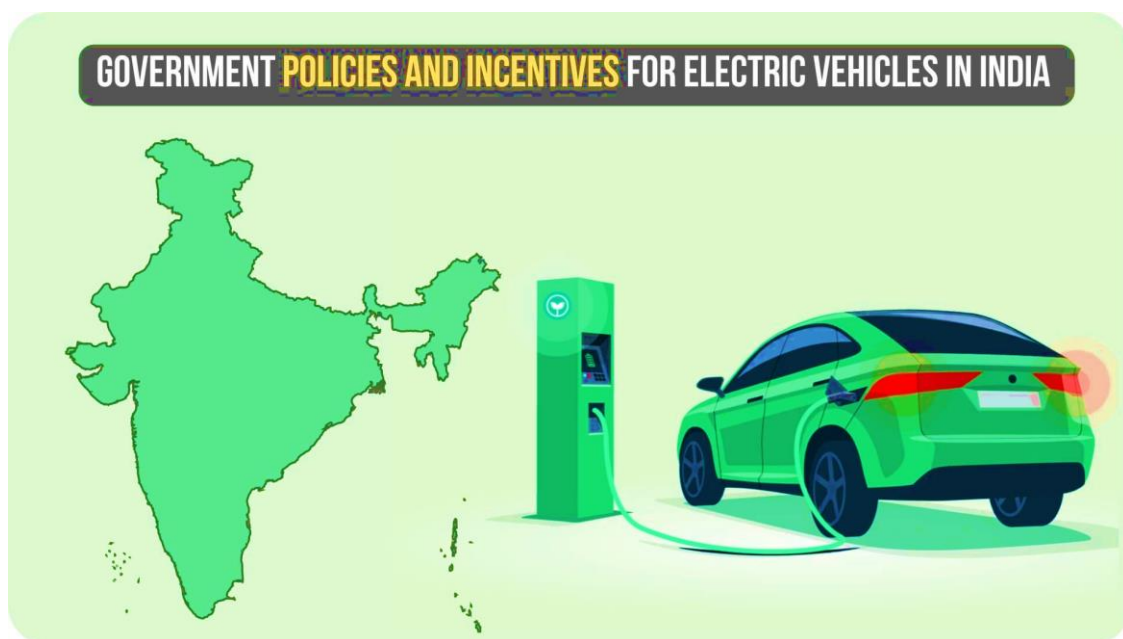
- **Neither Tesla or Tata Electronics**, the head of the Tata group's semiconductor manufacturing initiative, offered any comments, the ET report said.
- Recent reports have hinted at **Tesla's interest in finding a local partner** to establish its presence in India. Last week, reports emerged that the American EV giant is reportedly considering the possibility of a joint venture with Reliance to construct manufacturing facilities within the country.
- **According to reports, Tesla has earmarked \$2 billion** for its upcoming ventures in India and has been exploring various locations, including Gujarat and Maharashtra, as potential sites for its plant.

New E-Vehicle Policy Approved by The Indian Government

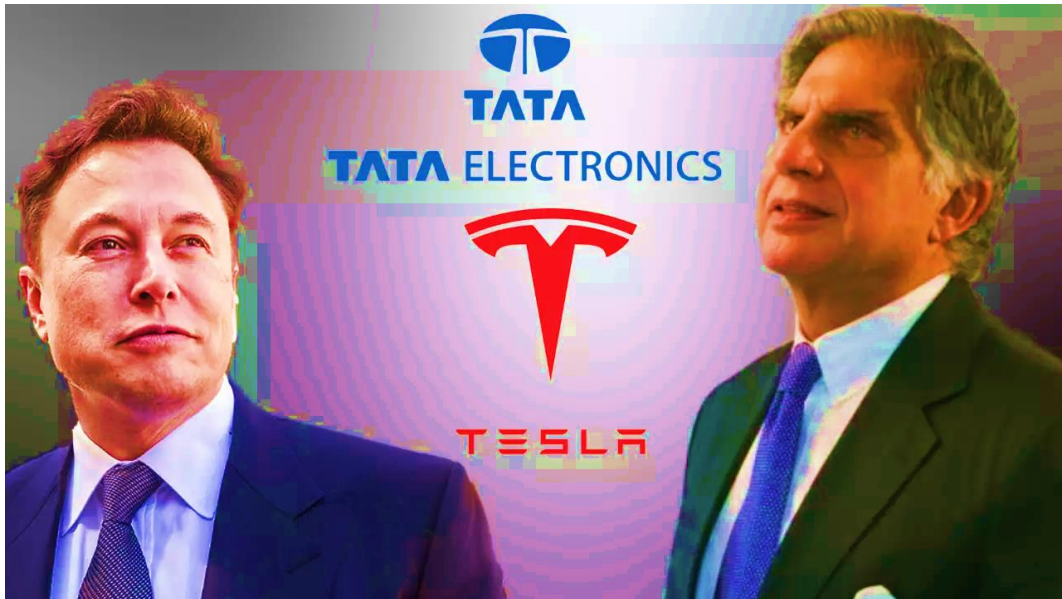


- Last month, **the Indian government approved an Electric Vehicle (EV) policy** aimed at positioning the country as a global manufacturing hub for EVs.

- The policy mandates a **minimum investment of Rs 4,150 crore** with no maximum investment limit aimed at attracting investments from reputable global EV manufacturers.
- In addition to the minimum investment requirement of **Rs 4,150 crore (\$500 million)**, the policy outlined a three-year timeline for establishing manufacturing facilities in India, commencing commercial production of EVs, and achieving 50 per cent domestic value addition (DVA) within five years at most.



- Moreover, the policy specifies that the duty on the total number of EVs permitted for import would be capped at the investment made or Rs 6,484 crore (equivalent to incentives under the PLI scheme), whichever is lower.
- Furthermore, **it states that a maximum of 40,000 EVs**, with an annual cap of no more than 8,000 vehicles, would be allowed if the investment amounts to \$800 million or higher, with the option to carry over unused annual import limits.
- Meanwhile, **Tata Electronics has been strengthening** its workforce by hiring top-level expatriates to bolster its semiconductor technology, strategic planning, and design capabilities. The company has set up semiconductor manufacturing facilities in Tamil Nadu, Gujarat, and Assam, with ambitious plans for further expansion, backed by a **\$14 billion investment**.



- **Tesla's move to diversify its** sourcing options beyond China for critical components aligns with its post-COVID strategy.
- While the company manufactures some electric components internally, it relies on global suppliers for sub-assemblies and other parts.
- The partnership between **Tesla and Tata Electronics** not only underscores India's growing importance in the global semiconductor supply chain but also positions Tata Electronics as a key player in India's semiconductor manufacturing ecosystem, with a team boasting over 1,000 years of global domain experience driving the project forward.