

How Tamil Nadu leads the EV rally

It is becoming a hub of electric two-wheeler investment by a slew of manufacturers and component suppliers

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Tamil Nadu, one of the world's 10 largest auto hubs, is now inching towards becoming one of the largest global bases for electric two-wheelers.

Over the past six months, several auto majors and component suppliers have chosen Tamil Nadu to set up manufacturing facilities to produce about 4.5 million EV (electric vehicle) two-wheelers cumulatively over the next five years (see table). Investments worth over ₹13,500 crore are already committed and most of the factories are in the process of being set up.

All the big names in the auto and EV world are here. Ola Electric, a subsidiary of the ride-hailing platform, will invest ₹2,354 crore to set up the world's largest facility with a capacity to make 2 million two-wheeler EVs in a factory at Krishnagiri district, around 250 km from Chennai. Eventually, Ola Electric hopes to make 10 million vehicles annually, or 15 per cent of the world's e-scooters, by the summer of 2022, starting with sales abroad later this year. Every two seconds, one EV scooter will

be rolled out. Flush with investments from Hyundai and Kia, the plan is to double capacity over the next two or three years, according to state government sources and people close to Ola. Currently, Hero Electric, with an annual capacity of 70,000 units, is the largest two-wheeler EV maker in India, with its factory in Ludhiana, Punjab.

Meanwhile, Hero Motocorp, the conventional-fuel two-wheeler giant promoted by another branch of the Hero family, has registered a presence in Tamil Nadu via Ather Energy, an eight-year-old start-up that makes electric scooters at a facility in Bengaluru. On January 2, Ather unveiled its factory spread across 123,000 sq ft at Hosur, an industrial city in north-west Tamil Nadu, with a capacity to produce 110,000 scooters annually at an investment of ₹635 crore over the next five years.

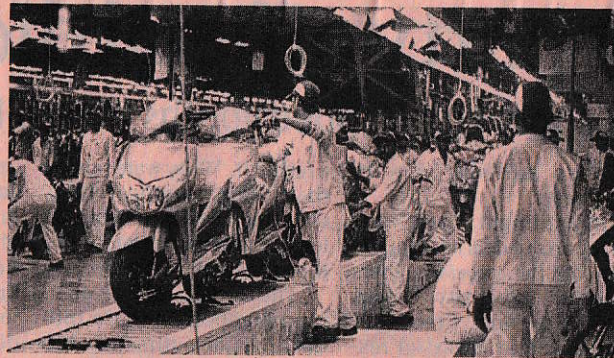
The 162-year-old Greaves Cotton has also got into the act with e-scooter maker Ampere Electric, which is setting up an EV two-wheeler manufacturing facility at Ranipet near Chennai with a capacity to produce 1,00,000 EV two-wheelers at an investment of around ₹700 crore. Previously a supplier of components and sub-assemblies to

auto-majors, Ampere had started making two- and three-wheeler EVs in Coimbatore, about 500 km south of Chennai, though on a small scale.

Several start-ups have announced investments in and around Chennai even as suppliers have started investing on green and brownfield facilities to service this growing industry (the auto industry thumb rule holds here too: A mother project investing ₹1 yields three times the investment from component makers).

So what attracts EV vehicle makers to Tamil Nadu, when states such as Maharashtra, Uttarakhand and Karnataka also offer EV-manufacturing incentives? Partly the fact that the state has an established auto base. Global and domestic majors such as Hyundai, Renault, Nissan, Citroen and BMW have been producing cars, trucks and two-wheelers here for well over two decades. B C Datta, vice president, Ola Electric, pointed out that the ride-hailing company's decision to choose Tamil Nadu was linked to its supplier base, talent pool, connectivity and state government incentives.

Around 1,300 factories produce automotive products, with the state accounting for 35 per cent of India's auto component production and around 45 per cent of the country's total auto



ELECTRIC ENERGY: EV-RELATED INVESTMENTS IN TAMIL NADU

Name	Product	Investment in ₹ cr	Employment
Ather Energy	Electric 2 wheelers & Battery packaging	635.4	4,321
Mahle Electric Drives India Pvt Ltd	EV components	50	200
YoungHWA Tech India Pvt Ltd	EV components	69	100
Srivanu Motors	Electric bikes	150	400
BYD	Battery	50	180
Mauto - UAE MoU	Retrofitting of 3 wheelers	100	5,000
Mauto Expansion	Electric 3 wheelers	103.45	1,490
Grinntech	Li-Ion Battery	90	250
Li Energy	Li-Ion Battery	250	300
BPLFTA Energies	Li-Ion Battery	500	300
DP Auto	Electric 3 wheelers	337	500
Ampere Vehides	Electric 2 wheelers	700	2,000
Ola Electric	Electric 2 wheelers	2,354	2,182
Elest Pvt Ltd (Rajesh Exports Ltd)	Fully Integrated Project (Cell, Battery, E-Buses, E-Trucks)	7,948	8,081
Total		13,336.85	25,254

Source: Companies

exports, according to Guidance Tamil Nadu, the state's nodal investment promotion agency. The state is also the country's largest tyre manufacturer. "Suppliers need a favourable environment to invest and with several EV companies already present in Tamil Nadu, it makes

sense for them to build their base in the state," said Nagesh Basavanhalli, Group CEO & MD, Greaves Cotton Limited.

Over 200 automobile engineering colleges and more than 800 electronics engineering colleges ensure a steady stream of technical expertise and skilled

workforce for the shop floors. This means that the state has a readymade ecosystem that attracts new players and will also enable existing manufacturers of fossil-fuel vehicles to transition to EV manufacturing.

The state is also among India's largest renewable energy (RE) producers. Ministry of New and Renewable Energy data shows that Tamil Nadu trails only Karnataka marginally in terms of installed RE capacity (14,886.32 Mw to 15387.98 Mw) and is the country's largest producer of wind energy. But it could soon overtake its north-western neighbour with heavy investments in solar (2021 Mw) in Rannad district in south western Tamil Nadu.

Most importantly, Tamil Nadu has been an early mover, announcing an EV policy in 2019 with a target investment of ₹50,000 crore. The policy offers significant incentives: Full reimbursement of GST paid on the sale of vehicles, 100 per cent exemption on electricity tax and a subsidy of 15 to 50 per cent on the cost of land. None of the other competing states offer such generous incentives.

The other silver lining of the policy is the 100 per cent motor vehicle tax exemption for all EV two-wheelers, cars, auto-rickshaws, buses and light goods carriers till 2022. The policy also aims to develop charging infrastructure starting with major urban centres.

"The state's EV policy accelerated its pace towards becoming a favourable EV OEM destination," said Som Kapoor, partner, Automotive sector at EY India.

In 2019-20, of the 17.42 million two-wheelers sold in India, one per cent were EVs. The Indian government aims to make EV two- and three-wheelers account for 80 per cent of sales by 2030. Tamil Nadu hopes to become the hub of those ambitions.