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Tesla's entry into India: A Catalyst or a Niche Player?



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For years, Tesla's entry into India has been the subject of speculation, rumours, and anticipation. Now, as the American EV giant takes concrete steps—setting up showrooms in Mumbai and Delhi, and eyeing potential manufacturing facilities in Maharashtra—the excitement is undeniable. But behind the buzz, a more complex reality emerges: Will Tesla truly disrupt India's auto industry, or will it remain a high-end niche player with limited impact?

India's electric vehicle market is still in its infancy, representing just 2.4% of the overall passenger vehicle segment. This is far below the global average of 12 per cent and lags significantly behind China's 30 per cent EV penetration. Despite the slow adoption, local players like Tata Motors dominate the space, holding over 60 per cent of the market, followed by MG Motors and Mahindra & Mahindra. This landscape presents both a challenge and an opportunity for Tesla—entering a market where EVs are not yet mainstream but where demand is gradually rising.

Tesla's first visible footprint in India will be its showrooms. The company has secured a 4,003-square-foot showroom space in Mumbai's Bandra Kurla Complex on a five-year lease, with plans for another in Delhi's Aerocity. However, unlike in other markets where Tesla aggressively pushes production, its initial Indian operations will rely on imported vehicles under the completely built-up (CBU) route.

The Government of India, in an effort to attract EV manufacturers, has proposed lowering import duties from 110 per cent to 15 per cent for companies willing to invest at least 500 million USD and committing to future local manufacturing. This move could help Tesla establish itself, but at its core, the company's long-term success in India hinges on whether it can localize production and bring down costs.

Despite its legendary brand appeal, Tesla's impact in India might not be as disruptive as expected. The primary challenge? Price. Tesla's most affordable model, priced at around \$40,000 (₹30 lakh), firmly places it in the luxury category. This is far beyond the ₹10-20 lakh range, where most EV sales in India occur. Simply put, Tesla's initial market in India will be limited to premium buyers rather than the mass market.

Then there are the practical concerns. Indian roads are infamous for their unpredictability—potholes, uneven surfaces, and high-speed breakers are the norm. Tesla's cars, designed for smoother international roads, have low ground clearance which could pose a challenge. Adapting Tesla models for Indian conditions would require modifications, adding to production costs. The question remains: Will Tesla make these investments for a market where its initial presence will be relatively small?

While Tesla may not immediately dominate the Indian EV sector, its entry can still bring valuable shifts in the industry. First, the company's presence could accelerate the government's push for better EV policies, infrastructure, and incentives, complementing existing programs like the Production-Linked Incentive (PLI) scheme. A stronger charging infrastructure would benefit all EV players, making the transition to electric vehicles smoother for consumers.

Second, Tesla's entry could drive up technological and manufacturing standards. As seen on LinkedIn, Tesla is actively recruiting talent from and other Indian manufacturers, signaling a potential knowledge and skill transfer. As Tesla raises the bar with its advanced manufacturing techniques, local automakers may be prompted to innovate and improve their own EV offerings.

So, will Tesla change India's auto industry overnight? Unlikely. But will it influence the market in meaningful ways? Yes, absolutely.

For now, Tesla will primarily compete with luxury EV brands like BMW and Mercedes rather than challenging mainstream Indian manufacturers. However, if Tesla commits to local production and introduces more affordable models, it could slowly carve out a larger market share. Until then, domestic EV makers like Tata and Mahindra can continue to focus on expanding their lineup for price-sensitive buyers, while keeping a close eye on Tesla's evolving strategy.

Tesla's arrival marks a new chapter for India's EV industry—one that may not bring immediate disruption but will certainly shape the future of electric mobility in the country.