

Tesla tests waters in India as EV giant faces global headwinds

Tesla's much-anticipated entry into India begins with a luxury showroom, not a factory. As global challenges mount—from China to the US—the EV giant is cautiously stepping into a complex, price-sensitive market that could redefine its international plans. A report by **PRIYANKA TANWER**

Tesla, the electric vehicle (EV) giant that redefined the automotive industry, is finally entering India—a market long eyed but cautiously approached. The official opening of Tesla's first showroom in Mumbai in July 2025 marks a symbolic and strategic pivot.

Yet this move comes amid a challenging global backdrop: intensifying competition in China, regulatory and political headwinds in the US, and Elon Musk's public fallout with Donald Trump. As Tesla tiptoes into the Indian market, it carries both high ambitions and heavy baggage.

India, the world's third-largest car market, is in the midst of a mobility transformation. The government's push toward electrification through schemes like FAME II, state-level subsidies, and tax breaks for EV infrastructure has created a promising, albeit complex, environment for electric mobility.

However, Tesla had long avoided India, citing prohibitively high import duties—as much as 100 per cent for fully built vehicles—which could double the retail price of its cars. In contrast, local players like Tata Motors and Mahindra already offer electric models at Rs 10–20 lakh, well within the reach of India's value-driven consumers.

Tesla's current move is exploratory, importing a limited number of Model Y SUVs and showcasing them in luxury showrooms like the one in Mumbai's Bandra-Kurla Complex. But the cars remain too expensive for mass adoption, with estimated prices crossing Rs 70–80 lakh.

So why move now? The Indian government recently introduced an EV policy that reduces import tariffs to 15 per cent for companies committing at least USD 500 million to domestic manufacturing. Though Tesla hasn't yet signed up for this, it may be laying the groundwork for future localization, especially amid global pressure to diversify its manufacturing base.

Subhabrata Sengupta, Partner, Avalon Consulting, and an auto expert said that Tesla's entry into India is largely going to be focused on imported vehicles. "I don't think they have any plans to manufacture, and I don't think that's going



to change even in two, three years," he said.

Reports suggest Tesla may be eyeing states like Gujarat or Maharashtra for a Gigafactory, but there has been no formal commitment yet. Without this, Tesla will remain a niche brand, admired but largely out of reach.

Tesla's India foray is both bold and cautious. It's dipping a toe, not diving in—unlike China in 2019. This incremental approach reflects the complexity of the Indian market, the company's strained global position, and Musk's own political distractions.

However, if Tesla gets it right—by localizing production, engaging with Indian R&D talent, and launching region-specific products—it could not only conquer a new market but also regain momentum lost in China and the US.

"It's going to be an interesting player to watch, but I don't think anything at the price point and I don't think it is going to be a mass market player anytime soon. So it'll be a good new entrant, an option for the customers, which is always a good thing, but I doubt if they're going to shake up the market at least the lower end of the pyramid," he said.

He said, "If Tesla makes a dent, given the overall numbers here, they will probably sell 10,000 at most 20,000 units, even if they do very well."

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