

What is the main crux of the EV Policy?

The crux of the EV Policy lies in its strategic initiative to entice Global Original Equipment Manufacturers (OEMs) to establish local production facilities for electric vehicles (EVs), requiring a substantial investment of at least USD 500 million.

The policy entails a reduction in Custom Duty to 15% (earlier 60%-100%) on import of completely built units with a minimum value of USD 35,000, subject to certain conditions. Notably, this incentive is capped at 8,000 units annually and necessitates a gradual increase in local manufacturing, reaching 25% domestic value addition by the third year and 50% by the fifth year.

Furthermore, the policy introduces stringent bank guarantee requirements to offset the foregone import duty, ensuring accountability and safeguarding against tax revenue loss.

Limited impact on Passenger Vehicle (PV) OEMs:

Despite initial apprehensions from domestic PV OEMs such as Tata Motors and Mahindra & Mahindra (MnM) regarding subsidized imports of EVs, the policy's limited applicability to luxury vehicles valued above USD 35,000 minimizes its impact on these players, given their marginal presence in this segment.

Positive for Auto Ancillaries:

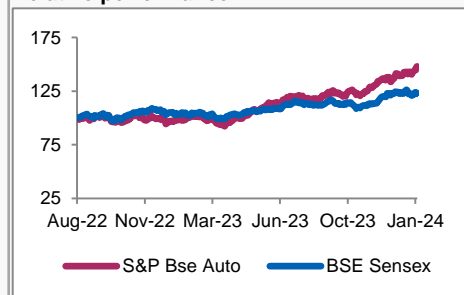
The Government's emphasis on fostering local manufacturing, coupled with the restriction on imports to 8,000 units per annum and the mandate for increasing localization, presents a favorable scenario for the auto component industry. This strategic move is poised to bolster the ecosystem of local EV auto component suppliers, fostering healthy competition and facilitating access to cutting-edge technologies.

Stocks which could see positive reaction from the announcement are: Sansera Engineering Limited, Uno Minda and Minda corporation.

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Relative performance



Source: Ace Equity, ASL.

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