

## Transforming India into a global cell manufacturing hub

We hosted Kowtham Raj VS, an active member of government think tank NITI Aayog who plays a key advisory role in India's battery/solar manufacturing and hydrogen schemes. The central government has introduced a Rs 180bn programme to kickstart large-scale local manufacturing of ACC batteries. Kowtham expects India to become a preferred destination for cell manufacturing and to have its first gigafactory in 2-3 years. He also believes the complexities of this technology could spur JVs between domestic OEMs and global battery makers.

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**Gigafactory programme to address local battery manufacturing:** NITI Aayog has set up a National Programme on Advanced Chemistry Cell (ACC) Battery manufacturing, aka India's battery "gigafactory" scheme. The programme is designed to incentivise companies that intend to set up gigafactories in India primarily to address electric mobility and energy storage for renewables and electronics.

**Incentives up to Rs 180bn on offer for large-scale production:** The central government is offering strong incentives to any company that intends to set up between 5GWh and 20GWh of cell manufacturing capacity in India. The initial investment for such a setup is pegged at ~Rs 5bn/GWh. Incentives on units sold are designed only for larger players to scale up, with the idea of kickstarting the industry. Kowtham explained that the base incentive is 20% of sales value provided the localisation is 100% or a 10% benefit for ~50% localisation.

**JVs likely between domestic OEMs and global battery manufacturers:** Cell manufacturing could be a highly advanced technological process, including domestic setup of the entire supply chain for anodes, cathodes and separators. Given these complexities, India could witness a joint venture model between domestic OEMs and global battery manufacturers, as seen around the globe. Even leaders such as LG and Samsung prefer JVs. Tesla depends on Panasonic for its battery requirements.

**Priming India to become a preferred battery manufacturing hub:** The battery industry typically earns 12-15% operating margins. Kowtham believes that even with a 10% cash incentive on sales, battery manufacturing could become the cheapest in the world, thus making India a preferred destination not only for self-consumption but also for global exports.

### Meeting of Minds

#### – An Expert Perspective

This is the fourth in our 'Meeting of Minds' series where we host experts and leaders in various fields to discuss key events and trends in the Auto and Aviation sectors.

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## Other takeaways

- **Indirect benefits for downstream players:** While the Indian government's scheme aims to provide incentives for cell manufacturers, there would also be indirect benefits for downstream industries, viz. suppliers of anodes, cathodes, separators and other components due to the localised content clause. Kowtham believes 50% of localised value addition is easily possible as the cell making process itself adds 25% of value while other aluminium and copper components can plug the gap. Cathodes form the largest part of the value (~20%), but there are not enough local companies involved in the same.
- **Transparent and automated process:** The entire process to determine battery performance, calculate incentives on sales generated by a company, and its direct disbursement has been fully automated by the government.
- **No incentives for local battery assembly plants:** About 70% of the battery value is assigned to cells. The government's key intention is to kickstart cell manufacturing in India. It has categorically kept local battery assembling out of the incentive purview.
- **Industry outlook:** As per Kowtham, India could become a preferred destination for cell manufacturing owing to the government's aggressive and professional approach to link incentives on performance and production. The government is confident that India will have a gigafactory in the next 2-3 years (much before the targeted 2030), owing to global players' desire to reduce dependence on China. He believes newer players could emerge as leaders, similar to trends seen in the renewables industry (where Renew Power and Greenco have emerged as leaders over traditional incumbents).

## About the Speaker: Kowtham Raj VS

The National Institution for Transforming India, also known as NITI Aayog, was formed via a resolution of the Union Cabinet on 1 Jan 2015. NITI Aayog is the Indian government's premier policy think tank, providing both directional and policy inputs. While designing strategic and long-term policies and programmes for the government, NITI Aayog also provides relevant technical advice to the Centre and states.

Kowtham Raj VS is an active member of NITI Aayog and plays a key advisory role in battery manufacturing, solar manufacturing and hydrogen schemes. He was recently selected as one of the 100 Global Future Energy Leaders by the World Energy Council and will be representing India on that platform.

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