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India's EV battery dream hits the great price wall of China | Mint

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New Delhi: India's goal of creating an electric vehicle (EV) battery manufacturing ecosystem is facing a potential headwind: cheap batteries from China. Domestic manufacturers such as Amara Raja Energy Mobility Ltd and Exide Industries Ltd are worried that their own batteries, which are expected to roll out of factories between this fiscal and FY27, won't be able to match the prices of the Chinese.

India-made batteries are expected to be 20-30% costlier than their Chinese counterparts due to heavy reliance on imports of raw materials, according to an industry executive working on cell supply chain at an electric two-wheeler company who spoke on condition of anonymity. Plus, analysts believe that a huge overcapacity of EV battery cells in China means aggressive pricing is here to stay.

"I think everybody would have observed that the pricing coming out of China right now is quite aggressive," Vikramadithya Gourineni, executive director for new energy business at Amara Raja Energy, told analysts in an earnings call on 30 May. "The cell pricing, the energy storage system (ESS) pricing. So definitely, that's been on a downward trend."

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To be sure, India currently does not manufacture EV batteries—mostly lithium ion batteries are used in the country. All local EV makers import batteries—three fourths from Chinese companies such as CATL, BYD and EVE. The rest come from South Korean companies (such as LG, Samsung) and Japan (Panasonic).

The Union government and private industry are working to change that. As per the Centre's stated targets, the country wants to domestically produce 100GWh of lithium ion batteries by 2030. India's lithium ion battery demand is expected to grow to 127 GWh by FY30 from 15GWh in FY24, per a November 2024 report by CareEdge ratings.

However, the Chinese angle has got local battery makers asking for government support. "Once the domestic manufacturing capacity of cells is in place, the government has to switch the priority to incentivizing local cell manufacturing," **Exide Industries** managing director and chief executive officer Avik Roy said on a call with analysts on 6 May after announcing the company's Q4 results. "Otherwise, this industry will never grow in India."

Read this | [Tata Motors, JLR flag EV supply chain as a separate business risk. They don't name China, but its imprint is all over.](#)

Further, Amara Raja's Gourineni said that future investments, too, will depend on "our confidence in being able to meet these (Chinese) prices". Amara Raja has earmarked more than ₹1,000 crore for investing in its lithium ion battery factory near Hyderabad, which is expected to begin production in FY27.

Exide, which has already invested more than ₹1,000 crore so far for a gigafactory near Bengaluru, is also aiming to commercialize the production of lithium-ion cells within the current financial year.

Other players who are making their own lithium ion cell gigafactories include Reliance Industries, Ola Electric, Tata's Agratas, and Rajesh Exports, among others.

Requests to these companies for comment remained unanswered till press time.

Up against the Chinese

Elara Capital's executive vice-president Jay Kale wrote in a 12 May note that overcapacity in cells in China will put pressure on battery prices in the medium term. "Most cell makers are expanding capacities by +50%, which is a concern for profitability of the industry. That said, battery prices in China still remain 10-20% below that in the US and Europe," Kale wrote. "We expect the gap to widen further as China continues to dominate the supply chain and global capacities are still miles away from China's."

There are two types of battery chemistries in EV batteries, lithium iron phosphate (LFP) and Nickel Manganese Cobalt (NMC). Industry observers report that they have seen prices go below \$50 per kilowatt hour in some cases from the recent average of \$55KWh for lithium iron phosphate (LFP) batteries. NMC battery prices are still hovering around \$60 Kwh.

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Several estimates suggest [China controls about 80% of the world's lithium ion battery market](#). Plus, Chinese players do not have to rely on imports of raw material such as lithium to make the batteries, since it dominates lithium mining and processing globally with a market share of 80%, as per Organisation for Research on China and Asia.

On the other hand, India currently doesn't have processing capacity for lithium, which means all the raw material has to be imported, too. In FY24, the country imported close to \$3 billion of lithium, according to commerce ministry data. More than three-fourths of that came from China.

What should India do?

Given the dependence on imports of key raw materials, Harshvardhan Sharma, group head for auto tech and innovation at Nomura Research Institute Consulting & Solutions India, noted that Indian companies should not try to match any tactical pricing play from overseas.

"The focus should be on building a sustainable battery product, something not feasible at the extremely low price levels," Sharma said. "Over time, we can expect market prices to adjust to more sustainable levels."

Vikram Handa, managing director at battery material manufacturer Epsilon Advanced Material agreed that investment decisions in EV batteries is difficult, considering the low pricing and overcapacity of the Chinese.

"Investment into the technology has to be from the perspective of building domestic capacity, like how the US is doing," Handa told *Mint*. "They are subsidising and asking players to build the capacity because it is a critical technology."

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In 2021, the central government floated the ₹18,100-crore production linked incentive (PLI) scheme for building 50GWh capacity. However, no incentive in the scheme has been disbursed so far to three selected players—Ola Electric, Reliance Industries and Rajesh Exports—as they remain behind their set timelines of production due to various reasons, including sourcing of raw materials.

However, Handa believes that India's current subsidy level of \$12-13 kilowatt per hour is too low compared to the support by countries like the US, which provide \$45 kilowatt per hour.

Don't forget rare earths

The risk of dependence on China comes at a time when the automobile industry is worried about the restrictions on export of rare earth magnets, which are needed in electric and internal combustion engine vehicles.

About 90% of the world's processing capacity of such magnets is with China, which imposed new restrictions on the exports on 4 April.

Under the new process, automobile companies are expected to submit applications with certificates that state that the component will not be used in a defence application.

Indian battery makers do not have to face restrictions on lithium currently but the prospects of a future restriction on such exports also is raising the urgency of building domestic capacity.

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