Ambitious scheme to spur next-gen battery manufacturing in India stumbles

Delays in visa approvals for Chinese technical specialists, requirements that mandate local manufacturing, and the lack of critical technologies threaten the government's Advanced Chemistry Cell Production Linked Incentive scheme, says report

Published - January 23, 2026 10:04 pm IST - NEW DELHI

JACOB KOSHY

A battery manufacturing unit. File | Photo Credit: The Hindu

Delays in visa approvals for Chinese technical specialists, requirements that mandate local manufacturing, and the lack of critical technologies threaten the government's ambitious Advanced Chemistry Cell Production Linked Incentive (ACC-PLI) scheme, says

a report by the research firms Institute for Energy Economics and Financial Analysis (IEEFA) and JMK Research and Analytics released earlier this week.

The scheme was launched in October 2021 to catalyse domestic, next-generation battery manufacturing.

As of October 2025, however, only 1.4 gigawatt-hour (GWh) worth of battery cells have been commissioned on time, while 8.6 GWh is under development but delayed. The 2021 plan had envisaged battery cell manufacturing capacity of 50 GWh by 2026.

Advanced Chemistry Cells are the components of modern batteries using technologies such as lithium-ion to run electric vehicles and are different from the classical lead-acid batteries that start a car or run inverters.

The ACC-PLI scheme, launched by the Ministry of Heavy Industries in October 2021, promised emergent battery manufacturers, who won an auction, a certain amount of money for every battery they sold, as a way to incentivise investment in the sector.

The government's scheme also aimed to build a local battery supply chain (cathode, anode, electrolyte) to reduce import dependence, mobilising private investments and global tech partnerships, lowering battery costs, and accelerating electric vehicle (EV) and energy storage adoption.

Currently, China is the dominant supplier of such cells, and one of the aims of the scheme is to reduce India's dependence on the country. With an outlay of ₹18,100 crore ($2.08 billion), the ACC-PLI sought to attract large companies by mandating a minimum investment of ₹1,100 crore ($129.3 million).

In return, companies would receive a maximum subsidy of ₹2,000 per KWH. Another mandate was that companies should ensure 25% of the manufacturing was local within two years, and 60% within five years.

While several companies flocked to bid for 50 GWh capacity in the initial round of auctions, only 30 GWh was effectively allotted.

Ola Electric, Reliance New Energy, Hyundai Global, and Rajesh Exports emerged as the selected beneficiaries, though Hyundai Global eventually dropped out. None of the selected companies actually had expertise in battery manufacturing. Companies that had such experience — Amara Raja and Exide Industries, though the traditional lead-acid

ones — were priced out of the auction. “The high net-worth requirement (a minimum of ₹2.25 billion per GWh) further restricted participation to large corporates,” the report notes.

Because none of the three companies have started selling batteries, zero incentives have been disbursed to any beneficiary against the targeted ₹2,900 crore by October 2025. Ola Electric has also scaled back its expansion plans and now aims to install only 5 GWh by financial year (FY) 2029. The other beneficiaries are yet to commission their ACC battery manufacturing facilities. Rajesh Exports lags the most, with progress limited to land acquisition, while reports of financial discrepancies have further raised concerns about its ability to commission the facility in the near term, the report notes.

“India lacks a mature cell manufacturing ecosystem, including critical mineral refining and cell component production, which leaves the industry almost entirely dependent on imports from China. Industry stakeholders also highlight delays in visa approvals for Chinese technical specialists required for equipment installation, further slowing progress.

“In addition, scheme-related issues such as an aggressive two-year installation timeline and high domestic value-ad requirements pose significant challenges for PLI beneficiaries with no prior experience in battery manufacturing,” the report underlines. “There is a substantial gap between the intended and actual outcomes of the ACC-PLI scheme. Against an estimated 1.03 million jobs, the scheme has generated only 1,118 jobs (0.12%).”

The EV sector is the largest consumer of lithium batteries in India, accounting for roughly 70-80% of total battery demand. EV sales in FY2024-25 grew year-on-year (YoY) at 15.3%, significantly lesser than the 49% growth predicted from 2022 -2030.

Published – January 23, 2026 10:04 pm IST