

## Ministry of Heavy Industries

# Production Linked Incentive (PLI) Scheme for Automotive and Auto Component Sector

### Relevant to M&M – Auto

15th Sept 2021

#### Context

PLI Scheme for Automobile Industry and Drone Industry is part of the overall announcement of PLI Schemes for 13 sectors made earlier during the Union Budget 2021-22, with an outlay of ₹ 1.97 lakh crore. With the announcement of PLI Schemes for 13 sectors, minimum additional production in India is expected to be around ₹ 37.5 lakh crore over 5 years and minimum expected additional employment over 5 years is nearly 1 crore.

The PLI Scheme for the auto sector envisages to overcome the cost disabilities to the industry for manufacture of Advanced Automotive Technology products in India. The incentive structure will encourage industry to make fresh investments for indigenous global supply chain of Advanced Automotive Technology products. It is estimated that over a period of five years, the PLI Scheme for Automobile and Auto Components Industry will lead to fresh investment of over ₹42,500 crore, incremental production of over ₹2.3 lakh crore and will create additional employment opportunities of over 7.5 lakh jobs. Further this will increase India's share in global automotive trade.

The PLI Scheme for auto sector is open to existing automotive companies as well as new investors who are currently not in automobile or auto component manufacturing business. The scheme has two components viz Champion OEM Incentive Scheme and Component Champion Incentive Scheme. The Champion OEM Incentive scheme is a 'sales value linked' scheme, applicable on Battery Electric Vehicles and Hydrogen Fuel Cell Vehicles of all segments. The Component Champion Incentive scheme is a 'sales value linked' scheme, applicable on Advanced Automotive Technology components of vehicles, Completely Knocked Down (CKD)/ Semi Knocked Down (SKD) kits, Vehicle aggregates of 2-Wheelers, 3-Wheelers, passenger vehicles, commercial vehicles and tractors etc.

## Salient Features

- It excludes conventional petrol, diesel and CNG segments (Internal Combustion Engine) since it has sufficient capacity in India.
- It is incentivizing only advanced automotive technologies or auto components whose supply chains are weak, dormant, or non-existing.
- It is aimed at boosting new technology and the economy of clean fuels.
- **Champion OEM (Original Equipment Manufacturers) Scheme:** It is a sales value linked plan, applicable to Battery Electric and Hydrogen Fuel Cell Vehicles of all segments.
- **Champion Incentive Scheme:** It is a Sales Value Linked plan for advanced technology components, Complete and Semi-Knocked Down (CKD/SKD) kits, vehicle aggregates of 2-wheelers, 3-wheelers, passenger vehicles, commercial vehicles, and tractors.
- **Incentive Outlay** – Rs 26,000 crore over five years and distributed over 5 sets of beneficiaries.

### 1. Vehicle Segment Covered:

- Battery Electric Vehicles
- Hydrogen fuel cell Vehicles

2. **Component Segment:** Automatic transmission assembly (Torque converter, CVT, AMT, DCT), Vehicle exhaust after treatment devices (Catalytic converter, SCR, DNOX, PM Trap, Dosing and supply modules), Infotainment systems, Instrument clusters, Telematics, Electronic Power Steering System, Sensors (TPMS, RLS, NOX, Lambda, Crash Detection, Airbag etc), FIE Systems - High Pressure Pumps, High Pressure Injectors, EMS and After Treatment, ECU, High Pressure Rail, Super capacitors and hybrid energy storage systems, Sunroofs, ECUS for various systems Engine Management, ABS, Lighting, Airbags, Seats, ADAS - Radar, Cameras, LIDAR, Driver Monitoring Differential assembly - MLD (Manual Lock Differential), Adaptive Front Lighting and Night vision enhancement system
- Ministry of Heavy Industry (MoHI) will have flexibility to modify the list of advanced vehicle and component technologies to be covered under PLI scheme

## Beneficiaries / Eligibility:

- **5 sets of Beneficiaries – i) Champion OEMs – 2W & 3W, ii) Champion OEMs – Others (except 2W & 3W), iii) Component Champion, iv) New Non-automotive investor (OEM) and v) New Non-automotive investor (Components)**
- **Champion OEMs (10 cos.) – With Global Group Revenue of Rs. 10,000 crore & Global Investment in fixed assets of Rs 3000 Crore**
- **New Non-Automotive Investors (15 nos) - With Global Group Revenue of Rs. 1000 crore & Committed Investment in India over 5-year period as**
- **Component Champions (50 nos) - With Global Group Revenue of Rs. 500 crore & Global Investment in fixed assets of Rs 150 Crore**

## Other Highlights:

Separate eligibility criteria for existing (Champion OEMs) and new (non-automotive) investors

- i. 50% localisation as one of the eligibility criteria is a welcome step
- ii. Phased Manufacturing Programme similar to FAME-II Scheme will be followed.
- iii. Methodology of determination of domestic value addition will be same as in FAME and duly pre-approved by Testing Agencies of MHI.
- iv. Benefits for 5 consecutive Financial Years (FY) 23 to FY 27
- v. Based upon ‘Sales Value Linked’ scheme

## Incentive Slabs for Champion OEM and New Non-Automotive Investors (OEM)

Determined Sales Value (in ₹ Crore)	Incentives (%age of Determined Sales Value)
$\leq 2,000$	13%
$> 2,000$ to $3,000$	14%
$> 3,000$ to $4,000$	15%
$> 4,000$	16%

## Expected Outcomes:

- Total expected investment – Rs 42,500 crore
- Cumulative increase in eligible sales – Rs. 2,31,500 crore
- Total incremental tax collection (direct and indirect) over scheme period - Rs. 10,851 crore
- Total additional jobs creation – 7.5 lacs

## Penalty

- In case the company fails to meet the threshold for determined sales value in any given year, it will not receive any incentive for that year. However, it will still be eligible to receive the benefits under the scheme in the next year if it meets the threshold of Determined sales defined for that year subject to meeting condition of Minimum New Domestic Investment for the claim year.

## PLI Scheme - Tables

**Table – I**

### Basic Eligibility Criteria for Automotive Champions:

- (a) For companies with existing presence in India or globally in the Automotive vehicle and components manufacturing business:

Eligibility Criteria	Auto OEM	Auto-Component
Global group* Revenue (from automotive and/or auto component manufacturing)	Minimum ₹ 10,000 crore.	Minimum ₹ 500 crore.

Investment	Global Investment of Group* Company(ies) in fixed assets (gross block) of ₹ 3,000 crore.	Global Investment of Group* Company(ies) in fixed assets (gross block) of ₹150 crore.
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*\*Group Company(ies) shall mean two or more enterprises which, directly or indirectly, are in a position to:*

*Exercise twenty-six percent or more of voting rights in the other enterprise;*

***Or***

*Appoint more than fifty percent of members of Board of Directors in the other enterprise. (As defined in the FDI Policy Circular of 2020)*

**Note:** i. Above Eligibility criteria to be met based on audited financial statements for year ending March 31, 2021.

ii. A company must satisfy both the criteria to be eligible as Automotive Champions.

## **Table – I**

**(b)** For new non-automotive investors that may want to participate in this scheme:

<b>Eligibility Criteria</b>	<b>New Non-Automotive investors (who are currently not in automobile or auto component manufacturing business)</b>
Global net worth	₹ 1000crorebased on audited financial statements for year ending March 31, 2021.
Committed investment in India over five year period	As per Minimum New Domestic Investment Conditions mentioned in para – (c) below.

- i. Non-Automotive investors can qualify for this scheme provided they present a clear business plan to invest in India and grow revenues from Advanced Automotive Technology in vehicles or Advanced Automotive Technology automotive component manufacturing.
- ii. The applicant will be eligible to claim incentive subject to meeting cumulative minimum new domestic investment to be achieved for a particular year. The applicant will also have to meet the % Year on Year growth criteria from the minimum threshold fixed from the first year.
- iii. New Non-Automotive investors will be defined as those where there is no revenue from manufacturing of Automobile or automobile components till upto 31<sup>st</sup> March 2021.

**Table – I**

**(e) Minimum New Domestic Investment Conditions:**

Cumulative New Domestic Investment Condition of Performance (₹Crore)

Cumulative new domestic investment to be achieved	Champion OEM (Except 2W & 3W)	Champion OEM 2W & 3W	Component Champion	New Non-Automotive investor (OEM)	New Non-Automotive investor (Component)
Upto or before March 31, 2023	300	150	40	300	80
Upto or before March 31, 2024	800	400	100	800	200
Upto or before March 31, 2025	1400	700	175	1400	350
Upto or before March 31, 2026	1750	875	220	1750	440
Upto or before March 31, 2027	2000	1000	250	2000	500

**Note :** i. New investments should be made from the same legal entity as the one applying for the incentive.

- ii. Cumulative new domestic investment made starting 1<sup>st</sup> April 2021 shall be considered under this condition.
- iii. The Applicant Company is required to meet the cumulative investment condition for each year.
- iv. Preference shall be given to eligible companies committing to front load their investment during the scheme period.
- v. In the event, any company meets the investment condition few years before the end of the scheme; it will be eligible for incentives throughout the tenure of the scheme subject to meeting other conditions of the scheme.
- vi. In case the company fails to meet the cumulative domestic investment condition in any given year, it will not receive any incentive for that year even if the threshold for determined sales value is achieved. However, it will still be eligible to receive the benefits under the scheme in the following years if it meets the cumulative domestic investment condition defined for that year.

**(d)** Preference will be given to eligible companies committing to front load their investment during the scheme period. Proposed investment commitment will be evaluated by calculating the Net Present Value (NPV) of the investment using the bank rate as the discounting factor.

**Table –II**

**Incentive Slabs for Champion OEM and New Non-Automotive Investors (OEM)**

<b>Determined Sales Value (in ₹ Crore)</b>	<b>Incentives (%age of Determined Sales Value)</b>
<b>≤ 2,000</b>	<b>13%</b>
<b>&gt; 2,000 to 3,000</b>	<b>14%</b>

<b>&gt; 3,000 to 4,000</b>	<b>15%</b>
<b>&gt; 4,000</b>	<b>16%</b>
<b>Cumulative Determined Sales Value of ₹10,000 Crores over 5 years</b>	<b>Additional 2%</b>

**Note:** - i. YoY (Year on Year) growth of minimum 10% in Determined Sales Value has to be achieved, to receive incentive.

ii. For New Non-Automotive investors (who are currently not in automobile or auto component manufacturing business) eligible sales value in the base year will be taken as zero.

**Table –III**

**Incentive slab for Component Champion and New Non-Automotive Investors (Component)**

<b>Determined Sales Value(in ₹ Crore)</b>	<b>Incentives (%age of Determined Sales Value)</b>
<b>&lt;= 250</b>	<b>8%*</b>
<b>&gt; 250 to 500</b>	<b>9%*</b>
<b>&gt; 500 to 750</b>	<b>10%*</b>
<b>&gt; 750</b>	<b>11%*</b>
<b>Cumulative Determined Sales Value of ₹1,250 Crores over 5 years.</b>	<b>Additional 2%</b>
<b>Battery Electric vehicles &amp; Hydrogen fuel cell vehicles components</b>	<b>Additional 5%</b>

**\*Multiplied by a factor of 0.9 in the fifth year for eligible sales relating to Internal Combustion Engine (ICE) vehicle components.**



**Note: -**

- i. YoY (Year on Year) growth of minimum 10% in Determined Sales Value has to be achieved, to receive incentive.
- ii. On an annual basis, eligible Component Champions will have to separately report break up of sales value of components specific to Battery-EV and Hydrogen fuel Cell vehicle components produced in India as defined in the guidelines.
- iii. For New Non-Automotive investors (who are currently not in automobile or auto component manufacturing business) eligible sales value in the base year will be taken as zero.

**Table –IV**

**Minimum Determined Sales Value**

Year	Minimum Determined Sales Value (in ₹ Crores)	
	Champion OEM Scheme	Component Champion Scheme
Year 1	125	25

- Base Year: Financial Year 2019-20 (not applicable for New Non-Automotive investors).
- For New Non-Automotive investors (who are currently not in automobile or auto component manufacturing business) eligible sales value in the base year will be taken as **zero**.
- New Non-Automotive investors and those OEMs/Component Manufacturers who have **NIL** eligible sales value in the base year, **have to achieve Determined Sales Value for the first year**.
- **YoY growth in Determined sales value of minimum 10% has to be achieved.**

- In case the company fails to meet the threshold for determined sales value in any given year, it will not receive any incentive for that year. However, it will still be eligible to receive the benefits under the scheme in the next year if it meets the threshold of Determined sales defined for that year subject to meeting condition of Minimum New Domestic Investment for the claim year.

## Industry Reactions

### Industry Reactions - PLI Scheme for Automotive Sector

Dr Anish Shah, MD & CEO, <b>M&amp;M Ltd.</b>	<ul style="list-style-type: none"> <li>○ The Government's #PLIScheme for auto will drive faster acceptance of sustainable mobility solutions. India promises to be one of the largest EV markets in the world, this scheme is a giant step in the right direction</li> </ul>
Rajesh Jejurikar, ED, Auto & Farm, <b>M&amp;M Ltd.</b>	<ul style="list-style-type: none"> <li>○ The automotive PLI scheme is a transformational move that has the potential to synergize both clean mobility and the economy. It gives Indian companies a strong impetus to compete globally in EVs and technology. increase."</li> </ul>
Vivek Chaand Sehgal, Chairman of <b>Motherson Sumi Group</b>	<ul style="list-style-type: none"> <li>○ If it is for battery makers and electric vehicles, definitely, we hope that the demand goes up.</li> <li>○ I hope that the Government is going to encourage manufacturers of chips etc.</li> <li>○ It takes about a year-and-a-half to two years to stabilise, but then that could be a good beginning.</li> <li>○ So, we welcome that from the government side</li> </ul>
Saurabh Kanchan, Partner, <b>Deloitte India</b>	<ul style="list-style-type: none"> <li>○ Incentivizing new products such as the electric vehicles and alternate fuels as well as advanced technologies such as ADAS, ABS and AT is a welcome move.</li> <li>○ This would aid in their localization and wider adoption, thereby enhancing safety and consumer experience.</li> <li>○ There also appears to be incentivization of conventional technology based automotive components.</li> <li>○ The overall approach appears to be balanced, though review of the outlay would be welcome as industry was</li> </ul>

	<p>anticipating incentives in line with the initial announcements.</p> <ul style="list-style-type: none"> <li>○ Investment and sales targets would now determine the response of the industry.</li> </ul>
Sunjay Kapur, President, <b>ACMA</b>	<ul style="list-style-type: none"> <li>• ACMA is grateful to the Prime Minister of India</li> <li>• In accordance with our national priorities of energy security and climate change &amp; environment, the PLI scheme envisions creation of an ‘Atmanirbhar’ (self-reliant), globally competitive and future-ready Indian automotive sector.</li> <li>• Thrust on incentivising new age technologies will facilitate creation of a state-of-the-art automotive value chain in the country and give a much-needed impetus to manufacturing of cutting-edge automotive products in India.</li> <li>• Further, with global economies de-risking their supply chains, the PLI will aid India in developing into an attractive alternative source of high-end auto components</li> </ul>
Venu Srinivasan, Chairman, <b>TVS Motor</b>	<ul style="list-style-type: none"> <li>○ The revised focus of the PLI scheme on alternative fuels, EVs and utilisation of advanced technological innovation, will help the industry move faster towards the future technologies.</li> <li>○ There is a sense of haste in developing these technologies in India and this scheme gives the right impetus to the industry to move rapidly in that direction.</li> <li>○ The pandemic has taught us the essence of Aatmanirbharta in every aspect possible.</li> <li>○ Hence, this is a significant push by the government for its workforce, organisations (OEMs), and the consumers to seek competitive, diverse, and climate conscious mobility solutions and a progressive India.</li> </ul>

<p>Shailesh Chandra, President, Passenger Vehicle, <b>Tata Motors</b></p>	<ul style="list-style-type: none"> <li>○ The government has taken a holistic approach to make India 'Aatmanirbhar', especially in technology areas, that will be relevant and important in future.</li> <li>○ The scheme promotes manufacturing, export of EVs and those running on hydrogen fuel cells, their supporting infrastructure, as well as new technology auto parts requiring advanced production techniques.</li> <li>○ A progressive scheme which will help in accelerating transition to smart, environment-friendly, sustainable mobility solutions.</li> <li>○ The automotive ecosystem will benefit tremendously as more jobs will be created, component manufacturers can plan their future roadmap better and achieve scale.</li> <li>○ It is indeed a very strong resolve shown by the government to fulfil the aspiration of India, by becoming a global manufacturing hub of green mobility.</li> </ul>
<p>Girish Wagh, Executive Director, <b>Tata Motors</b></p>	<ul style="list-style-type: none"> <li>○ We at Tata Motors are much encouraged with the new PLI scheme announced for the auto sector. This scheme is both progressive and transformational.</li> <li>○ It reiterates India's holistic commitment to a sustainable future and accelerates the country's progress towards green mobility.</li> <li>○ Several meaningful incentives have been offered across the entire value chain engaged in manufacturing of battery powered EVs and hydrogen fuel cell, as well as their supporting infrastructure and exports.</li> <li>○ Encouraging production of auto components using advanced technologies will boost localisation, domestic manufacturing and also attract foreign investments.</li> <li>○ This will help component manufacturers strive for scale, which will require setting up of new facilities and create more jobs.</li> <li>○ With auto being a strategically important sector of the economy, the benefits accrued overall will result in a multiplier effect</li> </ul>

Naveen Munjal, MD, <b>Hero Electric</b>	<ul style="list-style-type: none"> <li>• The recent announcements by the government of India over the last few months have helped propel the EV industry onto its next level.</li> <li>• The earlier push through amendments to FAME II and added revisions by various states have been absolute game-changers in bringing down the prices of EVs.</li> <li>• sector is poised to grow exponentially from here on.</li> <li>• The outlay for OEM makers and other incentives on manufacturing auto components that help making transportation cleaner will encourage investments and further drive localisation.</li> <li>• This will further help bring down the cost of manufacturing thereby benefiting the consumer, the industry and the environment</li> </ul>
Sohinder Gill, CEO, <b>Hero Electric</b>	<ul style="list-style-type: none"> <li>• Since the amendments to FAME in June, we have seen a wonderful response to EVs from the consumer end and now with the PLI scheme, we expect the same to come in from potential investors and companies looking to invest in technologies that will make products for cleaner modes of transport.</li> <li>• The allotment of Rs.26,000 crore will help in creating the initial push required for the industry to further take off and encourage further adoption of EVs- two-, three- and four-wheelers</li> </ul>
Bhavish Aggarwal, Chairman and Group CEO, <b>Ola</b>	What a momentous occasion with the Auto PLI approval by Cabinet. India will become a global EV hub thanks to this visionary step
Manish Bhatnagar, MD, <b>SKF India</b>	<ul style="list-style-type: none"> <li>• The automotive sector has been one of the most affected sectors and had contributed to the economic slowdown.</li> <li>• The cabinet's approval of the revised PLI scheme will boost the confidence of Indian automotive manufacturers and provide much-needed relief to industries.</li> <li>• The scheme is poised to bolster the manufacturing of EVs and hydrogen fuel vehicles in India, and the industry will benefit from such a move.</li> <li>• We are also investing in new technology, adapting, and redesigning conventional bearings.</li> <li>• Our customised and hybrid bearings are already solving the fundamental issues and increasing reliability in electric vehicles.</li> </ul>

Satyakam Arya, MD and CEO, <b>Daimler India Commercial Vehicles (DICV)</b>	<ul style="list-style-type: none"> <li>• Welcomes the opportunities offered by the newly announced PLI scheme.</li> <li>• This initiative will encourage investment in vital technologies related to sustainability, carbon neutrality and more.</li> </ul>
Shamsher Dewan, ICRA Vice-President & Group Head - <b>Corporate Ratings</b>	<ul style="list-style-type: none"> <li>• The PLI scheme will encourage local investments and aid in reducing dependence on imports.</li> </ul>
Saurabh Agarwal, <b>EY India Tax Partner (Automotive Sector)</b>	<ul style="list-style-type: none"> <li>• PLI scheme for the auto sector is clearly indicative of the government's shift in focus towards advanced technologies and greener environment.</li> <li>• Further, the inclusion of components for advanced technologies, EVs and HFCVs as a part of the policy are likely to boost the investment in the component industry</li> </ul>

## Significance

PLI scheme for auto and components along with the already launched PLI for Advanced Chemistry Cell and Faster Adoption of Manufacturing of Electric Vehicles (FAME) Scheme will give a big boost to the manufacture of Electric Vehicles. It will contribute towards reducing carbon emissions and oil imports. It will encourage production of auto components using advanced technologies that will boost localisation, domestic manufacturing and also attract foreign investments. It will help setting up new facilities and create more jobs. It is expected to generate 7.5 lakh jobs for the auto sector.