



Production Linked Incentive Scheme
**Automobile and Auto
Component Industry**

In September 2021, the Ministry of Heavy Industries (MHI) released the Production Linked Incentive (PLI) scheme for the automobile sector. The scheme was designed to bolster the growth of the local manufacturing ecosystem for advanced automotive products in India, along with the aim of creating a global auto manufacturing hub and manufacturing champions in the country. The scheme is expected to bring investments into the country amounting to over USD 5.6 billion over its tenure while creating employment for over 750,000 individuals.

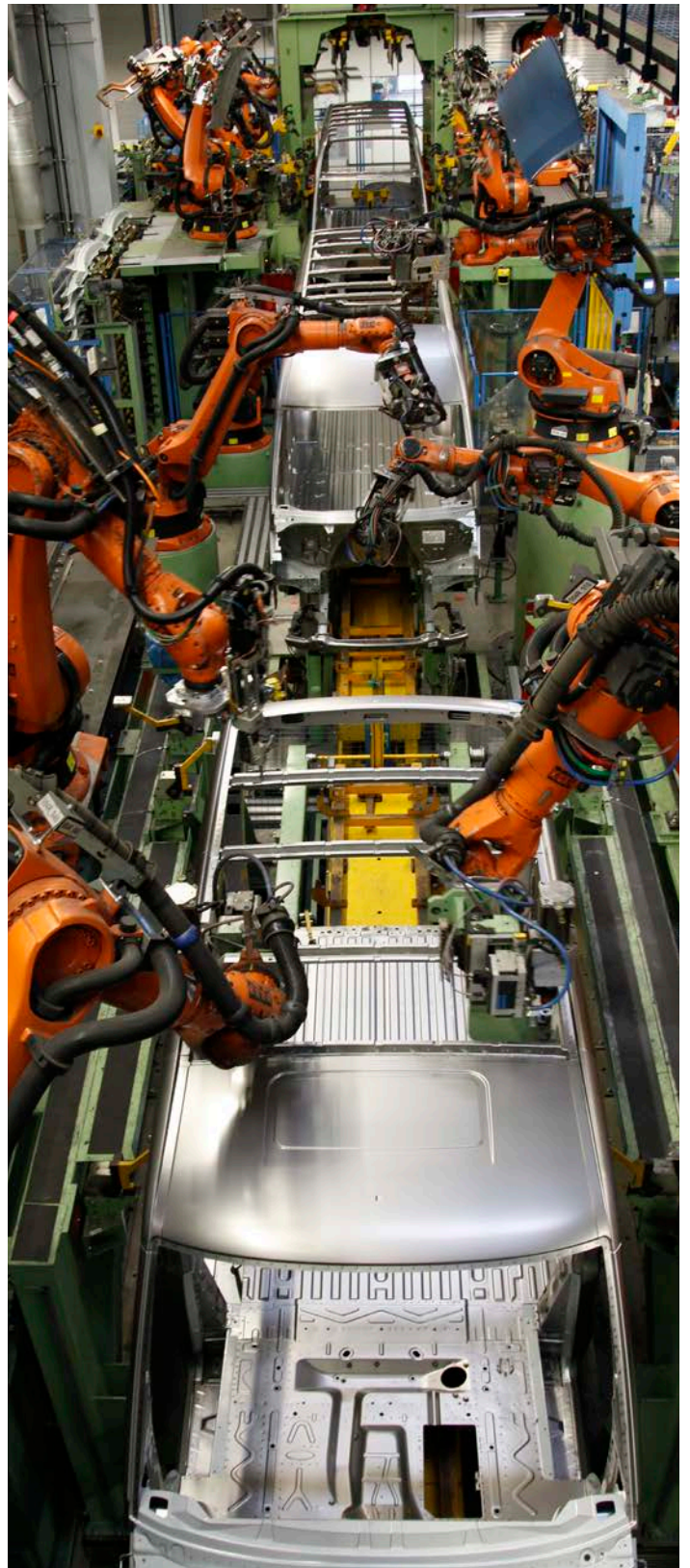
In November 2021, the detailed application procedure and guidelines for the PLI scheme were released. The scheme incentivizes Auto Original Equipment Manufacturers (OEMs) as well as Auto Component Manufacturers while also, providing an opportunity for new investors who are currently not a part of the automotive manufacturing space.

Scheme Overview

Tenure	5 years (FY 2022-23 to FY 2027-28)
Last Date of Application	9 January 2022
Budget Allocated	INR 25,938 crore (~ USD 3.45 billion)
Eligible Applicants	<ol style="list-style-type: none"> 1. Auto OEMs (Champion OEM) 2. Component Makers (Component champions) 3. New Non-automotive Investor Companies and their group companies
Incentive Cap	25% of the allocated budget to a single approved applicant

Source: MHI

We have bifurcated the schemes and incentives available to OEM and Component Manufacturers into separate sections for ease of understanding, followed by the common application information.



Champion OEM Incentive Scheme

Incentive Quantum	13% - 18% for OEMs (as % of Determined Sales Value - DSV*)
Target Segment	<ul style="list-style-type: none"> Auto OEM companies and their group companies New Non-automotive** companies and their group companies
Eligibility Criteria (As of 31 March 2021)	<p>Existing Auto OEMs</p> <ul style="list-style-type: none"> Global revenue – Minimum USD 1.3 billion Investment in fixed assets – Minimum USD 400 million <p>New Non-automotive OEM Investors</p> <ul style="list-style-type: none"> Global net worth – Minimum USD 133 million
Major Conditions	<ul style="list-style-type: none"> Minimum Sales (DSV) for both existing and new OEMs: <ul style="list-style-type: none"> USD 16.6 million in the first year 10% Year-on-Year (Y-o-Y) growth on DSV Domestic Value Addition: Minimum 50% Minimum New Domestic Investment – Details in next table - Cumulative New Domestic investment for OEMs
Additional Information	<ul style="list-style-type: none"> Applicants will be able to claim the incentive in any given year if it meets the threshold limit of DSV for that particular year based on 10% Y-o-Y growth (even if it failed to do so in any previous year) Incentives can be claimed under this scheme for Electric Vehicles (EVs) having Advanced Chemistry Cell (ACC) batteries for which incentives have been claimed under the ACC PLI scheme

*Determined Sales Value = Eligible sales value for a particular year – Sales value for the base year

**New Non-automotive companies and their group companies will be defined as those who have no previous revenue from the manufacturing of automobiles or auto components as on 31 March 2021

Cumulative New Domestic investment for OEMs (in USD mn)

Cumulative New Domestic Investment	OEMs – Champions (except 2W & 3W) and New Investors	Champion OEMs (2W & 3W)
By 31 March 2023	40	20
By 31 March 2024	106.6	53.3
By 31 March 2025	186.6	93.3
By 31 March 2026	233.3	116.6
By 31 March 2027	266.6	133.3

The incentive slabs for Auto OEMs

For Champion OEMs and New Non-automotive OEMs	
DSV	Incentive (as % of DSV)
Up to USD 266.6 million	13%
USD 266.6 - 400 million	14%
USD 400 - 533.3 million	15%
Over USD 533.3 million	16%
If cumulative DSV over five years exceeds USD 1.33 billion	Additional 2%

Component Champion Incentive Scheme

Incentive Quantum	8% - 13% for Auto Components (as % of DSV)
Target Segment	<ul style="list-style-type: none"> Auto OEMs and their group companies Auto Component Manufacturers and their group companies New Non-automotive Investor Companies and their group companies
Eligibility Criteria (As of 31 March 2021)	<p>Existing OEMs or Components Manufacturers</p> <ul style="list-style-type: none"> Global revenue – Minimum USD 66 million Investment in fixed assets – Minimum USD 20 million <p>New Non-Automotive Investors</p> <ul style="list-style-type: none"> Global net worth – Minimum USD 133 million
Major Conditions	<ul style="list-style-type: none"> Minimum Sales (DSV) for both Existing and New OEMs: <ul style="list-style-type: none"> USD 3.3 million in the first year 10% Y-o-Y growth on DSV Domestic value addition: Minimum 50% <ul style="list-style-type: none"> Minimum New Domestic Investment – Details in next table <ul style="list-style-type: none"> Cumulative New Domestic investment for Component Champion category
Additional Information	<ul style="list-style-type: none"> Applicants will be able to claim incentives in any given year if it meets the threshold limit of DSV for that particular year based on 10% Y-o-Y growth (even if it failed to do so in any previous year) Break up of sales between EVs and Hydrogen fuel cells must be reported by all approved applicants under the Component Champion Incentive Scheme

Cumulative New Domestic investment for Component Champion category (in USD mn)

Cumulative New Domestic investment	Component Champion	New Investor (Components)
By 31 March 2023	5.3	10.6
By 31 March 2024	13.3	26.6
By 31 March 2025	23.3	46.6
By 31 March 2026	29.3	58.6
By 31 March 2027	33.3	66.6

The incentive slabs for Auto Component Manufacturers

For Component Champion and New Non-automotive component	
DSV	Incentive (as % of DSV)
Up to USD 33.3 million	8%*
USD 33.3 - 66.6 million	9%*
USD 66.6 – 100 million	10%*
Over USD 100 million	11%*
If cumulative DSV over five years exceeds USD 166.6 million	Additional 2%
EV battery components and Hydrogen fuel cell components	Additional 5%

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

Application Information and Flow

Applications under the PLI Auto scheme must be made through an online application (<https://pliauto.in/>) based on criteria set for each category that the applicant participates in. A brief summary of the overall application process is given below:

1. Key Factors in the Application Form

- Sales figures and projections
- India strategy along with detailed plans for the Indian market
- Applicants will be selected and shortlisted based on the online evaluation for the category they choose to participate in
- Application Form Link: <https://pliauto.in/docs/app/PLIAuto-ApplicationForm.pdf>

2. Disbursement of Incentive Claim

- Claims for disbursement must be filed within 6 months from the end of the Financial Year to the project management agency consisting of the MHI and other competent authorities, along with the requisite information in the prescribed formats
- Approved applicants must provide a self-certified review which will be verified by a competent authority
- In case of excess claims disbursed, the approved applicant shall reimburse MHI for any incentive amount refundable

As of December 2021, the scheme has received over 50 applications from global as well as local players. This highlights the attractiveness of the Indian market which provides a substantial opportunity for global and local players to consolidate their India presence while being part of a value chain that is increasingly cost competitive and scaling rapidly.



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