



# Production Linked Incentive Scheme Automotive and Auto components

October 2021





# ELECTRIC MOBILITY - SECTOR SNAPSHOT

## ELECTRIFYING INDIA

### ELECTRIC GROWTH DRIVERS

Last Mile eCommerce Deliveries  
By Incorporation of EV fleets

Emergence of EV Startup Ecosystem  
across the entire value chain

Localization of EV Components &  
Infrastructure Development

Rising Customer acceptance due to  
focus on clean energy and sustainability

GST reduction on Electric Vehicles  
28% → 12% → 5%

Production Linked Incentive scheme for  
ACC and State Government incentives

EV market \$26 BN by 2030



16%  
Penetration  
by 2025

20%  
Penetration  
by 2025

5%  
Penetration  
by 2025

13%  
Penetration  
by 2025



2.9 GWh  
By 2018

300 GWh  
By 2030



# JAPAN IN INDIA - SUCCESS STORIES

 Japan has contributed the highest **(27.5%)** to the **FDI received by the Indian automobile sector** in the last 20 years

 Since 2015, Japanese investors have invested **\$3.3 bn** in the automotive sector

 **Suzuki, Yamaha, and Mitsubishi** are the top investors with over 70% contribution of Japanese FDI in the automotive sector

 Japanese Conglomerate Mitsui has **invested ~\$20 Mn in EV startups** in India

 Japanese majors **Suzuki Motors, Toshiba, and Denso** formed a **consortium** in 2019 to set up a plant for manufacturing lithium-ion batteries and electrodes in Gujarat.





# Overview: PLI Scheme Automotive and Auto components

## Rationale

- **Boost domestic manufacturing** of Advanced Automotive Technology products
- Attract **large scale investment**.
- Higher technology and **green automotive manufacturing**
- **Increase employment opportunities** in the automotive manufacturing chain

## Tenure and timeline

- **5 years** starting FY 22-23 to FY 26-27
- Incentive payable for a particular year will be due for payment in the following year.
- The application window through the Notice : **60 days**

## Status

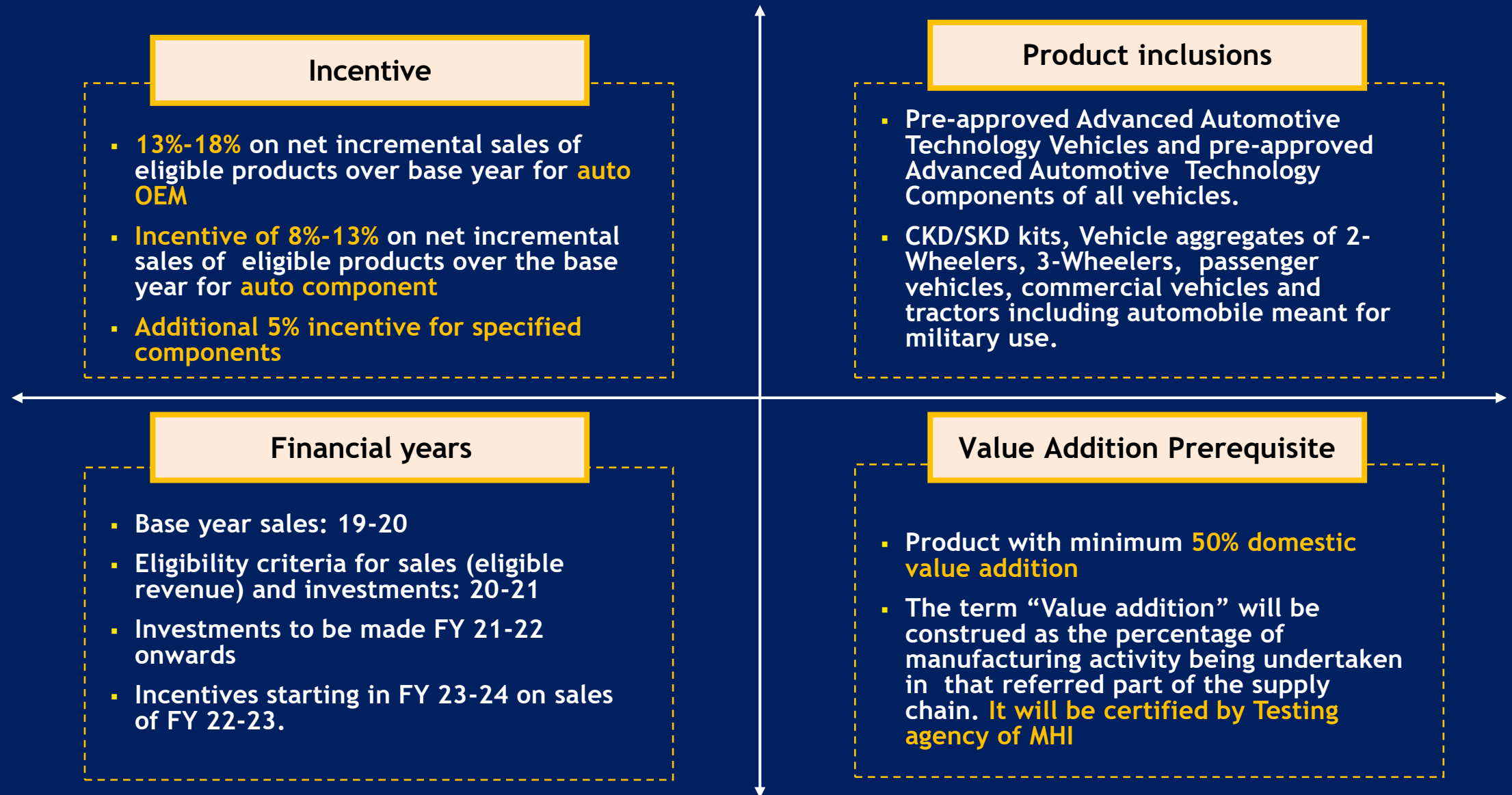
- **Notified** by the Ministry of Heavy Industries (MHI) on 23 Sep 2021
- Budget outlay - **Rs. 25,938 cr/ USD 3.6** over 5 years.
- Existing as well as new non-automotive investors

## Eligible Sectors

- **OEM:** Battery electric vehicles and hydrogen fuel cell vehicles: **all segments**
- **Auto Component:** Advanced automotive technology components of vehicles, CKD/SKD kits, vehicle aggregates of 2-wheelers, 3-wheelers, passenger vehicles, commercial vehicles, tractors etc. (exact list to be released)



# Overview: PLI Scheme Automotive and Auto components



# Eligibility criteria - Champion OEM Incentive Scheme



USD mn

| Segment                         | Global Investment of Company or its Group* Company(ies) in fixed assets (gross block) as on 31-03-2021 | Global Group Revenue (from automotive and/or auto component manufacturing) as on 31-03-2021 | Net Worth as on 31-03-2021 | Fresh Investment Commitment (Over 5 years) |
|---------------------------------|--|---|----------------------------|--|
| Auto OEM (other than 2W and 3W) | Minimum 400  | Minimum 1333  | NA                         | Minimum 266                                |
| Auto OEM (2W and 3W)            | Minimum 400  | Minimum 1333  | NA                         | Minimum 133                                |
| New non-Auto OEM investors      | NA   | NA  | Minimum 133                | Minimum 266                                |

- ❖ Above eligibility criteria to be met based on audited financial statements for year ending **March 31, 2021**.
- ❖ **New non-automotive investors:** those where there is no revenue from manufacturing of automobile or automobile components up to **31st March 2021**.
- ❖ **Non-automotive investors or its Group company(ies)** to 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.
- ❖ **Group companies-** Two or more enterprises, which directly or indirectly, are in position to:
  1. exercise **26% or more voting right** in other enterprise; or
  2. appoint more than **50% of members of board of director** in other enterprise
- ❖ The applicant will be eligible to claim incentive subject to meeting cumulative **minimum new domestic investment to be achieved for a particular year** and **prescribed % of YoY growth** (over the threshold for the first year and thereafter for 4 consecutive years) in Determined sales value (refer to annexures)

# Incentive-Champion OEM Incentive Scheme



USD Mn

| Minimum determined sales value   | Incentive (as a % of determined sales value)          |
|--|---|
| Upto USD 266 mn  | 13%   |
| More than USD 266 mn - upto USD 400 mn   | 260+ 14% on determined sales value above 266 upto 400 |
| More than USD 400 mn upto USD 533 mn   | 400+ 15% on determined sales value above 400 upto 533 |
| More than USD 533 mn   | 550+ 16% on determined sales value above 533          |
| Additional 2% incentive if the cumulative determined sales value over 5 years is USD 1333 mn or more |   |

- ❖ YoY growth of minimum 10% (over the threshold for the first year and thereafter for 4 consecutive years) in Determined Sales Value has to be achieved
- ❖ The Minimum Determined Sales Value for first year would be **USD 17 mn.**
- ❖ For new non-automotive investors **eligible sales** value in the base year **will be taken as zero.**
- ❖ **Determined Sales Value (OEM)** = Eligible sales value for vehicle segment for a particular year (minus) eligible sales value for vehicle segment for base year

# Eligibility criteria - Component Champion Incentive Scheme



USD mn

| Segment                      | Global group Investment<br>(In fixed assets) as on<br>31-03-2021 | Global Group Revenue<br>(from<br>automotive and/or<br>auto component<br>manufacturing) as on<br>31-03-2021 | Net Worth<br>as on 31-03-2021 | Fresh Investment<br>Commitment<br>(Over 5 years) |
|------------------------------|--|--|-------------------------------|--|
| Auto Component               | Minimum 20   | Minimum 67   | NA                            | Minimum 33                                       |
| New non-Automotive investors | NA   | NA   | Minimum 133                   | Minimum 67                                       |

- ❖ Above eligibility criteria to be met based on audited financial statements for year ending **March 31, 2021**.
- ❖ **New non-automotive investors:** those where there is no revenue from manufacturing of automobile or automobile components up to **31st March 2021**.
- ❖ **Non-automotive investors or its Group company(ies)** to 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.
- ❖ **Group companies-** Two or more enterprises, which directly or indirectly, are in position to:
  1. exercise **26% or more voting right** in other enterprise; or
  2. appoint more than **50% of members of board of director** in other enterprise
- ❖ The applicant will be eligible to claim incentive subject to meeting cumulative **minimum new domestic investment to be achieved for a particular year** and **prescribed % of YoY growth** (over the threshold for the first year and thereafter for 4 consecutive years) in Determined sales value (refer to annexures)





# Incentive- Component Champion Incentive Scheme

USD mn

| Minimum determined sales value  | Incentive* (as a % of determined sales value)          |
|---|--|
| Upto USD 33 mn  | 8%   |
| More than USD 33 mn upto USD 67 mn  | 20+ 9% on determined sales value above 33 upto 67      |
| More than USD 67 mn, upto USD 100 mn  | 42.50+ 10% on determined sales value above 67 upto 100 |
| More than USD 100 mn  | 67.50+ 11% on determined sales value above 100         |
| Additional 2% incentive if the cumulative determined sales value over 5 years is USD 167 mn or more |  |
| Additional 5% incentive for battery electric vehicles & hydrogen fuel cell vehicles components      |  |

- ❖ YoY growth of minimum 10% (over the threshold for the first year and thereafter for 4 consecutive years) in Determined Sales Value has to be achieved
- ❖ On an annual basis, eligible component champions to **report break up of sales value of components** specific to battery-EV & hydrogen fuel Cell vehicle components produced in India as defined in the guidelines.
- ❖ The Minimum Determined Sales Value for first year would be **USD 3.3 mn.**
- ❖ For new non-automotive investors **eligible sales** value in the base year **will be taken as zero.**
- ❖ **Determined Sales Value (OEM)** = Eligible sales value for vehicle segment for a particular year (minus) eligible sales value for vehicle segment for base year

# Cumulative New Domestic Investment



USD mn

| 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                     | 40                            | 20                   | 5                  | 40                                | 11                                      |
| Upto or before March 31, 2024                     | 107                           | 53                   | 13                 | 107                               | 27                                      |
| Upto or before March 31, 2025                     | 187                           | 93                   | 23                 | 187                               | 47                                      |
| Upto or before March 31, 2026                     | 233                           | 117                  | 29                 | 233                               | 59                                      |
| Upto or before March 31, 2027                     | 266                           | 133                  | 33                 | 266                               | 67                                      |

- ❖ New investments should be made from the same legal entity as the one applying for the incentive. Cumulative new domestic investment made **starting 1st April 2021** shall be considered under this condition.
- ❖ 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.
- ❖ 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.

# FACILITATION CASE STUDY



## Company overview:

- USA based Li-ion technology cum manufacturing firm, setting up giga factories in the US, Australia & India



## India Plans

- Leveraging the PLI-ACC Scheme, the company has committed an investment in the Indian project (\$550 Mn) to set up a cell manufacturing plant
- MOU already executed with a state in Southern India



## Investment facilitation support

- Assisted them across a spectrum of areas including policy, supply chain & strategic partnerships
- Facilitated meetings with Centre, supported them on analysis of state incentives & overall state EV ecosystem
- Went deeper into their India roadmap plan, supporting them with Strategic alliances across business areas



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