

Ministry of Heavy Industries



Government Notifies PLI Scheme for Automobile & Auto components

PLI Auto Scheme will help create additional employment of over 7.5 lakh jobs

PLI Scheme for auto sector will bring fresh investments of over Rs 42,500 crore in five years and incremental production of over Rs 2.3 lakh crore

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The Government has issued Notification regarding Production Linked Incentive (PLI) Scheme for Automobile & Auto components. The PLI Scheme for Automobile & Auto components and its Guidelines have been notified in the Gazette of India on 23.09.2021. Earlier government approved the Production Linked Incentive (PLI) Scheme for Automobile and Auto Component Industry on 15.09.2021.

The PLI Scheme for the auto sector envisages to overcome the cost disabilities of 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 investments of over Rs 42,500 crores, incremental production of over Rs 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 Non-Automotive investor companies (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 scheme for Automobile and auto components will be implemented over a period of five years starting from FY 2022-2023.





- An approved applicant shall be eligible for benefits for 5 consecutive Financial Years.
- Financial Year 2019-20 shall be treated as the Base Year for calculation of Eligible sales.
- An existing automotive company or its Group company(ies) will need to meet the Basic Eligibility criteria to receive incentives. New Non-Automotive Investor company or its Group company(ies) (who are currently not in automobile or auto component manufacturing business) are required to meet the Global Net worth criteria of Rs 1000 crore. The Basic Eligibility criteria are based on audited financial statements for the year ending 31.03.2021. Besides the above eligibility criteria, Minimum New Cumulative Domestic Investment after 01.04.2021 has to be achieved by both the existing automotive companies as well as the New Non-Automotive investor company or its Group company(ies). The Champion OEMs (except 2W&3W) and New Non-Automotive Investor (OEM) company or its Group company(ies) have to invest Rs 2,000 crores over a period of 5 years. Similarly the Champion OEM (2W & 3W), Component Champion and New Non-Automotive Investor (Component) company or its Group company(ies) have to invest Rs 1,000 crore, Rs 250 crore and Rs 500 crore respectively, as detailed along with the Basic Eligibility Criteria at **Table-I**.
- 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.
- The scheme has following components:
 - **Champion OEM 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 and any other Advanced Automotive Technology vehicle prescribed by MHI depending upon technical developments.
 - **Component Champion Incentive Scheme:** The Component Champion Incentive scheme is a 'sales value linked' scheme, applicable on pre-approved Advanced Automotive Technology components of all vehicles, CKD/SKD kits, Vehicle aggregates of 2-Wheelers, 3-Wheelers, passenger vehicles, commercial vehicles and tractors including automobile meant for military use and any other Advanced Automotive Technology components prescribed by MHI depending upon technical developments.
- The list of Advanced Automotive Technology Vehicles and Advanced Automotive Technology Components can be modified by MHI from time to time depending upon technological developments.
- Minimum 50% domestic value addition will be required and Phased Manufacturing Programme similar to FAME-II Scheme will be followed.

- Pre-approval of eligible product will be done by Testing Agency of MHI as Advance Automotive Product as per the guidelines issued by MHI from time to time.
- Any eligible product will be incentivized only for once – **Component level or Vehicle level.**
- Incentive will be applicable on the Determined Sales Value which is defined as the incremental eligible sales of a particular year over the base year
- For the Champion OEM incentive scheme, threshold Determined Sales Value for the first year is Rs 125 crores in respect of all companies viz. existing Automotive and New Non-Automotive Investor companies to claim incentives. Similarly, for the Component Champion incentive scheme, threshold Determined Sales Value for the first year is Rs 25 crore in respect of all companies viz. existing Automotive and New Non-Automotive Investor companies to claim incentives.
- YoY growth of minimum 10% of the threshold Determined sales value (as mentioned above) for the first year, and thereafter for next 4 years, has to be achieved to claim incentives.
- 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.
- Additional incentive of 2% will also be applicable to support high growth achievers.
- The incentive payable for Champion OEM and New Non-Automotive (OEM) Investor company can range from 13% to 16%.
- The incentive payable for Component Champion and New Non-Automotive (Component) Investor company ranges from 8% to 11% with an additional 5 % incentive for Battery Electric Vehicles & hydrogen fuel cell vehicle components.
- Incentive slabs for Champion OEM and Component Champion of the scheme are at **Table-II & III** respectively.
- The incentives provided fully meet the cost disabilities with respect to the Advanced Automotive Technologies as projected by the industry.

Table – I**Basic Eligibility Criteria:**

- a. For company or its Group company(ies) with existing presence in India or globally in the Automotive vehicle and components manufacturing business:

Eligibility Criteria	Auto OEM	Auto-Component
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   	Global group* Revenue (from automotive and/or auto component manufacturing)	Minimum Rs 10,000 crore.	Minimum Rs 500 crore.
	Investment	Global Investment of Company or its Group*Company(ies) in fixed assets (gross block) ofRs 3,000 crores.	Global Investment of Company or its Group*Company(ies) in fixed assets (gross block) of Rs 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. An applicant company or its Group company(ies) must satisfy the entire eligibility criteria to be eligible under the scheme.

b. For new non-automotive investorcompany or its Group company(ies) that may want to participate in this scheme:

Eligibility Criteria	New Non-Automotive investorcompany or its Group company(ies)(who are currently not in automobile or auto component manufacturing business)
Global net worth	Rs 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 – 3.2(c) below.



 **Note :**


- i. Non-Automotive company or its Group company(ies) can qualify for this scheme provided they present a clear business plan to invest in India and generate revenues from Advanced Automotive Technology vehicles or Advanced Automotive Technology components manufacturing.
- ii. The applicant new Non-Automotive Investor company or its Group company(ies) 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 Investor company or its Group company(ies) will be defined as those who have no revenue from manufacturing of Automobile or auto- components as on 31st March 2021.
- iv. An applicant new Non-Automotive Investor company or its Group company(ies) must satisfy the entire eligibility criteria.

c. Minimum New Domestic Investment Conditions:

Cumulative New Domestic Investment Condition of Performance (Rs Crore)

Cumulative new domestic investment to be achieved	Champion OEM (Except 2W & 3W)	Champion OEM 2W & 3W	Component Champion	New Non-Automotive investor(OEM)company or its Group company(ies)	New Non-Automotive investor (Component)company or its Group company(ies)
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 : in

- 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 1st April 2021 shall be considered under this condition.
- iii. The approved Company is required to meet the cumulative investment condition for each year.
- iv. In the event, any approved company meets the investment condition few years before the end of the scheme; it will be eligible for incentivethroughout the tenure of the scheme subject to meeting other conditions of the scheme.
- v. In case the approved 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 company or its Group company(ies) 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 (OEM)
Investor Company**

Determined Sales Value (in Rs Crore)	Incentives (%age of Determined Sales Value)
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<= 2,000	13%
> 2,000 to 3,000	14%
> 3,000 to 4,000	15%
> 4,000	16%
Cumulative Determined Sales Value of Rs 10,000 Crore over 5 years	Additional 2%

Note: - i. Only those Battery Electric Vehicles will be eligible for incentives which meet the performance criteria of FAME-II scheme or as notified from time to time by MHI.

Table –III

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

Investor company

Determined Sales Value (in Rs Crore)	Incentives (%age of Determined Sales Value)
<= 250	8%*
> 250 to 500	9%*
> 500 to 750	10%*

**> 750****11%*****Cumulative Determined Sales Value of Rs 1,250 Crores over 5 years.****Additional 2%****Battery Electric vehicles & Hydrogen fuel cell vehicles 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.**

Note: - i. On an annual basis, the approved company under the Component Champion Scheme will have to separately report break up of sales value of components specific to Battery-EV and Hydrogen Fuel Cell vehicle produced in India.

The Scheme and the Guidelines for the PLI scheme for Automobile and Auto component have been notified in the Gazette of India on 23rd September, 2021. The notifications are also available on the website of Ministry of Heavy Industries.

(<https://dhi.nic.in/Schmes/Programs Production Linked Incentive scheme>)

DJN/TFK

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