



**PHD Research Bureau**  
PHD Chamber of Commerce and Industry



## **Government Notifies PLI Scheme for Automobile & Auto components**

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

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 companies will need to meet the Basic Eligibility criteria to receive incentives. New Non-Automotive Investor company or its Group companies (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 companies. The Champion OEMs (except 2W&3W) and New Non-Automotive Investor (OEM) company or its Group companies 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 companies 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.

**Please find the attached the detailed document on the same for your kind reference.**

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Warm Regards,  
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