

# The Indian Auto Industry

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**PLI scheme will kick-start investments in advanced auto technologies and enable creation of EV ecosystem**

**SEPTEMBER 2021**





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*The automotive sector remains one of the key beneficiaries of the PLI scheme.*



The Ministry of Heavy Industries, Government of India, announced a Rs. 25,938 crore production-linked incentive for the auto and auto components sector on Sep 15, 2021. Further clarifications on the scheme were issued via a notification dated Sep 23, 2021.



The auto PLI scheme aims to provide sales-linked incentives to both OEMs and component suppliers. The OEM incentives are only for electric vehicles (EVs) and Hydrogen Fuel Cell Vehicles, while those for suppliers are applicable for advanced automotive technology components. The incentives are sales-linked and are expected to range from 13-18% on determined sales values for OEMs and 8-13% of determined sales values for auto component manufacturers. An additional 5% is to be given for manufacturing components for battery electric vehicle and hydrogen fuel cell vehicle components.



The auto PLI scheme aims for a future-ready and globally competitive Indian auto sector, by fast-tracking investments in technology and components where India needs to leapfrog. The scheme will increase localisation of auto components, accelerate investments towards a local EV ecosystem and has the potential to make India an export hub in the global auto supply chain. As tier-IIs scale up, the tier-IIIs will also have growth potential, resulting in a multiplier effect.



The FAME-II and State EV policies (on the demand side) along with the currently-announced Production-Linked Incentive (PLI) scheme with an outlay of Rs. 25,938 crore and earlier announced PLI for ACC batteries (on the supply side) will set the stage for India to leapfrog from fossil-fuel based automobiles to green transportation.



## Key Highlights of the Auto PLI Scheme

# PLI to accelerate India's transition into new technologies



Schemes	Current PLI Scheme	FAME-II	PLI ACC	State EV Policies
Outlay	Rs. 25,938 crore	Rs. 10,000 crore	Rs. 18,100 crore	Incremental incentives for demand generation, industrial development and charging ecosystem

Source: Ministry of Heavy Industries, Government of India Notification dated Sep 15, 2021, ICRA Research

The FAME-II scheme, State EV policies (on the demand side) and the currently-announced PLI along with earlier announced PLI for ACC batteries (on the supply side) will enable the Indian automobile industry in leapfrogging from fossil-fuel based automobile to green transportation.




# The automotive sector has been one of the key beneficiaries of the PLI scheme

*The recently announced PLI scheme focusses on promoting advanced technologies and green mobility through incentive payouts*

		Scheme Highlights
	<b>Outlay</b>	Rs. 25,938 crore
	<b>Target</b>	<ol style="list-style-type: none"> <li>1. Champion OEM incentive scheme - EVs and Hydrogen Fuel Cell Vehicles</li> <li>2. Component Champion Incentive Scheme - applicable on advanced automotive technology components of vehicles, Completely Knocked Down/ Semi Knocked Down kits and vehicle aggregates.</li> </ol>
	<b>Beneficiaries</b>	Domestic and international auto/auto component players, meeting the eligibility criteria on revenues, gross block and fresh investments. New non-automotive investors with a global network of Rs. 1,000 crore and a clear business plan for investment in advanced automotive technologies are also eligible.
	<b>Timeframe</b>	The scheme will be effective for five years from FY2023 and the base year for the eligibility criteria is FY2021.
	<b>Expected investments and incremental production</b>	Expected to bring fresh investments of over Rs. 42,500 crore and result in incremental production of over Rs 2.3 lakh crore
	<b>Incentive capping</b>	The incentive will be based on determined sales values and is expected to range from 13-18% for OEMs and 8-13% (plus 5% for battery electric vehicle and hydrogen fuel cell vehicle components) for auto component manufacturers. The total incentive per group is capped at Rs. 6,485 crore (25% of total scheme outlay).

Source: Ministry of Heavy Industries, Government of India Notifications dated Sep 15, 2021 and Sep 23, 2021, ICRA Research

# Incumbent OEMs will benefit from the PLI scheme

	Segment	Minimum global investment of group in fixed assets as on March 31, 2021 (Rs. crore)	Minimum global group revenue for FY2021 (Rs. crore)	Minimum networth as on March 31, 2021 (Rs. crore)	Minimum fresh investment commitment over 5 years (Rs. crore)
	Auto OEM (other than 2W and 3W)	3,000	10,000	Not Applicable	2,000
	Auto OEM (2W and 3W)	3,000	10,000	Not Applicable	1,000
	New non-Auto OEM investors	Not Applicable	Not Applicable	1,000	2,000

## EXHIBIT: Minimum New Domestic Investment Conditions

Cumulative New Domestic Investment (Rs. crore)	Champion OEM (Except 2W & 3W)	Champion OEM 2W & 3W	New Non-Automotive Investor (OEM)
1. Up to or Before March 31,2023	300	150	300
2. Up to or Before March 31,2024	800	400	800
3. Up to or Before March 31,2025	1400	700	1,400
4. Up to or Before March 31,2026	1750	875	1,750
5. Up to or Before March 31,2027	2000	1,000	2,000

Determined sales value in Rs. crore (Base year – FY2020)	Upto 2,000	2,001 - 3,000	3,001 - 4,000	More than 4,000	Additional 2% incentive, if the cumulative determined sales value over 5 years is Rs. 10,000 crore or more
Incentive Scheme for Champion OEM as a % of incremental revenue	13%	14%	15%	16%	

Source: Ministry of Heavy Industries, Government of India Notification dated Sep 23, 2021, ICRA Research; Group Company(ies) shall mean two or more enterprises which, directly or indirectly, are in a position to exercise 26% or more of voting rights in the other enterprise; minimum 50% domestic value addition will be required

# Most mid-size auto component suppliers will gain from the scheme



Segment	Minimum global investment of group in fixed assets as on March 31, 2021 (Rs. crore)	Minimum global group revenue for FY2021 (Rs. crore)	Minimum network worth as on March 31, 2021 (Rs. crore)	Minimum fresh investment commitment over 5 years (Rs. crore)
Auto Component	150	500	Not Applicable	250
New non-Automotive investors	Not Applicable	Not Applicable	1,000	500

## EXHIBIT: Minimum New Domestic Investment Conditions

Cumulative New Domestic Investment (Rs. crore)		Component Champion	New Non-Automotive Investor (Component)
1.	Up to or Before March 31,2023	40	80
2.	Up to or Before March 31,2024	100	200
3.	Up to or Before March 31,2025	175	350
4.	Up to or Before March 31,2026	220	440
5.	Up to or Before March 31,2027	250	500

Determined sales value in Rs. crore (Base year – FY2020)	Upto 250	251 - 500	501 - 750	More than 750
Incentive scheme for component champion as a % of incremental revenues*	8%	9%	10%	11%

- Additional 2% incentive, if the cumulative determined sales value over 5 years is Rs. 1,250 crore or more
- Additional incentive of 5% is proposed for BEVs and HFCV components

The final list of components eligible for the PLI scheme is awaited.

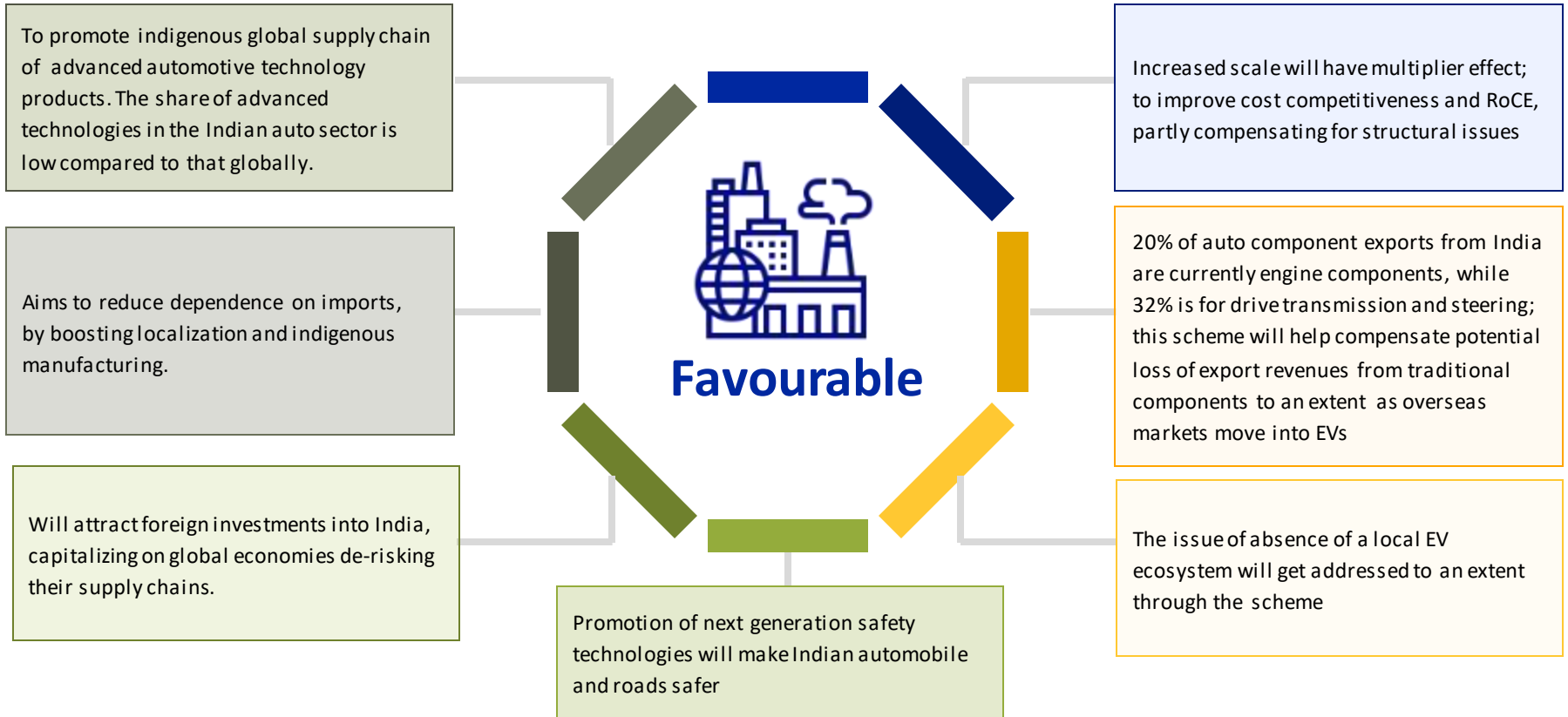
Source: Ministry of Heavy Industries, Government of India Notification dated Sep 23, 2021, ICRA Research; minimum 50% domestic value addition will be required; \* For computing the benefits of fifth year for Internal Combustion Engine (ICE) vehicle components, multiplier factor of 0.9 to be applied on eligible sales.



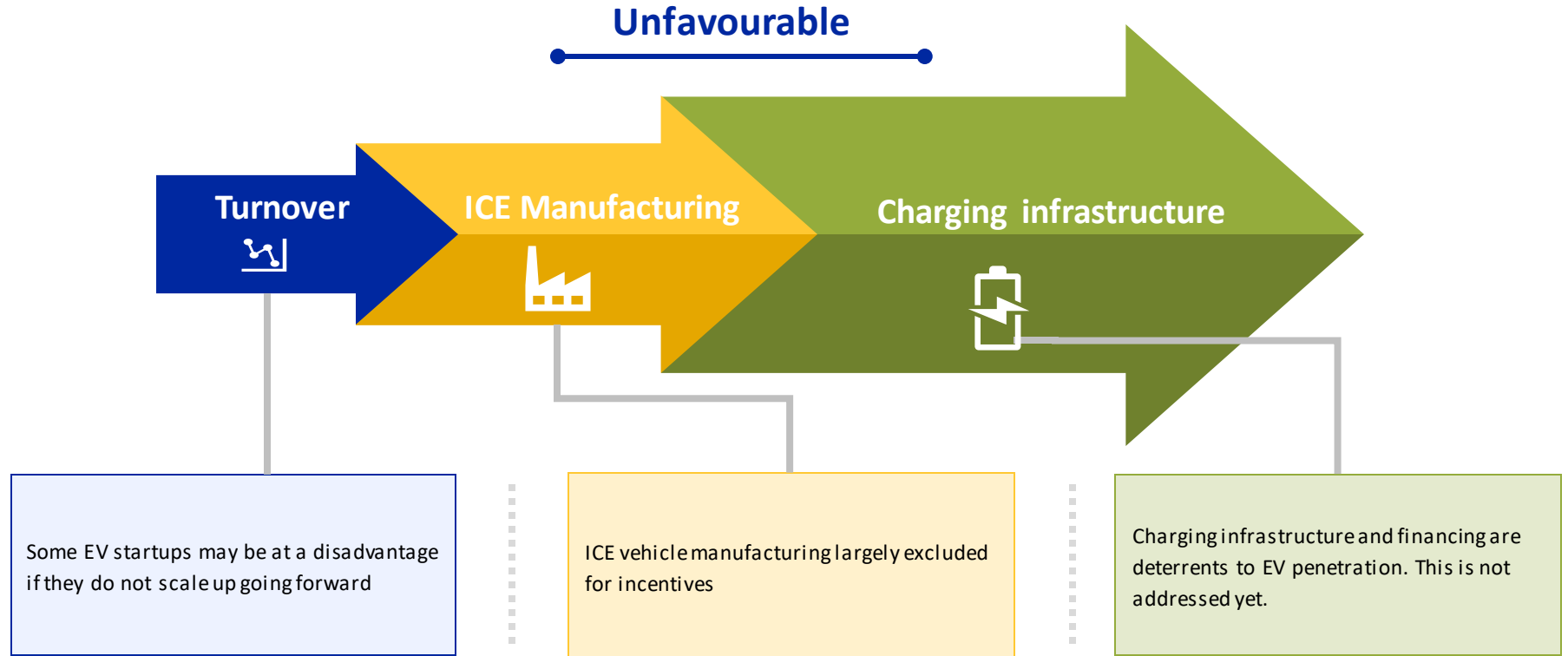
## Impact Analysis



# PLI scheme aims for a future-ready and globally competitive Indian auto sector



# ICE vehicles largely excluded from incentives, except for advanced technology parts



# Several incumbent OEMs and auto component suppliers likely to benefit

## EV component suppliers



## Advanced technology component suppliers



## Incumbent OEMs

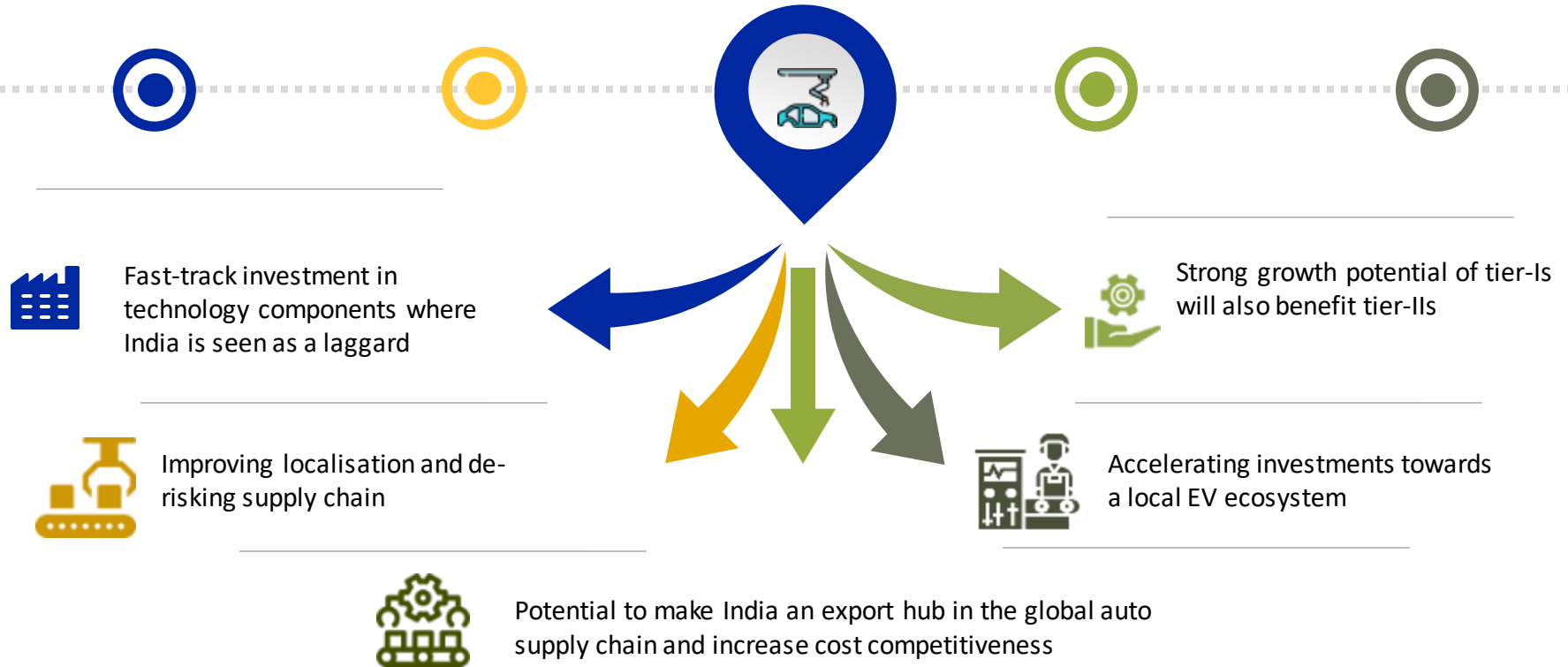


Source: ICRA Research; The list is indicative and not exhaustive



## Key Takeaway

# Gearing for building auto technology capabilities for the next decade





## Annexure

# Expected annual incentive outlay under the PLI scheme

## EXHIBIT: Expected Annual Incentive Outlay

Applicable Incentive (Financial Year)	Disbursement of Incentive (Financial Year)	Total Incentive (Rs. crore)
FY2023	FY2024	604
FY2024	FY2025	3,150
FY2025	FY2026	5,925
FY2026	FY2027	7,199
FY2027	FY2028	9,060
<b>Total</b>		<b>25,938</b>

Source: Ministry of Heavy Industries, Government of India Notification dated Sep 23, 2021, ICRA Research

# Policy roadmap for electric vehicles in India

2020-21

## PLI scheme

- ✓ PLI Scheme for the automobile and auto component Industry with a budgetary outlay of Rs. 25,938 crore
- ✓ PLI scheme for ACC battery manufacturing with outlay of Rs. 18,100 crore

2019-24

## FAME-II Scheme

- ✓ Notified on April 1, 2019, for a period of 3 years (extended by 2 years till March 2024) ;
- ✓ Total outlay of Rs. 10,000 crore of which Rs. 8,600 are proposed as demand incentives.

2015-18

## FAME-I Scheme

- ✓ Launched on Apr 1, 2015, by the Department of Heavy Industry with an outlay of Rs. 795 crore for demand incentives.

2013

## National Electric Mobility Mission Plan 2020

- ✓ Outlay of Rs. 14,000 crore towards the creation of infrastructure and promoting the use of EV in India
- ✓ The mission envisaged Electric and Hybrid vehicle sales in India to reach 6-7 million units by 2020, spearheading India towards a global leadership position in EV manufacturing.

2010-12

## Alternate Fuel for Surface Transportation Program

- ✓ Total outlay was Rs. 95 crore.
- ✓ Ministry of New and Renewable Energy (MNRE) implemented a 20% subsidy for EVs through this scheme, which ranged from Rs. 5,000 for 2W to nearly Rs. 4 lakh for buses.







## Investments in EV Ecosystem

# Growing demand has spurred investments in 2W capacity expansion

## Hero Electric , Punjab

Present Capacity – ~1 Lakh p.a.  
Planned – 10 lakh units p.a. over 5 years  
Investment Outlay – Rs. 700 crore by 2025

## Okinawa Autotech, Rajasthan

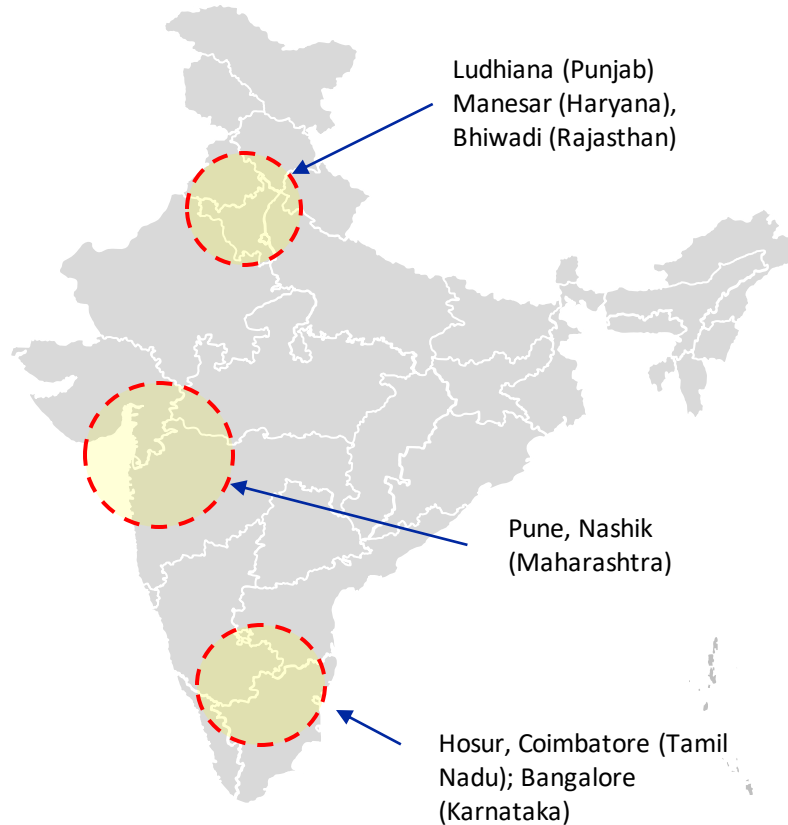
Present Capacity – ~90,000 p.a.  
Planned – 5-6 lakh units p.a. (in Phase 1)  
Investment Outlay – Rs. 150-200 crore

## Ampere Vehicles, Tamil Nadu

Present Capacity – ~50,000 p.a.  
Planned – 10 lakh units p.a. (in phases)  
Investment Outlay – Rs. 700 crore over 10 years

## Ola Electric, Tamil Nadu

Planned – 20 lakh units p.a. (Phase 1) by FY2023  
Investment Outlay – ~Rs. 2,400 crore for Phase 1.



## Bajaj Auto, Maharashtra

Investment Outlay – Rs. 650 crore towards setting up a new plant to manufacture e2Ws, among other 2Ws

## TVS Motors, Tamil Nadu

Present Capacity – ~1,20,000 p.a.  
Planned – 1 lakh units (incl. 3W)  
Investment Outlay – Rs. 1,000 crore over 1-2 years

## Hero MotoCorp

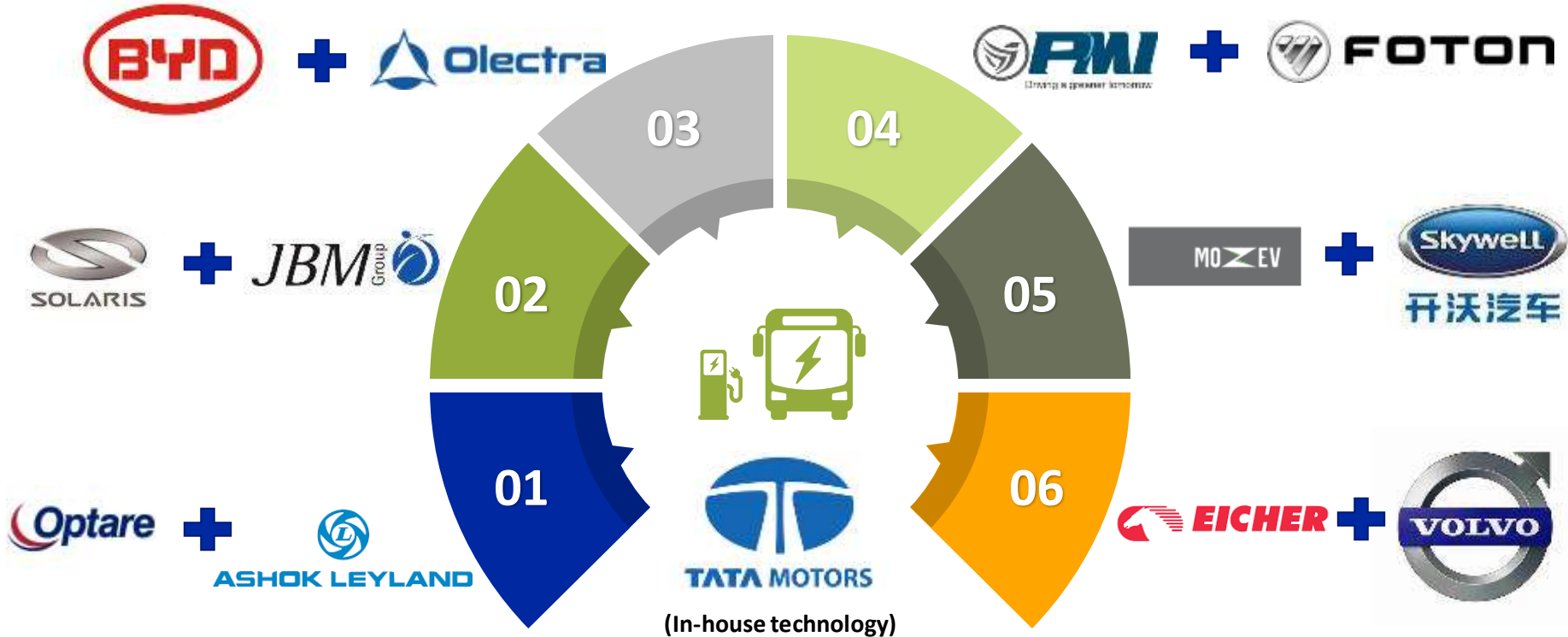
Investment Outlay – Rs. 10,000 crore over 7 years; a sizeable proportion towards EVs

## Ather Energy, Tamil Nadu

Present Capacity – 1,10,000 p.a.  
Planned – 5 lakh units p.a. by 2023  
Investment Outlay – Rs. 650 crore over 4-5 years

# Foreign collaborations in place in the e-bus space

Exhibit: Key technology collaborations between Indian and foreign OEMs for electric-bus manufacturing



# Sizeable investments announced in EV components

## EXHIBIT : Sample Investments Announced by Private Players in EV Auto Components

### Epsilon Advanced Materials Private limited

In April 2021, the company announced that it would invest Rs 6,000 crore to produce 100,000 tons of synthetic graphite anodes by 2030, or about 10% of estimated global demand.

### Omega Seiki Mobility and C4V

Omega Seiki Mobility has tied up with American technology provider, C4V, to introduce solid state batteries in India.

### Amara Raja

The company has also recently set up a research hub in Tirupati, in Feb 2021. The company is also evaluating setting up a giga factory in the next 5-8 years.



### Suzuki Motor, Toshiba and Denso

Suzuki Motor, Toshiba Corp and Denso Corp have jointly invested in a battery venture in Hansalpur, Gujarat. The facility will also serve as a global export hub. Over Rs. 1,000 crore investment made in this facility.

### Exide Leclanche Energy Private Limited

83:17 joint venture (JV) company between Exide Industries Limited (EIL) and Leclanche SA, based out of Switzerland. The company has been set up to manufacture Lithium-ion batteries in India and is expected to commission its 1.5-gigawatt hours (GWh) battery assembling facility in Prantik, Gujarat in the near term. About Rs. 232 crore invested so far.



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**Thank You!**

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