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INDIAN ELECTRIC VEHICLE INDUSTRY

New EV policy to catalyse e4w growth over the medium term; mandatory localisation to benefit component makers

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Highlights

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The new EV policy 2024 for e4w is progressive, drives large investments, creates jobs, incentivises manufacturers (subject to caveats). Caveats on timeline-led localisation thresholds will create better supply chain and EV ecosystems.

The structural approach paves the way for faster EV adoptions in the passenger car segment, while also making India a potential manufacturing hub in the premium electric passenger cars (e4w) segment.

- The Government of India's policy (GoI's) thrust for vehicle electrification continues with the unveiling of the scheme to promote manufacturing of e4ws in India by the Ministry of Heavy Industries (MHI) on March 15, 2024.
- This scheme aims to accelerate e4w adoption in the country and incentivises the OEMs (domestic / global auto makers) by way of lower import duty rates, albeit with certain caveats.
- The scheme will attract investments from auto OEMs (domestic/global) towards setting-up new plants for manufacturing premium e4w, enabling job creation and generating demand for component makers.

- The scheme entails that eligible companies^ establishing manufacturing plants in India can import completely built-up (CBUs) of e4w at a lower import duty of 15% for five years, subject to conditions. Key conditions include - a) minimum investment value of Rs. 4,150 crore ($500 million), b) plant to be operational within three years from MHI's approval, c) achievement of minimum domestic value addition (DVA) of 25% within three years and 50% within five years from MHI's approval, d) minimum CIF value of vehicles - $ 35,000, and e) furnishing of bank guarantees in lieu of duty foregone.
- The scheme restricts the maximum number of vehicles that can be imported at 40,000 units over the five-year period. It is capped at 8,000 p.a, with the option to carry forward within this period. The maximum vehicle threshold is calculated so that the duty foregone represents the lowest of committed investments (or) annual PLI incentive of Rs. 6,484 crore, thus neutralising the loss to the exchequer.

- The scheme is progressive and provides the necessary platform for accelerating EV adoption in the domestic passenger car segment, where penetration is the lowest among all segments.
- It entails a sizeable reduction in import duty, thus lowering entry barriers, fostering competition and innovation. With the scheme largely targeting the premium car segment, domestic PV players are relatively shielded while providing them an opportunity to scale up.
- With caveats on DVA and incentives extending to investments in the EV ecosystem (including battery manufacturing and charging infrastructure), it also creates opportunities for component makers too.

^ Eligible companies - Entities engaged in automotive and/or manufacturing and meeting criteria of minimum revenue (from automotive manufacturing) of Rs. 10,000 crore and minimum investments / gross block of Rs. 3,000 crore

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