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## Auto PLI unveiled; focus on clean, advanced mobility

The government has approved the Production Linked Incentive (PLI) Scheme for auto sector. The scheme is aimed at incentivising investments in high value advanced automotive technology vehicles and products.

### Brief highlights

- 1) **Total scheme outlay is at ~₹ 26,000 crore for five years**
- 2) Government hopes to **attract fresh investments of >₹ 42,500 crore in five years**, with **incremental production**, employment generation potential pegged at **₹ 2.3 lakh crore**, 7.6 lakh persons, respectively
- 3) Increasing India's contribution to the global automotive market via greater localisation & domestic production of advanced automotive technologies is a cornerstone of the scheme. For FY21, as per ACMA, India's automotive component exports and imports were at ₹ 98,000 crore and ₹ 1.02 lakh crore, respectively
- 4) The scheme is open to existing automotive companies and new investors and is divided into two parts i.e. **Champion OEM Incentive Scheme** and **Component Champion Incentive Scheme**. Incentives under both parts are 'sales value linked'
- 5) The Cabinet press briefing also mentioned minimum investment criteria and global scale of operations (sales) to be eligible for PLI benefits. **For OEMs - minimum global group revenues of ~₹ 10,000 crore and minimum global gross block of ~₹ 3,000 crore. For auto component makers - minimum global group revenues of ~₹ 500 crore & minimum global gross block of ~₹ 150 crore**
- 6) The OEM Incentive Scheme is applicable on **battery electric vehicles (BEV) and hydrogen fuel cell vehicles (HFC)** of all segments whereas the Component Incentive Scheme is applicable on **advanced automotive technology components** of all vehicle types (*Exhibits 1-3 provide incentive details and investment requirements*)
- 7) The auto PLI scheme incentives are in addition to those already available under Advanced Cell Chemistry (ACC) PLI scheme (₹ 18,100 crore) and FAME Scheme (₹ 10,000 crore)

### Our take

The scheme rolled out differs from the original draft, under which incentive amount over five years totalled ~₹ 57,000 crore. Steep reduction in original outlay combined with specific focus on BEV and HFC (on the OEM side), in our view, showcases a clear directional intent in favour of cleaner mobility at the expense of traditional ICE players. Combined with existing incentives under FAME and ACC PLI, the same bodes well for the fledgling domestic EV industry and is likely to make India a more attractive destination for related investments. On the other hand, component makers stand to be incentivised for advanced technology products across powertrain options, thereby favouring ancillaries focused on value addition and differentiation. We believe the steps would over the medium to long term augment cost-effective vehicular premiumisation courtesy higher localisation levels.

In our OEM coverage universe, we believe **Tata Motors (TML)** and **Mahindra & Mahindra (M&M)** could benefit given their firm commitment to capitalising on the sunrise EV opportunity (TML, M&M to introduce 10 EV models, six EV models, respectively, over the next five years). Among coverage ancillaries, we expect **Wabco India**, **Minda Industries** and **Minda Corporation** to be among beneficiaries, courtesy presence in incentivised technologies such as advance braking systems, sensors, advance electronics, etc.

We await firm company commentary on investments and expected benefits under the scheme before building the same into our forward estimates.

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## Exhibit 1: Incentive slabs @ OEMs

Determined sales value	% Incentives of Determined sales value
upto ₹ 2,000 crore	13
₹ 2,000-3,000 crore	14
₹ 3,000-4,000 crore	15
> ₹ 4,000 crore	16
Cumulative sales > ₹ 10,000 crore in 5 years	18

Source: Cabinet Press Briefing, Department of Heavy Industries, ICICI Direct Research; Note – YoY growth of minimum 10% in determined sales value has to be achieved to receive incentive

## Exhibit 2: Incentive slabs @ Components

Determined sales value	% Incentives of Determined sales value
upto ₹ 250 crore	8
₹ 250-500 crore	9
₹ 500-750 crore	10
> ₹ 750 crore	11
Cumulative sales > ₹ 1250 crore in 5 years	13

Source: Cabinet Press Briefing, ICICI Direct Research

## Exhibit 3: Cumulative new domestic investment condition of performance (₹ crore)

Cumulative new domestic investment to be achieved	Champion OEM (except 2-W & 3-W)	Champion OEM (2-W & 3-W)	Component Champion	New non-automotive investor (OEM)	New non-automotive investor (component)
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	1,400	700	175	1,400	350
Upto or before March 31, 2026	1,750	875	220	1,750	440
Upto or before March 31, 2027	2,000	1,000	250	2,000	500

Source: Cabinet Press Briefing, ICICI Direct Research

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