

# Will the new policy charge up EV manufacturing?

This new scheme hopes to attract investments from global EV players and generate jobs

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### What is the Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI) all about?

SPMEPCI is another initiative of the Centre to promote electric mobility in the country, which was launched in March 2024. The Scheme was notified on Monday and the portal for applications will be started within this month.

The Scheme was launched to attract investments from global EV makers like Tesla, and to generate employment.

### What are the key features of the SPMEPCI?

Per the guidelines, the approved applicants will set up manufacturing facilities in India with a minimum investment of ₹4,150 crore (\$500 million), for manufacturing electric four-wheelers (e-4W). The manufacturing facility(ies) should become operational within three years from the date of issuance of approval letter by the Ministry of Heavy Industries (MHI) and should achieve minimum domestic value addition (DVA) of 25 per cent within the same period.

The approved applicant will also have to move towards minimum value - addition of 50 per cent within a period of five years from the date of issuance of approval letter by MHI.

Once the applicants commit the investment, they will be allowed to import completely built units (CBUs) of e-4W at a reduced customs duty of 15 per cent (instead of 70 per cent). The value of these CBUs should be up to \$35,000 and they can import a maximum of 8,000 units in a year.

Currently, standard import duties on CBUs costing more than \$40,000 are fixed at 110 per cent and passenger vehicles costing up to \$40,000 have 70 per cent basic customs duty.

### Are foreign EV makers enthused by the scheme? Which automakers are interested in utilising this scheme?

As of now, foreign players who are already manufacturing in India with their subsidiaries including Mercedes-Benz, Skoda-Volkswagen Group, Hyundai and Kia have shown interest to set up a separate line for the EVs and to import some of their global EV models to India.

The guidelines clarified that only new plant, machinery, equipment, R&D, and certain building costs (within limits) count toward investment; land costs are excluded and charging infrastructure



EV POLICY. Luring investments

costs are capped at 5 per cent of the committed investment.

Eligibility criteria require applicants to demonstrate minimum global automotive revenues of ₹10,000 crore and global fixed assets of at least ₹3,000 crore, ensuring only established players can qualify.

However, these companies have already invested hugely in India over the last decade including in their R&D centres here, so one must wait and watch for the fresh investments in the new Scheme.

### Why is Tesla not interested in manufacturing in India?

The MHI on Monday said Tesla is not interested to participate in this Scheme because the Elon Musk-owned company was more interested on dealerships and opening showrooms to sell imported cars rather than manufacturing here.

Tesla has long wanted to enter India,

but disagreements over import duties and local manufacturing commitments have slowed down the progress. In fact, over the last one year, the company's representatives participated only in the first round of stakeholder discussions for the Scheme.

One of the reasons is also that Tesla has to bring its suppliers to India, which would incur a huge cost to the partners as well, and without a certain number of sales expectations in a year, they can't make those investments.

### Will this scheme disincentivise domestic manufacturing of EVs? What are domestic players saying?

Domestic players are beneficiaries of several government incentives — PLI-Auto, launched in 2021 with an outlay of ₹25,938 crore; PLI Scheme for Advanced Chemistry Cell (PLI-ACC) with ₹18,100 crore outlay; and Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles (FAME) scheme, launched in 2019 with a budgetary layout of ₹11,500 crore.

Apart from these, more than 22 States and Union Territories have policies dedicated for EVs.

What domestic players have been asking is for a level-playing field as companies like M&M and Tata Motors have invested millions of dollars in local EV manufacturing.