Automakers in EV policy to face penalty for revenue target miss

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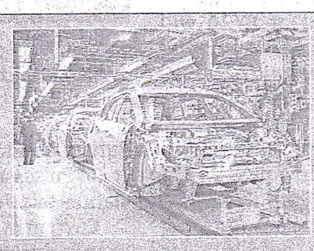
SETTING A THRESHOLD

- Firms approved under SPMEPCI should generate minimum revenue of ₹5,000 cr by the end of 4th year
- They should generate minimum revenue of ₹7,500 cr by the end of fifth year
- Failure to meet targets will attract penalties ranging from 1-3% of the revenue shortfall
- No penalty if the revenue shortfall is 5% or less



- 1% penalty if revenue falls between 50% and less than 95% of the target
- If revenue lies between 25% and less than 50%, the penalty is 2%

AUTOMAKERS PARTICIPATING IN the electric vehicle (EV) manufacturing policy will need to meet prescribed revenue targets or face financial penalties, according to detailed guidelines released under the Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI). Companies approved under the scheme must generate a minimum revenue of ₹5,000 crore by the end of the fourth year and ₹7,500 crore by the end of the fifth year from the sale of eligible electric vehicles.

Failure to meet these targets will attract penalties ranging from 1% to 3% of the revenue shortfall. No penalty will be imposed if the shortfall is 5% or less. A 1% penalty applies if actual revenue falls between 50% and less than 95% of the target. If the performance lies between 25% and less than 50%, the penalty rises to 2%, and if it falls below 25%, a 3% penalty will be levied on the shortfall.

These penalties will be recovered from the bank guarantee submitted by applicants during approval. The required guarantee is either $500 million or an amount equal to the total customs duty waived over five years, whichever is higher.

Union minister for heavy industries HD Kumaraswamy had said on Monday that Mercedes-Benz, Volkswagen, Skoda, Hyundai, and Kia have so far expressed interest in participating in the scheme. These companies have been part of consultations with the government. However, none of them responded to *FE*'s queries regarding their participation.

The minister also clarified that Tesla will not be manufacturing electric vehicles in India under this scheme.

The SPMEPCI was notified on March 15, 2024, to attract global EV manufacturers by offering significant import duty concessions in return for assured investment in domestic manufacturing. The guidelines announced on Monday lay down the operational framework for the scheme and open the door for applications.

Under the scheme, approved companies can import up to 40,000 electric vehicles at a reduced customs duty of 15%, compared to the standard 70–100%. However, to avail of this benefit, applicants must invest a minimum of $500 million (₹4,150 crore) in local production and begin manufacturing within three years of approval.

The investment must result in increasing levels of domestic value addition, 25% by the third year and 50% by the fifth year. The bank guarantee will only be refunded after these localisation targets are met.