

# Auto PLI: Centre considers paying incentive quarterly

## FY23 funds still to be disbursed as OEMs yet to furnish requisite docs: Officials

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The government is planning to come up with a quarterly payment mechanism under the ₹25,938-crore auto production-linked incentive (PLI) scheme to incentivise auto manufacturers, *Business Standard* has learnt. At present, the provision under the PLI scheme for Automobile and Auto Component Industry is for yearly incentive payouts.

The government is considering quarterly payments after automobile manufacturers approached the Ministry of Heavy Industries (MHI) over the non-receipt of incentives for the financial year 2022-23 (FY23).

"Funds were not disbursed for FY23 because no manufacturer was able to furnish requisite documents. We are considering giving payouts quarterly, so that companies do not have to wait until the end of FY24 to claim incentives," a government official told *Business Standard*. The outlay for incentives for FY24 stands at ₹3,150 crore.

The scheme provided ₹604 crore for qualified OEMs for FY23. Incentives were to be given to OEMs on the determined sales value of advanced automotive technology (AAT) products (vehicles and components), which are made in India from April 1, 2022, only if they met the minimum 50 per cent domestic value addition (DVA) criterion.

The threshold-determined sales value for the first year was ₹125 crore for all vehicle OEMs and ₹25 crore for component makers.

Auto industry players claimed that the delay in the



### IN THE WORKS

▶ The scheme became operational in April 2022 for a 5-year period

▶ According to current norms, incentives are to be distributed at the end of each year

▶ A total of ₹604 crore proposed for FY23 remained unutilised as no manufacturer submitted applications with the requisite details

▶ The government plans to give quarterly payments from ₹3,150 crore earmarked for FY24

▶ A total of 20 applicants were approved under the Champion OEM category and 75 under the Champion Component

release of the standard operating procedure (SOP) by the government resulted in OEMs failing to submit their applications. However, MHI officials said that OEMs did not fulfil the criteria laid out under the previous guidelines of the scheme. "We didn't receive any complete application from automotive manufacturers," a top MHI official said. "The new SOP norms were brought only after we found cases of rampant violation in adherence to the DVA rules."

The MHI announced SOP for auto PLI on April 27 this year for greater transparency in the scheme. Under the previous rule, only a DVA cost certificate, audited by an external auditor and self-certified by

the authorised representative of the approved applicant, was required. But with the new SOP, OEMs have to give details of their suppliers to the MHI's testing agencies.

The four testing agencies — Automotive Research Association of India (ARAI), International Centre For Automotive Technology (ICAT), Global Automotive Research Centre (GARC), and National Automotive Test Tracks (NATRAX) — issue the DVA certification after assessing the supplier details.

"OEMs are claiming adherence to the DVA guidelines but how can we accept the applications without auditing the source of their import," said an official, who is working on the scheme. "We started

receiving applications from Tata Motors, Mahindra & Mahindra, and a few others last October but they were not in adherence to the prescribed guidelines," the official added.

The Society of Indian Automobile Manufacturers (SIAM), an industry lobby group, reached out to the MHI last month, seeking the release of incentive funds pending since April 2022. The government, however, according to officials, will release subsidies only from the date automakers got their vehicles certified.

"If they fulfil all the criteria, instead of waiting for the financial year to end, they will get funds quarterly in FY24," said the official cited above.

Asked about several industry players claiming the government not incorporating key proposals that had been agreed upon following extensive consultations, a top MHI official said, "The SOP was prepared after industry consultation and is in line with other PLI schemes of the government." The auto PLI scheme proposes financial incentives to boost domestic manufacturing of AAT products and attract investments in the automotive manufacturing value chain.

The scheme became operational in April 2022 for five years and incentives were to be distributed to qualified companies at the end of each year. The scheme has two categories, one for vehicle manufacturers and the other for component makers. A total of 20 applicants have been approved under the Champion OEM (original equipment manufacturer) category and 75 under the Champion Component scheme.