dhruva advisors llp

Regulatory Alert

April 6, 2024

Scheme to Promote Manufacturing of Electric Passengers Cars in India (E-Vehicle Policy)

Background

The Ministry of Heavy Industries of Government of India approved the E-Vehicle policy[1] ('the Scheme') on March 15, 2024 to promote India as a manufacturing destination for Electric Vehicles ('EV'). The Scheme's objectives are to attract investments by large global EV manufacturers, generate employment, provide Indian consumers with access to the latest technology, and boost the Make in India initiative. The Scheme also aims to achieve economy of scale, reduction in import of crude oil, lower costs of production, lower trade deficit, and reduction in air pollution.

Eligibility

- The Applicant enrolling into the Scheme must fulfil the following criteria:

Criteria	Rs. in crores
Minimum global group turnover* from automotive manufacturing	10,000
Minimum global group investment in fixed assets	3,000
Minimum committed investment	4,150

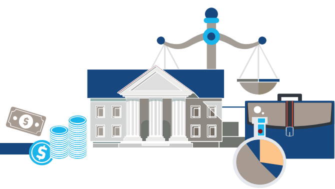
*Group Company(ies) shall mean two or more enterprises which, directly or indirectly, are in a position to: Exercise twenty-six percent or more of voting rights in the other enterprise

- Eligible investments shall include new plants, machinery, charging infrastructure, equipment and associated utilities, tools and dies, etc.
- Land is not included while buildings (other than leasehold buildings) of main plants and utilities shall be treated as eligible investment subjects to a maximum of 10 percent of cumulative investments.

Conditions

- The Applicant shall within 3 years of approval:
  a) Make the minimum committed investment.
  b) Set-up a manufacturing facility in India to manufacture EV passenger cars and make such manufacturing facility operational; and
  c) Achieve a minimum domestic value addition ('DVA') of 25%.
- The Applicant shall within 5 years of approval:
  a) Achieve a minimum DVA of 50%; and
  b) Make the remaining investment up to the amount of customs duty forgone.
- A bank guarantee is required for an amount higher of customs duty to be forgone or minimum committed investment. Such bank guarantee to be invoked if any of the above conditions are not satisfied.

[1] https://pib.gov.in/PressReleasePage.aspx?PRID=2014874



Concessions

- Import of up to 8,000 units per year of completely built-in units of EV passenger cars with a minimum CIF value of USD 35,000 at a concessional rate of customs duty of 15% for a period of 5 years.
- Flexibility to carry forward unutilized annual import limits available.
- Total duty forgone on such imports shall be limited to the committed investment.

Application and compliances

- Once opened, the application window shall remain available for 120 days (or more) and, may be reopened within the first two years of the Scheme.
- Applications must be accompanied by necessary documents to be prescribed, along with a non-refundable application fee.
- Applications shall be submitted through an online portal maintained by Project Management Agency ('PMA') which will be responsible for the implementation of the Scheme. Applications can be submitted offline if the online portal is not available.
- Applications shall be finalized within 120 days from the date of its submission or receipt of clarification sought, if any.
- Post approval, PMA shall issue approval letters within 5 days.
- The Approved Applicant must submit import applications on annual basis to avail benefit of lower customs duty.
- The Approved Applicant must submit quarterly progress reports.
- Dilution in shareholding of the Company in the Appellant is not allowed if the credentials of such Company were considered for selection.
- Detailed guidelines are to be issued for the implementation of the Scheme.

Dhruva Comments

The Indian Government has rolled out the red carpet for global EV manufacturers in order to make India a manufacturing destination for EV. The move seems to be a step to achieve the Government's vision delineated in the 2nd Automotive Mission Plan aiming India's automotive industry among the top 3 in the world in engineering, manufacture and export.

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