

Govt clears production sops for automobile, drone industries



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Gireesh Chandra Prasad

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NEW DELHI : The central government on Wednesday approved a ₹26,058 crore scheme to encourage the production of automobiles, auto parts and drones.

Production-linked incentives will be available on incremental production for five years, subject to conditions on investments and revenue, Union minister Anurag Thakur said.

Thakur said the production-linked incentive scheme has proved to be very successful, with benefits visible across sectors.

“The government has approved production-linked incentives for auto, auto component and drone industries to enhance India’s manufacturing capability,” Thakur said after the cabinet approved the scheme.

The scheme has a total outlay of ₹26,058 crore. Out of this, the auto sector will get ₹25,938 crore, while drone production will get an outlay of ₹120 crore. The idea is to boost the production of advanced automobiles, auto components and drones and build champion industries in these sectors, Thakur said. The scheme focuses on advanced automotive technologies. It covers the production of battery electric vehicles and hydrogen fuel cell vehicles of all segments as well as advanced automotive technology components of vehicles, completely knocked down or semi-knocked down kits, vehicle aggregates of two-wheelers, three-wheelers, passenger vehicles, commercial vehicles and tractors.

It is estimated that in five years, about ₹47,500 crore additional investments will come to the auto and drone sectors, creating about 760,000 new employment opportunities, the minister said. The scheme is part of the 13 sectors the government has identified for promoting local production. Thakur said the scheme will help increase India’s share in the global automobile industry.

In the auto sector alone, a fresh investment of over ₹42,500 crore is expected in five years, yielding over ₹2.3 trillion incremental production. Incentives for drone production, on the other hand, are expected to attract over ₹5,000 crore investments in three years, yielding incremental production of over ₹1,500 crore. Similar schemes already rolled out for advanced chemistry cell and electric vehicles are expected to boost electric mobility.

The scheme for the auto sector will provide a greater emphasis on technologically innovative auto components, such as automatic transmission, sensors, tyre pressure monitoring systems, battery electric vehicles, and hydrogen cells, among others, said Sanjay Aggarwal, president, of industry body PHDCCI.

Besides boosting local manufacturing, the scheme also aims to add new jobs and help scale up exports. India exports automobiles worth \$12 billion and components worth \$15 billion but imports \$17 billion worth of components. The scheme is expected to reduce imports, the minister said.

While the fiscal support will boost companies’ bottom lines, the government hopes to recover its fund outgo through tax collections from the incremental sales achieved by the industry.