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Indian govt likely to tweak new EV manufacturing policy and focus on greenfield investment

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Government sources have indicated that a set of additional guidelines is currently under consideration under the electric vehicles (EV) policy. For this, one round of consultation has already been undertaken by the Ministry of Heavy Industries (MHI).

The guidelines will apply to greenfield investment and will also cover existing companies in the auto sector to incentivise greenfield investment even from Indian companies, sources told CNBC-TV18. No further registration will be needed for existing players, as they can apply under the new policy for import licences for a certain number of EVs. The earlier EV policy was only for greenfield investments.

Even as the MHI is likely to conduct one more round of consultation, the proposed guidelines aim to cover everything that was missed in the initial notification. While all new investments are welcome for setting up new plants under the new guidelines, applications from Chinese companies will have to go through a much more onerous security process.

Last month, the union government conducted a meeting with several auto industry companies, including Maruti Suzuki India, Hyundai Motor India, Tata Motors, Mahindra & Mahindra, Toyota Kirloskar and VinFast.

India's current EV policy aims to attract investments from reputed global EV manufacturers in the sector. It entails a minimum investment of ₹4,150 crore and a timeline of three years to set up manufacturing facilities in India, start commercial production, and reach 50% domestic value addition (DVA) within a period of five years. DVA during manufacturing is defined with a localisation target of 25% by the 3rd year and 50% by the fifth year.

As per the existing policy, 15% customs duty (as applicable to completely knocked-down (CKD) units) is applicable on a vehicle of minimum CIF value of $35,000 and above for a total period of five years, subject to the manufacturer setting up manufacturing facilities in India within a three-year period.

The duty foregone on the total number of EVs allowed for import is limited to the investment made or ₹6,484 crore (equal to incentive under PLI scheme) whichever is lower. The policy says that a maximum of 40,000 EVs at a rate of not more than 8,000 per year would be permissible if the investment is $800 million or more, with a carryover of unutilised annual import limits permitted.

The investment commitment made by a company will have to be backed up by a bank guarantee in lieu of the foregone customs duty. The bank guarantee is liable to be invoked in cases of non-achievement of DVA and the minimum investment criteria defined under the policy guidelines.

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