

Frequently Asked Questions-II (FAQs-II)
For PLI Scheme for Automobile and Auto Component Industry
(PLI-AUTO or 'the Scheme')

Dated : 22nd December, 2021

1. Who is the Project Management Agency (PMA) for PLI-AUTO?

Ans: IFCI Limited (IFCI), having its Registered and Head/ Corporate Office at IFCI Tower, 61 Nehru Place, New Delhi – 110019, has been appointed as PMA for the Scheme. Email ID of the PMA is pliauto@ifcilttd.com

2. Where can the applicant access the details of the Scheme and make submission of the online application form?

Ans: The official portal of the Scheme is <https://pliauto.in/>. All the relevant information such as notifications on Scheme, Guidelines, FAQs, format of Application Form and List of Advanced Automotive Technology Products is available as public information on this portal. All applications are to be submitted through this online portal. The online application form shall be accessible after due registration by the applicant on the portal.

3. Applications will be invited within 60 days of notification of this scheme. The window for receiving applications through the Notice Inviting Applications will be for a period of 60 days. What is the duration of the Application Window? Is the Application Window open?

Ans: As per paragraph 5 of the notification dated 09/11/2021 regarding (i) Application Form and (ii) List of Advanced Automotive Technology Products, the window for receiving applications through the Notice Inviting Applications will be open for a period of 60 days from the date of its publication in the official Gazette. Accordingly, the window for receiving Applications is already open with effect from 11th November, 2021 till 23:59:59 hours IST on 9th January, 2022.

4. The scheme covers group companies. If two companies are having common one or more individual promoter(s), who is/ are directly or indirectly able to control such two companies by 26% or more voting rights or appointment of more than 50% Board members, can such two companies be treated as group companies under the scheme?

Ans: Yes, as per clause 2.17 of the guidelines, such companies shall be treated as group companies under the Scheme.

5. Can the revenue/ investment/ net worth of individual promoters of the companies/ group companies be considered under Global group revenue/ Global Investment/ Global net worth, respectively, for eligibility under the Scheme?

Ans: No. Revenue/ investment/ net worth of individual promoters will not be considered under Global group revenue/ Global Investment/ Global net worth, respectively, for eligibility under the Scheme because the scheme recognises company/ group company(ies), not individual promoters.

6. Whether expenditure related to Transfer of Technology (ToT) Agreements including the purchase of technology are covered as eligible investment under the scheme?

Ans: As per question 47 of the FAQs dated 8th October, 2021, the capital expenditure on Engineering Research & Development (ER&D) and product design & development is allowed under the scheme.

It is further clarified that the Capital expenditure on ER&D and product design & development related to the eligible products shall be allowed for the purpose of Investment under the Scheme. The term “**related**” here refers to all stages in the entire value chain of the goods proposed to be manufactured including software integral to the functioning of the same. Such expenditure shall include expenditure on in-house and captive ER&D, directly attributable to eligible products, including all stages in the entire value chain of the goods proposed to be manufactured including software integral to the functioning of the same. Such expenditure shall include test and measuring instruments, prototypes used for testing, purchase of design tools, software cost (directly used for ER&D) & license fees, expenditure on technology & transfer of technology (ToT) Agreements including the purchase of technology, IPR, Patents and copyrights for ER&D, subject to all relevant documents for same being submitted to MHI/ PMA.

7. Whether expenditure on royalty is covered as eligible investment under the scheme?

Ans: No. The expenditure on royalty is not covered under the scheme.

8. Will the Testing Agency of MHI follow approval procedure after the applicant approval from MHI or at the time of pre-approval stage?

Ans: Approved applicant (i.e. post receipt of Approval letter under the Scheme) shall apply for registration/ approval of their products as approved eligible Advanced Automotive Technology (AAT) products with Testing Agency of MHI on an ongoing basis.

9. Is there any restriction on selection of AAT products by the approved applicants under the Scheme?

Ans: An approved applicant under Champion OEM scheme will have option to seek incentive for any number of permissible AAT Vehicle products. Similarly, an approved applicant under Component Champion scheme will have option to seek incentive for any number of permissible AAT Component products. It may, however, be noted that Total Incentive per entire Group company(ies) is capped at ₹ 6,485crore (25% of total incentives outlay under this Scheme).

10. As per the notified application form, applicants are required to submit details of AAT products to be manufactured during the tenure of the Scheme. Will selected AAT products be part of approval letter to be issued by MHI/ PMA?

Ans: The information sought in the application form regarding AAT products is indicative only. There will not be any mention of AAT products in the approval letter to be issued by MHI/ PMA. The applicant once approved may change their selected AAT products at any time with intimation to MHI/ PMA. It may further be noted that post approval/ selection of applicant under the Scheme, the approved applicant will apply for registration of their products as eligible Advanced Automotive Technology (AAT) products to seek incentive in this scheme. Pre-approval of eligible product will be done by Testing Agency of MHI as AAT Product. Minimum 50% domestic value addition will be required. Applicant can register with Testing Agency for new AAT products on an ongoing basis.

11. In reference to Question-11 of FAQs dated 8th October, 2021, what would be the minimum threshold limit for Cumulative New Domestic Investment and Determined Sales Value for existing automotive manufacturing company applying under Champion

OEM Scheme ("Except 2W & 3W" plus "2W & 3W") and Component Champion Scheme?

Ans: Existing automotive manufacturing company (EAMC) applying under both Champion OEM Incentive scheme and Component Champion Incentive scheme, will have to meet minimum cumulative domestic investment condition of ₹2,000 crore for Champion OEM Incentive scheme **AND** of ₹250 crore for Component Champion Incentive scheme i.e. ₹2,250 crore in aggregate, by March 31, 2027.

Existing automotive manufacturing company applying under both Champion OEM Incentive scheme and Component Champion Incentive scheme will have to meet minimum threshold determined sales value of ₹125 crore for Champion OEM Incentive scheme **AND** of ₹25 crore for Component Champion Incentive scheme in the first year (i.e. FY2021-22).

12. In reference to Question-11 of FAQs dated 8th October, 2021, what would be the minimum threshold limit for Cumulative New Domestic Investment and Determined Sales Value for new automotive investor company applying under Champion OEM Scheme and Component Champion Scheme?

Ans: New Non-Automotive Investor Company (NNIC) applying under both Champion OEM Incentive scheme and Component Champion Incentive scheme, will have to meet minimum cumulative domestic investment condition of ₹2,000 crore for Champion OEM Incentive scheme **AND** of ₹500 crore for Component Champion Incentive scheme i.e. ₹2,500 crore in aggregate, by March 31, 2027.

New Non-Automotive Investor Company applying under both Champion OEM Incentive scheme and Component Champion Incentive scheme will have to meet minimum threshold determined sales value of ₹125 crore for Champion OEM Incentive scheme **AND** of ₹25 crore for Component Champion Incentive scheme in the first year (i.e. FY2021-22).

13. Is the minimum new domestic investment condition applicable per product or at consolidated level for all the AAT products?

Ans: The minimum new domestic investment condition is applicable for the eligibility of the applicant during the tenure of the scheme and it will be tested as per table at Para 3.2 (c) of the scheme. Further, as per para 2.19

of the guidelines, investment has to be made for **eligible products** under the Scheme. Accordingly, investment made for eligible products **at consolidated level** shall be considered for arriving at new domestic investment.

14. Is the threshold determined sales value condition applicable per product or at consolidated level for all the AAT products?

Ans: The threshold determined sales value condition shall be tested after aggregating the sales across all approved eligible AAT products (i.e. the products having minimum 50% DVA as approved by the Testing Agency of MHI) of the applicant. Further as per Q11 & Q12 above, the applicant has to meet minimum threshold determined sales value of ₹125 crore for Champion OEM Incentive scheme and of ₹25 crore for Component Champion Incentive scheme in the first year (i.e. FY2021-22). However, as per question 12 of the FAQs dated 08th October, 2021, any double claim of incentive for the same AAT product under component level and vehicle level can lead to disqualification of the legal entity on this ground alone.

15. As per Question-12 of FAQs dated 8th October, 2021, any product will be incentivized only once. How will the mechanism for this single incentive work?

Ans: As per question 12 of the FAQs dated 8th October, 2021, any eligible product shall be incentivized only once under the scheme. Any double claim of incentive for the same product under component level and vehicle level can lead to disqualification of the legal entity involved on this ground alone in addition to any other legal action as applicable under the law.

It is further clarified that after approval by the Testing Agency of MHI, the List of all the approved applicants along with their approved eligible AAT products will be displayed at the MHI portal and the Scheme portal. All applicants are required to check if any of their suppliers have been approved under the PLI scheme and if so, then it will be the onus of the applicant to determine if any of such suppliers shall be making claim for incentive under the Scheme for a particular period. It will be the responsibility of the applicant to ensure deductions of the amounts pertaining to inputs/ raw-materials/ components, etc. for which their supplier(s) or the applicant itself (in case of captive consumption for manufacturing of approved eligible AAT products) shall be making a claim for incentive.

16. In reference to section 2.1 of the Application form, where parent is the main applicant and subsidiary's name is added as a joint applicant in the application, who will receive incentive for the sales made by the subsidiary?

Ans: As per question 48 of the FAQs dated 8th October, 2021, if a parent company and its subsidiary company both are in the manufacturing of automobile and/or auto components business and parent company applies under the scheme jointly with the details of subsidiary company (but subsidiary company does not separately apply under the scheme), then the sales of the approved eligible products manufactured by the subsidiary company will be considered in the Determined Sales Value of the parent company under the scheme. Accordingly, the incentive will be received by the parent company only.

17. The Company is evaluating to make investment for production of eligible AAT vehicles. With regard to hydrogen fuel cell vehicle, being new and developing technology, while hydrogen fuel vehicle manufacturing facility will be commissioned, there is a possibility that the sale of such vehicles may occur post 5 years. In this context, assuming that minimum determined sales value for each year will be achieved through the sale of other eligible AAT products (other than hydrogen fuel cell vehicles), we understand that the investment for production of hydrogen fuel cell vehicles made on or after 01/04/2021 and capitalized in the books of accounts of the company shall be eligible as investment under the PLI scheme. Please confirm?

Ans: As per paragraph 2.19 of the guidelines dated 23/09/2021, investment has to be made for eligible products under the Scheme. Accordingly, investment made for eligible products shall be considered for arriving at new domestic investment.

18. Can investment for purchase of asset within the group companies qualify for investment i.e. slump sale or any other restructuring resulting in investment by other company will qualify as investment for the purpose of scheme? Whether investment in second hand machinery is covered under the scheme?

Ans: As per paragraph 3.2.c & 4.2 of the Scheme Notification dated 23/09/2021, applicant has to meet cumulative new domestic investment condition.

Accordingly, slump sale/ second hand machinery would not be considered while calculating cumulative new domestic investment.

19. In reference to Question-60 of FAQs dated 8th October, 2021, is incentive applicable on PLI-Auto dependent on both schemes of PLI-Auto and FAME-II?

Ans: No. Incentive applicable under PLI Scheme for Automobile and Auto Component (PLI-Auto) is purely governed by its Scheme & Guidelines dated 23rd September, 2021. Sales of any eligible AAT Product with minimum 50% Domestic value addition (DVA) will be eligible for incentive under this scheme.

This scheme has reference of FAME-II Scheme for Performance Criteria of Battery Electric Vehicles (BEV) and "similar" Phased Manufacturing Programme (PMP). FAME-II Scheme is extended upto 31st Mar 2024 vide Gazette Notification No S.O. 2526(E) dated 25th Jun 2021.

Performance Criteria for Battery Electric Vehicles may be governed by FAME-II scheme or as notified from time to time by MHI. Since FAME-II Scheme is extended, therefore, Performance Criteria for BEV has been kept as per FAME-II scheme and has not been notified separately by MHI at present, for the purpose of this scheme.

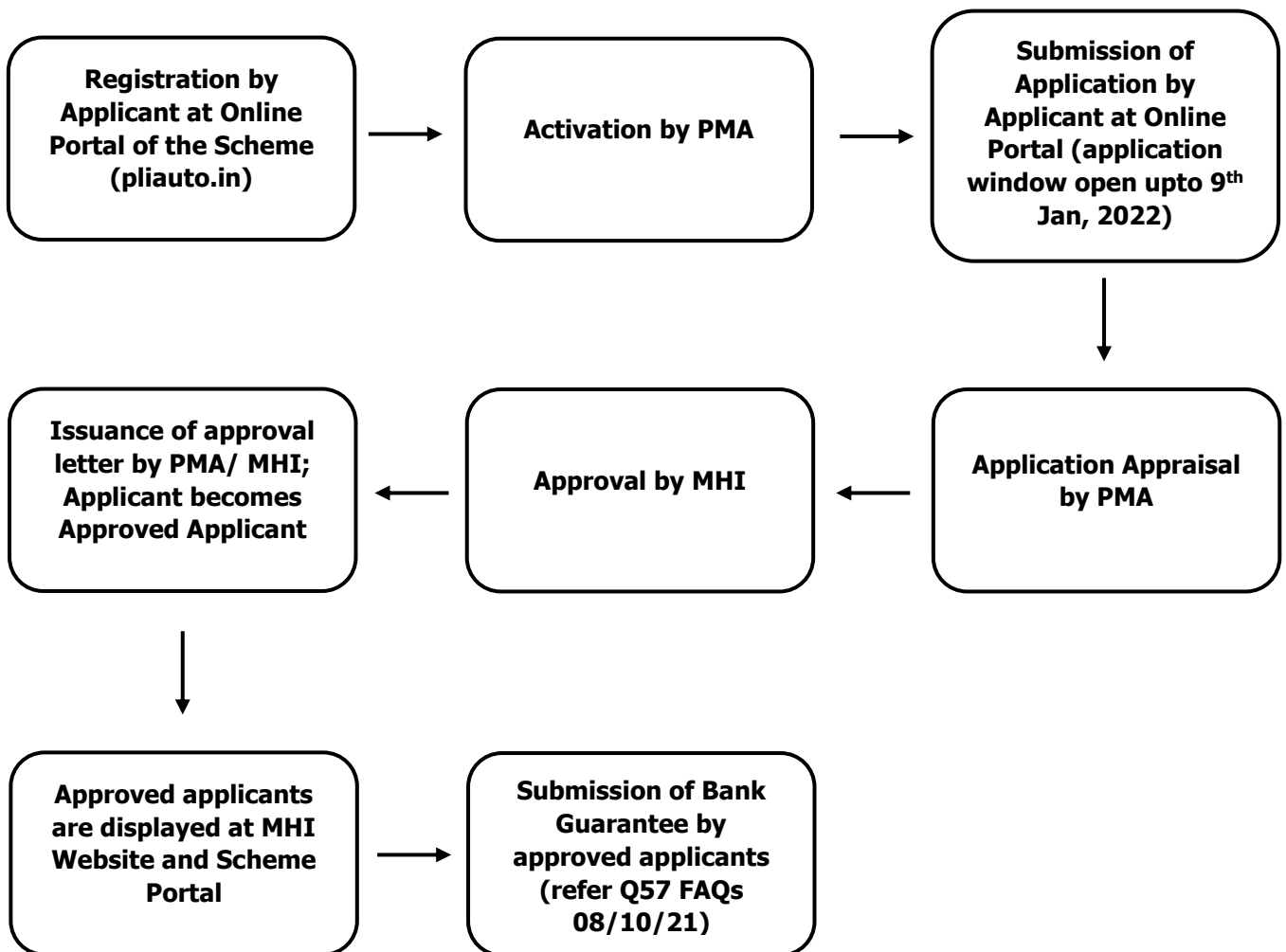
In FAME-II scheme, only BEVs meeting the criteria are eligible for Demand Incentive. Whereas list of AAT Products under PLI Auto covers BEV and its components. The PLI Auto scheme incentivises only those eligible AAT products for which minimum 50% DVA is achieved. Further, it is expected that DVA will gradually rise to more than 50% DVA during the tenure of this scheme. This scheme covers AAT products other than BEV as well Phased Manufacturing Programme (PMP) may be required for some challenging AAT Products. PMP will be issued based on the requirement. Other PLI Schemes like PLI Scheme for Advanced Chemistry Cell (ACC), Specialty Steel, etc. will also help in achieving higher DVA for Automobile and Auto Components.

20. For better understanding of the procedural aspects of the scheme, can it be displayed in form of Flow Chart with different stages?

Ans: Indicative stage-wise procedural flow chart of the scheme is produced below:

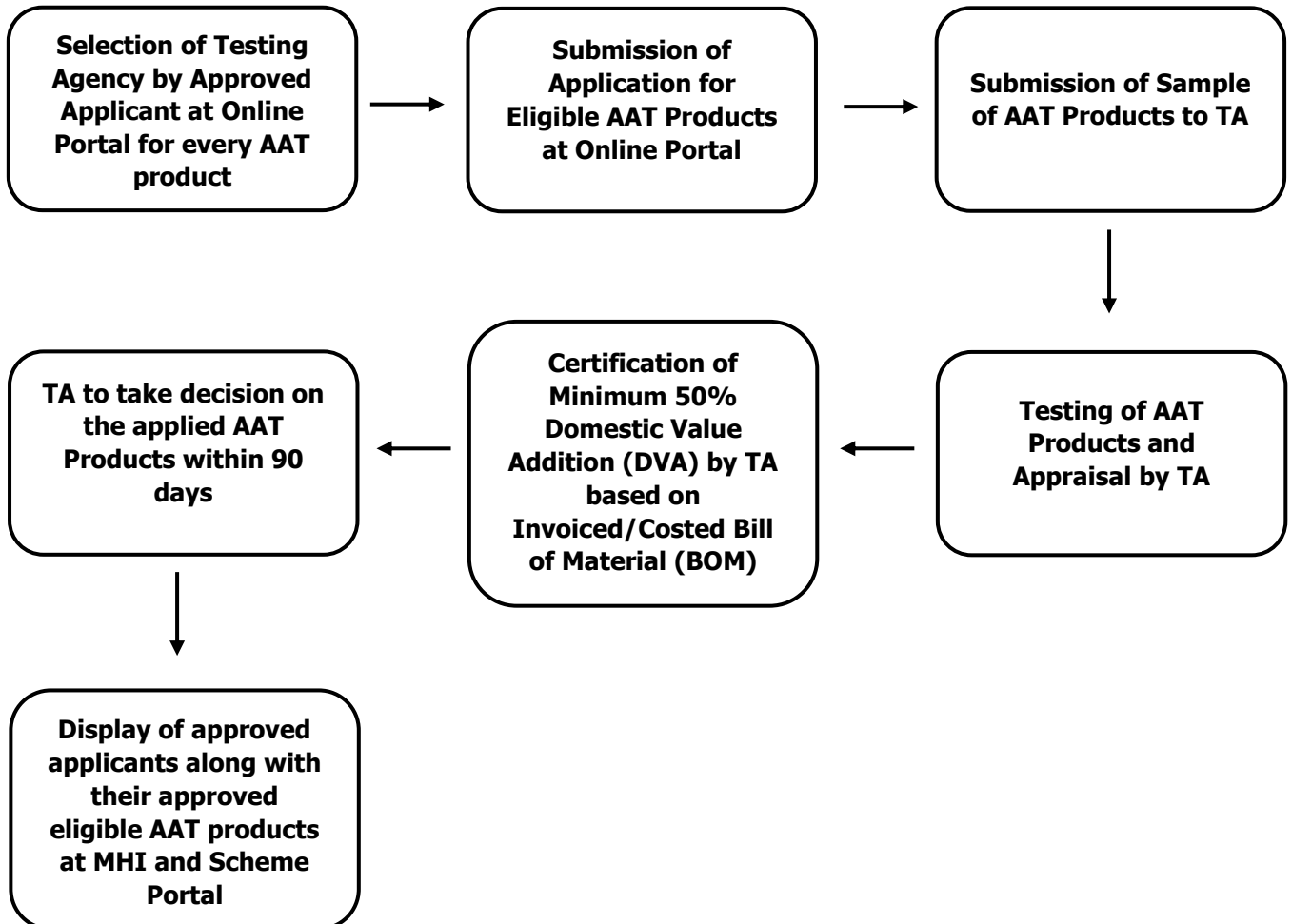
Indicative Stage-Wise Procedural Flow Chart for PLI-Auto

Stage - I: Application Submission, Appraisal and Approval of Applicants

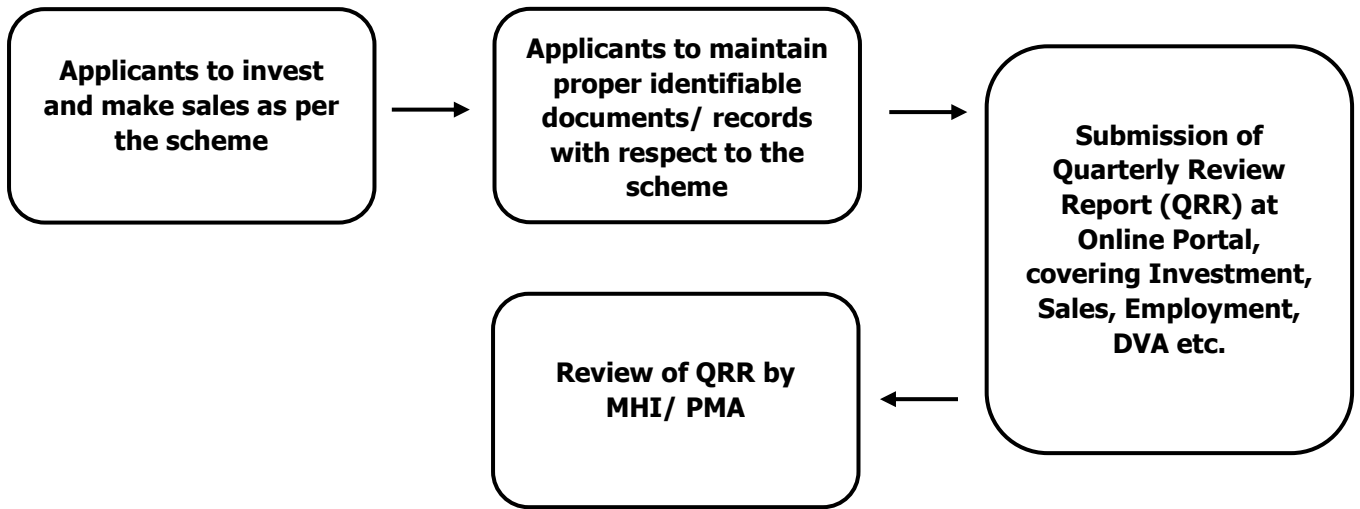


Stage - II: Operationalisation of the scheme

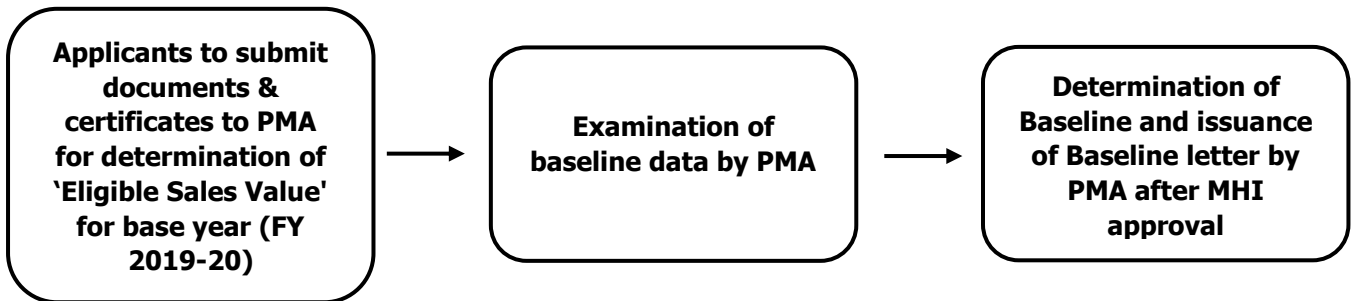
A. Approval of Eligible Advanced Automotive Technology (AAT) Products by Testing Agency (TA) of MHI



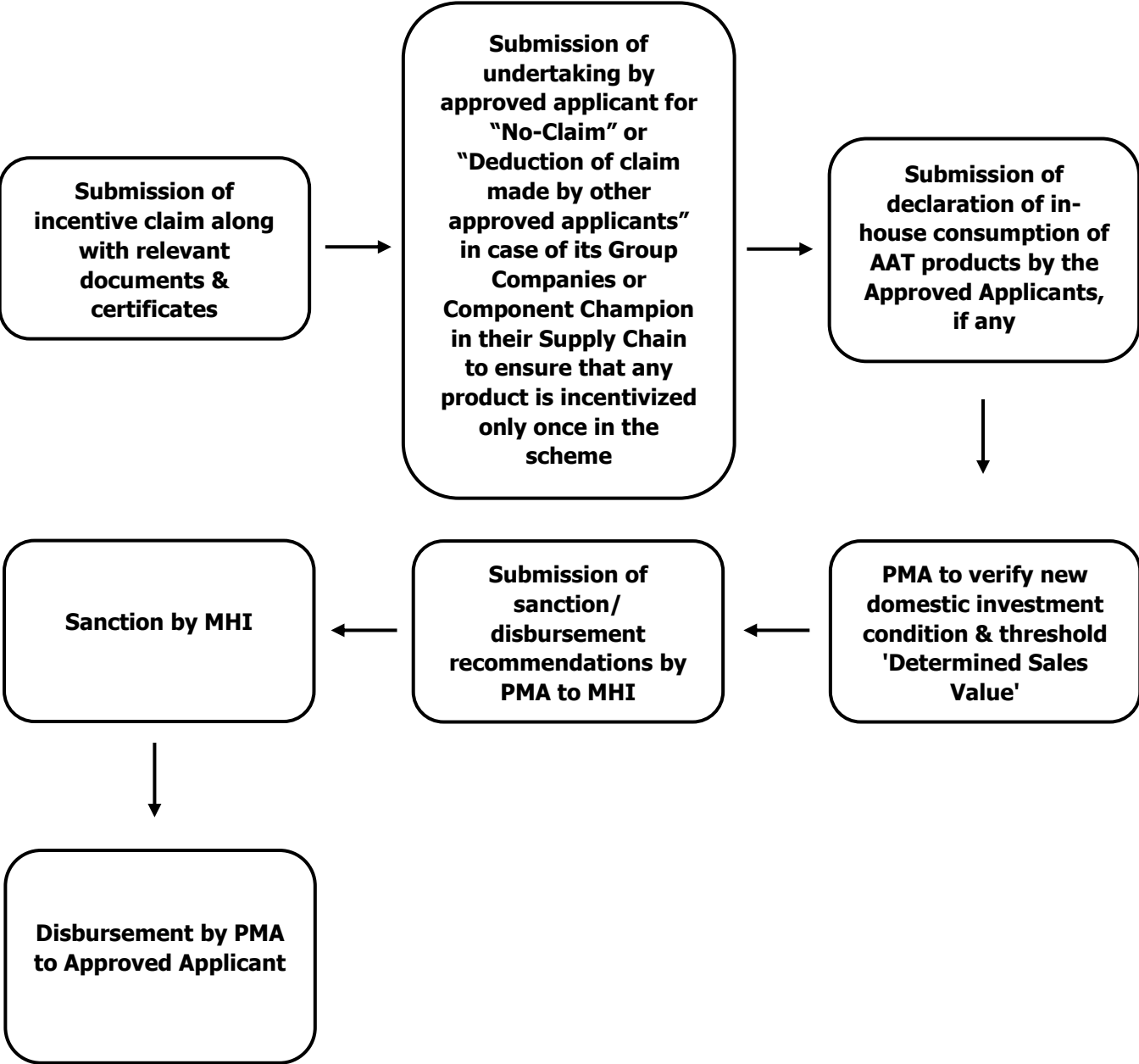
B. Quarterly Performance by Approved Applicants



C. Baseline determination



Stage-III: Incentive claim submission and Disbursement



21. In reference to Question-57 of FAQs dated 8th October, 2021, what will be the format for Bank Guarantee and related undertakings?

Ans: The format for A.) Bank Guarantee and B.) Undertaking for providing Bank Guarantee is provided below:

A.)

BANK GUARANTEE

(From any scheduled commercial bank)

This Deed of Guarantee executed on this _____ day of _____, 20-
at _____ by _____ (from any scheduled commercial bank), having its Head
Office / Registered Office at _____ and inter-alia a Branch Office
at _____ (hereinafter referred to as the Bank or 'the Guarantor',
which expression shall unless it be repugnant to the subject or context hereof be deemed to
include its successors and assigns).

In favour of

Ministry of Heavy Industries, Government of India, Udyog Bhawan, Rafi Marg, New Delhi –
110011 (hereinafter referred as MHI) represented by IFCI Limited, having its registered
office at IFCI Tower, 61 Nehru Place, New Delhi – 110019, acting as the Project Management
Agency (PMA) for Production Linked Incentive Scheme for Automobile and Auto Component
Industry (PLI-AUTO or 'the Scheme').

WHEREAS

- A. [.....], a Company within the meaning of the Companies Act, 2013 and having its Registered Office at [-----] (herein after referred to as 'the Applicant' which expression unless repugnant to the subject or context includes its successors. Legal representatives and permitted assigns) and has been awarded approval under the above scheme vide Letter Reference ----- dated -----.
- B. In terms of the undertaking dated ----- and question no. 57 of the FAQs dated 8th October, 2021, the Applicant has to provide a Bank Guarantee for an amount equivalent to Rs. ----- (Rupees -----) which is calculated in line with the undertaking.
- C. At the request of the Applicant, the Guarantor has agreed to provide this guarantee, being these presents, guaranteeing the due and punctual performance/ discharge by the Applicant of its obligations.

NOW THEREFORE THIS DEED WITNESSETH AS FOLLOWS:

- A. The Guarantor hereby irrevocably guarantees the due and compliance of terms by the Applicant of all its obligation under the said undertaking and approval letter, as amended from time to time;
- B. The Guarantor shall, without demur, pay to MHI / PMA sums not exceeding in aggregate Rs. ----- (Rupees -----) within five (5) bank working days (as per the Reserve Bank of India) of receipt of a written demand thereof from MHI / PMA stating that the Applicant has failed to meet its obligations under the said undertaking. The Guarantor shall have not to go into the veracity of any breach or failure on the part of the Applicant or validity of the demand so made by MHI/ PMA and shall pay the amount specified in the demand notwithstanding any direction to the contrary given or any dispute whatsoever raised by the Applicant or any other person. The Guarantor's obligations hereunder shall subsist until all such demands are duly met and discharged in accordance with the provisions hereof;
- C. The Guarantor agrees that its liability under this guarantee shall in no manner be affected by any such variation, alteration, modification, waiver dispensation and that no further consent of the Guarantor is required for giving effect to any such variation, alteration, modification, waiver dispensation with or release of security;
- D. This Guarantee shall be irrevocable and shall remain in full force and effect till 31/03/2029;
- E. Until and unless discharged/ released earlier by MHI / PMA in accordance with the provisions of the said undertaking, the Guarantor's liability in aggregate shall be limited to a sum of Rs. -----(Rupees -----);
- F. This Guarantee shall not be affected by any change in the constitution or winding up of the Applicant/ Guarantor or and absorption, merger or amalgamation of the Applicant/ Guarantor with any other person;
- G. The Guarantor has power to issue this Guarantee and discharge the obligations contemplated herein, and the undersigned is duly authorized to execute this Guarantee pursuant to the power granted under.

All future correspondence with reference to this Guarantee shall be made to.
..... (Bank Name and Address).

The jurisdiction in relation to this Guarantee shall be the Courts at New Delhi and Indian Law shall be applicable.

IN WITNESS WHEREOF THE GUARANTOR HAS SET ITS HANDS HEREUNTO ON THE: DAY, MONTH AND YEAR FIRST HEREINABOVE WRITTEN

SIGNED AND DELIVERED by-----Bank by
the hand of----- its-----and authorized
official.

B.)

UNDERTAKING FOR PROVIDING BANK GUARANTEE

(From applicant on its letterhead)

1. We, hereby, acknowledge that the incentive that would/ may be provided to us under the Production Linked Incentive Scheme for Automobile and Auto Component Industry (PLI-AUTO or 'the Scheme'), notified by Ministry of Heavy Industries (MHI) vide Gazette Notification CG-DL-E-23092021-229899 No. 3612 dated 23rd September, 2021 in Part-II, Section 3, Sub-section (ii) of the Gazette of India (EXTRAORDINARY) and other relevant guidelines, frequently asked questions (FAQs), communications from time to time, will be provided to us based on and after relying upon, the information provided by us to avail the said incentive.
2. We hereby confirm that the information provided by us for availing the said incentive is true, correct and complete in all respects and that no material fact/ information that may have an adverse impact on the information provided by us for availing the said incentive has been concealed.
3. We hereby confirm that the minimum cumulative new domestic investment in the project, as applicable as per the approval letter, is to be made by us within a specified period of time and that we shall comply with the terms as laid out at question 57 of FAQs dated 8th October, 2021.
4. With regard to the aforesaid transactions, we hereby undertake the following:
 - A. We undertake to provide Bank Guarantee from a schedule commercial Bank for the amount which is mentioned below:

Sr. No.	Particulars	Details
1.	Date of issuance of the Approval Letter	
2.	Validity period of BG	Up to 31/03/2029
3.	Applied Schemes:	
3A.	Champion OEM Scheme	Rs.5 crore

3B.	Component Champion Scheme	Rs.1 crore
3C.	Both Schemes	Rs.6 crore

- B. In case of loss, mutilation, force majeure or any other eventualities, with respect to Original BG (favouring MHI / PMA, held at PMA), MHI/ PMA will not be liable for the same and the onus would be with us to arrange for alternate/ duplicate BG in place of the original BG.
- C. We also understand that the BG will be released to us on completion of the scheme and/ or completion of the validity period.

Signature of the Authorised Signatory

Name & Designation with Address:

Date:

Place: