Quote by Nikhil Dhaka, Vice President, Primus Partners

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Make-in-India EV goal may take a hit

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Cut in auto PLI outlay to hinder cost reduction too

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THE REDUCTION IN the allocation for the production-linked incentive (PLI) scheme for automobiles and auto components by 20% for FY26 will likely delay the indigenisation of India's electric vehicle (EV) sector and the accompanying reduction in costs.

Moreover, just as in FY25, only a select few players—primarily the larger ones—will be able to claim incentives, according to Nikhil Dhaka, vice president at Primus Partners.

The government has slashed the allocation for the scheme from ₹3,500 crore in FY25 to ₹2,819 crore in FY26. The total allocation for the scheme is ₹25,938 crore for a period of 5 years (FY23 to FY27). Experts say this cut reflects the government's belief that only a handful of companies will be able to meet the scheme's criteria and claim incentives in the near future.

This insight comes as only two players — Tata Motors and Mahindra & Mahindra — of the 82 selected participants were able to benefit from the scheme by January 31.

The Revised Estimates (RE) in the Budget revealed that nearly 90% of the ₹3,500 crore allocated for FY25 went unspent, due to the industry's inability to meet key targets such as the 50% domestic value addition (DVA) and determined sales value goals.

Of the 18 players selected in the 'Champion OEM' category (vehicle manufacturers), 12 companies — including Ashok Leyland, Axis Clean Mobility, BNC Motors (formerly Booma Innovative Transport Solutions), Elest, Hero MotoCorp, Hop Electric Manufacturing, Hyundai Motor India, Kia India, PCA Automobiles India, Piaggio Vehicles, Pinnacle Mobility Solutions and Suzuki Motor Gujarat — were unable to meet the DAV targets.

In the 'Component Champion' category, 58 out of 64 players—including major automotive manufacturers such as Bharat Forge, CEAT, Cummins Technologies, Hero Cycles, Hero MotoCorp, Lumax Auto Technologies, Minda Corporation, and Tata Cummins—also failed to meet the DVA targets.

The scheme's underperformance raises concerns highlighted in the Economic Survey, which points to the country's heavy reliance on China for sourcing EV parts and raw materials. The Economic Survey emphasises that future EV policies should focus on de-risking supply chains and building a self-reliant ecosystem via increased R&D. Experts also warn that delays in achieving the PLI scheme's goals are damaging the industry.

FEWER CLAIMANTS

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