



PLI Scheme for Auto & Drone Sector


Why in News

Recently, the Union Cabinet approved a Rs. 26,058 crore [Production Linked Incentive \(PLI\) scheme](#) for auto, auto-components and [Drone](#) industries to enhance India's manufacturing capabilities.

- The scheme for the sector is part of the overall production-linked incentives announced for 13 sectors in the [Union Budget 2021-22](#) with an outlay of Rs 1.97 lakh crore.
- It is a significant milestone in India's journey towards '[Atma Nirbharta](#)' and will **enable the country to join the top order of Auto and Drone manufacturing nations.**


// **Takeaways**

Auto



- Incentives worth **₹26,058 crore** to be provided over five years
- To attract fresh investments of over **₹42,500 crore**
- Incremental production of **₹2.3 lakh crore**
- Job creation for **7.6 lakh people**
- To help promote advance automotive technologies, clean energy
- Open to existing automotive companies and new investors

Drone



- Drone industry to be allocated **₹120 crore**, over three years
- Expected to bring fresh investments of over **₹5,000 crore**
- Incremental production of over **₹1,500 crore** likely

Key Points

- **PLI Scheme:** **HOW DOES THE INCENTIVE WORK**
It is a kind of subsidy to the sector
- | | | |
|---|--|---|
| Is a direct payment from the budget to goods made in India | Amount varies from sector to sector | Is based on disadvantage /disability faced by a sector |
|---|--|---|

- PLI scheme, introduced in March 2020, aims **to give companies incentives on incremental sales** from products manufactured in domestic units.
- Apart from **inviting foreign companies to set shop in India**, it also aims **to encourage local companies** to set up or expand existing manufacturing units.
- It has also been approved for sectors such as automobiles, [pharmaceuticals](#), [IT hardware including laptops](#), [mobile phones & telecom equipment](#), [white goods](#), [chemical cells](#), [food processing](#), [Textile Sector](#) etc.

▪ **PLI for Auto Sector:**

◦ **About:**

- It excludes conventional **petrol, diesel and CNG segments** (Internal Combustion Engine) since it has sufficient capacity in India.
- It is incentivizing **only advanced automotive technologies** or auto components whose supply chains are weak, dormant, or non-existing.
- It is **aimed at boosting new technology and the economy of clean fuels**.

◦ **Components:**

• **Champion OEM (Original Equipment Manufacturers) Scheme:**

- It is a **sales value linked plan**, applicable to Battery Electric and [Hydrogen Fuel](#) Cell Vehicles of all segments.

• **Champion Incentive Scheme:**

- It is a **Sales Value Linked** plan for advanced technology components, Complete and Semi-Knocked Down (CKD/SKD) kits, vehicle aggregates of 2-wheelers, 3-wheelers, passenger vehicles, commercial vehicles and tractors.

◦ **Significance:**

- This scheme along with the already launched [PLI for Advanced Chemistry Cell](#) and [Faster Adoption of Manufacturing of Electric Vehicles \(FAME\)](#) Scheme will give a **big boost to the manufacture of Electric Vehicles**.
- It will contribute towards **reducing carbon emissions and oil imports**.
- It will **encourage production of auto components using advanced technologies** that will boost localisation, domestic manufacturing and also attract foreign investments.
- It will help setting up **new facilities and create more jobs**. It is expected to generate **7.5 lakh jobs for the auto sector**.

▪ **PLI for Drone Sector:**

◦ **About:**

- It covers a **wide variety of drone components**, including airframe, propulsion systems, power systems, batteries, inertial measurement unit, flight control module, ground control station, communication systems, cameras, sensors, spraying systems, emergency recovery system, and trackers.
- It is **expected to bring fresh investments of over Rs 5,000 crore and incremental production of over Rs 1,500 crore** and create additional employment of about **10,000 jobs**.

◦ **Significance:**

- It will **encourage entrepreneurs to strive towards building drones**, components, and software for the global market. It will also **open many more verticals for the utilisation of drones**.
- It will **help reduce imports**. At present 90 % of the drones in India are imported.

- The government intends to make India into a **global drone hub by 2030**.

[Source: IE](#)

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