



Ford takes a U-turn, To return to India with PLI scheme

- By Ankit Agrawal

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NEW

Ford Motor to return to India? What its inclusion in Centre's PLI scheme means

Ford Motor is one of the 20 carmakers who have been selected under the 'Champion OEM Incentive Scheme' of the Centre's PLI scheme.

By HT Auto Desk | Updated on: 12 Feb 2022, 08:57 AM





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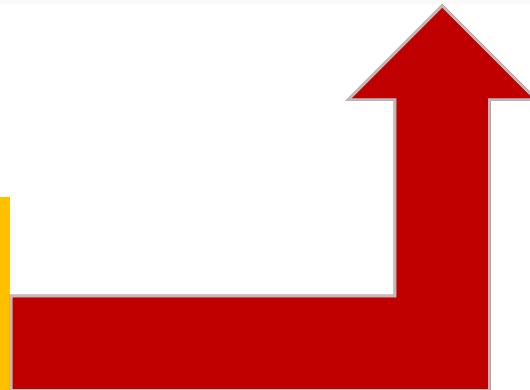
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WHAT HAS HAPPENED?

Ford announced on 11 February that it is considering producing electric vehicles (EVs) in India for export and possibly **local sale**.

This news comes just months after the American automaker announced its decision to **discontinue** selling and **manufacturing** automobiles in the country.

It said in September 2021 that the decision was taken because the **company could not see a path to profitability**.

WHAT FORD IS SAYING NOW?

As per a **report by Reuters**, on 11 February, Ford said in a statement that it was “**exploring the possibility of using a plant in India as an export base for EV manufacturing**”.

Additionally, regarding **selling EVs in Indian market**, a spokesperson of the company said that “**there have been no specific discussions on this right now, but** it is not out of the realm of future consideration”.

The manufacturer previously stated that **it intends to invest \$30 billion in EVs and batteries by 2030.**

Ford had fewer than 2% of the Indian passenger vehicle market when it discontinued manufacture after struggling to make a profit for more than two decades.

However, analysts said the reorganisation was a good idea.

Gaurav Vangaal, Associate Director, Light Production Forecasting at IHS Markit told *Reuters*,

Manufacturing in India provides a cost advantage and the firm has a history of exporting vehicles to North America and Europe, both of which **are now big and expanding EV markets.**

“Ford **will have to prove India** can also be **cost-competitive** for making **EVs**, for which it will **need big investments to localize the supply chain,**” he noted.

In addition, Vangaal stated that **Ford must also determine how it will obtain lithium-ion batteries.**

BUT WHY EV NOW BY FORD?

Ford's remarks about looking at India as an EV manufacturing hub came **after the company's proposal to seek incentives under the government's clean-fuel vehicle incentive programme was accepted.**

The American automobile company **now has been included in Rs 25,938 crore Production Linked Incentives Scheme (PLI Scheme) along with several other companies.**

This plan is the foundation of the Indian government's effort to reduce oil imports and pollution by rewarding corporations for new investments in electric and hydrogen fuel-powered vehicles.

PLI SCHEME FOR AUTOMOBILE INDUSTRY

A total of 115 companies had filed their application under the PLI scheme for automobile and auto component industry which was **notified in September last year.**

The objectives of the scheme include overcoming cost disabilities, creating economies of scale and **building a robust supply chain in areas of AAT products.**

This scheme will facilitate the automobile industry to move up the value chain into higher value-added products, apart from generating employment.

We had **opened the application window of 60 days**, which **closed on 9 January** this year and received a total of 115 applications,

Including 87 under the **auto component category** and **38 under the OEM vehicle category**.

Five applicants applied **in both categories**, the secretary said.

The scheme for the auto sector is **open to existing automotive companies as well as new investors** who are **currently not in the automobile or auto component** manufacturing business.

It has **two components** – the **champion OEM incentive scheme** and the **component champion incentive scheme**.

The OEM incentive scheme is a **‘sales value-linked’ scheme**, applicable to **EVs and hydrogen fuel cell vehicles across all segments**.

Champion OEM (Except 2W & 3W)

- Ashok Leyland Limited
- Eicher Motors Limited
- Ford India Private Limited
- Hyundai Motor India Limited
- Kia India Private Limited
- Mahindra & Mahindra Ltd.
- PCA Automobiles India Private Limited
- Pinnacle Mobility Solutions Private Limited
- Suzuki Motor Gujarat Private Limited
- Tata Motors Limited

Champion OEM 2W & 3W

- Bajaj Auto Limited
- Hero MotoCorp Ltd.
- Piaggio Vehicles Private Limited
- TVS Motor Company Limited

New Non-Automotive Investor (OEM)

- Axis Clean Mobility Private Limited
- Booma Innovative Transport Solutions Private Limited
- Elest Private Limited
- Hop Electric Manufacturing Private Limited
- Ola Electric Technologies Private Limited
- Powerhaul Vehicle Private Limited

INCENTIVES

The PLI scheme for the automobile sector **proposes financial incentives of up to 18% to boost domestic manufacturing** of advanced automotive technology products and attract investments in the automotive manufacturing value chain.

Incentives are applicable for determined sales of products manufactured in India from April 1, 2022, for a period of five consecutive years.

CONCLUSION

The automotive **PLI scheme is in addition to** the Rs 18,100 crore advanced chemistry cell and Rs 10,000 crore Faster Adaption of Manufacturing of Electric vehicles **(FAME) schemes.**

These “**will enable India to leapfrog from (a) traditional fossil fuel-based automobile transportation system to (an) environmentally cleaner, sustainable,** advanced and more efficient electric vehicles-based system,” the government had said.

Q. In which of the sectors, the PLI Scheme has been allowed by the Central Government?

1. Telecom
2. Steel
3. Electronics
4. Solar photo-voltaic modules
5. Food processing

- A) 1, 2 & 3 only
- B) 1, 2, 3 & 4 only
- C) 1, 3 & 4 only
- D) All of the above



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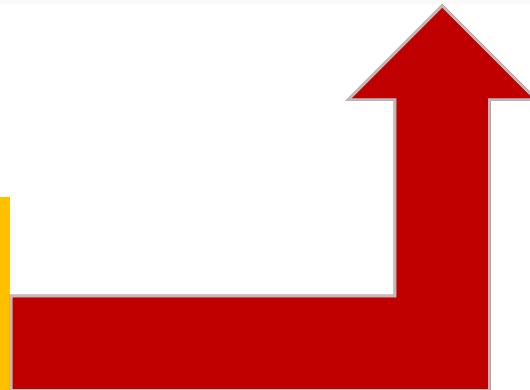
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