

# PRODUCTION LINKED INCENTIVE SCHEME

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# Atmanirbhar Bharat The Road Ahead

## 5 Pillars of Self-Reliant India



## Atmanirbhar Bharat Abhiyan

Package of  
₹ 20 lakh crores  
(about 10% of GDP\*)

Focus on Land,  
Labour, Liquidity  
and Laws

To cater to labourers, middle class,  
cottage industry, MSMEs and  
industries among others

*\*including recent economic measures and RBI announcements*

## Bold Reforms– Need of the Hour



# 1.0 Introduction :



Production-Linked Incentive or PLI scheme is a scheme that aims to give companies incentives on incremental sales (over FY 2019-20) from products manufactured in domestic units. The scheme invites foreign companies to set up units in India, however, it also aims to encourage local companies to set up or expand existing manufacturing units and also to generate more employment and cut down the country's reliance on imports from other countries.

Following are the sectors Initially covered under PLI Scheme (based on Announcement on 01st Apr 2020):

- Electronics including mobile phones and allied equipment manufacturing
- Pharmaceutical ingredients and medical devices.

In Nov 2020, government has notified 10 other sectors under the scheme:

- Food Processing
- Electronic/Technology Products
- Pharmaceuticals drugs
- Advance Chemistry Cell (ACC) Battery
- Telecom
- Textiles
- Specialty steel
- Automobiles and auto components
- Solar photo-voltaic modules
- White goods such as air conditioners and LEDs.

PRODUCTION LINKED INCENTIVES (PLI) WORTH  
~ Rs. 1,45,980 Crore FOR 10 KEY SECTORS

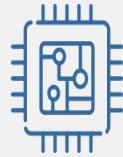
Approved financial outlay over a five-year period (in crores)

57042



Automobiles  
& Auto  
Components

5000



Electronic /  
Technology  
Products

15000



Pharmaceuticals  
Drugs and  
Medical Devices

18100



Advance  
Chemistry Cell  
(ACC) Battery

12195



Telecom &  
Networking  
Products

10900



Food  
Products

10683



Textile Products  
MMF segment  
and technical  
textiles

6322



Speciality  
Steel

6238



White Goods  
(ACs & LED)

4500



High Efficiency  
Solar PV  
Modules

# PHARMACEUTICALS DRUGS AND MEDICAL DEVICES

(vide notification 1026/60/2020 dtd 03.03.2021)

## Introduction :

- Indian pharmaceutical industry is the *3rd largest* in the world by volume and is USD 40 billion in terms of value. The country contributes **3.5%** of total drugs and medicines exported globally.
- India exports pharmaceuticals to more than 200 countries and territories including highly regulated markets such as the USA, The UK, European Union, Canada etc.

## Objective of the Scheme :

The objective of the scheme is to enhance India's manufacturing capabilities by increasing investment and production in the sector and contributing to product diversification to high value goods in the pharmaceutical sector.



## Target Groups

The manufacturers of pharmaceutical goods registered in India will be grouped based on their Global Manufacturing Revenue (GMR) to ensure wider applicability of the scheme across the pharmaceutical industry and at the same time meet the objectives of the scheme.

The qualifying criteria for the three groups of applicants will be as follows-

- Group A : GMR  $\geq$  Rs. 5000 crore
- Group B : Rs.500 crore  $\geq$  GMR  $<$  Rs.5000 crore
- Group C : GMR  $<$  Rs. 500 crore

## ELIGIBILITY CRITERIA

| GROUP OF PARTICIPANTS | MINIMUM CUMULATIVE INVESTMENT (over 5 years) | MINIMUM PERCENTAGE GROWTH IN SALES   |
|-----------------------|--|--|
| Group A               | Rs. 1000 crore                               | For <u>First year</u> , Minimum sales shall be defined in Scheme Guideline.<br>For <u>Subsequent year</u> , growth should be minimum 7 <sup>0</sup> % YOY. |
| Group B               | Rs. 250 crore                                |  |
| Group C               | Rs. 50 crore                                 |  |

**QUANTUM OF INCENTIVES** : on incremental sales over base year

| Category     | FY 2022-23 to FY 2025-26 | FY 2026-27 | FY 2027-28 |
|--------------|--------------------------|------------|------------|
| Category 1&2 | 10%                      | 8%         | 6%         |
| Category 3   | 5%                       | 4%         | 3%         |



| Category 1  | Category 2                        | Category 3   |
|---|-----------------------------------|--|
| 1. Bio-pharmaceuticals                                      | Active Pharmaceutical Ingredients | Repurposed drugs   |
| 2. Complex generic drugs                                    | Key Starting materials            | Auto immune drugs  |
| 3. Patented drugs or drugs nearing patent expiry            | Drug Intermediates                | anti-cancer drugs, anti-diabetic drugs, anti-infective drugs |
| 4. Cell based or gene therapy drugs                         |                                   | cardiovascular drugs, psychotropic drugs                     |
| 5. Orphan drugs   |                                   | anti- retroviral drugs                                       |
| 6. Special empty capsules like HPMC, Pullulan, enteric etc. |                                   | In-vitro diagnostic devices                                  |
| 7. Complex excipients                                       |                                   | Other drugs as approved                                      |
| 8. Phyto-pharmaceuticals                                    |                                   | Other drugs not manufactured in India.                       |
| 9. Other drugs as approved                                  |                                   |  |

- Base year : FY 2019-20
- Tenure of the Scheme : From FY 2021-21 to FY 2028-29
- Implementing Ministry : Department of Pharmaceuticals



# TELECOM & NETWORKING PRODUCTS (Only Guidelines Issued, notification pending)

## **OBJECTIVE :**

Telecom equipment forms a critical and strategic element of building a secured telecom infrastructure and India aspires to become a major original equipment manufacturer of telecom and networking products. The PLI scheme is expected to attract large investments from global players and help domestic companies seize the emerging opportunities and become big players in the export market.

The Scheme intends to promote manufacture of Telecom and Networking Products in India and proposes a financial incentive to boost domestic manufacturing and attract investments in the target segments of telecom and networking products in order to encourage Make in India. The scheme will also encourage exports of telecom and networking products 'Made in India'.

- The scheme shall be operational from 01<sup>st</sup> April 2021.



## **Introduction :**

The Scheme is for domestic manufacturing of telecom and networking products such as switches, routers, 4G/5G radio access network, wireless equipment and other internet of things (IoT) access devices.

## **Eligibility :**

It is subject to achieving a minimum threshold of cumulative incremental investment and incremental sales of manufactured goods as will be notified by the concerned department.

## **Incentives:**

An investor who qualifies for the scheme will be incentivised up to 20 times the minimum investment threshold, enabling them to utilise their unused capacity.

## **Special Incentives for MSME**

- For Micro, Small and Medium Enterprises (MSMEs), the **minimum investment threshold has been kept at Rs. 10 crore**, while for others it is **Rs. 100 crore**.
- For MSMEs, a **1% higher incentive** is also proposed in the **first three years**.

**Base Year** : 2019-20

**Implementing Agency** : Department of Telecom

**Last Date of Application** :

***31.07.2020***

***(will get extended, notification awaited)***



# TEXTILE PRODUCTS

India is *2<sup>nd</sup> largest* manufacturer of Textile & clothing in the world.



Salient Advantages that India posses in Textile Industry are :

- Abundance of Raw Material
- Competitive Manufacturing cost
- Rising per capita income, higher disposable incomes & pincreasing preference towards brands.
- Increased focus on technical textiles due to growth of end user industries such as Automotive, Healthcare, oil & petroleum.
- The scheme shall come into effect from FY 2022(Tentative).

## ● Eligibility & Incentives : (Proposed)

- 11% incentive to large companies for investments over Rs 500 crore in *greenfield projects* in technical textiles. The benefit, however, is linked to an incremental turnover of Rs 1,500 crore in the first year and a 25% rise in turnover each year after that.
- Firms with an annual turnover of Rs 100-500 crore will be eligible for an incentive of 9% for *brownfield projects*. This will be subject to an increase in turnover by 50% each year.
- Companies with a turnover of Rs 500 crore or more will be granted a 7% incentive in the first year. The benefit is tied to the condition that turnover has to be raised by 50% in the first year and by 25% each year after that.
- The incentives in all the categories will be trimmed by 100 basis points each year after the first year and granted for a total of five years starting FY22.

- Greenfield Project :

A Greenfield project is one that lacks constraints imposed by prior work on the site.

Greenfield project entails is development on a completely vacant site. Architects start completely from scratch.

- Brownfield Project :

A Brownfield project is one that carries constraints related to the current state of the site.

The site might be contaminated or have existing structures that architects have to tear down or modify in some way before the project can move forward.



## Products Proposed to be covered :

- PLI scheme for the textile sector has been provided only for apparels/made ups made from man-made fibres (MMF) and technical textiles.
- The scheme doesn't cover cotton garments/apparels for instance.

## Exports (\$ billion, 2019)



MMF: Man-made fibre

## Products under PLI

(Exports in \$ bn, 2019)

|                         | India | World |
|-------------------------|-------|-------|
| Clothing items (40)     | 1.1   | 140.2 |
| Technical textiles (10) | 0.7   | 82    |

# ELECTRONIC & TECHNOLOGY PRODUCTS

(vide notification W-28/1/2019-IPHW dtd 01.04.2020)

## Introduction

- Electronics permeate all sectors of the economy and the electronics industry has cross-cutting economic and strategic importance. In India, electronics manufacturing has grown rapidly with a CAGR of around 25% during the last 4 years.
- India's share in global electronics manufacturing has grown from 1.3% in 2012 to 3.0% in 2018.

## Objective of the Scheme :

The Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing proposes a financial incentive to boost domestic manufacturing and attract large investments in the electronics value chain including electronic components and semiconductor packaging.

## Eligibility Criteria & Quantum of Incentives

| Segment                                 | Proposed Incentive Rate   | Incremental Investment over base year (over 4 years) | Incremental sales of Mnf Goods over base year  |
|---|---|--|--|
| Mobile Phones<br>(Inv Value > Rs15000 ) | Year 1 : 6%<br>Year 2 : 6%<br>Year 3 : 5%<br>Year 4 : 5%<br>Year 5 : 4% | Rs. 1000 crore                                       | Year 1 : Rs. 4000 cr<br>Year 2 : Rs. 8000 cr<br>Year 3 : Rs.15000 cr<br>Year 4 :Rs.20000 cr<br>Year 5 :Rs.25000 cr |
| Mobile Phones<br>(Domestic Companies)   |   | Rs. 200 crore  | Year 1 : Rs. 500 cr<br>Year 2 : Rs. 1000 cr<br>Year 3 : Rs. 2000 cr<br>Year 4 :Rs. 3500 cr<br>Year 5 :Rs. 5000 cr  |
| Specified Electronic Components         |   | Rs. 100 crore  | Year 1 : Rs. 100 cr<br>Year 2 : Rs. 200 cr<br>Year 3 : Rs. 300 cr<br>Year 4 :Rs. 450 cr<br>Year 5 :Rs. 600 cr      |

- Base Year : 2019-20
- Tenure of the Scheme : 5 years (2020-21 to 2024-25)
- Implementing Agency : Ministry of Electronics and Information Technology
- Last Date of Application :

For Mobile & Specific Electronic components ( scheme notified on 01.04.2020 ) – **31.07.2020**

For Second round electronic components (scheme notified on 11.03.2021) – **31.03.2021**

*(will get extended, notification awaited)*



# IT HARDWARE

(vide notification W-18/28/2020-IPHW dtd 03.03.2021)

## **Introduction :**

- The domestic production of electronics hardware has increased substantially from ₹1,90,366 crore in 2014-15 to ₹5,33,550 crore in 2019-20 at a Compound Annual Growth Rate (CAGR) of 23%.
- India's share in global electronics manufacturing has grown from 1.3% in 2012 to 3.6% in 2019, as per industry estimates.

## **Objective :**

- The Production Linked Incentive Scheme (PLI) for IT Hardware proposes a financial incentive to boost domestic manufacturing and attract large investments in the value chain.

## Eligibility Criteria & Quantum of Incentives :

| Category              | Proposed Incentive Rate                                      | Incremental Investment after 31.03.2021(over 4 years)   | Net Incremental Sale of Mfg goods over base year   |
|-----------------------|--|---|--|
| IT Hardware Companies | Year 1 : 4%<br>Year 2 : 3%<br>Year 3 : 2%<br>Year 4 : 2%/ 1% | Rs. 500 cr<br>Year 1 : Rs. 50 cr<br>Year 2 : Rs. 150 cr<br>Year 3 : Rs. 300 cr<br>Year 4 : Rs. 500 cr | Year 1 : Rs. 1000 cr<br>Year 2 : Rs. 2500 cr<br>Year 3 : Rs. 5000 cr<br>Year 4 : Rs.10000 cr |
| Domestic Companies    |  | Rs. 20 cr<br>Year 1 : Rs. 4 cr<br>Year 2 : Rs. 8 cr<br>Year 3 : Rs. 14 cr<br>Year 4 : Rs. 20 cr       | Year 1 : Rs. 50 cr<br>Year 2 : Rs. 100 cr<br>Year 3 : Rs. 200 cr<br>Year 4 : Rs. 300 cr      |

- *Domestic Companies shall be defined as those which are owned by resident Indian citizens as defined in the FDI Policy Circular of 2017. A company is considered as 'Owned' by resident Indian citizens if more than 50% of the capital in it is beneficially owned by resident Indian citizens and/or Indian companies, which are ultimately owned and controlled by resident Indian citizens*
- Base Year : 2019-20
- Tenure of the Scheme : 4 years
- Implementing Agency : Ministry of
- Electronics and Information
- Technology
- Last Date of Application : **30.04.2021**
- *(may get extended, notification*
- *awaited)*





# AUTOMOBILES & AUTO COMPONENTS

## (only guidelines issued, notification awaited)

- Production Linked scheme has a long term vision to make the domestic industry more 'price competitive'. The scheme will largely favour creation of large manufacturing capacities for global standards in the country.
- Eligibility : A company would qualify for PLI only if has a revenue of Rs **1,000 crore (Rs 100 crore for component makers)** from overseas operations, **Rs 10,000 crore overall revenue (Rs 500 crore for component makers)** and a global investment of **Rs 3,000 crore (Rs 150 crore for component sector)**.
- *A detailed scheme will be Launched soon.*

# In Top Gear

₹ 57,042 cr

APPROVED FOR AUTO & AUTO COMPONENT INDUSTRY

Automakers in India are working on doubling exports in next 5 years

Component makers too aim to grow exports which currently account for a quarter of their production

Scheme intends to enhance manufacturing capabilities & exports

Cos await details of the scheme to be notified by Department of Heavy Industries

WILL ALSO HELP GROW EXPORTS, REDUCE IMPORTS

Industry veterans say PLI scheme will help cos increase competitiveness and become part of global value chain



# FOOD PROCESSING INDUSTRY

## Objective:

- To support creation of **global food manufacturing champions.**
  - To **strengthen select Indian brands of food products** for global visibility and wider acceptance in the international markets.
  - To increase **employment opportunities of off-farm jobs.**
  - To ensure **remunerative prices of farm produce** and higher income to farmers.
- Detailed Scheme & Guidelines are yet to be announced



**M O F P I**  
MINISTRY OF FOOD PROCESSING INDUSTRIES  
GOVERNMENT OF INDIA

**Production-Linked Incentive (PLI) Scheme**  
Enhancing India's Manufacturing Capabilities & Enhancing Exports  
**Atmanirbhar Bharat**



**Product Lines in the Food Processing Sector**

- Ready to Eat / Ready to Cook (RTE/ RTC)
- Marine Products
- Fruits & Vegetables
- Honey
- Desi Ghee
- Mozzarella Cheese
- Organic eggs and poultry meat



### **Incentives (Proposed) :**

- Minimum threshold investment to qualify for the scheme ranges from Rs 23 crore to Rs100 crore, with threshold sales ranging from Rs 150 crore to Rs 500 crore. Once eligible, incentive will be granted in the range of 4% to 10%, depending upon the approved sub sectors.

**Tenure :** 6 years from 2021-22 to 2026-27

### **Conclusion :**

- Expansion of processing capacity to generate processed food output of Rs. 33,494 crore.
- Create employment for nearly 2.5 lakh persons by the year 2026-27.

# Advanced Chemistry Cell Battery Storage

|                    |  |
|--------------------|--|
| <b>Scheme Name</b> | <b>Production Linked Incentive (PLI) Scheme for Advanced Chemistry Cell (ACC) Battery Storage</b>                |
| Scheme Under       | Central Government   |
| Approval Date      | May 12, 2021   |
| Beneficiaries:     | Manufacturers of batteries   |
| Major Objective    | To boost domestic production making India globally competitive thereby generating huge employment opportunities. |
| Total outlay       | Rs 18,000 crore  |



## Scheme Details :

- ❖ This scheme focuses to boost the domestic production of ACCs and Batteries thereby curbing the imports
- ❖ It also tends to promote Electric Vehicle (EV) adoption
- ❖ It aims at manufacturing 50-Gigawatt hour of ACC and 5 - Gigawatt hour of Niche ACC.
- ❖ Under this scheme, every manufacturer will set up an ACC production facility of a minimum 5-Gigawatt capacity.
- ❖ Minimum addition of **60% domestic** value addition at the project level within **5 years** is required.
- ❖ This domestic production of ACCs will lead to net savings of **Rs. 2 to 2.5 lakh Cr.** due to reduction in oil import bills.

## Other Sectors :

- The detailed scheme for other sectors such as High Efficiency PV Solar Modules, Speciality steel & other products is yet to be notified in detail.

### Conclusion :

- Government aims at increase in global competitiveness and export with proper & efficient utilization of the scheme.
- Scheme shall increase the overall production of goods which shall help us to minimize our import requirements and also increase export of the goods to various markets outside India thus boosting Indian Economy





**Thank you**

**CA JULFESH SHAH**