

## Production Linked Incentive (PLI) schemes of India



### What are Production Linked Incentive (PLI) schemes?

The Production Linked Incentive (PLI) scheme is a conventional & popular strategy used by the Government to boost the production of goods for job creation, social welfare & taxation. The PLI schemes provide eligible manufacturing companies incentives on incremental sales over the base year for a tenure of 5-6 years. It is like a subsidy being provided by direct payment for domestically manufactured goods.

The scheme invites foreign companies to set up units in India, however, it also encourages local companies to set up & / or expand existing manufacturing units & generate more employment opportunities thereby lowering reliance on imports. The incentive amount offered under the scheme varies across sectors & the savings generated from PLI scheme of one sector can be appropriated towards the other sectors in order to maximize returns. The PLI schemes are intended to incentivize large domestic & global players to participate in production & lead to more inclusive growth across the country.

The benefits of PLI schemes are generally passed on to the end consumers of goods in the form of lower costs. The PLI schemes aim to develop capacities in the local supply chain, introduce new downstream operations & incentivize investments into high-tech production.

### Introduction of PLI schemes in India

PLI schemes were first introduced in India in March 2020, targeting 3 sectors mainly:

- Mobile manufacturing & specified electronic components;
- Pharmaceutical drugs;
- Manufacturing of Medical devices

However keeping in view India's vision of becoming 'Atmanirbhar' (self-reliant) & to enhance India's manufacturing capabilities & exports, an outlay of around US\$26 billion was announced in India's Union Budget 2021-22 for PLI schemes across 13 key sectors for a period of 5 years starting from financial year (FY) 2021- 22.

### Sectors covered under PLI schemes

Sectors	Ministry / Department	5 years incentive outlay / budget (amount in INR crore)	%age of share in total outlay / budget
Automobile & Auto component	Department of Heavy Industries	57,042	28.94%
Advanced chemical cell (ACC) battery		18,100	9.17%
Mobile manufacturing & specified electronic components	Ministry of Electronics and Information Technology (MeitY)	40,951	23.29%
Electronic / Technology products	MeitY	5,000	
Telecom & Networking products	Department of Telecommunications	12,195	6.18%
Food products	Ministry of Food Processing Industries	10,900	5.52%
Textile products	Ministry of Textiles	10,683	5.41%
Pharmaceutical drugs	Department of Pharmaceuticals	15,000	12.85%
Manufacturing of Medical devices		3,420	
Critical key starting materials (KSM)/ drug intermediaries (DI)/active pharmaceutical ingredients (API)		6,940	
High efficiency Solar PV modules	Ministry of New & Renewable Energy (MNRE)	4,500	2.28%
Speciality steel	Ministry of Steel	6,322	3.20%
White goods (ACs & LED)	Department for Promotion of Industry & Internal Trade (DPIIT)	6,238	3.16%
Total		<b>1,97,291</b>	<b>100%</b>

### Primary objectives behind introducing PLI schemes

- Creation of large scale manufacturing capacity
- Export promotion & import reduction
- Employment generation

Sector-wise details of the PLI schemes

Sector	Purpose of the scheme	Eligibility criteria for applying under the scheme	Incentive provided	Period of scheme									
Automobile & Auto component	Boost domestic manufacturing of Advanced Automotive Technology (ATT) related products & attract investments in the automobile manufacturing value chain	<table border="1"> <thead> <tr> <th>Criteria</th> <th>Automobile</th> <th>Auto component</th> </tr> </thead> <tbody> <tr> <td>Group Revenue</td> <td>At least INR 10,000 crore</td> <td>At least INR 500 crore</td> </tr> <tr> <td>Group Investment</td> <td>At least INR 3,000 crore</td> <td>At least INR 150 crore</td> </tr> </tbody> </table>	Criteria	Automobile	Auto component	Group Revenue	At least INR 10,000 crore	At least INR 500 crore	Group Investment	At least INR 3,000 crore	At least INR 150 crore	Based on sale performance criteria & local value addition	5 years
Criteria	Automobile	Auto component											
Group Revenue	At least INR 10,000 crore	At least INR 500 crore											
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Advanced chemical cell (ACC) battery	Provide incentives to potential investors to set-up Giga-scale ACC manufacturing facilities with maximum value addition & quality output	<ul style="list-style-type: none"> <li>Entities that have been allocated ACC production capacity through a transparent mechanism by inviting the Request for Proposal (RFP); and</li> <li>Commit to set up minimum 5 Gigawatt hours (GWh) of ACCs manufacturing facility</li> </ul>	Based on sale performance criteria & local value addition	5 years									
Mobile manufacturing & specified electronic components	Boost domestic manufacturing & attract large investments in the electronics value chain	<table border="1"> <thead> <tr> <th>Criteria</th> <th>Mobile phones</th> <th>Specified electronic components</th> </tr> </thead> <tbody> <tr> <td>Incremental investment</td> <td>INR 200 crore over next 4 years</td> <td>INR 100 crore over next 4 years</td> </tr> <tr> <td>Incremental sales of manufactured goods</td> <td>INR 5,000 crore over next 5 years</td> <td>INR 600 crore over next 5 years</td> </tr> </tbody> </table>	Criteria	Mobile phones	Specified electronic components	Incremental investment	INR 200 crore over next 4 years	INR 100 crore over next 4 years	Incremental sales of manufactured goods	INR 5,000 crore over next 5 years	INR 600 crore over next 5 years	4%- 6% on incremental sales of goods	5 years
Criteria	Mobile phones	Specified electronic components											
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Electronics / Technology products	Boost domestic manufacturing & attract large investments in the electronics hardware & Information Technology (IT) value chain	<table border="1"> <thead> <tr> <th>Criteria</th> <th>IT Hardware companies</th> <th>IT Hardware Domestic companies</th> </tr> </thead> <tbody> <tr> <td>Incremental investment</td> <td>INR 500 crore over next 4 years</td> <td>INR 20 crore over next 4 years</td> </tr> <tr> <td>Incremental sale of manufactured goods</td> <td>INR 10,000 crore over next 4 years</td> <td>INR 300 crore over next 4 years</td> </tr> </tbody> </table>	Criteria	IT Hardware companies	IT Hardware Domestic companies	Incremental investment	INR 500 crore over next 4 years	INR 20 crore over next 4 years	Incremental sale of manufactured goods	INR 10,000 crore over next 4 years	INR 300 crore over next 4 years	1%- 4% on incremental sales of goods	4 years
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Telecom & Networking products	Boost domestic manufacturing & attract investments in the target segments of telecom & networking products	<table border="1"> <thead> <tr> <th>Criteria</th> <th>Micro, Small &amp; Medium enterprises (MSMEs)</th> <th>Entities other than MSMEs</th> </tr> </thead> <tbody> <tr> <td>Minimum *investment</td> <td>INR 10 crore</td> <td>INR 100 crore</td> </tr> </tbody> </table> <p>*Land &amp; building cost will not be counted as investment.</p>	Criteria	Micro, Small & Medium enterprises (MSMEs)	Entities other than MSMEs	Minimum *investment	INR 10 crore	INR 100 crore	4%-7% on eligible sale of goods	5 years			
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Food products	Expansion of food processing capacity & branding abroad to incentivize		4%-10% on incremental sales of products	6 years									

	emergence of strong Indian brands	<table border="1"> <thead> <tr> <th>Food products Segment</th> <th>Minimum sale</th> <th>Minimum investment</th> </tr> </thead> <tbody> <tr> <td>Ready to cook / eat</td> <td>INR 500 crore</td> <td>INR 100 crore</td> </tr> <tr> <td>Processed fruits &amp; vegetables</td> <td>INR 250 crore</td> <td>INR 50 crore</td> </tr> <tr> <td>Marine</td> <td>INR 600 crore</td> <td>INR 75 crore</td> </tr> <tr> <td>Mozzarella cheese</td> <td>INR 150 crore</td> <td>INR 23 crore</td> </tr> </tbody> </table>	Food products Segment	Minimum sale	Minimum investment	Ready to cook / eat	INR 500 crore	INR 100 crore	Processed fruits & vegetables	INR 250 crore	INR 50 crore	Marine	INR 600 crore	INR 75 crore	Mozzarella cheese	INR 150 crore	INR 23 crore		
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Textile products	Production of man-made fibres (MMF) apparel & fabrics & technical textile products to enable textile industry to achieve size & scale & become globally competitive	Applicants meeting the prescribed criteria of threshold investment & incremental turnover laid down for various target segments in the scheme	Based on sale performance criteria & local value addition	5 years															
Pharmaceutical drugs	Product diversification of high value drugs & to create global champions having potential to grow in size & scale using cutting edge technology	<table border="1"> <thead> <tr> <th>Criteria</th> <th>Drugs in group A segment</th> <th>Drugs in group B segment</th> <th>Drugs in group C segment</th> </tr> </thead> <tbody> <tr> <td>Minimum sale%</td> <td colspan="3">7% after 1<sup>st</sup> year of production</td> </tr> <tr> <td>Minimum cumulative investment over 5 years</td> <td>INR 1,000 crore</td> <td>INR 250 crore</td> <td>INR 50 crore</td> </tr> </tbody> </table>	Criteria	Drugs in group A segment	Drugs in group B segment	Drugs in group C segment	Minimum sale%	7% after 1 <sup>st</sup> year of production			Minimum cumulative investment over 5 years	INR 1,000 crore	INR 250 crore	INR 50 crore	3%- 10% on incremental sales of specified drugs	6 years			
Criteria	Drugs in group A segment	Drugs in group B segment	Drugs in group C segment																
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Manufacturing of Medical devices	Boost domestic manufacturing & attract large investments in the in the Greenfield projects of Medical devices sector	<table border="1"> <thead> <tr> <th>Medical devices Segment</th> <th>Minimum incremental sale</th> <th>Minimum investment</th> </tr> </thead> <tbody> <tr> <td>Cancer care/Radiotherapy medical devices</td> <td rowspan="4">INR 560 crore over 5 years</td> <td rowspan="4">INR 180 crore over 3 years</td> </tr> <tr> <td>Radiology &amp; Imaging medical devices</td> </tr> <tr> <td>Anaesthetics &amp; Cardio-Respiratory medical devices</td> </tr> <tr> <td>All Implants like Cochlear Implants &amp; Pacemakers</td> </tr> </tbody> </table>	Medical devices Segment	Minimum incremental sale	Minimum investment	Cancer care/Radiotherapy medical devices	INR 560 crore over 5 years	INR 180 crore over 3 years	Radiology & Imaging medical devices	Anaesthetics & Cardio-Respiratory medical devices	All Implants like Cochlear Implants & Pacemakers	5% on incremental sales of medical devices	5 years						
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Critical key starting	Boost domestic manufacturing of		5%-20% on sales of	6 years															

materials (KSM) / drug intermediaries (DI) & active pharmaceutical ingredients (API)	identified KSMs, DIs & APIs by attracting large investments in the sector & thereby reduce India's dependence on import of critical APIs	<b>KSM / DI / API segment</b>	<b>Minimum Investment</b>	identified KSM / DI / API drugs	
		Fermentation based 04 KSMs / DI / API	INR 400 crore		
		Fermentation based 10 niche KSMs /DI / APIs	INR 50 crore		
		Key Chemical Synthesis based 04 KSMs / DI	INR 50 crore		
		Other 23 Chemical Synthesis based 04 KSMs / DI / APIs	INR 20 crore		
High efficiency Solar PV modules	Promote manufacturing of high efficiency solar PV modules in India & thus reduce import dependence in the area of renewable energy	<ul style="list-style-type: none"> <li>Greenfield new solar PV module manufacturing units;</li> <li>Brownfield projects will also be allowed to participate subject to the fulfilment of prescribed eligibility criteria under the scheme.</li> </ul>	Based on sale performance criteria & local value addition	5 years	
Speciality steel	Aid Indian Steel Industry to mature in terms of technology as well as move up the value chain.	<ul style="list-style-type: none"> <li>Entities engaged in end-to-end manufacturing of the identified Specialty steel grades, subject to the input material being melted &amp; poured within India using iron ore/scrap/sponge iron/pellets; and</li> <li>Having net worth (including its group companies) not &lt;30% of the total prescribed investment</li> </ul>	4%-12% on incremental sales of speciality steel	5 years	
White goods (Air Conditioners (ACs) & Light Emitting Diode (LED))	Removing sectoral disabilities, creating economies of scale, enhancing exports & creating robust component ecosystem	Entities engaged in manufacturing of components of ACs & LED lights in India meeting the prescribed thresholds of cumulative incremental investment & incremental sales of manufactured goods	4%-6% on incremental sales of goods	5 years	

### Progress under the PLI schemes

The benefits availed by many applicant companies under the various sector specific PLI schemes is impressive. Some of the beneficiaries of the schemes are:

- Automobile & Auto component sector  
75 companies secured approval under the 'Component Champion Incentive Scheme' such as Maruti Suzuki, Hero MotoCorp, Tata Autocomp, Mitsubishi Electric, Toyota Kirloskar, Motherson Sumi, Bosch & Lucas-TVS & others. Investment of INR 29,834 crore is expected under the Component Champion scheme.  
20 companies granted approval under 'Champion OEM Incentive Scheme' such as Suzuki Motor Gujarat Private Limited.
- Telecom sector  
31 companies are granted approval out of which 16 companies are MSMEs & 15 non-MSMEs. The selected global companies include Commscope India, Flextronics Technologies (India), Foxconn Technology (India), Jabil Circuit India, Nokia Solutions & Networks India, Rising Stars Hi-Tech, & Sanmina-SCI India. The applicants are expected to invest INR 3,345 crore in the next 4 years & generate incremental employment for more than 40,000 people.

- White goods  
42 firms, including Daikin, Panasonic, Syska & Havells, with committed investment of INR 4,614 crore have been selected as beneficiaries under the PLI scheme for the white goods sector. These investments are likely to generate net incremental production of around INR 81,254 crore & direct employment for about 44,000 people.
- Textiles  
61 companies including Ginni Filaments, Kimberly Clark India Private Limited, Arvind Limited, Avgol India Private Limited, Goa Glass Fibre Limited, H P Cotton Textile Mills, Madura Industrial Textiles, Shahi Exports, Trident Limited, Donear Industries & Gokaldas Exports are some of the significant beneficiaries under the PLI scheme for manufacturing of textile products in India. The proposed total investment expected is INR 19,077 crore & the projected turnover is INR 184,917 crore.

### Road ahead

Success of PLI scheme is expected to add 1.7% to the country's Gross Domestic Product (GDP) by 2027. The minimum production in India as a result of PLI schemes is expected to be over \$ 500 billion in the next 5 years. The direct impact of these schemes is likely to generate at least 6 million new job opportunities in the next 5 years.

Thus going forward, PLI scheme is likely to be a significant turn in India's industrial policy, linking incentives to production output thereby encouraging economies of scale & specialization. Also, the scheme is largely compliant with the World Trade Organization (WTO) norms, unlike earlier export-oriented incentives.

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For any queries, please feel free to write to us at [communications@krayman.com](mailto:communications@krayman.com)

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