PRODUCTION LINKED INCENTIVE SCHEME: IMPROVING INDIA'S ECOSYSTEM FOR INVESTMENTS IN MANUFACTURING SECTOR

1. INTRODUCTION

In 2014, the Government of India ("**Government**")had announced the 'Make in India' initiative ("**Make in India**") to facilitate investment, foster innovation, enhance skill development, protect intellectual property and provide an impetus to the manufacturing sector in the country. Initially, Make in India waslargely focussed towards few specific sectors such as electronics, automobiles etc.where the Government offered a multitude of incentives such as capital subsidy and funding assistance for aiding investments in such sectors. With the increasing inflow of investment in such selected sectors, the Government identified the need to widen the coverage of the initiative by introducing schemes/incentives for other sectors as well.

To further the objective of attracting investments in the manufacturing sector and to create large scale manufacturing ecosystem in the country, the Government has launched Production Linked Incentive Scheme ("**PLI Scheme**") as part of Make in India.The PLI Scheme provides incentives either in form of cash incentive (disbursed through direct bank transfer) or by way of any other adjustment mechanism to the selected investors. The incentives offered arebased upon theeligibility criteria of the investors which includes factors such as incremental sales/ turnover (which means sales of manufactured goods over a given period minus sales of manufactured goods in the base year), incremental investments(which means investment made after the end of the base year) and investment commitment. The type of investment depends on the sector in which an applicant falls. For eg., the sectoral scheme pertaining to Food Processing provides that the investment threshold would be met by considering the amounts invested in Plant & Machinery in the first two years of the Scheme.The Government has approved budget allocation of approximately INR 1.97 lakh crores (approx.US $ 26.52 billion) for implementation of the PLI Scheme pursuant to which manufacturing companies in identified sectors will be entitled to claim certain incentives[1]. Further, the PLI Scheme also aims to reduce reliance on imports (while capturing the growing demand in the domestic market), increase the quantum of exports and intends to facilitate generation of more employment by increasing manufacturing facilities in the country.

The PLI Scheme was launched in two tranches with the first tranche being announced in March 2020 and the second tranche in November 2020. The first tranche covered 3 (three) sectors which were: (i) large scale electronics, (ii) critical key starting materials ("**KSMs**")/ drug intermediaries&active pharmaceutical ingredients ("**APIs**") and (iii) medical devices. In the second tranche, the ambit of PLI Scheme was expanded to10 (ten) additional sectors including telecom, textile, automobiles and auto components, specialty steel, advance chemistry cell, solar photovoltaic modules and white goodssuch as LEDs and air conditioners[2]. Recently, the Government has also notified the PLI Scheme for drone and drone components.

2. SECTORAL ANALYSIS

The PLI Scheme provides support under 14 (fourteen) key sectors in order to enhance manufacturing capabilities. It may be noted that the application window for majority of the sectors has already been closed so, new applicants might not be eligible to apply under the PLI

[1]Press Release available at https://pib.gov.in/PressReleasePage.aspx?PRID=1710134.
[2]Press Release available at https://www.pib.gov.in/PressReleasePage.aspx?PRID=1671912

Scheme for such sectors unless the concerned department/ministry further invites the applications. In this section, we will focus on nuances of the schemes announced for each sector.

2.1 *Electronics*

The electronics industry in India has witnessed a significant increase in demand of electronic products. However,as per industry estimates, the Indian electronicsmanufacturing industry suffers from a disability of around 8.5% to 11% due tovarious factors, which include, *inter alia*, lack of adequate infrastructure, supply chain and logistics and high cost of finance as compared to the competing nations. The Government has been putting in efforts to create a conducive environment for companies to explore manufacturing of electronics in India and in furtherance of this objective, PLI Schemes for (a) large scale electronics; and (b) IT hardwarehave been formulated by the Government.

2.1.1 **PLI Scheme for Large Scale Electronics Manufacturing**[3]

The PLI Scheme for manufacturing of large-scale electronics was notified on April 1, 2020.Till now, the applications from the eligible companies were invited in 2 (two) rounds. Theapplication window for thefirst round was closed on July 31, 2020 and for the second round on March 31, 2021.As per the scheme, the application window may be reopened again during the tenure of the scheme based on the industry response.In any event, we have provided a brief overview of the scheme in Annexure 1.

2.1.2 **PLI Scheme for IT Hardware**[4]

The PLI Scheme for manufacturing of IT hardware was notified on March 03, 2021. The period of submission of applications under the scheme was closed on April 30, 2021. However, the application window may be reopened again during the tenure of the scheme based on the industry response. In any event, we have provided a brief overview of the scheme in Annexure 2.

2.2 *Pharmaceuticals*

India accounts for 20% of global supply of generic drugs and 62% of global demand for vaccines[5]. However, it is still dependent on imports of bulk drugs, patented drugs and medical devices. In order to boost domestic manufacturing and bolster foreign investment in the pharmaceutical sector, PLI Scheme for (a) criticalKSMs/drug intermediaries &APIs; (b) manufacturing of medical devices; and (c) pharmaceuticals, was launched by the Department of Pharmaceuticals, Ministry of Chemicals & Fertilizers.

2.2.1 **PLI Scheme for Critical KSMs/Drug Intermediaries &APIs**[6]

The PLI Scheme for critical KSMs/drug intermediaries and APIs was notified on July 21, 2020. The applications were invited till November 30, 2020in the initial round. Later, the applications for certain products under the target segment was further invited and which was closed on August 31, 2021. In any event, we have provided a brief overview of the scheme in Annexure 3.

2.2.2 **PLI Scheme for Medical Devices**[7]

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[3] Please referhttps://www.meity.gov.in/writereaddata/files/production_linked_incentive_scheme.pdf.
[4] Please refer https://www.meity.gov.in/writereaddata/files/PLI_for_IT_Hardware_Notification_dated_03032020.pdf.
[5]Please refer https://www.investindia.gov.in/sector/pharmaceuticals.
[6] Please refer https://pharmaceuticals.gov.in/sites/default/files/Gazettee%20notification%20of%20bulk%20drug%20schemes_0_0.pdf.

The PLI Scheme for domestic manufacturing of medical devices was notified on July 21, 2020.The applications were invited till November 30, 2020 in the initial round. Later, the applications for certain products under the target segment was further invited and which was closed on August 31, 2021.In any event, we have provided a brief overview of the scheme in Annexure 4.

2.2.3 **PLI Scheme for Pharmaceuticals**[8]

The PLI Scheme for pharmaceuticals was notified on March 03, 2021. The period of submission of applications under the scheme was opened till August 31, 2021. In any event, we have provided a brief overview of the scheme in Annexure 5.

2.3 ***Telecom***[9]

With the growing focus of the Government on digital connectivity, the need for telecom infrastructure has become prominent in the country. The PLI Scheme for promotion of telecom and networking products manufacturing in India was notified on February 24, 2021. The applications were invited till July 3, 2021 and the application window is now stand closed.In any event, we have provided a brief overview of the scheme in Annexure 6.

2.4 ***Food Processing***[10]

India has substantial presence in global food and grocery market and is ranked amongst the top 5 countries in the world for production of milk, egg, fish, etc[11].The PLI Scheme for food processing industry was launched to promote global food manufacturing industry, promote Indian food product brands and to generate employment for off-farm jobs.The scheme was notified on May 02, 2021 by the Ministry of Food Processing Industries. The application windowunder the scheme wasclosed on June 24, 2021.In any event, we have provided a brief overview of the scheme in Annexure 7.

2.5 ***White Goods***[12]

The PLI Scheme for White Goods (AirConditioners and LED Lights) was launched with an aim to boost domestic manufacturing of white goods, achieving economies of scale, increasing export and employment generation. The scheme was notified on April 16, 2021 and the period of submission of applications was closed on September 15, 2021.In any event, we have provided a brief overview of the scheme in Annexure 8.

2.6 ***High Efficiency Solar Photovoltaic Modules***[13]

India relies primarily on solar energy as a source for renewable energy. It depends on imported solar photovoltaic cells and modules to build its solar energy capacity as the domestic manufacturing industry has limited capacity. Currently, India is ranked 3rd in renewable energy country attractive index.The PLI Scheme for manufacturing of high efficiency solar photovoltaic modules was notified on April 28, 2021, with an aim to reduce reliance on imports in the

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[7]Please refer https://pharmaceuticals.gov.in/sites/default/files/Gazette%20notification%20of%20Medical%20Device%20schemes_1.pdf.

[8]Please refer https://pharmaceuticals.gov.in/sites/default/files/Gazette%20Notification%20of%20PLI%20scheme%20for%20Pharmaceuticals_0_0.pdf.

[9] Please refer https://dot.gov.in/sites/default/files/2021_02_25%20PLI%20IP_0.pdf.

[10]Please referhttps://mofpi.nic.in/sites/default/files/guidelines_plisfpiwithcoveringltr_0.pdf.

[11]Please refer https://www.investindia.gov.in/sector/food-processing.

[12]Please refer https://dpiit.gov.in/sites/default/files/PLIWG-Notification-16042021_10May2021.pdf.

[13]Please refer https://mnre.gov.in/img/documents/uploads/file_f-1619672166750.pdf.

renewable energy sector and promote domestic manufacturing. The period of submission of applicationsunder the scheme was closed on June 30, 2021.In any event, we have provided a brief overview of the scheme in Annexure 9.

2.7 ***Specialty Steel*** [14]

The specialty steel manufacturing industry in India suffers from sectoral disabilities such as skilled knowledge and huge finance and thus, India imports majority of the specialty steel. The PLI Scheme for specialty steel in India was launched to promote domestic manufacturing of specialty grade steel and help to remove sectoral disabilities in terms of technology and skilled workforce. The scheme was notified on July 29, 2021 by the Ministry of Steel.Also, the Ministry of Steel has notified the guidelines for PLI Scheme for speciality steel on October 20, 2021[15]. The applications are to be submitted within 90 (ninety) days from the date of notification of guidelines i.e. October 20, 2021The key aspects of the scheme are as follows:

Tenure: 5 (five) years.

Target segment: Covers manufacturing of 5 (five) product categories consisting of (a) coated/plated steel products, (b) high strength/wear resistant steel, (c) specialty rails, (d) alloy steel products and (e) steel wires, and electrical steel.

Incentives offered: In the range of 3% to 15% onincremental production over the base year (i.e. financial year 2019-2020). A total incentive outlay of INR 6,322 crore (approx. US $ 0.85 billion) has been proposed for the tenure of the scheme.The incentive slabs proposed under the scheme are based on the current level of production i.e., higher incentive for thosespecialty grades which are currently either not produced in India or are produced in small quantities resulting in relatively large import.

Incentive ceiling: The annual incentive offered to every selected company is capped at INR 200 crores (approx. US$ 26.9 million).

Incentive period: Financial year 2023-2024 to financial year 2027-2028. The initial period may be deferred by upto 2 (two) years for specific product categories and in such case, the incentive period will be from financial year 2025-2026 to financial year 2029-30.

Eligibility: A company registered in India or a joint venture engaged in manufacturing of identified products and have minimum net worth of 30% of the committed investment on the date of the application are eligible under the scheme.The eligible companies availing benefits under this scheme can also avail benefits under other PLI Schemes for other than products identified under this scheme except for the fiscal benefits available under other PLI Schemes.

Further, in order to be eligible for claiming incentive, every selected applicant is required to meet the requirement of limiting investment for the product category, which is based on a fixed percentage of the committed investment or investment commensurate with plant/unit capacity, whichever is lower. In addition to this, every selected applicant should also meet the limiting incremental production rate on year to year basis, which is based on a fixed percentage of the committed annual incremental production rate or annual incremental production rate, as prescribed under the guidelines, whichever is lower.

2.8 ***Advanced Chemistry Cell (ACC) Battery Storage*** [16]

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[14]Please refer https://steel.gov.in/sites/default/files/PLI%20scheme%20for%20Specialty%20steel-gazette%20notification.pdf.
[15]Please referhttps://steel.gov.in/sites/default/files/Scheme%20Guidelines_Final_Upload.pdf.
[16] Please refer https://dhi.nic.in/writereaddata/UploadFile/ACC%20Scheme%20Notification%209June21.pdf.

With the increasing promotion of electric vehicle industry in India, the need for offering incentives to battery manufacturer becomes prominent. The national programme on advanced chemistry cell (ACC) battery storage was therefore notified on June 09, 2021by the Ministry of Heavy Industry and Public Enterprises (Department of Heavy Industry), with a view to incentivize both domestic and foreign investors to set up giga scale ACC manufacturing facilities. The following are certain key aspects of the scheme:

Tenure:Financial year 2024-2025 to financial year 2028-2029 and allows 2 (two) years to establish manufacturing facilities.

Target segment:Setting up cumulative ACC manufacturing facility of 50 (fifty) GWh and an additional facility of 5 (five) GWh for niche ACC technologies.

Incentives offered: The overall incentive outlay for the tenure of the scheme is INR 18,100 crore (approx. US $ 2.45 billion).

The scheme does not specify the incentive slabs or the eligibility criterion and the detailed guideline on the said aspects is awaited.

2.9 ***Automobiles and auto components***[17]

The PLI Scheme for the automobile and auto component industry was notified by the Ministry of Heavy Industries on September 23, 2021. The scheme was launched to enhance India's manufacturing capabilities for advanced automotive products and attract investments in the automotive manufacturing value chain. The applications are being invited under the scheme and the application window will be open for a period of 60 (sixty) days from November 9, 2021, unless extended.The key aspects are as follows:

Tenure:5 (five) years.

Target Segment: The scheme has 2 (two) components i.e., champion original equipment manufacturer ("**OEM**") incentive scheme and component champion incentive scheme. Under the champion OEM incentive scheme, (a) automotive OEM companies or its group companies, and(b) new non-automotive investor company or its group companies (who are not currently in automobile or auto component manufacturing),manufacturing advanced automotive technology vehicles including battery electric vehicles, hydrogen fuel cell vehicles etc, are eligibleto claim incentive. The component champion incentive scheme covers (a) auto component manufacturing company or its group companies, (b) automotive OEM companies or its group companies, and (c) new non-automotive investor company or its group companies,manufacturing advanced automotive technology components as notified by the Ministry of Heavy Industries.

Incentive period: Financial year 2023-2024 to financial year 2027-2028. Incentive under the scheme will be applicable starting from the FY 2022-2023 which will be disbursed in the following financial year.

Incentive offered:Under the champion OEM incentive scheme, the incentives are offered in the range of 13% to 16% of the determined sales value (which means total sales for eligible vehicles/components minus total sales for eligible/ components in the base year i.e.,financial year 2019-2020).Under the component champion incentive scheme, the incentives are offered in the range of 8% to 11% of the determined sales value.The overall incentive outlay for the tenure of the scheme is INR 25,938 crore (approx. US $3.46 billion).

[17]Please referhttps://dhi.nic.in/writereaddata/UploadFile/PLI%20Auto%20Scheme.pdf.

Incentive ceiling: No applicant selected for a segment shall be entitled to receive incentive more than 25% of the total incentive under this scheme.

Eligibility:A company or its group companies involves in automotive vehicleand components manufacturingbusiness should meet the threshold criteria, as specified in the table below.Further, anew non-automotive investor company or its group companiesare required to have a global net worth of INR 1,000 crore (approx. US $ 135 million) as on March 31, 2021 and a minimum cumulative new domestic investment of INR 2000 crore (approx. US $ 270 million) in case of OEM and of INR 500 crore (approx. US $ 67.4 million) for components manufacturing.

Eligibility Criteria	**Automotive OEM**	**Automotive Components**
Global revenue (including revenue of group companies)	INR 10,000 crore (approx. US $ 1.35 billion)	INR 500 crore (approx. US $ 67.4 million)
Investment in fixed assets (including investment of group companies)	INR 3,000 crore (approx. US $ 405 million)	INR 150 crore (approx. US $ 10.22 million)

Furthermore, eligible companies are required to ensure determined sales value of INR 125 crore (approx. US $ 16.83 million) under the champion OEM incentive scheme and of INR 25 crore (approx. US $ 3.35 million)under the component champion incentive scheme for the first year. The eligible companies are also required to ensure a growth of 10% in determined sales value on year to year basisgoing forward.

2.10 *Textile*

Even though India has one of the largest textile industry in the world (6th largest exporter of textiles in the world[18]) but it's contribution in man-made fibre segment is minimal. The Ministry of Textiles notified the PLI Scheme for textiles on September 24, 2021[19]. The scheme was launched to promote production of man-made fibre apparel and fabrics and technical textile products. The key aspects of the scheme are as follows[20]:

Tenure:Valid till financial year 2019-2030.

Target Segment: Comprise of manufacturing (a) man-made fibre apparels such as garments, (b) man-made fibre fabrics such as woven fabrics of yarn, dyed fabrics, polyster staple fibres etc; and (c) technical textiles including geo-textiles, agro-textiles, defence textiles etc.

Incentive outlay: The scheme is proposed to offer a total incentive outlay of INR 10,683 crore (approx. US $ 1.45 billion).

Eligibility: The scheme provides for 2 (two) types of investment methods with a different set of incentive structure for an applicant to claim benefit under the scheme.Anapplicant willing to invest INR 300 crore (approx. US $40.4 million) to manufacture products specified under the target segment can claim incentives under the first method. In the second method, an applicant willing to investINR 100 crore (approx. US $ 13.4 million)to manufacture products specified under the target segment is eligible to participate under this part of the scheme. Further, a

[18]Please refer https://www.investindia.gov.in/sector/textiles-apparel.
[19]Please referhttps://egazette.nic.in/WriteReadData/2021/229974.pdf.
[20] Press Release available at https://pib.gov.in/PressReleasePage.aspx?PRID=1753118.

priority in selection under the scheme shall be given to the applicants who invest in backward areas including tier 3, tier 4 towns, and rural areas.

The Government has circulated draft guidelines for PLI Scheme for textiles for promoting man-made fibre and technical textile segments for public comments/ observations[21].

2.11 *Drone and Drone Components*[22]

With a view to increase research and development, testing, manufacturing and operations of drones in India, the Ministry of Civil Aviation notified the PLI Scheme for drones and drone components in India on September 30, 2021. The key aspects of the scheme are as follows:

Tenure:3 (three) years.

Target Segment: Covers manufacturing of (a) drones, and (b) drone components including airframe, propulsion systems, power systems, inertial measurement unit, flight control module, communication systems, camera, sensors, trackers, emergency recovery system etc. It also includes developer of software for drones and drone components, subject to certain eligibility norms and guidelines.

Incentive offered: At the rate of 20% of the eligible value addition (which means sales turnover achieved from sale of drone and drone components minus purchase cost incurred from purchase of drone and drone components).The scheme is proposed to offer a total incentive outlay of INR 120 crore (approx. US $ 15.97 million).

Incentive ceiling: No applicant selected for a segment shall be entitled to receive incentive more than 25% of the total incentive under this scheme.

Eligibility:All the manufacturers of drones and drone components are required to fulfil the threshold of annual sales turnover to be eligible for claiming incentive under the scheme, as specified in the table below. Further, manufacturers are also required to achieve eligible value addition of at least 40% of sales turnover. However, if the manufacturer makes up for the shortfall in the eligible value addition in the subsequent financial year, thensuch manufacturer may claim incentive for the previous year.

Nature of Business	Drone	Component
Indian MSME and startups	INR 2 crore (approx. US $.26 million)	INR 0.5 crore (approx. US $ 66 thousand)
Indian Non-MSME	INR 4 crore (approx. US $ .53 million)	INR 1 crore (approx. US $ .13 million)

3. SALIENTFEATURES OF THE PLI SCHEMES

Over the past year, the PLI Schemes have gained significant interest of various companies engagedin different sectors because of the following reasons:

3.1 **Simplified Procedureand Timely Completion of Application**: The PLI Schemes provide for a simple and timely consideration of application and disbursement of incentives. The companies/ entities are first required to submit an applicationeither through an online portal or in a physical

[21]Please referhttp://texmin.nic.in/sites/default/files/Guidlines_for_Public_amended_as_on_13-10-2021_0.pdf.
[22]Please referhttps://egazette.nic.in/WriteReadData/2021/230076.pdf.

form with the concerned ministry or a PMA, which act as a nodal agency under the scheme. PMA after conducting a prima facie examination shall issue an acknowledgement within 15 (fifteen) days of the receipt of application which shall be subject to the approval of the empowered committee ("**EC**") or empowered group of secretaries ("**EGoS**").Based on the applications submitted and review by the PMA, EC or EGoS, as the case may be, approvals will be granted in accordance with the limits laid down under the relevant PLI scheme for the concerned sector. Later, in order to claim incentive by the approved applicant, such applicants are required to submit claims for disbursement of incentives on quarterly, half-yearly or yearly basis with the concerned ministry or PMA, post which the disbursements of the incentives shall be made after getting approval from EC or EGoS.

3.2 **Structured and Easy to Calculate Incentives**: The PLI Scheme provide for a structured approach to incentives based on certain specific conditions on a specific method of calculation which makes it easy to calculate, thereby reducing subjectivity. The incentives are provided at a specific rate on cumulative incremental sales or cumulative incremental investment and depends upon the financial outlay provided under the concerned scheme.

3.3 **Unique Incentive**: The incentives offered by Asian countries including China, Vietnam, Indonesia and Philippines are largely concentrated towards providing reduced corporate tax rates, tax deductions, tax holidays and loan subsidies. In contrast with the other Asian countries, the PLI Schemes incentivise the companies / entities to raise their productivity level as it offers higher incentives offered on higher manufacturing capabilities. Therefore, the higher the production of the manufactured products, the more the incentives. Thus, it promotes investors to invest more in manufacturing to avail better incentives under the scheme.

We have a provided a snapshot of the quantum of incentive, total incentive outlay and the current status of the PLI Schemes under different sectors in Annexure 10.

ANNEXURE 1

Key Aspects of PLI Scheme for Large Scale Electronics Manufacturing

Tenure:6 (six) years subsequent to the base year (i.e., financial year 2019-2020) and the participating companies have the option to choose a period of any 5 (five) for the first tranche or 4 (four) consecutive years for the second tranche, till financial year 2025-2026[23].

Target segments: Comprise of (a) mobile phones; and (b) specified electronic components including surface mount technology components, discrete semiconductor devices, resistors, capacitors, printed circuit boards, sensors, transducers, system in package, micro/nano electronic components and assembly, testing, marking and packaging units.

Incentives offered: During the first round of the scheme (for which incentives were applicable from August 1, 2020), the incentives were offered at the rate of 4% to 6% based on incremental sales for the goods manufactured in India under the target segments (as mentioned above). The incentives were offered at the rate of 3% to 5%based on incremental sales for the goods manufactured in India under the target segments during the second round of the scheme (for which incentives were applicable from April 1, 2021)[24]. A total cumulative incentive outlay of INR 40,951 crore (approx. US$ 5.52 billion) is proposed for the tenure of the scheme.

Incentive ceiling: The incentives available per company is subject to a ceiling, which shall be decided by the concerned empowered committee.

Eligibility: An applicant is required to meet all the threshold requirements of incremental investment, incremental sales and global manufacturing revenue ("**GMR**") for manufacturing of goods under the target segments, as provided in the table below in order to be eligible to claim incentives under the scheme and the guidelines for the operation of the scheme[25]. The guidelines further specify the limit on the number of eligible applicants for claiming the incentives under each segment as given below:

Segment	Cumulative Incremental Investment	Cumulative Incremental Sales	GMR (including revenue of group companies)	Maximum number of eligible applicants
Mobile phones (having invoice value of INR 15,000 (approx. US$ 200) or more	INR 1,000 crore over 4 years (approx. US$ 135 million)	INR 25,000 crores (approx. US$ 3.37 billion)	More than INR 10,000 crore (approx. US$ 1.35 billion) in the base year	5 (five)
Mobile phones (domestic companies[26])	INR 200 crore over 4 years(approx. US$ 26.9 million)	INR 5,000 crore (approx. US$ 674 million)	More than INR 100 crore (approx. US$ 13.5 million) in the base year	5 (five)
Specified	INR 100 crore	INR 600 crores	More than INR	10 (ten)

[23]Please refer https://www.meity.gov.in/writereaddata/files/Notification_Extension_of_PLI_Scheme_23-09-2021.pdf.

[24]Please referhttps://static.investindia.gov.in/s3fs-public/2021-03/Second%20Round%20of%20Production%20Linked%20Incentive%20Scheme%20%28PLI%29%20for%20Large%20Scale%20Electronics%20Manufacturing_11.03.2021.pdf.

[25]Please refer https://static.investindia.gov.in/2020-06/PLI-Guidelines-01062020.pdf.

[26] Domestic companies means that the companies in which Indian residents own more than 50% of the capital.

electronic components	over 4 years (approx. US$ 13.5 million)	(approx. US$ 80.9 million)	10,000 crore (approx. US$ 1.35 billion) in the base year	

Further, theeligibility under the scheme does not affect the eligibility under any other scheme and vice-versa.

Examples of entities that have been approved under the Scheme: A total of 16 (sixteen) entities including Samsung, FoxConn Hon Hai, Rising Star, Pegatron, Lava, Micromax, Padget Electronics and several others have been approved for the year 1 (one) under this Scheme.[27]

[27]Please refer https://pib.gov.in/PressReleasePage.aspx?PRID=1710134#:~:text=After%20the%20success%20of%20the,2021.

ANNEXURE 2

Key Aspects of PLI Scheme for IT Hardware

Tenure: For a period of 4 (years) starting from financial year 2021-2022 to financial year 2024-2025.

Target segments: Includes (a) laptop, (b) tablets, (c) all-in-one personal computers and (d) servers.

Incentives offered: At the rate of 4% to 1% on net incremental sales for the manufactured goods over the base year (i.e.,financial year 2019-2020) during the tenure of the scheme. A total incentive outlay offered under the scheme is proposed to be around INR 7,325 crores (approx. US $ 1 billion).

Incentive ceiling: An indicative annual ceiling has been provided under the scheme which is directly proportional to the incremental sales made by the applicant.

Eligibility: To be eligible for disbursement of incentive, an applicant should meet the prescribed thresholds of cumulative incremental investment and net incremental sales over the base year for the tenure of the scheme.

Category	Cumulative Incremental Investment	Net Incremental Sales
IT Hardware companies *(i) Laptops (Invoice value of ₹30,000 and above),* *(ii) Tablets (Invoice value of ₹15,000 and above),* *(iii) All-in-One PCs* (iv) *Servers*	INR 500 crore over 4 years (approx. US$ 67.35 million)	INR 10,000 crores (approx. US$ 1.35 billion)
Domestic companies *(i) Laptops* *(ii) Tablets* *(iii) All-in-One PCs* (iv) *Servers*	INR 20 crore over 4 years (approx. US$ 2.7 million)	INR 300 crore (approx. US$ 40.4 million)

Localization requirement: Thescheme prescribes that the manufactured goods covered under the target segment should be assembled domestically either by the company itself or in some cases through its vendors for the tenure of the scheme (except for the financial year 2021-2022).

ANNEXURE 3

Key Aspects of PLI Scheme for Critical KSMs/Drug Intermediaries and APIs

Tenure: Financial year 2020-2021 to financial year 2029-2030.

Target segments: Comprise of 41 (forty one) identified products which are classified into 4 (four) categories:(a) fermentation based KSMs/Drug Intermediaries, (b) fermentation-based nicheKSMs/Drug Intermediaries/APIs, (c) key chemical synthesis based KSMs/Drug Intermediaries, and (d) other chemical synthesis based KSMs/Drug Intermediaries/APIs. Further, it also covers 53 (fifty three) APIs as identified under the scheme.

Incentive Period: 6 (six) years.

Incentive offered: The rate of incentives largely varies from 5% to 20% based on sales of the manufactured goods. A total financial outlay of INR 6,940 (approx. US $ 0.9 billion) is provided under the scheme.

Eligibility: A proprietary firm, partnership firm, limited liability partnership or a company registered in India which has made investment in greenfield projects is eligible to avail benefits under the scheme[28]. The entity should havea net worth of not less than 30% of the committed investment (fresh investment committed by the applicantwhen applying under the scheme). The eligible applicants should meet the investment threshold, as provided in the table below. Further the guidelines for operation of the scheme also provides for the following limits on the maximum number of applicants that may be selected for availing the incentives under the scheme:

Segment	Investment Threshold	Maximum number of applicants to be selected
Fermentation based KSMs/Drug Intermediaries	INR 400 crore (approx. US $ 53.9 million)	2 (two)
Fermentation based niche KSMs/Drug Intermediaries/APIs	INR 50 crore (approx. US $ 6.7 million)	2 (two)
Key chemical synthesis based KSMs/Drug Intermediaries	INR 50 crore (approx. US $ 6.7 million)	4 (four)
Other chemical synthesis based KSMs/Drug Intermediaries/APIs	INR 20 crore (approx. US $ 2.7 million)	4 (four)

Further, the eligibility of applicant under this scheme does not affect the eligibility of such applicant under any other scheme and vice versa.

Other requirement: A selected applicant is required to furnish a bank guarantee for 1 (one) year till the date of commercial production (i.e., the date of raising first invoice for sale of products under the target segments). The bank guarantee is to be furnished in favour of Department of Pharmaceuticals, Government and the amount of such bank guarantee varies as per different categories under target segment. The bank guarantee may be invoked if the commercial production is not met within a period of 1 (one) year.

[28] Please refer https://pharmaceuticals.gov.in/sites/default/files/REVISED%20GUIDELINES%20FOR%20BULK%20DRUGS-29-10-2020_1.pdf.

Examples of entities that have been approved under the Scheme: During the first round of the Scheme, a total of 47 (forty seven) applicants have been selected including Aurbindo Pharma Group, Hetero Group, Karnataka Antibiotics and Pharmaceuticals Limited, KinvanPvt. Ltd, Natural Biogenex Private Limited and several others.[29]

[29]Please refer https://pib.gov.in/PressReleasePage.aspx?PRID=1710134#:~:text=After%20the%20success%20of%20the,2021.

ANNEXURE 4

Key Aspects of PLI Scheme for Medical Devices

Tenure: Financial year 2020-2021 to financial year 2027-2028.

Target segments: Comprise of (a) Cancer Care/ Radiotherapy medical devices; (b) Radiology & Imaging medical devices and Nuclear Imaging devices; (c) Anaesthetics & Cardio-Respiratory medical devices; and (d) all Implants including implantable electronic devices.

Incentive offered: At the rate of 5% on incremental sales over the base year (i.e. financial year 2019-2020). An incentive outlay of INR 3,420 crore (approx. US$ 0.45 billion) is proposed during the tenure of the scheme.

Incentive ceiling: A maximum incentive of INR 121 crore (approx. US$ 16.3 million) is available per applicant for the tenure of the scheme.

Incentive period: Financial year 2021-2022 to financial year 2025-2026.

Eligibility: A company registered in India which hasmade investment in greenfield projects and having net worth of not less than 30% of the committed investment (fresh investment committed by the applicantwhen applying under the scheme) is eligible to avail benefits under the scheme. Further, an applicant is required to meet the prescribed threshold requirements of minimum incremental sales of manufactured goods and minimum investment threshold for each year during the tenure of the scheme for all target segments.

Limit on selected applicants: A maximum of 28 (twenty eight) applicants can be selected under the scheme in a year, which is subject to a maximum of 10 (ten) applicants under each target segment.

Other requirement: A selected applicant is required to furnish a bank guarantee for 1 (one) year till the date of commercial production of INR 30 lakh (approx. US $ 40,000).The bank guarantee is to be furnished in favour of Department of Pharmaceuticals, Government. The bank guarantee may be invoked if the commercial production is not met within a period of 1 (one) year[30].

Examples of entities that have been approved under the Scheme: Several entities such as Siemens Healthcare Private Limited,Wipro GE healthcare Private Limited, BPL Medical Technologies Private limited, Nipro India Corporation Private Limited, Integris Health Private Limited and other entities have received approval for the year 1 (one) under this scheme.[31]

[30]Please refer https://pharmaceuticals.gov.in/sites/default/files/Guidelines_Medical%20Devices.pdf.
[31]Please refer https://pib.gov.in/PressReleasePage.aspx?PRID=1710134#:~:text=After%20the%20success%20of%20the,2021.

ANNEXURE 5

Key Aspects of PLI Scheme for Pharmaceuticals

Tenure: Financial year 2020-2021 to financial year 2028-2029, with an incentive period of 6 (six) years.

Target segments: The scheme classifies pharmaceutical goods such as bio-pharmaceuticals, complex generic drugs, patented drugs, gene therapy drugs and various other drugs into 3 (three) different categories. Further, the scheme has categorised the manufacturers of identified pharmaceutical goods into 3 (three) groups based on their GMR. The groups are as follows: GMR of equal to or more than INR 5,000 crore (approx. US $ 674 million) ("**Group A**"); GMR between INR 500 crore (approx. US $ 67.4 million) and INR 5,000 crore (approx. US $ 674 million) ("**Group B**"); and GMR below INR 500 crore (approx. US $ 67.4 million) ("**Group C**") which includes a sub-group of micro, small and medium enterprises ("**MSMEs**").

Incentives offered: At the rate of 3% to 10% on incremental sales, which depends upon the category in which the pharmaceutical good falls. A total incentive outlay of INR 15,000 crores (approx. US $ 2 billion)is proposed under the scheme.

Incentive ceiling: The total incentive given to a selected participant is subject to a ceiling of INR 1,200 crore (approx. US $ 0.16 billion) for Group A; INR 300 crore (approx. US $ 40.4 million) for Group B; and INR 60 crore (approx. US $ 8 million) for Group C.

Eligibility: A proprietary firm, partnership, limited liability partnership or a company registered in India is eligible to apply under the scheme. An applicant should meet threshold criteria of minimum cumulative investment and minimum percentage growth in sales, as specified in the table below, in order to claim incentives under the scheme. Further, the scheme prescribes the following limit on the maximum number of applicants to be selected for availing the incentives under the scheme:

Group	**Minimum Cumulative Investment**	**Minimum Percentage Growth in Sales**	**Maximum number of applicants to be selected**
Group A	INR 1,000 crore (approx. US $ 134 million) over 5 (five) years	For financial year 2022-2023, the sales should be more than INR 50 crore (approx. US $ 6.7 million) and 7% increment for each subsequent financial year.	11 (eleven) participants with a maximum of 4 (four) multi-national corporations.
Group B	INR 250 crore (approx. US $ 33.67 million) over 5 (five) years	For financial year 2022-2023, the sales should be more than INR 10 crore (approx. US $ 1.35 million) and 7% increment for each subsequent financial year.	9 (nine) participants with a maximum of 3 (three) multi-national corporations
Group C	INR 50 crore (approx. US $ 6.7 million) over 5 (five) years	For financial year 2022-2023, the sales should be more than INR 1 crore (approx. US $ 0.13 million) and 7% increment for each subsequent financial year.	35 (thirty-five) participants which includes a maximum of 20 (twenty) MSMEs
MSME participants (under	Based on percentage of committed investment made at	-	20 (twenty)

Group C)	the time of applying under the scheme		

Other requirement: A selected applicant shall furnish a bank guarantee which shall be valid till December 31, 2023 in favour of project management agency ("**PMA**") and such guarantee can be liable to be invoked in case the selected applicant is found ineligible at any stage[32].

[32] Please refer https://pharmaceuticals.gov.in/sites/default/files/Operational%20Guidelines%20of%20PLI%20scheme%20for%20Pharmaceuticals_0.pdf

ANNEXURE 6

Key Aspects of PLI Scheme for Telecom

Tenure: Investments to be made for 4 (four) years and incentives are offered for a period of 5 (five) years, effective from April 1, 2021.

Target segments: Includes manufacturing of core transmission equipment, 4G/5G, next generation radio access network and wireless equipment, access and customer premises equipment (CPE), internet of things (IoT) access devices, enterprise equipment such as switches, routers and any other products as decided by the nodal agencies.

Incentives offered: At the rate of 4% to 7% (for MSMEs) and 4% to 6% (for other companies) based on eligible sales over the base year (i.e., financial year 2019-2020). A total incentive outlay of INR 12,195 crores (approx. US $ 1.65 billion) has been proposed for the tenure of the scheme.

Incentive ceiling: The total incentive offered to every applicant is capped based on the investment committed by the applicant at the time of applying under the scheme, which shall be intimated at the time of approval under the scheme.

Eligibility: The eligibility criterion for availing the incentives under the scheme and the applicable guidelines is subject to meeting of the threshold of global revenue in electronics, telecom and networking products by an eligible company (including group companies) in the base year. The prescribed global revenue thresholds (A) for global companies, is more than INR 10,000 crore (approx. US $ 1.34 billion); (B) for domestic companies, is more than INR 250 crore (approx. US $ 33.67 million); and (C) for MSMEs, is more than INR 10 crore (approx. US $ 1.34 million)[33].

Further, the minimum investment threshold prescribed for MSMEs is INR 10 crores (approx. US $ 1.34 million) and for companies other than MSMEs is INR 100 crores (approx. US $ 13.4 million). An applicant company is additionally required to meet the prescribed threshold of incremental sales which is based upon a fixed percentage of the investment committed by the company at the time of applying under the scheme. Further, in the event the incentives are availed for manufacturing a product under this scheme, the benefits under any other PLI schemes cannot be taken for the same product.

[33] https://dot.gov.in/sites/default/files/2021_06_03%20PLI%20Scheme%20Guidelines%20for%20Telecom%20%26%20Networking%20Product.pdf

ANNEXURE 7

Key Aspects of PLI Scheme for Food Processing

Tenure: Financial year 2021-2022 to financial year 2026-2027.

Target segments: Comprise of (a) ready to cook/ ready to eat foods; (b) processed fruits and vegetables; (c) marine products; and (d) mozzarella cheese.

Incentives offered: At the rate of 4% to 10% on incremental sales over the base year (i.e., financial year). A total incentive outlay of INR 10,900 crore (approx. US $ 1.5 billion) has been proposed under the scheme.

Incentive ceiling: No applicant selected for a segment shall be entitled to receive incentive more than 25% of the total budget for that segment.

Eligibility: A proprietary firm, partnership, limited liability partnership or a company registered in India, cooperative and small and medium enterprise is eligible to apply under the scheme. The applicants are divided into 3 (three) categories which are (a) applicants applying for incentive based on incremental sales and investment and can also undertake branding & marketing activities; (b) small and medium enterprise applicants manufacturing organic/innovative products; and (c) applicants applying solely for incentives under branding & marketing activities.

(i) For the abovementioned category (a), the applicants are required to meet the following threshold criteria:

Segment	Minimum sales in financial year 2019-2020 (in INR)	Minimum Investment (in INR)
Right to cook / right to eat	500 crore (approx. US$ 67.35 million)	100 crore (approx. US $ 13.4 million)
Processed fruits and vegetables	250 crore (approx. US$ 33.67 million)	50 crore (approx. US $ 6.7 million)
Marine	600 crore (approx. US$ 80.9 million)	75 crore (approx. US $ 10.11 million)
Mozzarella cheese	150 crore (approx. US $ 10.22 million)	Plant established for manufacturing 10 metric tons per day and a minimum investment of INR 23 crore (approx. US $ 3.10 million).

(ii) For the abovementioned category (b), the small and medium enterprise shall obtain requisite registration and have achieved minimum sales of INR 1 crore (approx. US $ 0.13 million) during the financial year 2019-2020.

(iii) For the abovementioned category (c), only Indian brands manufactured in India are covered and the scheme allows the branding & marketing activities to be carried out by the applicant directly or through its subsidiary or any other agency.

Other requirement: The selected entities are required to submit a performance bank guarantee of an amount equivalent to 3% of committed investment, valid for a period of 3 (three) years, in favour of the Ministry of Food Processing Industries. Further, the selected applicant is required to undertake investmentin Plant & Machinery in the first two years i.e. in 2021-22 & 2022-23.

ANNEXURE 8

Key Aspects of PLI Scheme for White Goods

Tenure: Financial year 2021-2022 to financial year 2028-2029including 1 (one) year of gestation period for investments to fructify, with an incentive period of 5 (five years).

Target segments: Entities manufacturing components of (a) air conditioners and (b) LED lights.

Incentive offered: At the rate of 4% to 6% on incremental sales over the base year (i.e., financial year 2019-2020). A total incentive outlay of INR 6,238 crore (approx. US $ 0.84 billion) is proposed for the tenure of the scheme.

Incentive ceiling: The total incentives offered per company is capped at an amount decided by the cabinet.

Eligibility: The benefits under the scheme are allowed for both greenfield and brownfield investments. The eligibility shall be subject to threshold of cumulative incremental investment and incremental sales over the base year for the tenure of the scheme, as provided below. An entity is only eligible to apply under one target segment. Further, in case a company has availed an incentive for a product under any other scheme, it is not eligible to avail incentives for the same product under this scheme.

Segment	Minimum cumulative incremental investment	Minimum incremental sales	Minimum cumulative incremental investment	Minimum incremental sales
	Large Investment (in INR)		Normal Investment (in INR)	
Air Conditioners				
Air Conditioners (Components)	600 crore (approx. US$ 80.9 million)	9750 crore (approx. US$ 1.31billion)	300 crore (approx. US$ 40.4 million)	4125 crore (approx. US$ 556 million)
High value intermediates of Air Conditioners (such as aluminium foil and compressor)	400 crore (approx. US $ 53.9 million)	5375 crore (approx. US$ 724 million)	250 crore (approx. US$ 33.67 million)	3750 crore (approx. US$ 505 million)
Lower value intermediates of Air Conditioners (such as service valves, cross flow fans etc.)	100 crore (approx. US $ 13.4 million)	1500 crore (approx. US$ 202 million)	50 crore (approx. US $ 6.7 million)	750 crore (approx. US$ 101 million)
LED Lights				
LED Lights (Core Components such as resisters, integrated circuits, fuses etc.)	300 crore (approx. US$ 40.4 million)	6000 crore (approx. US$ 809 million)	100 crore (approx. US $ 13.4 million)	1800 crore (approx. US $ 242 million)
Components of LED Lights (such	25 crore (approx. US$ 3.36 million)	450 crore (approx. US $	10 crore (approx. US $ 1.34	180 crore (approx. US $

as chips, engines, drivers, modules etc.)		60.6 million)	million)	24.2 million)

Other requirement: The selected entities are required to submit a performance bank guarantee of an amount equivalent to 0.5% of the committed investment, valid for a period of 18 (eighteen) months, in favour of the Department for Promotion of Industry and Internal Trade.

ANNEXURE 9

Key Aspects of PLI Scheme for High Efficiency Solar Photovoltaic Modules

Tenure:5 (five) years.

Target segments: Manufacturing of solar photovoltaic modules.

Incentive offered: A total incentive outlay of INR 4,500 crore (approx. US $ 0.6 billion) is offered under the scheme.

Eligibility and selection criteria: A company, joint venture or consortium of more than one company is eligible to bid under the scheme. To qualify for the bid, an applicant is required to set up a manufacturing plant of minimum 1,000 (thousand) mega-watt capacity. Further, selection is subject to fulfilment of certain parameters which include extent of integration across solar cells or modules, manufacturing capacity and module performance /efficiency.

Other requirement: A performance bank guarantee needs to be furnished by the selected bidders and which can be invoked in case the applicant is unable to implement the extent of integration and manufacturing capacity requirement as promised at the time of bidding.

ANNEXURE 10

Snapshot

Sector	Quantum of Incentive (based on incremental sales, unless otherwise specified)	Incentive Outlay (in US $ billion) (approximately)	Current Status
Large Scale Electronics	4%-6% (for the first round) and 3% to 5% (for the second round)	5.52	Approved
Critical KSMs/Drug Intermediaries &APIs	5%-20%	0.9	Approved
Manufacturing of Medical Devices	5%	0.45	Approved
Pharmaceutical Drugs	3% - 10%	02	Approved
IT Hardware	4% - 2%/1%	01	Approved
Telecom & Networking Products	4%-7% (MSMEs) and 4%-6% (for other companies)	1.65	Approved
Food Processing	4%-10%	1.5	Approved
White Goods	4% - 6%	0.84	Approved
High Efficiency Solar Photovoltaic Cells	Awaited	0.6	Approved
Automobile and Auto Components	13%-16% (for automotive manufacturing) and 8%-11% (for automotive component manufacturing)	7.7	Approved
Textile	Awaited	1.45	Approved
Speciality Steel	3% - 15% on incremental production	0.85	Approved
Advanced Chemistry Cells	Awaited	2.45	Detailed guidelines awaited
Drones and Drone Components	20%	0.015	Detailed guidelines awaited