
PRODUCTION LINKED INCENTIVE SCHEME

INTRODUCTION:

The Supreme goal of the PLI Scheme is to make producing in India worldwide competitive by eliminating sectoral handicaps, making economies of scale and guaranteeing efficiencies. It is intended to make total segment environment and shall attract foreign companies to set up plants in India which will build assembling and trading capacities and will at the same time cut down imports and eventually make India an essential piece of the worldwide inventory chains.

Recently, the **Ministry of Commerce and Industry** submitted the Status of Production Linked Incentives Schemes in India. PLI Scheme is a foundation of the Government's push for accomplishing an Atmanirbhar Bharat. In the Union Budget 2021, the Finance Minister declared a cost of INR 1.97 Lakh Crores for PLI Schemes in 13 key areas.

What is the PLI Scheme?

- Production Linked Incentive or PLI Scheme is a scheme that aims to give companies incentives on incremental sales from products manufactured in domestic units.
- PLIs are provided by the Central government to identified sectors, in order to encourage manufacturing in India.

How does the Scheme work?

- Companies registered in India and having one or more manufacturing locations in the country are eligible for the Scheme.
- These Companies receive an incentive in the form of a cash subsidy on the new sales of goods manufactured in India for about five years from the base year.
- The Incentive is tied to incremental investments made during the period.
- The applicant can operate existing or new manufacturing unit at one or more location in the country.

Eligibility criteria of the Scheme:

- Companies have to be **Registered in India**.
- An applicant must meet threshold criteria (i.e., Incremental investment) that is as minimum of **INR 10 crore (MSME)** or **INR 100 crore (Others)** and a maximum of INR 1000 crore to be eligible for disbursement of incentive.
- To meet the threshold criteria of Incremental investment for any year, the cumulative value of investment done till such year (including the year under consideration) over the **Base year (2019-2020)** shall be considered.
- Some sectors also have threshold criteria for incremental sales.
- Any **additional expenditure incurred** by companies on plant, machinery, equipment, research and development and transfer of technology for manufacture in the target segments will be eligible for the incentive scheme

Start of the Scheme:

- As part of the National Policy on Electronics, in **April 2020(Launch date)**, the IT Ministry notified a scheme which would give incentives to electronics companies which manufacture mobile phones and other electronic components (such as transistors, diodes, thyristors, resistors, capacitors and nano-electronic components such as micro electro mechanical systems).
- According to the scheme, companies that make mobile phones which sell for a certain value or more will receive an incentive on incremental sales of all such mobile phones made in India.

Features of the Scheme:

- An outcome and **output-oriented scheme** where incentives will be paid only if the Manufacturers make the goods.
- Cash incentives of **Five to Seven years** to the sunrise sectors.
- Proposes a financial incentive **to boost domestic manufacturing** and attract large investments in the electronics value chain including electronic components and semiconductor packaging.
- Electronic manufacturing companies will get **an incentive of 4 to 6%** on incremental sales (over base year) of goods manufactured in India for a **period of next 5 years**.
- Foreign companies to set shop in India as the government is providing incentives.
- Individual sectors will be appraised by the **Expenditure Finance Committee**.

Need of the Scheme?

- Helpful for sunrise sectors as they need support in the initial stage.
- Diversification of Export base.
- India can become a major player in supply chains.

Significance of the PLI Scheme:

- Boost to Skill India and Job Creation.
- Strengthen the Make in India & Atmanirbhar initiative.
- Make India a Globally Competitive nation.
- Ensure economies of scale in manufacturing sectors.
- Enhance Exports.

Major Beneficiaries:

- ❖ Electronic product Manufacturer.
- ❖ Electric Vehicle Makers.
- ❖ Battery Producers.
- ❖ Textile Firms.
- ❖ Food Processing Companies.

Implementation Agency?

Project Management Agency - Responsible for providing secretarial, managerial and Implementation support.

Production Linked Investment Scheme to 10 Key Sectors for Enhancing India's Manufacturing Capabilities and Enhancing Exports - Atmanirbhar Bharat (Allocation to each sector):

- ✚ In this year's budget a provision of about 2 lakh crore rupees has been made for schemes related to the PLI scheme.
- ✚ An average of 5 % of production is given as incentive. This means that PLI schemes will lead to production worth \$ 520 billion in India in the next five years.

Priority	Sectors	Implementing Ministry/Department	Financial Outlays over a five-year period. (Rs. Crore)
1	Mobile Manufacturing and Specified Electronic Components	MEITY	40951
2	Critical Key Starting materials/Drug Intermediaries and Active Pharmaceuticals Ingredients	Department of Pharmaceuticals	6940
3	Manufacturing of Medical Devices		3420
4	Advance Chemistry Cell (ACC) Battery	NITI Aayog and Department of Heavy Industries	18100
2	Electronic/Technology Products	Ministry of Electronics and Information Technology	5000
3	Automobiles & Auto Components	Department of Heavy Industries	57042
4	Pharmaceuticals drugs	Department of Pharmaceuticals	15000
5	Telecom & Networking Products	Department of Telecom	12195
6	Textile Products: MMF segment and technical textiles	Ministry of Textiles	10683
7	Food Products	Ministry of Food Processing Industries	10900

8	High-Efficiency Solar PV Modules	Ministry of New and Renewable Energy	4500
9	White Goods (ACs & LED)	Department for Promotion of Industry and Internal Trade	6238
10	Speciality Steel	Ministry of Steel	6322

Source: "www.investindia.gov.in"

CONCLUSION:

- ✚ **Minimum Government, Maximum Governance and expects Zero Effect, Zero Defect.**
 - ✚ Estimation that sectors for which the PLI scheme has been created will witness doubling of the workforce.
 - ✚ The industry to innovate according to the needs of the fast-changing world, increase our participation in R&D, upgrading the manpower skills and use of new technology.
 - ✚ PLI scheme is conceived in a manner that incentives are payable by the government only after the investment is done, employment is generated, production and sales targets have been met.
 - ✚ So far 9 of the 13 PLI plans are informed and another four Schemes are in measure.
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