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Newsflash:

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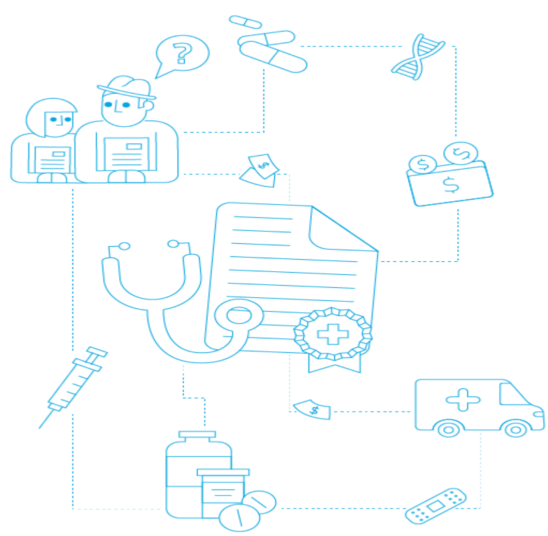
Recent PLI schemes approved by Cabinet for following sectors:

- **Pharmaceutical Sector**
- **Telecom and Networking Products**
- **IT and ITeS**

1.0 Production Linked Incentive Scheme for Pharmaceutical Sector

1.1 Background

The Indian pharmaceutical industry is 3rd largest in the world by volume and is worth 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 USA, UK, European Union, Canada etc. India has a complete ecosystem for the development and manufacturing of pharmaceuticals with companies having state of the art facilities and highly skilled/ technical manpower. The country also has a number of renowned pharmaceutical educational and research institutes and a robust support of allied industries.



At present, low value generic drugs account for the major component of Indian exports, while a large proportion of the domestic demand for patented drugs is met through imports. This is because the Indian Pharmaceutical sector lacks in high value production along with the necessary pharma R&D. In order to incentivize the global and domestic players to enhance investment and production in diversified product categories, a well-designed and suitably targeted intervention is required to incentivize specific high value goods such as bio-pharmaceuticals, complex generic drugs, patented drugs or drugs nearing patent expiry and cell based or gene therapy products etc. Accordingly, the cabinet has approved Production Linked Incentive (PLI) Scheme for Pharmaceuticals over a period of Financial Year 2020-21 to 2028-29.

1.2 Objective

The scheme intends 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. One of the further objectives of the scheme is to create global champions out of India who have the potential to grow in size and scale using cutting edge technology and thereby penetrate the global value chains.

1.3 Salient Features of the Scheme & Quantum of Incentive

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	Global Manufacturing Revenue (FY 2019-20)	Incentive Allocated
Group A	more than or equal to Rs 5,000 crores	Rs 11,000 crores
Group B	between Rs 500 (inclusive) crores and Rs 5,000 crores	Rs 2,250 crores
Group C*	less than Rs 500 crore	Rs 1,750 crores
Total outlay under the Scheme		**15,000 crores**

*__Note__: A sub-group for MSME industry will be made within Group C, given their specific challenges and circumstances.

The incentive allocation for Group A and Group C applicants shall not be moved to any other category. However, incentive allocated to Group B applicants, if left underutilized can be moved to Group A applicants.

1.4 Allocation of Incentive based on Categorization of Goods

The scheme shall provide the incentive depending upon the category of goods as mentioned below:

Category Type	Pharmaceutical Goods Covered	Incentive per year of production (% of incremental sales value**)
Category 1	• Biopharmaceuticals; • Complex generic drugs;	• 10% for first four years

	• Patented drugs or drugs nearing patent expiry; • Cell based or gene therapy drugs; • Orphan drugs; • Special empty capsules like HPMC, Pullulan, enteric etc.; • Complex excipients; • Phyto pharmaceuticals: • Other drugs as approved	• 8% for the fifth year and • 6% for the sixth year
Category 2	• Active Pharmaceutical Ingredients • Key Starting Materials • Drug Intermediates	• 10% for first four years • 8% for the fifth year and • 6% for the sixth year
Category 3	• Drug not covered under Category 1 and Category 2 • Repurposed drugs; • Auto immune drugs, anti-cancer drugs, anti-diabetic drugs, anti-infective drugs, cardiovascular drugs, psychotropic drugs and antiretroviral drugs; In vitro diagnostic devices; Other drugs as approved; • Other drugs not manufactured in India	• 5% for first four years • 4% for the fifth year and • 3% for the sixth year

**<u>Note</u>: Financial Year 2019-20 shall be treated as the base year for computation of incremental sales of manufactured goods

1.5 Tenure of the Scheme

The tenure of the scheme will be from FY 2020-21 to FY 2028-29. This will include the period for processing of applications (FY 2020-21), optional gestation period of one year (FY 2021-22), incentive for 6 years and FY 2028-29 for disbursal of incentive for sales of FY 2027-28.

2.0 Production Linked Incentive Scheme for Telecom and Networking Products

2.1 Background

The Prime Minister has approved Production Linked Incentive (PLI) Scheme for Telecom and Networking Products with a budgetary outlay of Rs. 12,195 crores. In continuation of "Atmanirbhar Bharat-Strategies for enhancing India's Manufacturing capabilities and enhancing exports", this scheme is part of the umbrella scheme approved by the cabinet in November 2020 for implementation of PLI under various Ministries/ Departments including Department of Telecommunications (DoT).

2.2 Objective of the Scheme

The Production Linked Incentive (PLI) 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.'

2.3 Salient Features of the Scheme

The Scheme intends to provide support to companies/entities engaged in manufacturing of specified telecom and networking products in India. Eligibility under the Scheme would be subject to achievement of a minimum threshold of cumulative incremental investment over a period of four years and incremental sales of manufactured goods net of taxes (as distinct from traded goods) over the Base Year 2019-2020. The cumulative investment can be made at one go, subject to annual cumulative threshold as prescribed for four years being met.

There will be a minimum investment threshold of Rs.10 crores for MSME with incentives from 7% to 4 % and Rs. 100 crores for others with incentives from 6% to 4 % over 5 year above Base Year as tabulated below:

Organisation Type	Minimum Investment Threshold	Incentives
MSME	Rs 10 crores	7% to 4%
Other than MSME	Rs 100 crores	6% to 4%

The applicants with higher investments than specified threshold under MSME and Non MSME categories will be selected through transparent process.

With this scheme, India will be well positioned as a global hub for manufacturing of Telecom and Networking Products. Incremental production around Rs. 2 Lakh crore is expected to be achieved over 5 years. India will improve its competitiveness in manufacturing with increased value addition.

It is also expected that scheme will bring more than Rs. 3,000 crore investment and generate huge direct and indirect employments.

3.0 Production Linked Incentive Scheme for IT and ITeS

3.1 Background

Currently, the laptop and tablet demand in India is largely met through imports valued at ₹ 29,470 crore (USD 4.21 billion) and at ₹ 2,870 crore (USD 0.41 billion) respectively. The market for IT Hardware is dominated by 6-7 companies globally which account for about 70% of the world’s market share. These companies are able to exploit large economies of scale to compete in global markets. It is imperative that these companies expand their operations in India and make it a major destination for manufacturing of IT Hardware.

Given the current global scenario, the world of manufacturing is undergoing a paradigm shift. Manufacturing companies across the globe are looking to diversify their manufacturing locations to mitigate the risk involved in depending on a single market. In order to make India a globally competitive destination for electronics manufacturing and create domestic champions to further our mission of achieving an Atma Nirbhar Bharat, the Prime Minister approved the Production Linked Incentive (PLI) Scheme for IT hardware such as Laptops, Tablets, All-in-One Personal Computers (PCs) and Servers.

3.2 Salient Features of the Scheme

The total outlay under Scheme for IT Hardware is approximately Rs. 7,350 crores over a period of 4 years. **The Scheme shall extend incentives between 4% to 1% on net incremental sales (over base year i.e. 2019-20) of goods manufactured in India and covered under the target segment, to eligible companies, for a period of four (4) years.**

The proposed scheme is likely to benefit major global as well as domestic manufacturers of IT hardware products namely Laptops, Tablets, All-in-One PCs, and Servers. This is an important segment to promote manufacturing as there is huge import reliance for these items at present.

The incentives under this Scheme would become payable by government only after investment has been done, employment has been generated, production and sales targets have been met.

Over the next 4 years, the Scheme is expected to lead to total production of upto Rs 3.26 lakh crores by the top 5 Global Champions and 10 National Champions and also expected to boost exports significantly. Out of the total production in the next 4 years, more than 75% are expected to be exports of the order of Rs 2.45 lakh crores.

Further, the Scheme will bring an additional investment in electronics manufacturing to the tune of Rs. 2,700 crores whereas the direct and indirect revenues generated from production under this scheme are expected to be Rs 15,760 crore over next 4 years. Domestic value addition for IT Hardware is expected to rise to 20% - 25% by 2025 from the current 5% - 10% due to the impetus provided by the Scheme. Increase in both domestic manufacturing and domestic value addition will help significantly reduce the large foreign exchange outgo that India will have to otherwise bear.

It is also expected that the scheme will promote large scale electronics manufacturing of IT Hardware products and contribute significantly to achieving a USD 1 Trillion digital economy and a USD 5 Trillion GDP by 2025.

For further information please contact:

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