

PLI Scheme on ICT Products – Explained

INTRODUCTION

The Government of India (GoI) implements schemes to address the social and economic wellbeing of its people. These schemes are essential for addressing many socioeconomic problems that impact Indian society.

Production Linked Incentive Scheme, or PLI, is one such scheme that encourages businesses to increase sales of products made in the country.

What is PLI scheme?

The scheme, according to the central government, aims to increase domestic manufacturing while lowering import costs. PLI attempts to provide businesses with incentives for additional sales of goods produced domestically. In addition, it also invites foreign companies to set up units in India and also intends to encourage domestic/local industries to open or expand their manufacturing facilities, create more jobs, and lessen India's dependency on imports from other nations. The scheme primarily focuses on labor-intensive industries in the hopes of generating new opportunities for India's soaring employable population.

Objectives

- This PLI scheme aims to increase the competitiveness of domestic manufacturing on a worldwide scale, develop manufacturing industry leaders, increase exports, and generate employment. Some of the main objectives of PLI scheme are:

- Implement non-tariff measures that raise import costs
- Promote domestic manufacturing by providing financial incentives for production and promoting capital investments.
- Recognize the importance of exports in the overall growth strategy while reinforcing the domestic market
- Protect specific product categories
- Bring in key knowledge and innovative technology
- Enhance domestic manufacturing output by US\$ 520 billion in one year
- Foster job generation and employment
- Build district-level export hubs
- Reduce compliance burden
- Enhance ease of doing business
- Reduce logistical expenses

PLI Scheme: Brief Background

- The Atmanirbhar Bharat campaign in India inspired the introduction of this scheme.
- The IT Ministry introduced PLI scheme as a component of the National Policy on Electronics (NPE) to provide incentives of 4-6% to electronic enterprises that produce electronic components like transistors, diodes, and mobile phones.

- The first sector that the PLI scheme had targeted was the Large Scale Electronics Manufacturing, in April 2020.
- By the end of the year (November 2020), 10 more sectors, including food processing, telecom, electronics, textiles, specialty steel, automobiles and auto components, solar photovoltaic modules, and white goods like air conditioners and LEDs, were also expanded under the PLI scheme.
- All electronic manufacturing enterprises that are either Indian or have a registered unit in India are eligible to apply for the scheme, as far as eligibility is concerned.
- The inclusion of more sectors under the PLI Scheme for a period of five years was highlighted in the Union Budget 2021 by Finance Minister Nirmala Sitharaman. Starting with the Financial Year 2022, INR 1.97 lakh crores (USD 24.63 billion) have been allotted for this plan.
- The PLI schemes have been currently extended to 14 sectors. This has helped in reducing administrative inefficiencies and the stress of compliance has proved advantageous for industry.

Sectors Under PLI Scheme

The initiative is primarily aimed at improving domestic manufacturing in strategic and emerging markets, cut import duties and lower import prices, develop domestic capacity, facilitate exports, and improve the cost competitiveness of locally produced goods.

The 14 sectors include mobile manufacturing, manufacturing of medical devices, automobiles and auto components, pharmaceuticals, drugs, specialty steel, telecom

& networking products, electronic products, white goods (ACs and LEDs), food products, textile products, solar PV modules, advanced chemistry cell (ACC) battery, and drones and drone components.

Production Linked Incentives(PLI) for investment boost and jobs

Sl. No.	Sectors	Approved Applications	Expected Investment (Rs. Crore)	Actual Investment (Rs. Crore)	Expected Production/ Incremental Sales (Rs. Crore)	Actual Production (Rs. Crore)	Expected Employment	Actual Employment
1	Mobile Manufacturing and Specified Electronic Components	32	11,324	4,258.00	10,69,432	1,67,770	7,00,000	28,636
2	Critical Key Starting materials/ Drug Intermediaries and Active Pharmaceutical Ingredients	51	4,138	1,316.10	39,787	134	10,598	2,114
3	Manufacturing of Medical Devices	21	1,059	623.57	33,125	248	6,411	2,445
4	Advance Chemistry Cell (ACC) Battery	4	45,000	-	-	-	30,00,000	-
5	Electronic/ Technology Products	14	2,517	123.00	1,60,753	3,165.0	1,86,000	729
6	Automobiles & Auto Components	95	74,850	-	2,31,500	-	7,50,000	-
7	Pharmaceuticals drugs	55	17,425	18,669.00	7,75,000	12,637	1,00,000	13,023
8	Telecom & Networking Products	31	3,345	689.00	1,81,744	13,493	42,027	10,587
9	Textile Products: MMF segment and technical textiles	64	19,798	1,366.66	1,93,926	-	2,45,362	-
10	Food Products	149	7,722	4,165.59	1,20,267	86,359	2,71,403	1,31,913
11	High Efficiency Solar PV Modules	3	32,929	8,919.00	32,123	-	6,980	597
12	White Goods (ACs & LEDs)	64	6,766	862.23	1,18,255	1,271	47,851	7,866
13	Speciality Steel	-	39,625	-	2,42,838	-	5,25,000	-
14	Drones and Drone Components	23	5,000	-	3,434	319	10,000	-
	TOTAL	606	2,71,498	40,992.15	32,02,184	2,85,395	59,01,632	1,97,910

Source: DPIIT (at end Sept 2022)

PLI scheme for Electronics and IT Hardware

The Ministry of Electronics and Information Technology is in charge of carrying out this scheme. Mobile phones, certain electrical components, laptops, tablets, all-in-one PCs, servers, etc. are among the products that fall under this category.

The rate of growth in electronic goods imports may moderate as a strong domestic manufacturing ecosystem develops and matures, positioning India to become a major hub for electronics production.

The PLI scheme will improve tax receipts and encourage new investments in the electronic manufacturing industry. Furthermore, it is predicted that employment creation will be around three times higher than it is now. By 2025, the plan is

anticipated to make a major contribution towards reaching a digital economy worth USD 1 trillion and a USD 5 trillion GDP.

For the country to attract investments in FAB facilities, develop capacities in all electronics subsectors, and achieve strategic independence in electronics, including improved hardware security, it is essential to create a domestic ecosystem for the production of electronic components and semiconductor packaging.

According to industry estimates (Source: ICEA and ELCINA), the domestic supply chain and logistics, high cost of financing, inadequate availability of quality power, limited design capabilities, industry-wide focus on R&D, and deficiencies in skill development cause the electronics manufacturing sector to be disabled by 8.5% to 11%. A mechanism is required to make up for the production disadvantages compared to other significant manufacturing economies.

Companies That Have Filed Applications Under PLI scheme for IT Hardware

IT hardware manufacturing companies

1. Dell
2. ICT (Wistron)
3. Flextronics
4. Rising Stars Hi-Tech (Foxconn)
5. Lava

Domestic companies

1. Dixon
2. Infopower (JV of Sahasra and MiTAC)
3. Bhagwati (Micromax)
4. Syrma
5. Orbic
6. Neolync
7. Optiemus
8. Netweb
9. WDN
10. Smile Electronics
11. Panache Digilife
12. HLBS
13. RDP Workstations
14. Coconics

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Courtesy: [Overview of Production Linked Incentive Schemes in India \(india-briefing.com\)](https://www.india-briefing.com/production-linked-incentive-schemes-in-india/)

Companies That Have Filed Applications Under PLI scheme for Mobile Manufacturing

Foreign companies

1. Rising Star
2. Samsung
3. Foxconn Hon Hai
4. Wistron
5. Pegatron

Domestic companies

1. Lava
2. Bhagwati (Micromax)
3. Padget Electronics
4. UTL Neolyncs
5. Optiemus Electronics
6. AT&S
7. Ascent Circuits
8. Visicon
9. Walsin
10. Sahasra
11. Neolync

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Courtesy: [Overview of Production Linked Incentive Schemes in India \(india-briefing.com\)](https://www.india-briefing.com/production-linked-incentive-schemes-in-india/)

In December 2022, PLI scheme for the Large-Scale Electronics Manufacturing (LSEM) sector granted incentives for two companies—one a domestic firm and the other a global corporation—for mobile manufacturing.

Based on its additional investments and sales figures, Foxconn Hon Hai Technology India Mega Development Pvt. Ltd. is the first global company to have received approval under the target segment “Mobile Phones” (Category: Invoice Value INR 15,000 (USD 182.83) and Above) receive incentive under mobile manufacturing for the time period 1 August 2021–31 March 2022. The authorized incentive amount is INR 357.17 crore (USD 44.65 million).

Based on its additional investments and sales results under the target sector “Mobile Phones”, Padget Electronics Pvt. Ltd., a domestic company, has been given approval by the Empowered Committee to earn incentives under mobile manufacturing for the quarter January-March 2022. (Category-Domestic Companies). The authorized incentive amount is INR 58.29 crore (USD 7.3 million).

Manufacturing facilities are located in Noida, Uttar Pradesh, and Padget Electronics Pvt. Ltd. is a 100% subsidiary of Dixon Technologies Pvt. Based on its further investments and sales, Padget Electronics has already been awarded INR 53.28 crore (USD 6.7 million) under the PLI plan for Large-Scale Electronics Manufacturing for the months of August through December 2021.

With the help of MeitY's PLI scheme for large-scale electronics manufacturing, India is moving closer to becoming a competitive center for the industry, reinforcing Atmanirbhar Bharat, and producing more global leaders in this field.

By September 2022, the PLI plan for LSEM had brought in investments of INR 4,784 crore (USD 598 million) and produced goods worth INR 2,03,952 crore (USD

25.48 billion), including INR 80,769 crore (USD 10.1 billion) in exports. The program has also led to the creation of 40,916 jobs. By 2025–2026, the manufacture of electronics is anticipated to reach USD 300 billion.

India has achieved significant strides in the sector of electronics manufacturing during the past five years as a consequence of government initiatives and business efforts. Mobile phone production increased from 6 crore in 2014–15 to around 31 crore in 2021–22. Mobile phone exports have also significantly increased. India shipped mobile phones for INR 45,000 crore (USD 5.63 billion) in FY 2021–22, and as of November 2022, exports of mobile phones have already surpassed INR 40,000 crore (USD 5 billion), which is more than double the amount exported during the same period in FY 2021–22.

Leading international firms including Foxconn, Samsung, Pegatron, Rising Star, and Wistron have joined the PLI for Large-Scale Electronics Manufacturing sector. Leading local companies like Lava, Micromax, Optimus, United Telelinks Neolyncs, and Padget Electronics have also participated in this scheme.

PLI Scheme Boost

After the creation of 100,000 brand-new direct jobs over the course of the previous 19 months, Apple has emerged as the electronics industry's single greatest employer of blue-collar workers.

The production of the iPhones under the government's smartphone PLI scheme has been assisted by Apple's key vendors in India and their ecosystem of component suppliers. The vast majority of these new jobs have been created in the 19 months since the PLI scheme came into effect in August 2021.

Sixty percent of the new jobs have been created by the three companies that assemble the iPhone: Foxconn Hon Hai, Pegatron, and Wistron. With over 7,000 new jobs, they have already surpassed their second-year promise under the scheme to create new jobs.

Apple asserts that more than 85% of its domestic sales are now produced in India, as opposed to importing more than 90% from China. Since its inception, contract manufacturers connected to the US giant have made the best use of the government's PLI scheme.

Such has been the impact of Apple's move, that other competitors like Samsung have also decided to move production to India. The Korean company employs more than 11,000 people at its facility in Noida, Uttar Pradesh, according to data on the PLI plan, with signs of growth in the near future. According to official statistics, Foxconn employs more than 40% of these individuals at its facilities in Tamil Nadu, with the remainder being split between Pegatron (also located in the state) and Wistron, which has its headquarters in Karnataka.

From this time on, the company produces iPhones ranging from 11 to 14, with the most recent model starting local production just ten days after the global debut. Apple shipped iPhones for INR 11,000 crore (USD 1.38 billion) in the fiscal year 2021, and it is anticipated that this fiscal year's amount would be twice as high.

Why is PLI scheme so crucial for India?

- With the PLI program, the government hopes to support domestic producers and help them become more competitive abroad.

- The government is of the opinion that increasing domestic production in all sectors might aid in attracting investment in fields requiring core competencies and cutting-edge technology
- It also aids in improving exports, and establishing India as a key player in the world supply chain.
- During a period of five (5) years following the base year, the PLI Scheme offered qualifying enterprises an incentive of 6% to 4% on incremental sales (over base year) of items under target segments that are manufactured in India (FY 2019-20).
- 16 authorized companies are anticipated to produce a total of more than INR 10,50,000 crore (USD 131.25 billion) during the PLI Scheme's duration. Over 60% of the INR 10,50,000 crore (USD 131.25 billion) in production over the next five years is anticipated to come from exports, or about INR 6,50,000 crore (USD 81.25 billion). The companies approved under the program are anticipated to contribute an additional INR 11,000 crore (USD 1.38 billion) in investments to the electronics manufacturing industry.
- As of September 2022, the PLI scheme for large-scale electronics manufacturing had drawn investments of INR 4,784 crore (USD 598 million) and produced a total of INR 2,03,952 crore (USD 25.48 billion), including INR 80,769 crore (USD 10.1 billion) in exports.

Benefits of PLI scheme

- People should be aware of how difficult it is for the government to manage sustainable development and investments in labor-intensive industries. Since the profits on these capital-intensive enterprises take longer to reflect, the government

cannot continue to invest in them. Instead, it would invite major global businesses to set up operations in India. Some of the benefits of PLI scheme are:

- The PLI scheme is dependent on total output.
- Easy accessibility further increases the benefits.
- It supports the anchor investors who are able to manage other investments as well as initiatives, whether they are new or ongoing.
- Recipients of this program also receive tax breaks, exemptions from import and export tariffs, and support in acquiring affordable land.
- Reasonable product costs through PLI is another advantage.

CONCLUSION

The expansion and improvement of India's electronic manufacturing ecosystem is the priority of GoI. Currently, the National Policy on Electronics 2019 (NPE 2019) aims to position India as a global hub for Electronics System Design and Manufacturing (ESDM) by supporting and advancing domestic capabilities for developing core components and by fostering an environment that will allow the sector to compete internationally.