



**KHAITAN  
& CO**

*Advocates since 1911*

# PLI Scheme: An Overview



## What is the PLI Scheme?

The Production Linked Incentive Scheme (“**PLI Scheme**”) aims to provide companies with incentives on incremental sales of products manufactured in domestic units. One of its key objects is to invite foreign companies to set up operations in India and to enhance India’s exports along with its own manufacturing capabilities.

The PLI Scheme was announced pursuant to the present government’s *Atma Nirbhar Bharat* campaign. The Central Government, in its annual budget for the year 2021, announced a commitment of INR 1.97 lakh crores (~USD 27 bn) over 5 years (starting from FY 2021 – 22) under the PLI scheme with an object to boost India’s manufacturing sector.

The Government believes that this initiative will not only enable integration with global supply chains but will also establish backward linkages with the MSME sector in the country thereby enabling the creation of a robust manufacturing sector by providing these benefits.

## Eligible Sectors

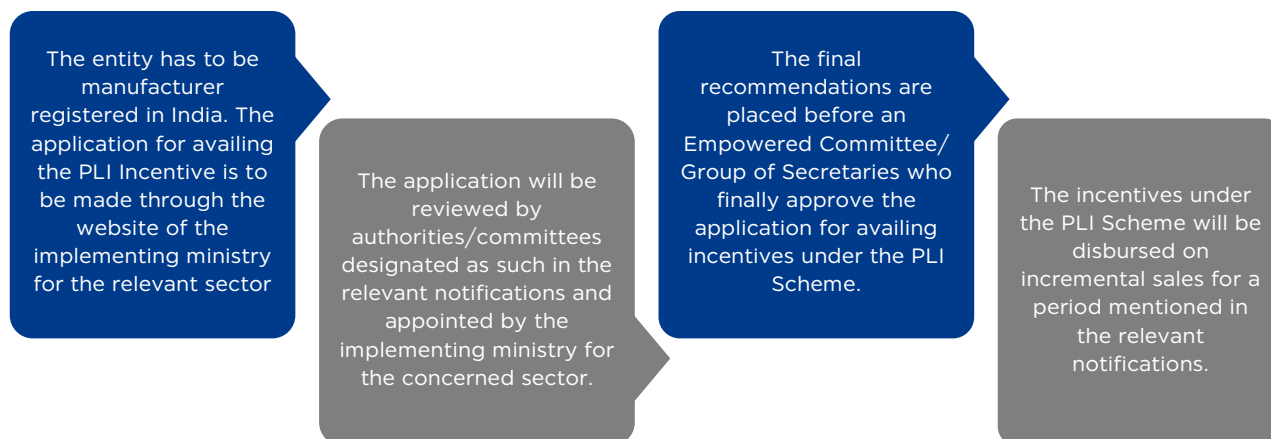
The PLI Scheme extends to 13 sectors. The table below represents the sectors, the corresponding implementing ministries and approved financial outlay over a five-year period-

Priority	Sectors	Implementing Ministry/ Department	Approved financial outlay over a five-year period. (in Rs. Crore and USD)
1.	Advance Chemistry Cell (ACC) Battery	NITI Aayog and Department of Heavy Industries	18100 (~USD 2.4 bn)
2.	Electronic/Technology Products	Ministry of Electronics and Information Technology	5000 (~USD 680 mn)
3.	Automobiles & Auto Components	Department of Heavy Industries	57042 (~USD 7.8 bn)
4.	Pharmaceuticals drugs	Department of Pharmaceuticals	15000 (~USD 2 bn)
5.	Telecom & Networking Products	Department of Telecom	12195 (~USD 1.7 bn)
6.	Textile Products: MMF segment and technical textiles	Ministry of Textiles	10683 (~USD 1.5 bn)
7.	Food Products	Ministry of Food Processing Industries	10900 (~USD 1.5 bn)
8.	High Efficiency Solar PV Modules	Ministry of New and Renewable Energy	4500 (~USD 613 mn)
9.	White Goods (ACs & LED)	Department for Promotion of Industry and Internal Trade	6238 (~USD 800 mn)
10.	Speciality Steel	Ministry of Steel	6322 (~USD 860 mn)
11.	Mobile Manufacturing and Specified Electronic Components	Ministry of Electronics and Information Technology	40951 (~USD 5.6 bn)
12.	Critical Key Starting materials/Drug Intermediaries and Active Pharmaceutical Ingredients	Department of Pharmaceuticals	6940 (~USD 946 mn)
13.	Manufacturing of Medical Devices.		3420 (~USD 466 mn)
Total			1,97,291 (~USD 27 bn)

## How are incentives given out and who are the eligible entities?

An applicant of PLI must meet the threshold criteria of incremental investment in order to be eligible for disbursement of incentive for the year under consideration. To meet the threshold criteria of such incremental investment, the cumulative value of investment made by the applicant shall be considered. Based on the threshold of incremental sales as prescribed by different implementing ministries, the minimum investment requirement for an eligible applicant may range from INR 10 crores (~USD 1.3 mn) to INR 500 crores (~USD 68.2 mn).

As of now, there is no consolidated document that captures a uniform set of rules and regulations governing the manner in which incentives is to be provided to eligible entities under the PLI Scheme. However, the following procedure is currently prescribed for the purpose of availing incentives under the PLI Scheme-



## Quantum of Benefits, Investment Tenure and Threshold announced across various industries

The Government of India has already announced the amount of benefit available, the tenure of investment and investment threshold across various industries. The relevant details are provided below-

Name of the Industry	Quantum of Benefits	Investment Tenure	Investment Threshold	Number of applicants selected / available slots
Large-Scale Electronics Manufacturers (Mobile Phones and Specified Electronic Components)	4-6%	5 years	For mobile phones- Domestic Firms: INR 200 cr. (~USD 27 mn) over a period of 4 years.  Foreign Firms: INR 1000 cr. (~USD 136 mn) over a period of 4 years  For specified electronic components - INR 1000 cr. (~USD 136 mn) over a period of 4 years	10 applications for mobile phones and 6 applications for specified parts have already been approved.
Specified Electronic Component Manufacturers Round 2	3-5%	4 years	INR 25 cr. (USD 3.4 mn) over 4 years	Applications open till 31 March, 2021.
IT Hardware Products (Laptops, Tablets, Servers, All in One PCs)	2-4%	4 years	Domestic Firms: INR 500 cr. (~USD 68 mn) over 4 years.	Was open for applications till 11 March, 2021. Slots available for 15 entities.

Name of the Industry	Quantum of Benefits	Investment Tenure	Investment Threshold	Number of applicants selected / available slots
			Foreign Firms: INR 20 cr. (~USD 2.7 mn) over 4 years.	
Telecom & Networking Products (Specified Products)	MSME - 4-7% Non-MSME - 4-6%	5 years	MSME - INR 10 cr. (~USD 1.3 mn) over 4 years. Non-MSME - INR 100 cr. (~USD 13.6 mn) over 4 years.	Guidelines awaited.
Medical Devices (Specified Devices)	5%	5 years	Completely relaxed.	Total number of slots open is 28 out of which 9 applications have already been approved.
Pharmaceutical Drugs (Specified drugs, drug intermediaries and active pharmaceutical ingredients)	5-20%	6 years	Completely relaxed.	Total number of slots open is 130.
Pharmaceutical Drugs 2.0 (Specified pharmaceuticals, complex generic drugs, patented drugs, drug intermediaries and active pharma ingredients)	5-10%	6 years	Guidelines awaited.	Guidelines awaited.

## How can Khaitan & Co help?

**Ascertaining Eligibility:** Khaitan & Co can assist in ascertaining eligibility of an applicant for availing benefits under the PLI Scheme and quantify and advise on maximising the benefits under the scheme.

**Application Process:** We can also provide end to end assistance during the application process to ensure that effective claiming of benefits under the PLI scheme.

**Representation For Sectors Not Covered:** As certain core sectors with state-of-the-art manufacturing technologies are yet not covered under the PLI scheme, our firm can assist in making representations before the Union Cabinet or relevant ministries to broaden the reach of the PLI Scheme to hitherto uncovered sectors. Given the current policy regime, the Government may exhibit interest in extending the benefits of this scheme to currently uncovered sectors in order to maximize economic benefit to India.

This document provides some basic information pertaining to the topics contained herein and should not be construed as a legal opinion or legal advice. It may neither be relied upon by any person for any purpose, nor is it to be quoted or referred to in any public document or shown to, or filed with any government authority, agency or other official body.

**Bengaluru**  
Embassy Quest, 3<sup>rd</sup> Floor  
45/1 Magrath Road  
Bengaluru 560 025  
India

**Kolkata**  
Emerald House  
1B Old Post Office Street  
Kolkata 700 001  
India

**Mumbai**  
One World Center  
10<sup>th</sup> & 13<sup>th</sup> Floors, Tower 1C  
841 Senapati Bapat Marg  
Mumbai 400 013, India

**New Delhi**  
Ashoka Estate  
11<sup>th</sup> Floor, 1105 & 1106  
24 Barakhamba Road  
New Delhi 110 001, India

**Noida**  
Max Towers, 7<sup>th</sup> & 8<sup>th</sup> Floors  
Sector 16B, Noida  
Uttar Pradesh 201 301  
India

T: +91 80 4339 7000  
F: +91 80 2559 7452  
E: bengaluru@khaitanco.com

T: +91 33 2248 7000  
F: +91 33 2248 7656  
E: kolkata@khaitanco.com

T: +91 22 6636 5000  
F: +91 22 6636 5050  
E: mumbai@khaitanco.com

T: +91 11 4151 5454  
F: +91 11 4151 5318  
E: delhi@khaitanco.com

T: +91 120 479 1000  
F: +91 120 474 2000  
E: delhi@khaitanco.com