



Announcement on Production linked Incentive Scheme

In continuation of various announcements done so far under the Atma Nirbhar package to support Indian economy from economic fallout due to Coronavirus (Covid-19) and support domestic manufacturing, the government announced Production-Linked Incentive scheme (PLI) for ten key sectors.

These are as follows:-

Sectors	Rs. in Bn
Automobiles & Auto Components	570.4
Advance Chemistry Cell (ACC) Battery	181.0
Pharmaceuticals drugs	150.0
Telecom & Networking Products	122.0
Food Products	109.0
Textile Products: manmade fibre segment and technical textiles	106.8
Speciality Steel	63.2
White Goods (ACs & LED)	62.4
Electronic/Technology Products	50.0
High Efficiency Solar PV Modules	45.0
Total	1459.8

Source: PIB

Among the ten sectors, Automobile & Auto component sector would be receiving a maximum incentive of Rs.570.4 bn spread over five years. Other sectors, which are included under the scheme, are Advanced Cell Chemistry battery, Pharmaceuticals, Telecom and Networking products, Food products and Textile products would be receiving incentives of over Rs.100 bn spread over five years. In the latest announcement, the total incentive for all the sectors put together would be Rs.1.46 trillion spread over five years.

As per the notification, the PLI scheme will be implemented by the concerned ministries/departments and will be within the overall financial limits prescribed. The final proposals of PLI for individual sectors will be appraised by the Expenditure Finance Committee (EFC) and approved by the Cabinet. Savings, if any, from one PLI scheme of an approved sector can be utilized to fund that of another approved sector by the Empowered Group of Secretaries.

The new PLI scheme will be in addition to the already notified PLI schemes worth of Rs.513.11 bn for manufacturing of 1) Mobile and Specified Electronic Components, 2) critical Key Starting Materials/Drug Intermediaries and Active Pharmaceutical Ingredients and 3) Medical Devices.

View:

The government has been pushing various stimulus measures to pull out the economy from Covid-19 related slowdown since the pandemic began. So far the government has announced a total outlay of ~Rs.2 trillion under PLI schemes for sectors which have huge potential to grow in future. These schemes are likely to help in increasing India's manufacturing capabilities going forward and in turn ensure manufacturing as a percentage of India's Gross Value Added (13.8% of GVA as of Q1FY21) rises further. Given the recent geo-political issues with China and tariff war between US-China, global companies are looking out for alternate sourcing partners and promoting manufacturing in India in current scenario may help India to become one of those key partners in the global supply chain. Higher manufacturing capacity would also create new job opportunities, which would drive income and consumption going forward and thereby improve overall economic growth in India.

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