

Production Linked Incentive (PLI) Scheme for Large Scale Electronics Manufacturing

PLI Scheme

Incentives

4% - 6%
Production Linked
Incentive for a
period of 5 years

Target Segments

Mobile Phones &
Specified Electronic
Components

Tenure

Five (5) years
Application Period
4 months initially

Base Year

Financial Year
2019-20

Eligibility

1. The number of applications allowed per applicant for support under the Scheme shall be restricted to one (1).
2. Subject to **thresholds of incremental investment and incremental sales of manufactured goods**

Applicability

Incentives
applicable from
01.08.2020

Empowered Committee

CEO NITI Aayog
Secretary Economic Affairs
Secretary Expenditure
Secretary MeitY
Secretary Revenue
Secretary DPIIT
DGFT

Scheme Guidelines

Key Definitions (Para 2)

- **Invoice Value:** Unit Price charged on an invoice raised by an applicant on sale of manufactured goods, net of credit notes, discounts or any other adjustments and applicable taxes
- **Net Sales Turnover:** Net Sales Turnover shall mean the Gross Sale Turnover net of credit notes (raised for any purpose), discounts (including but not limited to cash, volume, turnover, target or for any other purpose) and taxes applicable
- **Manufacturing:** Processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character [CGST Act – 2017]
- **Employment:** Jobs which are directly involved in the production process or with related activities beginning from when materials enter a production facility and up until the resultant manufacturing good leaves the production facility. Such employment shall include on-roll, contractual and apprentice workforce in the country only
- **Domestic Value Addition:** A divided by B
 - A. Net Sales Turnover minus value of non-originating material and services used in manufacturing
 - B. Net Sales Turnover

Key Definitions (Para 2)

- **Non-Originating Material and Services:** Material and Services whose **country of origin is other than the country in which that material / service is used in manufacturing** and any material / service whose origin cannot be determined
- **Competent Authority:** Competent Authority under the Scheme shall be defined as per delegation of powers for appraisal and approval of Public Funded Schemes and Projects vide OM No. 24(35)/PF-II/2012 dated 05.08.2016 issued by Department of Expenditure, Ministry of Finance or any subsequent modifications thereof
- **Domestic Company(ies):** Domestic Company(ies) shall be defined as those which are owned by resident Indian citizens as defined in the FDI Policy Circular of 2017. A company is considered as 'Owned' by resident Indian citizens **if more than 50% of the capital in it is beneficially owned by resident Indian citizens and / or Indian companies**, which are ultimately owned and controlled by resident Indian citizens.
- **Group Company(ies):** Group Company(ies) shall mean **two or more enterprises** which, directly or indirectly, are in a position to:
 - **Exercise twenty-six percent or more of voting rights in other enterprise; or**
 - **Appoint more than fifty percent of members of board of directors in the other enterprise.**(As defined in the FDI Policy Circular of 2017)

Eligibility Criteria (Para 3)

General Conditions

1. Eligible companies should be engaged in **manufacturing of goods in India as covered under Target Segments**.
2. Eligibility shall be subject to **thresholds of Incremental Investment and Incremental Sales of Manufactured Goods** (covered under Target Segments) over the base year
3. An applicant must meet threshold criteria to be eligible for disbursement of incentive **for the year under consideration**.
4. In case an applicant does not meet threshold criteria for any given year, the applicant **shall not be eligible for incentive in that particular year**. However, the applicant **will not be restricted from claiming incentive in subsequent years during the tenure of the Scheme**, provided eligibility criteria are met for such subsequent years.

Qualification Criteria and Ceiling (Para 3.2 read with Para 9.3 & 9.4)

Eligibility shall be subject to qualification criteria for applicants under different Target Segments in the Scheme are as defined

Segment	Qualification Criteria	Ceiling on eligible applicants*
Mobile (Invoice value of INR 15,000 and above)	Consolidated Global Manufacturing Revenue of the applicant (including its Group Companies), in the target segment, should be more than INR 10,000 Crore in the base year	5
Mobile - Domestic	Consolidated Global Manufacturing Revenue of the applicant (including its Group Companies), in the target segment, should be more than INR 100 Crore in the base year . Applicants under this category can only be Domestic Companies	5
Specified Electronic Components	Consolidated Global Manufacturing Revenue of the applicant (including its Group Companies), in the target segment, should be more than INR 50 Crore in the base year .	10

In case of receipt of more number of eligible applicants, eligible applications for the given Target Segment will be ranked from highest to lowest on the basis of consolidated global manufacturing revenue of the applicants (including its group companies), in the target segment, in the base year.

Investment (Para 3.4 and 4.1.1)

Specific Conditions of Incremental Investment

1. **Cumulative value** of investment done till such year (including the year under consideration) over the Base Year shall be considered. (Para 3.4)
2. Investment made **on or after 01.04.2020** shall be considered for determining eligibility under the Scheme. (Para 4.1.1)

Sale of Manufactured Goods (Para 3.3)

Specific Conditions of Incremental Sale of Manufactured Goods (Covered under Target Segments)

1. Total Sales of Manufactured Goods covered under Target Segments for such year over the Base Year, **irrespective of Invoice Value** (*whether below or above INR 15,000 in case of Mobile Phones*) shall be considered.

Investment (Para 4)

General Conditions

1. Expenditure on **consumables and raw material used for manufacturing shall not be considered**
2. The date of invoice would be considered as the date of investment
3. The **heads of Investment, based on which eligibility is being determined, should be capitalized in the books of accounts** of the applicants
4. The **expenditure incurred on land and building (including factory building / construction) required for the project / unit is not covered** under the Scheme

Investment (Para 4)

#	CATEGORY	DEFINITION	CONDITION
1	Plant, Machinery, Equipment	<ul style="list-style-type: none"> <li data-bbox="596 329 1646 679">❑ Expenditure on plant, machinery, equipment as well as tools, dies, moulds, jigs, fixtures (including parts, accessories, components, and spares thereof) of the same, used in the design, manufacturing, assembly, testing, packaging or processing of any of the goods covered under Target Segments <li data-bbox="596 729 1646 896">❑ Expenditure on packaging, freight / transport, insurance, and erection and commissioning of the plant, machinery & equipment 	<ul style="list-style-type: none"> <li data-bbox="1671 329 2507 919">❑ Para 4.2.3 of the Scheme Guidelines: Used / Refurbished Plant, Machinery and Equipment allowed under the Scheme shall have a residual life of at least 5 years as per Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016 amended vide Ministry of Environment, Forest and Climate Change Notification dated 11.06.2018. <li data-bbox="1671 939 2507 1106">❑ Further, the valuation certificate by a Chartered Engineer assessing the value and residual life shall also be required.

Investment (Para 4)

#	CATEGORY	DEFINITION	CONDITION
2	Research & Development	<ul style="list-style-type: none"> <input type="checkbox"/> Capital expenditure on R&D and product development related to Target Segments <input type="checkbox"/> Expenditure on in-house and captive R&D, directly attributable to goods covered under Target Segments, including all stages in the entire value chain of the goods proposed to be manufactured including software <input type="checkbox"/> Expenditure shall include test and measuring instruments, prototypes used for testing, purchase of design tools, software cost (directly used for R&D) and license fee, expenditure on technology, IPR, Patents and Copyrights for R&D 	<ul style="list-style-type: none"> <input type="checkbox"/> The applicant shall provide a statutory auditor certificate and purchase agreements in respect of the cost of technology, IPRs, patents and copyrights.
3	Transfer of Technology (ToT)	<ul style="list-style-type: none"> <input type="checkbox"/> Includes Cost of Technology and Initial Technology purchase related to goods covered under Target Segments <input type="checkbox"/> All taxes and duties (whether creditable or not) are included in such expenditure 	<ul style="list-style-type: none"> <input type="checkbox"/> The applicant shall provide a statutory auditor certificate and purchase agreements in respect of the cost of technology, IPRs, patents and copyrights.

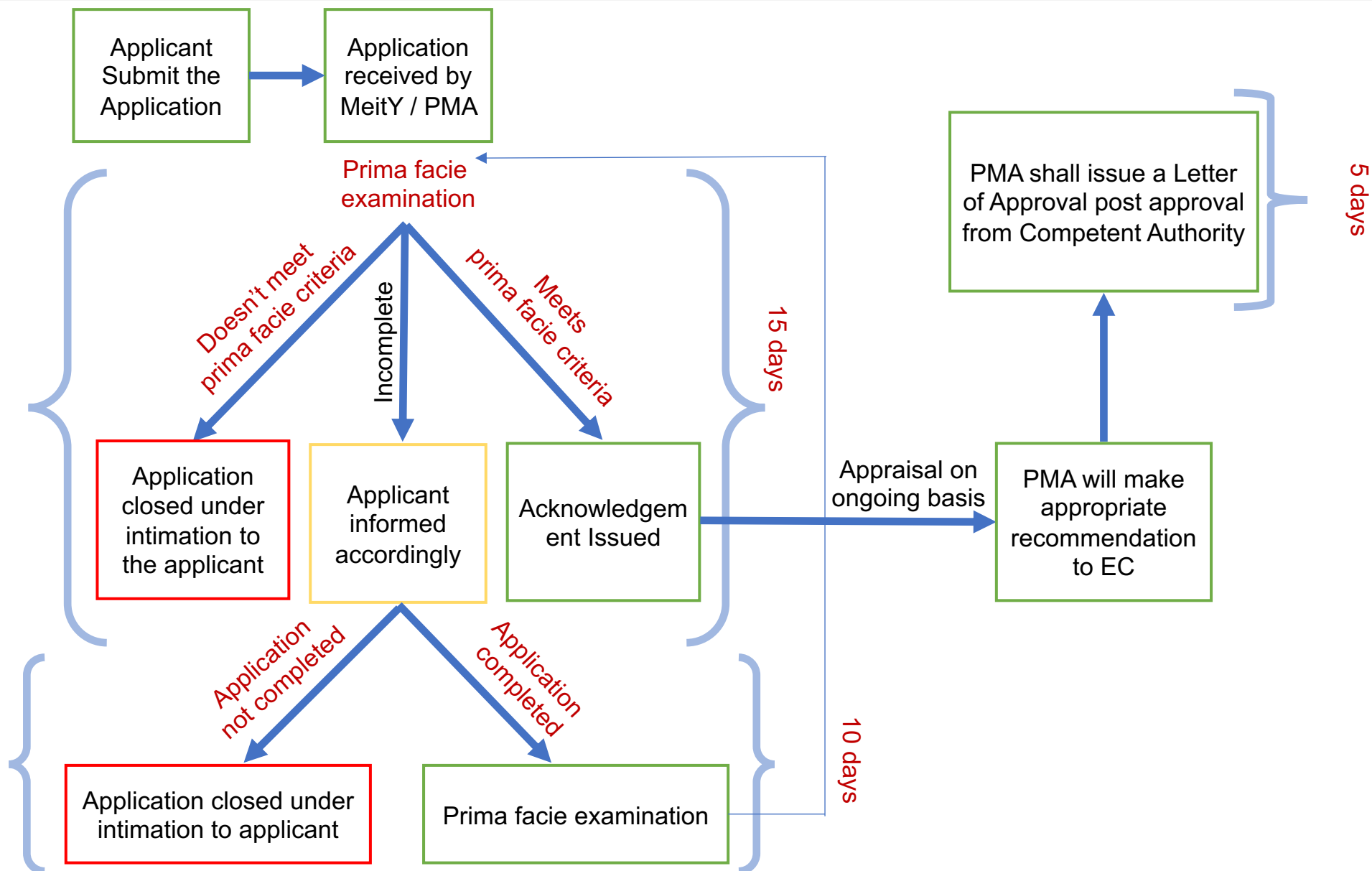
Investment (Para 4)

#	CATEGORY	DEFINITION	CONDITION
4	Associated Utilities	<ul style="list-style-type: none"><input type="checkbox"/> Captive power and effluent treatment plants, essential equipment required in operations areas<input type="checkbox"/> Incl. IT and ITES infrastructure related to manufacturing including servers, software and ERP solutions	<ul style="list-style-type: none"><input type="checkbox"/> The applicant shall provide a statutory auditor certificate and purchase agreements in respect of the cost of technology, IPRs, patents and copyrights.

Application Process (Para 5, 6 and Annexure 3)

1. Application can be made by **any company registered in India**.
2. The number of applications allowed per applicant for support under the Scheme shall be restricted to one (1).
3. **PMA / MeitY to receive the application** (through an Online Portal) and issue acknowledgement
4. **Application Fee is Rs. One Lakh**
5. Application to have **Company Details, Promoter Details, Credit History, Key Financial Details**.
6. Applicant to provide **Forecasted Revenue in Targeted Segments, Proposed Plan for Domestic Value Addition and Employment Generation in India for next 5 years**.
7. Details of **Proposed Investment with Sources of Funding** to be provided.

Application Process (Para 5 and Annexure 3)



Project Management Agency (PMA) – (Para 7)

- ❑ Receipt of application, examination and appraisal of applications and issuing acknowledgements
- ❑ Recommendations to the Empowered Committee (EC) for approval of applications
- ❑ Determination of Baseline for Sales of Manufactured Goods and Investment
- ❑ Verification of thresholds for determining eligibility
- ❑ Examination of claims for disbursement of incentive
- ❑ Verification of the reconciliation of disbursement claims
- ❑ Quarterly Review Reports

Nomination of PMA

- ❑ Industrial Finance Corporation of India (IFCI)
 - Public Finance Institution
 - Disbursement Agency of MSIPS

Empowered Committee (EC) – (Para 8)

- ❑ Authorized to **carry out any amendments** in Scheme Guidelines.
- ❑ Consider **applications**, as recommended by the PMA for approval, and **make recommendations to the Competent Authority** for approval
- ❑ Consider **baselines for Investment and Sale of Manufactured Goods** under the Target Segments, as determined by the PMA, and **grant approval of such baselines**.
- ❑ Consider **claims for disbursement**, as examined and recommended by the PMA, and **grant approval for disbursement of incentives**.
- ❑ May **revise Incentive Rates, Ceilings, Target Segments, and Eligibility Criteria**
- ❑ In case of a **Force Majeure event**, may **amend, modify, or withdraw any clauses** under the scheme
- ❑ Conduct **periodic review** of the Scheme
- ❑ May hold **stakeholder consultation** as and when deemed necessary

Approval (Para 9)

1. Project Management Agency (PMA) will **appraise the applications** and **make appropriate recommendations to the Empowered Committee (EC)** for approval
2. **EC will consider applications**, as recommended by PMA for approval and **make appropriate recommendations to the Competent Authority** as defined under the scheme (as per delegation of powers given by DoE)
3. **Competent Authority will give the approval**. Thereafter, PMA shall issue Approval Letter to the applicant
4. **Approval letter** shall clearly state the following:
 - Name of Applicant
 - Target Segment
 - Eligible Product
 - **Yearly Thresholds** of Incremental Investment and Incremental Sales of Manufactured Goods applicable for determining eligibility
 - **Yearly Ceiling** on Incremental Sales of Manufactured Goods on which incentive shall be applicable
 - Plan for **Domestic Value Addition** during the tenure of the Scheme
 - Plan for **Employment Generation** in India during the tenure of the Scheme

Baseline Determination (Para 10)

Period for Baseline Determination

Investment

As on 31.03.2020

Sales of Manufactured Goods

First Year

Period from
01.08.2019 to
31.03.2020

Second Year
Onwards

Period from
01.04.2019 to
31.03.2020

- PMA shall determine the baseline based on information / documents submitted by the applicant.
- PMA shall **make appropriate recommendations to the Empowered Committee (EC)** for approval of the baseline.
- After receiving **approval from EC**, PMA shall communicate the baselines to the applicants

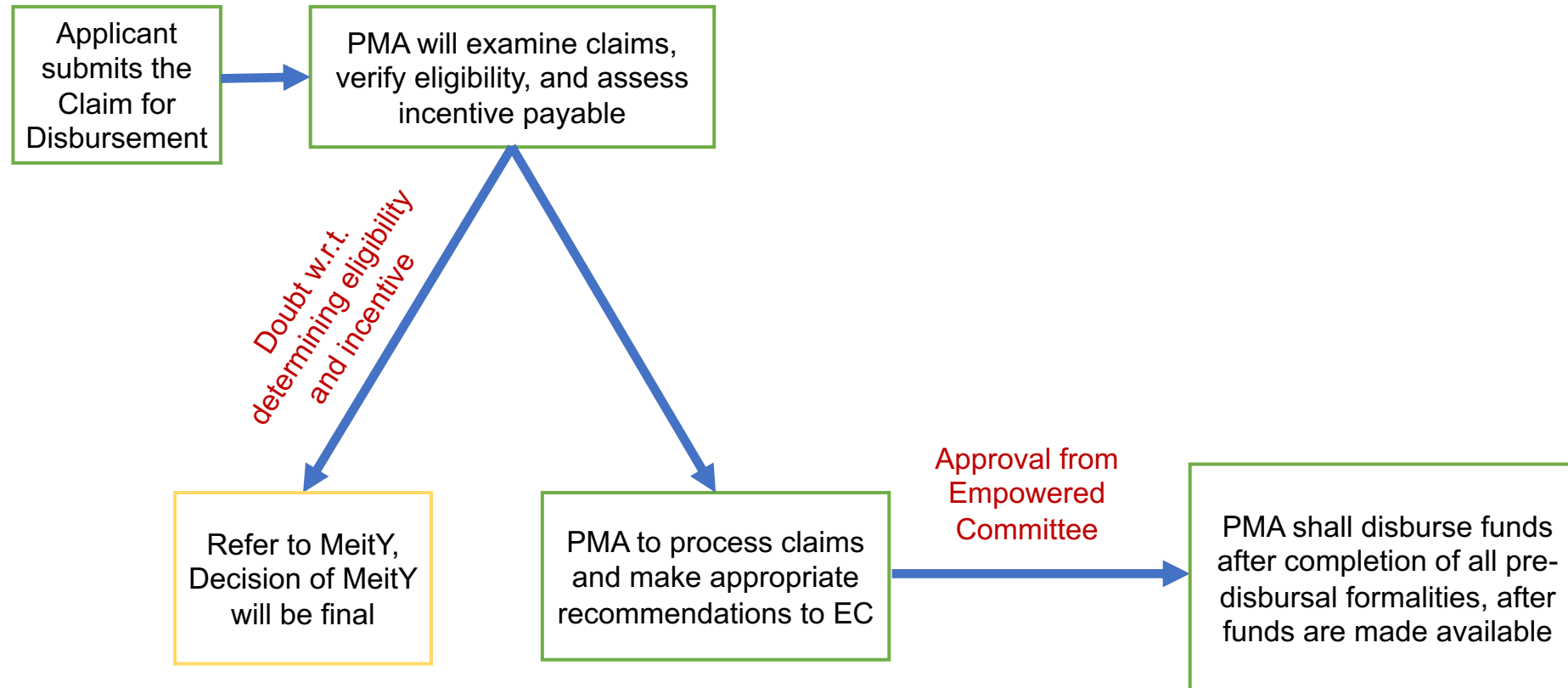
Calculation of Incentive (Para 11)

Net Incremental Sales of Eligible Product x Rate of Incentive

Where

- Net Incremental Sales shall be **Net Sales Turnover of Eligible Product for the period to which claim for disbursement of incentive pertains** minus the **Net Sales Turnover of said Eligible Product as per baseline**
- The **incentive amount payable will be subject to ceilings** on Net Incremental Sales Turnover on which incentive shall be applicable **as determined by EC**
- The annual financial outlay will be appropriated proportionately depending on number of applicants under each target segment. At the end of the year, unappropriated incentive amount resulting from underperformance by any applicant(s), will be allocated to the remaining eligible applicants relative to their performance under the Scheme.
Illustratively, if there are five (5) eligible applicants under *Mobile Phones (Invoice Value of INR 15,000 and above)* target segment, the year-wise incentive ceiling per applicant will be 1/5th of the annual financial outlay for the said target segment.

Disbursement Process (Para 12)



THANK YOU

PLI Scheme – Eligibility Criteria

Segment	Proposed Incentive Rate (%)	Incremental Investment over Base Year	Incremental Sales of Manufactured Goods over Base Year
Mobile (Invoice value of INR 15,000 and above) *	Year 1: 6% Year 2: 6% Year 3: 5% Year 4: 5% Year 5: 4%	INR 1,000 Crore over 4 Years Cumulative Minimum Year 1: 250 Year 2: 500 Year 3: 750 Year 4: 1000	Year 1: INR 4,000 Crore Year 2: INR 8,000 Crore Year 3: INR 15,000 Crore Year 4: INR 20,000 Crore Year 5: INR 25,000 Crore
Mobile - Domestic		INR 200 Crores over 4 Years Cumulative Minimum Year 1: 50 Year 2: 100 Year 3: 150 Year 4: 200	Year 1: INR 500 Crore Year 2: INR 1,000 Crore Year 3: INR 2,000 Crore Year 4: INR 3,500 Crore Year 5: INR 5,000 Crore
Specified Electronic Components		INR 100 Crores over 4 Years Cumulative Minimum Year 1: 25 Year 2: 50 Year 3: 75 Year 4: 100	Year 1: INR 100 Crore Year 2: INR 200 Crore Year 3: INR 300 Crore Year 4: INR 450 Crore Year 5: INR 600 Crore

PLI Scheme – List of Specified Electronic Components

S. No.	Description of Goods
1.	SMT components
2.	Discrete semiconductor devices including transistors, diodes, thyristors, etc.
3.	Passive components including resistors, capacitors, etc. for electronic applications
4.	Printed Circuit Boards (PCB), PCB laminates, prepregs, photopolymer films, PCB printing inks
5.	Sensors, transducers, actuators, crystals for electronic applications
6.	System in Package (SIP)
7.	Micro / Nano-electronic components such as Micro Electromechanical Systems (MEMS) and Nano Electromechanical Systems (NEMS)
8.	Assembly, Testing, Marketing and Packaging (ATMP) units