Production Linked Incentive (PLI) Scheme for IT Hardware

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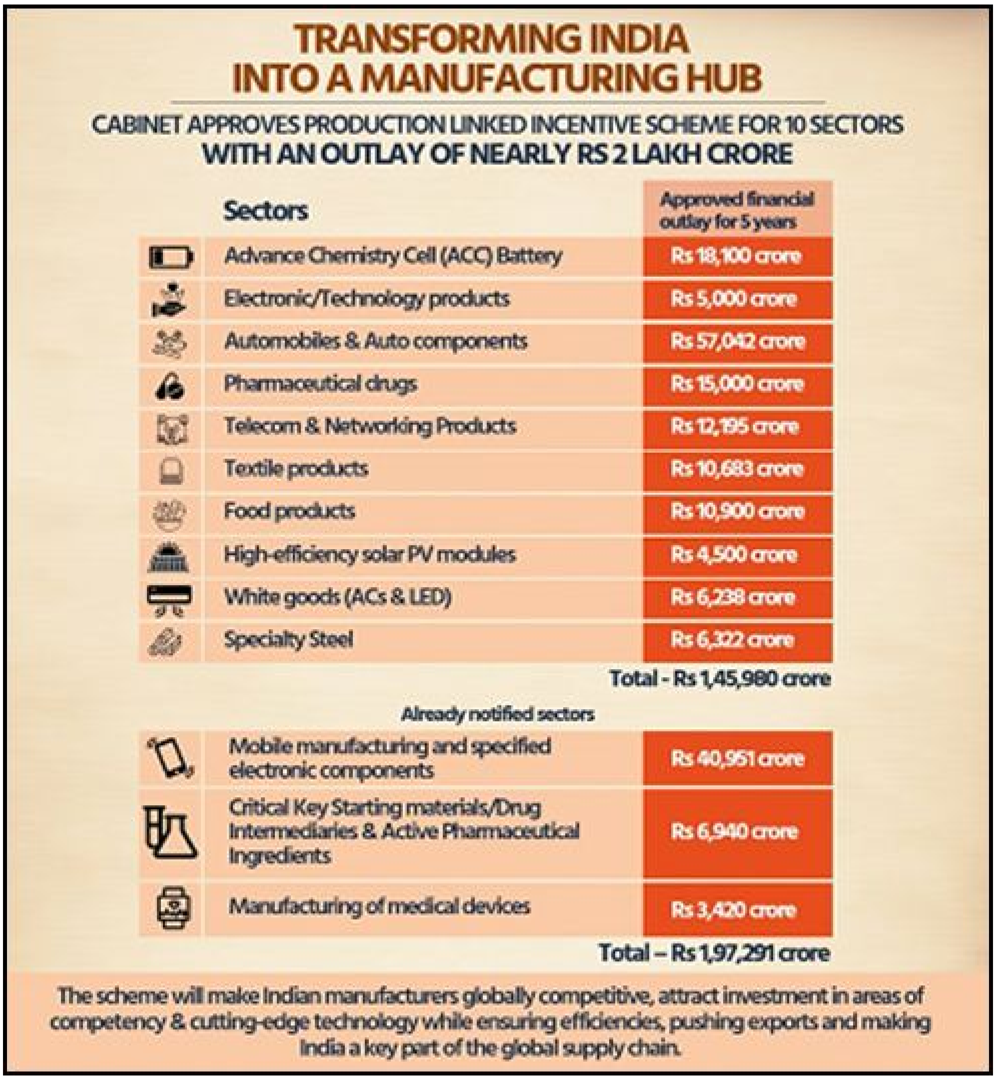
Why in News?

- As part of its renewed PLI scheme for IT hardware, the Centre has received applications from 38 entities (Asus, Dell, HP, Foxconn, etc., excluding Apple), that want to manufacture laptops, personal computers and servers in India.

- The development comes weeks after the Centre imposed and then postponed a licensing requirement on the import of laptops and personal computers.

What is the Production Linked Incentive (PLI) Scheme?

- A cornerstone of the Government's push for achieving an **Atmanirbhar Bharat**, the objective of the PLI Schemes is to
    - **Make domestic manufacturing globally competitive**
    - Create **global Champions** in manufacturing and
    - Generate employment opportunities for the country's youth.
- The strategy behind the scheme is **to offer companies incentives on incremental sales** from products manufactured in India, over the base year.
- They have been specifically designed to
    - **Boost domestic manufacturing in sunrise and strategic sectors**,
    - Curb cheaper imports and reduce import bills,
    - Improve cost competitiveness of domestically manufactured goods, and
    - Enhance domestic capacity and exports.
- The first three PLI Schemes were approved earlier in **March, 2020** and these were followed by another 10 New PLI Schemes in November, 2020.
- **The Union Budget 2021-22**, announced an outlay of INR 1.97 Lakh Crores for the PLI Schemes for 13 key sectors.
    - This means that minimum production in India as a result of PLI Schemes is expected to be **over US$ 500 billion in 5 years**.

- 

TRANSFORMING INDIA INTO A MANUFACTURING HUB

CABINET APPROVES PRODUCTION LINKED INCENTIVE SCHEME FOR 10 SECTORS WITH AN OUTLAY OF NEARLY RS 2 LAKH CRORE

Sectors	Approved financial outlay for 5 years
Advance Chemistry Cell (ACC) Battery	Rs 18,100 crore
Electronic/Technology products	Rs 5,000 crore
Automobiles & Auto components	Rs 57,042 crore
Pharmaceutical drugs	Rs 15,000 crore
Telecom & Networking Products	Rs 12,195 crore
Textile products	Rs 10,683 crore
Food products	Rs 10,900 crore
High-efficiency solar PV modules	Rs 4,500 crore
White goods (ACs & LED)	Rs 6,238 crore
Specialty Steel	Rs 6,322 crore
	Total - Rs 1,45,980 crore
Already notified sectors	
Mobile manufacturing and specified electronic components	Rs 40,951 crore
Critical Key Starting materials/Drug Intermediaries & Active Pharmaceutical Ingredients	Rs 6,940 crore
Manufacturing of medical devices	Rs 3,420 crore
	Total – Rs 1,97,291 crore

The scheme will make Indian manufacturers globally competitive, attract investment in areas of competency & cutting-edge technology while ensuring efficiencies, pushing exports and making India a key part of the global supply chain.

What is the PLI scheme for IT Hardware?

- It was first announced in February **2021** with an initial outlay of around Rs 7,300 crore over a period of four years.
- Domestic players investing Rs 20 crore and clocking sales of Rs 50 crore in the 1st year, Rs 100 crore in the 2nd, Rs 200 crore in the 3rd, and Rs 300 crore in the final year, **would pocket incentives of 1-4% on incremental sales over 2019-20.**
- **The first version of the scheme was a laggard** with only two companies – Dell and Bhagwati – managing to meet first year's (FY22) targets, and the industry calling for a renewed scheme with an increased budgetary outlay.
- As a result, the Union Cabinet cleared **a revised PLI scheme for IT hardware** (in May, 2023) **with an outlay of Rs 17,000 crore**, more than doubling the budget for the scheme.
    - **The PLI 2.0** could attract big global IT hardware manufacturers to shift their production base to India and give a boost to local production of laptops, servers, personal computers, etc.
    - The **average incentive** over six years will be **about 5%** compared with the 2% over four years offered earlier.

- As the IT hardware industry is targeted to reach **a production of $24 billion by 2025-26** (and exports ~$12-17 billion), this scheme will play a key role in **achieving the $1 trillion digital economy goal, including $300 billion of electronics manufacturing by 2025-26.**

How will the PLI Scheme Boost Local Production in India?

- Even as the country has identified electronics manufacturing as a key sector for future economic growth, **India has seen an increase in imports of electronic goods** in the last few years.
- **For example,** the import of electronic goods increased to $6.96 billion (during April-June this year) from $4.73 billion in the year-ago period, **with a share of 4-7% in overall imports**.
- **The highest share of imports** is in the category of **personal computers including laptops, and palmtops**.
    - **China** accounts for roughly 70-80% of the share of India's imports of personal computers, laptops.
- Companies that locally manufacture certain components including memory modules, display panels, etc., will also **get additional incentives under the restructured scheme**.
- **The PLI scheme seeks to penalise companies** if production lags behind the set thresholds, by deducting as much as 10% from the subsidies.
- **The PLI scheme will interplay with the semiconductor scheme of the government**, with chips made in India and being used by laptop manufacturers.

News Summary Regarding Recent Developments under the PLI Scheme:

- Apart from Asus, Dell, HP and Foxconn, other companies that have applied for the scheme include **Lenovo, Acer, and Flex**, which is said to be manufacturing Reliance's JioBook laptop.
    - **HP Enterprises (HPE)** has also applied for manufacturing servers in India.
- While the expected incremental production at the end of six years of the scheme is estimated at Rs 3.35 lakh crore, **it could bring an incremental investment of just Rs 4,000 crore over these many years.**
- The government estimates the manufacturing process to result in **75,000 direct jobs** [could touch 2 lakhs when accounted for indirect jobs].

Q1) What is the Atmanirbhar Bharat Abhiyaan?

Atmanirbhar Bharat Abhiyaan aims to make the country and its citizens independent and self-reliant in all senses. The 5 pillars of Aatma Nirbhar Bharat are – Economy, Infrastructure, System, Vibrant Demography and Demand.

Q2) What is the Make in India Initiative?

‘Make in India’ initiative was launched globally in 2014 as a part of India’s renewed focus on Manufacturing. The objective of the initiative is to promote India as the most preferred global manufacturing destination.

Source: Asus, Dell, others apply for manufacturing laptops in India: What the Production Linked Incentive scheme is