

"Decoding Production Linked Incentive (PLI) in Simple Terms"

The government has given its approval to an INR 17,000 Cr PLI Scheme for the Indian IT Hardware Industry.



Let's decode the details of the PLI scheme & gain a comprehensive understanding.

1) Let's begin with the meaning of the PLI scheme.

The PLI scheme stands for "Production Linked Incentive" scheme.

It is a government initiative designed to encourage and promote production and manufacturing activities in specific industries.

2) In the context of the PLI scheme for IT hardware, which segment is being targeted?

The Target Segment under PLI includes:

- Laptops
- Tablets
- Servers
- All-in-One PCs

3) But, how exactly it works?

The government provides financial benefits to manufacturers based on the increase in their sales compared to a predetermined baseline.

Let's dive into an example to make it crystal clear.

Imagine a PLI scheme for IT hardware where a specific manufacturer's laptops have a baseline of 100,000 units.

Assume that according to the incentive structure, the manufacturer will receive a 2% incentive on incremental sales achieved above this baseline.

In the first year, the manufacturer surpasses expectations and sells 120,000 laptops.

Since the baseline is 100,000 units, the incremental sales for Year 1 would be 20,000 units (120,000 - 100,000).

To calculate the incentive amount, we multiply the incremental sales by the incentive rate of 2%:

Incremental sales = 20,000 units Incentive rate = 2%

Incentive amount = Incremental sales * Incentive rate = 20,000 units * 0.02 = 400 units

In this example, the manufacturer would receive a well-deserved incentive payment of 400 units (or its equivalent value) as a reward for achieving 20,000 units in incremental sales above the baseline.

4) What are the various other advantages of PLI schemes?

1. **Domestic and Foreign investments**

The incentives offered under the schemes make India an attractive destination for businesses looking to establish their manufacturing base.

2. **More Jobs**

As companies expand their manufacturing operations or set up new facilities, they require a skilled workforce.

This leads to the creation of employment opportunities across various levels, including both skilled and unskilled workers.

3. **Technological Advancement**

PLI schemes encourage companies to adopt advanced manufacturing techniques, research and development activities, and innovative practices.

This led to improved product quality, increased efficiency, and reduced production costs.

Enhancing Global Competitiveness

4. The schemes encourage companies to adopt advanced technologies, upgrade their infrastructure, and improve product quality.

This helps Indian manufacturers compete with global players and expand their presence in international markets.

So, the PLI scheme is a strategic move to boost production and encourage manufacturers to scale up their sales volumes.

Interestingly, this is not the government's first dive into implementing a PLI scheme.

In February 2021, a similar initiative targeting mobile phone production with an initial outlay of Rs 7,350 crore was approved.

It turned out to be a resounding success, playing a pivotal role in transforming India into a global hub for mobile phone manufacturing.



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