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BOOST TO "MAKE IN INDIA"

India approves incentive program of INR 2 lacs crores (USD 26 billion) for manufacturing

In a move to enhance India's manufacturing sector our government on November 11, 2020 approved Performance Linked Incentive (PLI) Scheme for up to **INR 2 lacs crores** for **13 key manufacturing sectors** for Enhancing India's Manufacturing Capabilities and Improving Exports. The scheme is valid for next 5 years and is based on "incremental" output and will be given as grants to eligible manufacturers. For example, as a part of the scheme for mobile and electronic equipment manufacturing, an incentive of 4-6% of incremental output will be paid as grant to such companies by the government.

While **10 new sectors** have been added to the PLI, bulk of these incentives will apply to automobile, batteries, pharmaceuticals, food, textile, followed by solar PV panels, and specialty-steel makers. The scheme will be implemented by related ministries/departments. The government had already rolled out a PLI scheme worth INR 40,000 crore for electronics and another INR 10,000 crore for active pharmaceutical ingredients (APIs) and medical devices.

Sectors and Allocation

Priority	Sector	Implementing Authority	5 Years Outlay (INR cr)
New Sectors brought under PLI			
1	ACC Battery	NITI Aayog / Department of Heavy Industries	18,100
2	Electronic / Technology Products	Ministry of Electronics and Technology	5,000
3	Auto & Auto components	Department of Heavy Industries	57,042
4	Pharmaceuticals	Department of Pharmaceuticals	15,000
5	Telecom / Networking products	Department of Telecom	12,195
6	Textiles	Ministry of Textiles	10,683
7	Food Products	Ministry of Food Processing	10,900
8	High Efficiency Solar PV modules	Ministry of New and Renewable Energy	4,500
9	ACs and LEDs	DIPP	6,238
10	Specialty Steel	Ministry of Steel	6,322
Total			145,980
Sectors already under PLI			
1	Mobile and specified electronic components	Ministry of Electronics and Technology	40,951
2	Drug Intermediaries & APIs	Department of Pharmaceuticals	6,940
3	Medical Devices		3,420
Total			51,311
Grand Total			**1,97,291**

Our View

Our government's intentions are to emerge as a strong and viable manufacturing alternative to China. Apart from inviting foreign companies to set up in India, the scheme also aims to encourage local companies to set up or expand existing manufacturing units. We hope that this scheme being based on "incremental" output, may prove more effective than some of the other earlier grant-based schemes which are linked to total production. The scheme is expected to make our manufacturers competitive, attract investment in the core areas of competency and technology; create economies of scale; enhance exports and make India a part of the global supply chain. Apart from reducing imports, the scheme may be able to capture growing demand in the domestic market. Promotion of the manufacturing sector and creation of a favorable manufacturing ecosystem will not only enable integration with global supply chains but also establish backward linkages with the MSME sector in the country, the hardest hit in our economy. Linkages to MSME will lead to overall growth in the economy and hopefully create employment opportunities.

We however feel with aggregate demand being suppressed across sectors how much incremental output may be forthcoming is a question. We believe that India needs a broader across the board initiative to increase aggregate demand, however, we cannot stretch ourselves too thin. We hope more sectors which are labour intensive – like textiles and garments already brought under PLI – will be brought under it soon.

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