



Production Linked Incentive (PLI) Scheme Steering India to a Manufacturing Mammoth



India's Best Performing and Most Customer Centric PMS

What Is Production Linked Incentive (PLI)?

The PLI is an old and popular tool with governments to stimulate the production of goods that the country sees as necessary for social goods, taxes, or employment-generation reasons. PLI's are essentially the incentives for companies to boost the products. They could be in the form of tax rebates, import and export duty concessions, or maybe easier land-acquisition terms. Generally, the benefits of a [PLI scheme](#) are passed on to the final consumers of the goods in terms of lower prices. Through their implementation, it is hoped that economies of scale are created so that domestic manufacturing becomes competitive. The resultant benefits include job creation, export capabilities, and lessening the import dependency – particularly in critical sectors and high-tech goods.

Production Linked Incentive (PLI) schemes were first introduced in India in March 2020, targeting three industries – mobile manufacturing and electric components, pharmaceutical (critical key starting materials/active pharmaceutical ingredients), and medical device manufacturing. The PLI concept has since expanded with schemes rolled out for multiple sectors to boost India's manufacturing capabilities and encourage export-oriented production. The Government introduced this scheme to reduce India's dependence on China and other foreign countries. It supports the labour-intensive sectors and aims to increase the employment ratio in India by developing local supply chain capacities, introducing new downstream operations, and incentivising investments in high-tech production.

In addition to the three schemes announced earlier in March 2020, the Government of India introduced 10 new PLI schemes in November 2020 and 1 new PLI scheme in September 2021. Honourable Finance Minister Nirmala Sitharaman has announced an outlay of INR 1.97 Lakh Crores for the Production Linked Incentive (PLI) Schemes across 14 key sectors to create national manufacturing champions and to create 60 lakh new jobs and additional production of 30 lakh crore during the next five years.

14 Product Linked Incentive Schemes On The Go

March 2020

- Key Starting Materials (KSMs)/Drug Intermediates (DIs) and Active Pharmaceutical Ingredients (APIs): Department of Pharmaceuticals
- Large Scale Electronics Manufacturing: Ministry of Electronics and Information Technology
- Manufacturing of Medical Devices: Department of Pharmaceuticals

November 2020

- Electronic/Technology Products: Ministry of Electronics and Information Technology
- Pharmaceuticals drugs: Department of Pharmaceuticals
- Telecom & Networking Products: Department of Telecommunications
- Food Products: Ministry of Food Processing Industries
- White Goods (ACs & LED): Department for Promotion of Industry and Internal Trade
- High-Efficiency Solar PV Modules: Ministry of New and Renewable Energy
- Automobiles & Auto Components: Department of Heavy Industry
- Advance Chemistry Cell (ACC) Battery: Department of Heavy Industry
- Textile Products: MMF segment and technical textiles: Ministry of Textiles
- Specialty Steel: Ministry of Steel

September 2021

- Drones and Drone Components: Ministry of Civil Aviation

How Will PLI Scheme Steer India Through Its Journey Of Becoming A Production Mammoth?

•**Employment Generation:** Large-scale manufacturing requires a large labour force. PLI schemes are expected to utilize India's human capital and enable upskilling, further minimizing unemployment and unskilled labour.

•**Surging Exports and Substituting Imports:** PLI schemes aim to plug the gap between the highly skewed Indian import-export basket, mainly characterized by heavy imports of raw materials and finished goods. The PLI schemes enable the domestic manufacture of goods, thereby causing a reduction in reliance on imports in the short term and expanding the quantum of exports from India over the long term.

•**Economies of Scale:** The incentives are directly proportional to the production capacity/incremental turnover which will further compel investors to create large scale manufacturing facilities.

Production - Linked Incentive Schemes in India : Target Sectors and Incentives

Sectors	Incentives
Mobile manufacturing & specified electronic components	4% to 6% for a period of five years
Manufacturing of medical devices	5% for a period of five years
Critical Key Starting Material (KSM) / Drug Intermediaries (DI) and Active Pharmaceutical Ingredients (API)	5% to 20% for a period of six years
White Goods (AC's & LED's)	4% to 6% for a period of five years
Telecom & Networking products	4% to 7% for a period of five years
Electronic / Technology products	1% to 4% for a period of four years
Pharmaceuticals drugs	3% to 10% for a period of six years
Food Products	4% to 10% for a period of six years
Solar PV modules	Based on sales, performance criteria, and local value addition for a period of five years
Advanced Chemistry Cell (ACC) battery	Based on sales, performance criteria, and local value addition for a period of five years
Textile Products	Based on sales, performance criteria, and local value addition for a period of five years
Automotive industry & Drone industry	Based on sales, performance criteria, and local value addition for a period of five years and three years, respectively
Speciality Steel	4% to 12% for a period of 5 yrs

PLI Schemes For Pharma

The Indian pharmaceuticals market is supported by the following Production Linked Incentive Schemes to boost domestic manufacturing capacity, including high-value products across the global supply chain.

1. PLI Scheme for Key Starting Materials (KSMs)/Drug Intermediates (DIs) and Active Pharmaceutical Ingredients (APIs) (PLI1.0)
2. Production-Linked Incentive (PLI) Scheme for Pharmaceuticals
3. Scheme for Drugs Bulk Parks

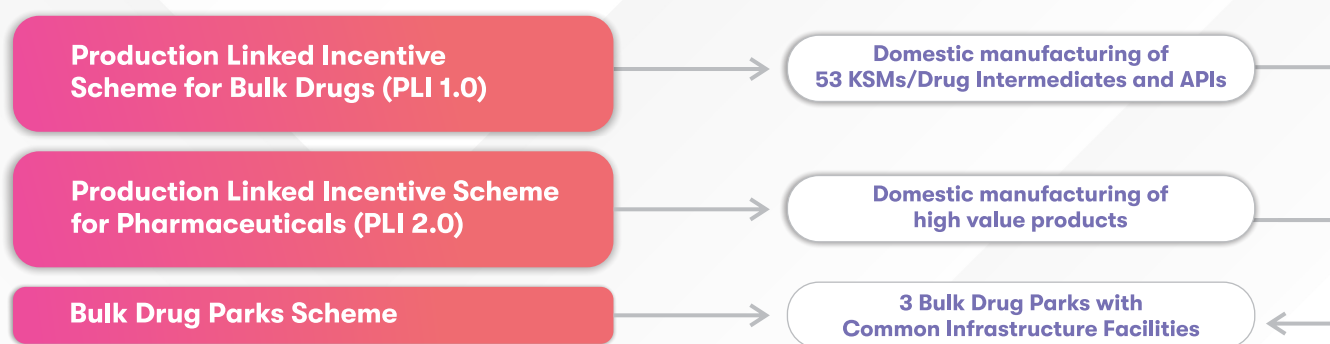


To enable Indian pharmaceuticals industry to play a leading role in the global market and to ensure abundant availability, at reasonable prices within the country, of good quality pharmaceuticals of mass consumption.

The pharmaceutical market in India is the 3rd largest in the world by volume and is worth \$ 50 billion. 3.5 % of all drugs and medicines exported globally to more than 2000 countries come from this nation.

The Department of Pharmaceuticals has introduced three supporting programs to encourage international and domestic players to increase investment and production in these product categories to ensure greater resilience to external shocks, enforce greater drug security, and increase domestic production capacity for critical bulk drugs and high-value products alike.

The Schemes are envisioned to ensure greater resilience of the Indian pharmaceutical industry to external shocks and contribute significantly to achieving a higher objective of affordable healthcare in the country and globally on a sustained basis.



Understanding The Scheme

Scheme 1

Production Linked Incentive Scheme for Bulk Drugs (PLI 1.0):

The Production Linked Incentive (PLI) Scheme for promotion of domestic manufacturing of critical Key Starting Materials (KSMs)/Drug Intermediates (DIs) and Active Pharmaceutical Ingredients (APIs) in India. Production Linked Incentives of upto INR 6,940 crores have been approved.

A financial incentive will be given to eligible manufacturers of identified 41 eligible products which cover 53 APIs, for 6 years, committed investment and sales made by a selected applicant for the eligible products. The rates will vary for Fermentation based products and chemically synthesized products.

- Highlights

		
Incentives	Eligibility	Tenure of scheme
Fermentation products: FY 2022-26: 20% FY 2026-27: 15% FY 2027-28: 5%	Support under the scheme shall be provided only to manufacturers of critical KSMs/DIs and APIs registered in India subject to committed investment and minimum annual production capacity.	Tenure of the Production Linked Incentive Scheme is FY 2020-21 to FY 2029-30. Base year of the scheme is FY 2019-20.
Chemically synthesized products: FY 2021-27: 10%		

Target Segments Eligible under PLI Scheme

The four segments into which the eligible KSMs/DIs/APIs products have been divided based on their criticality and import dependence namely:

- Key Fermentation based KSMs/DIs
- Niche Fermentation based KSMs/DIs/APIs
- Key Chemical Synthesis based KSMs/DIs
- Other Chemical Synthesis based KSMs/DIs/APIs

List of eligible products

Sr. No.	Name of the KSM / DI / API	Sr. No.	Name of the KSM / DI / API
1	Penicillin G	22	1,1 Cyclohexane Diacetic Acid (CDA)
2	7-ACA	23	2-Methyl-5Nitro-Imidazole (2-MNI)
3	Erythromycin Thiocynate (TIOC)	24	Dicyandiamide (DCDA)
4	Clavulanic Acid	25	Para amino phenol
5	Neomycin	26	Meropenem
6	Gentamycin	27	Atorvastatin
7	Betamethasone	28	Olmesartan
8	Dexamethasone	29	Valsartan
9	Prednisolone	30	Losartan
10	Rifampicin	31	Levofloxacin
11	Vitamin B1	32	Sulfadiazine
12	Clindamycin Base	33	Ciprofloxacin
13	Streptomycin	34	Oflaxacin
14	Tetracycline	35	Norfloxacin
15	Ritonavir	36	Artesunate
16	Lopinavir	37	Telmisartan
17	Acyclovir	38	Aspirin
18	Carbamazepine	39	Diclofenac Sodium
19	Oxcarbazepine	40	Levetiracetam
20	Vitamin B6	41	Carbidopa
21	Levodopa		

Scheme 2

Production Linked Incentive Scheme for Pharmaceuticals (PLI 2.0)

The objective of the scheme is to enhance India's manufacturing capabilities by increasing investment and production in the sector and contributing to product diversification to high-value goods in the pharmaceutical sector. One of the additional goals of the scheme is to establish global champions originating in India. These global champions will have the ability to expand their operations in terms of size and scope by making use of cutting-edge technology, and will therefore integrate themselves into global value chains.

To ensure wider applicability of the scheme across the pharmaceutical industry and at the same time meet the objectives of the scheme, the manufacturers of pharmaceutical goods registered in India will be grouped based on their Global Manufacturing Revenue (GMR). This will be done in order to meet the objectives of the scheme. The following will serve as the set of requirements for each of the three categories of applicants:

Group - A	Group - B	Group - C
Applicants having Global Manufacturing Revenue (FY 2019-20) of pharmaceutical goods more than or equal to INR 5,000 cr	Applicants having Global Manufacturing Revenue (FY 2019-20) of pharmaceutical goods between INR 500 (inclusive) cr and INR 5,000 cr.	Applicants having Global Manufacturing Revenue (FY 2019-20) of pharmaceutical goods between INR 500 (inclusive) cr and INR 5,000 cr.

- Highlights

 Base Year Financial Year 2019-20	 Incentives The total financial outlay is INR 15,000 Cr, allocated amongst 3 applicant groups based on revenue: Group A: INR 11,000 cr Group B: INR 2,250 cr Group C: INR 1,750 cr	 Scheme Tenure Financial Year 2020-21 to Financial Year 2028-29
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Target Segments

The scheme shall cover pharmaceutical goods under three categories as mentioned below –

Group - A	Group - B	Group - C
Bio-pharmaceuticals, Complex generic drugs, Patented drugs or drugs nearing patent expiry	Active Pharmaceutical Ingredients / Key Starting materials / Drug Intermediates	Repurposed drugs / Auto immune drugs, anti-cancer drugs, anti-diabetic drugs, anti-infective drugs / Cardiovascular drugs, psychotropic drugs and anti-retroviral drugs / In-vitro diagnostic devices / Other drugs as approved / Other drugs not manufactured in India

Scheme 3

Scheme for Bulk Drug Parks

The programme for the Promotion of Bulk Drug Parks, which will finance Common Infrastructure Facilities in three Bulk Drug Parks, will have a total financial implication of INR 3,000 crore for the years 2020 and 2021. The assistance that is available through the programme will be admissible for such facilities that are located in bulk drug parks run by the state government. The parks will share a variety of facilities, including but not limited to solvent recovery plants, distillation plants, power and steam units, common effluent treatment plants, and other similar facilities.

- Highlights

 Tenure of the scheme The scheme shall be operational during the period FY 2020-2021 to 2024-2025.	 Proposer The proposer shall be a State Government who can make only one proposal of Bulk Drug Park under the Scheme having a minimum area of 1000 acres. For North Eastern and Hilly States the minimum area is 700 acres.	 Incentives INR 3000 Crores for providing financial assistance for construction of Common Infrastructure Facilities in 3 Bulk Drug Parks with a maximum limit of INR 1000 Crore.
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Infrastructure Facilities

Common Facilities under the sub-scheme will consist of the creation of tangible assets as Common Facility Centres (CFCs). The capacities of the respective facilities will be commensurate to the number of manufacturing units in the park. Some of the indicative Common facilities are available

Indicative activities under the common facilities

- Central Effluent Treatment Plans (CETP)
- Solid waste management
- Storm water drains network
- Common Solvent Storage System, Solvent recovery, and distillation plant
- Common warehouse
- Dedicated power sub-station and distribution system with the necessary transformers at factory gate
- Raw, Potable and Demineralized system
- Steam generation and distribution system
- Common cooling system and distribution network
- Internal road network, Compound wall
- Common logistics
- Advanced testing centre
- Regulatory awareness facilitation centre
- Emergency Response Centre
- Safety / Hazardous operations audit centre
- Centre of Excellence

Expand PLI scheme to for pharma to make it research-linked, says industry

So far 55 drug manufacturers have been selected under the PLI scheme for pharma. Indian pharma industry captains feel that the current production linked incentive (PLI) scheme for the pharmaceutical industry can be expanded to link it to research, and more specifically for research in biologics and biosimilars.

Speaking at BioAsia 2022, Kiran Mazumdar Shaw, executive chairperson, Biocon Group, said that there needs to be a different PLI scheme that needs to focus on the emerging opportunities for Indian pharma. “As a nation we need to start moving towards large molecules of biologics. There is a huge growing interest in combination immuno-therapies. Can we leap-frog? The PLI scheme was far too skewed far too much towards generic drugs. There should have been a much greater allocation for biologics, biosimilars, cell and gene therapies etc, which did not happen,” Shaw explained.

In fact, she cited the example of Biocon to say, “We could not be eligible for category A companies because we did not have that many ANDAs. So, we got a very small amount.”

The Rs 15,000 crore PLI scheme announced by the Centre has three categories of companies – category A (FY20 global manufacturing revenue of pharma goods more than equal to Rs 5000 crore), category B (between Rs 500 crore to Rs 5000 crore) and category C (revenue less than Rs 500 crore). The quantum of incentives varies for the three groups – Rs 11,000 crore (Group A), Rs 2250 crore (Group B) and Rs 1750 crore (Group C).

So far 55 drug manufacturers have been selected under the PLI scheme.

Sanjiv Navangul, MD & CEO, Bharat Serums and Vaccines too, agreed with Shaw.

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