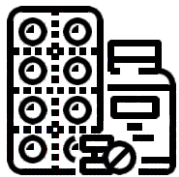


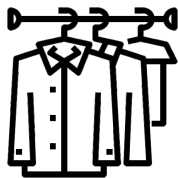
InvAsset's Voice



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



Food Products



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.

PLI Schemes for Food Products:

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the Central Sector Scheme - "Production Linked Incentive Scheme for Food Processing Industry (PLISFPI)" to support creation of global food manufacturing champions commensurate with India's natural resource endowment and support Indian brands of food products in the international markets with an outlay of Rs. 10900 crores.



खाद्य प्रसंस्करण उद्योग मंत्रालय

MINISTRY OF

FOOD PROCESSING INDUSTRIES

The Production Linked Incentive Program for Food Processing Industries was introduced by the Ministry of Food Processing Industry (PLISFPI). In accordance with this plan, companies that produce food will receive assistance in significantly increasing their food output in order to improve processing, reduce waste, and boost value addition. In order to modernise and improve the competitiveness of the food processing industry, (PLIS) recommends financial incentives by establishing specialised food product categories with a high potential for production expansion and value-added products.

The implementation of the PLI scheme is likely to facilitate expansion of food processing capacity by nearly Rs. 30,000 crore and create additional direct and indirect employment opportunities for about 2.5 lakh persons by 2026-27. Ministry of Food Processing Industries is inviting applications for availing sales based incentives and grants for undertaking Branding & Marketing activities abroad under the scheme from three categories of Applicants.

Category 1	Category 2	Category 3
Applicants are large entities who apply for Incentive based on sales and investment criteria. Applicant under this category could undertake Branding & Marketing activities abroad also and apply for grant under the scheme with a common application.	SME's Applicants manufacturing innovative / organic products who apply for PLI incentive based on Sales .	Applicants applying solely for grant for undertaking Branding & Marketing activities abroad.

Background

- The food processing sector in India encompasses manufacturing enterprises in all the segments from micro to large industries.
- India is having competitive advantage in terms of resource endowment, large domestic market and scope for promoting value added products.
- Achieving full potential of this sector would require Indian companies to improve their competitive strength vis-à-vis their global counterpart in term of scale of output, productivity, value addition and their linkages with the global value chain.
- The Production Linked Incentive Scheme for Food Processing Industry has been formulated based on the Production Linked incentive scheme of NITI Aayog under “AatmaNirbhar Bharat Abhiyaan for Enhancing India's Manufacturing Capabilities and Enhancing Exports”

Scheme Objectives:

- Support Food manufacturing entities with stipulated minimum Sales and willing to make minimum stipulated investment for expansion of processing capacity and Branding abroad to incentivise emergence of strong Indian brands.
- Support creation of global food manufacturing champions.
- Strengthen select Indian brand of food products for global visibility and wider acceptance in the international markets.
- Increase employment opportunities of off-farm jobs.
- Ensuring remunerative prices of farm produce and higher income to farmers.

Components of PLI scheme for Food Processing Industry:

The objectives are sought to be achieved through the introduction of a Production Linked Incentive (PLI) Scheme. The scheme has three broad components.

The first component relates to the provision of financial incentives to select large manufacturers of food products who commit to making prescribed minimum investments and achieve an increase in sales as per the prescribed growth rates in the following four segments.

- Ready to cook/ready to Eat (RTC/RTE) including millet-based foods
- Processed Fruits and vegetables
- Marine Products
- Mozzarella Cheese

The second component is for providing support to the small and medium enterprises in the four segments that manufacture innovative /organic products.

The third component of the scheme provides a grant to companies for branding and marketing abroad to incentivize the emergence of strong Indian global brands.

Implementation strategy and targets

- The scheme will be rolled out on All India basis.
- The scheme shall be implemented through a Project Management Agency (PMA).
- The PMA would, inter-alia, be responsible for appraisal of applications/ proposals, verification of eligibility for support, scrutiny of claims eligible for disbursement of incentive.
- The incentive under the scheme would be paid for six years ending 2026-27. The incentive payable for a particular year will be due for payment in the following year. The duration of the scheme will be six years i.e., 2021-22 to 2026-27.
- The scheme is "fund-limited", i.e., cost shall be restricted to the approved amount. The maximum incentive payable to each beneficiary shall be fixed in advance at the time of approval of that beneficiary. Regardless of achievement/ performance, this maximum shall not be exceeded.
- The implementation of the scheme would facilitate expansion of processing capacity to generate processed food output of Rs 33,494 crore and create employment for nearly 2.5 lakh persons by the year 2026-27.

Eligible Entities for PLI scheme

Eligible criteria for the PLI scheme for Food Processing Industry are listed as follows:

- Proprietary Firm
- Partnership Firm
- Limited Liability Partnership (LLP)
- A Company registered in India
- Co-operatives
- Small to Medium Enterprise (SME)
- The applicant may include a company applying on its own behalf and its subsidiary provided the Applicant Company holds more than 50% of the stock of its subsidiary and that none of such subsidiary company/s is included in any other Applicant company under the Scheme.
- Marketing Federation of Apex level co-operatives can also apply on behalf of Member Unions or Member co-operatives in the case of co-operatives.

Note: Any Company registered in India is eligible under the scheme to apply on its own behalf or with its subsidiary.

Eligibility Criteria under PLI Scheme:

Eligibility Criteria for Production Linked Incentive (PLI) Scheme for Food Processing Industry is as follows:

- Support under the scheme shall be provided only to the applicants engaged in manufacturing of food products in India and sales of such products covered under the target Segments
- To avail the benefit of the scheme, SME Applicants should engage in such activities for innovative/ organic food products.

Eligibility criteria, in terms of total sales of food products and Minimum Investment for different Categories of Applicants, is as follows:

Category I:		
Segments	Minimum Sales of all Food Products in 2019-20 (Rs crore)	Minimum Investment (Rs crore)
RTE / RTC	500	100
Processed Fruits & Vegetables	250	50
Marine	600	75
Mozzarella Cheese	150	10 MTPD Plant - Rs 23 cr

Category II:
(i) Udyog Aadhar / Udyami Registered; (ii) Achieved Minimum Sales of Rs. 1 crore during 2019-20 for each of the innovative / organic products proposed to be incentivised; (iii) Applicant for Organic Product shall be registered with APEDA for the organic product proposed to be incentivised.

Category III:
((i) Only Indian Brands are covered for selling food products completely manufactured in India; (ii) Branding & Marketing shall be undertaken either by the Applicant directly or through its subsidiary or any other Agency.

Different segments of Food Products covered under the PLI scheme:

The following four Segments of food products are covered under the PLI scheme

- Ready to Eat/ Ready to Cook (RTE/RTC) including products containing Millet
- Fruits and Vegetable Products
- Marine Products
- Mozzarella Cheese

RTE / RTC Segment:

Sr. No.	Product Group	Products Covered	Exclusion
1	Packaged Ready Meals, Soups and Ready Mixes, Other RTE/RTC Products	Ready Meals (Shelf stable, frozen, dried, chilled ready meals which do not require any cooking preparation other than heating) & Dinner mixes (in Ready -to-cook/prepare formats); Diabetic Foods; Sausages, salamis, nuggets and other such preparation under heading 1601 & 1602 Soups & broth (Shelf stable, dehydrated, instant, chilled and frozen soup) Ready Mixes (Dessert Mixes, Batter Mixes, Thandai Mix) - All products under HSN 1601, 1602, 2104 are included - All products under HSN 2106* are included except Protein	Protein Concentrates, Soft Drinks, Pan masala, Betel nuts, Churna for Pan (HSN 21061000 – 40; 21069070)
2	Mixtures (Namkin, Bhujia), Puffed Snacks, Snack bars	Indian Savoury snacks – Mixtures (Namkin, Bhujia) including extruded snacks Puffed snacks: Processed / reconstituted / shaped cereals-based snacks Snack Bars: Cereal and Non-Cereals Bar, Granola/muesli bars, breakfast bars, energy and nutrition bars, fruit bars and other snack bars (HSN 2106)	
3	Sweets	Packaged Traditional Indian Sweets (HSN 2106)	

4	Ice Cream desserts, Ready to Drink Products	Ice Cream: Impulse Ice Cream, Take Home Ice Cream, Frozen Dessert: Includes cakes, pies/tarts/ etc. Milk Based Beverages – Yoghurt Buttermilk, Lassi, etc. Soya Milk All products under HSN 2105 & 0403 are included - All products under HSN 2202 are included except Aerated Water, Lemonade, Non-Alcoholic beer. Part of inclusion is covered under Fruits & Vegetable categories	Aerated Water, Lemonade, Non-Alcoholic beer (HSN 22021010 – 9100; 22019990)
5	Bakery products – Biscuits, Pa ckaged cakes	Sweet Biscuits: Chocolate coated biscuits, cookies, filled biscuits, plain biscuits, and wafers Savoury Biscuits: Non -sweet biscuits and crackers often consumed with cheese and other savoury foods Packaged Cakes: Chocolate cake, strawberry and other fruit flavoured cakes, fruit cake, carrot cake, cheesecake, muffins, etc - All products under HSN 1905 are included except fresh / leavened bread	Fresh / Leavened Bread (HSN 19051000)
6	Millet Based Products with millet content above specified %	Any food product having minimum millet % as prescribed by MOFPI – irrespective of products mentioned in exclusion in case of millet -based products, except flour / atta	Millet Flour

Fruits & Vegetables Segment:

Sr. No.	Product Group	Products Covered	Exclusion
1	Processed / Preserved Fruits and vegetables Products	Processed / Preserved Fruits and Vegetables products – Steamed, Boiled, Frozen, Dried, Pickled, Provisionally Preserved RTC Potato / Vegetable Products Potato – Flour, meal, powder, flakes , granules and pellets Fruit Squash - All products under HSN 0710, 0711, 0712, 0811, 0812, 0813, 0814, 1105, 1106, 1903, 2001, 2003, 2004, 2006, 2007 are included - All products under HSN 0804, 2005, 2008 are included except fresh fruits and vegetables, potato chips and products predominantly made of nuts, dates & figs	Fresh Fruits and Vegetables Potato Chips (HSN 2005200) Products predominantly made of nuts, dates , figs (HSN 8041010 – 90, 8042010 – 90, 8043000, 8044000, 8045010 – 20, 8045090, 20052000, 20081100 – 1930, 20081990)
2	Packaged Spices, Mixes, Condiments & Seasonings	Packaged crushed or ground dehydrated herbs and spices – (Spices notified by spice board) Mixed Condiments & Seasoning (Dry / Dehydrated Sauces, Dry Recipe Powder mixes, dry powder marinades Oleoresins: All processed form of oleoresins - All products under HSN 0904, 0905, 0906, 0907, 0908, 0909, 0910, 1301, 2103, 2906, 3003, 3301 are included except raw / unprocessed forms of herbs and spices, different gums, lacs and other vegetables saps and extracts	All raw / unprocessed forms of herbs and spices, different gums, lacs and other vegetables saps and extracts

Fruits & Vegetables Segment:

3	Fruit Juice and Fruit based drinks Jam / Jelly Tomato Ketchup, pastes, purees and all sauces Coconut and other plant waters	100% Fruit juice / pulp / paste – Not from concentrate 100% juice, reconstituted 100% juice and frozen 100% juice Fruit based drink having fruit content $\geq 10\%$ juice drinks made up of fresh juice or concentrate, having more than 10% fruit juice content; Packaged Coconut Water & other plant water All fruits – based Jams / Jellies Tomato – Ketchup, paste and puree Packaged Sauces: Table sauces, pasta sauces, cooking sauces, dry sauces, ketchup, mustard, oyster sauces, salad dressings, dips and other sauces - All products under HSN 2002, 2007, 2009, 2013 are included - All products under HSN 2202 are included except Aerated Water, Lemonade, Non – Alcoholic beer
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Marine Segment

Marine Products with Normal Incentives			
Sr. No.	Product Group	Products Covered	Exclusion
1	Fish Crustacean Molluscs	Fish Chilled / Frozen / dried / salted/ brined / smoked Fish Fillets & Meat – Fresh, Chilled & Frozen Crustacean – Chilled, Frozen, Steamed, Boiled Molluscs – Chilled, Frozen, Steamed, Boiled - All products under HSN 0302, 0303, 0304, 0305, 0306 , 0307 are included for higher incentive	
Marine Products with higher Value – Added Incentive			
2	Value added marine products	Value added marine products: Canned, Battered & breaded, Pickles, Sausages - All products under HSN 1604 & 1605 are included	
3	IQF Value added Marine Products	IQF Shrimps: Stretched shrimp (Nobashi), butterfly / marinated shrimp, IQF Skewered shrimp, IQF Sushi shrimp Blanched Squid pineapple cut, Cuttlefish Sushi, Tuna Loins , Shashimi grade Tuna	
4	Freeze – Dried Value – Added Products	Accelerated Freeze Dried shrimp / shrimp powder, Freeze dried Cephalopods	

Mozzarella Segment

Sr. No.	Product Group	Products Covered	Exclusion
1	Mozzarell a Cheese	Mozzarella Cheese in Bulk Packaging Mozzarella Cheese in Consumer Packaging - Only Mozzarella Cheese under 0406 is covered	All other cheese except mozzarella (HSN 04061000 – 4000)

The incentive under the PLI scheme:

The incentive under the scheme will be paid for six years from 2021-2022 to 2026-2027 on incremental sales over the base year. The scheme is fund limited, meaning that the selected entities will only be paid the incentive from the total funds allocated for the scheme.

Rates of Incentives on Incremental Sales				
Year	RTC / RTE	Processed F & V	Marine Products*	Mozzarella Cheese
2021-22	10%	10%	6%	10%
2022-23	10%	10%	6%	10%
2023-24	10%	10%	6%	10%
2024-25	10%	10%	6%	8%
2025-26	9%	9%	5%	6%
2026-27	8%	8%	4%	4%

Expand PLI scheme to Food products to make it research-linked, says industry

According to the government, the production-linked incentive (PLI) scheme has so far attracted investments of Rs 4,900 crore from the food processing sector. On March 20, 2021, the PLI scheme for the food processing sector, with a budget of Rs 10,900 crore, was authorised. It will be put into effect between 2026 and 2027 for a seven-year period.

An official announcement read, "Under the PLI scheme for the food processing industry, a total of 182 applications have been approved under various categories."

This includes 30 applications for millets-based goods under the PLI scheme (8 major businesses and 22 SMEs), it claimed.

"According to information provided by the PLI scheme's beneficiaries, an investment totalling around Rs. 4900 crore has been made. Incentives of Rs 800 crore are probably going to be given out in the current fiscal year. The Rs 107.3 crore sales-based incentive has already been paid out" The declaration said.

According to the food ministry, stakeholder consultations are also underway for introducing a "PLI Scheme for the Nutraceutical sector" to enable this segment to reach its potential and find its rightful place.

By 2026–2027, expanding the PLI plan will probably make it possible to increase food processing capacity by around Rs 30,000 crore and offer about 2.5 lakh new direct and indirect job opportunities.

The PLI beneficiaries' investments are probably going to improve food product sales and exports. Considering that the scheme requires that the full chain of manufacturing activities, including the initial processing of the food items, take place in India in order to qualify for the incentive, a positive boost to the local industry is anticipated. The plan will make it easier for Indian brands to be promoted abroad, it was claimed.

The ministry provided information on authorised projects and the status of other programmes. It stated that a total of 112 food processing projects were finished and put into service in 2022, leveraging a private investment of Rs 706.04 crore and creating 25,293 direct and indirect jobs. Throughout the year, about 190 projects related to food processing were approved.

The ministry said the 'One District One Product (ODOP)' (under the Prime Minister Formalisation of Micro Food Processing Enterprises (PM-FME) scheme) has been approved for 713 districts of 35 states and union territories with 137 unique products.

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