

Down the PLI Path

PLI disbursements kick off in FY2023;
major capex expected in next two-
three years

July 2023



The Government recently started disbursements under the PLI scheme for FY2023 for eight of the 14 sectors.

However, major sectors with huge capex deployment will start manufacturing from FY2024.



- In June 2023, the Government released the first tranche of disbursement under the Production Linked Incentive (PLI) scheme for FY2023.



- Eight sectors (out of a total of 14), including phone/electronics, pharma, food products, have received the disbursements under PLI; however, major sectors with ~60% of the total outlay (~Rs. 3 trillion) are still at initial stages of production.



- Of the total expected capex of ~Rs. 4 trillion to be incurred by corporates under the PLI scheme (which is over a period of five-six years), Rs. 0.60 trillion had been invested as of March 2023.



- Major sectors with huge capex deployment of more than Rs. 3 trillion like semiconductors, steel, ACC batteries, etc., will begin to see capex deployment and manufacturing from FY2024.



- Of the expected incremental sales/production[#] through the PLI scheme of Rs. 35-40 trillion, the current capex deployment has resulted in incremental sales of around Rs. 6.75 trillion, which is 15-20% of the total incremental sales from the PLI scheme.

Positive trends visible in FDI, imports and exports in sectors where manufacturing has started

Government interventions are critical for the next two to three years. Quick policy response might help to make the PLI scheme successful.



- Gross foreign direct investment (FDI) equity inflow has shown a positive trend for sectors that are covered under the PLI scheme (PLI sectors). Though the overall gross FDI equity inflow has been declining for the last couple of years, the gross FDI inflow for the PLI sectors is increasing and is higher than the 10-year average for most.
- For the PLI sectors in which manufacturing has started, the imports (for e.g. solar PV modules, telecom, pharma) and exports (for e.g. electronics, food products and pharma) have also shown favourable trends.
- The remaining capex under the current PLI scheme will be concentrated between FY2024 and FY2026. The next couple of years are critical for the scheme when manufacturing will commence in the large capex sectors.
- Government interventions are critical for the next two to three years. A quick policy response might be needed in cases where - lower traction is witnessed/the pick-up is not as expected/PLI disbursements are low/a relaxation of performance threshold is required.

PLI disbursement started in eight of 14 sectors; however, major sectors are in initial stages

Exhibit: Sectors with PLI outlay and expected year for start of production

Sector	Rs billion		Production expected to reflect from			Rs billion
	Budgeted PLI Outlay	Status	FY2022	FY2023	FY2024 and beyond	Incentives disbursed
Phone /Electronics	409.51	Incentives released for FY2023 under PLI 1. Opened applications for PLI 2 (Please refer annexure for details)	Yes			16.49
IT Hardware	143.72		Yes			
Pharma	219.40		Yes			6.56
Telecom & Networking	121.95	Incentives disbursed for FY2023		Yes		0.35
Food Products	109.00			Yes		4.86
AC/LED	62.38			Yes		0.05
Medical Devices	34.20			Yes		0.13
Drones	1.20			Yes		0.3
Semiconductor/Display Ecosystem	760.00	Changes made in scheme in April 2023 to remove hurdles faced by entities who have applied			Yes	
Auto	570.42	Yet to release incentives. Government may consider quarterly incentive payout plan in FY2024 - as requested by sector players		Yes		
Solar PV Modules	240.00	PLI outlay in tranches, tranche I allocated. 11 entities allocated with solar PV module manufacturing capacity under tranche II in March 2023 (Please refer annexure for details)			Yes	
ACC Battery	181.00	Entities yet to claim PLI incentive as production at initial stage			Yes	
Textile	106.83	As per sources, PLI 2 is under consideration with Rs 0.04 trillion outlay		Yes		
Steel	63.22	Ministry of Steel signs memorandum of understanding (MoU) with 27 companies in March 2023			Yes	
Total	3,022.83					28.74

Disbursement of PLI in FY2023 in eight sectors

Major sectors in initial stages of manufacturing

Source: Ministry of Commerce & Industry, Industry, ICRA Research



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