



## PLI and DLI schemes

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Capex deployment likely to reach  
~45% by March 2025; but incentive  
disbursements remain low till  
FY2026 BE

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*ICRA expects ~Rs. 1.8 trillion capex to be incurred by March 2025, which is 40-45% of the total estimated capex under incentive schemes.*

*As of August 2024, the capex deployment led to incremental sales of around Rs. 12.5 trillion, which is 30-35% of the total incremental sales anticipated from the incentive scheme with around 35-40% exports in total incremental sales.*

In FY2022, the Government of India (GoI) had announced the Production-Linked Incentive (PLI) scheme and subsequently Design-Linked Incentive (DLI) scheme (to be called 'incentive-linked' schemes in the report henceforth) in sectors to boost manufacturing and exports, reduce imports, attract investments and technology, and to make Indian manufacturers globally competitive. While ~Rs. 1.8 trillion capex is set to be incurred by March 2025, which is 40-45% of the total estimated capex, based on the FY2026 Union Budget, ICRA expects a limited ~16% of the outlay to be utilised for PLI/DLI incentives by end-FY2026.

### Capex

- Of the total expected capex of close to Rs. 4.0 trillion to be incurred by corporates under the incentive-linked scheme, Rs. 1.5 trillion had been invested as of August 2024. ICRA expects ~Rs. 1.8 trillion capex to be incurred by March 2025, which is ~45% of the total estimated capex for the scheme.
- Approximately 50% of the capex has been deployed by sectors like solar PV modules, speciality steel, automobile and auto components. However, these sectors have huge capex deployment and long gestation periods. They are expected to start major commercial production from FY2026.
- For semiconductors, which come under the DLI scheme, current budgetary allocation indicates cumulative ~15% capex deployment by FY2026.

### Incremental Sales/Production# and exports

- Incentives under most of the sectors are linked to incremental sales/production.
- Of the expected incremental sales/production through the incentive-linked scheme of Rs. 35-40 trillion, the current capex deployment has led to incremental sales of around Rs. 12.5 trillion (as of August 2024), which is 30-35% of the total incremental sales anticipated from the incentive-linked scheme.
- Exports surpassed Rs. 4 trillion till August 2024, which was 35-40% of the incremental sales/production envisaged, with significant contributions from sectors such as large-scale electronics manufacturing, pharmaceuticals, food processing, and telecom and networking products.

#For calculation of incentives, incremental sales/production is calculated as sales/production over a given period minus the sales/production in the base year

*About 16% of the incentive scheme outlay will be utilised by FY2026. The GoI has been adjusting allocations, refining schemes, inviting applications, to maximise the utilisation of outlay.*

*The GoI may also plan to introduce additional scheme rounds in sectors, and incentive schemes for new sectors to attract private investors.*

## Incentives disbursement

- Progress in manufacturing is visible in sectors like pharma, mobile phones, food products benefiting from the disbursement of incentives.
- Disbursement remains low for telecom and IT hardware despite remarkable sales. The respective ministries may look at reopening the applications under the scheme to utilise the outlay.
- Budgetary allocations for FY2026 BE\* indicates notable manufacturing progress expected in sectors like textiles, white goods, automobiles and auto components in FY2026.
- The disbursements in FY2026 are expected to be minimal in sectors like Advanced Chemistry Cell (ACC) batteries and steel because of longer gestation periods to start commercial operations.
- Progress of solar PV module PLI scheme remains slow amid the sharp decline in wafer, cell and module prices globally. The same is reflected in nil allocation for the sector in FY2025 RE\* and FY2026 BE.

## Employment

- The scheme has generated direct and indirect employment for 9.5 lakh individuals.
- The emphasis on local production of raw materials for processed food has generated additional off-farm employment opportunities, which has resulted in employment for 2.9 lakh people, accounting for 30% of the total employment generated from the PLI scheme.

The GoI has been adjusting allocations, refining schemes, inviting applications to enhance efficiency and increase the incentive disbursements across all sectors. Despite this, only 16% of the outlay (~Rs. 490 billion) is expected to be utilised by FY2026, based on BE.

To maximise the utilisation, the GoI may plan to introduce additional scheme rounds in sectors and incentive schemes for new sectors, which could attract private investors.



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