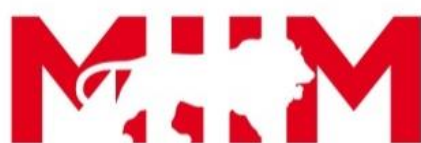


DECEMBER 2020

MIIM REPORT ON OVERVIEW OF PRODUCTION LINKED INCENTIVES SCHEME



MAKE IN INDIA MITTELSTAND!

Make in India Business Support Programme for German Mittelstand and Family Owned Enterprises

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- ANNOUNCEMENT IN KEY SECTORS
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- ABOUT MIIM AND UPCOMING EVENTS



Embassy of India
Berlin

1. OVERVIEW – PRODUCTION LINKED INCENTIVES

COVID-19 is having an unprecedented impact on the economy, disrupting various sectors and business units. To help the economy recover, strengthen supply chains across industries, and promote domestic production, the government has announced a 20 tn INR (270 bn EUR) economic package under the Atma Nirbhar Bharat Abhiyan (Self-Reliant Mission). The mission is to make India self-reliant in key economic sectors and improve resilience to future geo-economic shocks. It will aim to develop local manufacturing capabilities for import dependent products and to become an exporter of the same products in future.

As part of the Atma Nirbhar Bharat Abhiyan Government of India has introduced cash incentives - Production Linked Incentive (PLI) scheme to support the manufacturing sectors by attracting global investments in existing and new technology manufacturing sectors, enhance domestic manufacturing capabilities and quality and boost exports.

Production Linked Incentives – Definition

- First introduced in April 2020 in India, the PLI scheme **provides financial incentives to eligible manufacturing companies** based on **production/ sales value subsequent to base year for segments/ products defined** in the policy document
- The **incentives per company are calculated basis production/ sales/ investments** and are **subject to ceilings**; provided for a **defined period** subsequent to the base year

SCHEME OBJECTIVE

- To **make India a global manufacturing destination** by attracting investments from foreign and domestic companies in strategic target segments
- Enhance domestic manufacturing capabilities to achieve size and scale, improve quality and boost exports to **make India part of global supply chain**

SCHEME OUTLAY

- Announced in two phases in Apr 2020 and Nov 2020, the **total PLI scheme outlay is ~22.7 bn EUR (1972.9 bn INR)** covering **10 key industry sectors**

INDUSTRY SEGMENT – DERIVING MAXIMUM SCHEME BENEFIT

Global Comparative Advantage Industries

- Develop industries with global comparative advantage and export potential into global champions
- E.g. Steel, automobiles and components, pharmaceuticals

Import Dependent Industries

- Develop local manufacturing competence and reduce import dependence
- E.g. Electronic system, semiconductor fab, medical devices

Sunrise Industries

- Develop local ecosystem for future focused industries with niche technology and large economic opportunity
- E.g. Advanced battery cells, high efficiency solar PV module

PLI SCHEME – KEY COMPONENTS

Production Linked Incentive schemes are cash incentives offered by the Government of India that are directly linked to the production/ sales of relevant products by the beneficiary company. There are 6 key components in the PLI schemes which are defined by the Government of India and concerned ministries and departments. Each scheme can have a different eligibility and incentive structure as defined by the concerned ministries. Below is an overview of the key components:

Target Segments

- List of specific products covered under policy guideline document and eligible for incentives upon production
- E.g. Drug intermediates of Penicillin G, Neomycin, Mobile phones with invoice value >INR 15,000 (168 EUR)

Project Eligibility

- Conditions for project eligibility defined under PLI guideline such as mfg. in new or existing facility, min/ max plant capacity, domestic value add (DVA)%, investment, etc.
- E.g. 90% DVA for fermentation based drug intermediates in a greenfield setup

Base Year

- Base year indicates Year 0 of policy over which production/ sales/ investments are counted
- E.g. In PLI for manufacturing of mobile phones, the base year shall be FY'2019-20

Incentives

- Financial incentives of the policy calculated as % of annual production/ sales or incremental sales or fixed cost per unit produced, etc.
- Incentives are subject to threshold limit
- E.g. Incentive of 4-6% on incremental sale value of mobile phone over base year

Applicant Eligibility

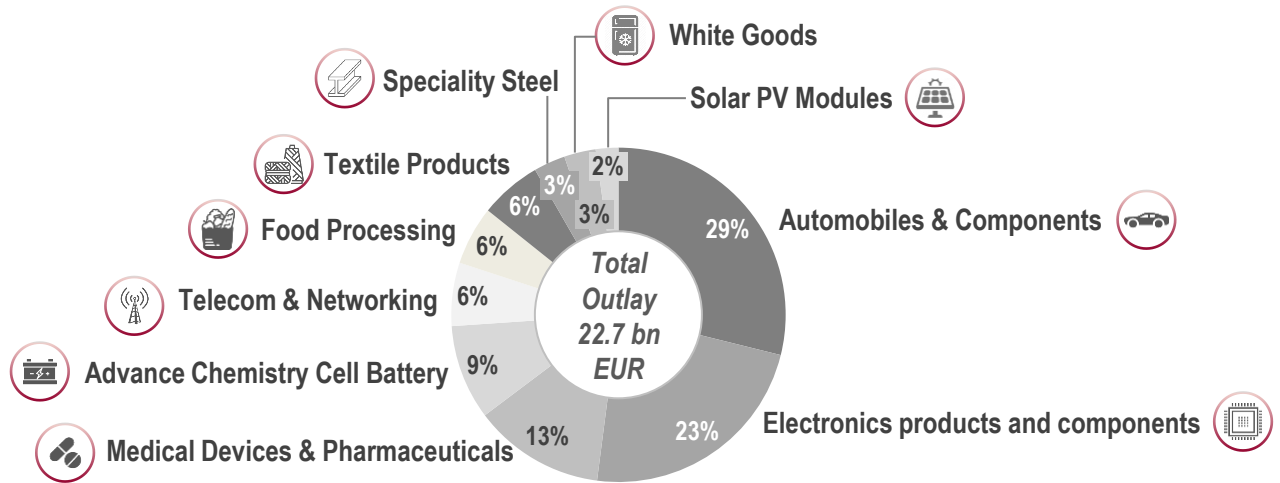
- To select suitable companies from applicant list for PLI, eligibility criteria are fixed by GoI such as global revenue, plant capacity, investment size, product price and other conditions
- Selection of applicants for PLI has ceiling limit

Scheme Validity Period

- Incentive policy validity period is defined in the policy guidelines, often ranging 5-10 years
- E.g. PLI on mobile phones has timeline of 5 years

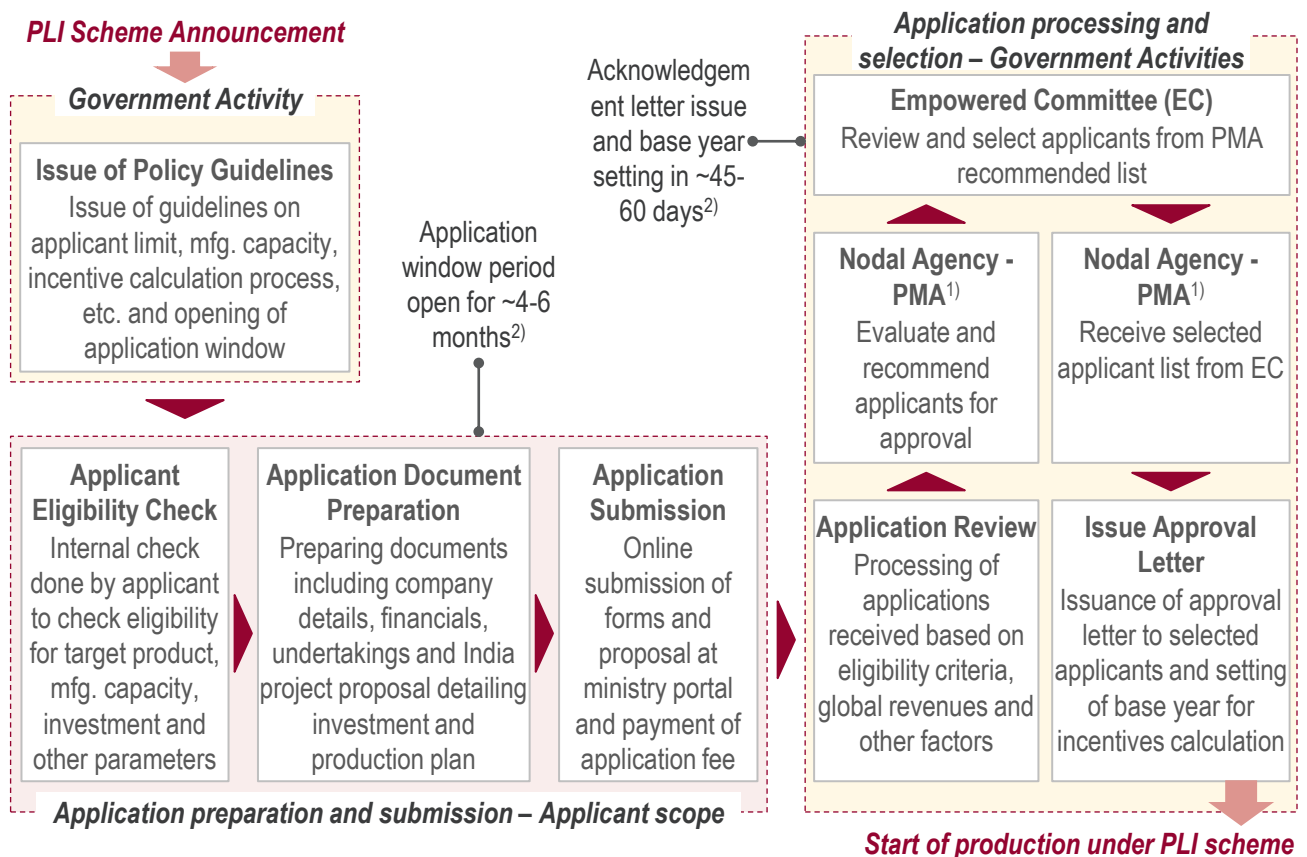
Each PLI scheme can have a different project and applicant eligibility criteria, incentive structure and validity period as defined by the relevant government ministry/ department

PLI OUTLAY – 10 INDUSTRY SECTORS



PLI SCHEME – APPLICATION PROCESS OVERVIEW

Application process for PLI schemes comprises 5 basic stages wherein eligibility check, preparation and application is done by the applicant while application review and approval is undertaken by Gol agency



1) Project Management Agency 2) Tentative timeline subject to change based on PLI scheme guidelines, product in consideration and Nodal Agency Ministry

Note: Process subject to change based on PLI scheme guidelines

2. PLI ANNOUNCEMENT IN KEY SECTORS – ATMANIRBHAR BHARAT

As part of Atmanirbhar vision, Government of India recently announced Production Linked Incentive (PLI) scheme across 10 key industry sectors for enhancing India's manufacturing capabilities and exports. The total financial outlay planned for the current scheme is ~16.8 bn EUR for 10 sectors with a spread of 5 years. This is in addition to 5.9 bn EUR PLI scheme announced earlier in the year for electronics and medical devices manufacturing. The final proposals of PLI for individual sectors will be appraised by the Expenditure Finance Committee (EFC) and approved by the Cabinet. Below we have highlighted the recent PLI scheme announcements of the 10 key manufacturing sectors to indicate potential investment opportunities.

ADVANCE CHEMISTRY CELL BATTERY

PLI scheme
Total outlay

2.1 bn EUR
over 5 years

Under Department of Heavy Industries

Products covered under
the scheme

- Advanced Chemical Cell Batteries

ELECTRONICS

PLI scheme
Total outlay

5.3 bn EUR
over 5 years

Under Ministry of Electronics and Information Technology

Products covered under
the scheme

- Semiconductor Fab
- Display Fab
- Laptop/ Notebooks
- Servers
- IoT Devices
- Computer Hardware
- Large scale manufacturing of mobile
- Specified electronics components

AUTOMOBILES & AUTO COMPONENTS

PLI scheme
Total outlay

6.6 bn EUR
over 5 years

Under Department of Heavy Industries

Products covered under
the scheme

- Automobile and Auto Components

MEDICAL DEVICES, PHARMACEUTICALS

PLI scheme
Total outlay

2.9 bn EUR
over 5 years

Under Department of Pharmaceuticals

Products covered under the scheme

Category 1

- Biopharmaceuticals
- Complex generic drugs
- Patented drugs or drugs nearing patent expiry
- Cell based or gene therapy products
- Orphan drugs
- Special empty capsules
- Complex excipients

Category 2

- Active Pharma Ingredients (APIs), Key Starting Materials (KSMs) and Drug Intermediaries (DIs)

Category 3

- 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 (IVDs)
- Phytopharmaceuticals
- Other drugs not manufactured in India / as approved

TELECOM & NETWORKING PRODUCTS

PLI scheme Total outlay **1.4 bn EUR** over 5 years Under Department of Telecom

Products covered under the scheme

- Core Transmission Equipment
- 4G/5G, Next Generation Radio Access Network and Wireless Equipment
- Enterprise equipment: Switches, Router
- Access & Customer Premises Equipment (CPE), Internet of Things (IoT) Access Devices and Other Wireless Equipment

TEXTILE PRODUCTS

PLI scheme Total outlay **1.2 bn EUR** over 5 years Under Ministry of Textiles

Products covered under the scheme

- Man-Made Fiber
- Technical Textiles

FOOD PROCESSING

PLI scheme Total outlay **1.3 bn EUR** over 5 years Under Ministry of Food Processing Industries

Products covered under the scheme

- Ready to Eat / Ready to Cook (RTE/ RTC)
- Marine Products
- Fruits & Vegetables
- Honey
- Desi Ghee
- Mozzarella Cheese
- Organic eggs and poultry meat

SOLAR MODULES

PLI scheme Total outlay **517 mio EUR** over 5 years Under Ministry of New and Renewable Energy

Products covered under the scheme

- High Efficiency Solar PV Modules

CONSUMER ELECTRONICS – WHITE GOODS

PLI scheme Total outlay **717 mio EUR** over 5 years Under Department for Promotion of Industry and Internal Trade

Products covered under the scheme

- Air conditioners
- LED

SPECIALITY STEEL

PLI scheme Total outlay **727 mio EUR** over 5 years Under Ministry of Steel

Products covered under the scheme

- Coated Steel
- High Strength Steel
- Steel Rails
- Alloy Steel Bars & Rods

3. PLI SCHEME DETAILS – ADVANCE CHEMISTRY CELL AND ELECTRONICS SECTORS

Scheme details for most sectors is still under planning by the respective ministries/ departments. For Advanced chemistry cell battery, Niti Aayog has recently published draft model bid under National Programme on Advance Chemistry Cell (ACC) Battery Storage inviting investors. Similarly Ministry of Electronics and Information Technology had announced details of 1st part of PLI scheme for large scale manufacturing of mobile phones and components. . Below we have highlighted details of the schemes

ADVANCE CHEMISTRY CELL BATTERY



PLI scheme
Total outlay **2.1 bn EUR**
over 5 years

Under Department of Heavy
Industries

Opportunities

- Initiative by GOI to attract global investments for setting-up of 'Gigafactories' in India for ACC battery manufacturing with target of 50 Giga Watt hours capacity
- ACC batteries have far reaching applications in electric vehicles, renewable energy storage, electronics, telecom and to ensure overall energy security. India is in early stages of ACC manufacturing and has immense potential in the sector
- Inline with policy initiation, NITI Aayog published draft model bid under National Programme on Advance Chemistry Cell (ACC) Battery Storage inviting investors

PLI Scheme highlights

- Facility to have min capacity of 5 GWh via Public Private Partnership model
- Must have value-addition of min 25% at the mother unit level and min 60% overall
- PLI is offered on volume of cells sold subject to ceiling of INR 2,000 per KWh with disbursement commencing product sale and phased-out over a 10 year window
- For further details, please refer:

<https://niti.gov.in/sites/default/files/2020-11/Model-Bid-Documents-ACC.pdf>

ELECTRONICS



PLI scheme
Total outlay **5.3 bn EUR**
over 5 years

Under Ministry of Electronics
and Information Technology

Opportunities

- India's National Policy on Electronics (NPE 2019) targets to position India as a global hub for Electronics System Design and Manufacturing (ESDM) by enhancing domestic manufacturing capabilities of core electronic devices and components
- Through introduction of PLI schemes, GOI targets production of electronics worth 120 bn EUR in the next 5 years with 74 bn EUR exports

PLI Scheme highlights





- PLI scheme launched in 2 parts in 2020 targeting large scale mobile manufacturing, semiconductor fab, display fab, laptop/ notebooks, servers, IOT devices, computer hardware and specified electronic components
- Eligibility criteria in mobile manufacturing include consolidated global revenue >1100 mio EUR for international companies and >11 mio EUR for domestic firms
- PLI on mobile manufacturing and components is offered on incremental sales over the base year at 4-6% over a period of 5 yr
- Scheme details for other products is awaited
- For further details, please refer:

www.meity.gov.in/writereaddata/files/production_linked_incentive_scheme.pdf
<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1671912>

PLI SCHEME – ADVANTAGES FOR INVESTORS

Advantages of the PLI scheme to have positive direct and indirect impact on investing company P&L; PLI in combination with other advantages makes India a lucrative destination for investors to setup base

PLI SCHEME ADVANTAGES FOR INVESTORS

-  **POSITIVE IMPACT ON EBITDA MARGINS**
 - Incentives linked to production/ sales figures to have direct positive impact on company EBITDA margins providing financial support
-  **PRODUCT PRICING SUPPORT**
 - Financial incentives can be utilized to maintain competitive pricing of domestically manufactured products to compete with other suppliers and imports
-  **ACCESS TO LOCAL MARKET DEMAND**
 - Setting up of a local manufacturing base for import dependent products shall provide access to domestic markets
-  **ACCELERATE INVESTMENT PLANS**
 - PLI scheme to accelerate decision making and existing plans of companies who are considering to invest in India/ expand production base

PLI scheme combined with other factors such as state level incentives, low corporate income tax rates, access to large domestic market and comparative manufacturing advantages makes India a lucrative destination for investors to setup base

4. ABOUT MIIM

About MIIM

'MIIM' is a market-entry support programme for German Mittelstand and family owned enterprises launched by Embassy of India Berlin, Germany in 2015; driven by Government of India's national programme, 'MAKE IN INDIA'.

The objective of MIIM programme is to facilitate investments by German Mittelstand and family-owned companies in India and to provide market entry related services

The MIIM program has enrolled a total of 148 companies which represent a cumulative declared investment of 1.4 bn EUR to India.

As a part of MIIM program members are exposed to a wide range of business support services under a single platform. The program is being implemented with the support of its Knowledge Partner - Euro Asia Consulting – EAC, Facilitation Partners including Central and State Government Ministries in India and also key industry partners who can support the companies in various aspects of market entry into India. Offered services includes Strategy consulting, M&A, operational market entry support, tax & legal support, financial services and other services.

Key MIIM Members: Snapshot

LIEBHERR

 **Uhlmann**


Graepel

verbio

**uni
per**

KUHN
water experts – world wide

SCHERDEL


Wir leben Lieblingswäsche

 **EIBENSTOCK**
Elektrowerkzeuge

UPCOMING EVENTS

MIIM Webinar on “Overview of Indian Economy Recovery and outlook 2021”

- Date: 27th January 2021; Time: 10:00 AM – 11:15 AM CET

MIIM Webinar on “Financing options for India market feasibility studies and Investments”

- Date: 29th January 2021; Time: 10:00 AM – 11:00 AM CET

To register please write us at miim@indianembassy.de

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MAKE IN INDIA BUSINESS SUPPORT PROGRAMME FOR GERMAN MITTELSTAND AND FAMILY OWNED ENTERPRISES

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