IT hardware PLI 2.0 gets only ₹500-cr investment

Vallari Sanzgiri
Mumbai

The Centre's Production-Linked Incentive (PLI) scheme 2.0 for IT hardware has seen an incremental investment of only ₹501 crore so far in 2024.

As per data provided by the Ministry of Electronics and Information Technology (MeitY) in the Lok Sabha, incremental investment of ₹501 crore has been made under the PLI scheme, which led to production of more than ₹10,245 crore. In contrast, the PLI scheme for largescale electronics has received incremental investment of ₹9,349 crore, leading to production of more than ₹6 lakh crore.

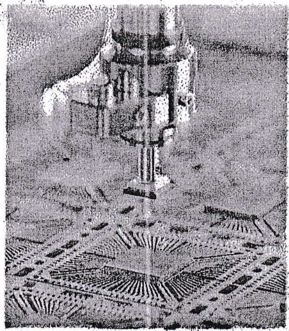
The IT hardware investment numbers are much lower than the last year's expectation of ₹2,430 crore. However, analysts told *businessline* that the investment will increase in 2025 as the government has called on vendors to participate in local production.

In May 2023, the Cabinet revised the PLI scheme to encourage the domestic production of IT hardware. The government doubled the outlay to ₹17,000 crore, extended the tenure to six years and provided a more attractive incentive package.

The Manufacturers' Association for Information Technology (MAIT), which had hailed the PLI 2.0 as a game-changer, did not comment on the low investments.

'A HASTY CALL'

However, Bharath Shenoy, Senior Market Analyst at IDC Corporate, said the low



numbers reflect the panic in the industry when the PLI was first announced.

"Initially, the government took a hasty call and wanted everything assembled in India overnight, so there was some panic in the market but then they eased off on things and it was pushed from a few quarters to a year. Now, all key vendors have their assembly already set up but because government wasn't going hard at them, they were still importing because there is still a price gap of 5-7 per cent if you assemble locally than when you import. But going forward, I think the players will be pushed harder and we can expect much bigger participation in local assembly in 2025," said Shenoy.

He added that the dependence on foreign countries like China will definitely continue in coming years but the pace will come down gradually. He cited the example of how OEMs have been investing in local assembly in their facilities. "Companies like Lenovo and Acer locally assembled a decent volume of entry-level notebooks in India last year, anticipating other players to do the same in coming years," he noted.

"We are expecting the government to be much more stringent this time getting into 2025 because the idea is very clear: We need to reduce dependence on import, especially from China," said Shenoy, adding that he expected a phase-by-phase transition towards local assembly starting with government-driven educational project, to enterprises and finally consumers from 2025 to 2026.

Similarly, Pankaj Mohindroo, Chairman of the India Cellular & Electronics Association, said, "There has been a lot of inertia in this sector as far as manufacturing and supply chain is concerned. But it will gather momentum. On the bill of material, if you take out Microsoft OS cost and CPU cost, incentive can go up to almost 13 per cent. It's a huge stimulus."