Govt nearly doubles PLI share of five key industry segments

Amount raised from ₹8,405 cr in RE of FY24 to ₹15,198 cr

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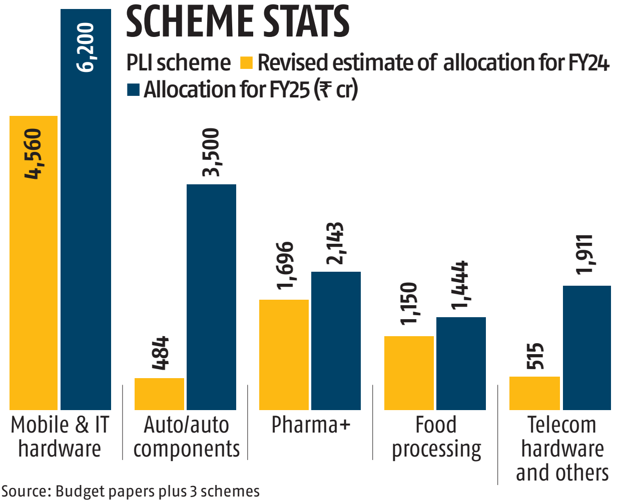

Source: Budget papers plus 3 schemes

In a big push to the production-linked incentive (PLI) scheme, the government has nearly doubled (increase of 81 per cent) the allocation in five key industry segments from ₹8,405 crore in the Revised Estimate of FY24 to ₹15,198 crore in the Interim Budget for FY25.

The segments cover over eight PLI schemes, including mobile phones, IT hardware, pharma (PLIs for medical devices, intermediates and pharmaceuticals), food processing, telecom hardware and, auto and auto components.

In FY24, DPIIT officials, however, said that the disbursements would be much higher at around ₹11,000 crore than what has been budgeted for the year. A senior minister who oversees some key PLIs, however, said the budget numbers were indicative and they can always approach to advance more money as long as it was within the total PLI allocation for the entire period of the scheme. If there is a requirement to exceed that-one has to go for a fresh cabinet approval.

The increase in many of the schemes has been substantial. For instance, the allocation for mobile devices by the Ministry of Electronics and Information Technology is up by 36 per cent from the Revised Estimate of FY 24. This is clearly the government's showpiece PLI scheme, one where Apple Inc has gone way beyond its stipulated PLI targets. The government is also pushing the pedal on supporting electric two-wheelers and four-wheelers whose penetration is still low (at over 1 per cent for cars and 5 per cent in the case of two-wheelers). The PLI allocation in this sector has been hiked by over seven-fold, to ₹3500 crore. Now that there is a consensus on the method of calculating domestic value addition, which is a pre-condition to be eligible for subsidy, it is expected that many more electric vehicle models will enter the fray.

As for the PLI allocation in the pharma and food processing sectors, both have been increased by 26 per cent from the Revised Estimates of FY24.

There are other areas where reasonable amounts have been allocated for the first time, such as ₹250 crore under the advanced chemistry cell battery scheme compared to only ₹12 crore in FY 24. This is understandable as so far only Ola Electric has set up a cell-making unit. Expected to start production in FY 25, the unit will cater to its own scooters.

Similarly, speciality steel has been allocated ₹270 crore in FY25 (as opposed to only ₹2.38 crore in FY24). This is because the ministry of steel signed memoranda of understanding with 27 companies last year to generate investments worth ₹30,000 crore and make 25 million tonnes of speciality steels.

The PLI scheme in textiles is being reworked as it was felt that the current rules were too stringent and many areas of the industry were not covered. In FY25 only a token ₹5 crore has been earmarked for the PLI scheme.

A similar token allocation has been made in PLIs for toys and footwear, although the commerce ministry had recommended an outlay of ₹3,489 crore under the PLI for toys and ₹2,600 crore in the footwear and leather sectors.