Exports to account for 48% of 9 PLI schemes

Data suggests bulk of the exports will come from largescale electronic manufacturing, which is dominated by mobiles

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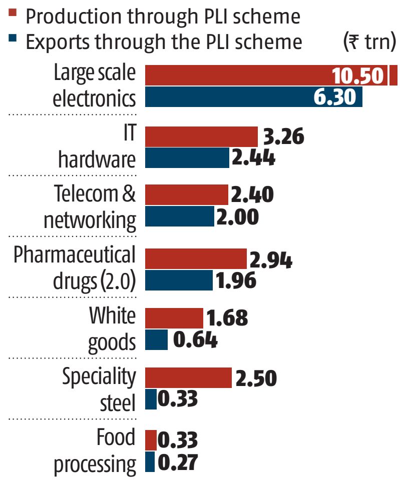

Source: GoI, Morgan Stanley

Exports will account for 48 cent of the sales value committed by companies — ₹28.9 trillion — across nine Production Linked Incentive (PLI) schemes spanning various sectors, based on their commitments to the government.

Morgan Stanley's data, derived from government figures, estimates that total exports at the end of the scheme for seven out of the nine PLIs will be to the tune of ₹13.9 trillion.

The share of exports is expected to be far higher as the government has not given out the incremental export commitments, if any, of the PLI's in textiles, auto and auto components which are key export commodities.

While there are currently 13 PLIs in various sectors, in many of them, such as advanced chemistry cell batteries, solar PV modules or medical devices, the focus is on saving foreign exchange and reducing India's dependence on imports. There is no export commitment.

In semi-conductors, the final eligible players and their total production plans are still at the decision stage.

Even here, India is expected to export some of the wafers through buy back arrangements.

A bulk of the exports will come from the PLI for largescale electronic manufacturing which is dominated by mobile devices. The data indicates that they will account for 45 per cent share of the total exports committed under the various PLI schemes.

Mobile device players which include Apple and Samsung have committed to contribute 60 per cent of their production value to exports.

The other three key sectors where exports will play an important role include telecom and network products, pharmaceuticals and drugs, and IT products which will collectively account for 45 per cent of total exports under PLI.

However, the PLI scheme failed to really take off in IT products. Most players did not get the incentive because they failed to meet the investment and production value conditions. The PLI is now being reworked on lines similar to that for mobile devices since many global players have shown an interest in shifting some of their capacity from China to India.

Making India into a global hub for many manufacturing products has been one of the key aims of the government's PLI schemes which offer incentives to companies on the basis of their production value and range from 4-6 per cent on an average, depending on the sector.

The move to push merchandising and especially manufacturing exports by the government is not without reason: except for textiles (number 3) and clothing (number 7), India is not in the top ten exporters in any other segment.

Morgan Stanley Research based on WTO data of 2019 says that India is ranked 16 in manufacturing exports and ranked 18th in the pecking order with a global share of only 1.8 per cent while China is ranked 2 with a share of 18.2 per cent. Even Mexico is better with 2.8 per cent. In iron and steel — for which a PLI has been launched — India is ranked 12, with a 2.9 per cent global share.