# PLI-eligible cos likely to invest ₹50,000 cr in capex this fiscal

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Companies eligible for the production-linked incentive (PLI) scheme—including semi-conductor manufacturers—are expected to invest around ₹50,000 crore in capex this financial year (FY23), according to estimates from the rating and research agency ICRA.

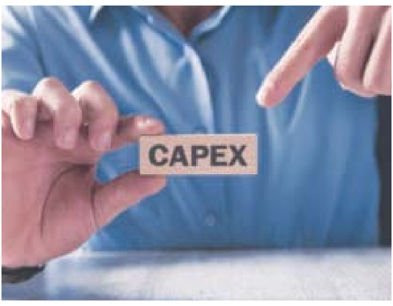
The figure is based on the production commitments the companies have made, and spans sectors that range from advanced chemistry batteries and automobiles to solar panels.

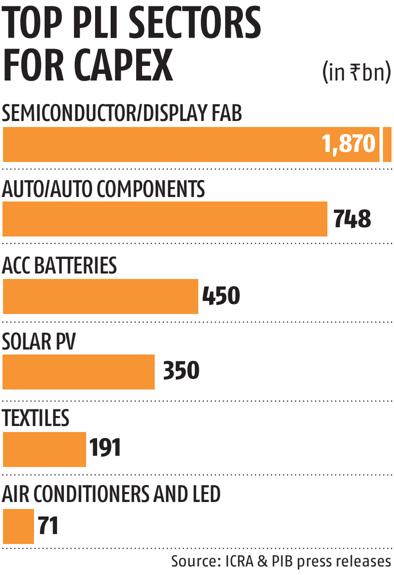
These investments will help to give a big push to incremental capex in manufacturing across sectors in the country.

ICRA's preliminary estimates mean that in FY23, a large number of the 403 (this number will go up) PLI-eligible companies will invest 12.5 per cent of the total committed capex they have made under the scheme for five years which is estimated at ₹4 trillion.The number could be higher if more PLI schemes beyond the 14 sectors are launched such as in solar PV cells or if the outlay is substantially increased by the government.

The average manufacturing capex for the last five years (FY16 to FY21) has also been pegged at ₹4 trillion annually, says ICRA. So in FY23, investments by PLI companies will bring an incremental capex of 12.5 per cent for the year.

According to ICRA, the big leap will happen in FY24. Based on preliminary estimates, it says the capex spending from the various companies at the base level could hit ₹1 trillion and could go up to ₹1.5 trillion. This would account for 25-37.5 per cent of the total capex committed by PLI companies. The same trend is expected to continue in the next year too.




Rohit Ahuja, head of research and outreach, ICRA, said the bulk of the capex which companies have to put in all schemes will be in the first three years in an average five-year PLI scheme.

"In FY23, a lot of the schemes have taken off so we expect capex investments to be at ₹50,000 crore. It will, of course, go up in FY24 when large investments in semiconductors and display panels also start being made. However, the capex could be higher if new PLIs are added or existing schemes get more outlay as is happening in solar PV cells," said Ahuja. From a five-year perspective, Ahuja says that the PLI scheme should add an average of 15-20 per cent to India's manufacturing capex from FY23. For the bulk of PLI sectors such as advanced chemistry cells, automobiles, auto components, solar PVs, telecom networking, and textiles, this will be their first full financial year under the PLI scheme. For others—mobile devices or IT products—this will be their 2nd year.

But in FY22, the capex spending which was mostly on mobile devices and IT products was less than ₹5,000 crore, according to industry estimates.

To put the PLI scheme in perspective, 80 per cent of the total government outlay of ₹3 trillion is concentrated on electronics: 45 per cent which includes semi-conductors, autos (25 per cent) including advanced chemistry cells, and solar PV cells (8 per cent). The expectation is that they will cumulatively generate incremental revenues of ₹40 trillion in the next five years.

In terms of capex, the electronics sector is committed to put in half of the total investments across PLIs, and as much as 16 per cent is expected to come from automobiles.