Govt plans telecom PLI revamp, may focus on MSMEs, exports

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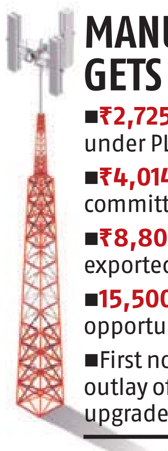

MANUFACTURING GETS A BOOST

- **₹2,725 crore** invested by firms under PLI as of October-end 2023
- **₹4,014 crore** total committments by companies
- **₹8,804 crore** worth of products exported till October-end
- **15,500 employment** opportunities created
- First notified in 2021 with an outlay of **₹12,195 crore**, upgraded in 2022

The government is planning to revamp the production-linked incentive (PLI) scheme for the telecom sector in a bid to quickly boost exports and incorporate more micro and small units into the manufacturing ecosystem, officials said.

Funding for the expanded scheme may not be a challenge since the Department of Telecommunications (DoT) has surplus funds of more than ₹1,000 crore for the purpose, they pointed out.

The move to expand the scheme stems from the increasing need to set up a full-scale telecom manufacturing ecosystem in the country, and covering a larger set of network equipment will be key to it, the officials said. The scheme aims to promote domestic manufacturing of telecom and networking products. "Triggering higher levels of domestic value addition in key product categories was required when the scheme was brought in. That has happened, and we need to expand it to the next level. There is a need to quickly capture market demand for telecom gear in key countries currently going through their own 5G rollout," said one of the officials.

Talks are on to expand the scheme and a formal round of stakeholder consultations will soon begin, people in the know said. The move is also part of the plans to export a full range of indigenously designed 4G and 5G stacks in 2024 in tune with its policy to attract investments and use the technological outreach as a key foreign policy bet.

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adventurism on the rate front should be avoided, the RBI governor said growth-inflation dynamics were favourable.

"...at the current juncture, we thought it's most appropriate to avoid any kind of adventurism and stick to the path of inflation that we had earlier laid out. As a central bank, we will remain very watchful and determine our actions as we go forward." He said there is enough room for the RBI to focus on inflation.

The CAD of India could be lower than 1 per cent in FY24, Das said. During the third quarter of FY24, CAD stood at 1.2 per cent of GDP, down from 1.3 per cent of GDP in the second quarter. "Our CAD has remained very low. In the first three quarters of FY24, the CAD was 1.2 per cent. Our teams are working on the fourth quarter number, which looks to be even lower. And when you look at the annual CAD number, I will not be surprised next week when we publish it. It could be even lower than 1 per cent," he said.

Separately, Das said the regulator would soon invite applications for the self-regulatory organisation (SRO) for non-banking finance companies (NBFCs). Last month, the RBI released the final framework for recognising self-regulatory organisations in the financial technology sector (SRO-FT), encouraging entities to have a representative membership from the fintech sector.

Telecom PLI...

Several countries, such as Kenya, Mauritius, Papua New Guinea, and Egypt, have shown interest in Indian telecom technology.

Surplus funds

With nearly half of the 42 PLI beneficiary companies being unable to meet targets in FY23, the department had a fund surplus of more than ₹1,500 crore. Though it has begun releasing funds for FY24, there is still a surplus of more than ₹1,000 crore for the purpose, the officials said.

Back then, DoT had announced that the scheme is expected to generate additional sales of ₹2.45 trillion and create more than 44,000 employment.

As on October-end last year, the Centre had received ₹2,725 crore investments from companies under PLI, DoT had informed Parliament. This was out of the total ₹4,014 crore committed by the companies. Meanwhile, products worth ₹8,804 crore had been exported till then, and 15,500 jobs had been created.

Terms and conditions

The companies had earlier complained of stiff incremental and production targets for the first year, or 2021-22. Currently, applicants have to satisfy the minimum global revenue criteria to be eligible under the scheme. Companies can invest in single or multiple eligible products. The scheme stipulates a minimum investment threshold of ₹10 crore for MSMEs and ₹100 crore for non-MSME applicants. Land and building costs will not be counted as investment. Eligibility is also subject to higher sales of manufactured goods over the base year (FY20). The allocation for MSMEs had also been enhanced from ₹1,000 crore to ₹2,500 crore.

Hyundai

For instance, Tokyo-listed Suzuki Motor trades at a 12-month forward price-to-earnings (P/E) of 11 times, while Maruti Suzuki commands a P/E of 25 times. Similarly, consumer goods giants Hindustan Unilever and Nestlé India command a P/E nearly 3x and 4x that of their parent firms.

While India's benchmark Nifty index trades at a one-year forward P/E multiple of 22x, several domestically listed MNCs command even greater valuations.

"Across sectors, MNC stocks are trading at better valuations than their domestic counterparts. It makes sense for other MNCs to capitalise on this. If India becomes the third-largest economy, its efforts to create a broader stakeholder ecosystem will help foreign firms win big," said Ajay Garg, founder of Equirus.

Some of the listed foreign firms or stakeholders have already encashed their stake this year. In February, US-based