

# Stakeholders seek easy PLI terms, focus on components

Review meeting on June 27 to address lack of investor interest

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SEVERAL DRAWBACKS OF the government's flagship Production Linked Incentive (PLI) scheme are being flagged by industry players, as the government is planning a comprehensive review of it, along with all stakeholders on June 27.

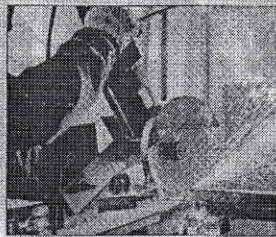
The slow uptake of incentives and lack of enough investor interest in at least half a dozen sectors among the 14 covered, have necessitated the review.

The PLI scheme, which started in March 2020 with announcement of incentives for pharma, medical devices and large-scale electronics, was later expanded to other sectors. For all 14 sectors covered by the scheme, outlay for incentives has been kept at ₹1.97 trillion. The incentive package for each sector runs for five years and as new sectors have been added to it overtime the scheme will run till 2028.

Since the start of the scheme, only ₹2,900 crore of incentives have been disbursed. "Only 2% of the funds have been used and going forward this problem will increase. One reason for the slow start of the scheme is that it is very complicated and to qualify for incentives the investors have to meet many parameters," founder of Global Trade Research Initiative Ajay Srivastava said.

"The design of the scheme should be simple and there should be as few conditions as possible to make it easy for investors and officials managing it," he said. Scheme for each sector is managed by the ministry responsible for the sector and between the government and the investor a layer of Project Implementing Agencies has been placed. The Industrial Finance Corporation of India is handling 10 sectors, Small Industries Development Bank of India two schemes, Metallurgical and Engineering Consultants and IREDA and Solar Energy Corporation of India are managing one scheme each.

This adds to the complexity and because of the long list of conditions officials would be vary of signing the



## SLOW PROGRESS

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grant of incentives, another analyst who did not wish to be named said.

The payment of a claim of ₹900 crore of incentives by Samsung has got stuck in the maze of rules of PLI, according to reports. The company's representatives have been quoted in the media reports saying that they are in the advanced stage of discussions with the government for the redressal of the issue.

Of the 14 sectors covered by PLI, activity has been visible only in six sectors - large scale electronics, telecom, pharmaceuticals, food processing, white goods, and auto and auto components. Most visible success story of PLI is mobile phone manufacturing and pharma.

The PLI may not support immediate recovery of capital expenditure but for the long-term we are positive on it, Prashant Tarwadi, director at India Ratings, said.

The analyst who did not wish to be named said that sectors under PLI that are yet to take-off should be taken out of it and new sectors should be brought in that are strategic in nature. "PLI should never have been for finished products but for components and parts," he said.