

Production Linked Incentive Scheme for Pharmaceuticals

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In news

Recently, Union government issued operational guidelines for Production Linked Incentive (PLI) Scheme for Pharmaceuticals

Aim

To enhance India's manufacturing capabilities by increasing investment and production in the sector and to contribute to product diversification to high value goods in the pharmaceutical sector

Objectives of the scheme

- The objective of the scheme is to enhance India's manufacturing capabilities by increasing investment and production in the sector and contributing to product diversification to high value goods in the pharmaceutical sector.
- One of the further objectives of the scheme is to create global champions out of India who have the potential to grow in size and scale using cutting edge technology and thereby penetrate the global value chains.

Key features of the scheme

It is part of the umbrella scheme for the Development of Pharmaceutical Industry, following are the salient features of the scheme:

Target Groups:

The manufacturers of pharmaceutical goods registered in India will be grouped based on their Global Manufacturing Revenue

(GMR) to ensure wider applicability of the scheme across the pharmaceutical industry and at the same time meet the objectives of the scheme. The qualifying criteria for the three groups of applicants will be as follows-

1. **Group A:** Applicants having Global Manufacturing Revenue (FY 2019-20) of pharmaceutical goods more than or equal to Rs 5,000 crore.
2. **Group B:** Applicants having Global Manufacturing Revenue (FY 2019-20) of pharmaceutical goods between Rs 500 (inclusive) crore and Rs 5,000 crore.
3. **Group C:** Applicants having Global Manufacturing Revenue (FY 2019-20) of pharmaceutical goods less than Rs 500 crore. A sub-group for MSME industry will be made within this group, given their specific challenges and circumstances.

Quantum of Incentive:

The total quantum of incentive (inclusive of administrative expenditure) under the scheme is about Rs 15,000 crore. The incentive allocation among the Target Groups is as follows:

1. Group A: Rs 11,000 crore.
2. Group B: Rs 2,250 crore.
3. Group C: Rs 1,750 crore.

The incentive allocation for Group A and Group C applicants shall not be moved to any-other category. However, incentive allocated to Group B applicants, if left underutilized can be moved to Group A applicants.

Financial Year 2019-20 shall be treated as the base year for computation of incremental sales of manufactured goods.

Category of Goods:

The scheme shall cover pharmaceutical goods under three categories as mentioned below:

- **Category 1:** Biopharmaceuticals; Complex generic drugs; Patented drugs or drugs nearing patent expiry; Cell based or gene therapy drugs; Orphan drugs; Special emptycapsules like HPMC, Pullulan, enteric etc.; Complex excipients; Phyto-pharmaceuticals: Otherdrugs as approved.
- **Category 2:**Active Pharmaceutical Ingredients / Key Starting Materials / Drug Intermediates.
- **Category 3** (Drugs not covered under Category 1 and Category 2) Repurposed drugs; Auto immune drugs, anti-cancer drugs, anti-diabetic drugs, anti-infective drugs, cardiovascular drugs, psychotropic drugs and anti-retroviral drugs; In vitro diagnostic devices; Other drugs as approved; Other drugs not manufactured in India.

Rate of incentive

- Rate of incentive will be 10% (of incremental sales value) for Category 1 and Category 2 products for first four years, 8% for the fifth year and 6% for the sixth year of production under the scheme.
- Rate of incentive will be 5% (of incremental sales value) for Category 3 products for first four years, 4% for the fifth year and 3% for the sixth year of production under the scheme.

Duration of the scheme

The duration of the scheme will be from FY 2020-21 to FY 2028-29. This will include the period for processing of applications (FY 2020-21), optional gestation period of one year (FY 2021-22), incentive .for 6 years and FY 2028-29 for disbursal of incentive for sales of FY 2027-28.

Benefits of the scheme

- It will benefit domestic manufacturers, help in creating

employment and is expected to contribute to the availability of a wider range of affordable medicines for consumers.

- It is expected to promote the production of high value products in the country and increase the value addition in exports