

Production Linked Incentive Scheme

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In News

As a part of the **National Policy on Electronics**, the IT ministry had notified a scheme which would give **incentives of 4-6% to electronics companies which manufacture mobile phones and other electronic components** such as transistors, diodes, thyristors, resistors, capacitors and nano-electronic components such as micro electromechanical systems.

The domestic electronics hardware manufacturing sector **faces a lack of a level playing field vis-à-vis competing nations**. The sector suffers a **disability of around 8.5% to 11% on account of:**

- . lack of adequate infrastructure
- . domestic supply chain and logistics
- . high cost of finance
- . inadequate availability of quality power
- . limited design capabilities and focus on R&D by the industry
- . inadequacies in skill development

Features of Production Linked Incentive Scheme

- Companies that make **mobile phones which sell for Rs 15,000 or more** will get an **incentive of up to 6% on incremental sales** of all such mobile phones made in India.
- In the same category, **companies which are owned by Indian nationals** and make such mobile phones, the **incentive has been kept at Rs 200 crore for the next**

four years.

- The scheme will on one hand **attract big foreign investment** in the sector, while also **encouraging domestic mobile phone makers to expand their units** and presence in India.
- The PLI scheme will be **active for five years with the financial year (FY) 2019-20 considered as the base year** for calculation of incentives.
- The **total incentives over five years has been kept at Rs 40,951 crore.**
- **All electronic manufacturing companies which are either Indian or have a registered unit in India** will be eligible to apply for the scheme.
- These companies can either **create a new unit or seek incentives for their existing units** from one or more locations in India.
- Any **additional expenditure incurred by companies on plant, machinery, equipment, research and development and transfer of technology** for manufacture of mobile phones and related electronic items **will be eligible** for the incentive scheme.
- However, all investment done by companies on **land and buildings for the project will not be considered for any incentives** or determine eligibility of the scheme.