



PLI Scheme for IT Hardware and Pharmaceuticals

Why in News

Recently, the Union Cabinet has cleared [Production-Linked incentive \(PLI\)](#) schemes for [pharmaceuticals](#) and [IT hardware](#), including laptops, which would cost the government as much as Rs. 22,350 crore.

- Earlier, the government had announced the [PLI scheme for medical devices, mobile phones](#) and specified active pharmaceutical ingredients, with a proposed outlay of Rs. 51,311 crore.

Key Points

▪ PLI Scheme:

- It aims to give companies **incentives on incremental sales** from products manufactured in domestic units.
- It invites foreign companies to set units in India, however, it also **aims to encourage local companies** to set up or expand existing manufacturing units.

// HOW DOES THE INCENTIVE WORK

It is a kind of subsidy to the sector

Is a direct payment from the budget to goods made in India	Amount varies from sector to sector	Is based on disadvantage /disability faced by a sector
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▪ IT Hardware Sector:

- **About:**
 - The scheme, worth Rs. 7350 crore, will **offer 1-4% cash incentives** on net incremental sales (over **base year** 2019-20) for IT products manufactured in India.
 - The **Target Segments** include Laptops, Tablets, All-in-One PCs and Servers.
 - **Duration:** 4 years
- **Benefits:**
 - India will be well positioned as a global hub for **Electronics System Design and Manufacturing (ESDM)** on account of integration with global value chains, thereby becoming a destination for IT Hardware exports.
 - **Employment Generation** potential of over 1,80,000 (direct and indirect) over 4

years.

- Provide impetus to **Domestic Value Addition** for IT Hardware which is expected to **rise to 20-25% by 2025.**

▪ **Pharmaceutical Sector:**

◦ **About:**

- The **Rs. 6,940-crore PLI scheme implemented in 2020** focuses on the critical bulk drugs, whereas **this scheme is likely to focus on other types of bulk drugs.**
- It intends to give **incentives between 2020-21 and 2028-29 (9 years).**
- **Drug manufacturers** applying for the scheme will have to be registered in India and **will be placed into one of three categories** based on their Global Manufacturing Revenue (GMR).

◦ **Categories of Drugs Targeted by the Scheme:**

• **First Category:**

- It includes biopharmaceuticals, complex generics, patented and **orphan drugs**, often expensive for which India relies a lot on multinational drug makers.

• **Second Category:**

- It comprises **Active Pharmaceutical Ingredients (APIs)**, Key Starting Materials (KSMs) and Drug Intermediates (DIs).

• **Third Category:**

- It includes other critical repurposed, auto-immune, anti-**cancer**, anti-diabetic, **anti-retroviral**, anti-infective and **cardiovascular** drugs as well as in-vitro diagnostic devices and drugs not manufactured in India.

◦ **Incentives:**

• **For First and Second Category:**

- **10%** of incremental sales value for the first four year of the scheme, followed by **8%** for the fifth year and **6%** for the sixth year of production under the scheme.

• **For Third Category:**

- **5%** of incremental sales value for the first four years, **4%** for the fifth year and **3%** for the sixth year.

◦ **Benefits of PLI in Pharmaceuticals:**

• **Reduced Dependency on China:**

- India's capabilities in APIs have reduced over the years, mostly due to **cheaper alternatives from China.**
- The pharmaceutical industry here is currently dependent on the bordering country for nearly **70% of the bulk drugs it imports.**

• **Enhance Exports:**

- The Indian pharmaceutical industry is the third-largest globally in terms of the volume term of production and is worth **USD 40 billion in value.**
- The country contributes **3.5% of total drugs and medicines exported globally.**

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