# PLI Scheme for IT Hardware and Pharmaceuticals

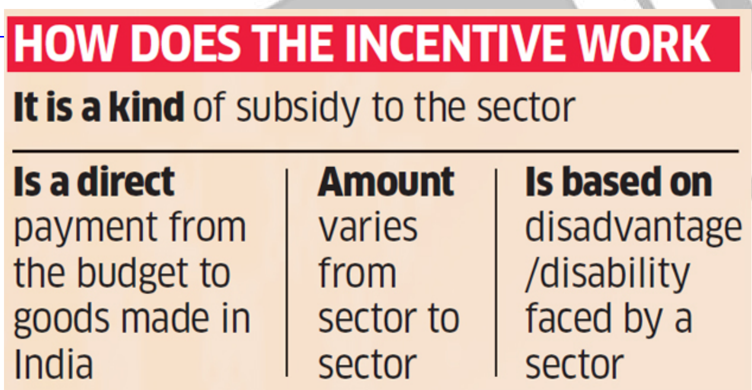
## Why in News

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.




- **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.**

**Source: IE**