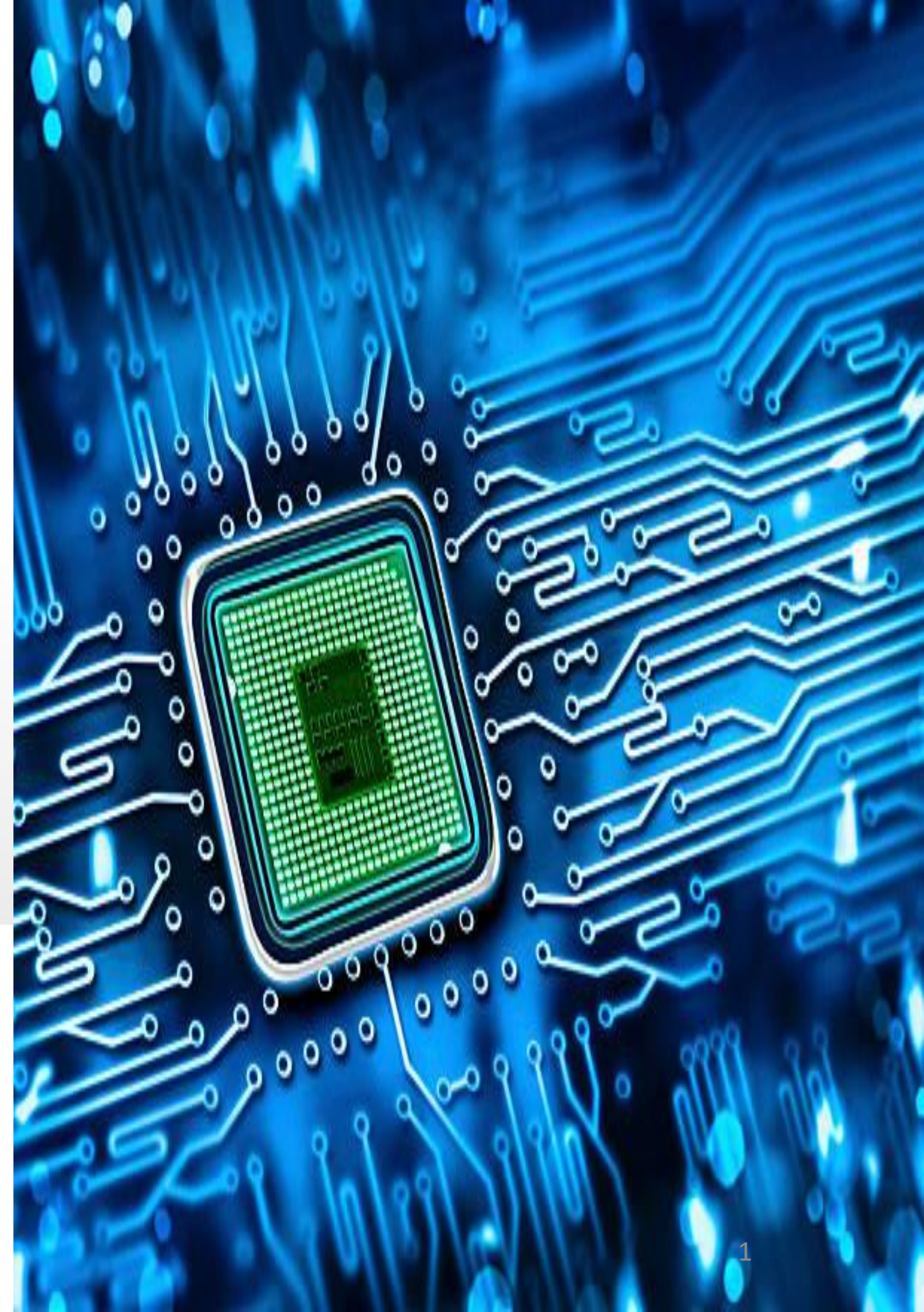


# Production Linked Incentive scheme 2.0 (PLI 2.0) for IT Hardware

---

CA Kunal Soni  
Partner – Mistry & Shah LLP





# Why PLI scheme ?

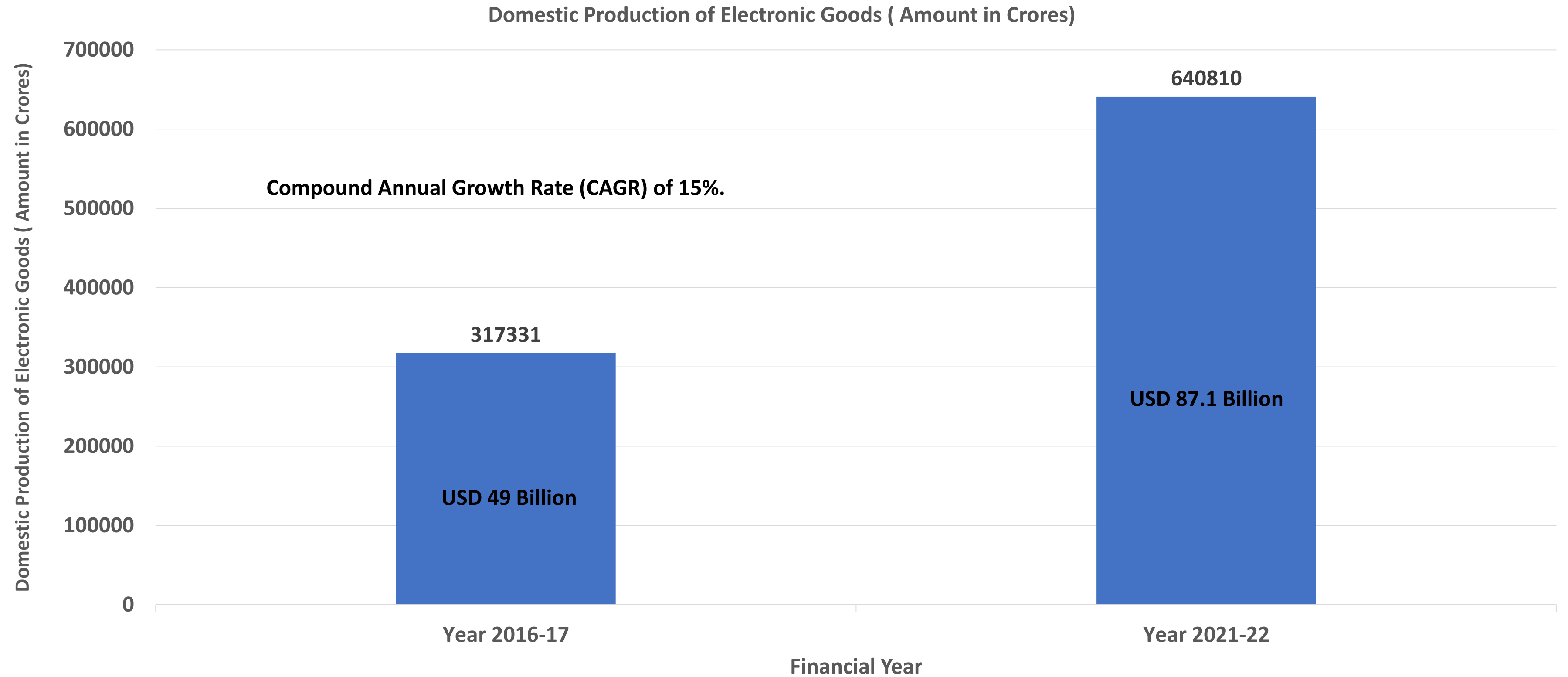
PLI Schemes are a cornerstone of the Government's push for achieving an **Atmanirbhar Bharat (MAKE IN INDIA)**.

The objective is to make domestic manufacturing globally competitive and to create global Champions in manufacturing.

They have been specifically designed to **boost domestic manufacturing in sunrise and strategic sectors, curb cheaper imports and reduce import bills, improve cost competitiveness of domestically manufactured goods, and enhance domestic capacity and exports.**



## Background of IT Hardware Industry



## Background of IT Hardware Industry

India's share in global electronics manufacturing has grown from 1.2% in 2014 to 3.75% in FY 2021-22, as per industry estimates.

With the domestic demand for electronics hardware expected to rise rapidly to approximately USD 300 billion by FY 2026, India cannot afford to bear the rapidly increasing foreign exchange outgo on account of import of electronics.

The impact that PCs have had in improving governance, access to education and productivity is established through various research. While consumption of content and data is rapidly transitioning to smartphones and mobile devices, personal computing devices are still the mainstay of content creation. India's Personal Computer (PC) penetration at 15 per 1000 people is significantly lower compared to United States (784 for 1000 people) and China (41 per 1000 people), and thus presents significant growth opportunities.

Over the years, the IT Hardware manufacturing capability and capacity in the country has progressively declined and many units have either ceased operations or are operating at low capacities. Currently, the laptop and tablet demand in India is largely met through imports valued at USD 7.416 billion and USD 0.597 billion respectively in 2021-22 (as per industry estimates on market value of imports). The unutilized installed manufacturing capacity is a low hanging fruit as regards to quickly scaling up manufacturing in the country.

India has the fastest growing digital ecosystem with over 1.17 billion mobile subscribers and over 836.86 million internet users. Deeper internet penetration, increase in digital data traffic, public cloud services, IoT devices and the Government's push for data localization, will lead to an influx of local and international players setting up data centres in India, which will further boost server demand in the country.

Given the limited relief expected for the aforesaid electronics manufacturing sector under other available schemes, there is need for a mechanism to compensate for the manufacturing disabilities vis-à-vis other major manufacturing economies. Also, as a signatory to the Information Technology Agreement (ITA-1) at the World Trade Organization (WTO), India has implemented zero duty regime on 217 tariff lines which inter-alia includes IT Hardware. In the recent past, global demand of IT hardware has reduced and may continue for some time due to fear of global recession. However, current geo-political situation will continue to offer new opportunities for countries like India.

## 🎯 Objective of the scheme

---

The Production Linked Incentive Scheme - 2.0 for IT Hardware proposes a financial incentive to boost domestic manufacturing and attract large investments in the value chain.





# Target Segment

---

- i. Laptops
- ii. Tablets
- iii. All-in-one PCs
- iv. Servers
- v. Ultra small Form Factor (USFF)



# Incentive under the scheme

The Production Linked Incentive Scheme – 2.0 for IT Hardware shall extend an **average incentive of around 5% for localization** of items given in Table . The applicant will localize **PCBA and Assembly during the first year** and thereon **at least one component/sub-assembly need to be added every year** from the bouquet of optional components/ sub-assemblies provided. Most of the target segments under PLI IT Hardware are also made from semiconductors hence components/sub-assemblies such as SSD, Memory module, display panel are also part of localization and higher incentive has been provided to incentivize manufacturing of Semiconductors in India. Incentive offered for localization shall taper down every year as per the trajectory in Table.



Sr. No.	Components/ Sub-assemblies	% Incentive
1.	Assembly of IT Hardware – Laptop / Tablets/ AIOs (Year-1/Year-2/Year-3/ Year 4/Year 5/Year 6)	3/2/1/1/1/0
2.	Assembly of IT Hardware – Server / USFF (Year-1/Year-2/Year-3/Year 4/Year 5/Year 6)	3/2/2/1/1/0
3.	PCBA of IT Hardware (Target Segment)	1.20
4.	Add on Controllers assembled in India – (For Servers)	0.41
5.	Bare PCB	0.57
6.	Memory Modules assembled in India	0.95
7.	Memory Modules assembled in India – (For Servers)	1.89
8.	Solid State Drive (SSD) assembled in India	0.95
9.	Display panel – Assembled in India (Not for Servers/USFF)	1.49
10.	Power Adapter / SMPS	0.41
11.	Power Adapter / SMPS – (For Servers)	0.54
12.	Battery	0.41
13.	Cabinets / Chassis / Enclosures	1.49
14.	Memory Modules additional incentive for ATMP in India (over and above incentive for item 6)	+0.25
15.	Memory Modules additional incentive for ICs manufactured in India (over and above incentive for item 6)	+0.25
16.	Memory Modules additional incentive for ATMP in India (over and above incentive for item 7) (For Servers)	+0.50
17.	Memory Modules additional incentive for ICs manufactured in India (over and above incentive for item 7) – (For Servers)	+0.50
18.	Solid State Drive (SSD) additional incentive for ATMP in India (over and above incentive for item 8)	+0.25
19.	Solid State Drive (SSD) additional incentive for ICs manufactured in India (over and above incentive for item 8)	+0.25
20.	Display Panel – Additional incentive for ICs manufactured in India (over and above incentive for item 9)	+0.60
21.	System on Chip (SoC) Processors designed in India (IP ownership/Co-ownership in India) including but not limited to SHAKTI and VEGA (IC manufactured outside India) for Laptop, Tablet, AIO and Server/USFF)	+3.24/3.78
22.	System on Chip (SoC) Processors designed in India - Additional incentive for ATMP/ICs manufactured in India (over and above incentive for item 21) for Laptop, Tablet, AIO and Server/USFF)	+1.49/1.62

**Note :** Battery localization is not part of localization schedule for All-in-One PCs, USSF and Servers.



# Eligibility Criteria

Support under the PLI 2.0 Scheme shall be provided to: -

1. Global Companies
2. Domestic companies

fulfilling the eligibility criteria laid down in the scheme guidelines for manufacturing of goods (covered under the target segment) in India. The eligibility of applicants under Hybrid (Global/Domestic) category shall be decided based on the type of company i.e., domestic or Global.

A combined ranking of the applicants shall be maintained based on the eligibility criteria laid down in the scheme guidelines.

Thereafter, selection of applicants under each category i.e., global, hybrid and domestic shall be done on the basis of ranking of the applicant and their overall PLI projection subject to availability of budget.



# Eligibility Criteria

The number of applications allowed per applicant for support under the Scheme shall be restricted to one (1).

The applicants of existing PLI Scheme, who have not claimed any incentive will be allowed to participate in PLI 2.0 Scheme as new entrant, provided they are selected.

The applicants of existing PLI Scheme, who wants to claim incentive (Year 1/Year 2), will be allowed to participate in PLI 2.0 Scheme from the next year (Year2/Year3) for which incentive is not claimed provided they are selected. In such cases, their investment done during tenure of existing PLI Scheme will be considered as eligible investment under the PLI 2.0 Scheme.



Eligibility shall be subject to thresholds of incremental investment and net incremental sales of manufactured goods (covered under the target segment) as mentioned in the Table below: -

Category	Incremental Investment after 31.03.2023	Incremental Sales of Manufactured Goods over Base Year
<b>Global IT Hardware Companies</b>  <i>i. Laptops (Invoice value of INR 30,000 and above),</i> <i>ii. Tablets (Invoice value of INR 15,000 and above),</i> <i>iii. All-in-One PCs</i> <i>iv. Servers</i> <i>v. Ultra Small Form Factor (USFF)</i>	<b>INR 500 Crore over 6 Years</b> <b>Cumulative Minimum (Crore):</b>  Year 1: INR 50 Crore Year 2: INR 150 Crore Year 3: INR 250 Crore Year 4: INR 350 Crore Year 5: INR 450 Crore Year 6: INR 500 Crore	Year 1: INR 1,000 Crore Year 2: INR 2,500 Crore Year 3: INR 5,000 Crore Year 4: INR 10,000 Crore Year 5: INR 12,000 Crore Year 6: INR 15,000 Crore
<b>Hybrid (Global/Domestic) companies</b>  <i>i. Laptops (Invoice value of INR 30,000 and above),</i> <i>ii. Tablets (Invoice value of INR 15,000 and above),</i> <i>iii. All-in-One PCs</i> <i>iv. Servers</i> <i>v. Ultra Small Form Factor (USFF)</i>	<b>INR 250 Crore over 6 Years</b> <b>Cumulative Minimum (Crore):</b>  Year 1: INR 25 Crore Year 2: INR 75 Crore Year 3: INR 125 Crore Year 4: INR 175 Crore Year 5: INR 225 Crore Year 6: INR 250 Crore	Year 1: INR 5,00 Crore Year 2: INR 1,250 Crore Year 3: INR 2,500 Crore Year 4: INR 5,000 Crore Year 5: INR 6,000 Crore Year 6: INR 7,500 Crore
<b>Domestic companies</b>  <i>i. Laptops</i> <i>ii. Tablets</i> <i>iii. All-in-One PCs</i> <i>iv. Servers</i> <i>v. Ultra Small Form Factor (USFF)</i>	<b>INR 20 Crore over 6 Years</b> <b>Cumulative Minimum (Crore):</b>  Year 1: INR 4 Crore Year 2: INR 8 Crore Year 3: INR 12 Crore Year 4: INR 15 Crore Year 5: INR 18 Crore Year 6: INR 20 Crore	Year 1: INR 5,0 Crore Year 2: INR 1,00 Crore Year 3: INR 2,00 Crore Year 4: INR 3,00 Crore Year 5: INR 4,00 Crore Year 6: INR 500 Crore



**Note:**

1. For eligibility, Net Incremental Sales of Manufactured Goods (covered under the target segment) irrespective of Invoice Value shall be considered.
2. Domestic Companies shall be defined as those which are owned by resident Indian citizens as defined in the FDI Policy Circular of 2020. A company is considered as 'Owned' by resident Indian citizens if more than 50% of the capital in it is beneficially owned by resident Indian citizens and/or Indian companies, which are ultimately owned and controlled by resident Indian citizens.

**Other Clarifications: -**

Investment made in contract manufacturing facilities shall be counted as the investment of the applicant. This flexibility was provided in existing PLI scheme vide amendment W-17/9/2021-IPHW, dated 30th December, 2021 and same will continue.

In PLI 2.0, the applicants shall also be allowed to count incremental investment done by manufacturers of components/sub-assemblies etc. for meeting the incremental investment thresholds for individual year, provided it is established that such manufacturer is exclusively manufacturing components/sub-assemblies for the applicants.

In case there is a shortfall in investment by X% for a particular year, an applicant will get X/2 % less PLI, provided shortfall (X%) is not more than 40%. However, if an applicant is able to achieve cumulative investment target in subsequent year(s) then held back PLI amount will be released without interest.

Applicants will provide the estimated PLI amount for each year on the basis of their commitments of incremental sales for each year and expected percentage incentive for each year that will depend on company's localization plan and baseline sale.

Beneficiary of PLI 2.0 shall use firmware for servers from Indian sources or other trusted foreign sources as certified by MeitY.

Eligibility under the PLI 2.0 shall not affect eligibility under any other Scheme and vice-versa.

# Tenure of the Scheme

---

Support under the PLI 2.0 Scheme shall be provided for a period of six (6) years



# Period of Application

The Production Linked Incentive Scheme – 2.0 for IT Hardware shall be open for applications for a **period of forty-five (45) days** initially which may be extended.

The PLI 2.0 Scheme may also be reopened for applications anytime during its tenure based on response from the industry.

For applications received post the initial application period, the applicants shall be eligible for incentives only for the remainder of the Scheme's tenure which will end on 31.03.2031.





## Base Year

Financial Year (FY) 2022-23 shall be treated as the base year for computation of net incremental sales of manufactured goods. If an applicant wants to participate w.e.f. 1.04.2024 or w.e.f. 1.04.2025 then FY 2023-24 and FY 2024-25 shall be treated as the base year for computation of net incremental sales of manufactured goods respectively. However, for the purpose of qualification criteria, FY 2021-22 shall be considered irrespective of year of participation.

## Basis of Computation

Assessment of incremental investment and net sales of manufactured goods shall be based on details furnished by the applicants to the Ministry / Agencies.

# Incentive Outlay

Financial Year	Total Incentive (Rs Crore)
Year 1	321
Year 2	754
Year 3	1431
Year 4	3555
Year 5	4759
Year 6	6118
<b>Total</b>	<b>16939</b>



Incentives shall be applicable from July 1, 2023 or April 1, 2024 or April 1, 2025 for 6 years depending upon the applicants' choice to commit incremental investment and incremental sales under the PLI 2.0 Scheme.

**Note:**

1. The above-mentioned calculations are based on the assumption that all applicants will be starting production from FY 01.07.2023. In case applicants choose to start manufacturing from 1.04.2024 / 1.04.2025, the yearly incentive outgo will shift to subsequent years accordingly.
2. For first year of incentive, eligible sales will be considered for 9 months starting from 1st July, 2023, for which incentive is being claimed. The baseline sales will be considered for the corresponding period of FY 2022-23. In case applicants choose to start manufacturing from 1.04.2024 / 1.04.2025, the baseline sales will be computed accordingly.

# Incentive Per Company

The incentive per company shall be applicable on net incremental sales of manufactured goods (covered under the Target Segment) over base year Subject to ceiling: -

Company	Ceiling Limit (in crores)
Global	4,500.00
Hybrid (Domestic/Global)	2,250.00
Domestic	500.00

The estimated PLI amount provided by applicant for individual year will act as ceiling. To keep projection discipline in the scheme, there will be a provision for penalty of 5% from payable PLI amount if actual PLI amount for a year is less by 25%-50% and penalty of 10% if shortfall is more than 50% from the estimated PLI amount given by the applicant at the time of application.

The applicants may also be able to get incentive more than the ceiling for a particular year provided there is an unutilized incentive available in that particular year subject to overall ceiling of ₹4,500 Crore for Global companies, ₹2,250 Crore for Hybrid (Global/Domestic) companies and ₹500 Crore for Domestic companies. This disbursement shall be done at the end of a financial year. The PLI savings shall be disbursed on pro rata basis.



## Approval and Disbursement Process: -

Application under the scheme can be made by any company registered in India.

An initial application, complete in all aspects, with year-wise PLI amount shall have to be submitted before the due date. After that, approval to eligible applicants shall be issued as per the qualification criteria subject to availability of budget outlay fixed for each category i.e., global, Hybrid (Global/Domestic Players) category and domestic category. However, after satisfying requirements of all applicants, if there is a saving then it can be utilized for other categories. The utilization of such savings will neither breach the overall financial outlay nor create fiscal liabilities to be discharged later.

Incentive shall be released to eligible applicants provided they meet the required eligibility thresholds and their disbursement claims are in order.

Support under the Scheme shall be provided for a period of Six (6) years starting from 1.07.2023 or 1.04.2024 or 1.04.2025 as opted by the applicants.

## Amendment of Scheme and Guidelines:-

The PLI 2.0 Scheme and its guidelines shall be reviewed and amended periodically or as per requirement with the approval of Minister of Electronics and Information Technology.

# THANK YOU!

Mistry & Shah<sup>L  
L  
P</sup>  
Chartered Accountants

CA Kunal Soni  
Contact No: +91 800045035  
Email : [Kunal.soni@mistryandshah.com](mailto:Kunal.soni@mistryandshah.com)  
Website : - [www.mistryandshah.com](http://www.mistryandshah.com)

Confidential: This document is for your internal use only and may not be copied or distributed to any third party.

Please note that the information provided in this document is intended for general guidance purposes only. It is not intended to serve as a substitute for professional advice. Before making any decisions or taking any actions based on the information contained herein, we strongly recommend to consult Qualified Professional. Mistry & Shah assumes no responsibility for any consequences that may arise from relying on the information provided in this document. It is essential to consult with qualified professionals or seek independent advice to ensure accurate and up-to-date information specific to your circumstances. We emphasize the importance of thorough research and due diligence before making any decisions or implementing any strategies. Our firm disclaims any liability for actions taken or not taken based on the content of this document.





DELIVERING RESULTS:  
QUANTIFY.  
EXECUTE.  
SUSTAIN.

# Mistry & Shah

Providing Solutions. Developing Business. Lasting Relations

Thank You.

