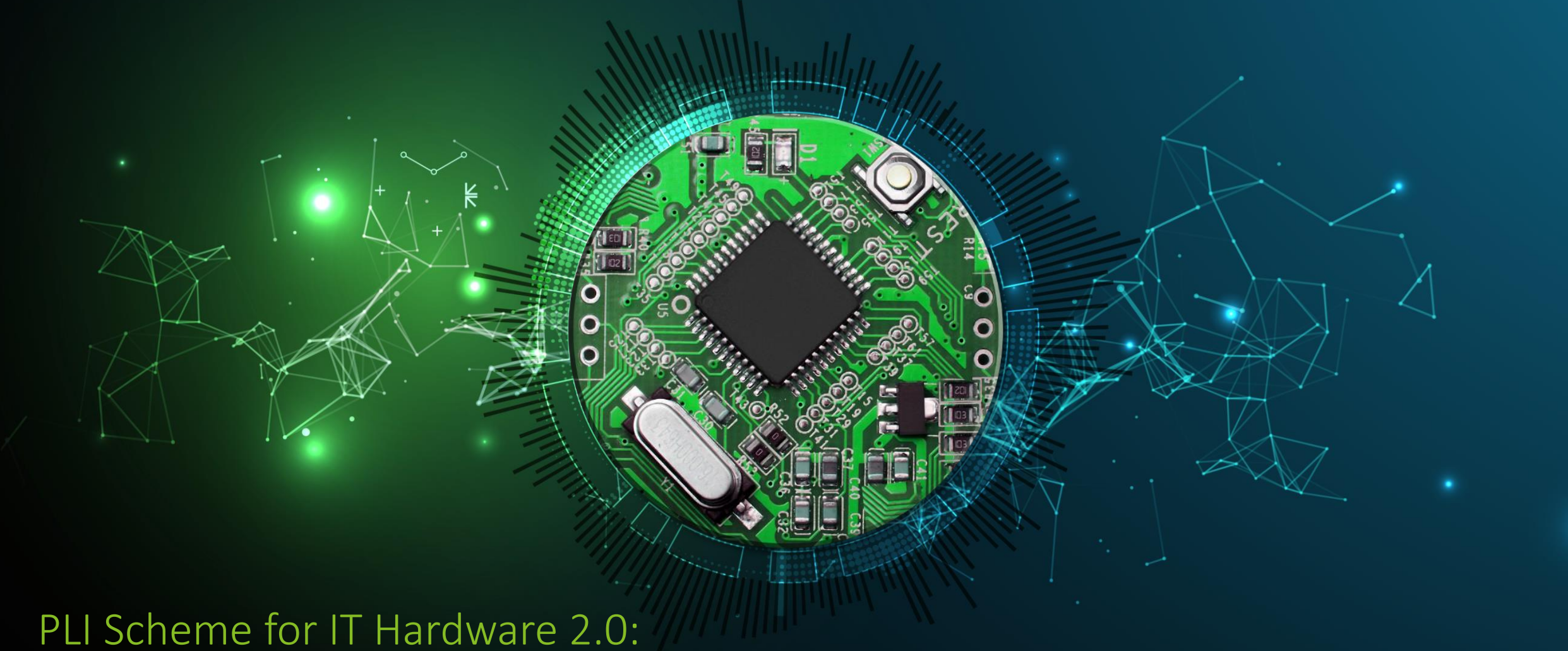


PLI Scheme for IT Hardware 2.0:

Key details and opportunities

June 2023



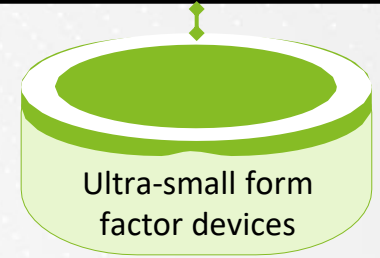
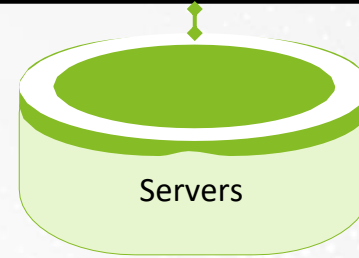
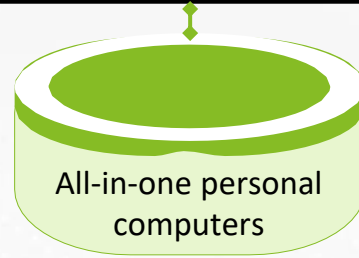
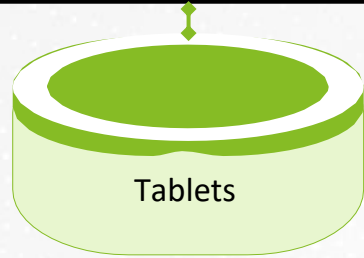
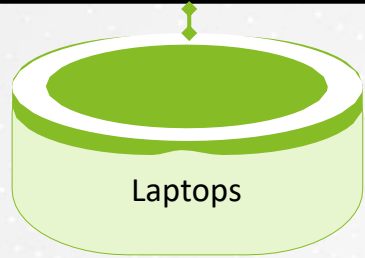
IT Hardware PLI 2.0

Overview



PLI Scheme for IT Hardware 2.0 – Overview

Products covered



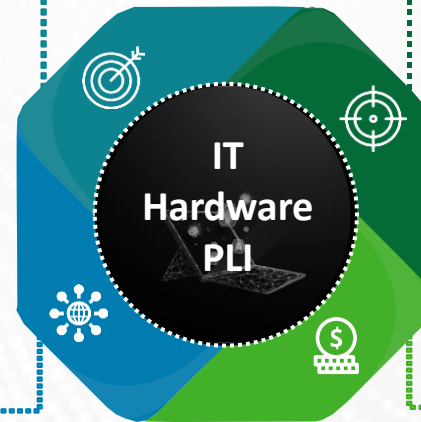
Improved incentive payouts, longer tenure, flexible domestic sourcing norms

Objective

- Boost domestic manufacturing
- Attract global manufacturers to shift production base to India
- Flexibility to approved applicants of IT Hardware PLI
- Focus on Localization

Scheme Components

- Average incentives of 5% over 6 years subject to localization; to be linked with net incremental sales
- Better payouts for company locally procuring sub assemblies



Target segment

- Global and Domestic manufacturers
- Hybrid manufacturers (Global/ Domestic)
- Existing PLI applicants – migration possible to PLI 2.0
 - ✓ Participate as a new applicant for 6 years
 - ✓ Participate from 2/3 year onwards; investment made in existing scheme to be counted

Other aspects

- Budgetary outlay - INR 16,939 crore (US\$ 2.05 Bn)
- Maximum incentive capped depending upon applicant company status
- For the purpose of determining qualification criteria, FY 2021-22 will be considered

Scheme open for applications for a period of 45 days* i.e. till July 15, 2023 unless extended

PLI Scheme for IT Hardware 2.0 Framework



Financial Outlay and Incentives

Total Financial Outlay

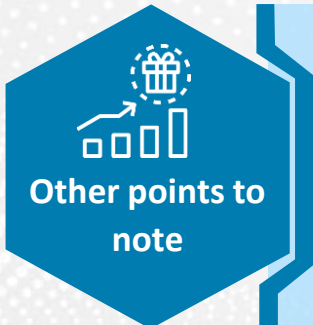
Expected annual incentive outlay and cumulative incentive outlay under the scheme

Financial Year	Total Incentive (INR crore)
Year 1	321 (US\$ 39 Mn)
Year 2	754 (US\$ 91 Mn)
Year 3	1,431 (US\$ 172 Mn)
Year 4	3,555 (US\$ 428 Mn)
Year 5	4,759 (US\$ 573 Mn)
Year 6	6,118 (US\$ 737 Mn)
Total	16,939 (US\$ 2.05 Bn)



Incentives

- Average incentives of around 5%; computed on net incremental sales
- Higher incentives if semiconductor related sub-assemblies such as SSD, Memory module, display panel forms part of localization
- Applicants to provide estimated PLI amount and expected incentive percentage for each year; non-adherence may result in penalty in form of reduced PLI percentage
- Incentives applicable from July 1, 2023/24/25 for 6 years (applicants have an option to choose starting date)
- FY 2022-23 to be considered as base year for calculating net incremental sales. Option of selecting FY 2023-24/24-25 as base year also available



Other points to note



Ceiling on incentives as below:

- Global Companies: INR 4,500 Cr (US\$ 542.1 Mn)
- Hybrid Companies: INR 2,250 Cr (US\$ 272.2 Mn)
- Domestic Companies: INR 500 Cr (US\$ 60.2 Mn)



Penalty of 5% from PLI amount if actual PLI amount for a year is less by 25%-50% of estimated PLI amount (submitted at the time of application); 10% penalty if shortfall > 50%



Applicant to localize PCBA and assembly in first year; at least one component/sub-assembly need to be added thereon each year

Investment thresholds

Year	Global Companies (₹ 500 Cr over 6 years)	Hybrid (Global/Domestic) Companies (₹ 250 Cr over 6 years)	Domestic Companies* (₹ 20 Cr over 6 years)
Year 1	50	25	4
Year 2	150	75	8
Year 3	250	125	12
Year 4	350	175	15
Year 5	450	225	18
Year 6	500	250	20

- Investment made in contract manufacturing facilities counted as applicant's investment
- Investments by applicant's exclusive manufacturers of components/sub-assemblies etc counted
- In case of shortfall in investment by X% for a particular year, incentives to reduce by X/2 %, provided shortfall (X%) is not more than 40%. Held back PLI amount will be released in subsequent years once the cumulative investment target is achieved. This has been illustrated below:

Particulars	Amount
Committed Investment	INR 50 Cr (US\$ 6 Mn)
Actual Investment in the year	INR 40 Cr (US\$ 4.8 Mn)
Shortfall (Amount/%)	INR 10 Cr (US\$ 1.2 Mn)/ 20%
Deduction in PLI for the year (Shortfall %/2)	10%
Held back PLI of 10% can be released if applicant meets cumulative investment target in subsequent year(s)	

*Domestic Companies are owned by resident Indian citizens as defined in 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

Additions in PLI scheme 2.0



- Increased budgetary outlay and a longer tenure of 6 years
- Increased average incentive of 5% (compared to 2% in PLI 1.0)

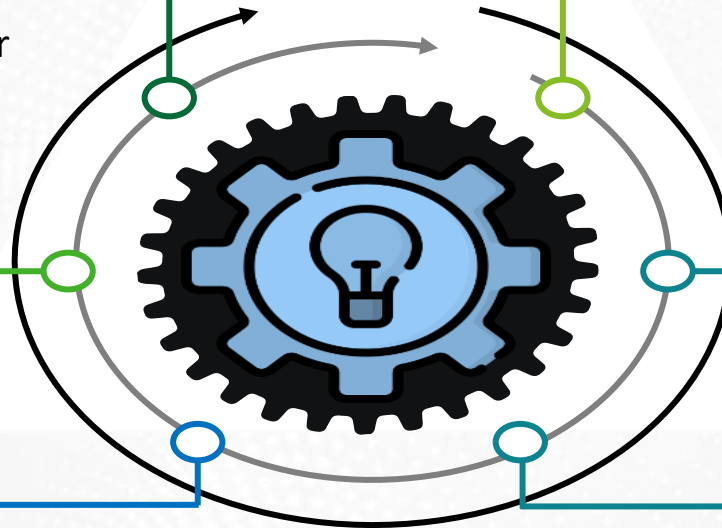
- Incentives under PLI 2.0 extended to hybrid companies as well

- Semiconductor related sub-assemblies such as SSD, memory module, display panel are now part of localization; higher incentive if these form part of localization

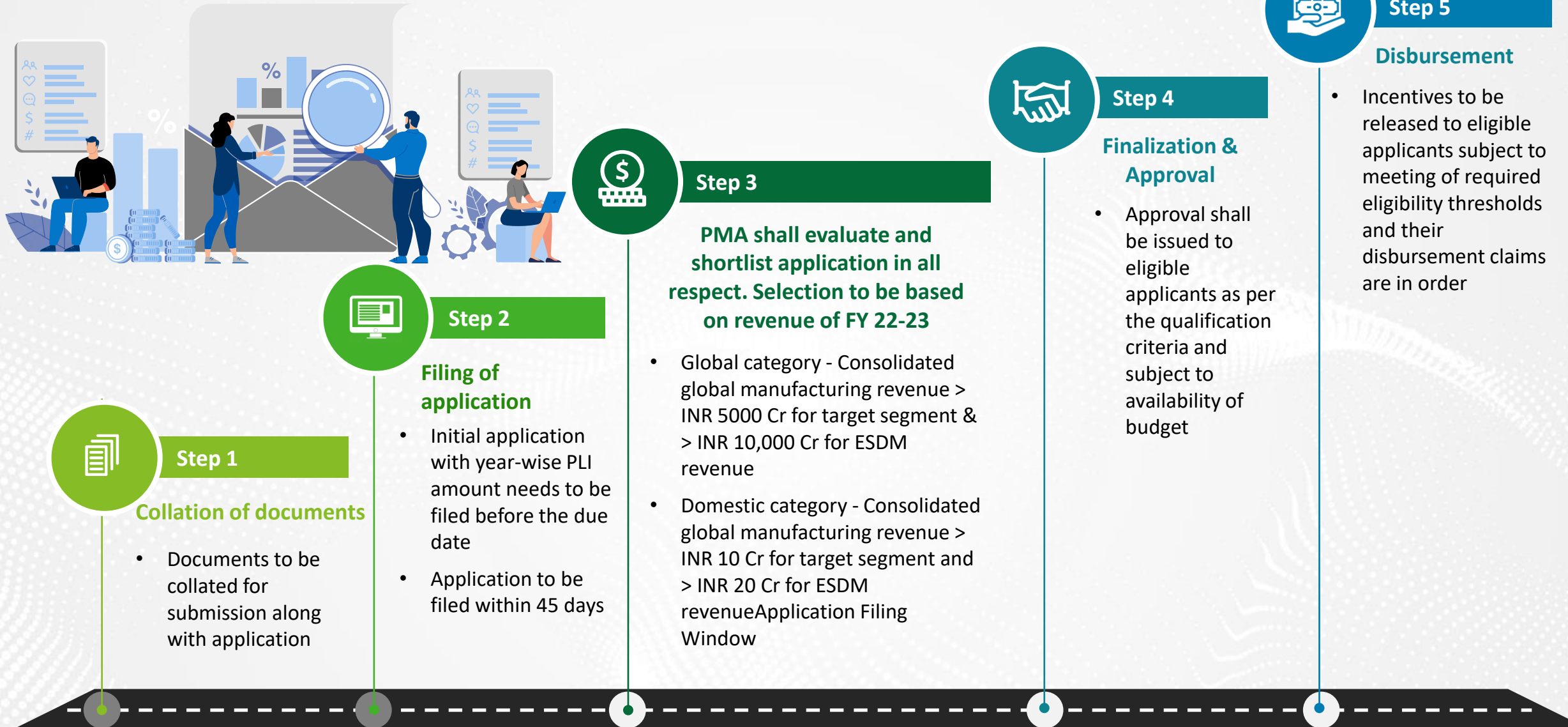
- Applicants provided with an option to select base year for computation of net incremental sales

- Investments done by dedicated manufactures considered for investment threshold

- Penalty provision introduced in case of difference in estimated PLI and actual PLI payable



Application and Disbursement process



Eligibility Threshold Criteria

Category	Incremental Investment after 31.03.2023	Incremental Sales of Manufactured Goods over Base Year
Global IT Hardware Companies 1) Laptops (Invoice value of ₹30,000 and above), 2) Tablets (Invoice value of ₹15,000 and above), 3) All-in-One PCs 4) Servers 5) Ultra Small Form Factor (USFF)	INR 500 Crore over 6 Years Cumulative Minimum (Crore): Year 1 : INR 50 Crore (US\$ 6 Million) Year 2 : INR 150 Crore (US\$ 18.1 Million) Year 3 : INR 250 Crore (US\$ 33.1 Million) Year 4 : INR 350 Crore (US\$ 42.2 Million) Year 5 : INR 450 crore (US\$ 54.2 Million) Year 6 : INR 500 Crore (US\$ 60.2 Million)	Year 1 : INR 1,000 Crore (US\$ 120.5 Million) Year 2 : INR 2,500 Crore (US\$ 301.2 Million) Year 3 : INR 5,000 Crore (US\$ 602.4 Million) Year 4 : INR 10,000 Crore (US\$ 1204.8 Million) Year 5 : INR 12,000 Crore (US\$ 1445.8 Million) Year 6 : INR 15,000 Crore (US\$ 1807.2 Million)
Hybrid (Global/Domestic) Companies 1) Laptops 2) Tablets 3) All-in-One PCs 4) Servers 5) Ultra Small Form Factor (USFF)	INR 250 Crore over 6 Years Cumulative Minimum (Crore): Year 1 : INR 25 Crore (US\$ 3.01 Million) Year 2 : INR 75 Crore (US\$ 9.03 Million) Year 3 : INR 125 Crore (US\$ 15.06 Million) Year 4 : INR 175 Crore (US\$ 21.08 Million) Year 5 : INR 225 Crore (US\$ 27.1 Million) Year 6 : INR 250 Crore (US\$ 30.1 Million)	Year 1 : INR 500 Crore (US\$ 60.2 Million) Year 2 : INR 1,250 Crore (US\$ 150.6 Million) Year 3 : INR 2,500 Crore (US\$ 301.2 Million) Year 4 : INR 5,000 Crore (US\$ 602.4 Million) Year 5 : INR 6,000 Crore (US\$ 722.9 Million) Year 6 : INR 7,500 Crore (US\$ 903.6 Million)
Domestic Companies 1) Laptops 2) Tablets 3) All-in-One PCs 4) Servers 5) Ultra Small Form Factor (USFF)	Cumulative Minimum (Crore): Year 1: INR 4 Crore (US\$ 0.48 Million) Year 2: INR 8 Crore (US\$ 0.96 Million) Year 3: INR 12 Crore (US\$ 1.4 Million) Year 4: INR 15 Crore (US\$ 1.8 Million) Year 5: INR 18 Crore (US\$ 2.1 Million) Year 6: INR 20 Crore (US\$ 2.4 Million)	Year 1 : INR 50 Crore (US\$ 6 Million) Year 2 : INR 100 Crore (US\$ 12 Million) Year 3 : INR 200 Crore (US\$ 24 Million) Year 4 : INR 300 Crore (US\$ 36 Million) Year 5 : INR 400 Crore (US\$ 48 Million) Year 6 : INR 500 Crore (US\$ 60.2 Million)

Items for localization (1/2)

S 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

Items for localization (2/2)

S No	Components/Sub-assemblies	% Incentive
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**
- **Beneficiary of PLI 2.0 shall use firmware for servers from Indian sources or other trusted foreign sources as certified by MeitY**

Practical issues experienced in PLI 1.0



Relevant points for consideration

Deloitte has a rich experience on incentive policies especially PLI and relevant points for consideration are captured below based on our experience

-  Short application window of 45 days (till July 15, 2023); critical to meet timelines
-  Analysis of product coverage under the scheme should be undertaken in detail and relevant clarifications should be obtained from IFCI, if required
-  Determination of eligible and ineligible investments for meeting minimum investment threshold criteria
-  Review of localization requirements; finalizing manufacturing process and timeline of commencement of production
-  Preparation of detailed project report including relevant contents such as product details, timelines, project location, sales projections, localization aspects etc
-  Investments by manufacturers of components/ sub-assemblies permissible for meeting investment threshold under the scheme; investment projections to be finalized considering such investments
-  Management of investment certification and disbursements
-  Leverage local supply chain – strategize procurements from approved applicants under SPECS and semiconductor policies



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The right side of the image features a dark blue background with a subtle pattern of white hexagons and lines, resembling a molecular or network structure. A large, glowing blue circular graphic, composed of many overlapping, jagged lines that look like energy or light trails, frames the text. The text "Thank you." is centered within this circle in a white, sans-serif font.

Thank you.