

Frequently Asked Questions (FAQs) on Production Linked Incentive (PLI) Scheme for Large Scale Electronics Manufacturing

1. What is PLI Scheme?

Ans: The Production Linked Incentive (PLI) Scheme for Large Scale Electronics Manufacturing notified on April 01, 2020 shall provide financial incentive to boost domestic electronics manufacturing and attract large investments. The Scheme shall extend an incentive of 4% to 6% to eligible companies on incremental sales (over base year i.e. 2019-20) of manufactured goods including mobile phones and specified electronic components for a period of five (5) years subsequent to the base year.

2. What are the Target Segments under PLI Scheme?

(Ref. Clause 2.1 and Annexure 1 of the Guidelines)

Ans: Target Segments under PLI shall mean two segments viz. Mobile phones and Specified Electronic Components as mentioned below:

S. No.	Description of Goods
1.	Mobile Phones
2.	Specified Electronic Components
2.1	SMT components
2.2	Discrete semiconductor devices including transistors, diodes, thyristors, etc.
2.3	Passive components including resistors, capacitors, etc. for electronic applications
2.4	Printed Circuit Boards (PCB), PCB laminates, prepregs, photopolymer films, PCB printing inks
2.5	Sensors, transducers, actuators, crystals for electronic applications

2.6	System in Package (SIP)
2.7	Micro / Nano-electronic components such as Micro Electromechanical Systems (MEMS) and Nano Electromechanical Systems (NEMS)
2.8	Assembly, Testing, Marking and Packaging (ATMP) units

All the eight (8) categories of components are covered within the Target Segment “Specified Electronic Components”.

3. Who is an Applicant under the Scheme?

(Ref. Clause 2.2 of the Guidelines)

Ans: Applicant for the purpose of the Scheme is a **company registered in India**, proposing to **manufacture goods covered under Target Segments in India**, and making an application for seeking approval under the Scheme. The applicant can operate new or existing manufacturing facility(ies) to manufacture goods covered under the Target Segments (i.e. mobile phones and specified electronic components). The aforesaid manufacturing can be carried out at **one or more locations in India**.

4. What is the period for making an application under the Scheme?

(Ref. Clause 2.4 of the Guidelines)

Ans: In accordance with Para 6.1 of the Scheme, the Application Window shall be 4 months from the date of notification of the Scheme. Since the notification was published on 01.04.2020, applications under the Scheme shall be received upto 31.07.2020.

5. What are the Qualification Criteria under PLI Scheme?

(Ref. Clause 3.2 of the Guidelines)

Ans: *Qualification Criteria* for applicants under different Target Segments in the Scheme are as defined:

- For category *Mobile Phones (Invoice Value INR 15,000 and above)*; **Consolidated Global Manufacturing Revenue** of the applicant (including its Group Companies), in the target segment, **should be more than INR 10,000 Crore in the base year.**
- For category *Mobile Phones (Domestic Companies)*; **Consolidated Global Manufacturing Revenue** of the applicant (including its Group Companies), in the target segment, **should be more than INR 100 Crore in the base year.** Applicants under this category can only be **Domestic Companies** as defined in Para 2.25 of the Scheme Guidelines
- For **Specified Electronic Components:** Consolidated Global Manufacturing Revenue of the applicant (including its Group Companies), in the target segment, **should be more than INR 50 Crore in the base year**

6. How will the consolidated global manufacturing revenue of the applicant (including its Group Companies), in the Target Segment, be calculated if same group company is claimed and considered for two or more applicant companies?

Ans: In case the manufacturing revenue, in the target segment, of an entity (group company) is claimed and considered for two or more applicant companies, **the manufacturing revenue of such entity in the target segment will be equally divided among the applicants that are claiming revenue of such entity.** Only such share of manufacturing revenue in the target segment, that is obtained after division of manufacturing revenue of that entity (group company), will be considered for determining qualification for such applicant under the scheme.

7. What if the Consolidated Global Manufacturing Revenue of the applicant (including Group Companies) in the Target Segment is available in currency other than INR?

Ans: If the Consolidated Global Manufacturing Revenue of the applicant company (including Group Companies) is available in a currency other than INR, the INR equivalent amount may be computed by applying an average

of the exchange rate notified by the Reserve Bank of India as on the 1st day and last day of the reporting period.

8. What are the criteria for determining Eligibility under the Scheme?

(Ref. Clause 3.3, 3.4 and 3.5 of the Guidelines)

Ans: Eligibility under the Scheme shall be subject to thresholds of Incremental Investment and Incremental Sales of Manufactured Goods (covered under Target Segments) over the base year as defined. An applicant must meet threshold criteria **to be eligible for disbursement of incentive for the year under consideration.**

To meet the threshold criteria of Incremental Investment for any year, the **cumulative value of investment done till such year** (including the year under consideration) over the Base Year (2019-20) shall be considered.

In order to meet the threshold criteria of Incremental Sales of Manufactured Goods covered under Target Segments for any year, the Total Sales of Manufactured Goods covered under Target Segments **for such year over the Base Year, irrespective of Invoice Value** (whether below or above INR 15,000 in case of Mobile Phones) shall be considered.

9. Is eligibility under the Scheme for a given year achieved if one of the two threshold criteria namely incremental investment and incremental sale of manufactured goods over the base year are met?

(Ref. Clause 3.3, 3.4 of the Guidelines)

Ans: The applicant company will have to meet both **threshold criteria i.e. incremental investment and incremental sale of manufactured goods over the base year** to be eligible for disbursement of incentive under the scheme for a given year.

10. What if an applicant company is not able to achieve threshold criteria for a given year?

(Ref. Clause 3.3 of the Guidelines)

Ans: Eligibility shall be subject to thresholds of Incremental Investment and Incremental Sales of Manufactured Goods (covered under Target Segments) over the base year. An applicant must meet threshold criteria to be eligible for disbursement of incentive for the year under consideration. In case an applicant does not meet threshold criteria for any given year, the applicant shall not be eligible for incentive in that particular year. **However, the applicant will not be restricted from claiming incentive in subsequent years during the tenure of the Scheme, provided eligibility criteria are met for such subsequent years.**

For example, if an applicant company is not able to achieve threshold Incremental Sales of Manufactured Goods between 01.08.2020 and 31.03.2021, they will not be eligible for incentive in Year 1. **However, this will not impact eligibility for any subsequent year.** They will be able to claim the incentive for subsequent years provided eligibility is met for the years under consideration.

11. What does Incremental Investment over Base Year mean?

(Ref. Clause 2.16, 3.4 of the Guidelines)

Ans: To meet the threshold criterion for Incremental Investment in any year, the **cumulative value of investment done till such year** (including the year under consideration) over the Base Year i.e. 2019-20 shall be considered. For example, in case of Mobile Phones (with invoice value of INR 15,000 and above), the applicant company must invest INR 250 crore or more by 31.03.2021 to achieve threshold for incremental investment in that year. Similarly, a **cumulative investment** of INR 500 crore by 31.03.2022, INR 750 crore by 31.03.2023 and INR 1,000 crore by 31.03.2024 will have to be made to remain eligible under the scheme.

12. Is the incremental investment amount mentioned in Annexure 2 of the PLI scheme cumulative? What if an applicant company fails to achieve the threshold investment amount for a given year?

(Ref. Clause 3.3.2 and 3.4 of the Guidelines)

Ans: Threshold for Incremental Investment over Base Year is defined in terms of Cumulative Minimum Investment that must be achieved by the year under consideration. For example, in case of Mobile Phones (with Invoice value of INR 15,000 and above), a cumulative incremental investment of INR 500 Crore should have been made by the end of Year 2. **For determining eligibility under the Scheme, Investment made on or after 01.04.2020 shall be considered.**

In case an applicant does not meet threshold criteria for any given year, the applicant shall not be eligible for incentive in that particular year. However, the applicant will not be restricted from claiming incentive in subsequent years during the tenure of the Scheme, provided eligibility criteria are met for such subsequent years.

13. Are taxes and duties included in the expenditure that is considered towards Investment in the Scheme?

(Ref. Clause 2.9.1 of the Guidelines)

Ans: All non-creditable taxes and duties would be included in such expenditure.

14. Is the expenditure incurred on Land and Building covered under the Scheme?

(Ref. Clause 2.9.4 of the Guidelines)

Ans: The expenditure incurred on land and building (including factory building / construction) required for the project / unit is not covered under the Scheme and, therefore, will not be considered for determining eligibility under the Scheme.

15. If the shareholding of a company changes during June or July of 2020 enabling it to qualify as a Domestic company, will investment made still be considered from April 2020?

Ans: The Investment shall be considered only from the time the applicant company qualifies as a Domestic Company as per FDI Circular of 2017 or after 1st April 2020 whichever is later.

16. Can a company apply for incentive under both PLI and SPECS?

(Ref. Clause 3.6 of the Guidelines)

Ans: Eligibility under PLI Scheme shall not affect eligibility under any other scheme and vice-versa. A company may apply under both the schemes. However, eligibility criteria for both schemes will have to be fulfilled in accordance with the respective schemes and guidelines thereof. For example, investment by the applicant company will be considered under both PLI and SPECS provided it is eligible as per respective scheme guidelines. Further, incentive disbursement under PLI and SPECS scheme will be independent of each other and also not linked to eligibility and disbursement of incentives under any other central or state government schemes.

17. What percentage of used/ refurbished plant, machinery and equipment is considered as Investment under the Scheme and what are the other factors considered while importing or domestically procuring used / refurbished plant, machinery and equipment?

(Ref. Clause 4.2.3 of the Guidelines)

Ans: There is no restriction on the percentage of used / refurbished plant, machinery and equipment to be considered towards Investment under the Scheme.

The used / refurbished plant, machinery and equipment allowed under the Scheme shall have a minimum residual life of at least 5 years as per Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, amended vide Ministry of Environment, Forest and Climate Change Notification dated 11.06.2018. Further, a valuation certificate by a Chartered Engineer assessing the value and residual life shall also be required. In case of import, such valuation should be in accordance with Customs Valuation Rules and Circulars. The value of these plant, machinery and equipment shall be considered as lower of depreciated value (as per scale of depreciation fixed by Customs, whether these plant, machinery and equipment are imported or not) and the value assessed by Chartered Engineer (of India) or equivalent overseas chartered engineer.

18. Is the Manpower cost for R&D during the investment period included for the purpose of Investment under PLI Scheme?

(Ref. Clause 4.3 of the Guidelines)

Ans: No

19. Can an applicant company make multiple applications under PLI?

(Ref. Clause 5.4, 5.5 of the Guidelines)

Ans: The number of applications allowed per applicant company for support under the Scheme shall be restricted to one (1). Each application shall be limited to one of the Target Segments. However, an applicant may make another application for a particular Target Segment if the previous application has been rejected and closed by MeitY / PMA post examination.

20. Will the applicant company receive an acknowledgment for their application?

(Ref. Clause 5.10 of the Guidelines)

Ans: Based on the initial scrutiny of the application, acknowledgement is issued by the Project Management Agency (PMA) appointed for this purpose by MeitY. However, the acknowledgement of an application shall not be construed as approval under PLI Scheme.

21. What is the Baseline for Investment and Sales of Manufactured Goods for Eligibility and Incentive?

(Ref. Clause 10.2 of the Guidelines)

Ans: Eligibility under the Scheme is subject to thresholds of Incremental Investment, and Incremental Sales of Manufactured Goods covered under Target Segments as defined. Accordingly, a baseline for Investment and Sales of Manufactured Goods will have to be established to determine eligibility and compute incentive amount due.

The period for determination of baseline shall be as follows:

Baseline for Investment: As on 31.03.2020

Baseline for Sales of Manufactured Goods:

- a) First-year i.e. FY 2020-21: Period from 01.08.2019 to 31.03.2020
- b) Second-year onwards: Period from 01.04.2019 to 31.03.2020

22. How will the baseline Sales of Manufactured Goods be determined for the Target Segment?

(Ref. Clause 10.2 of the Guidelines)

Ans: Baseline Sales of Manufactured Goods for the Target Segment will be determined based on sales of goods manufactured for the Target Segment in the base year by the applicant company, in India.

In case of Mobile Phones (with Invoice value of INR 15,000 and above), baseline calculation will be done for the eligible product also and incentive will be payable on the incremental sale of such Mobile Phones (with Invoice value of INR 15,000 and above) over the base year, provided the eligibility criteria are met by the applicant.

For first year (i.e. FY 2020-21), the baseline for sale of manufactured goods shall be determined for the period from 01.08.2019 and 31.03.2020.

23. How will the annual ceiling on incentive payable to each applicant be determined?

(Ref. Clause 11.1 of the Guidelines)

Ans: Annual Ceiling on incentive payable to each applicant will be determined based on Financial Outlay as indicated in Para 8.1 of the Scheme and number of eligible applicants in each of the target segments. The annual financial outlay will be appropriated proportionately depending on number of applicants under each target segment. At the end of the year, any unappropriated incentive amount resulting from underperformance with respect to the prescribed annual ceiling on Net Incremental Sales, by any applicant(s) in any target segment, will be allocated to the remaining eligible

applicants under such target segment who have achieved Net Incremental Sales in excess of the annual ceiling.

Such incentive amount will be distributed only to the extent of excess performance by an applicant beyond the annual ceiling of net incremental sales of eligible product. If the incentive amount payable on cumulative excess performance by the applicants in a target segment is greater than the unappropriated incentive amount, then the sum of incentives payable beyond the ceiling amount for each applicant will be restricted to the unappropriated incentive amount for such target segment and such amount will be distributed among the overperforming applicants in proportion to their respective excess performance beyond the annual ceiling of Net Incremental Sales.

Illustratively, if there are five (5) eligible applicants under *Mobile Phones (Invoice Value of INR 15,000 and above)* target segment, the year-wise incentive ceiling per applicant will be 1/5th of the annual financial outlay for the said target segment. In case of underperformance by say 2 applicants, the unappropriated amount relating to these applicants will be allocated to the 3 remaining applicants in proportion to their performance in excess of the annual ceiling of Net Incremental Sales. **Excess incentive payable to each of these 3 applicants will be capped to the lower of the following:**

(i) Incentive payable on excess performance beyond annual ceiling of net incremental sales at the eligible rate of incentive for such year.

OR

(ii) Share of unappropriated incentive amount, divided in proportion to the excess performance by the applicants over the annual ceiling of Net Incremental Sales for such applicants.

24. When can an applicant submit a claim for disbursements under PLI?

(Ref. Clause 12.2 of the Guidelines)

Ans: An applicant may submit a claim for disbursement of incentive **as early as the end of the quarter in which the eligibility criteria for the year in consideration have been met**. Claims for disbursement of incentive may be submitted only on a quarterly or half-yearly or annual basis. Claims for any

period shall be made only once, unless withdrawn, and no subsequent part claims shall be allowed for the said period.

25. Can specified electronic components eligible under the Scheme be manufactured for any industry or application?

Ans: The items listed under the Target Segment, ‘*Specified Electronic Components*’ are agnostic to end-use or application and any company proposing to manufacture the items listed under the Specified Electronic Components (refer Annexure 1 of the PLI Guidelines) is eligible to apply under PLI Scheme subject to other eligibility and qualification criteria mentioned in the scheme notification and PLI guidelines.

26. What are the mandatory documents that need to be submitted along with the information submitted in the application form?

(Ref. Annexure 3 of the Guidelines)

Ans: The Applicant needs to upload the following mandatory documents along with the information submitted in the application form.

Company Structure:

- Certified copy of the memorandum and articles of association or equivalent registration document
- Certificate of incorporation of Company (Issued by ROC)
- Letter of Authorization by Board of Directors or Managing Director or Equivalent.
- Shareholding Pattern (Latest submitted with ROC and certified by Company Secretary)

Company Details:

- Self-certified copies of PAN, GST Certificate for the applicant,
- Self-certified copies of brief profile of Chairman, CEO and CXOs

Credit History:

- Certificate from Company Secretary / Board of Directors - provide details of presence in RBI’s Defaulter and Wilful Defaulter Lists, SEBI Debarred List and CIBIL Score.

Qualification Criteria:

- In case the applicant's annual report is being prepared on calendar year basis or does not reflect the consolidated global manufacturing revenue in the Target Segment, the applicant should provide ***a certificate for consolidated global manufacturing revenue in the Target Segment from April 01, 2019 to March 31, 2020.*** The annual report may be submitted for CY 2019 or FY 2019-20, as may be available.
- The certificate issued by the applicant should mention names of group companies, relationship with the applicant, location of registration and manufacturing revenue of the company in the target segment considered in consolidated revenue.
- The applicant is required to submit ***a certificate from such group company whose revenue is being considered for,*** stating name of the company, relationship with the applicant, registration no., location of registration and revenue from manufacturing in the target segment. Certificate from authorised representative of such group company will suffice for this purpose and there is no explicit need for a board resolution or separate certificates from all the constituent companies of such group company.

Financial Details:

- Self-certified certified copies of Annual Reports including Annual Financial Reports along with schedules for 3 years. Most recent reports to be provided.

Baseline Details:

- Certificate, attested by an authorized signatory, mentioning Sales of Manufactured Goods covered under Target Segment and Eligible Product for Financial Year 2019-20 and also for the period from 01.08.2019 to 31.03.2020
- Certificate, attested by an authorized signatory, mentioning value of fixed assets (including Tangible and Intangible) as on 31.03.2020
- **Audited Financial Statement for Financial Year 2019-20 and statutory auditor certificate confirming the above mentioned Sales of Manufactured Goods covered under Target Segment and Eligible Product should be furnished by 31.10.2020.**

Regulatory Treatment:

- Provide information on Licenses, permits and third-party approvals necessary to execute the project
- Proposed process and timelines for obtaining clearances

Application Fee:

- Proof of Application Fee payment.

Note: Any other document may be sought by PMA / MeitY for clarifications.

27. If a company is manufacturing two or more items, say capacitors and PCBs, that are listed under Specified Electronic Components, does the company have to fulfil qualification and eligibility criteria for each of the items individually?

Ans: The company needs to fulfil the qualification and eligibility criteria for the target segment which is *Specified Electronic Components* and not for individual items. Therefore if a company is manufacturing both capacitors and PCBs, the incremental investment and incremental sales of manufactured goods considered for the purpose of determining eligibility and applicable incentive will be a sum for the two items i.e. the criteria has to be met after combining all items covered within the target segment and not individually.

28. What is the meaning of Competent Authority as per PLI Guidelines?

(Ref. Clause 2.24 of the Guidelines)

Ans: For the purpose of appraisal and approval under the PLI Scheme, the Competent Authority shall be defined as per delegation of powers for appraisal and approval of Public Funded Schemes and Projects vide OM No. 24(35)/PF-II/2012 dated 05.08.2016 issued by Department of Expenditure, Ministry of Finance or any subsequent modifications thereof.

For the purpose of disbursal under the PLI scheme, Competent Authority will be as per procedure applicable in the Ministry for disbursement under other schemes.
