

Cabinet approves Production Linked Incentive Scheme for IT Hardware

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The Union Cabinet chaired by the Prime Minister, Shri Narendra Modi has approved the Production Linked Incentive (PLI) Scheme for IT Hardware. The scheme proposes production linked incentive to boost domestic manufacturing and attract large investments in the value chain of IT Hardware. The Target Segments under the proposed Scheme include Laptops, Tablets, All-in-One PCs and Servers.

The Scheme shall, extend an incentive of 4% to 2% / 1% on net incremental sales (over base year i.e. 2019-20) of goods manufactured in India and covered under the target segment, to eligible companies, for a period of four (4) years.

The scheme is likely to benefit 5 major global players and 10 domestic champions in the field of IT Hardware manufacturing including Laptops, Tablets, All-in-One PCs, and Servers. This is an important segment to promote manufacturing under AtmaNirbhar Bharat as there is huge import reliance for these items at present.

Financial Implications:

The total cost of the proposed scheme is approximately Rs.7,350 crore over 4 years, which includes an incentive outlay of Rs.7,325 crore and administrative charges of Rs.25 crore.

Benefits:

The scheme will enhance the development of electronics ecosystem in the country. 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.

The scheme has an employment generation potential of over 1,80,000 (direct and indirect) over 4 years.

The Scheme will provide impetus to Domestic Value Addition for IT Hardware which is expected to rise to 20% - 25% by 2025.

Background:

The vision of National Policy on Electronics 2019 notified on 25.02.2019 is to position India as a global hub for Electronics System Design and Manufacturing (ESDM) by encouraging and driving capabilities in the country for developing core components, including chipsets, and creating an enabling environment for the industry to compete globally.

Currently, the laptop and tablet demand in India is largely met through imports valued at USD 4.21 billion and USD 0.41 billion respectively in 2019-20. The market for IT Hardware is dominated by 6-7 companies globally which account for about 70% of the world's market share. These companies are able to exploit large economies of scale to compete in global markets. It is imperative that these companies expand their operations in India and make it a major destination for manufacturing of IT Hardware.

Given the current global scenario, the world of manufacturing is undergoing a paradigm shift.

Manufacturing companies across the globe are looking to diversify their manufacturing locations to mitigate the risk involved in depending on a single market.

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