

Regulatory Alert

June 5, 2021



Production Linked Incentive Scheme for Telecom and Networking Products Manufacturing Industry

Telecommunication sector has a pivotal role in facilitating the growth of the economy and is the foundation for digital connectivity. On February 24, 2021, the Government notified¹ the Production Linked Incentive ('PLI') Scheme for Telecom and Networking Products Manufacturing in India, and on June 3, 2021 the Government has issued detailed Guidelines for effective operation and smooth implementation of the Scheme. This update is an insight on the key features of the Scheme, including important aspects.

Background

- Currently, India is the world's second-largest telecommunications market with a subscriber base of over 1.2 billion and has registered a strong growth in the last decade². The de-regulation of Foreign Direct Investment ('FDI') norms made the sector one of the fastest growing sectors in the Indian economy. As on date, the telecommunications industry ranks among the top five employment opportunity generator in the country.
- In keeping with the Prime Minister's '*Aatmanirbhar Bharat*' vision, the Government of India approved the PLI Scheme for the Telecom and Networking Products Manufacturing Industry ('the Scheme').

¹ Notification No. 13-01/2020-IC dated February 24, 2021

² Source: www.ibef.org



- The Scheme proposes to provide incentives to selected applicants in the form of cash incentives at a percentage on incremental sales of 'Target Segments products' manufactured in India, for a period of five years. **Base year for the purposes of computing incremental sales is FY 2019-20.**
- The Scheme is effective from April 1, 2021 and offers incentives worth **₹12,195 crores (including ₹1,000 crores for MSMEs).**
- Benefits under the Scheme shall be provided to 20 applicants (10 each in MSME and non-MSME categories). In non-MSME category, at least 3 Indian applicants shall be selected.
- The applications under the Scheme can be submitted **between June 4, 2021 to July 3, 2021.**

Implementation Agency: Small Industries Development Bank of India ('SIDBI') has been appointed as the Project Management Agency ('PMA') for implementation of the Scheme including receiving applications, assessment of the same, issuing acknowledgements / approvals etc.

Eligibility criteria

- The benefits under the Scheme shall be available to the specified products³ manufactured in India and covered under the following Target Segments:
 - Core Transmission Equipment
 - 4G / 5G, Next Generation Radio Access Network and Wireless Equipment
 - Access & Customer Premises Equipment ('CPE'), Internet of Things ('IoT') Access Devices and Other Wireless Equipment
 - Enterprise equipment: Switches, Routers
 - Any Other Product, as decided by the Empowered Group of Secretaries (EGoS).
- Only one application per product is to be selected. Indian technology products shall be preferred.
- To be eligible, an applicant needs to fulfil the following criteria:

Category	Minimum Global Manufacturing Revenue* in FY 2019-20 (in ₹ Crores)	Minimum Investment (in ₹ Crores)
Global Companies	10,000	100
Domestic Companies	250	
MSMEs	10	10

**Global Manufacturing Revenue shall include the consolidated manufacturing revenue in India as well as outside India, of the applicant and its group companies in electronics, telecom and networking segments in the base year.*

- The eligible investment shall exclude the cost of land & building but include the expenditure incurred on:
 - Plant, machinery, equipment, tools, dies etc. used in the design, manufacturing, assembly, testing, packaging and processing of eligible goods
 - Research & Development (up to a maximum of 15% of total committed investment⁴)

³ Annexure A lists the eligible products

⁴ Committed Investment means total investment committed by the Company / entity over a period of four years starting from Financial Year (FY) 2021-22 (other than land and building)



- Transfer of Technology agreements (up to a maximum of 5% of the total committed investment)
 - Associated Utilities such as captive power and effluent treatment plants, clean rooms, IT and ITES infrastructure etc.
 - Civil works relating to installation / erection of plant, machinery, equipment and Associated Utilities.
- An applicant fulfilling the above criteria must make the committed investment over a period of four years beginning from FY 2021-22 till FY 2024-25. For the purpose of determining the year of investment, date of tax invoice and year of capitalization in the books of account shall be considered.

Quantum of Incentives

- The eligible applicants will be granted fiscal incentives at a prescribed rate computed on the incremental sales over base year (i.e. FY 2019-20). Such incentive shall be payable for a period of 5 years from FY 2021-22 to FY 2025-26.
- The applicant must undertake a minimum cumulative incremental investment over a period of four years beginning from April 1, 2021. The maximum benefit under the Scheme has been capped as a percentage of outcome of incremental sales.
- The quantum of incentive and eligibility criteria for claiming such incentives are tabulated below:

Year	Incentive Rate on incremental sales		Minimum Cumulative Investment (as a per cent age of committed investment)	Minimum Incremental Sales of Manufactured Goods over the Base Year	Maximum Eligible Incremental Sales of Manufactured Goods
	MSME	Other than MSME			
	(A)	(B)	(C)	(D)	(E)
Year 1	7%	6%	20%	3 X (C)	20 X (C)
Year 2	7%	6%	40%	3 X (C)	20 X (C)
Year 3	6%	5%	70%	3 X (C)	20 X (C)
Year 4	5%	5%	100%	3 X (C)	20 X (C)
Year 5	4%	4%	-	Same as year 4	Same as year 4

- In case the applicant fails to fulfil the eligibility criteria for a year, such applicant shall not be provided with the incentives for that year however, this shall not preclude him from making claims for further years.
- Any applicant claiming benefits under any other PLI Scheme cannot claim benefits for the same products / investment under this Scheme. The same shall, however, not impact its eligibility to claim incentives under any other scheme introduced by the State Governments.



Annexure A: List of Eligible Products

Sr. No.	Description of Goods
1	Core Transmission Equipment
	Dense Wavelength Division Multiplexing (DWDM), Optical Transport Network (OTN), Multi Service Provisioning Platform (MSPP), Synchronous Digital Hierarchy (SDH), Packet Transport Network (PTN)/ Multi-Protocol Label Switching (MPLS), Gigabit Passive Optical Networks (GPON)/ Next Generation- Passive Optical Network (NG-PON) Optical Line Terminal (OLT), Digital Microwave Radio
2	4G/5G, Next Generation Radio Access Network and Wireless Equipment
	4G/ Long Term Evolution (LTE)Radio Access Network (RAN) Base Station & Core Equipment; 5G RAN Base Station & Core Equipment; Edge and Enterprise Equipment; Wireless Telecommunication Equipment in Access and Backhaul
3	Access & Customer Premises Equipment (CPE), Internet of Things (IoT) Access Devices and Other Wireless Equipment
	Unified Communications Platforms, IP Multimedia Subsystem, Soft Switch, GPON Optical Network Terminal (ONT), Wireless Fidelity (Wi-Fi) Access Point and Controller, LTE CPE, 5G CPE, Short Range Devices and Associated Electronics in new technologies like 4G/5G/Fibre To The Home (FTTH) etc.
4	Enterprise equipment: Switches, Routers
	Switches, Routers, Internet protocol (IP) and Packet Switching and Routing Apparatus
5	Any other product – As decided by the Empowered Group of Secretaries



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