

Regulatory Alert

June 15, 2021



Production Linked Incentive Scheme for White Goods (Air Conditioners and LED Lights) Manufacturers in India

With the objective of boosting the domestic manufacturing and attracting large investments in the white goods manufacturing value chain, the Government approved¹ the Production Linked Incentive Scheme for White Goods (Air Conditioners and LED lights) Manufacturers in India ('the Scheme'). Towards operationalising the Scheme, the Government, through the Department for Promotion of Industry and Internal Trade (DPIIT) has issued Detailed Guidelines². This update is an insight on the key features of the Scheme, including vital Detailed Guidelines.

Background:

- The Scheme offers financial incentive to boost domestic manufacturing and attract large investments in the White Goods manufacturing value chain. Its prime objective is to remove sectoral disabilities, creating economies of scale, enhancing exports, creating a robust component ecosystem and employment generation.
- Benefit under the Scheme shall be provided for a period of 5 years and shall involve an outlay of ₹ 6,238 crores in aggregate.
- Financial Year (FY) 2019-20 shall be the base year for computation of cumulative incremental investment, and incremental sales of manufactured goods as well as for pre-qualification criteria.

¹ Notification. No. CG-DL-E-16042021-226671 dated April 16, 2021

² F. No. P-29014/101/2020-LEI dated June 4, 2021



- The application window shall be open from June 15, 2021 to September 15, 2021.
- The benefit under the Scheme shall be over and above any other incentive/grant provided to the Applicant under other applicable schemes of Government of India or schemes of State governments.

Implementation Agency:

The Scheme will be implemented through a Project Management Agency ('PMA') which will be responsible for providing secretarial, managerial and implementation support and carrying out other responsibilities assigned by DPIIT.

Eligibility criteria:

- The benefits under the Scheme shall be available to the applicants engaged in manufacturing of components of Air Conditioners and LED Lights in India, viz.:

Target Segments	Eligible products
Air Conditioners (ACs)	Components
	High value Intermediates
	Low Value Intermediates
LED Lights	Core Components
	Components

Detailed list of products under each Target Segment is provided under **Annexure A** to this Alert.

- Both large as well as normal investment (brownfield or greenfield) in the above Target Segments shall be incentivised.
- Qualification criteria: Minimum amount of 'gross block', 'global revenue' and net worth* of the applicant, as on March 31, 2020 shall be as under:

(In ₹ crores)

Sr. No.	Target Segment	Large investments			Normal investments		
		Gross Block	Global Revenue	Net Worth	Gross Block	Global Revenue	Net Worth
1	AC (Components)	300	1500	180	150	600	90
2	AC (High Value Intermediaries)	200	1000	120	125	500	75
3	AC (Low Value Intermediaries)	50	250	30	25	100	15
4	LED (Core Components)	150	750	90	50	200	30
5	LED (Components)	12	60	7.5	5	20	3

Gross block: Gross value of plant, machinery and equipment

Global revenue: Consolidated revenue in India and overseas in the base year

Net worth: Aggregate value of paid-up share capital and reserves created out of profits and securities premium account, after deducting aggregate value of accumulated losses, deferred expenditure and misc. expenses not written-off



- Initial investment period can be chosen to be:
 - Option A - 1.4.2021 to 31.03.2022, or
 - Option B - 1.4.2021 to 31.03.2023
- Value added resellers, who augment or incorporate features or services to the original items or rebranding them under their own name or brand, shall not qualify under the Scheme. Likewise, applicants undertaking mere assembly of finished goods will not be eligible.
- Applicants manufacturing the eligible products for captive consumption or for sale to group companies will be eligible.
- Applicant availing benefit under any other PLI scheme of Government of India for same product of the Target Segment will not be eligible under the Scheme.

Investment:

- Investment includes expenditure incurred on:
 - New plant, machinery, equipment and associated utilities. If any plant and machinery is taken on lease by the Applicant, the same should be a Financial Lease as per AS 19 of the Indian Accounting Standards
 - Research and development (R&D) (not to exceed 15% of total committed investment)
 - Transfer of Technology (ToT) related to the facilities set up for the eligible products (investment upto 5% of the total committed investment shall be considered).
- Investment in land and building (including factory building or construction) shall not be covered in the Scheme. Also, expenditure on consumables and raw material used for manufacturing shall not be considered as investment.
- Date of capitalization of the investments as per the audited financial statements shall be considered as date of investment.

Quantum of Incentives:

- Eligible applicants will be granted fiscal incentives of 4% to 6% on the net incremental sales over base year (i.e. FY 2019-20). Such incentive shall be payable for a period of 5 years.
- Incentive shall be computed as under: *Net incremental sales of eligible products x Rate of incentive*
- For grant of incentive, the applicant will have to fulfil both criteria of cumulative incremental investment as well as net incremental sales over the base year in that respective year. Details of minimum cumulative investment and net incremental sales to be achieved for each of the eligible products are provided under **Annexure B**.
- Net incremental sales: *Net sales of eligible products manufactured for the period of claim less Net sales turnover of eligible products manufactured in the base year.*
- First year of investment will ordinarily be FY 2021-22 and the first year of incremental sale will be FY 2022-23. In case applicants choosing investment period as 1.4.2021 to 31.03.2023, the first year of incremental sales will be FY 2023-24.
- Incentive per year shall be capped on the basis of net incremental sales, which shall be:



- Air Conditioners - 5 times of the cumulative threshold investment in previous FY
- LED Lights - 6 times of the cumulative threshold investment in previous FY

Key mechanisms for filing the Application:

- The application is required to be filed through the online portal on the website <https://pliwitegoods.ifcilt.com/> along with a non-refundable application fee.
- All the applications will be finalised within 60 days after the closure of the application window and the selected Applicants will be issued an approval letter by the PMA.
- Within two weeks of approval by PMA, the selected Applicant shall submit a bank guarantee along with undertaking of a sum equivalent to 0.5% of the Committed Minimum Investment in favour of the DPIIT. The bank guarantee shall be valid for 18 months years from the proposed date of commercial production.

Disbursement of Incentives:

- Applicants shall be required to submit claim for disbursement of incentive, to the PMA on-line, on an annual basis.
- The claim must be filed latest by 31st October from the end of the financial year to which the claim pertains.
- After due scrutiny, the PMA shall process the claim within 45 days and shall disburse funds after receiving approval from the DPIIT.



Annexure A - Target Segment And Eligible Products

For Air Conditioners (ACs)

Sr. No.	Target Segment	Eligible Products
1.	ACs (Components)	High value intermediaries of ACs
		Low value intermediaries of ACs
		Combination or assembly of above
2.	High Value Intermediaries of ACs	Compressors including oil free and high capacity
		Copper Tube (Plain and / or grooved)
		Aluminium Stock for Foils or Fins for heat exchangers
3.	Low Value Intermediaries of ACs	Control Assemblies for IDU or ODU or Remotes
		Display Panels (LCD/ LED)
		Motors
		Cross Flow Fan (CFF)
		Valves and Brass components
		Heat exchangers
		Sheet Metal Components
		Plastic Moulding Components

LED Lights

Sr. No.	Target Segment	Eligible Products
1.	LED (Core Components)	LED Chip Packaging
		Integrated Circuits (ICs)
		Resistors
		Fuses
		Large-scale investments in LED components
2.	LED (Components)	LED Chips
		LED Drivers
		LED Engines
		LED Modules
		Printed Circuit Boards (PCB)
		Mechanicals – Housing
		Wire Wound Inductors
		Drum Cores
		Heat Sinks
		Diffusers
		Ferrite Cores
		LED Light Management Systems (LMS)



ANNEXURE-B (Threshold Investment and Net Incremental Sales)

Eligibility Threshold Investment and Net Incremental Sale for Air Conditioners (**ACs**) for Applicants opting for initial investment period as 1st April 2021 to 31st March 2022:

(In ₹ crores)

Sr. No.	Target Segment	Year	PLI Rate	Min Cum. Incr. Investment	Min. Net Incr. Sale	Min. Cum. Incr. Investment	Min. Incr. Sale
				Large investment		Normal investment	
1	ACs (Components)	2021-22		150		50	
		2022-23	6%	300	750	100	250
		2023-24	6%	400	1500	150	500
		2024-25	5%	500	2000	225	750
		2025-26	5%	600	2500	300	1125
		2026-27	4%		3000		1500
		2027-28					
		Total			600	9750	300
2	High Value intermediate s of ACs	2021-22		50		50	
		2022-23	6%	125	250	100	250
		2023-24	6%	200	625	150	500
		2024-25	5%	300	1000	200	750
		2025-26	5%	400	1500	250	1000
		2026-27	4%		2000		1250
		2027-28					
		Total			400	5375	250
3	Low value intermediate s of ACs	2021-22		20		10	
		2022-23	6%	40	100	20	50
		2023-24	6%	60	200	30	100
		2024-25	5%	80	300	40	150
		2025-26	5%	100	400	50	200
		2026-27	4%		500		250
		2027-28					
		Total			100	1500	50



Eligibility Threshold Investment and Net Incremental Sale for **LED Lights** for Applicants opting for initial investment period as 1st April 2021 to 31st March 2022:

(In ₹ crores)

Sr. No.	Target Segment	Year	PLI Rate	Min Cum. Incr. Investment	Min. Net Incr. Sale	Min. Cum. Incr. Investment	Min. Incr. Sale
				Large investment		Normal investment	
1	LED Lights (Core Components)	2021-22		100		20	
		2022-23	6%	150	600	40	120
		2023-24	6%	200	900	60	240
		2024-25	5%	250	1200	80	360
		2025-26	5%	300	1500	100	480
		2026-27	4%		1800		600
		2027-28					
		Total		300	6000	100	1800
2	Components of LED Lights	2021-22		5		2	
		2022-23	6%	10	30	4	12
		2023-24	6%	15	60	6	24
		2024-25	5%	20	90	8	36
		2025-26	5%	25	120	10	48
		2026-27	4%		150		60
		2027-28					
		Total		25	450	10	180



Eligibility Threshold Investment and Net Incremental Sale for Air Conditioners (**ACs**) for Applicants opting for initial investment period as 1st April 2021 to 31st March 2023:

(In ₹ crores)

Sr. No.	Target Segment	Year	PLI Rate	Min Cum. Incr. Investment	Min. Net Incr. Sale	Min. Cum. Incr. Investment	Min. Incr. Sale
				Large investment		Normal investment	
1	ACs (Components)	2021-22					
		2022-23		150		50	
		2023-24	6%	300	750	100	250
		2024-25	6%	400	1500	150	500
		2025-26	5%	500	2000	225	750
		2026-27	5%	600	2500	300	1125
		2027-28	4%		3000		1500
		Total		600	9750	300	4125
2	High Value intermediates of ACs	2021-22					
		2022-23		50		50	
		2023-24	6%	125	250	100	250
		2024-25	6%	200	625	150	500
		2025-26	5%	300	1000	200	750
		2026-27	5%	400	1500	250	1000
		2027-28	4%		2000		1250
		Total		400	5375	250	3750
3	Low value intermediates of ACs	2021-22					
		2022-23		20		10	
		2023-24	6%	40	100	20	50
		2024-25	6%	60	200	30	100
		2025-26	5%	80	300	40	150
		2026-27	5%	100	400	50	200
		2027-28	4%		500		250
		Total		100	1500	50	750



Eligibility Threshold Investment and Net Incremental Sale for **LED Lights** for Applicants opting for initial investment period as 1st April 2021 to 31st March 2023:

(In ₹ crores)

Sr. No.	Target Segment	Year	PLI Rate	Min Cum. Incr. Investment	Min. Net Incr. Sale	Min. Cum. Incr. Investment	Min. Incr. Sale
				Large investment		Normal investment	
1	LED Lights (Core Components)	2021-22					
		2022-23		100		20	
		2023-24	6%	150	600	40	120
		2024-25	6%	200	900	60	240
		2025-26	5%	250	1200	80	360
		2026-27	5%	300	1500	100	480
		2027-28	4%		1800		600
		Total			300	6000	100
2	Components of LED Lights	2021-22					
		2022-23		5		2	
		2023-24	6%	10	30	4	12
		2024-25	6%	15	60	6	24
		2025-26	5%	20	90	8	36
		2026-27	5%	25	120	10	48
		2027-28	4%		150		60
		Total			25	450	10



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