

July 2021



PLI Scheme – Pharmaceuticals

The Department of Pharmaceuticals under Ministry of Chemical and Fertilizers has notified PLI (Production Linked Incentives) scheme for Pharmaceuticals on 3 March 2021. Indian pharmaceutical industry is the 3rd largest in the world by volume and is USD 40 billion in terms of value, contributing around 3.5% of total drugs and medicines exported globally. However, major component of the Indian exports are low value generic drugs, while the large proportion of demands for patented drugs are met through imports. The objective of the scheme with an outlay of INR 15000 crore, is to enhance India’s manufacturing capabilities by increasing investment and production in the sector and contributing to product diversification to high value goods in the pharmaceutical sector, and make India global champion by penetrating the global chain of high value patented drugs.

Details of the Scheme

- The applicants registered in India will be grouped based on their Global Manufacturing Revenue (GMR) promising minimum investment over the period of 5 years, and total quantum of incentive of Rs. 15000 crores will be allocated to the target groups as following:

Target Group	Group A	Group B	Group C
GMR in FY 2019-20 (INR in Crores)	<5000	Between 500 and 5000	>5000
Quantum of incentive (INR in Crores)	11000	2250	1750
Minimum Cumulative Investment per applicant	1000	250	50

- Applicant for the purpose of the Scheme shall be any Proprietary Firm or Partnership Firm or Limited Liability Partnership (LLP) or a Company registered in India falling under above 3 groups.
- The applicants will be shortlisted as per their respective GMR, investment capacity, number of manufacturing plants in India and R&D facilities, as specified with respect to each group.
- The duration of the scheme will be from FY 2020-21 to FY 2028- 29. This will include the period for processing of applications (FY 2020-21), optional gestation period of one year (FY 2021-22), incentive for 6 years and FY 2028-29 for disbursement of incentive for sales of FY 2027-28
- No second hand/ used/ refurbished plant, machinery, equipment, utilities or research and development equipment shall be considered as eligible investment
- Expenditure on consumables and raw material used for manufacturing shall not be considered as Investment.

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How we can help





- Plant, Machinery and Equipment should be purchased/ leased in the name of the applicant and lease should be a financial lease
- The eligible goods under the scheme are further divided in categories and incentive on incremental sale of goods covered under each category will be disbursed accordingly.
- Threshold sales in FY 2022-23 must be greater than Rs. 50 Crores in case of a Group A, greater than Rs. 10 Crores in case of a Group B, and greater than Rs. 1 Crore in case of a Group C and greater than Rs. 50 Lakh in case of a Group C MSME. For subsequent financial years, the threshold sales shall be computed at 7% growth over actual sales.
- The incentive applicable for a selected applicant shall be computed as Net incremental Sales of Eligible Product multiplied by Rate of Incentive. Rate of incentive on incremental sales of eligible product categories are as under:

Financial Year	Incentive Rate (Category-1 & 2)	Incentive Rate (Category-3)
2022-23	10%	5%
2023-24	10%	5%
2024-25	10%	5%
2025-26	10%	5%
2026-27	8%	4%
2027-28	6%	3%

- No incentive shall be paid in case the applicant does not meet the criteria of committed investment and threshold sales for any given year, however, the applicant shall be eligible to claim incentives in subsequent years.
- The duration of the scheme will be from FY 2020-21 to FY 2028-29. The incentives will be paid for a maximum period of 6 years.

How we can help

The team has extensive experience in liasoning with the Government, both Central and State, to successfully avail the package of incentives. Our assistance in this regard will more specifically include:

- Analyse whether the entity is eligible to avail the benefit of the Scheme
- Work out on an estimate basis the total incentive eligibility of the entity
- Preparation and filing of the application for approaching the Government to be considered for this Scheme
- Liasoning with the Government
- Review year on year performance and disbursement of the incentives

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