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April 14, 2021

Shri Ajay Prakash Sawhney
Secretary
Ministry of Electronics and IT

Sub.: Production Linked Incentive (PLI) Scheme for “Mobile Phone Segment” - Request to declare FY 2020-2021 as the zero year / preparatory year

Ref.: Public Health Emergency created in view of COVID-19 pandemic, disruption in supply chain process – impacted capacity augmentation and delayed production output

Respected Sir,

Greetings from MAIT!

This is with reference to the captioned Production Linked Incentive (PLI) Scheme and guidelines announced by the Government to boost domestic manufacturing, attract large scale investments in the electronics value chain and create employment opportunities. The scheme sought participation from global and domestic champions by providing financial incentives spread over 5 years, subject to meeting incremental sales and investment threshold as defined starting 2020-2021. The base year to compute incremental progress was 2019-2020. 5 global and 5 domestic champions were selected.

Despite the health emergency created by COVID-19 pandemic and other associated challenges, the PLI approved companies have so far managed to produce goods worth more than INR 35000 crores, invested more than INR 1300 crores and created more than 22000 additional jobs for the FY 2020-2021. However, except for one PLI approved company, none of the other nine were able to meet the year 1 incremental net sales turnover targets for FY 2020-2021. Investments have been made by all 10 companies during FY 2020-21 with the intent to meet high product thresholds. COVID-19, a public health emergency globally and in India has led to several disruptions in scaling up production in India. We therefore request your kind consideration in shifting the Year 1 from 2020-2021 to 2021-2022 for meeting incremental net sales turnover and cumulative investment targets respectfully.

The delay in meeting the thresholds have been due to the following reasons:

- 1. COVID-19 pandemic a global health emergency disrupted the important setup activities required during the first year:** The COVID-19 pandemic has created havoc and have disrupted supply chains, witnessed restriction on movement of personnel, equipment and machinery due to lockdowns. This further disrupted the planning and ability of companies to start production, in spite of their best efforts and willingness to shift massive capital equipment / plant and machinery from China to India amidst the peak months of the pandemic period. Now the second wave has started, however by this time, the companies have more or less stabilised - made the required investments, put up the

production lines and have employed manpower for continuity to meet and exceed this year's target.

2. **States which manufacture Smartphones were the worst impacted:** Of the 10 applicants for the smartphones PLI, vast majority of the production was across 4 States – Andhra Pradesh, Karnataka, Tamil Nadu and Uttar Pradesh. These 4 States were amongst the worst affected States by way of cases, and by consequence, were impacted by lockdown restrictions and ability to hire / bring in production capacity either before or in the month following receipt of the PLI approval letters.
3. **Big investments began in mid-October 2020 amidst COVID-19 peaking in India:** Even if the scheme commenced on August 1, 2020, the respective approval letters were provided in the month of October 2020 after over 2 months). This provided PLI approved companies just 5-6 months to meet the year 1 investment and production targets. Industry received very little time to negotiate, select, order, procure and install all the machinery and equipment within such a short duration. Pandemic and associated challenges resulted in extended procurement, delivery and installation of production lines.
4. **Constraint on visas for foreign technicians:** The production lines can only be erected by specialist technicians from the country from where such lines have been shifted. Apart from international flight ban, there has also been an extreme slowdown or complete halt in issuance of business visas for international technicians. This has led to delayed installation and operationalization of production lines in India by PLI approved companies. Hence, while investments did begin in the FY 2020-21 the production thresholds could not have been met with the existing output capacity.

In view of the above reasons, we would like to respectfully propose the following:

1. The entire PLI scheme for mobile phones should be amended by treating FY 2020-2021 as the zero / preparatory year.
2. Those who have met the incremental investment and net sales turnover targets should be paid the stipulated incentive.
3. The investment has already been started and hence for incremental investments FY 2020-2021 should be combined with FY 2021-2022 hence for incremental Investment the period for Year 1 may kindly be considered as 1 April 2020 to 31 March 2022.
4. For others the period for meeting incremental net sales turnover i.e, Year 1; should start from the financial year FY 2021-22 and the Year 5 for those should be FY 2025-26 instead of FY 2024-25.
5. Industry is not seeking any additional financial outlay nor reduction in any investment and production thresholds.

The entire disruption has been largely due to the pandemic (COVID-19 - a Public Health Emergency of International and National Concern impacting countries across the globe including India. Public Health Emergency is one of the many events duly recognized under the PLI guidelines dated June 1 2020 (clause 2.23) as Force Majeure. We firmly believe that the Empowered Committee is duly authorized to take a decision in this regard. The following clauses under the PLI guidelines dated June 1 2020 empowers the committee including in the event of Force Majeure.

Clause 8.8 “ *The EC may revise incentive rates ceilings, Target Segments, and eligibility criteria as deemed appropriate during the tenure of the Scheme*”.

Clause 8.9 “ *In case of a Force Majeure event, the EC may amend, modify, or withdraw any clauses under the scheme*”

Clause 8.11 “The EC will also be authorized to carry out any amendments in Scheme Guidelines”.

The EC if deemed appropriate, may consider referring its collective recommendations to the Competent Authority for necessary decision. PLI scheme is a specialized and distinct policy approach which has immense potential to make our country “Aatmanirbhar” in the ESDM space. Therefore, we request for a flexible approach aimed at the end result and larger objective based on current realities.

With regards,



George Paul
Chief Executive Officer

Copy to:

1. Shri Amitabh Kant, Chief Executive Officer, NITI Aayog
2. Dr. Guruprasad Mohapatra, Secretary, Department for Promotion of Industry and Internal Trade
3. Shri Ajay Seth, Secretary, Department of Economic Affairs, Ministry of Finance
4. Dr T. V. Somanathan, Secretary, Expenditure, Ministry of Finance
5. Shri Tarun Bajaj, Secretary, Department of Revenue, Ministry of Finance
6. Shri Amit Yadav, Director General, Directorate General of Foreign Trade
7. Shri Saurabh Gaur, Joint Secretary, Ministry of Electronics & IT
8. Shri Ishtiyaque Ahmed, Advisor, NITI Aayog