1. Product Linked Incentive (PLI) scheme of pharmaceuticals

Prelims Syllabus: Schemes

Mains Syllabus: GS-III Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Why in News?

- Department of Pharmaceuticals (DoP) has released the first tranche of incentives under the Product Linked Incentive (PLI) scheme of pharmaceuticals.

About the News:

- Under the Atmanirbharta initiative of the Government, the Department of Pharmaceuticals launched the PLI scheme for pharmaceuticals in 2021
- **Objective:** To enhance India's manufacturing capabilities and contribute to product diversification towards high-value goods in the pharmaceutical sector
- **Three different categories of products are being supported under the scheme:**
  - ✓ **Category 1**: Biopharmaceuticals; Complex generic drugs; Patented drugs or drugs nearing patent expiry; Cell-based or gene therapy drugs; Orphan drugs; Special empty capsules, Complex excipients,
  - ✓ **Category 2**: Bulk drugs
  - ✓ **Category 3**: Drugs not covered under Category 1 and Category 2 such as Repurposed drugs; Autoimmune drugs, anti-cancer drugs, etc.

About the PLI scheme:

- The scheme aims to make India a global hub for manufacturing telecom equipment.
- Its eligibility criteria include achievement of a minimum threshold of cumulative incremental investment and incremental sales of manufactured goods.
- The incentive structure ranges between 4% and 7% for different categories and years. Financial year 2019-20 will be treated as the base year for computation of cumulative incremental sales of manufactured goods net of taxes.
- Minimum investment threshold for MSMEs has been kept at Rs 10 crore and for others at Rs 100 crore.
- Once qualified, the investor will be incentivised up to 20 times of minimum investment threshold enabling them to utilise their unused capacity.

Why is the production linked scheme needed?

- According to experts, the idea of PLI is important as the government cannot continue making investments in these capital intensive sectors as they need longer times for start giving the returns.
- Instead, what it can do is to invite global companies with adequate capital to set up capacities in India.
- The kind of ramping up of manufacturing that we need requires across the board initiatives, but the government can't spread itself too thin.
- Electronics and pharmaceuticals themselves are large sectors, so, at this point, if the government can focus on labour intensive sectors like garments and leather, it would be really helpful.