

Cross-sectoral trends and outlook

PLI - Capex deployment expected to surge from FY24

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Mobile phone, pharma capex deployed till now

The implication on India's manufacturing capex from the PLI scheme would be seen over the next three years, from FY24.

However, in the wake of rising input costs, and unfavourable economic conditions, execution delays in certain sectors could be a concern.



- The Government PLI schemes till date have had encouraging bids, across sectors. However, the deployment of capex is expected to pick up only in FY24 (for >80% of the projected investments), based on some recent developments for large scale projects (such as semiconductors).



- Based on our calculations, the annual capex from the PLI schemes are expected to cross Rs 1 trn from FY24 and may peak out at Rs1.7 trn in FY26. Hence, FY24 could be an inflection point for a surge in India's manufacturing capex.



- Some of the sectors (such as mobile phones/electronics, engineering goods, food products, etc.), wherein the production has started (over FY22 or H1 FY23), the impact is visible in surge in exports data for these sectors. These can be primarily attributed to PLI schemes for these sectors.



- Out of the major pending capex deployment, semiconductor and ACC batteries form ~70%. Vedanta and Taiwanese chipmaker Foxconn have signed an MoU to set up semiconductor and display fabrication plant in Gujarat. The 3 entities for ACC batteries PLI schemes are Reliance energy, OLA and Rajesh exports



- The Government is contemplating to launch PLI schemes for a few more sectors (containers, electrolyser, power transmission equipment, etc.), to ensure manufacturing capex continues to remain elevated beyond FY26



- Given the geopolitical uncertainties and supply chain concerns, some of the largescale PLI capex plans could be delayed. The Government needs to monitor the progress closely for successful implementation of the scheme and be open to extend additional policy support.

Start of production from PLI scheme may spread over next couple of years

Sector	Rs Trillion		Status	Production expected to reflect from		
	PLI Outlay	Capex		FY22	FY23	FY24 and beyond
Phone /Electronics	0.41	0.11	Approved disbursal of incentives under the PLI Scheme for 10 mobile manufacturing beneficiaries	Yes		
IT Hardware	0.14	0.03	Because of the decline in global PC market, only 2 out of 5 companies could claim incentives. Players in discussion with Government for revision in PLI terms	Yes (partially)		
Auto	0.57	0.43	Awarded in January 2022. Incentives are applicable on production from FY 2023		Yes	
ACC Battery	0.18	0.17	Three selected bidders signed the Program Agreement under PLI Scheme for ACC Battery Storage in July, 2022			Yes
Telecom & Networking	0.12	0.04	Department of Telecom extends PLI scheme to include design led manufacturing. Incentive will be on production from FY2023		Yes	
Pharma	0.22	0.20	APIs are being developed in India, for which India has import dependence	Yes		
Medical Devices	0.03	0.01	Department of Pharmaceuticals has called for applications in August 2022 for the newly created Category B for promoting domestic manufacturing of more medical devices. Incentives will be provided from FY2024 onwards			Yes
Food Products	0.11	0.06	Awarded to entities in December 2021, production may reflect in FY23		Yes	
Textile	0.11	0.19	Awarded in April 2022, production may reflect in FY23		Yes	
AC/LED	0.06	0.08	19 applications received for Round 2 – 15 beneficiaries awarded in June 2022			Yes
Semiconductor/ Display ecosystem	0.76	2.00	Guidelines published in October 2022 by MEITY			Yes
Solar PV Modules	0.24	0.35	Second tranche approved by cabinet in Sept 2022			Yes
Steel	0.06	0.40	Scheme closed in Sept 2022, yet to be awarded			Yes
Drones	0.00	0.05	List of provisional beneficiaries released in July 2022			Yes
Total	3.02	4.32				

More than 80% of the capex will start deploying from FY24 onwards

Source: PIB, MEITY, MNRE, Industry, ICRA Research



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