

PLI Scheme: A Mixed Bag With 12% Disbursement of Incentives

December 16, 2025 | Ratings

Synopsis

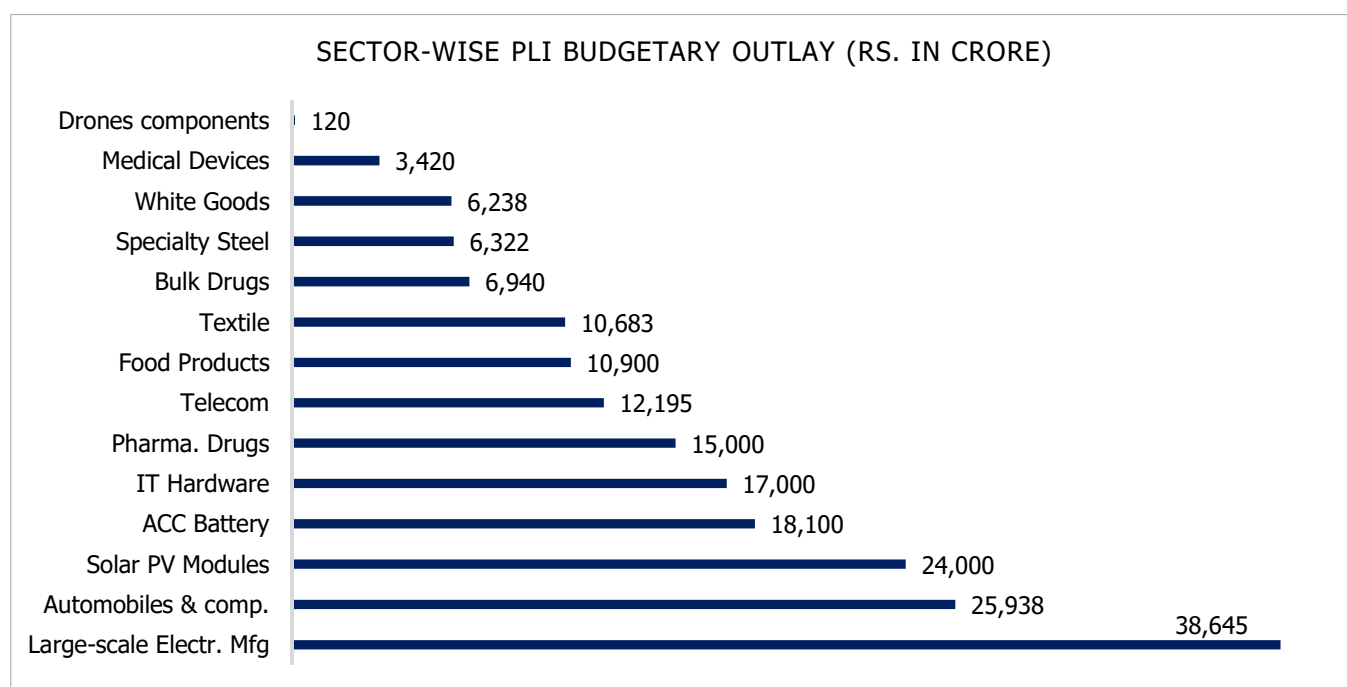
- Total budgetary outlay towards the Performance Linked Incentive (PLI) scheme—launched under the Atmanirbhar Bharat and Make in India initiatives—was initially pegged at Rs 1.46 lakh crore when the Union Cabinet approved PLI for 10 sectors in November 2020. The commitment was subsequently expanded in both scope (to 14 sectors) and budget, with the total outlay rising to Rs 1.97 lakh crore. By contrast, aggregate PLI disbursements up to September 2025 were low at Rs 23,946 crore, representing only 12% of the total envisaged PLI disbursement. However, the pace of disbursement has shown signs of a pickup, with Rs 10,112 crore in incentives disbursed during FY25, with further disbursements of Rs 19,742 crore expected during FY26.
- Despite a slow start, there are encouraging signs with actual cumulative investments of about Rs 2 lakh crore and incremental production of over Rs 18.7 lakh crore achieved as of September 2025 under the scheme. However, many sectors still remain in the investment or scale-up phase of their five-year targets.
- Electronics manufacturing has emerged as a standout performer, with production rising 146% from Rs 2.13 lakh crore in FY21 to Rs 5.45 lakh crore in FY25, aided by USD 4 billion FDI inflows, 70% of which came to PLI beneficiaries. Mobile phone exports surged 775%, from Rs 22,870 crore in FY21 to ~Rs 2,00,000 crore in FY25.
- Pharmaceuticals [Key Starting Materials (KSMs)/Active Pharmaceutical Ingredients (APIs)] have achieved strong domestic value addition and export growth, with cumulative sales of Rs 2.66 lakh crore, including exports of Rs 1.70 lakh crore during FY22-FY25. India transitioned from a net importer of certain bulk drugs in FY22 to a net exporter for these by FY25, reflecting improved supply-chain resilience.
- Medical devices have scaled up rapidly during FY21-FY25, with 21 projects manufacturing 54 high-end products, reducing import dependence and boosting exports.
- The PLI for the Automotive and Auto Component Industry has mobilised investments of Rs 35,657 crore, generated incremental sales of Rs 32,879 crore and created approximately 49,000 jobs. As of 30 November 2025, incentive disbursements amount to Rs 1,350.83 crore.
- Under the PLI-ACC (Advanced Chemistry Cell) scheme, 40 GWh of the 50 GWh target was allocated to four beneficiary firms. As of October 31, 2025, beneficiaries have reported commissioning of 1 GWh, a cumulative investment of Rs 2,878 crore, and the creation of 1,118 jobs.
- The PLI for High-Efficiency Solar PV Modules is being implemented in two tranches. Tranche-I (Rs 4,500 crore) resulted in Letters of Award (LoAs) to three bidders for 8,737 MW of fully integrated module capacity. Tranche-II (Rs 19,500 crore) saw LoAs issued in April 2023 to 11 bidders for 39,600 MW of capacity. Approximately Rs 13,940 crore allocated under Tranche-II will be disbursed over five years post-commissioning, implying a significant outlay of incentives once production commences.
- PLI schemes have the potential to play a strategic role in strengthening India's manufacturing base, as reflected from strong gains witnessed in electronics, pharmaceuticals and medical devices. At the same time, government flexibility—through timeline extensions, phased tranches, and relaxed conditions—can help

hitherto slower-moving sectors improve their participation and integration within domestic value chains. At the same time, private-sector participation also needs to increase.

Key Objectives of PLI Schemes

The PLI schemes were launched in 2020 to boost India's manufacturing sector by linking financial rewards to higher output in targeted industries. Aligned with the Atmanirbhar Bharat (self-reliant India) vision, it covers 14 strategic sectors – from electronics, pharmaceuticals, autos and textiles to relatively new-age sectors such as solar PV and ACC battery – to draw large-scale capital investment and cutting-edge technology into the country. By offering incentives for incremental production and domestic value addition, PLI encourages firms to achieve economies of scale and modernise their processes, thereby enhancing the global competitiveness of Indian products. In effect, the schemes seek to create new "manufacturing champions" by significantly expanding output, boosting exports and generating employment through a strengthened domestic supply chain. CareEdge Ratings views the PLI initiative as a major step towards advancing India's industrial capacity, while noting that its ultimate success will depend on effective execution and sustained private-sector participation.

As of September 2025, a total of 806 applications have been approved under the scheme, backed by an overall budgetary outlay of Rs 1.97 lakh crore.



Source: PIB, CARE Edge Ratings

PLI Scheme: Slow start, pace gradually picking up

At launch, the initial expectations for the PLI scheme were investments of Rs 3.48 lakh crore, incremental production/sales of Rs 29 lakh crore, and the creation of approximately 39 lakh additional jobs over the full five-year horizon beginning FY21. Although the PLI scheme's cumulative achievements remain below the originally envisaged five-year targets, the actual performance to date appears reasonably encouraging when viewed in context. As of September 2025, 806 applications have been approved under PLI schemes across 14 sectors, whereby the schemes have facilitated actual investments of about Rs 2 lakh crore, supported incremental

production/sales of over Rs 18.7 lakh crore, and generated more than 12.6 lakh direct and indirect jobs across these sectors. Despite the gap, the trajectory demonstrates meaningful progress, driven by some stronger-performing sectors such as electronics, pharmaceuticals, telecom and networking products, and food processing. Against the total approved outlay of Rs 1.97 lakh crore under the PLI framework, cumulative incentives amounting to Rs 23,946 crore have been disbursed by September 30, 2025, across 12 sectors. These include Large-Scale Electronics Manufacturing (LSEM), IT Hardware, Bulk Drugs, Medical Devices, Pharmaceuticals, Telecom & Networking Products, Food Processing, White Goods, Drones & Drone Components, Speciality Steel, Textile Products, and Automobiles & Auto Components. Year-wise details of aggregate incentive disbursement are provided below:

Incentive Disbursement Trends

S. No.	Period	Incentive Disbursed (in Rs. Crore)
1	FY23	2,968
2	FY24	6,753
3	FY25	10,112
4	H1FY26	4,113
TOTAL		23,946

PLI for Large-Scale Electronics Manufacturing: Strengthening India's Position in the Global Value Chain

The electronics sector has emerged as one of the most prominent success stories under the PLI framework, supported by a robust policy foundation provided by the National Policy on Electronics (NPE) 2019. This ecosystem has helped to attract both global OEMs and domestic manufacturers, integrating India more deeply into the global electronics value chain. The impact has been substantial, with overall production increasing by nearly 146% from Rs 2.13 lakh crore in FY21 to around Rs 5.45 lakh crore in FY25. The scheme has also encouraged major smartphone manufacturers to shift a significant share of their global production to India, positioning the country as a key hub for mobile phone manufacturing. Since FY21, India has attracted more than USD 4 billion in FDI in the electronics manufacturing sector, with nearly 70% of the inflows directed to PLI beneficiaries. During this period, mobile phone exports have also recorded strong momentum, rising sharply alongside the expansion in domestic manufacturing capacity.

Year	Total Electronic Goods Exports	Smartphone Exports	Smartphone %
FY21	14,213.86	NA	NA
FY22	20,178.74	NA	NA
FY23	28,608.57	10,955.20	38.29%
FY24	34,412.52	15,572.95	45.25%
FY25	44,049.59	24,138.04	54.80%

Source: Dept. of Commerce website

Note: Values are in US\$ million. Smartphone exports are classified under HSN 851713 (finished smartphones only; excludes parts and feature phones). Total electronic goods use HSN chapter 85 (a broad category that includes consumer electronics, electrical machinery, motors, components, etc.). "NA" denotes smartphone data unavailable for FY21–FY22. Smartphone % = (smartphone exports ÷ total electronic goods exports).

PLI for Pharmaceuticals (KSM/API): Export Growth, R&D Focus, and High Domestic Value Addition

The pharmaceuticals segment—particularly KSMs, APIs and critical bulk drugs—has emerged as one of the stronger performers under the PLI framework, reflecting a sustained push towards import substitution and export

competitiveness. The scheme has supported cumulative sales of around Rs 2.66 lakh crore, of which exports have contributed Rs 1.70 lakh crore during the first three years of implementation. Notably, India has transitioned from being a net importer of certain bulk drugs in FY22 (–Rs 1,930 crore) to a net exporter (+Rs 2,280 crore), underscoring the sector’s rapid improvement in domestic value addition and supply-chain resilience. The scheme has also helped narrow the structural gap between domestic production capacity and national demand for several critical and high-dependency drug categories, further reinforcing India’s position in the global pharmaceutical ecosystem. Though PLI has helped to establish new domestic capacity for APIs / bulk drugs, it has a long way to go before significantly eliminating overall import dependence. India still imports nearly 70% of its total API/bulk drug requirements.

PLI for Medical Devices: Accelerated Manufacturing Scale-Up and Strong Export Traction

Under the PLI Scheme for medical devices, the sector has demonstrated meaningful progress in domestic capability building, with 21 projects commencing manufacturing of 54 uniquely identified medical devices, including several high-end and previously import-dependent products such as Linear Accelerators (LINAC), MRI and CT-scan systems, heart valves, stents, dialyzer machines, C-arm units, Cath labs, Mammographs and MRI coils.

Sectors exhibiting slower momentum and the Government’s adaptive approach to support these

While high-momentum sectors have driven much of the early gains under PLI, few sectors continue to progress more slowly due to longer gestation periods, technology gaps, supply-chain dependencies and competitive pressures. In response, the Government has adopted a flexible approach—extending timelines, reopening applications in phased tranches and relaxing select conditions, including recent adjustments under the textile PLI—to ensure broader sectoral participation. These measures, along with the creation of new supplier and vendor networks around anchor units, are expected to deepen MSME integration and strengthen value-chain linkages. As implementation improves, the scheme is envisaged to reinforce India’s manufacturing base by supporting key industries, promoting export-oriented production and accelerating the adoption of advanced technologies.

Mixed momentum across Automotives, Batteries, and Solar PV

Auto & Components has demonstrated strong traction under PLI, attracting investments of Rs 35,657 crore and achieving Rs 32,879 crore in incremental sales, with Rs 1,351 crore in incentive disbursement (as of September 2025). However, ACC Batteries and Solar PV are exhibiting slower progress and a longer gestation period. Under the ACC scheme, only 1 GWh of capacity has been installed, despite 40 GWh being awarded, with Rs 2,878 crore invested as of October 31, 2025. In Solar PV, incentive disbursement is expected to increase once large-scale manufacturing becomes operational, although 48,337 MW of integrated capacity has already been allocated across both tranches. These trends underscore strong long-term potential despite slower initial progress in capital-intensive green energy segments.

CareEdge Ratings’ View

“As against total PLI outlay, though disbursement stood low at 12%, it has been largely successful in achieving the desired results in terms of investment, incremental production/sales and job creation. As against the initial expectations of investments of Rs 3.48 lakh crore, incremental production/sales of Rs 29 lakh crore, and creation of around 39 lakh additional jobs, the scheme has facilitated actual investments of about Rs 2 lakh crore, supported incremental production/sales of over Rs 18.7 lakh crore and generated more than 12.6 lakh direct and indirect jobs across these sectors by September 2025,” said Arti Roy, Associate Director, CareEdge Ratings.

"With several companies approaching or completing their milestones, incentive disbursements under the PLI scheme are expected to accelerate, as reflected from the Government's upward revision of the FY26 outlay to Rs 19,742 crore. Going forward, the PLI framework is poised to deliver stronger outcomes by driving scale, fostering greater technology adoption, and deepening domestic value chains. These developments will not only enhance India's global competitiveness but also position the country as a key player in high-growth sectors such as electronics, automobiles, pharmaceuticals, and medical devices, reinforcing its integration into global value chains," said Hardik Shah, Director, CareEdge Ratings.

"CareEdge Ratings believes that the PLI scheme has been a well-structured initiative that has laid the foundation for India's manufacturing transformation by targeting strategically critical sectors for deepening India's manufacturing footprint. While initial progress has been gradual due to the scheme's design—requiring significant upfront capital investments and the achievement of defined production thresholds—the trajectory is now gaining momentum. Exports from PLI-supported sectors have crossed Rs 7.5 lakh crore, accounting for nearly 6–7% of India's total merchandise exports, led by electronics and pharmaceuticals. Electronics alone recorded a 775% surge led by smartphone exports, positioning India as a global hub for smartphone manufacturing. Going forward, disbursements under the PLI scheme are expected to increase substantially from FY27 to FY28, as a large share of solar PV module manufacturing capacity is expected to be commissioned," said Ranjan Sharma, Senior Director, CareEdge Ratings.

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