

File No. 13-01/2020-IC
Government of India
Ministry of Communications
Department of Telecommunications
International Cooperation Unit

Dated: 20th June 2022

OFFICE MEMORANDUM

Subject: Amendments in Guidelines for Production Linked Incentive (PLI) Scheme for Promoting Telecom & Networking Products Manufacturing in India

Reference: Guidelines for PLI Scheme for Promoting Telecom & Networking Products Manufacturing in India dated 3rd June 2021 and amendments dated 18th June 2021

1. Department of Telecommunications has notified PLI Scheme for manufacturing of Telecom and Networking Products which is effective from 1st April 2021. In order to facilitate Design-led manufacturing for 5G products under the PLI Scheme for Telecom and Networking Products and to enhance the scope and timelines of the Scheme, the following amendments are made in the PLI Scheme Guidelines with effect from 1st April 2022:

Clause of Scheme Guidelines	Existing Clause	Amended Clause with effect from 01.4.2022
1.4	The Scheme will be effective from 01.04.2021. Eligible Investment and sales made in terms of Scheme guidelines, on that date or thereafter, shall be reckoned for considering the incentive under the Scheme.	The Scheme will be effective from 01.04.2021 or from 01.04.2022 as the case may be. Eligible Investment and sales made in terms of Scheme guidelines, on that date or thereafter, shall be reckoned for considering the incentive under the Scheme.
2.8A	New Clause	Design-led Manufacturing for the purpose of this Scheme is the manufacturing of the Specified Telecom and Networking Products fulfilling the following conditions: i. The system design and development, including hardware and software for the specific end products shall be done using in-house and captive R&D or through technology transfer agreement executed with Government labs / academia or C-DOT or DSIR

Amendments in Guidelines for PLI Scheme for Telecom & Networking Products

Clause of Scheme Guidelines	Existing Clause	Amended Clause with effect from 01.4.2022
		<p>registered R&D entities by the applicant company in India; and</p> <p>ii. The hardware design, source code and IPR (excluding any duly licensed IPR) should reside in India and should be owned by the applicant company; and</p> <p>iii. Minimum 50% of the components (other than semiconductor components and Bare PCBs of more than 8 layers) by value terms, used in the manufacturing of the specific end products must be manufactured in India; and</p> <p>iv. The surface mounting of the components on the PCB as well as the final assembly, integration and testing of the specific end products shall be done in India.</p>
2.9	<p>Eligible Investment: Investment made in India from 01.04.2021 onwards and up to Financial Year 2024-2025 only. Applicant shall provide a certificate, from the Statutory Auditor as per specified format, depicting investment by the Applicant in India as on 31.03.2021.</p>	<p>Eligible Investment: Investment made in India from 01.04.2021 or 01.04.2022 as applicable and up to Financial Year 2024-2025 or Financial Year 2025-2026 as applicable. Applicant shall provide a certificate, from the Statutory Auditor as per specified format, depicting investment by the Applicant in India as on 31.03.2021 or 31.03.2022 as applicable.</p>
2.11	<p>Employment: Jobs created by Applicant in India, which are directly involved in the production process or with related activities beginning from when materials enter a production facility and until the resultant manufactured good leave the production facility. Such employment shall include on-roll, contractual, apprentice workforce and jobs created due to outsourcing</p>	<p>Employment: Jobs created by Applicant in India, which are directly involved in the research and development, production process or with related activities beginning from when materials enter a production facility and until the resultant manufactured good leave the production facility. Such employment shall include on-roll, contractual, apprentice workforce and jobs created</p>

Amendments in Guidelines for PLI Scheme for Telecom & Networking Products

Clause of Scheme Guidelines	Existing Clause	Amended Clause with effect from 01.4.2022
	within the premises of the Applicant company.	due to outsourcing within the premises of the Applicant company.
2.17.2	<p>Expenditure incurred on Research and Development (R&D): Capital expenditure on R&D and product development related to Scheme Target Segments. The term “related” here refers to all stages in the entire value chain of the goods proposed to be manufactured including software integral to the functioning of the same. Such expenditure shall include expenditure on in-house and captive R&D, directly attributable to goods covered under Scheme Target Segments, including all stages in the entire value chain of the goods proposed to be manufactured including software integral to functioning of the same. It shall also include test and measuring instruments, prototypes used for testing, purchase of design tools, software cost (directly used for R&D) and license fee, expenditure on technology, IPR, Patents and Copyrights for R&D. Manpower expenses shall not be included in the eligible R&D expenditure. Further, R&D expenditure shall be subject to the provision of Clause 4.1.4. and limits as specified in the Clause 4.3.4 hereinafter. All non-creditable taxes and duties would be included in such expenditure.</p>	<p>Expenditure incurred on Research and Development (R&D): Capital expenditure on R&D and product development related to Scheme Target Segments. The term “related” here refers to all stages in the entire value chain of the goods proposed to be manufactured including software integral to the functioning of the same. Such expenditure shall include expenditure on in-house and captive R&D, directly attributable to goods covered under Scheme Target Segments, including all stages in the entire value chain of the goods proposed to be manufactured including software integral to functioning of the same. It shall also include test and measuring instruments, prototypes used for testing, purchase of design tools, software cost (directly used for R&D) and license fee, expenditure on technology, IPR, Patents and Copyrights for R&D. Manpower expenses shall be included in the eligible R&D expenditure. Further, R&D expenditure shall be subject to the provision of Clause 4.1.4. All non-creditable taxes and duties would be included in such expenditure.</p>
2.17.3	<p>Expenditure related to Transfer of Technology (ToT) Agreements: This shall include cost of technology and initial technology purchase related to goods covered under</p>	<p>Expenditure related to Transfer of Technology (ToT) Agreements: This shall include cost of technology and initial technology purchase related to goods covered under Scheme Target</p>

Amendments in Guidelines for PLI Scheme for Telecom & Networking Products

Clause of Scheme Guidelines	Existing Clause	Amended Clause with effect from 01.4.2022
	Scheme Target Segments. All non-creditable taxes and duties would be included in such expenditure. Further, ToT is subject to limits as specified in Guidelines Clause 4.4.3 hereinafter.	Segments through Technology Transfer Agreements through Government labs/Academic Institutions within India, C-DOT or DSIR registered R&D entities. All non-creditable taxes and duties would be included in such expenditure.
3.4	For the purpose of determining eligibility of an Applicant with respect to Incremental Investment for any year, the cumulative value of investment done till such year (including the year under consideration) from 01.04.2021 shall be considered. Even if the entire committed investment is made by the Applicant in less than 4 years, the incentive will be disbursed annually to the eligible Applicants based on the annual threshold investment communicated in the letter of approval.	For the purpose of determining eligibility of an Applicant with respect to Incremental Investment for any year, the cumulative value of investment done till such year (including the year under consideration) from 01.04.2021 or 01.04.2022 as applicable, shall be considered. Even if the entire committed investment is made by the Applicant in less than 4 years, the incentive will be disbursed annually to the eligible Applicants based on the annual threshold investment communicated in the letter of approval.
3.7	Maximum financial allocation over 5 years for MSME category will be limited to Rs. 1,000 crores only.	Maximum financial allocation over 5 years for MSME category will be limited to Rs. 2,500 crores only.
4.1.1	Investment as defined in Clause 2.17 of these Guidelines shall be considered for determining eligibility under the Scheme provided such investment is made on or after 01.04.2021.	Investment as defined in Clause 2.17 of these Guidelines shall be considered for determining eligibility under the Scheme provided such investment is made on or after 01.04.2021 or 01.04.2022 as applicable.
4.3.1	Expenditure incurred on Research and Development as defined in Clause 2.17.2 of these Guidelines shall be considered as Investment for determining eligibility under the Scheme.	Expenditure incurred on Research and Development as defined in Clause 2.17.2 of these Guidelines; and in accordance with the Accounting Standard 26, Indian Accounting Standard (Ind AS) 38 and Income Tax Act, 1961 as amended from time to time, shall be considered as Investment for determining eligibility under the Scheme.

Amendments in Guidelines for PLI Scheme for Telecom & Networking Products

Clause of Scheme Guidelines	Existing Clause	Amended Clause with effect from 01.4.2022
4.3.2	The Applicant shall provide a Statutory Auditor certificate in respect of the cost of technology, IPRs, patents and copyrights, pertaining to the products approved for manufacturing.	The Applicant shall provide a Statutory Auditor certificate in respect of the investment towards research & development including cost of technology, IPRs, patents and copyrights, manpower expenses, specifically pertaining to the products approved for manufacturing, in compliance with the Scheme Guidelines and subject to the provisions of the Accounting Standard 26, Indian Accounting Standard (Ind AS) 38 and Income Tax Act, 1961.
4.3.4	Expenditure incurred on R&D shall not exceed 15% of the total committed investment.	Deleted
4.3.5	New Clause	For Design-led Manufacturing of specified products, the Applicant company shall furnish the certificate from their Statutory Auditor / Cost Auditor appointed by the Board of the Company, certifying the compliance of Clause 2.8A of these Guidelines.
4.4.3	Expenditure incurred on Transfer of Technology shall not exceed 5% of the total committed investment.	Deleted
9.2.1	Baseline for Investment: As on 31.03.2021	Baseline for Investment: As on 31.03.2021 or 31.03.2022 as applicable
10.6.7	Baseline for Eligible Investment: (as on 31.03.2021)	Baseline for Eligible Investment: (as on 31.03.2021 or 31.03.2022 as applicable)
10.7	New Clause	The DoT reserves the right to withdraw the approval if an Applicant fails to make eligible investment within the first two years.
Annexure 1	Additions to the existing list in the category “Core Transmission Equipment”	Millimeter Radio, E/V-band Radios, Satellite Gateway (Hub /Earth station)

Amendments in Guidelines for PLI Scheme for Telecom & Networking Products

Clause of Scheme Guidelines	Existing Clause	Amended Clause with effect from 01.4.2022
		Equipment, Free Space Optics Communication Equipment
	Additions to the existing list in the category “ 4G/5G, Next Generation Radio Access Network and wireless equipment ”	Telecom Antenna, Open-RAN Equipment (Radio Unit, Distributed Unit, Centralised Unit, and RAN Intelligent Controller)
	Additions to the existing list in the category “ Access & Customer Premises Equipment (CPE), IoT Access Devices and Other wireless Equipment ”	Internet Set Top Box, Satellite CPEs for accessing Internet, VSAT Equipment, NG-PON-ONT, Telecom modules of IOT/M2M Access Devices
Annexure 2	New Para	An additional incentive of 1% over and above the applicable rates of incentive for products qualified under Design led Manufacturing, as defined at Clause 2.8A, in each year.

1.1 The tenure of the PLI Scheme for Telecom & Networking is being extended from the existing 5 years (FY 2021-22 to FY 2025-26) to 6 years (FY 2021-22 to FY 2026-27). Companies approved under the PLI Scheme shall be allowed to choose a period of 5 consecutive years i.e. (i) FY2021-22 to FY2025-26, or (ii) FY2022-23 to FY2026-27, to achieve the Net Incremental Sales for the incentive claim. Incentives and thresholds for Year-1 and subsequent years, as per the **Annexure 2 of the Scheme Guidelines**, will be applicable from 01.04.2021 or 01.04.2022 depending on the choice of Year-1 (FY 2021-22 or FY 2022-23). Existing PLI beneficiaries who will be opting for 5-year block starting from FY 2022-23 shall have to forego their investment made during the Financial Year 2021-22.

1.2 The existing PLI beneficiaries within their committed investment and eligible sales shall be permitted to add more products from the Specified Telecom and Networking Products with effect from 01.04.2022.

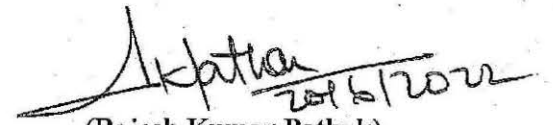
2. Inviting Application against the Balance Fund

2.1 DoT shall invite applications from eligible Design-led manufacturers compliant with Clause 2.8A of the Scheme Guidelines, and others. The existing PLI beneficiaries have the option to apply as fresh Applicant. On selection, the PLI beneficiaries who are opting to apply as fresh Applicant have to exit from the existing approval and forego their investment made during Financial Year 2021-22.

2.2 The applications received for Design-led Manufacturing compliant with Clause 2.8A of the Scheme Guidelines shall be processed first in their respective categories on the basis

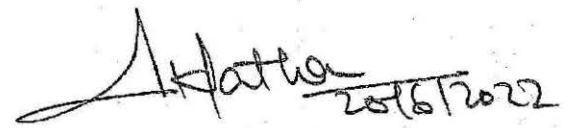
of their committed cumulative incremental investment and approved in the following priority order, to the extent of fund availability.

- 2.2.1 The eligible Applicants in MSME category will be ranked from highest to lowest on the basis of their committed cumulative incremental investment during the Scheme period and will be approved to the extent of fund availability.
- 2.2.2 The eligible Applicants in Non-MSME category will be ranked from highest to lowest on the basis of their committed cumulative incremental investment during the Scheme period. Based on the above ranking method, from the eligible Applicants in non-MSME category at least 30% Domestic companies shall be selected and granted approval to the extent of fund availability under the Scheme.
- 2.3 Thereafter, if the fund is still available in the respective categories, Applications from eligible new/existing Applicants not compliant with Clause 2.8A under PLI Scheme Guidelines, shall be processed as per Clause 2.2 above. For this purpose, applications will also be called simultaneously from the Applicants who are not compliant with Clause 2.8A.
3. These amendments shall be read along with the Scheme Guidelines incorporating the above changes wherever applicable.


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