

# PLI scheme: Enabling food processing sector's growth



# Production Linked Incentive (PLI) scheme for the food processing sector



## Overview

### Components

- Fiscal incentive to large manufacturers based on eligibility criteria
- Support to small and medium-sized enterprises (SMEs)
- Support for branding and marketing abroad

### Focus of scheme

- Creation of global food manufacturing champion
- Strengthen Indian brands of food products for global visibility and wider acceptance in the international markets
- Employment opportunities for off-farm jobs

## Coverage



### Category

- A. Incentive to entities based on eligibility criteria\*
- B. SME applicants
- C. Incentive for undertaking branding and marketing abroad



### Segments

- Ready to eat/Ready to cook (RTE/RTC)
  - Marine products
  - Processed fruits and vegetables (F&V)
  - Mozzarella cheese
- Innovative/organic products
- Food products of Indian brands

Rule to cover maximum **players of the industry**

Total incentive of **INR 10,900 crore** planned

Scheme to be implemented over **6-year period** from 2021-22 to 2026-27

Applicable only for products **manufactured** in India

\*Applicant under this category could also apply for incentive for branding and marketing undertaken abroad



## Eligibility condition

Category	Segment	Eligibility conditions	
		Minimum sales in FY 2019-20 (in crore)	Minimum investment (in crore)
<b>A</b>	RTC/RTE	500	100
	Processed F&V	250	50
	Marine	600	75
	Mozzarella cheese	150	10 Metric tonne per day (MTPD) plant- 23 crore
<b>B</b>	SMEs applicants manufacturing innovative/organic products	<ul style="list-style-type: none"> <li>• Udyog Aadhaar/Udyami Registered</li> <li>• Achieved minimum sales of INR 1 crore during 2019-20</li> <li>• Applicant shall be registered with Agricultural and Processed Food Products Export Development Authority (APEDA) for organic product</li> </ul>	
<b>C</b>	Branding and marketing abroad	<ul style="list-style-type: none"> <li>• Only Indian brands are covered for selling food products completely manufactured in India</li> </ul>	

## Incentive rate and minimum cumulative aggregate growth rate (CAGR)

Year	RTC/RTE	Processed F&V	Marine products*	Mozzarella cheese
2021-22	10%	10%	6%	10%
2022-23	10%	10%	6%	10%
2023-24	10%	10%	6%	10%
2024-25	10%	10%	6%	8%
2025-26	9%	9%	5%	6%
2026-27	8%	8%	4%	4%
<b>Minimum CAGR</b>	<b>10%</b>	<b>10%</b>	<b>5%</b>	<b>15%</b>

\*10% incentive rate for value added marine products for all six years.  
Incentive = incremental sales in approved product segment \*corresponding rate of incentive



## Key highlights

Committed investment to be made in the year 2021-22 and 2022-23. Investments already made in the year 2020-21 would also be counted for calculations of minimum and committed investment

Selection of SMEs based on:

- Nature of product
- Stage of product
- Market development
- Business plan
- Potential for scalability

Base year for calculation of incremental sale:

- 2019-20 for the first four years
- 2021-22 and 2022-23 for the fifth and sixth year, respectively

No company to get more than 25% of the total budget for the segment

No company should get less than 5% of segment outlay

Applicant shall be eligible to apply for more than one segment

The last date for submission of online application with Project Management Agency (PMA) is 17 June 2021

## Investment conditions

Eligible expenditure includes:

- New plant and machinery (P&M)
- Technical civil work
- Associated infrastructure (limited to 20% of the investment in new P&M)



Investment can be Greenfield project\* or expansion of the existing manufacturing unit



Ineligible expenditure includes:

- Land
- Second-hand P&M
- Guest house or office
- Building
- Raw materials and consumables



Certificates of Chartered Engineers (CE) required for assessment of compliance of committed investment



P&M equipment should be purchased/leased in the name of the applicant or its contract manufacturers



Investment by contract manufacturer, if 100% of the manufactured output of that contract manufacturer would be supplied to the applicant



\* Project(s) wherein investment is made by the applicant in a new production facility.

## Branding and marketing abroad

Incentive to be extended for promotion of food products of only Indian brands abroad

Activities covered:

- In-store branding
- Shelf-space renting
- Listing fee
- Electronic media
- Print media
- outdoor publicity



Ineligible expenditure:

- Trade discounts
- Expenditure incurred on distribution and
- Overseas logistic expenditure

Applicants to submit five-year plan for availing the assistance indicating brand/ food product proposed to be promoted

Branding and marketing shall be undertaken either by the applicant directly or through its subsidiary or any other agency

Financial incentive to be extended by 50% of expenditure subject to:

- 3% of sales of food products
- INR 50 crore per year, whichever is less



## Illustration: Computation of incentive

### Category 1

**Example:** A company invests INR 100 crore in additional P&M to expand its operations. Incremental sales will be a delta between eligible sales for the year of incentive claim with the base year. (E.g.: Sales of FY 2019-20 was INR 500 crore).

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Sales (A)	550	605	665.5	732.05	805.26	885.79
Base year sale (B)	500	500	500	500	550	605
Increment in sales Over base year (C = A – B)	50	105	165.5	232.05	255.26	280.79
Incentive rate (D)	10%	10%	10%	10%	9%	8%
Financial incentive from GOI (D*C)	5	10.5	16.55	23.2	22.97	22.46
<b>Cumulative incentive</b>	<b>5</b>	<b>15.5</b>	<b>32.05</b>	<b>55.25</b>	<b>78.22</b>	<b>100.68</b>

### Category 2

Particulars	Amount (INR) in crore (FY 2022)
Expenditure on branding abroad (A)	110
Grant to be provided by GOI (B)= 50% of (A)	55*
Subject to qualifying limit: 3% of turnover (assuming turnover of 500 crore) or 50 crore whichever is lower (C)	15 (3% of 500)
<b>Eligible incentive (Lower of B or C)</b>	<b>15**</b>

\*For branding & marketing abroad, GOI would provide 50% grant on the expenditure made by each company subject to limit of 3% of turnover or INR 50 crore per year, whichever is less.

\*\*Same set of methodology to be followed in subsequent years to avail incentive.

# How we can help?



## Evaluate eligibility criteria

- Minimum investment
- Minimum sales (net of taxes)
- Minimum Cumulative Aggregate Growth Rate (CAGR)



## Prepare application

Review and collate requisite documents /information/simulations/projections



## File application

Assist in filing application before the Ministry of Food Processing Industries (MoFPI)



## Reply to queries raised by government/ nodal agency

- Preparation of additional replies and queries
- Representation before government/nodal agency



## Follow-up with authorities and nodal agency

- Follow up post filing of application
- Conduct meeting



## Periodical review

Assist in periodic review of eligibility conditions under the scheme after filing the application



## Disbursement of funds

Assist in obtaining the claim on the best effort basis



# Our experts



Grant Thornton Bharat delivers the greatest value by collaborating across services to create innovative and tailored solutions to resolve clients' complex challenges.

Our sector experts span forecasting, business planning, government liasoning, etc.



**Naveen Malpani**  
Partner and Sector Leader  
E: naveen.malpani@in.gt.com  
M: +91 9892746811



**Krishan Arora**  
Partner, Tax  
E: krishan.arora@in.gt.com  
M: +91 98183 41530



**Rahul Kapur**  
Partner, Growth  
E: rahul.kapur@in.gt.com  
M: +91 9811210501



**Kunal Sood**  
Partner, Public Sector  
E: kunal.sood@in.gt.com  
M: +91 9971199600



**Karan Kakkar**  
Associate Partner, Tax  
E: karan.kakkar@in.gt.com  
M: +91 9650001762



**Sachin Sharma**  
Director, Tax  
E: sachin.sharma@in.gt.com  
M: +91 9910848085



**Karan Sharma**  
Associate Director, Public Sector  
E: karan.sharma@in.gt.com  
M: +91 9999000594



# Contact us

## NEW DELHI

National Office, Outer Circle,  
L 41, Connaught Circus,  
New Delhi - 110001  
T +91 11 4278 7070

## NEW DELHI

6th Floor, Worldmark 2,  
Aerocity,  
New Delhi - 110037  
T +91 11 4952 7400

## AHMEDABAD

7th Floor,  
Heritage Chambers,  
Nr. Azad Society,  
Nehru Nagar,  
Ahmedabad - 380015

## BENGALURU

5th Floor, 65/2, Block A,  
Bagmane Tridib,  
Bagmane Tech Park,  
CV Raman Nagar,  
Bengaluru - 560093  
T +91 804 243 0700

## CHANDIGARH

B-406A, 4th Floor,  
L&T Elante Office Building,  
Industrial Area Phase I,  
Chandigarh - 160002  
T +91 172 433 8000

## CHENNAI

9th floor, A wing, Prestige Polygon,  
471 Anna Salai,  
Mylapore Division,  
Teynampet,  
Chennai - 600035  
T +91 44 4294 0000

## DEHRADUN

Suite No 2211, 2nd Floor,  
Building 2000, Michigan Avenue,  
Doon Express Business Park,  
Subhash Nagar,  
Dehradun - 248002  
T +91 135 264 6500

## GURGAON

21st Floor, DLF Square,  
Jacaranda Marg,  
DLF Phase II,  
Gurgaon - 122002  
T +91 124 462 8000

## HYDERABAD

7th Floor, Block III,  
White House,  
Kundan Bagh,  
Begumpet,  
Hyderabad - 500016  
T +91 40 6630 8200

## KOCHI

6th Floor, Modayil Centre Point,  
Warriam Road Junction, MG Road  
Kochi - 682016  
T +91 484 406 4541

## KOLKATA

10C Hungerford Street,  
5th Floor,  
Kolkata - 700017  
T +91 33 4050 8000

## MUMBAI

11th Floor, Tower II,  
One International Center,  
SB Marg Prabhadevi (W),  
Mumbai - 400013  
T +91 22 6626 2600

## MUMBAI

Kaledonia, 1st Floor, C Wing,  
(Opposite J&J Office),  
Sahar Road,  
Andheri East,  
Mumbai - 400069

## NOIDA

Plot No 19A, 2nd Floor,  
Sector - 16A,  
Noida - 201301  
T +91 120 485 5900

## PUNE

3rd Floor, Unit No 309-312,  
West Wing, Nyati Unitree,  
Nagar Road, Yerwada  
Pune - 411006  
T +91 20 6744 8800

For more information or for any queries, write to us at [gtbharat@in.gt.com](mailto:gtbharat@in.gt.com)



Follow us @GrantThorntonIN

© 2021 Grant Thornton Bharat LLP. All rights reserved.

"Grant Thornton Bharat" means Grant Thornton Advisory Private Limited, the sole member firm of Grant Thornton International Limited (UK) in India, and those legal entities which are its related parties as defined by the Companies Act, 2013, including Grant Thornton Bharat LLP.

Grant Thornton Bharat LLP, formerly Grant Thornton India LLP, is registered with limited liability with identity number AAA-7677 and has its registered office at L-41 Connaught Circus, New Delhi, 110001.

References to Grant Thornton are to Grant Thornton International Ltd. (Grant Thornton International) or its member firms. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.