

INCENTIVE FOR DRONE INDUSTRY – AIM TO SOAR TO NEW HEIGHTS

To boost the Atmanirbhar Bharat campaign which was initiated by our Government with a vision to place India as a significant player in the global market through self-created opportunities, the Ministry of Civil Aviation (MoCA) has recently approved Production-Linked Incentive (PLI) scheme for drone and drone components.

The PLI scheme was originally introduced with an aim to enhance India's manufacturing capabilities, generate more employment opportunities, reduce country's reliance on imports and boost exports. So far, the PLI scheme has been introduced for 14 key sectors which includes aviation, automobile components, electronics technology products, telecom, pharmaceuticals, textile products, white goods, renewable energy among others.

The functional use of this emerging techno product is being explored in various sectors of the economy like defence, healthcare, agriculture, logistic & transportation and sports. The rise in India's drone industry will contribute towards technological advancement and marking its presence in the global market. The Drone Rules, a welcome regulatory breakthrough, envisages on:

- Government's intent to allow the use of drones while at the same time ensuring security
- Improve the ease of doing business in the sector by reducing the number of clearances and compliance requirements for registration
- Aim to make India a drone hub by 2030

This much awaited PLI scheme is the outcome of liberalised Drone Rules, 2021 released by the Central Government in the year 2021. This Scheme will be of great financial support to start-up and small-scale entrepreneurs which is growing at a faster pace in the era of Make in India.

Only companies registered in India are eligible to take the benefit under this PLI scheme for manufacturing of drone, drone components which are exclusively used for manufacturing of drones and developers of drone-related software. This Scheme will be implemented through Project Management Agency (PMA) which will be responsible for secretarial, management and implementation support for the same. A committee chaired by the Civil Aviation Secretary will consider the applications as recommended by the PMA.

Salient features of the Scheme are as follows:

- Total financial outlay for 3 years (starting from F.Y. 2021-22) under the PLI scheme is of ₹ 120 crores and the total PLI per manufacturer is capped at ₹ 30 crores.
- Eligibility norm for MSME companies and start-ups in terms of annual sales turnover has been kept at a nominal level of ₹ 2 crores (for drones) and ₹ 50 lakhs (for drone components) and for non-MSME companies ₹ 4 crores (for drones) and ₹ 1 crore (for drone components) respectively.
- Minimum value addition is specified at 40% of net sales for claiming incentive under the Scheme. The manufacturers who fail to meet the value addition threshold in particular financial year will be allowed to claim the lost incentive in the subsequent year if they make up the shortfall in subsequent financial year.

- The incentive for an approved applicant shall be computed at 20% of the eligible value additions in India for all 3 years. This is favourable treatment given to the drone industry
 - (a) PLI rate is the highest among other PLI scheme and (b) for other sectors the PLI rate reduces every year whereas in case of drone it remains constant throughout the 3 years.
- Excess incentive paid to any applicant (due to any reason like sales return in the subsequent year or some other reason) will be adjusted in the incentives payable in the next years or refunded to Government along with interest.

The Companies need to ensure that proper cost records are maintained to derive the eligible value addition on which PLI benefits will have to be computed. Further, as per the requirement, the application for claiming the PLI benefits has to be filed along with the certificate from the Statutory Auditor of the Company.

To sum up, India is witnessing unsurpassed surge in technological innovations and manufacturing potential for drones and its components. The Government is also taking several steps, focusing and bringing reforms to ensure that the goal set out for making India self-reliant, is achieved in all senses. The PLI scheme introduced for drone and its components will pave the path for Indian manufacturers to enter technologically evolving territory and unveil the potential to make India a global drone hub by 2030.

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