



INCENTIVE SCHEMES FOR PROMOTION OF MOBILE PHONES AND SPECIFIED COMPONENTS MANUFACTURING

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UTTAR PRADESH

ELECTRONICS MANUFACTURING POLICY 2017

Objectives of Uttar Pradesh Electronics Manufacturing Policy 2017

- ▶ Establishment of Electronic Manufacturing Clusters/ESDM parks in the state
- ▶ To attract investment in Electronics Manufacturing sector in the state
- ▶ To focus on the establishment of FAB unit in the state
- ▶ Establishment of ESDM parks for Domestic / Foreign investors in the state
- ▶ To promote and develop employment opportunities within the state
- ▶ Augmentation of Gross State Domestic product (GSDP) of Uttar Pradesh

Incentives under the scheme

▶ Capital Subsidy

- ▶ A Capital Subsidy of 15% on fixed capital other than land subject to maximum of INR 5 crore shall be provided.
- ▶ The upper limit of Capital subsidy may be relaxed up to max. of INR 150 Cr. on case to case basis for investment more than INR 200 crore.
- ▶ This Subsidy shall be given only to the ESDM companies and admissible on the capital evaluated by Financial Institutions / Banks or by the committee constituted through the State Government or by the capital evaluated by the financial consultants as required.

▶ Interest Subsidy

- ▶ An interest subsidy of 5% per annum for a period of 7 years on the rate of interest paid on the loans obtained from Scheduled Banks/ Financial Institutions shall be reimbursed subject to a maximum of Rs. 1 crore per annum per unit.

Incentives under the scheme

▶ Stamp Duty

- ▶ 100% exemption of stamp duty on purchase/lease of land for the establishment of individual ESDM units under EMZ

▶ Incentives for filing patents

- ▶ To encourage research and development, Reimbursement of up to 100% of actual filing costs on awarded patents subject to a maximum of INR 500,000 for domestic and INR 10,00,000 for international patents.

▶ GST Reimbursement

- ▶ 100% State GST reimbursement subject to a maximum of 100% of fixed capital investment other than land (such as building, plant, machinery, testing equipment etc.) for a period of 10 years.

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CENTRAL GOVERNMENT

NATIONAL POLICY ON ELECTRONICS 2019

Objectives

- ▶ Promote domestic manufacturing and export in the entire value-chain of ESDM for economic development to achieve a turnover of USD 400 billion (approximately INR 26,00,000 crore) by 2025. Improve ease-of-doing Business for the ESDM industry.
- ▶ Encourage industry-led R&D and innovation in all sub-sectors of electronics.
- ▶ Promote and create a framework for comprehensive Start-up ecosystem in emerging technology areas such as 5G, IoT, Artificial Intelligence, Machine Learning, Drones, Robotics, Additive Manufacturing, Photonics, Nano-based devices etc., and their applications in areas such as defence, agriculture, health, cyber security, smart cities and automation, with special focus on solving real-life problems.
- ▶ Provide incentives and support for significantly enhancing availability of skilled manpower, including re-skilling, in the ESDM sector.
- ▶ Provide fiscal incentives and support for export-led growth, including significantly enhancing economies of scale in electronics manufacturing.

Strategy

- ▶ Encourage domestic manufacturing of electronic products and their inputs (parts, subassemblies and components) for significantly increasing value addition by building a comprehensive ecosystem, covering the entire supply chain, through suitable incentive mechanisms and fiscal interventions, including phased manufacturing programmes, and removal of anomalies.
- ▶ Devise suitable methods for promotion of manufacturing of electronic goods covered under the Information Technology Agreement (ITA-1) of WTO.
- ▶ Provide suitable tax benefits for the ESDM sector.
- ▶ Formulate suitable schemes and incentive mechanisms to encourage new units and expansion of existing units in electronics manufacturing sector.
- ▶ Exploring the possibility of leveraging Defence Offsets, in consultation with the Department of Defence Production (DDP), for development of electronic components manufacturing.

Strategy

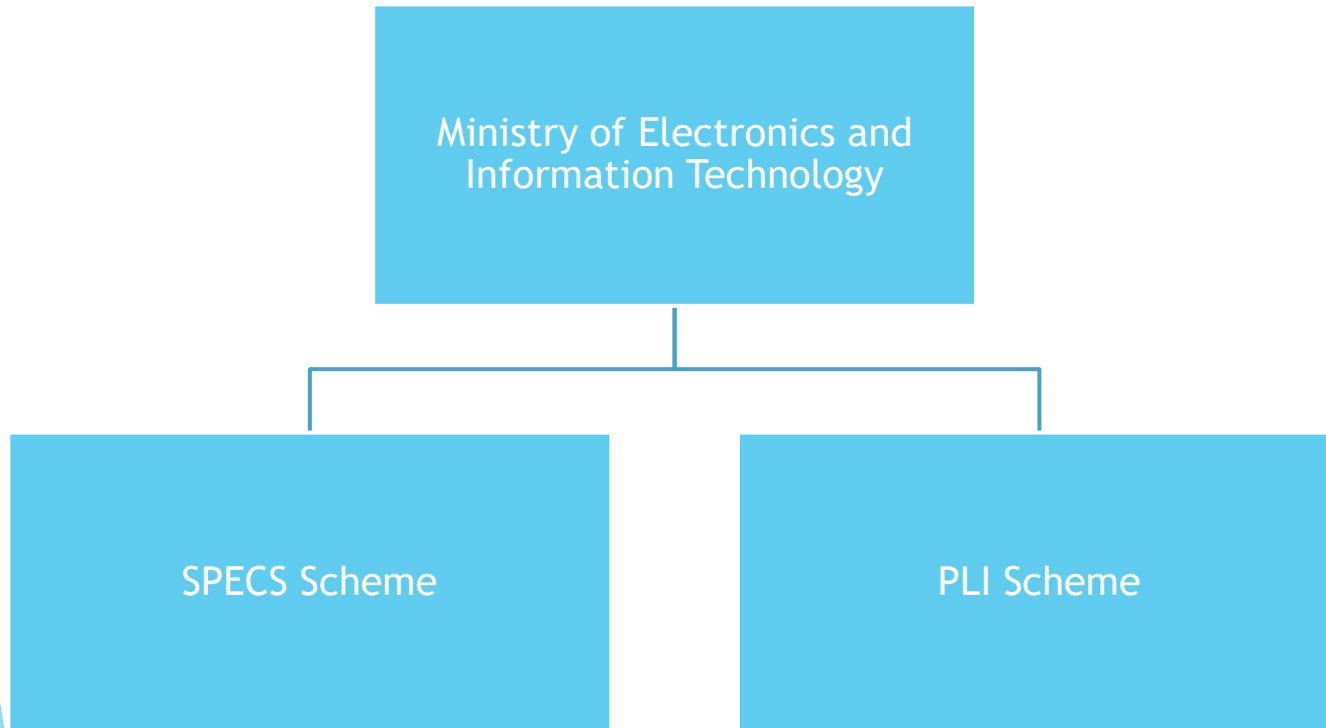
- ▶ Provide support for infrastructure development through formulation of a new scheme or suitable modifications in the existing Electronics Manufacturing Clusters (EMC) scheme, for supporting both Greenfield and Brownfield manufacturing clusters. This shall include leveraging the existing/ upcoming industrial clusters/ manufacturing zones/ corridors in the country, with provision for ready-built factories, for attracting investment in complete value chain of identified verticals.
- ▶ Exempt the import duty on identified capital equipment, not being manufactured in the country, to reduce capital expenditure for setting up of new units/ expansion of existing electronics manufacturing units.
- ▶ Promote a forward looking and stable tax regime, including advance intimation to the industry to plan their investments in the form of Phased Manufacturing Programme (PMP) in various segments of electronics, with a sunset clause.
- ▶ Develop manufacturing capacities for high performance computing.
- ▶ Provide support for Micro, Small and Medium Enterprises (MSME) in ESDM sector.
- ▶ Provide a framework for supplying electronic units/ systems for National Critical Infrastructure from domestic industry with indigenous technology.

CENTRAL GOVERNMENT

SCHEMES ANNOUNCED ON APRIL 01, 2020

Schemes announced on April 01, 2020

In furtherance of the National Policy of Electronics 2019 which has been detailed in the preceding sections, The Ministry of Electronics and Information Technology launched two schemes on April 01, 2020, viz., Scheme for Promotion of manufacturing of Electronic Components and Semiconductors (“SPECS Scheme”) and Production Linked Incentive Scheme (“PLI Scheme”) for Large Scale Manufacturing. The summary information on both is given in succeeding slides.



SPECS Scheme

▶ Background of the Scheme

- ▶ The Government attaches high priority to electronics hardware manufacturing as it is one of the important pillars of both “Make in India” and “Digital India” programmes of Government of India. Electronics manufacturing industry in India presently faces disability of the order of the order of 8 - 10% compared to competing economies in different segments of electronics manufacturing as well as different stages of the value chain.
- ▶ Development of supply chain is essential for the manufacturing of electronic products with higher domestic value addition. The vision of National Policy on Electronics 2019 (NPE 2019) notified on 25.02.2019 is to position India as a global hub for Electronics System Design and Manufacturing (ESDM)

SPECS Scheme

▶ Background of the Scheme

- ▶ The main impediments in the way of attracting investments for manufacturing of electronic components/semiconductors include import at “Nil” Basic Customs Duty (BCD) as most of the electronic components/semiconductors are covered under the Information Technology Agreement (ITA-1) of WTO; high cost of capital to setup global scale capacities to be competitive; inadequate infrastructure; lack of availability of adequate, reliable and quality power as well as water supply at competitive rates; lack of supply chain; high logistics costs; lack of technology etc.
- ▶ The Modified Special Incentive Package Scheme (M-SIPS) was designed as a scheme to provide financial incentives to help to offset the disability and high upfront cost and thereby attract investments in the electronics manufacturing sector. This scheme was open to receive applications till 31.12.2018 for new projects as well as expansion projects. The scheme provided subsidy for investments in capital expenditure for setting up electronics manufacturing facilities (20% for units set up in SEZs units and 25% for non-SEZ units). M-SIPS has played an important role in promoting investments in electronics manufacturing in India

SPECS Scheme

▶ Objective of the Scheme

- ▶ The scheme will help offset the disability for domestic manufacturing of components and semiconductors in order to strengthen the electronics manufacturing ecosystem in the country

▶ Fiscal Incentive under the Scheme

- ▶ It is proposed to offer financial incentive of 25% of capital expenditure for the manufacturing of goods as per list annexed that constitute the supply chain of an electronic product under the Scheme for Promotion of manufacturing of Electronic Components and Semiconductors (SPECS).

▶ Eligibility

- ▶ The SPECS will be applicable to investments in new units as well as expansion of capacity/ modernization and diversification of existing units

SPECS Scheme

- ▶ **Clash with State Government Incentives**
 - ▶ **Clause 7.3 of the Scheme clearly specifies that the incentives, if any, offered by the State Government or any of its agencies or local bodies shall be over and above the incentive eligible under the proposed scheme.**
- ▶ **Tenure**
 - ▶ The SPECS will be open for applications initially for 3 years from the date of its notification. The applications received under the scheme will be appraised on an ongoing basis and implementation will continue as per the approval accorded under the scheme.
 - ▶ Accordingly, the scheme is valid for applications till March 31, 2023

SPECS Scheme

▶ Approval and Disbursement Process

- ▶ Application under the scheme can be made by any entity registered in India.
- ▶ Each and every application will be treated as new investment and will be treated as an independent application. The application shall be only for single phase projects and phase-wise applications will not be considered under the Scheme. There is no restriction on any applicant from making multiple applications and/ or for multiple
- ▶ An initial application completed in all respects and submitted before the due date of the scheme will be appraised on an ongoing basis and considered for approval
- ▶ Incentive under the scheme will be applicable from the date of acknowledgment of the application. Acknowledgment will be issued after initial scrutiny of the application. The acknowledgement of the application shall not be construed as approval under SPECS.

SPECS Scheme

► List of Goods with Minimum Investment Threshold Limit of INR 5 Crore

| S.No | Description of Goods |
|------|--|
| 1 | SMT components including LED Chips |
| 2 | Chip Modules for Smart Cards, RFID Antenna & Labels, CoB/ System in Package |
| 3 | Passive components including resistors, capacitors, ferrites, etc. for electronic applications |
| 4 | Electromechanical components including transformers, inductors, coils, relays, switches, micro motors, stepper motors, BLDC Motors, Connectors, Heat Sinks, Antenna, Speakers, Microphones, etc. for electronic applications |
| 5 | Magnetrons, Wave guides, Circulators, Couplers, Isolators, Filters, Magnets, RF Components for electronic applications |
| 6 | Printed Circuit Boards (PCBs), PCB Laminates, Prepegs, Photopolymer films, PCB Printing Inks; Printed Flexible Electronics |
| 7 | Sensors, Transducers, Actuators and Crystals for electronic applications |
| 8 | Camera Modules, Vibrator motor/ ringer |
| 9 | USB/Data Cables, HDMI Cables |
| 10 | Capital goods for all the goods covered under SPECS |

SPECS Scheme

- ▶ **List of Goods with Minimum Investment Threshold Limit of INR 15 Crore**

| S.No | Description of Goods |
|------|--|
| 1 | Active Components: a. Discrete semiconductor devices including transistors, diodes, etc. b. Power semiconductors including FETs, MOSFETs, Thyristors, etc. |
| 2 | Preform of Silica and Optical Fiber |
| 3 | Display Assembly and Touch Panel/ Cover Glass Assembly |

- ▶ **List of Goods with Minimum Investment Threshold Limit of INR 25 Crore**

| S.No | Description of Goods |
|------|---|
| 1 | Micro/Nano-electronic components such as Micro Electro Mechanical Systems (MEMS) and Nano Electro Mechanical Systems (NEMS) |
| 2 | Assembly, Testing, Marking and Packaging (ATMP) units |

SPECS Scheme

- ▶ **List of Goods with Minimum Investment Threshold Limit of INR 75 Crore**

| S.No | Description of Goods |
|------|---|
| 1 | Mechanics (plastic and metal parts) for electronic applications |

- ▶ **List of Goods with Minimum Investment Threshold Limit of INR 250 Crore**

| S.No | Description of Goods |
|------|--|
| 1 | Compound Semiconductors such as GaN, SiC, GaAs, etc. and Silicon Photonics devices/ Integrated Circuits, Optoelectronic components |

- ▶ **List of Goods with Minimum Investment Threshold Limit of INR 500 Crore**

| S.No | Description of Goods |
|------|----------------------|
| 1 | Semiconductor Wafers |

SPECS Scheme

- ▶ List of Goods with Minimum Investment Threshold Limit of INR 1000 Crore

| S.No | Description of Goods |
|------|---|
| 1 | Semiconductor Integrated Chips (ICs) including Logic [Microprocessor, Microcontrollers, Digital Signal Processors (DSP), Application Specific Integrated Circuits (ASICs), etc.]; Memory; Analog/Mixed Signal ICs, etc. |
| 2 | Display fabrication units including Liquid Crystal Displays (LCD), Light Emitting Diode (LED), Organic Light Emitting Diode (OLED), etc. for electronic applications |

PLI Scheme

▶ Background of the Scheme

- ▶ Electronics permeate all sectors of the economy and the electronics industry has cross-cutting economic and strategic importance. In India, electronics manufacturing has grown rapidly with a CAGR of around 25% during the last 4 years. However, this pales in comparison to the actual potential for growth which is curtailed by specific constraints such as large capital investments and rapid changes in technology. The Government has been actively working to create a conducive environment for manufacturing and to offer incentives comparable with those offered in other countries to attract large investments into the manufacturing sector.
- ▶ The electronics hardware manufacturing sector faces the lack of a level playing field vis-à-vis competing nations. As per industry estimate (ICEA and ELCINA), electronics manufacturing sector suffers from a disability of around 8.5% to 11% on account of lack of adequate infrastructure, domestic supply chain and logistics; high cost of finance; inadequate availability of quality power; limited design capabilities and focus on R&D by the industry; and inadequacies in skill development.

PLI Scheme

▶ Objective of the Scheme

- ▶ The Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing proposes a financial incentive to boost domestic manufacturing and attract large investments in the electronics value chain including electronic components and semiconductor packaging

▶ Quantum of the Incentive

- ▶ The Scheme shall extend an incentive of 4% to 6% on incremental sales (over base year) of goods manufactured in India and covered under target segments, to eligible companies, for a period of five (5) years subsequent to the base year as defined in Para 7. The amount of incentive per company shall also be subject to the ceilings as decided by the Empowered Committee.

▶ Target Segments

- ▶ The Scheme shall only be applicable for target segments namely mobile phones and specified electronic components as detailed in *Annexure B of the Scheme the contents of which are placed in later slides.*

PLI Scheme

▶ Eligibility

- ▶ Support under the Scheme shall be provided only to **companies engaged in manufacturing of target segments in India**. This shall include contract manufacturers as defined in the FDI Policy Circular of 2017.
- ▶ Each application shall be limited to one (1) of the target segments.
- ▶ Eligibility shall be subject to thresholds of incremental investment and incremental sales of manufactured goods (as distinct from traded goods). An applicant must meet all the threshold conditions to be eligible for disbursement of incentive. Eligibility threshold criteria are detailed in *Annexure A of the said Scheme the contents of which are placed in later slides*.
- ▶ Eligibility under Production Linked Incentive scheme shall not affect eligibility under any other Scheme and vice-versa.

PLI Scheme

▶ Tenure of the Scheme

- ▶ Support under the Scheme shall be provided for a **period of five (5) years subsequent to the base year as defined below.**
- ▶ The Scheme shall be open for applications for a period of 4 months initially which may be extended.
- ▶ The Scheme may also be reopened for applications anytime during its tenure based on response from the industry
- ▶ For applications received post the initial application period, applicants shall only be eligible for incentives for the remainder of the Scheme's tenure

▶ Base Year

- ▶ **Financial Year 2019-20 shall be treated as the base year for computation of incremental investment and incremental sales of manufactured goods (as distinct from traded goods).**

PLI Scheme

▶ Basis of Computation

- ▶ Assessment of incremental investment and sales of manufactured goods shall be based on details furnished to the Departments / Ministries / Agencies and Statutory Auditor certificates
- ▶ Functional Guidelines will be issued by Ministry of Electronics and Information Technology in consultation with concerned Departments / Ministries.

▶ Base Year

- ▶ Application under the Scheme can be made by any company registered in India
- ▶ An initial application, complete in all aspects, will have to be submitted before the due date. Acknowledgement will be issued after initial scrutiny of the application. The acknowledgement shall not be construed as approval under PLI Scheme.
- ▶ Incentives under the Scheme will be applicable from 01.08.2020

PLI Scheme

- ▶ List of specified electronic components covered under PLI Scheme

| S.No | Description of Goods |
|------|---|
| 1 | SMT components |
| 2 | Discrete semiconductor devices including transistors, diodes, thyristors, etc. |
| 3 | Passive components including resistors, capacitors, etc. for electronic applications |
| 4 | Printed Circuit Boards (PCB), PCB laminates, prepregs, photopolymer films, PCB printing inks |
| 5 | Sensors, transducers, actuators, crystals for electronic applications |
| 6 | System in Package (SIP) |
| 7 | Micro / Nano-electronic components such as Micro Electromechanical Systems (MEMS) and Nano Electromechanical Systems (NEMS) |
| 8 | Assembly, Testing, Marking and Packaging (ATMP) units |

PLI Scheme

► Eligibility threshold criteria for Mobile Phone Manufacturing by FDI Companies

| Segment | Proposed Incentive Rate | Incremental Investment over Base Year | Incremental Sales of Manufactured Goods over Base Year |
|--------------------------------|--|---|--|
| Mobile Phones by FDI Companies | Year 1: 6% Year 2: 6% Year 3: 5% Year 4: 5% Year 5: 4% | INR 1,000 Crore over 4 Years Cumulative Minimum (Crore): Year 1: 250 Year 2: 500 Year 3: 750 Year 4: 1,000 | Year 1: INR 4,000 Crore Year 2: INR 8,000 Crore Year 3: INR 15,000 Crore Year 4: INR 20,000 Crore Year 5: INR 25,000 Crore |

Note: For disbursement of incentive, incremental sales of only those mobile phones will be considered whose invoice value is above INR 15,000

PLI Scheme

► Eligibility threshold criteria for Mobile Phone Manufacturing by FDI Companies

| Segment | Proposed Incentive Rate | Incremental Investment over Base Year | Incremental Sales of Manufactured Goods over Base Year |
|---|-------------------------|--|---|
| Mobile Phone by Domestic Companies* | To be between 4-6% | INR 200 Crore over 4 Years Cumulative Minimum (Crore): Year 1: 50 Year 2: 100 Year 3: 150 Year 4: 200 | Year 1: INR 500 Crore Year 2: INR 1,000 Crore Year 3: INR 2,000 Crore Year 4: INR 3,500 Crore Year 5: INR 5,000 Crore |
| Specified Electronic Components as detailed in preceding slides | | INR 100 Crore over 4 Years Cumulative Minimum (Crore): Year 1: 25 Year 2: 50 Year 3: 75 Year 4: 100 | Year 1: INR 100 Crore Year 2: INR 200 Crore Year 3: INR 300 Crore Year 4: INR 450 Crore Year 5: INR 600 Crore |

Note: Domestic Companies shall be defined as those which are owned by resident Indian citizens as defined in the FDI Policy Circular of 2017. A company is considered as 'Owned' by resident Indian citizens if more than 50% of the capital in it is beneficially owned by resident Indian citizens and/or Indian companies, which are ultimately owned and controlled by resident Indian citizens.