

M-SIPS

Modified – Special Incentive Package Scheme

for
Electronic System Design & Manufacturing (ESDM)

CHALLENGES FACING INDIAN ELECTRONICS INDUSTRY

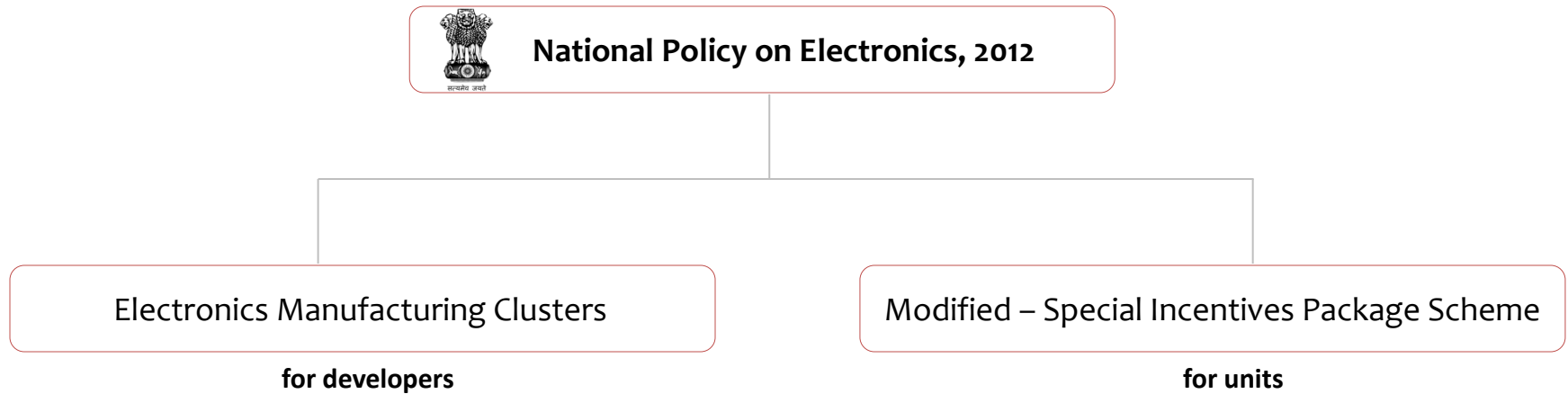
Major impediments in attracting investments for **manufacture of semiconductors, components and electronic products** are

- High cost of power and finance
- High transactional costs
19-22% in India vs. 2-3% in developed economies
- Poor base of supply chain (components & accessories)
- Complex administrative processes
- Infrastructural deficiencies

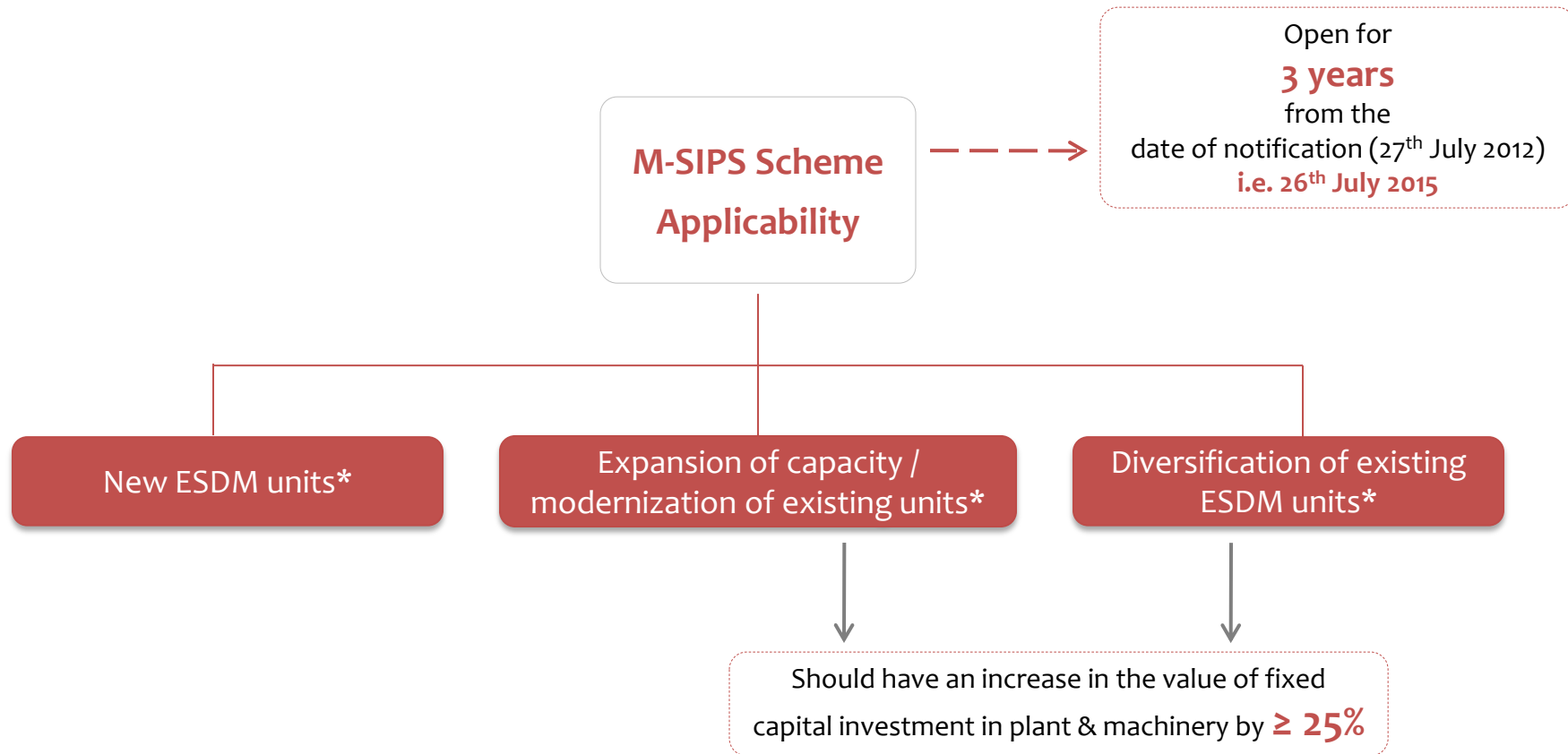
In view of these,
Govt. has decided to offer a package of incentives
to attract investments into ESDM* sector within EMCs* as a means to minimizing disabilities
Modified Special Incentive Package Scheme (M-SIPS)

ESDM : Electronics System Design and manufacturing

EMC : Electronics Manufacturing Cluster



M-SIPS APPLICABILITY



*Applicable to **29 categories** of ESDM Products (details in subsequent slides)

M-SIPS INCENTIVES

M-SIPS Incentives



Will be available for investment made within **10 years** of approval of new unit/expansion /diversification

Incentives & Reimbursements shall be released at end of financial year

Incentives offered by State Govt. / agencies/ local bodies will be over and above this

Subsidy for investments in CAPEX* - **20%** in SEZs and **25%** in non-SEZs

Reimbursement of CVD/excise for capital equipment for non-SEZ units

Reimbursement of central taxes and duties for high technology and high capital investment units (like fabs)

TOTAL CAPEX
Land + Buildings + Plant & Machinery + Utility machines + Technology incl. R&D + Captive Power plant (if setup)
(Land Cost > 2% of Capex shall not be considered for calculation of incentives)

Customs Duty, Service Tax, Excise Duty

Incentives under the Scheme are only available to units within notified Electronic Manufacturing Clusters

INITIAL APPLICATION

Definition: an application submitted by an applicant in the Initial Application Form prescribed under the Scheme containing requisite information, along with supporting documents along with application fee, and documents showing **Financial Closure of an amount not less than the threshold value as applicable for the project and also not less than 20% of the complete project**

Project Proposed in an Initial Application

- 1 Shall be for investment in manufacture of products included in the verticals of ESDM listed under the scheme
- 2 May be implemented in one or more phases

Single Phase – **Financial Closure** for the investment required for the **complete project** shall be furnished along with the Initial Application

more than One Phase – **Financial Closure** for at least the **first phase** of the project shall be furnished along with the Initial Application

– **Financial Closure** for **subsequent phases** shall be furnished along with **Follow up Applications**

Necessary justification to be provided, for projects proposed in multiple phases

An applicant may submit a **maximum of 4 Follow-up applications** in addition to the Initial application under the scheme.

A project proposed under the Scheme may include **multiple manufacturing facilities at one or more locations.**

The applicable threshold value for the project would be as per the limits prescribed (details in subsequent slides) **with time to time review**

Project proposed under the Scheme may include **one or more electronic products in a single Initial Application.**

Applicant may **submit one or more than one Initial Applications** under the Scheme

For every US\$ 100 million as Capex

Subsidy on investment in Capex; **25%**

US\$ 25 million

Assuming plant & machinery is 75 % of capex
US\$ 75 million

Note: Reimbursement of CVD / Excise duty for Capital equipment; **12 %**

US\$ 9 million

Total Savings

US\$ 34 million

M-SIPS

In addition EMC will provide

- Common Facilities at subsidized rate on pay-per-use basis
- High Quality Physical Infrastructure without extra cost

NOTE: Enabled by grant provided to developers under EMC Scheme

EMC

LIST OF ELIGIBLE CATEGORIES OF ESDM PRODUCTS

Electronic Products including Nano-Electronics Products and Telecom Products

- 1 Telecom Products
- 2 IT Hardware products *including computers (tablets, desktops), servers, peripherals like printers, faxes, storage devices, monitors, etc.*
- 3 Consumer Electronics *like TVs, Digital Cameras, Camcorders, etc.*
- 4 Health & Medical Electronics
- 5 Strategic Electronics
- 6 Solar Photovoltaics *including thin film, polysilicon, etc.*
- 7 Light Emitting Diodes (LED)
- 8 Liquid Crystal Displays (LCD)
- 9 Avionics

LIST OF ELIGIBLE CATEGORIES OF ESDM PRODUCTS

Electronic Products including Nano-Electronics Products and Telecom Products

- | | |
|----|--|
| 10 | Industrial Electronic products <i>including measuring & control equipment, energy meters, etc.</i> |
| 11 | Nano-Electronic Products |
| 12 | e-waste processing / recycling |
| 13 | Automotive Electronics <i>like Anti-lock braking system, Electronic Brake Distribution, Traction Control, etc.</i> |
| 14 | Agri-electronics |
| 15 | Energy Conservation Electronics |
| 16 | Opto-electronics |
| 17 | Bio-metric and identity devices / RFID |
| 18 | Power Supplies for ESDM products |

LIST OF ELIGIBLE CATEGORIES OF ESDM PRODUCTS

Intermediates

- | | |
|----|---|
| 19 | Nano-electronics components |
| 20 | Semiconductor Wafering |
| 21 | Semiconductor Chips <i>including logic, memory and analog</i> |
| 22 | All Assembly, Testing, Marking & Packaging of ESDM units |
| 23 | Chip Components |
| 24 | Discrete Semiconductors <i>like transistors, diodes</i> |
| 25 | Power semiconductors (including diffusion) <i>like FETs, MOSFETs, SCRs, GTDs, IGBT, etc.</i> |
| 26 | Electromechanical Components and Mechanical Parts <i>such as Multilayer PCBs, Transformers, Coils, Connectors, Switches, Ferrites, Micro Motors, Stepper Motors, Films, etc.</i> |
| 27 | Consumables and Accessories <i>such as mobile phones & IT accessories – batteries, chargers, PCBs, foils, tapes, epoxy, cabinets, etc.</i> |
| 28 | All Fabrication Manufacturing facilities (fabs) for ESDM products |
| | Electronics Manufacturing Services |
| 29 | <i>units engaged in providing services related to manufacture of sub-assemblies and parts including integration services to the OEMs. It shall not encompass production of final products under their own brand name.</i> |

INVESTMENT THRESHOLDS & FINANCIAL INCENTIVES

S.No	Type	Investment Threshold (Rs. Cr.)			Financial Incentives	
		Fab	ATMP*	Mfg.	SEZ	Non-SEZ
1	Electronic Products including Nano-electronic and Telecom Products	-	-	10	20% of Capex	25% of Capex + Reimbursement of Excise / CVD on capital equipment
2	Intermediates					
2.1	Nano Electronic Components	-	-	200	20% of Capex	25% of Capex + Reimbursement of Excise / CVD on capital equipment
2.2	Semiconductor Wafering	-	-	1000	20% of Capex + Reimbursement of Central Taxes & Duties	25% of Capex + Reimbursement of Excise / CVD on capital equip. as well as Central Taxes & Duties
2.3	Semiconductor Chips					
a)	<i>Logic – Microprocessors, Microcontrollers, DSP & ASICS</i>	2000	500	N/A	20% of Capex + Reimbursement of Central Taxes & Duties	25% of Capex + Reimbursement of Excise / CVD on capital equip. as well as Central Taxes & Duties
b)	<i>Memory</i>	5000	400	N/A	20% of Capex + Reimbursement of Central Taxes & Duties	25% of Capex + Reimbursement of Excise / CVD on capital equip. as well as Central Taxes & Duties

INVESTMENT THRESHOLDS & FINANCIAL INCENTIVES

S.No	Type	Investment Threshold (Rs. Cr.)			Financial Incentives	
		Fab	ATMP	Mfg.	SEZ	Non-SEZ
2.4	Chip Components, Discrete Semiconductors & Power Semiconductors					
a)	<i>Chip Components</i>	200	75	N/A	20% of Capex	25% of Capex + Re-imburement of Excise / CVD on capital equipment
b)	<i>Discrete Semiconductors like transistors, diodes</i>	25	10	N/A	20% of Capex	25% of Capex + Re-imburement of Excise / CVD on capital equipment
c)	<i>Power Semiconductors (including diffusion)</i>	100	50	N/A	20% of Capex	25% of Capex + Re-imburement of Excise / CVD on capital equipment
2.5	Solar Photovoltaics (SPV)					
a)	<i>Polysilicon technology</i>					
i)	<i>Polysilicon</i>	650	N/A	N/A	20% of Capex	25% of Capex + Re-imburement of Excise / CVD on capital equipment
ii)	<i>Ingots and/or wafers</i>	400	N/A	N/A	20% of Capex	Same as above
iii)	<i>Cells or Cells & Modules</i>	100	N/A	N/A	20% of Capex	Same as above

INVESTMENT THRESHOLDS & FINANCIAL INCENTIVES

S.No	Type	Investment Threshold (Rs. Cr.)			Financial Incentives	
		Fab	ATMP	Mfg.	SEZ	Non-SEZ
2.6	Solar Photovoltaics (SPV)					
b)	<i>Thin film technology</i>					
i)	Cells or Cells & Modules	100	N/A	N/A	20% of Capex	25% of Capex + Re-imbursalment of Excise / CVD on capital equipment
2.7	LED	250	50	N/A	20% of Capex	25% of Capex + Re-imbursalment of Excise / CVD on capital equipment
2.8	LCD					
a)	<i>LCD Fabrication</i>	4000	250	N/A	20% of Capex	25% of Capex + Re-imbursalment of Excise / CVD on capital equip. as well as Central Taxes & Duties
b)	<i>LCD Glass Substrate</i>	250	100	N/A	20% of Capex	25% of Capex + Re-imbursalment of Excise / CVD on capital equipment

INVESTMENT THRESHOLDS & FINANCIAL INCENTIVES

S.No	Type	Investment Threshold (Rs. Cr.)			Financial Incentives	
		Fab	ATMP	Mfg.	SEZ	Non-SEZ
2.8	Passive Components, Electro-Mechanical Components, Mechanical Parts and Consumables & Accessories					
a)	<i>Passive Components</i>	N/A	N/A	5	20% of Capex	25% of Capex + Re-imburement of Excise / CVD on capital equipment
b)	<i>Electro-Mechanical Components & Mechanical Parts</i>	N/A	N/A	5	20% of Capex	25% of Capex + Re-imburement of Excise / CVD on capital equipment
c)	<i>Consumables & Accessories</i>	N/A	N/A	1	20% of Capex	25% of Capex + Re-imburement of Excise / CVD on capital equipment
3	Electronic Manufacturing Services (EMS)	N/A	N/A	100	20% of Capex	25% of Capex + Re-imburement of Excise / CVD on capital equipment

Thank You

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