



ELECTRONICS PROMOTION SCHEME

Scheme announced by The Ministry of Electronics and Information
Technology

Preface

Government of India's National Policy on Electronics (NPE 2019) was announced with a vision to position India as a global hub for Electronics System Design and Manufacturing (ESDM) by encouraging and driving capabilities in the country for developing core components, including chipsets, and creating an enabling environment for the industry to compete globally.

India's share in global electronics manufacturing has grown from 1.3% in 2012 to 3.0% in 2018. The domestic production of electronics hardware has increased substantially from INR 1,90,366 crore (~ USD 25 billion) in 2014-15 to INR 4,58,006 Crore (~ USD 61 billion) in 2018-19. The domestic demand for electronics hardware is expected to rise rapidly to approximately INR 26,00,000 crore (~ USD 347 billion) by 2025.

The Government with an objective of providing a competitive environment has launched schemes in the areas of Electronic Components and Semi-Conductors, Production Linked Incentives, Modified Electronic Manufacturing Clusters

Overview of Schemes

Scheme details

Production Linked Incentive (PLI) Scheme

Financial incentive to boost domestic manufacturing and attract large investments in the electronics value chain including Mobile phones, electronic components and semiconductor packaging.

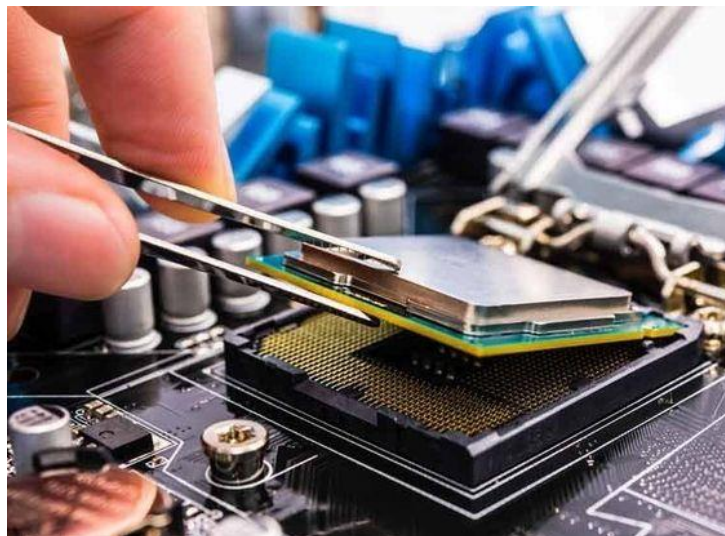
Manufacturing of Electronic Components and Semiconductors (SPECS)

Financial incentive to the tune of 25% of capital expenditure for the manufacturing of goods that constitute the supply chain of an electronic product including PCB's, Semiconductor wafers, Display fabrication units etc.

Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme

Financial assistance for setting up both Electronics Manufacturing Clusters (EMCs) and Common Facility Centers (CFCs).

PRODUCTION LINKED INCENTIVE (PLI) SCHEME



Production Linked Incentive (PLI) Scheme

Production Linked Incentive (PLI) Scheme

PLI for companies
engaged in Manufacture
of Target Goods

- I. Mobile Phones
- II. Specified Electronic Components:
 - a. SMT Components
 - b. Discrete semiconductor devices
 - c. Passive components (resistors, capacitors)
 - d. PCB, PCB Laminates
 - e. Sensors, transducers, actuators
 - f. Micro/Nano-electronic components
 - g. Assembly, Testing, Marketing and Packaging (ATMP) units

Incentives and Tenure of
the Incentives

- I. **Incentive:**
4% - 6% Production Linked Incentive for a period of 5 years*
- II. **Tenure:**
Five (5) years

*Refer next slide for method of calculation of Incentive

Production Linked Incentive (PLI) Scheme

Eligibility Criteria (General Conditions)

- Companies should be engaged in manufacturing of Target goods in India.
- Eligibility shall be subject to thresholds of Incremental Investment and Incremental Sales of Manufactured Goods (covered under Target Segments) over the base year i.e. Financial Year 2019-20 .
- An applicant must meet *Threshold criteria* to be eligible for disbursement of incentive for the year under consideration.
- In case an applicant does not meet threshold criteria for any given year, the applicant *shall not be eligible for incentive in that particular year*. However, the applicant will not be restricted from claiming incentive in subsequent years *during the tenure of the Scheme*, provided eligibility criteria are met for such subsequent years

Calculation of the Incentives

Incentive will be calculated as: **Net Incremental Sales of Eligible Product x Rate of Incentive**

Where, Incremental Sale = Net Sales turnover of Eligible product for the period to which claim for disbursement of incentive pertains **minus** the Net Sales turnover of said Eligible product as per baseline subject to ceiling limit as prescribed.

Qualification Criteria and Ceiling limit

Segment	Qualification Criteria	Ceiling on eligible applicants*
Mobile (Invoice value of INR 15,000 and above)	Consolidated Global Manufacturing Revenue of the applicant (including its Group Companies), in the target segment, should be >INR 10,000 Crore (~ 1.3 Billion USD) in the base year	5
Mobile – Domestic (Only for Domestic companies)	Consolidated Global Manufacturing Revenue of the applicant (including its Group Companies), in the target segment, should be >INR 100 Crore (~13.3 Million USD) in the base year.	5
Specified Electronic Components	Consolidated Global Manufacturing Revenue of the applicant (including its Group Companies), in the target segment, should be >INR 50 Crore (~6.7 Million USD) in the base year.	10

*In case of receipt of more number of eligible applicants for the given Target Segment, they will be ranked from highest to lowest on the basis of consolidated global manufacturing revenue (including its group companies), in the target segment for the base year.

Eligibility Criteria for Yearly Incentive

Segment	Proposed Incentive Rate (%)	Incremental Investment over Base Year	Incremental Sales of Manufactured Goods over Base Year
Mobile (Invoice value of INR 15,000 and above)		INR 1000 Crore over 4 years <u>Cumulative Minimum:</u> Year 1: 250 Crore (~33.3 Million USD) Year 2: 500 Crore (~66.7 Million USD) Year 3: 750 Crore (~100 Million USD) Year 4: 1000 Crore (~133.3 Million USD)	Year 1: INR 4,000 Crore (~533.3 Million USD) Year 2: INR 8,000 Crore (~1066.7 Million USD) Year 3: INR 15,000 Crore (~2 Billion USD) Year 4: INR 20,000 Crore (~2.7 Billion USD) Year 5: INR 25,000 Crore (~3.3 Billion USD)
Mobile – Domestic	Year 1: 6% Year 2: 6% Year 3: 5% Year 4: 5%	INR 200 Crore over 4 years <u>Cumulative Minimum:</u> Year 1: 50 Crore (~6.7 Million USD) Year 2: 100 Crore (~13.3 Million USD) Year 3: 150 Crore (~20 Million USD) Year 4: 200 Crore (~26.7 Million USD)	Year 1: INR 500 Crore (~66.7 Million USD) Year 2: INR 1,000 Crore (~133.3 Million USD) Year 3: INR 2,000 Crore (~266.7 Million USD) Year 4: INR 3,500 Crore (~466.7 Million USD) Year 5: INR 5,000 Crore (~666.7 Million USD)
Specified Electronic Components	Year 5: 4%	INR 100 Crore over 4 years <u>Cumulative Minimum:</u> Year 1: 25 Crore (~3.3 Million USD) Year 2: 50 Crore (~6.7 Million USD) Year 3: 75 Crore (~10 Million USD) Year 4: 100 Crore (~13.3 Million USD)	Year 1: INR 100 Crore (~13.3 Million USD) Year 2: INR 200 Crore (~26.7 Million USD) Year 3: INR 300 Crore (~40 Million USD) Year 4: INR 450 Crore (~60 Million USD) Year 5: INR 600 Crore (~80 Million USD)

Production Linked Incentive (PLI) Scheme

Conditions for determining Eligibility for Incentives

Specific Conditions of Incremental Investment

- a. Cumulative value of investment done till such year (including the year under consideration) over the Base Year shall be considered.
- b. Investment made on or after 01.04.2020 shall be considered for determining eligibility under the Scheme.

Specific Conditions of Incremental Sale of Manufactured Goods

Total Sales of Manufactured Goods covered under Target Segments for such year over the Base Year, irrespective of Invoice Value (whether below or above INR 15,000 in case of Mobile Phones) shall be considered.

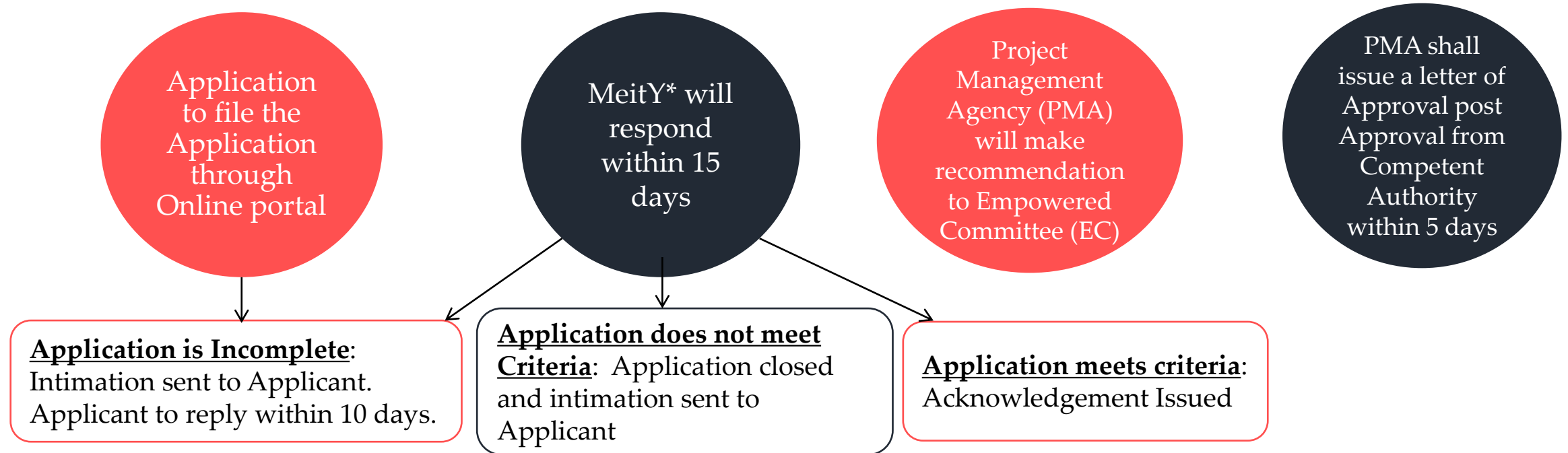
General Conditions

- a. Expenditure on consumables and raw material used for manufacturing shall not be considered.
- b. The date of invoice would be considered as the date of investment.
- c. The heads of Investment, based on which eligibility is being determined, should be capitalized in the books of accounts of the applicants.
- d. The expenditure incurred on land and building (including factory building / construction) required for the project/unit is not covered under the Scheme.

Production Linked Incentive (PLI) Scheme

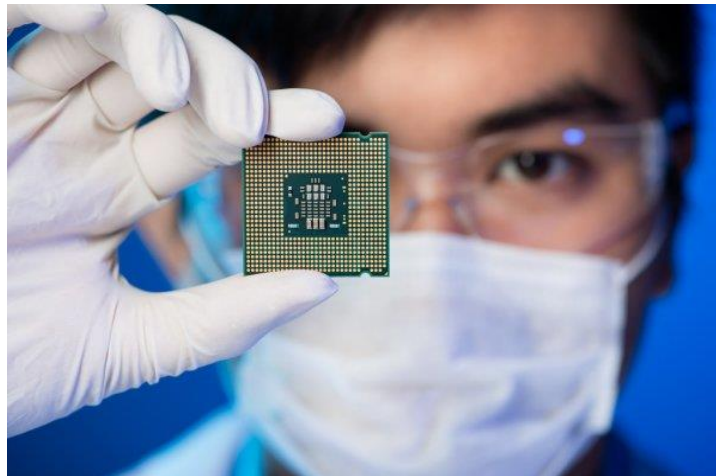
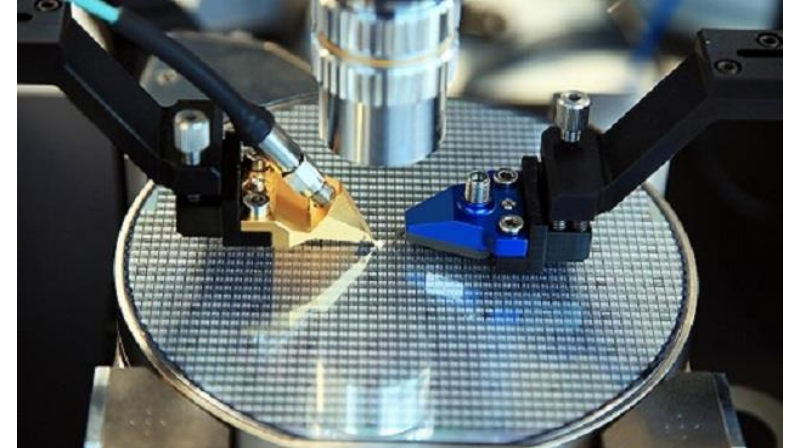
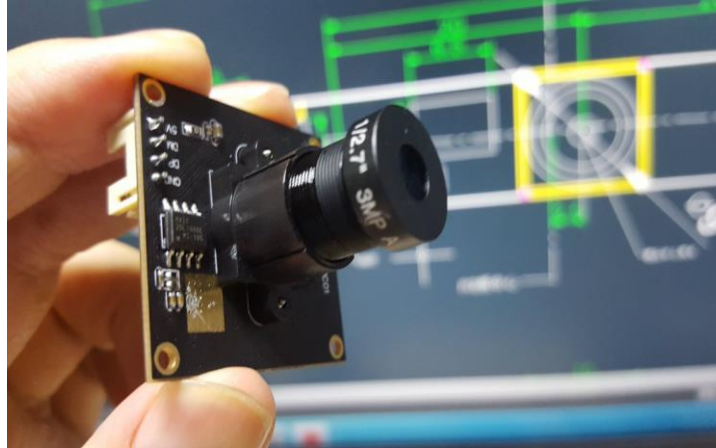
Application process:

1. Application can be made by *any company registered in India*.
2. *Last date for application is 31 July, 2020.*
3. Application fees – INR 1 Lakh.
4. Applicant to provide Forecasted Revenue in Targeted Segments, Proposed Plan for Domestic Value Addition, Proposed Investment with sources of funding and Employment Generation in India for next 5 years.



*MeitY : Ministry of Electronics and Information Technology

MANUFACTURING OF ELECTRONIC COMPONENTS AND SEMICONDUCTORS (SPECS)



Manufacturing of Electronic Components and Semiconductors (SPECS)

Manufacturing of Electronic Components and Semiconductors (SPECS)

Coverage

- I. Electronic components
- II. Semiconductor/display fabrication units
- III. ATMP units, Specialized sub-assemblies and
- IV. Capital goods for manufacture of aforesaid goods.

(Electronics Products such as Mobiles and Consumer Goods excluded)

Eligible Capex

- I. Plant, Machinery, Equipment
- II. Associated Utilities and Technology including R&D

(Land and Building excluded)

Incentives and Tenure of the Incentives

- I. Incentive:
Financial Incentive of 25% on Capital Expenditure, on reimbursement basis.
- II. Tenure:
5 years for Investment

Manufacturing of Electronic Components and Semiconductors (SPECS)

Eligibility under the Scheme

- I. The scheme shall be applicable for investments in new units as well as expansion of capacity / modernization and / or diversification of existing units.
- II. If an application covers more than one product categories, then the minimum threshold of investment (capital expenditure) shall be the highest of the individual threshold investment for each of the product category(ies).
- III. The minimum investment thresholds are same for new units or expansion of capacity / modernization and / or diversification by existing units.
- IV. A Project / Unit proposed may include multiple manufacturing facilities at one or more proposed locations. There is no limit on the number of applications for an Applicant.

Eligibility under the Scheme

HEADING

Expenditure incurred on plant, machinery, equipment and associated utilities:

- Tools, dies, moulds, jigs, fixtures
- Expenditure on packaging, freight/ transport, insurance, and erection and commissioning
- Associated utilities (Power and effluent treatment plants, essential equipment required in operations areas, Water and power supply and control systems etc)
- IT and ITES infrastructure related to manufacturing including servers, software and ERP solutions
- The total expenditure incurred on associated utilities – *not exceeding 20% of the total eligible capital expenditure for plant, machinery and equipment shall be considered for determining eligible capital expenditure*

Expenditure incurred for Research and Development (R&D):

- It will include expenditure on in-house and captive R&D including test and measuring instruments,
- Purchase of design tools, software cost (directly used for R&D),
- license fee, IPR, Patents and Copyrights for R&D

Not exceeding 20% of the total eligible capital expenditure.

Eligibility under the Scheme

HEADING

Expenditure incurred on Transfer of Technology (ToT), including cost of technology:

It will include cost of technology and Initial technology purchase related to goods - *Not exceeding 10% of the total eligible capital expenditure.*

Expenditure incurred on refurbished plant, machinery and equipment:

It will include expenditure on used / second hand / refurbished plant, machinery and equipment (including for associated utilities and R&D), whether imported or procured domestically - *Not exceeding 20% of the total eligible capital expenditure.*

Expenditure incurred on Land and Building:

The expenditure incurred on land and building (including factory building / construction) required for the project /unit is not covered under the Scheme.

Expenditure on consumables and raw material used for manufacturing shall **NOT** be considered as capital expenditure.

Manufacturing of Electronic Components and Semiconductors (SPECS)

List of Goods eligible under the Scheme

Sl. No	Description of Goods	Minimum Investment Threshold (INR)
1	<ul style="list-style-type: none"> SMT Components Chip modules for Smart cards/RFID Labels Passive components including resistors, capacitors, ferrites, filters Electromechanical components including transformers, inductors, coils, relays, switches, USB/Data cables etc Printed Circuit Boards (PCB): PCB Laminates, Prepregs, Photopolymer films, PCB Printing Inks, Printed Flexible electronics Sensors, Transducers, Camera Modules, Vibrator motors / ringer Actuators, Crystals for electronic applications Capital goods for all the goods covered under SPECS 	5 Crore (~0.7 Million USD)
2	<ul style="list-style-type: none"> Discrete semiconductor devices including transistors, diodes Power semiconductors including FETs, MOSFETs, Thyristors Preform of Silica and Optical Fiber Display Assembly and Touch Panel / Cover Glass Assembly 	15 Crore (~2 Million USD)

Manufacturing of Electronic Components and Semiconductors (SPECS)

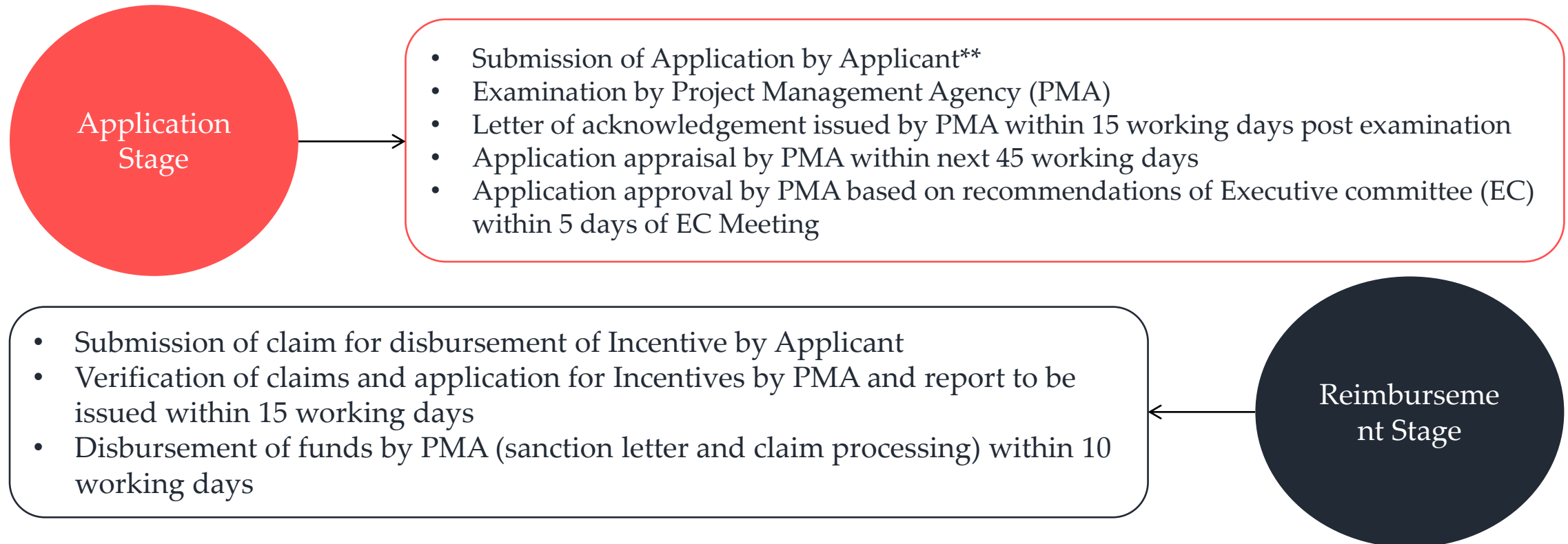
List of Goods eligible under the Scheme

Sl. No	Description of Goods	Minimum Investment Threshold (INR)
3	<ul style="list-style-type: none"> Micro / Nano-electronic Components (NEMS, MEMS, IoT Devices etc.) Assembly, Testing, Marking and Packaging (ATMP) units 	25 Crore (~3.3 Million USD)
4	Mechanics (plastic and metal parts) for electronic applications	75 Crore (~10 Million USD)
5	Compound Semiconductors such as GaN, SiC, GaAs, etc. and Silicon Photonics devices/Integrated Circuits, Optoelectronic components	250 Crore (~33.3 Million USD)
6	Semiconductor Wafering	500 Crore (~66.7 Million USD)
7	<ul style="list-style-type: none"> Semiconductor Integrated Chips (ICs) including Logic; Memory; Analog/ Mixed Signal ICs Display fabrication units including Liquid Crystal Displays (LCD), Light Emitting Diode (LED), Organic Light Emitting Diode (OLED), etc. for electronic applications 	1000 Crore (~133.3 Million USD)

Manufacturing of Electronic Components and Semiconductors (SPECS)

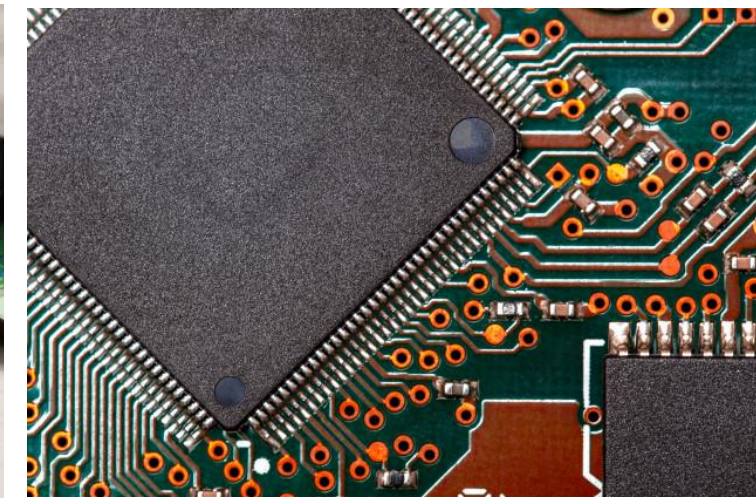
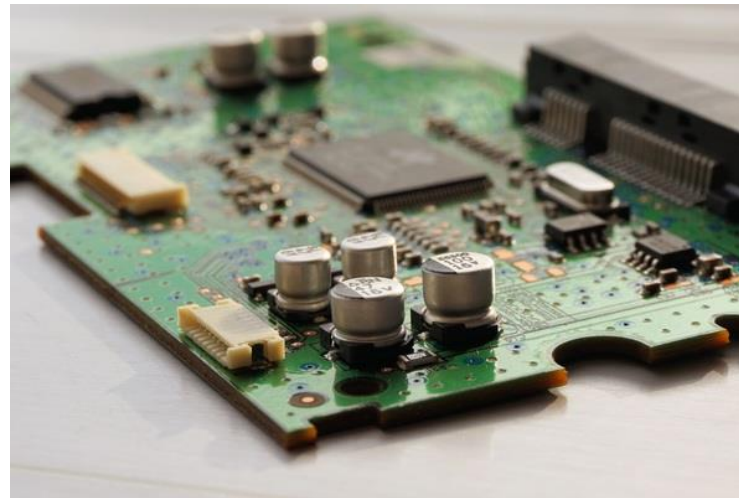
Application process:

1. Application can be made by *any legal entity*. Last date for application is March 31, 2023
2. Applicant to provide forecasted revenue in Targeted Segments, Proposed plan for Domestic Value Addition, Details of Existing/Proposed Investment with sources of funding and Employment generation in India for next 5 years.
3. Operation and Facility details (Project plan) and Market Research on Product Feasibility.



**Website for submitting application: <https://specs.ifcilttd.com/>

MODIFIED ELECTRONICS MANUFACTURING CLUSTERS (EMC 2.0) SCHEME



Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme

Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme

Objective

- Create a comprehensive supply chain / ecosystem for strengthening electronics manufacturing base.
- Attract Anchor Units to set up production along with their supply chain
- Development of World class Plug and Play infrastructure along with Standard Factory Sheds

EMC to be set-up by

- I. State Government/State Industrial Agencies
- II. Central/State Public Sector Enterprises
- III. Joint venture between State Government/Agencies and Anchor units

Anchor units and eligibility criteria

- I. Anchor units: Anchor units are electronic manufacturing company with a commitment of:
 - a. Purchase/lease of minimum 20% (10% in north eastern states) of saleable/leasable area in proposed EMC
 - b. Investment of INR 300 Crore (~40 Million USD) (INR 150 Crore (~20 Million USD) in north eastern states) or above to set-up electronics manufacturing facilities in EMC

OFFICES:

Bangalore :

#361, 1st Floor, 7th Cross,
Jayanagar 1st Block.
Bangalore – 560011
Phone: +9180 – 26569500/501

Chennai :

4, Easwaran Koil Street,
Old Pallavaram,
Chennai – 60017
Phone: +91- 44 22641404

Madurai :

110, First Floor
Old No 85, 4th Street
Harvey Nagar, Arasaradi
Madurai – 625016
Phone: +91- 452 2343630



KEY CONTACT

Paresh Daga

Senior Partner – Business Advisory
Services
paresh@manian-rao.com



ABOUT THE FIRM :

Manian & Rao, Chartered Accountants is a leading business advisory firm serving private clients and regional, national and international businesses for more than 46 years. We are a single source solution for the entire Indian Market for your India entry FDI strategy. Our range of services include:

- Market research, competition analysis and Strategy development.
- Setting up the right kind of entity based on your business requirements.
- Assistance with compliance with all regulatory requirements.
- Identification of M&A target, Due Diligence, valuation, Financial & Process Consulting.

Presently we offer the above services to International Companies headquartered in Singapore, USA, UK, Norway & and Canada.