Recent PLI Schemes Overview

Government Grants and Incentives Landscape in India – an overview

Central Government

Production linked incentives for various sectors

Capital subsidy for SPECS (Electronic components and semiconductors), Semiconductor and Display Fabs, M-SIPS (now expired)

Sector specific (electric vehicles FAME II, renewable energy)

Export linked incentives for goods and services (RoDTEP, SEIS, AA, EPCG, GST refunds and concessions)

Tax holidays and lower income tax rate regime for **new manufacturing units**, new '**Make in India**' policy under review**,** Special Economic Zones etc.

Concessional customs duty tariff for large scale projects *(Project Imports Scheme),* export benefits under **capex and operations under FTA**

State Government(s)

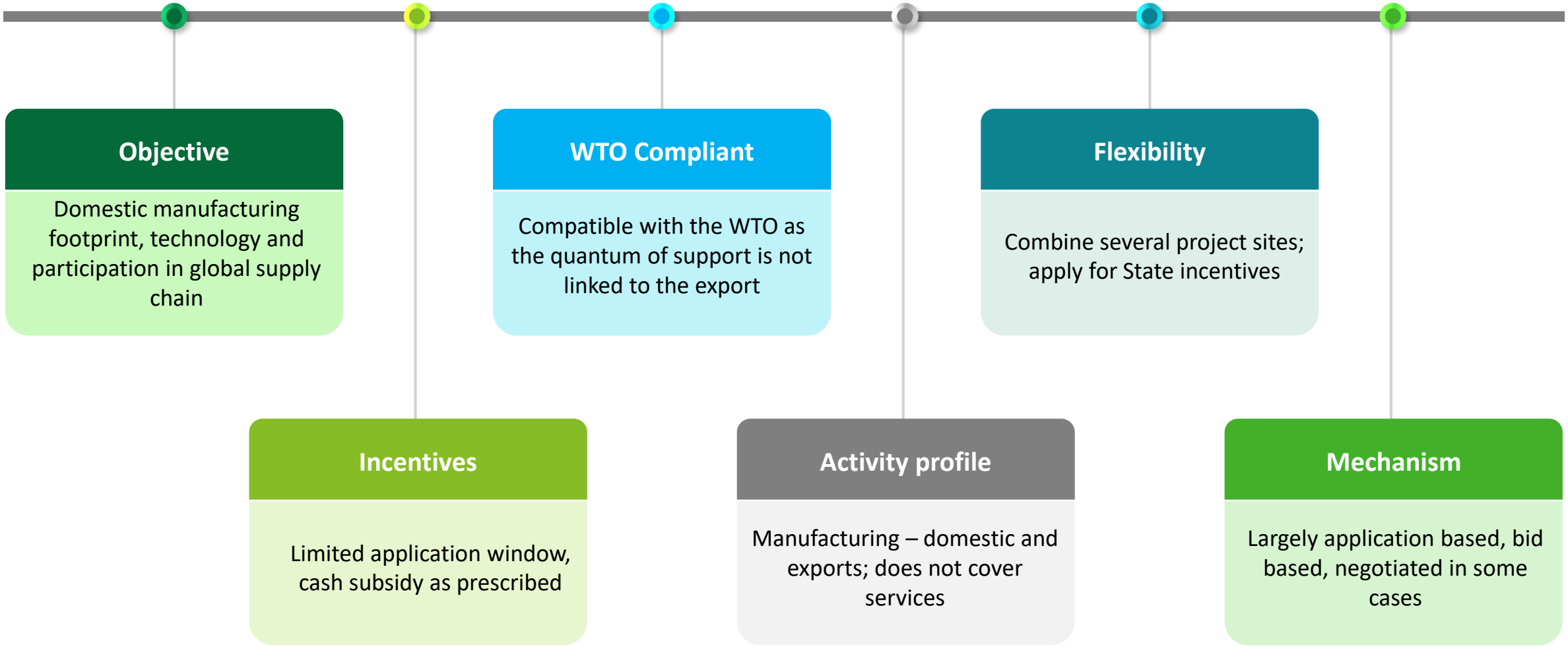
State industrial policies provide incentives for investments in manufacturing operations

(typical benefits include GST reimbursements, concessional land, infrastructure benefits (such as uninterrupted power, water, IT access, roads) , capital subsidy, electricity subsidy, stamp duty exemption, interest subvention, single window clearance for several permits, employment generation/training subsidy)

Sector specific policies in various States viz. ESDM, Automotive, Aerospace and Defense, Electronics, Information Technology and IT enabled services; Tourism, Renewable Energy, E-mobility etc.

Combinations of incentives possible on the basis of business plan and activities

Recent Central Government Programmes – PLI and Capital Investment based Grants



General concepts of Central Government PLI Programmes – some concepts have been varied or not adopted for semiconductors and display manufacturing programme

Base year

to assess incremental production capacity and net sales; not relevant for capex based subsidy

Qualification thresholds

Global revenues, net worth, global investment in fixed assets, etc.

Ranking of projects

Committed investment, exports, total sales, etc.

Cumulative investment

Specific inclusions and exclusions; land, used machinery generally excluded, combination of legal entities permitted in some cases

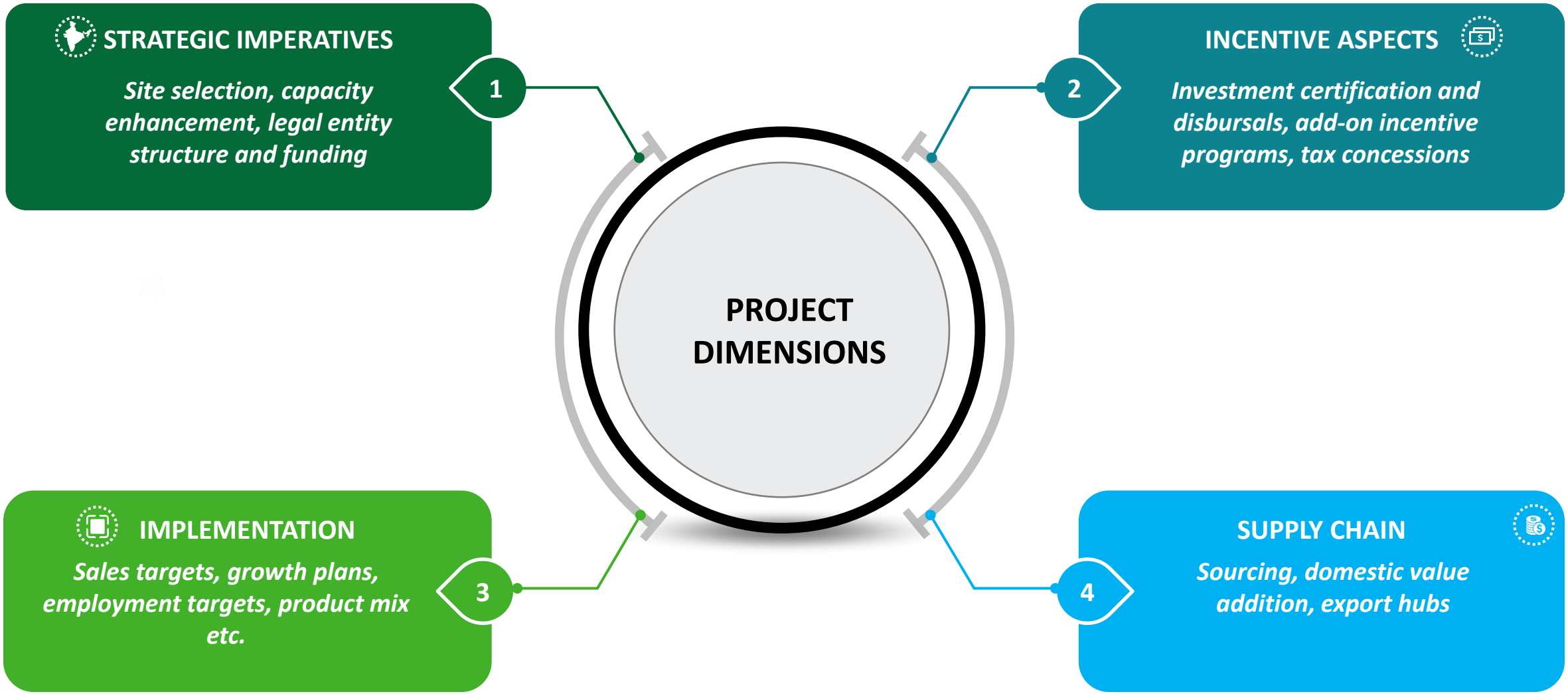
Domestic value addition

Mechanism of calculation

Incentive calculation

Incremental sales, minimum growth or threshold over 5-6 years, specified percentage of capex

New Capex Project Considerations



Semiconductor Fabs and Display Manufacturing Concept | Coverage | Key Parameters

Semi-Conductor Fabs

Purpose / Function

- Highly specialized semiconductor manufacturing facilities
- Used for manufacture of integrated chip circuits and silicon wafers.
- Such wafers consist of several semiconductor chips which are then used to serve a variety of industrial purposes.
- Such manufacture is a complex process that takes over three months and so, large-scale factories with the right temperature-controlled setup are needed.

Key metrics

Objective

- To attract large investments for setting up semiconductor wafer fabrication facilities
- To strengthen the electronics manufacturing ecosystem and help establish a trusted value chain.

Eligibility Criteria

- Existing company, consortia and JVs
- Technology based on node size, wafer size, installed capacity, operational experience
- Capital Investment of ₹20,000 crore (₹200 billion)
- Group Revenue of ₹7,500 crore (₹75 billion)

Fiscal Support

- Negotiated
- Up to 30% to 50% of eligible project cost
- Slabs based on node size ie 28nm, above 28-45nm and above 45 – 65nm

Application Timeline

- For a period of 45 days initially - from 01 January 2022
- Extendable and can also be re-opened
- Detailed project report to be submitted in addition to other documents

Display Fabs

Purpose / Function

- Specifically to provide impetus to display panel market (high value components which comprise a significant portion of BOM) by developing adequate infrastructure for manufacturing, domestic supply chain and logistics
- Display units account for 25% of the Bill of Materials (BoM) for smartphones and 50% for TVs.
- Focus on LCD market / display ecosystem – being the low hanging fruit which would pave way for OLED manufacturing in future

Key metrics

Objective

To attract large investments for setting up display fabrication facilities in the country to strengthen the electronics manufacturing ecosystem.

Eligibility Criteria

- Existing company, consortia and JVs
- Technology based on TFT LCD, AMOLED gen; capacity and operational experience
- Capital Investment of ₹10,000 crore (₹100 billion)
- Group Revenue of ₹7,500 crore (₹75 billion)

Fiscal Support

- Negotiated
- Up to 50% of Project Cost subject to a maximum of ₹12,000 crore

Application Timeline

- For a period of 45 days initially - from 01 January 2022
- Extendable and can also be re-opened
- Detailed project report to be submitted in addition to other documents

Semi-Conductor Fabs and Display Fabs – Eligibility

	Semi-conductor Fabs	Display fabs
1 **Technology**	**Node Size (s) -** 65/45/28 nm or advanced (including intermediate nodes) **Wafer Size** - 300 mm **Installed capacity** - 40,000 wafer starts per month (WSPM) or above	Generation 8 or above for TFT LCD **OR** Generation 6 or above for AMOLED <u>Capacity requirement</u> – (i) 60,000 Panels / month or more for TFT LCD; (ii) 30,000 Panels / month or more for AMOLED
2 **Operational Experience** (Companies / Consortia / Joint Ventures)	(i) Own and operate 65/45/28nm (including intermediate nodes) or advanced nodes process(es) in Silicon CMOS Semiconductor Fab; **or** (i) Own or possess production grade licensed technologies for 28nm process and demonstrate the roadmap to advanced nodes technologies through licensing or development	(i) Own and operate a commercial Display Fab facility with TFT LCD Technology of Generation 6 or above; **or** (ii) Own or possess licensed technologies for Generation 8 of TFT LCD Technology or Generation 6 of AMOLED Technology; and demonstrate the roadmap to advanced technologies through licensing or development

Semi-Conductor Fabs and Display Fabs – Key features

Eligible CAPEX

- Land, Building, Plant, Machinery, Clean rooms, Equipment and Associated Utilities (*including used / refurbished with 5 year life*)
- R&D (in-house and captive); ToT
- RPT to be tested under income tax laws, companies act and accounting standards

Time period - eligible investment

- Capital investment to be made **on or after the date of acknowledgement** of an application; and
- Within **6 years** of date of acknowledgement of such application

Evaluation

- Nodal agency is India Semiconductor Mission
- QCBS evaluation by Nodal Agency
- Negotiation process with Nodal Agency
- Final approval by the Union Cabinet

Claim and Disbursement

- Claim may be submitted on a quarterly basis
- Support under the scheme shall be provided for a period of 6 years
- Physical inspections

Compliance

- MPRs - within 10 days from the end of each month till 6 or till the time the fiscal support is being drawn, whichever is earlier
- Deviations and budget reviews possible

Other aspects

- No claim under SPECS
- Preferred Government sourcing
- Minimum 2 applicants, however single applicant can also be considered
- Support for R&D and Training

Compound Semiconductors / Silicon Photonics / Sensors Fab and Semiconductor Assembly, Testi Marking and Packaging (ATMP) /OSAT facilities in India

Purpose / Function

- **Compound semiconductor** - Enable better processing capabilities in electronic applications (for 5G market, advanced robotics etc.) – and provide faster switching at high power with increased energy efficiency and suitable for high temperature applications
- **Silicon photonics** - material platform from which photonic integrated circuits (PICs) can be made which enable, extend, and increase data transmission and enable faster data transfer over longer distances compared to traditional electronics.
- To be used for high-speed internet, high-speed computing etc.
- **ATMP & testing** – to incentivize assembly, testing, marking, and packaging. It is the next step in the semiconductor value chain after semiconductor fabrication.
- Building ATMP ecosystem will accelerate the government's efforts to set up semiconductor fabs in India. ATMP capabilities will also improve availability of semiconductors in the country.

Key metrics

Objective

To attract investments for setting up Compound Semiconductors / Silicon Photonics (SiPh) / Sensors (including MEMS) Fabs and Semiconductor ATMP / OSAT facilities in the country

Eligibility Criteria

- **Compound Semiconductors / SiPh / Sensors (including MEMS) Fab** - Minimum Capital Investment of ₹100 crore (₹1 billion)
- **Semiconductor Assembly, Testing, Marking and Packaging (ATMP) / OSAT Facility** - Minimum Capital Investment of ₹50 crore (₹500 million)

Fiscal Support

- 30% of capex
- Applicant under the Scheme **will not avail fiscal support under SPECS** - under this category.

Application Timeline

Open for three (3) years from 01 January 2022

Compound Semiconductors / Silicon Photonics / Sensors Fab and Semiconductor Assembly, Testing, M and Packaging (ATMP) /OSAT – Key features

Eligible CAPEX

- Building, Plant, Machinery, Clean rooms, Equipment and Associated Utilities (*including used / second hand / refurbished*)
- R&D (in-house and captive)
- Transfer of Technology (ToT)
- Land

Time period - eligible investment

- Capital investment to be made **on or after the date of acknowledgement** of an application; and
- Within **5 years** of date of acknowledgement of such application

Claim and Disbursement

- Claim may be submitted on a quarterly basis
- MPRs - within 10 days from the end of each month till 6 years or till the time the fiscal support is being drawn, whichever is earlier

Design Linked Incentive Scheme

Purpose / Function

- Achieving significant indigenization in semiconductor and electronic products and IPs deployed in the country

Key metrics

Objective

Design infrastructure support across various stages of development and deployment of semiconductor design

Eligibility Criteria

Domestic companies, startups and MSMEs engaged in semiconductor design for Integrated Circuits (ICs), Chipsets, System on Chips (SoCs), Systems & IP Cores and semiconductor linked design under the DLI scheme

Fiscal Support

(1) **Production Linked** - Reimbursement of up to 50% of the eligible expenditure subject to a ceiling of ₹15 Crore per application

(2) **Deployment Linked** - Incentive of 6% to 4% of net sales turnover over 5 years subject to a ceiling of ₹30 Crore per application

Application Timeline

Open for three (3) years from 01 January 2022

P-DLI – Key Features

- Can be applied for by a **start-up or MSME**
- **Eligible expenditure includes** manpower cost, capital investment (specialized capital equipment for R&D i.e., servers, workstations etc.), Software IPs and Licenses, IPR Registration and field trials and production costs
- **Domestic status** to be maintained for a period of **3 years** after claiming incentives under the scheme. **Shall not affect eligibility** under any other Scheme of Government of India or State Government and vice-versa
- Eligible Expenditure prior to the date of acknowledgment of application, shall not be considered (*date of invoice would be considered as the date of booking expenditure*)
- Claim may be submitted **after meeting the linked milestone as indicated in the approval letter** from Nodal Agency.

Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS)

SPECS

Background

Key highlights of the scheme

- Financial incentive to boost manufacture of **identified electronic goods that comprise downstream value chain of electronics**
- Eligible electronic goods bifurcated between 7 categories based on requirement of **minimum investment threshold** ranging from INR 5 crore to INR 1,000 crore
- **Proposed outlay of Scheme INR 3,285 crore**; however details of appropriation not specified in Scheme
- Application window open from **April 1, 2020 to March 31, 2023**
- **Any entity** registered in India engaged in manufacturing of specified goods eligible to apply subject to minimum investment threshold; no limit on the number of applications per applicant *(non refundable application fee to be paid with each application)*
- Incentive:
  - **25% for eligible capital expenditure made within 5 years** from the date of acknowledgement of the application under the Scheme
  - Incentive to be disbursed on **reimbursement basis via bank transfer**
  - Incentive available **in parallel with any other incentives** offered by government/ other local bodies etc *(except investments for which incentives already claimed under M-SIPS)*
- Incentive available to **new units** or **expansion** /modernization/ diversification; **same minimum investment threshold** for both
- **Mandatory to remain in commercial production for at least 3 years** from date of commencement of commercial production or **1 year** from date of receipt of last incentive, whichever is later
- Application can be made under both PLI and SPECS if it is manufacturing components listed in both subject to satisfaction of criteria covered in both schemes

SPECS

Eligible capital expenditure

Eligible capital expenditure under the scheme based on 'approved list of capital items'; 'approved list of capital items' to comprise of list of capital items as annexed to the approval letter of eligibility under the Scheme

Inclusions

- Plant, machinery, equipment **(PME)** expense
- **Associated utilities** including captive power and effluent treatment plant, IT and ITES infrastructure etc
- **R&D** expense
- Transfer of **technology**/ cost of technology
- **Refurbished PME** including for associated utilities and R&D (residual life of atleast 5 years)
- **Self fabricated PME**

(eligibility of expense to be evaluated in light of prescribed thresholds for each category of expense)

Exclusions

- **Land & buildings**
- **Consumables** and **raw material**
- **Non creditable taxes and duties** included in value of assets

SPECS

Categories (1/2)

A. List of goods with Minimum Investment Threshold Limit of INR 5 crore (Illustrative list)	
1	• SMT components including LED Chips • Chip Modules for Smart Cards, RFID Antenna & Labels, CoB/ System in Package • Passive components including resistors, capacitors, ferrites, etc. for electronic applications • Coils, relays, switches, micro motors, stepper motors, BLDC Motors, Connectors, Heat Sinks, Antenna, Speakers, Microphones, • Printed Circuit Boards (PCBs), PCB Laminates, Prepegs, Photopolymer films, PCB Printing Inks; Printed Flexible Electronics • Sensors, Transducers, Actuators and Crystals for electronic applications • Camera Modules, Vibrator motor/ ringer • USB/Data Cables, HDMI Cables • Capital goods for all the goods covered under SPECS
B. List of goods with Minimum Investment Threshold limit of INR 15 crore (Illustrative list)	
2	• Active Components such as transistors, diodes, power semiconductors etc. • Preform of Silica and Optical Fiber • Display Assembly and Touch Panel/ Cover Glass Assembly
C. List of goods with Minimum Investment Threshold Limit of INR 25 crore (Illustrative list)	
3	• Micro/Nano-electronic components such as Micro Electro Mechanical Systems and Nano Electro Mechanical Systems • Assembly, Testing, Marking and Packaging (ATMP) units

SPECS

Categories (2/2)

D. List of goods with Minimum Investment Threshold Limit of INR 75 crore (Illustrative list)	
4	• Mechanics (plastic and metal parts) for electronic applications
E. List of goods with Minimum Investment Threshold Limit of INR 250 crore (Illustrative list)	
5	• Compound Semiconductors such as GaN, SiC, GaAs, etc. and Silicon Photonics devices/ Integrated Circuits, Optoelectronic components
F. List of goods with Minimum Investment Threshold Limit of INR 500 crore (Illustrative list)	
6	• Semiconductor Wafers
G. List of goods with Minimum Investment Threshold Limit of INR 1,000 crore (Illustrative list)	
7	• Semiconductor Integrated Chips (ICs) including Logic [Microprocessor, Microcontrollers, Digital Signal Processors (DSP), Application Specific Integrated Circuits (ASICs), etc.]; Memory; Analog/ Mixed Signal ICs, etc.
8	• Display fabrication units including Liquid Crystal Displays (LCD), Light Emitting Diode (LED), Organic Light Emitting Diode (OLED), etc. for electronic applications

If single application covers more than one eligible product categories, highest investment threshold amongst all to be applicable for all products

State Incentives

Summary of the state government incentive schemes

Key benefits

Fiscal

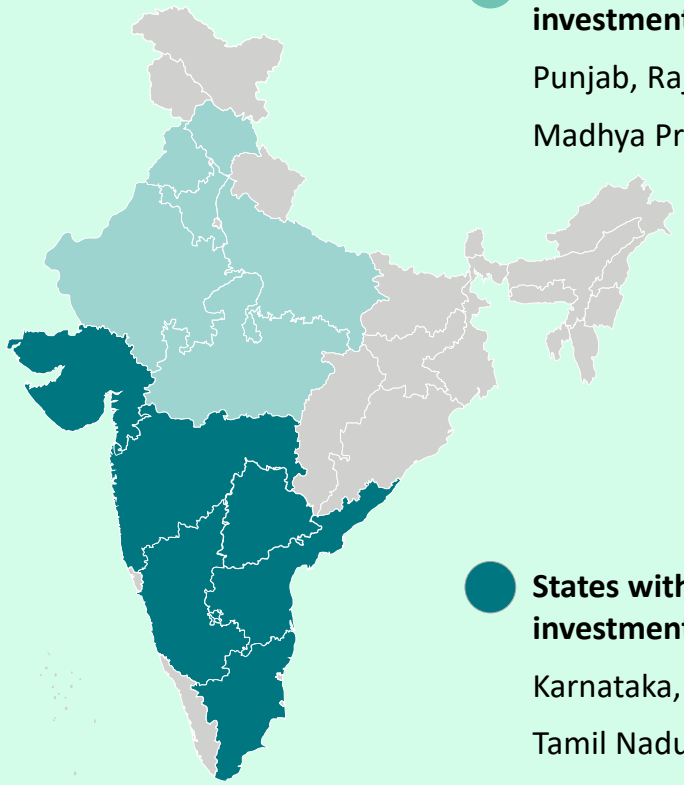
- Capital subsidy linked to investment outlay
- Training subsidy linked to job creation
- Gross or Net GST refund on supply of goods or services
- Exemption or concession from stamp duty on transfer or lease of land
- Concessional rates of power tariff
- Concessional land
- Interest free loans
- Sector specific policies

Non-Fiscal

- Single window clearance for permits
- Infrastructure benefits viz roads, water supply, IT infrastructure etc

Most of the above benefits open to customization by the State governments for 'mega' investment projects

Demographic overview



States actively pursuing new investments

Punjab, Rajasthan, Uttar Pradesh, Madhya Pradesh

States with traditionally large investments

Karnataka, Gujarat, Maharashtra, Tamil Nadu, Andhra Pradesh

Key drivers for incentives negotiation

- Economic activity
- Status of the project (MSME, large, mega, ultra mega, etc
- Quantum of investment
- Investment period
- Employment generation
- Location or district of proposed operations

State Incentives: Illustrative areas for consideration

Parameters to consider while negotiating or applying for incentives

GST linked subsidy or fixed capital subsidy. In case of GST linked incentives, ability to obtain Gross GST vis-à-vis Net GST, based on expected consumption in the State

Upfront agreement on exclusions and inclusions for eligible fixed assets depending on the items of investment

Investment, production and employment commitments provided by the company and consequences of not meeting those commitments – recovery of past incentives by the Government

Ability to leverage new investments to amend or review the existing MoU, incentive period, investment period etc. Consider alternative States offering better incentives

Implementation process – documentation, certification, separate GST registration for covered investments etc.

Treatment of intangible assets such as royalty, technical know how, pre-operative expenses etc; domestic or imported used assets

State Incentives: Recent Developments

Implemented by

- Gujarat
- Karnataka
- Uttar Pradesh
- Tamil Nadu

Reimbursement de-linked from GST

- Turnover linked Incentives
- Capital Subsidy linked to investment

Key benefits of de-linking incentives from GST

- Better certainty of potential reimbursements by way of capital subsidy instead of net SGST payments in future
- Ease of filing reimbursement claims (no waiting period till completion of GST assessments, no certificate from GST commissioner etc.)
- In case of net SGST reimbursements, enterprises are discouraged from local procurements due to overall lower net SGST payment