

# **New Schemes Announced by Ministry of Electronics and Information Technology (MeitY)**

**Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme**

**Scheme for Promotion of manufacturing of Electronic Components and Semiconductors (SPECS)**

**Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing**

**Announced - 1<sup>st</sup> April 2020**



# About MeitY



Ministry of Electronics and Information Technology (MeitY) is responsible for formulation, implementation and review of national policies in the field of information technology, electronics, internet (all matters other than licensing of Internet Service Provider), UIDAI and associated services & applications

# New Schemes Announced

This presentation highlights the important aspects of the three new schemes announced by MeitY on 1<sup>ST</sup> April 2020



Modified Electronics  
Manufacturing Clusters (EMC  
2.0) Scheme



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

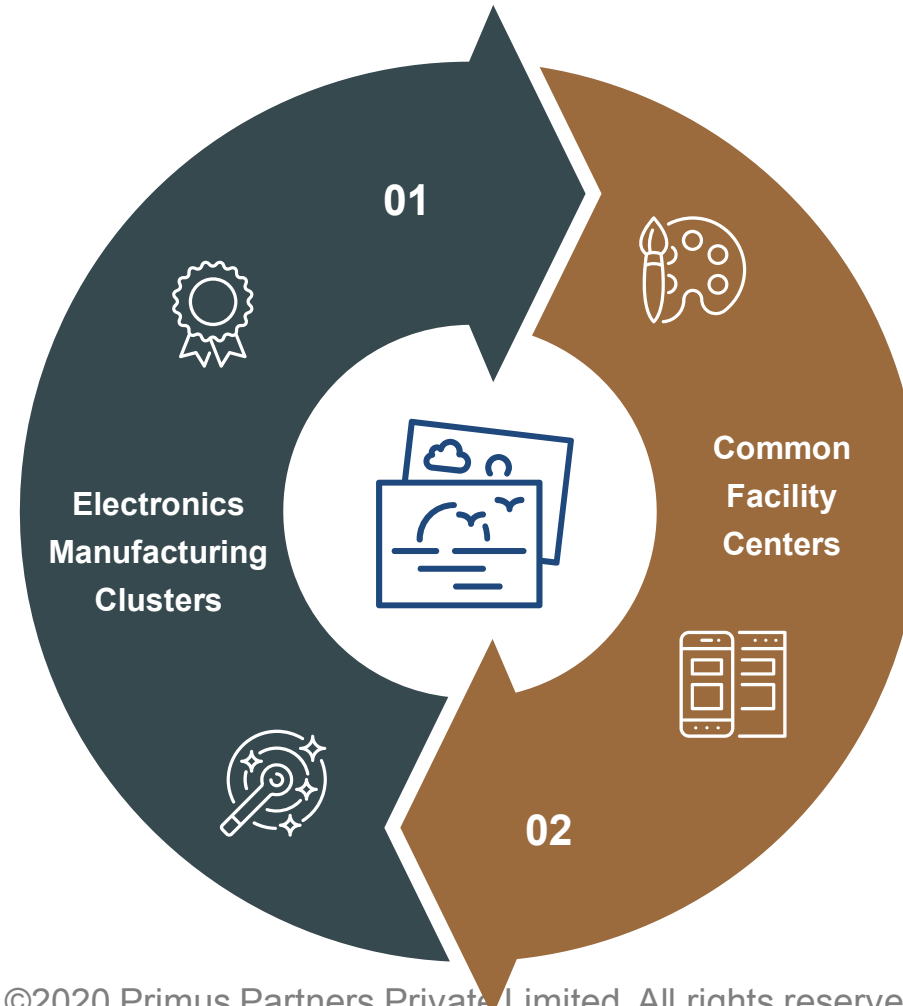


Production Linked Incentive  
Scheme (PLI) for Large Scale  
Electronics Manufacturing

# Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme

Under Modified EMC 2.0 Scheme, Electronics Manufacturing Clusters would be established to create infrastructure with common facilities and amenities in EMC projects and upgrade the infrastructure in Industrial Estates / Parks / Areas as Common Facility Centre (CFC) for attracting investment in electronics manufacturing

**EMC**  
EMC Project would be an undeveloped / underdeveloped geographical area, preferably contiguous, where the focus is on development of basic infrastructure, amenities and other common facilities for the ESDM units



**CFC**  
There should be significant number of existing ESDM units located in the area and the focus is on upgrading common technical infrastructure and providing common facilities for the ESDM units in existing EMCs, Industrial Estates / Parks / Areas

# EMC 2.0 – Application Details

- For EMC Projects, there should be a commitment from Anchor Unit(s) or industry for taking (purchase or lease) at least 20% of the saleable / leasable land area and a minimum investment commitment of Rs.300 crore
- The land parcel should not be less than 200 acres
- The land parcel required in all North-Eastern States, Hill States and Union Territories (UTs) should not be less than 100 acres. Minimum investment commitment from Anchor Unit(s) or industry for projects in these regions will be Rs.150 crore
- The proposed land parcel should be in possession of the PIA and preferably contiguous
- Maximum of two land parcels within a radius of 1/2 Km will be considered as contiguous. Land parcels across the road will also be considered as contiguous
- The proposed land parcel should be non-encumbered and for Industrial use
- For CFC, there should be at least 5 electronics manufacturing units identified as users of the facility

- In case, any existing cluster under the EMC Scheme is taken up for expansion and adjoining land is proposed to be developed under EMC 2.0 Scheme; the land with the existing manufacturing unit will also be considered as part of the land parcel. This will be subject to the condition that in the existing EMC, 80% of saleable / leasable land should have been allotted to the manufacturing units and at least 50% of units who have been allotted land should have started production activity. In such cases, following conditions on land requirements will be applicable:
  - At least 100 acres of such land parcel that is adjoining the existing EMC will be considered for meeting the minimum land requirement for making application under the Scheme
  - For all North-Eastern States, Hill States and UTs, at least 50 acres of such land parcel that is adjoining the existing EMC will be considered for meeting the minimum land requirement for making application under the Scheme

In such cases, only the new area proposed under EMC 2.0 Scheme will be considered eligible for financial assistance.

- PIA will provide Ready Built Factory (RBF) Sheds / Plug & Play facility in at least 10% of the saleable / leasable land within the EMC





# EMC 2.0 – Financial Assistance

The financial assistance will be given for creation of world class infrastructure along with common facilities and amenities. The financial assistance will be provided for EMCs and CFCs

Financial assistance will be restricted to 50% of the project cost subject to a ceiling of Rs. 70 crore for every 100 acres of land

For larger areas, pro-rata ceiling would apply but not exceeding Rs.350 crore per project

The remaining project cost will be borne by State Government or SIA or CPSU or SPSU or ICDC such as DMICDC, etc. with a minimum contribution of 50% of the project cost



Financial assistance will be restricted to 75% of the project cost subject to a ceiling of Rs.75 crore

The remaining project cost will be borne by State Government or SIA or CPSU or SPSU or ICDC such as DMICDC, etc. with a minimum contribution of 25% of the project cost



# EMC 2.0 – Release of Funds

30% will be released on approval of the project as an advance



**First  
Installment**



**Second  
Installment**

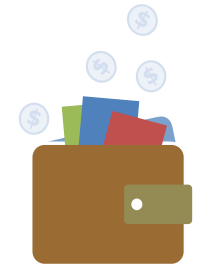


**Third  
Installment**



**Fourth  
Installment**

30% will be released after completion of the project



40% will be released after utilization of the first installment and achievement of specific milestones related to infrastructure development and allotment of land to Anchor Unit

The funds will be released to PIA through PMA once PIA has deposited pari-passu contribution in the designated account or the concerned State Government or Ministries / Departments has issued a sanction or order for transfer of pari-passu contribution. In case of internal accruals of PIA or financial assistance from Bank or Financial Institution (FI), the funds should have been transferred in the designated account

**Scheme duration / timelines:** The Scheme will be open for receipt of applications for a period of three (3) years from the date of notification. Further period of five (5) years shall be available for disbursement of funds to the approved projects. The applications received under the Scheme will be appraised on an ongoing basis

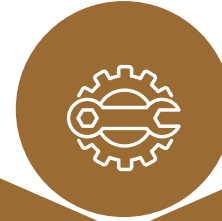
# Scheme for Promotion of manufacturing of Electronic Components and Semiconductors (SPECES)



- 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 8 - 10% compared to competing economies
- Domestic electronics manufacturing has increased substantially over the last few years and is steadily moving from Semi Knocked Down (SKD) to Completely Knocked Down (CKD) level of manufacturing
- However, domestic value addition continues to be low in the range of 10 - 30% only



- 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) is to position India as a global hub for 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
- The manufacturing of electronic components and semiconductors is capital intensive and must deal with constantly changing technology



- 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 set up 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 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– Major Criteria



## Objective

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



## Eligibility

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



## Threshold Limit

Minimum Investment Threshold Limit is from INR 5 crore – INR 1,000 crore for different type of goods



## Tenure of the Scheme

The SPECS will be open for applications initially for 3 years from the date of its notification



# SPECS – Incentives

1.

An incentive of 25% on capital expenditure shall be provided to the units making investment for the goods under different categories. The incentive will be provided on reimbursement basis

4.

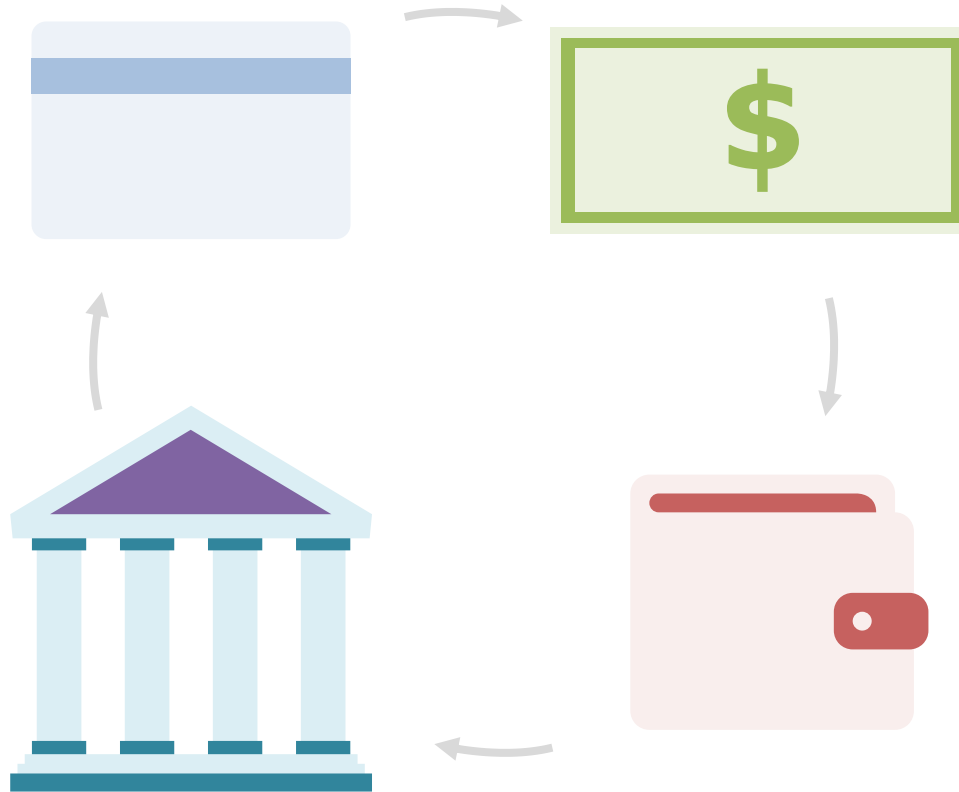
The applicants shall also be eligible to take benefit under any other scheme(s) of Government of India. However, investments committed by the applicants under M-SIPS scheme for which incentives have been claimed will not qualify as eligible investments under SPECS scheme

2.

The capital expenditure will be total of expenditure in plant, machinery, equipment, associated utilities and technology, including R&D. The total value of refurbished plant, machinery and equipment, whether imported or domestically procured, not exceeding 20% of the total eligible plant, machinery and equipment

3.

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



# SPECS – 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 or for multiple locations
- 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

- The incentive will be available for investment made within 5 years from the date of acknowledgement of the application
- The incentive against the eligible capital expenditure shall be released after the approval of the application, subject to capital expenditure exceeding the threshold value and commencement of commercial production. The subsequent claims for the incentive may be submitted on a six-monthly basis
- The unit receiving incentive under SPECS will have to remain in commercial production for a period of at least 3 (three) years from the date of commencement of production or 1(one) year from the date of receipt of last incentive, whichever is later



# Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing

- 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 which is curtailed by specific constraints such as large capital investments and rapid changes in technology
- India's share in global electronics manufacturing has grown from 1.3% in 2012 to 3.0% in 2018. The domestic grown production of electronics hardware has increased substantially from INR 1,90,366 crore (USD 29 billion) in 2014-15 to INR 4,58,006 Crore (USD 70 billion) in 2018-19. Domestic demand for electronics hardware expected to rise to INR 26, 00,000 crore (USD 400 billion) by 2025



- Given the limited relief expected for the electronics manufacturing under other schemes, there is need for a mechanism to compensate for the disabilities vis-à-vis other major manufacturing economies
- 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), 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

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

# PLI Scheme – Major Criteria



## Quantum of Incentive

The Scheme shall extend an incentive of 4% to 6% on incremental sales (over base year 19-20) of goods manufactured in India and covered under target segments, to eligible companies, for a period of five (5) years



## Target Segments

The Scheme shall only be applicable for target segments namely mobile phones and specified electronic components



## Eligibility

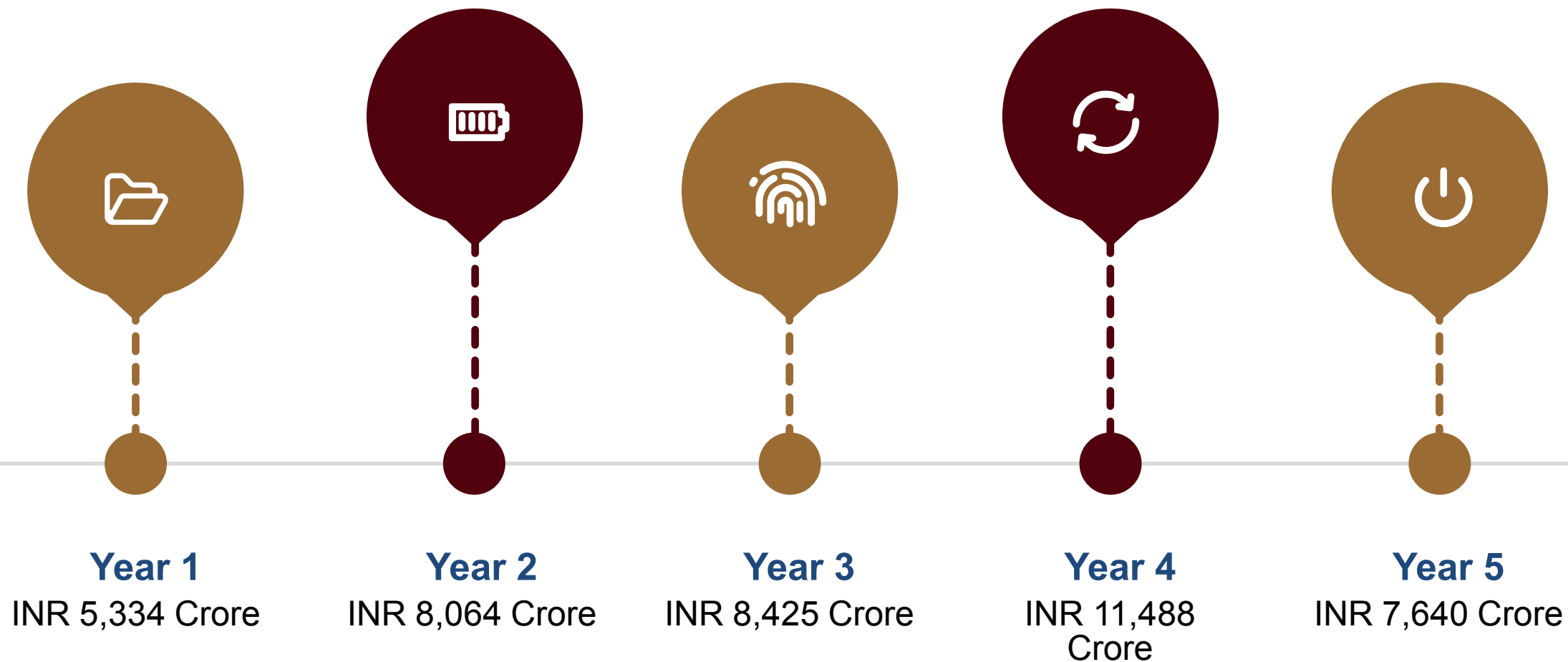
Support under the Scheme shall be provided only to companies engaged in manufacturing of target segments in India. With each application shall be limited to one (1) of the target segments. An applicant must meet all the threshold conditions to be eligible



## Tenure of the Scheme

Support under the Scheme shall be provided for a period of five (5) years. The Scheme shall be open for applications for a period of 4 months initially which may be extended

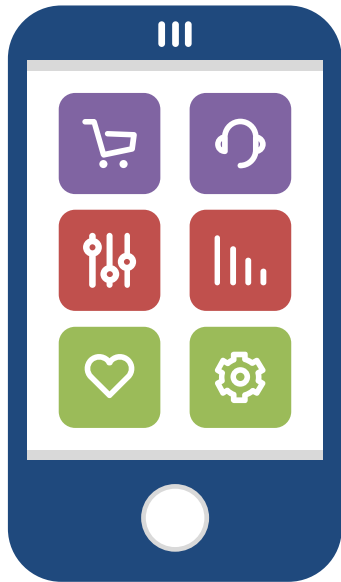
# PLI Scheme – Incentive Outlay



Incentive Per Company: The incentive per company will be applicable on incremental sales of manufactured goods (as distinct from traded goods) over base year subject to ceilings as decided by the Empowered Committee.



# PLI Scheme – Process to be followed



- 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
- Eligible applications will be appraised on an ongoing basis and considered for approval
- Incentive shall be released to eligible applicants, meeting the required thresholds and whose disbursement claims are found to be in order
- Incentives under the Scheme will be applicable from 01.08.2020

**Approval and Disbursement Process**

- The Scheme shall be implemented through a Nodal Agency
- Such Nodal Agency shall act as a PMA and be responsible for providing secretarial, managerial and implementation support and carrying out other responsibilities as assigned by MeitY from time to time. Detailed constitution, functioning and responsibilities of the PMA will be elaborated in the Scheme Guidelines
- For carrying out activities related to the implementation of PLI Scheme, PMA would inter-alia be responsible for:
  - Appraisal of applications and verification of eligibility for support
  - Examination of claims eligible for disbursement of incentive
  - Compilation of data regarding progress and performance of the Scheme including Incremental Investment and Sales of Manufactured goods

**Nodal Agency**

- An Empowered Committee (EC) including CEO NITI Aayog, Secretary Economic Affairs, Secretary Expenditure, Secretary MeitY, Secretary Revenue, Secretary DPIIT and DGFT will be formed
- The EC will consider applications, as found eligible by the PMA
- The EC will consider claims, as examined and recommended by the PMA, for disbursement as per the laid down procedure
- The EC will conduct a periodic review of eligible companies with respect to their investments, employment generation, production and value addition
- The EC may revise incentive rates, ceilings, target segments and eligibility criteria as deemed appropriate during the tenure
- The EC will also be authorized to carry out any amendments in the Scheme Guidelines
- Detailed constitution, functioning and responsibilities of the EC will be elaborated in the Scheme Guidelines

**Empowered Committee (EC)**

# Annexure SPECS – List of Goods eligible for Incentive (1/2)

Minimum Threshold	Key Performance Indicator
<b>INR 5 Crore</b>	List of goods with Minimum Investment Threshold Limit of INR 5 crore
	Chip Modules for Smart Cards, RFID Antenna & Labels, CoB/ System in Package
	Passive components including resistors, capacitors, ferrites, etc. for electronic applications
	Electromechanical components including transformers, inductors, coils, relays, switches, micro motors, stepper motors, BLDC Motors, Connectors, Heat Sinks, Antenna, Speakers, Microphones, etc. for electronic applications
	Magnetrons, Wave guides, Circulators, Couplers, Isolators, Filters, Magnets, RF Components for electronic applications
	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
<b>INR 15 Crore</b>	Active Components: a. Discrete semiconductor devices including transistors, diodes, etc. b. Power semiconductors including FETs, MOSFETs, Thyristors, etc.
	Preform of Silica and Optical Fiber
	Display Assembly and Touch Panel/ Cover Glass Assembly

# Annexure SPECS – List of Goods eligible for Incentive (2/2)

Minimum Threshold	Key Performance Indicator
INR 25 Crore	Micro/Nano-electronic components such as Micro Electro Mechanical Systems (MEMS) and Nano Electro Mechanical Systems (NEMS)
	Assembly, Testing, Marking and Packaging (ATMP) units
INR 75 Crore	Mechanics (plastic and metal parts) for electronic applications
INR 250 Crore	Compound Semiconductors such as GaN, SiC, GaAs, etc. and Silicon Photonics devices/ Integrated Circuits, Optoelectronic components
INR 500 Crore	Semiconductor Wafers
INR 1000 Crore	Semiconductor Integrated Chips (ICs) including Logic [Microprocessor, Microcontrollers, Digital Signal Processors (DSP), Application Specific Integrated Circuits (ASICs), etc.]; Memory; Analog/ Mixed Signal ICs, etc.
	Display fabrication units including Liquid Crystal Displays (LCD), Light Emitting Diode (LED), Organic Light Emitting Diode (OLED), etc. for electronic applications

# Annexure EMC 2.0 – list of eligible activities

## Vital Services

Boundary Wall

Internal Roads

An illustrative list of eligible activities under EMC 2.0 Scheme

Storm Water Drains

Electric Sub-Station/Distribution Network

## Essential Services

- Waste Disposal/Recycling
- Water Recycling/Water Treatment Plant
- Effluent Treatment Plant
- Sewage Lines
- e-waste Management
- Street Lighting
- Backup Power Plant
- Warehousing
- Ready Built Factory sheds (RBF)/Plug & Play Facility
- Fire Fighting and Safety services

## Welfare Services

Employee Hostel

Hospital and ESIC

Recreational Facility/Playground

Creche/Nursery

Educational Facilities

Banking & Financial Services

## Support Services

Centre of Excellence (R&D, Incubation and Consultancy Services)

Skill development Centre/Training Facility

Auditorium & Conference Facility

Video Conferencing, IT & Telecom

Infrastructure

Business, Trade & Convention Centre

## Manufacturing Support

Tool Room

CAD/CAM Design House

Plastic Molding/Cabinet Manufacturing

Sheet Metal Stamping

Packaging/Epoxy Suppliers

Testing and Certification Facility

Component Testing:

- Safety, Life Test, Reliability/Environment, Electrical & mechanical properties RoHS Testing
- EMI/EMC Testing
- CRO compliance

# Annexure PLI Scheme – Eligibility Threshold Criteria

Segment	Proposed Incentive Rate	Incremental Investment over Base Year	Incremental Sales of Manufactured Goods over Base Year
<b>Mobile Phones</b> (Invoice value of INR 15,000 and above) *	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
<b>Mobile Phones</b> (Domestic Companies) **		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
<b>Specified Electronic Components</b> SMT components/ Discrete semiconductor devices including transistors, diodes, thyristors, etc./ Passive components including resistors, capacitors, etc. for electronic applications / Printed Circuit Boards (PCB), PCB laminates, prepregs, photopolymer films, PCB printing inks / Sensors, transducers, actuators, crystals for electronic applications / System in Package (SIP) Micro / Nano-electronic components such as Micro Electromechanical Systems (MEMS) and Nano Electromechanical Systems (NEMS) / Assembly, Testing, Marking and Packaging (ATMP) units		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

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# Thank You!

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