INVITATION
FOR
EXPRESSION OF INTEREST
FOR SETTING-UP OF UNIT IN
“ELECTRONICS MANUFACTURING CLUSTER (EMC)”
at Tirupati, Chittoor District, Andhra Pradesh

Andhra Pradesh Industrial Infrastructure Corporation Limited
EMC at Tirupati, Chittoor District, Andhra Pradesh

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1. Introduction

Electronics industry, especially consumer electronics, emerged in the 20th century and has now become a global industry worth billions of dollars. Contemporary society uses all manner of electronic devices built in automated or semi-automated factories operated by the industry. Globally, Electronics industry is the largest and fastest growing industry in the world and is expected to reach an assize of USD 2.4 trillion by 2020.

India is one of the largest growing electronics market in the world with a CAGR (Compound Annual Growth Rate) of around 66.1%. In 2015, this industry had a market size of USD 31.6 billion and is expected to grow to USD 400 billion by 2020. However, the major challenge faced by India today is that there is no adequate manufacturing in the country to meet the demand for Electronics Systems Design and Manufacturing (ESDM). It is estimated that by 2020, the demand-supply gap will reach close to USD 300 billion and will lead to a situation where the electronics import bill for the country will exceed oil import costs. The manufacturing of electronic products that mainly takes place in the country is a low value addition, and is mainly focused on last mile assembly. The Government of India is increasing its focus on this sector, and aims to transform it from a consumption-driven market to the one with manufacturing capability to meet local and export-related demand while simultaneously focusing on producing high-value add electronic products.

To enhance domestic manufacturing and value-addition in ESDM, the Department of Electronics and Information Technology (DeitY), Ministry of Communications and Information Technology (MoC&IT), Government of India (GoI), notified the National Policy on Electronics in 2012. The National Policy on Electronics 2012 (NPE 2012) seeks to attract investments to the tune of USD 100 Billion and to create employment of 28 Million by 2020.

Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC) in its endeavour to develop industrial infrastructure in the state has identified an area to an extent of 501.4 acres at Tirupati (Chittoor District) for development of an Electronic Manufacturing Cluster (EMC) for tapping the immense potential in ESDM sector. DeitY, GoI has granted in-principle approval to the EMC at Tirupati (Chittoor District). The EMC is aimed at providing one stop integrated facilities with manufacturing support, welfare and common infrastructure facilities to the prospective electronics manufacturing industries. The EMC is envisaged to house world class eco system for electronics manufacturing industries.

With this background, APIIC invites Expression of Interest (EoI) from Organizations / Joint Ventures / Consortiums having experience in Electronic Manufacturing Sector for setting up their unit in the EMC.

1.1 Central Government Incentives and Guidelines for Project Implementation

To offset disability and attract investments in Electronic manufacturing, Modified Special Incentive Package Scheme (M-SIPS) was notified by GoI. The Notification issued by DeitY on M-SIPS are presented as Annexure-1 & 2 of this EoI document. The scheme is available for both new projects and expansion projects. The scheme
provides capital subsidy for units engaged in electronics manufacturing. It also provides for reimbursements of CVD/Excise for capital equipment for the non-SEZ units. For some of the high capital investment projects like fabs, it provides for reimbursement of Central Taxes and Duties. The incentives are provided on reimbursement basis. Units all across the manufacturing value chain are covered under the scheme. For each of the product category, an investment threshold is prescribed which an applicant has to incur for getting eligible for incentives. The investment threshold varies from Rs 1 Crore to Rs 5000 Crores depending upon the type of project. The incentives are available for 10 years from the date of approval.

The EMC project at Tirupati (Chittoor District) is being developed under the **Electronic Manufacturing Cluster (EMC) Scheme** set out by DeitY, Ministry of Communication & Information Technology, Government of India. The salient features of EMC Scheme for implementation of the project are set out below.

- Implementation of scheme will be through a Special Purpose Vehicle (SPV) which will carry out the business of developing, operating and maintaining the infrastructure, amenities and other common facilities created in EMCS.
- DeitY, GoI will provide financial assistance by the way of grant-in-aid to the SPV. The assistance will be restricted to 50% of the project cost subject to a ceiling of INR 50 Crore for every 100 acres of land.
- The guidelines for the institutionalization of SPV set out in the Government of India notification dated January 30, 2014 are as set out below:
  - The constituent units including industry associations, FIs, Banks, Academic / R&D institutions, Government Agencies and the Chief Promoter and other investors may form the SPV.
  - At least 7 of the EMC units should be on the Board of Directors of the SPV.
  - Wherever the SPV is with participation of Government / Government Agency (State / Local), there shall be at least one representative of the concerned Government or its agency on the board of directors of the SPV and any change in the equity structure shall be made with the prior approval of the relevant Government.
  - Any changes in the equity structure of the SPV, in spite of whether Government or its agency participates as equity partner in the SPV, shall have prior approval of Department of Electronics and Information Technology, Ministry of Communication and Information Technology, Government of India.
  - The EMC units must hold 51% of the share capital of the SPV with no single unit owning more than 25% of the share capital. This requirement is to be fulfilled either at the time of application for assistance or within a specified time period.

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1 Notification & Guidelines issued by DeitY on EMC Scheme can be downloaded from [http://deity.gov.in/esdm/clusters#](http://deity.gov.in/esdm/clusters#)
1.2 State Government Incentives for Electronic Hardware Industry

Information Technology & Communications (ITE&C) Department, Government of Andhra Pradesh (GoAP) has issued Andhra Pradesh Electronics Policy 2014-2020 (refer Annexure-3 of this EoI document). The AP Electronics policy provides fiscal and non-fiscal incentives in addition to the incentives provided by the GoI as per NPE 2012.

Below is the summary of Fiscal and Non-fiscal incentives mentioned under Andhra Pradesh Electronics Policy 2014-2020:

- **Fiscal Incentives**
  - **Registration & Stamp Duty:** Electronics industry shall be eligible for 100% reimbursement of the Stamp Duty, Transfer Duty and Registration Fee paid on sale/lease deeds on the first transaction and 50% thereof on the second transaction.
  - **Power Subsidy:**
    - (a) 50% to Micro, 40% to small & 25% to medium & 10% to large-scale industry limited to Rs. 50 lakhs Power Subsidy on power bills for a period of 5 years from the date of commencement of commercial operations.
    - (b) Exemption of Electricity Duty: New Electronic Hardware units, after coming into commercial operations will be entitled for 100% exemption on Electricity duty for a period of 5 years.
  - **Patent Filing Cost:** The cost of filing patents will be reimbursed to the companies having their headquarters in Andhra Pradesh, subject to a limit of Rs. 5 lakh (0.5 Million) per domestic patent awarded and Rs. 10 lakh (1 Million) per international patent awarded.
  - **Quality Certification:** 50% subsidy on the expenses incurred for quality certification limited to Rs.4 Lakhs (0.4 Million) (Conformity European (CE), China Compulsory Certificate (CCC), UL Certification, ISO, CMM Certification, SA, RU etc.)
  - **Cleaner/Greener Production Measures:** 25% subsidy on cleaner/green production measures limited to Rs.10 Lakhs (1 Million).
  - **VAT/ CST Reimbursement:** 100% Tax reimbursement of VAT / CST, for the new units started after the date of issue of this Policy, for a period of 5 years from the date of commencement of production for products manufactured in AP and sold in AP.
  - **Skill Up gradation & Training:** 50% reimbursement/grant of cost involved in skill up gradation & training the local manpower limited to Rs. 2,000 per person.
  - **Investment Subsidy:** 20% Investment Subsidy limited to Rs.20 lakhs (2 Million) for MSME and additional 5% investment subsidy for Women/SC/ST Entrepreneurs.
  - **Interest Rebate:** 3% Interest Rebate limited to Rs.5 lakhs (0.5 Million) per year for 5 years
o **Capital Subsidy:** 10% subsidy on new capital equipment for technology upgradation limited to Rs.25 lakhs (2.5 Million) as one time availment by the eligible company.

o **Rebate on Land Cost:** 25% Rebate on land cost limited to Rs.10 lakhs (1 Million) per acre in Industrial Estates, Industrial Parks, SEZ’s, EMCs

**Non Fiscal Incentives**

o Electronics Industry would be exempted from inspections/certifications under the following Acts and the Rules framed there under and as administered by the Labour Department, barring inspections arising out of specific complaints. The Electronic Industry (units) are permitted to file self-certificates, in the prescribed formats for the following statutes.

   i. The Factories Act 1948
   ii. The Maternity Benefit Act 1961
   iii. The AP Shops & Establishments Act 1988
   iv. The Contract Labour (Regulations & Abolition) Act 1970
   v. The Payment of Wages Act, 1936
   vi. The Minimum Wages Act 1948

o General permission shall be available on the lines similar to IT/ITES industry for 3-shift operations with women working in the night, subject to the Electronics Units taking the prescribed precautions in respect of safety and security of employees.

o Electronics Hardware industry is declared as essential service under AP Essential Services Maintenance Act.

o An empowered ‘Consultative Committee on Information Technology Industry (CCITI)’ formed with the representatives of Electronics industry and the other stakeholders would administer the incentives in a speedy, time-bound and transparent manner.
2. **Project Brief – Electronic Manufacturing Cluster at Tirupati, Chittoor District, Andhra Pradesh**

2.1 **Project Location**

The project site of 501.40 acre is located next to Tirupati Airport. The project site is strategically placed in terms of connectivity (road, rail, air and sea) to international markets.

The project site is located in the hinterland of four major ports i.e., Chennai Port (99 km), Ennore Port (93 km), Krishnapatnam Port (90 km) and Kattupalli shipyard (91 km). Chennai Airport is located at 95 km from the project site.

Renigunta is to west at 5.7 km while Tirupati lies at distance of 13.7 km on west. Swarnmukhi River flows on the east side, Ralla Kaluva on the north side and stream on the south side of the Project site.

2.2 **About the Project**

The EMC is aimed at providing one stop integrated facilities with manufacturing support, welfare and common infrastructure facilities to the prospective electronics manufacturing industries. The EMC is envisaged to house world class eco system for electronics manufacturing industries that will ensure reliable 24 X 7 quality power supply with dedicated feeder and sub-station, quality uninterrupted water supply, state of the art basic infrastructure, common effluent treatment plant, etc.

The project includes manufacturing support services like CAD/CAM designing, testing & calibration, component testing, plastic moulding, tool room, rapid prototyping, PCB prototyping, SMT assembly lines. Other Support services like incubation centre, IT infrastructure, auditorium & conferencing facility, central training centre, environmental laboratory, central kitchen, etc. are also planned within the EMC. Adequate welfare services/facilities like employee hostel with dinning facility, club house with outdoor play area, primary health centre, crèche/nursery with outdoor play area, local shopping centre with restaurant, etc are also planned as a part of the EMC.
Below is the draft master plan of the EMC at Tirupati (Chittoor District).
3. **EoI Application Process**

APIIC is inviting Organizations / Joint Ventures / Consortiums for setting up their unit in this EMC and to become a part of SPV for the development, operation and management of cluster.

3.1 **Who can Apply (Eligibility Criteria)**

An Applicant interested in submitting the EoI shall fulfil the following:

(A) The Applicant may be a single entity or a group of entities (the “Consortium”), coming together. The term Applicant used herein would apply to both a single entity and a Consortium.

(B) The Applicant or the lead member of the Consortium, as the case may be, shall have a turnover of at least Rs. 1 crore (Rupees one Crore) in the past financial year (i.e. 2014-15 or 2015-16).

3.2 **How to Apply**

Interested organizations/consortiums who meet the above eligibility criteria are requested to submit EoI providing following details at APIIC office:

- Details of the company/each member of the consortium
- Audited annual accounts of the company/all the consortium members (including P&L account, balance sheet) for past financial year (2014-15 or 2015-16)
- Details of existing ESDM unit\(^2\) (if any) including:
  a) Name and location of the Unit/Project
  b) Date of Establishment (DD/MM/YYYY)
  c) Commercial Operations Start Date (DD/MM/YYYY)
  d) Land Area (in Acres)
  e) No. of persons employed
  f) Capital Cost (excluding land) (in Rs. Crore)
  g) Cost incurred on land (in Rs. Crore)
  h) Brief Description of the Unit/Project describing sub-segment on which the unit focuses (electronic product/ electronic component / semiconductor design / electronic manufacturing services / any other).  

\(^2\) **ESDM Unit shall mean a unit engaged in design and manufacturing of electronic products including nano-electronic products and telecom products / intermediates / capital equipment for electronic products / raw materials exclusively for electronic products / remanufacturing of electronic products / electronic manufacturing services. For detailed list, refer Annexure-1 and 2 of this EoI document.**
- Project Report for the unit proposed by Interested Entity. The project report shall comprise of details on the following:
  a) Brief description of the project including:
     i. sub-segment on which the unit/s will focus (electronic product/electronic component / semiconductor design / electronic manufacturing services / any other),
     ii. raw material and its sources,
     iii. market for supply of finished goods, etc.
  b) Land area required along with area break-up of the project components
  c) Estimated project cost excluding the cost of land
  d) Estimated Construction Period from the allotment date
  e) Estimated Employment Generation
  f) Support infrastructure requirements (including water requirements, power requirements, any other requirements)
  g) Type of common facilities required, if any (testing labs, tool rooms, CAD/CAM, etc.)
  h) Classification of the Industry (Red / Orange / Green Category) as applicable in accordance with the Ministry of Environment & Forests guidelines.
  i) Business Plan with broad financial estimates including capital expenses (excluding land cost), O&M expenses, revenue streams, cash flows statement, P&L statement, etc. The Business plan shall be for the first 10 years from the allotment date.

3.3 Where to Apply

All communications including the submission of EoI should be addressed to:

Name : G. Nagabhushanam
Designation : Deputy General Manager (Engineering)
Address : Andhra Pradesh Industrial Infrastructure Corporation Ltd.,
Parisrama Bhavanam, 4th Floor,
5-9-58/B, Fateh Maidan Road,
Basheer Bagh, Hyderabad–500004
Andhra Pradesh
Phone No. : + 91-8499876662
Email : gnagabhushanam@gmail.com
4. Annexures

4.1 Notification issued by DeitY on M-SIPS

MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

(Department of Electronics and Information Technology)

NOTIFICATION

No. 24(10)/2010-IPHW New Delhi, the 27th July 2012

Subject: Modified Special Incentive Package Scheme (M-SIPS) to offset disability and attract investments in Electronics Systems Design and Manufacturing (ESDM) Industries

1. Background and Objective

1.1 Manufacturing base of electronic products in the country is grossly inadequate in comparison to demand of such goods. Even in cases where products are manufactured in India, the extent of domestic value addition is low. Semiconductors are at the heart of any electronic systems and constitute a significant part of the total value of the Bill of Material (BOM). The main impediments in the way of attracting investments for manufacture of semiconductors, components and electronic products are disabilities like high cost of power and finance, high transactional costs and poor base of supply chain (components and accessories). Presently, semiconductor wafers, semiconductors and majority of the hi-tech components are being imported. The manufacturing capabilities for semiconductors are highly capital intensive and have to deal with constantly changing technology. Development of supply chain is essential for the manufacture of electronic products with higher domestic value addition. Therefore, Government has decided to offer a package of incentives to attract domestic and global investments into the Electronics Systems Design and Manufacturing (ESDM) sector within Electronics Manufacturing Clusters (EMCs) as a means to minimizing the disabilities.

1.2 As per the report of the Task Force on IT/ITES and Electronics Hardware Manufacturing, the ESDM industry in India lags behind its counterparts in other countries despite having basic capabilities to develop the
sector due to its strength in chip design and embedded software. The proposed incentives will provide a level playing field and achieve competitiveness in the global market.

1.3 ESDM industry in India faces significant challenges like high transactional costs, complex administrative processes and infrastructural deficiencies. An analysis by the Federation of Indian Export Organizations (FIEO) reveals that cost disparities, including the transaction costs borne by Indian exporters vary and range from 19 to 22%. In contrast exporters in developed economies pay only 2 to 3% of transactional costs. The Modified SIPS proposes to partly offset the difficulties.

2. Modified Special Incentive Package:
2.1 The M-SIPS will be applicable to investments in new ESDM units and expansion of capacity/modernization and diversification of existing ESDM units. For the purpose of the scheme -

a) ESDM unit shall mean a unit engaged in design and manufacturing of electronics and electronic products and their accessories listed in Annexure - 2 and includes all stages of the value-chain involved in the development of these products and accessories starting from raw materials. It includes assembly, testing and packaging. It also includes Electronics Manufacturing Services (EMS) involved in any of the above stages.

b) Expansion of an existing unit would mean increase in the value of fixed capital investment in plant and machinery of an ESDM unit by not less than 25%, for the purposes of expansion of capacity/modernization and diversification.

2.2 The Modified Special Incentive Package shall be for state-of-the-art technology.

2.3 The investment thresholds applicable for units in different categories under the scheme are indicated in Annexure - 1. The thresholds are the same
for new or expansion of capacity/ modernization and diversification of existing units. The incentives available for each category are also indicated along with in Annexure - 1.

3.1 The incentives mentioned in Annexure - 1 will be available for investment made within 10 years of the approval of a new unit. In case of expansion of capacity/ modernization and diversification of existing units, the incentive will be available for investment made within 10 years of the approval of expansion of capacity/ modernization and diversification of existing units.

3.2 The incentives, if any, offered by the State Government or any of its agencies or local bodies shall be over and above the incentive amount eligible under M-SIPS.

3.3 The period of 10 years shall be the first 10 years after the approval of the project and not with regard to any subsequent phase/s of the project.

3.4 The capital expenditure will be the total of capital expenditure in land, building, plant and machinery and technology including Research and Development (R&D). The total cost of land exceeding 2% of the capital expenditure shall not be considered for calculation of incentives in this regard.

4.1 The incentive against the capital expenditure shall be released after the end of the financial year in which the total investment exceeds the threshold value. Thereafter, the incentive shall be provided on an annual basis on the value of the investments made during the year and be restricted to the first 10 years from the date of approval of the unit under the scheme.

4.2 The re-imbursement of Central taxes and duties actually paid, where applicable, shall be released after the end of the financial year in which the unit commences the production. Thereafter, the incentive shall be provided on an annual basis on the value of the taxes and duties actually paid during the year and will be restricted to the first 10 years from the date of approval of the unit.
5.1.1 The overall financial ceiling under the Modified SIPS will initially be limited to Rs 10,000 crores during the 12th Five Year Plan. A review of the scheme in the ultimate year of the 12th Five Year Plan could make a realistic estimate of the likely demand for the 13th Five Year Plan.

5.1.2 Periodic reviews will be undertaken with respect to changes, if any, to the list of products and thresholds for which incentives are provided.

5.2 The M-SIPS will be open for applications for three years from the date of this notification. The applications received under the scheme will be appraised on an ongoing basis.

5.3 The M-SIPS will be available for units set up within Electronics Manufacturing Clusters to be notified by the Department of Electronics and Information Technology.

6.1 An M-SIPS Appraisal Committee shall be set up by the Department of Electronics and Information Technology and headed by the Additional Secretary, Department of Electronics and Information Technology or in his absence on long leave or the post being vacant any other officer in the Department not below the rank of Additional Secretary, who may be so authorized by the Minister in charge. The Appraisal Committee will consider the applications under M-SIPS and submit its recommendations to the Government. The Government shall consider such recommendations and grant approvals.

6.2 For effective functioning of the M-SIPS Appraisal Committee, a set of guidelines shall be drawn up by Department of Electronics and Information Technology and issued separately.

(Dr. Ajay Kumar)
Joint Secretary to Government of India
## Annexure 1

### Investment Thresholds and Financial Incentives for E&DM

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Type</th>
<th>Investment Threshold (in Rs. Crores)</th>
<th>Financial Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Fab Assembly, Testing, Marking &amp; Packaging (ATMP)</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>1.</td>
<td>Electronic Products including Nano-Electronic and Telecom Products as per Annexure 2</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>2.</td>
<td>Intermediates</td>
<td>-</td>
<td>200</td>
</tr>
<tr>
<td>2.1</td>
<td>Nano Electronic Components</td>
<td>-</td>
<td>1000</td>
</tr>
<tr>
<td>2.2</td>
<td>Semiconductor Wafering</td>
<td>-</td>
<td>1000</td>
</tr>
<tr>
<td>2.3</td>
<td>Semiconductor Chips (See Note 2):</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>a)</td>
<td>Logic - Microprocessors,</td>
<td>2000</td>
<td>500</td>
</tr>
</tbody>
</table>

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**Note:**
- See Note 1: Details on Central Taxes and Duties.
<table>
<thead>
<tr>
<th>Microcontrollers, Digital Signal Processors (DSP) &amp; Application Specific Integrated Circuits (ASICs).</th>
<th>Reimbursement of Central Taxes and Duties (See Note - 1)</th>
<th>Exclus/CVD on capital equipment + Reimbursement of Central Taxes and Duties (See Note - 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>b) Memory</td>
<td>500</td>
<td>400</td>
</tr>
</tbody>
</table>

2.3 Chip Components, Discrete Semiconductors and Power Semiconductors:

<table>
<thead>
<tr>
<th>Chip Components</th>
<th>200</th>
<th>75</th>
<th>N.A</th>
<th>20% of Capex</th>
<th>25% of Capex + Reimbursement of Excise/CVD on capital equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distre Semiconductors like Transistors, Diodes etc.</td>
<td>25</td>
<td>15</td>
<td>N.A</td>
<td>20% of Capex</td>
<td>25% of Capex + Reimbursement of Excise/CVD on capital equipment</td>
</tr>
<tr>
<td>Power Semiconductors (including Diffusion) like FETs, MOSFETs, SCR, GTOs, IGBTs etc.</td>
<td>100</td>
<td>50</td>
<td>N.A</td>
<td>20% of Capex</td>
<td>25% of Capex + Reimbursement of Excise/CVD on capital equipment</td>
</tr>
</tbody>
</table>
2.4 Solar Photovoltaics (SPV) (See Note - 3):

<table>
<thead>
<tr>
<th></th>
<th>Polysilicon Technology</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>i)</td>
<td>Polysilicon</td>
<td>650</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ingot and/ or wafers</td>
<td>400</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cells or Cells &amp; Modules</td>
<td>100</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td></td>
<td></td>
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</table>

b) Thin Film Technology

|   | Cells or Cells & Modules | 300 | N.A | N.A | 20% of Capex  | 25% of Capex + Reimbursement of Excise/CVD on capital equipment |
|   |                        |    |    |    |               |                                                               |
|   | Light Emitting Diodes (LED) | 250 | 50  | N.A | 20% of Capex  | 25% of Capex + Reimbursement of Excise/CVD on capital equipment |

2.5 Liquid Crystal Displays (LCD):

|   | LCD Fabrication | 4000 | 250 | N.A | 20% of Capex  | 25% of Capex + Reimbursement of Excise/CVD on capital equipment |
|   |                |    |    |    |               | +Reimbursement of Central Taxes and Duties (See Note - 1) |
|   | LCD Glass Substrate | 250 | 100 | N.A | 20% of Capex  | 25% of Capex + Reimbursement of Excise/CVD on |

7
<table>
<thead>
<tr>
<th>27. Passive Components, Electro-Mechanical Components, Mechanicals Parts and Consumables &amp; Accessories:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Passive Components such as Resistors, Capacitors, Inductors, Thermometers etc.</td>
</tr>
<tr>
<td>b) Electromechanical Components and Mechanical Parts such as Multi-layer PCBs, Transformers, Coils, Connectors, Switches, Ferrites, Motor Motors, Stepper Motors, Films etc.</td>
</tr>
<tr>
<td>c) Consumables and Accessories such as Mobile Phones and IT Accessories - Batteries, Chargers etc., PCBs, Fols, Tapes, Epoxy, Cabinets etc.</td>
</tr>
<tr>
<td>3. Electronic Manufacturing</td>
</tr>
</tbody>
</table>
EMC at Tirupati, Chittoor District, Andhra Pradesh

<table>
<thead>
<tr>
<th>Services (EMS) – (See Note 4)</th>
<th>Excise/CVD on capital equipment</th>
</tr>
</thead>
</table>

Note - 1: Central Taxes and Duties mean Customs Duty, Service Tax, Excise Duty, as actual from the date of commencement of production.

Note - 2: The types of fabs for which incentives are available for setting up of Semiconductor Wafer Fabrication facilities (fabs) will be decided based on the outcome of investment being attracted by the Government to set up twofabs in a separate exercise.

Note - 3: incentives for investments in additional Solar Photovoltaics shall be decided based on the outcome of proposals received under the Special Incentive package Scheme (SIPS) announced vide Notification No. 3 (1)/ IPHW (SIPS) dated 21 March 2007.

Note - 4: Electronic Manufacturing Services (EMS) would mean, units engaged in providing services related to manufacture of sub-assemblies and parts including integration services to the Original Equipment Manufacturers (OEMs). However, EMS shall not encompass production of final products under their own brand name.
Annexure 2

List of verticals of ESDM for which incentives are available under M-SIPS

(A) Electronics Products including Nano-Electronics Products and Telecom Products (3) no. 1 of Annexure 1):

1. **Telecom products** including Optical Fiber Equipment, Terrestrial Communication Equipment, Satellite Communication Equipment; IP based new generation soft-switches/routers including L2 and L3 switches; data networking equipment – copper/optical – consumer and carrier grades for public and private networks; Transport systems – DWDM, SDH, PON, Cross-connects, RF over optical fibre, Carrier Ethernet, Packet Optical Transport Platform (P-OTP); Wireless technology – GSM (2G & 2.5G), CDMA, 3G, LTE & LTE Advance, Wi-Fi, WiMAX & WiMAX Advance, Microwave Radio systems 2-70 GHz, Software defined radio, Cognitive radio, Distributed antenna systems; Equipment related to security and surveillance, processing of speech, data, image, video: Customer Premises Equipment (CPE) – PBX systems, end-devices, 3G Routers, VoIP gateways, Residential gateways, Access points, Routers, Broadband CPEs, Mobile phones/ Mobile handsets/ Smart Mobile phones, Set-Top boxes, HModems, dongles, data card; Short Range Devices (SRD).

2. **IT Hardware products** including computers, tablets, desktops etc., servers, peripherals like printers, faxes, storage devices, monitors, etc.

3. **Consumer Electronics** like Televisions, Digital Cameras, Camcorders etc.

4. **Health and Medical Electronics**

5. **Strategic electronics**

6. **Solar Photo Voltaic** including thin film, polysilicon etc.

7. **Light Emitting Diodes (LEDs)**

8. **Liquid Crystal Displays (LCDs)**

9. **Avionics**
<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Industrial Electronic products including measuring and control equipment, energy meters etc.</td>
</tr>
<tr>
<td>11</td>
<td>Nano electronic products</td>
</tr>
<tr>
<td>12</td>
<td>e-waste processing/recycling</td>
</tr>
<tr>
<td>13</td>
<td><strong>Automotive Electronics</strong> like Anti-lock braking system, Electronic Brake Distribution, Traction Control, etc.</td>
</tr>
<tr>
<td>14</td>
<td>Agri-electronics</td>
</tr>
<tr>
<td>15</td>
<td>Energy conservation electronics</td>
</tr>
<tr>
<td>16</td>
<td>Opto-electronics</td>
</tr>
<tr>
<td>17</td>
<td>Bio-metric and Identify devices/RFD</td>
</tr>
<tr>
<td>18</td>
<td>Power supplies for ESDM products</td>
</tr>
</tbody>
</table>

(B) **Intermediates:** (Sl no. 2 of Annexure 1)

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nano-electronic components</td>
</tr>
<tr>
<td>2</td>
<td>Semiconductor wafering</td>
</tr>
<tr>
<td>3</td>
<td>Semiconductor chips including logic, memory and analog</td>
</tr>
<tr>
<td>4</td>
<td>All Assembly, Testing, Marking and Packaging of ESDM Units</td>
</tr>
<tr>
<td>5</td>
<td>Chip components</td>
</tr>
<tr>
<td>6</td>
<td>Discrete Semiconductors like Transistors, Diodes</td>
</tr>
<tr>
<td>7</td>
<td>Power semiconductors (including diffusion) like FETs, MOSFETs, SCRs, GTDs, IGBT etc.</td>
</tr>
<tr>
<td>8</td>
<td>Electromechanical Components and Mechanical Parts like Multilayer PCBs, Transformers, Coils, Connectors, Switches, Ferrites, Motor, Stepper Motors, Films etc.</td>
</tr>
<tr>
<td>9</td>
<td>Consumables and Accessories like Mobile Phones and IT accessories like Batteries, Chargers etc., PCBs, Foils, Tapes, Epoxy, Cabinets etc.</td>
</tr>
<tr>
<td>10</td>
<td>All Fabrication Manufacturing facilities (Fabs) for ESDM products</td>
</tr>
</tbody>
</table>

Note: Any intermediates not covered above shall be decided and permitted under the scheme by the Competent Authority.

C. **Electronics Manufacturing Services (EMS)** (Sl no. 3 of Annexure 1)
4.2 Notification issued by DeitY for amendments in M-SIPS

MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY
(Department of Electronics and Information Technology)
IPHW Division

No. 27(35)/2013-IPHW New Delhi, 03-08-2015

NOTIFICATION

Subject: Modified Special Incentive Package Scheme (M-SIPS) : Enhancement of scope and extension of timeline and other amendments - Revised Notification

References:

1. Modified Special Incentive Package Scheme (M-SIPS) Policy Gazette Notification vide no. 175 dated 27-07-2012.

2. Guidelines for Modified Special Incentive Package Scheme vide no. 27(3)/2012-IPHW dated 07-10-2012 and Amendment dated 23-05-2013 & 23-12-2013

3. Guidelines for notifying Brownfield Clusters under M-SIPS in the Electronics Systems Design and Manufacturing (ESDM) Sector vide no. 36(3)/2012-IPHW dated 14-01-2013

4. Renaming of Guidelines for notifying Brownfield Clusters under M-SIPS scheme for ESDM as "Notified Electronics Manufacturing Clusters for the purpose of M-SIPS" vide no. 36(14)/2014-IPHW dated 07-05-2014

The policy for Modified Special Incentive Package Scheme (Modified-SIPS) cited as reference (1) above was notified in the Gazette on July 27th, 2012. The implementation guidelines cited as reference (2) above have also been published. Necessary guidelines for notifying areas/ clusters in which the incentives under Modified SIPS is available have been issued vide reference cited as (3) and (4) above.
2. Various representations have been received from industry associations, potential applicants and other stakeholders regarding improvements in the scheme. These suggestions have been examined and detailed consultations have been held with all stakeholders. Based on the same, the following amendments are proposed in the Modified SIPS policy. All other provisions remain unchanged.

3. **Extending Modified SIPS benefits to additional verticals**

3.1 The M-SIPS incentives are hitherto available to the verticals as mentioned in reference (1) above. It is proposed to expand the list of verticals for which Modified SIPS will be available. The additional list is at Enclosure 1 of this notification.

4. **Simplifying process**

4.1 The incentives under the scheme will be available from the date of receipt of application subject to the condition that the additional incentives so calculated should be on a prospective basis (i.e. from the date of notification). Consequently, the period of 10 years for which an applicant is eligible for claiming incentives shall also be reckoned from the date of application. However, the incentives will be given to a unit only after it achieves threshold investment as required under the scheme and approval of the project by Competent Authority.

4.2 Based on further industry inputs, the revised thresholds for various industry units are proposed for unit to be eligible for incentives under the scheme. The revised thresholds for all project types are at Enclosure 2 of this notification.

4.3 It is proposed to introduce Production Subsidy @ 10 % of the production turnover (ex-factory) for Fabrication and ATMP of Analog/ Mixed signal semiconductor chips, Power Semiconductors, OLEDs, LCD (LCD fabrication & glass substrate), Fabrication of Chip Components, Discrete Semiconductors, SPV (Polysilicon, ingots and/ or wafers, cells), LEDs and Manufacturing of PCBs, nano-Electronic components and LCM. It is intended
as an operational incentive. The existing provision of "reimbursement of Central Taxes and Duties" for Semiconductor Wafering, Logic Microprocessors, Digital Signal Processors (DSP) & Application Specific Integrated Circuits (ASICS), Memory, LCD Fabrication is proposed to be changed as "Production subsidy @ 10 % of the production turnover (ex factory)".

4.4 The incentives for Modified SIPS will be disbursed immediately after the threshold of investment has been achieved. Thereafter, the disbursements will be made on quarterly basis.

4.5 The scheme will be available to any viable unit as appraised by Appraisal Committee located in any industrial area notified by Centre/ State/local authority. The practice of notifying areas wherein the incentives will be eligible is hereby dispensed with. The practice of having separate Technical Evaluation Committees will also be dispended with.

5. Extension of Time Period for Applications
5.1 The time for making applications under the Revised Scheme is extended for a period of 5 years beyond the current expiry of the scheme in July, 2015.

6. For effective functioning of the revisions in the M-SIPS policy, a set of Guidelines may be issued by Department of Electronics and Information Technology separately.

(Dr. Ajay Kumar)
Additional Secretary to Government of India
Tel: 24360160
Enclosure 1

Additional List of ESDM verticals/ projects for which incentives are available under M-SIPS

<table>
<thead>
<tr>
<th></th>
<th>Electronics Products (SI no. 1 of Enclosure 2):</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Telecom products : Optical Fibres and Optical Fibre Cables, Headends*</td>
</tr>
<tr>
<td>2</td>
<td>IT Hardware products : Automatic Teller Machines (ATMs), etc.*</td>
</tr>
<tr>
<td>3</td>
<td>Consumer Electronics : Audio Video products, electronic watches and clocks, electronic toys, wearable electronics, electronic personal care products, etc.*</td>
</tr>
<tr>
<td>4</td>
<td>Automotive Electronics: Brushed DC Motors*, etc.</td>
</tr>
<tr>
<td>5</td>
<td>Bio-metric and identity devices/RFID: Smart Card manufacturing and personalization*</td>
</tr>
<tr>
<td>6</td>
<td>Consumer Appliances like Refrigerators, ACs, Fully Automatic Washing Machines, Microwave Ovens, etc.</td>
</tr>
<tr>
<td>7</td>
<td>Electronic product design including PCB design</td>
</tr>
<tr>
<td>8</td>
<td>Machine to Machine (M2M) and Internet of Things (IoT) products</td>
</tr>
<tr>
<td>9</td>
<td>Home Fuel Cells</td>
</tr>
<tr>
<td>10</td>
<td>Multi-functional electronic devices</td>
</tr>
<tr>
<td>11</td>
<td>Semiconductor Equipment such as Automatic Test Handler, Pick &amp; Place Machines, Test Head Manipulator and their accessories like Test</td>
</tr>
<tr>
<td></td>
<td>Sockets, Probe Cards, ATE Load Boards, Conversion Kits, Docking Mechanisms</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>12</td>
<td>Electronic security devices- including CCTV/ surveillance equipment, CCTV, Access Control, intruder alarms etc.</td>
</tr>
<tr>
<td>B</td>
<td>Intermediate (Si no. 2 of Enclosure 2)</td>
</tr>
<tr>
<td></td>
<td>Electro-plating, small precision plastic and metal parts, tools, moulds &amp; dies</td>
</tr>
<tr>
<td>2</td>
<td>Liquid Crystal Module (LCM)</td>
</tr>
<tr>
<td>3</td>
<td>Organic Light Emitting Diodes (OLED)</td>
</tr>
<tr>
<td>4</td>
<td>Chip Modules for Smart Cards</td>
</tr>
<tr>
<td>5</td>
<td>Analog/ Mixed Signal Semiconductor Chips</td>
</tr>
<tr>
<td>C</td>
<td>Capital Equipment for electronic products</td>
</tr>
<tr>
<td>D</td>
<td>Raw material exclusively for electronic products</td>
</tr>
<tr>
<td>E</td>
<td>Remanufacturing of electronic products</td>
</tr>
</tbody>
</table>

* These verticals already exist in the notification dated 27-07-2012 and have been amplified to include additional products.*
Enclosure 2

Revised Investment Thresholds and Financial Incentives

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Type</th>
<th>Investment Threshold (in Rs Crore)</th>
<th>Financial Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Fab</td>
<td>Assembly, Testing, Marking and Packaging (ATMP)</td>
</tr>
<tr>
<td>1</td>
<td>Electronic Products</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>Intermediates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Nano Electronic Components</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2.2</td>
<td>Semiconductor Wafering</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2.3</td>
<td>Semiconductor Chips:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a)</td>
<td>Logic — Microprocessor s.</td>
<td>2000</td>
<td>100</td>
</tr>
<tr>
<td>Microcontroller s, Digital Signal Processors (DSP) &amp; Application Specific Integrated Circuits (ASICs)</td>
<td>Production Subsidy on Production turnover (Ex-factory)</td>
<td>of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>b) Analog/ Mixed Signal</td>
<td>1000</td>
<td>100</td>
<td>N.A.</td>
</tr>
<tr>
<td>20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Memory</td>
<td>5000</td>
<td>200</td>
<td>N.A.</td>
</tr>
<tr>
<td>20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.4 Chip Components, Discrete Semiconductors and Power Semiconductors:

<p>| a) Chip Components | 200 | N.A. |
| 20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory) | 25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory) |</p>
<table>
<thead>
<tr>
<th>Category</th>
<th>N.A.</th>
<th>10</th>
<th>20% of Capex</th>
<th>25% of Capex + Reimbursement of Excise/ CVD on capital equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>b) Discrete Semiconductors like Transistors, Diodes etc.</td>
<td>25</td>
<td>N.A.</td>
<td>20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
</tr>
<tr>
<td></td>
<td>N.A.</td>
<td>10</td>
<td>20% of Capex</td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment</td>
</tr>
<tr>
<td>c) Power Semiconductors (including Diffusion) like FETs, MOSFETs, SCRs, GTOs, IGBTs etc.</td>
<td>100</td>
<td>50</td>
<td>20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
</tr>
<tr>
<td>Solar Photovoltaics (SPV):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Polysilicon</td>
<td>500</td>
<td>N.A.</td>
<td>20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
</tr>
</tbody>
</table>

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<p>| | | | | |</p>
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>ii)</td>
<td>Ingots and/or wafers</td>
<td>150</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td></td>
<td>20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td></td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td></td>
</tr>
<tr>
<td>iii)</td>
<td>Cells</td>
<td>75</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td></td>
<td>20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td></td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td></td>
</tr>
<tr>
<td>iv)</td>
<td>Modules/ Panels</td>
<td>N.A.</td>
<td>N.A.</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>20% of Capex</td>
<td></td>
<td></td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment</td>
</tr>
<tr>
<td>2.6</td>
<td>Light Emitting Diodes (LED)</td>
<td>150</td>
<td>N.A.</td>
<td></td>
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<tr>
<td></td>
<td>20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td></td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10</td>
<td></td>
<td>20% of Capex</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment</td>
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</table>

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<table>
<thead>
<tr>
<th>2.7</th>
<th>Organic Light Emitting Diodes (OLED)</th>
<th>800</th>
<th>100</th>
<th>N.A.</th>
<th>20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)</th>
<th>25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.8</td>
<td>Chip Modules for Smart Cards</td>
<td>N.A.</td>
<td>10</td>
<td>N.A.</td>
<td>20% of Capex</td>
<td>25% of Capex + Reimbursement of Excise/CVD on capital equipment</td>
</tr>
<tr>
<td>2.9</td>
<td>Liquid Crystal Displays (LCD)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a)</td>
<td>LCD Fabrication</td>
<td>1500</td>
<td>250</td>
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<td>20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td>25% of Capex + Reimbursement of Excise/CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
</tr>
<tr>
<td>b)</td>
<td>LCD Glass Substrate</td>
<td>250</td>
<td>100</td>
<td>N.A.</td>
<td>20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td>25% of Capex + Reimbursement of Excise/CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
</tr>
<tr>
<td></td>
<td>Liquid Crystal Module (LCM)</td>
<td>N.A.</td>
<td>N.A.</td>
<td>50</td>
<td>20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
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</tr>
<tr>
<td>2.10</td>
<td>Passive Components, Electro - Mechanical Components, Mechanicals Parts and Consumables &amp; Accessories:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a)</td>
<td>Passive Components such as Resistors, Capacitors, Inductors, Thermistors etc.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>5</td>
<td>20% of Capex</td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment</td>
</tr>
<tr>
<td></td>
<td>Electromechanical Components and Mechanical Parts such as Transformers, Coils, Connectors, Switches, Ferrites, Micro Motors, Stepper Motors, Films, small precision plastic and metal parts, tools, moulds &amp; dies etc.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>5</td>
<td>20% of Capex</td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment</td>
</tr>
<tr>
<td>c)</td>
<td>Printed Circuit Boards</td>
<td>N.A.</td>
<td>N.A.</td>
<td>5</td>
<td>20% of Capex + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% of Production Subsidy on Production turnover (Ex-factory)</td>
</tr>
<tr>
<td>Description</td>
<td>Turnover</td>
<td>Note</td>
<td></td>
<td></td>
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<td>-----------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Consumables and Accessories such as Mobile Phones and IT accessories -</td>
<td>N.A.</td>
<td></td>
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</tr>
<tr>
<td>Batteries, Chargers etc., Foils, Tapes, Epoxy, Cabinets etc.</td>
<td>N.A.</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20% of Capex</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment</td>
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<td></td>
</tr>
<tr>
<td>Electronic Manufacturing Services (EMS)</td>
<td>N.A.</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20% of Capex</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Equipment for electronic products</td>
<td>N.A.</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20% of Capex</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>25% of Capex + Reimbursement of Excise/ CVD on capital equipment</td>
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</tr>
<tr>
<td>Raw materials exclusively for electronic products</td>
<td>N.A.</td>
<td>5</td>
<td></td>
<td></td>
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<td>Bio-metric and Identity products/ RFID/ Smart Card manufacturing and</td>
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<td>Remanufacturing of electronic products (refer Note 1)</td>
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**Note 1:** Incentives will be provided subject to compliance of Foreign Trade Policy (FTP) and any other relevant existing policy and only if the re-manufactured electronic product is re-exported.
4.3 Andhra Pradesh Electronics Policy 2014-2020

GOVERNMENT OF ANDHRA PRADESH

ABSTRACT


INFORMATION TECHNOLOGY, ELECTRONICS & COMMUNICATIONS (Promotions)

DEPARTMENT

G.O.Ms.No:16

Dated: 09.02.2014

Read the following:

1. G.O.Ms.No.13, Information Technology & Communications (Promotions) Department, Dated: 31.07.2010
2. Blue Print for IT, Electronics & e-Governance 2014.

******

ORDER:

Globally, electronics industry is the largest and fastest growing manufacturing industry in the world, with a size of USD 1.75 Trillion. It is expected to reach USD 2.4 trillion by 2020. The demand in the Indian market was USD 70 Billion in 2013-14 and is expected to reach USD 400 Billion by 2020. Domestic demand is expected to be driven by the growth in income levels leading to higher off-take of electronics products, automation demands of corporate sector and Government's focus on e-governance. However, with a low domestic manufacturing base and a low value addition, the demand-supply gap is likely to reach USD 300 Billion by 2020. To meet this alarming situation, and to enhance domestic manufacturing and value-addition in Electronics Systems Design and Manufacturing (ESDM), the Department of Electronics and Information Technology (DeitY), Ministry of Communications and Information Technology (MoC &IT), Government of India, notified the National Policy on Electronics in 2012. The NPE 2012 seeks to attract investments to the tune of USD 100 Billion and to create employment of 28 Million by 2020.

Context for the AP Electronics Policy

Government of Andhra Pradesh has recently developed a blueprint “Re-Imagining Andhra Pradesh – role of e-Governance, Electronics and IT” for development of Electronics & ICT Industry in the State. It has laid out a vision to:

“Develop AP as an Innovation Society of global repute, with a focus on enhancing the Quality of Life of its citizens, through high-quality Education and Healthcare, increased productivity in Agriculture and allied activities, creation of Employment by promoting Electronics and IT, and above all, by providing Good Governance.”

The blueprint has identified a set of 18 policies and frameworks to realize the Vision. The Electronics Policy laid down in this document is one among them. Andhra Pradesh with its large talent pool, skilled manpower and entrepreneurship is highly suited to take advantage of the opportunities offered by the electronics sector.
The Vision envisaged for the **Andhra Pradesh Electronics Policy 2014-2020** is:

“To develop Electronics Industry as an important Growth Engine for Andhra Pradesh through effective use of the talent pool, skill enhancement, promotion of innovation & future technologies and creation of excellent infrastructure.”

The Policy aims to attract investments to the tune of USD 5 Billion in ESDM sector and create an employment of 0.4 Million by 2020.

Government of AP intends to achieve its vision, objectives and goals set forth above, through a combination of the following strategies.

1. **Adopting and promoting of NPE 2012 of GoI**
   
   Given the comprehensive and holistic nature of the National Policy on Electronics 2012, the Government of AP intends to fully leverage the same and build upon its strengths, as stated below.

   i. **Electronics Manufacturing Clusters (EMCs):** The EMC Scheme intends to create infrastructure highly suited to electronics units by providing a subsidy of 50%. The Government of Andhra Pradesh proposes to promote the development of 20 EMCs across the State, by facilitating the preparation of project proposals by the entrepreneurs and providing single-window clearances.

   ii. **Target investment of Rs 39,000 cr under M-SIPS:** Government would make all efforts to attract investments to the tune of Rs 30,000 cr (USD 5 Billion) and facilitate the units to get the 25% Cap Ex subsidy under the M-SIPS scheme of GOI.

   iii. **Preferential Market Access:** The policy of GOI on preferential market access for domestically manufactured electronics products shall be implemented in all departments procuring electronics in large quantities. Additional preference shall be given to AP-based domestic manufacturers.

   iv. **Create a Joint Government-Industry committee to market India and attract investments in the country.**

   v. **Create a fund under the management of the Committee comprising representatives of industry bodies and government, with an equal stake to promote design, manufacturing, assembling and innovation and packaging business.**

2. **Building Infrastructure**

   i. **Mega Electronics Hub:** Government of Andhra Pradesh envisages developing Information Technology and Investment Region (ITIR) in Visakhapatnam. In the ITIR, the Government would reserve two clusters / areas to be solely developed as Electronics Hubs. Visakhapatnam is proposed to be developed as Mega Electronics Hub for the state.

   ii. **Electronic Hardware Park(s):** The state Government will facilitate the setting up of the Electronic Hardware Park in Kakimguda as announced by the GOI. The park would have the ‘State-of-the-art’ infrastructure with all basic amenities such as internal roads, water, power and other common facilities for the Electronics Units.

   iii. **Common Facilities Centre:** Common Facilities Centres would be created in all identified Electronics Hubs.

   iv. **Visakhapatnam-Chennai corridor:** Fast movement of inputs, components and finished products is essential for cost-effectiveness in the ESDM sector, which otherwise operates on thin margins. Steps would be taken to enhance the logistics on the Visakhapatnam-Chennai Corridor.

   v. **PPP for creation of Electronics Hardware Infrastructure:** The facilities, in the form of electronics hubs, hardware parks and electronics zones, shall be developed adopting a transparent PPP policy. The following principles will form part of such a policy:

      a. For each project, APIIC shall select a partner, who can be a developer or a consortium of developers and the industry players, through a bidding process involving QCBS method.
b. The responsibility of marketing the facilities created shall vest with the selected partner. The Government shall provide promotional support as needed.

c. Appropriate relaxations will be provided from the zoning regulations and land usage conversions, subject to environmental safeguards.

d. Relaxation to AP Building Rules would be considered, subject to the payment of City Level Infrastructure Impact Fee and clearances from Fire Services, Airport Authority and conformance to the National Building Code and statutory regulations.

vi. Renewable Energy: The State Government will encourage units using renewable energy. Units using renewable source of energy with a minimum of 40% of their power requirements coming from renewable sources for their operations and manufacturing will be eligible for additional incentives such as Electricity Duty exemption for 5 years. Sales tax exemption for two additional years shall be available against the Carbon Credits earned on a year-on-year basis.

vii. Other Critical Infrastructure:
a. Air Connectivity: The process of expansion and modernization of the airports at Visakhapatnam and Tirupati are afoot. The Government shall take speedy and effective steps to develop other airports in the state to cater to the needs of the industry.

b. Assured Power: Andhra Pradesh has recently been selected as a pilot State to implement the scheme of 24x7 power supply. Within a span of 5 years, the Government intends to make the State power surplus. As an interim measure, the electronics industry would be exempt from the purview of statutory power cuts.

c. Social Infrastructure: A multi-departmental mechanism would be established to improve the social infrastructure in the cities where ITIR or EMCs are proposed to be developed.

3. Top-up incentives of GoI

In addition to the incentives by the GoI as per NPE 2012, the Government of Andhra Pradesh shall provide the following additional incentives.

A. Incentives applicable to all categories of Electronic Hardware Industry:

AI- Non Fiscal Incentives

i. Electronics Industry would be exempted from inspections/certifications under the following Acts and the Rules framed there under and as administered by the Labour Department, barring inspections arising out of specific complaints. The Electronic Industry (units) are permitted to file self-certificates, in the prescribed formats for the following statutes.

   i. The Factories Act 1948
   ii. The Maternity Benefit Act 1961
   iii. The AP Shops & Establishments Act 1988
   iv. The Contract Labour (Regulations & Abolition) Act 1970
   v. The Payment of Wages Act, 1936
   vi. The Minimum Wages Act 1948
   vii. The Employment Exchanges (Compulsory Notification of Vacancies) Act 1959

ii. General permission shall be available on the lines similar to IT/ITES industry for 3-shift operations with women working in the night, subject to the Electronics Units taking the prescribed precautions in respect of safety and security of employees.

iii. Electronics Hardware industry is declared as essential service under AP Essential Services Maintenance Act.

iv. CCITI: An empowered ‘Consultative Committee on Information Technology Industry (CCITI)’ would be formed with the representatives of Electronics industry and the other stakeholders. The CCITI would administer the incentives in a speedy, time-bound and transparent manner.
A2 Fiscal Incentives

v. **Registration & Stamp Duty:** Electronics industry shall be eligible for 100% reimbursement of the Stamp Duty, Transfer Duty and Registration Fee paid on sale/ lease deeds on the first transaction and 50% thereof on the second transaction.

vi. **Power Subsidy:**
   a. 50% to Micro, 40% to small & 25% to medium & 10% to large-scale industry limited to Rs. 50 lakhs Power Subsidy on power bills for a period of 5 years from the date of commencement of commercial operations.
   b. **Exemption of Electricity Duty:** New Electronic Hardware units, after coming into commercial operations will be entitled for 100% exemption on Electricity duty for a period of 5 years.

vii. **Patent Filing Cost:** The cost of filing patents will be reimbursed to the companies having their headquarters in Andhra Pradesh, subject to a limit of Rs. 5 lakhs (0.5 Million) per domestic patent awarded and Rs. 10 lakhs (1 Million) per international patent awarded.

viii. **Quality Certification:** 50% subsidy on the expenses incurred for quality certification limited to Rs. 4 Lakhs (0.4 Million) (Conformity European (CE), China Compulsory Certificate (CCC), UL Certification, ISO, CMM Certification, SA, RU etc.)

ix. **Cleaner/Greener Production Measures:** 25% subsidy on cleaner/ green production measures limited to Rs.10 Lakhs (1 Million).

x. **VAT/ CST Reimbursement:** 100% Tax reimbursement of VAT / CST, for the new units started after the date of issue of this Policy, for a period of 5 years from the date of commencement of production for products manufactured in AP and sold in AP.

xi. **Skill Up gradation & Training:** 50% reimbursement/ grant of cost involved in skill up gradation & training the local manpower limited to Rs. 2,000 per person.

xii. **Investment Subsidy:** 20% Investment Subsidy limited to Rs. 20 lakhs (2 Million) for MSME and additional 5% investment subsidy for Women/SC/ST Entrepreneurs.

xiii. **Interest Rebate:** 3% Interest Rebate limited to Rs.5 lakhs (0.5 Million) per year for 5 years.

xiv. **Capital Subsidy:** 10% subsidy on new capital equipment for technology up gradation limited to Rs.25 lakhs (2.5 Million) as one time availsment by the eligible company.

xv. **Rebate on Land Cost:** 25% Rebate on land cost limited to Rs.10 lakhs (1 Million) per acre in Industrial Estates, Industrial Parks, SEZ’s, EMCS.

B. **Additional incentives available to Mega Projects:**

xvi. **Mega Projects:** Mega Projects are the projects or the investment intents with minimum investment of Rs. 250 crores (2.5 Billion) or the ones that can create an employment of more than 2,000 persons in a span of five years. A special dispensation would be provided to the Mega Projects.

xvii. **Allotment of Government land for construction of own Manufacturing Facility:** Allotment of Government land for construction of own manufacturing facility by the Electronic Hardware Industry is made available subject to availability, fulfillment of certain eligibility criteria by the applicant and on payment of land cost & development cost, as determined from time to time by the allotment agencies i.e., APIDC/Urban Development Agencies/concerned local Statutory Authorities subject to the guidelines issued wide GO MS no 571, Revenue (Ass. gov. I) Dept. dt: 14/9/2012.

4. **Promotion of “Electronics AP”**

The new State of Andhra Pradesh has competitive advantage in terms of relatively lower land cost when compared to those in Hyderabad, Chennai and Bangalore. Keeping this in view, certain Promotion Initiatives are envisaged.

i. **Mega Electronics Event:** An Annual Mega Electronics Event shall be organized in the State in partnership with the industry. The Government would ensure that the event becomes a national event for showcasing and promoting the electronics industry in the country.
ii. **Road Shows:** Road shows will be conducted in the United States, Japan, Germany, Korea, Taiwan and China for the promotion of the industry in the state. Joint delegations of the Industry and the State Government shall participate in various national and international Exhibitions/ Conferences/ Trade Shows relating to electronics, to attract investments into the state.

iii. **Establish Electronics Bazars:** Government of Andhra Pradesh proposes to set up “Electronics Bazars” at Visakhapatnam, Vijayawada and Tirupati. The Electronics Bazars would act as B2B/ B2C Platforms for Electronic Products in the State. The Bazars would also provide space for new product launches.

iv. **Enhance web-presence / marketing:** An extensive web marketing campaign will be run with the help of a professional agency. The Campaign would focus on marketing and branding “Advantage AP”

v. **Create widely known Points of Contact:** Government would create liaison offices in select locations for facilitating industry interactions.

vi. **Incentives to the Industry**
   a. **Technology & Market Support:** Government will support Associations of Electronic Hardware manufacturers and exporters like IESA, ELCINA, ELIAP, for conducting surveys and research on trends in technology, market intelligence or on other work useful to the Electronic Hardware Industry.

   b. **Business Networking and promotional events:** Government shall promote and encourage participation in various national and international events by the industry and by leading a Government-Industry business delegation to the identified Exhibitions and Conferences. Government would also undertake various promotional events and road shows at various locations from time to time. A reimbursement/ grant of 50% exhibition subsidy will be awarded for participating in the national/ international exhibitions up to 9 sq. m per unit.

5. **Adoption of “Mission Approach”**

i. **Empowered Mission for Electronics & IT Promotion:** An autonomous Society, with Headquarters at Visakhapatnam would be created as an “Empowered Mission for Electronics & IT Promotion” to give fillip to the development of the sector and take faster and agile decisions. The Mission would be headed by a Technocrat and would have 3 Experts in Electronics & IT, 2 Academics and an expert in Marketing & Promotion.

ii. **Effective Single-Window System:** A high-level, empowered ‘Single Window Clearance Unit’ will be created and operationalized for granting approvals & clearances for setting up New Units and for expansion of the existing units in the State. It would be supported by the “state-of-the-art” centralized help desk on 24x7 basis duly leveraging the e-Biz portal set up by GoI. The objective of this window would be to (a) reduce time to set up business and (b) reduce cost of doing business.

iii. **Time-bound approvals:** The following procedural reform would be undertaken with an aim to provide approvals to the industry/ investors within 4 weeks.
   a. Integrated Application for all permissions
   b. Escort Officer to be assigned the responsibility for getting approvals
   c. Escalation at various levels and regular monitoring

   A provision shall be made in the relevant legislations or rules that in case the required approvals are not granted within 4 weeks of receipt of an application in full-shape, the approval shall be deemed to have been granted.

iv. **Mission to identify & work on Thrust Areas:** Based on the Industry Demand, the Electronics & IT Mission would identify key thrust areas/ segments in the Electronics Industry. Special focus would be laid for developing the eco-system for these thrust areas. The indicative thrust areas are Fables semiconductors, Mobile, LED, Smart Meters, FPD TVs, Tablets, Base Stations, Smartcards, Sensors, IOT.

v. **APIIC to be Industrial Area Local Authority (IALA):** All IT Industrial Areas/IT layouts/Zones/Corridors, including Electronic Manufacturing Clusters (EMCs) and ITIR delineated processing areas of APIIC in the State shall be accorded the status of Industrial Authority Local Area (IALA) immediately so that the execution and maintenance of IT industrial areas shall be effectively
planned, executed and implemented by APIIC in the interest of promotion of Electronics Sector. All statutory clearance in the Industrial Local Area would be given by APIIC.

6. **Innovation & Capacity Building**

i. **Establish COE on Fables Semiconductors**: The Government aims setting up a Centre of Excellence in Design of Fables Semiconductors in partnership with the industry and the premier academic institutions in the State.

ii. **PhDs**: The State shall target to reach a level of producing 250 PhDs in Electronics by 2018 under the scheme approved by GOI.

iii. **Skill Enhancement by MSMEs**: Assistance shall be provided to MSMEs with a minimum of 20 employees on its rolls by way of reimbursement of 50% of training fees, subject to a maximum of Rs. 10,000 (Rupees Ten thousand only) per employee, on obtaining recognized certifications in emerging technologies. The assistance under this category shall be limited to Rs. 1 lakh (0.1 Million) per year per unit. Also, the Skill Development program to be implemented through the polytechnics and ITIs would have an annual target of 9,000 students in electronics sector by 2017.

iv. The Universities will be advised to change the course curriculum to be in tune with the emerging technologies and align to the requirements of the industry and also to introduce courses in entrepreneurship development.

v. **Content Development**: Government would support the ‘content development’ for the online courses that would meet the current and future industry demand in association with Industry/ Industry Associations/ Academia.

vi. **Credits for Online Courses**: The Universities will be advised to give credits to the students successfully completing notified online courses.

vii. **Faculty Up-gradation**: A special scheme of faculty up-gradation shall be introduced.

viii. The Government would support opening of premier institutes for electronics and hardware in partnership with the top electronics companies and foreign universities.

ix. **Mandatory Apprenticeship**: All educational institutions offering under-graduate courses in software engineering, electronics and computer sciences shall implement a mandatory scheme of internship/apprenticeship in the 4th Year of the course in association with the industry.

x. **Provision of Special Fund for Electronic Labs in Schools**: Considering the importance of Computer and Electronics Knowledge and to evolve this as a knowledge base at the school level, it is essential to set up a Fund to establish basic Electronic Labs. This would enable the school to conduct demonstrations and training to the students who envisage interest in electronics and thereby develop the basic electronic knowledge even before they get to the Diploma or Graduation Courses.

This Policy is valid till 2020 unless modified and supersedes the ‘Andhra Pradesh Electronics Hardware Policy 2012-17. This Policy would be reviewed and updated every year, if required, in consultation with the stakeholders.

ITE&C Department shall issue appropriate Implementation/Operational Guidelines with simplified application forms and procedure for claiming of the incentives.

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)**

**SANJAY JAJU,**

SECRETARY TO GOVERNMENT

To
All the Departments of Secretariat
The Commissioner and I.G., Stamps and Registration, Hyderabad
The Vice Chairman and Managing Director, APIIC, Hyderabad
The Commissioner, Industries, Andhra Pradesh
The Executive Director, APIIC, Andhra Pradesh
The Commissioner, Information and Public Relations, Andhra Pradesh
The Member Secretary, A.P. Pollution Control Board, Andhra Pradesh
The Chairman & MD, AP TRANSCO
The Managing Director, ACPDCL/EPCPDCIL/SPCPDCL/NPCPDCL
The Commissioner, Labour, Andhra Pradesh
The Vice Chairman, VUDA/TUDA/VGTMUDA
All the District Collectors & Magistrates, AP
All the Municipal Commissioners, AP
The Development Commissioner, VSEZ, Visakhapatnam
The Director, STPI, Andhra Pradesh
The President, ELLAP, Andhra Pradesh
The President, ITsAP, Andhra Pradesh
The Regional Director, NASSCOM, Andhra Pradesh,
The President, VITA, Visakhapatnam,
The President, BITPA, Visakhapatnam
The President, GITA, Kaknada
The President, KITA, Vijayawada
The President, MAIT/CII/ELCINA/ISA/ICA.
Copy to:
The Secretary to GOI, Department of Electronics & Information Technology (DeitY)
The Ministry of Communication & Information Technology, New Delhi
The Chief Munster’s Office/Chief PRO to C.M.
The Chief Commissioner, Customs & Central Excise, Hyderabad
The OSD to Minister for Information Technology, Andhra Pradesh
The P.S to Minister for Finance, Hyderabad
The P.S to Minister for Major Industries, Andhra Pradesh
The P.S to Minister for Revenue, Andhra Pradesh
The P.S to Minister for MA&UD, Andhra Pradesh
The P.S to Minister for Energy, Andhra Pradesh
The P.S to Minister for Labour, Andhra Pradesh
The P.S to Spl CS Planning, Andhra Pradesh
The P.S to PFS, Andhra Pradesh
The P.S to Principal Secretary to CM Andhra Pradesh
The P.S to Chief Secretary to Government of Andhra Pradesh

//FORWARDED:: BY ORDER//

SECTION OFFICER