

MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY

(IPHW DIVISION)

NOTIFICATION

New Delhi, the 1st April, 2020

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

1. Background

W-18/30/2019-IPHW-MeitY.—1.1 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 in different segments of electronics manufacturing as well as different stages of the value chain.

1.2 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. This is due to the lack of electronic components manufacturing ecosystem, near absence of semiconductor manufacturing ecosystem and absence of display manufacturing ecosystem in the country. Major growth of domestic electronics manufacturing has occurred on account of assembly of finished products from imported electronic components/ sub-assemblies/ parts, mainly catering to the domestic demand.

1.3 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) notified on 25.02.2019 is to position India as a global hub for Electronics System Design and Manufacturing (ESDM) by encouraging and driving capabilities in the country for developing core components, including chipsets, and creating an enabling environment for the industry to compete globally.

1.4 The manufacturing of electronic components and semiconductors is capital intensive and must deal with constantly changing technology. Components are at the heart of electronic products and constitute a significant part of the total value of Bill of Material (BOM). A vibrant electronic component manufacturing ecosystem is vital for the overall long-term and sustainable growth of electronics manufacturing in India and to achieve net positive Balance of Payments (BoP).

1.5 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.

1.6 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 till 31.12.2018 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.

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

2.1 It is proposed to offer financial incentive of 25% of capital expenditure for the manufacturing of goods as per list annexed that constitute the supply chain of an electronic product under the Scheme for Promotion of manufacturing of Electronic Components and Semiconductors (SPECS).

3. Objective

3.1 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.

4. Eligibility

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

5. Threshold Limit

5.1 The minimum threshold investment to be eligible under the scheme is annexed.

5.2 The thresholds are same for new units or expansion of capacity/ modernization and diversification of existing units.

5.3 Periodic reviews will be undertaken with respect to changes, if any, to the list of goods/ thresholds for which incentives are provided.

6. Tenure of the Scheme

6.1 The SPECS will be open for applications initially for 3 years from the date of its notification. The applications received under the scheme will be appraised on an ongoing basis and implementation will continue as per the approvals accorded under the scheme.

7. Incentives under the Scheme

7.1 An incentive of 25% on capital expenditure shall be provided to the units making investment for the goods as per list annexed. The incentive will be provided on reimbursement basis.

7.2 The capital expenditure will be total of expenditure in plant, machinery, equipment, associated utilities and technology, including for Research & Development (R&D). Details of such eligible capital expenditure will be included in the guidelines. The total value of refurbished plant, machinery and equipment (including for associated utilities and R&D), whether imported or domestically procured, not exceeding 20% of the total eligible plant, machinery and equipment (including for associated utilities and R&D), shall be considered for calculation of incentive in this regard.

7.3 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.

7.4 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.

8. Approval and Disbursement Process

8.1 Application under the scheme can be made by any entity registered in India.

8.2 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 and/ or for multiple locations.

8.3 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.

8.4 Incentive under the scheme will be applicable from the date of acknowledgment of the application. Acknowledgment will be issued after initial scrutiny of the application. The acknowledgement of the application shall not be construed as approval under SPECS.

8.5 The incentive will be available for investment made within 5 years from the date of acknowledgement of the application.

8.6 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.

8.7 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.

9. Governance Mechanism

9.1 The scheme will be implemented through a nodal agency. The nodal agency would do the assessment of the application.

9.2 Such nodal agency will act as Project Management Agency (PMA) and be responsible for providing secretarial, managerial and implementation support and carrying out other responsibilities as assigned by MeitY from time to time. The functioning and responsibilities of PMA will be elaborated in the Scheme Guidelines to be issued by MeitY separately.

9.3 For carrying out activities related to implementation of SPECS, PMA would inter-alia:

9.3.1 Receive the application, issue acknowledgements, get appraisal done and verify eligibility of the applicants for support under the Scheme.

9.3.2 Get the disbursement claims examined and disburse the incentive to the approved applicants.

9.3.3 Submit periodic reports to MeitY regarding the progress and performance of the Scheme.

9.4 PMA will put the applications that have been appraised and found eligible before the Executive Committee (EC) to be constituted by the Ministry of Electronics and Information Technology (MeitY). EC will be chaired by an officer not below the rank of Joint Secretary in MeitY. EC will comprise of representatives from relevant Ministries/ Departments and organizations. Detailed constitution, functioning and responsibilities of the EC will be elaborated in the Scheme Guidelines.

9.5 EC will recommend to PMA for approval/ rejection / modification of the applications. On the basis of the recommendations of EC, PMA shall issue approval letter to the applicant, with copy to MeitY.

9.6 MeitY shall make budgetary provisions for disbursement of incentives to approved projects under the scheme. The disbursement of the incentives shall be done by the PMA on the basis of approval conditions and as per their financial rules. PMA will submit budgetary requirement to MeitY as consolidated amount on regular basis and not on project-by-project basis.

9.7 The progress of the Scheme will be reviewed through a Governing Council (GC) to be constituted by MeitY under the chairmanship of Secretary, MeitY. GC will comprise of experts from the Government and Industry. GC will periodically review the progress of the Scheme and the projects thereof. GC will be authorised to carry out amendments in the scheme guidelines from time to time for successful implementation of the scheme. Detailed constitution, functioning and responsibilities of the GC will be elaborated in the Scheme Guidelines.

9.8 The list of goods eligible for the incentive under the scheme, along with the applicable thresholds, shall be reviewed and amended from time to time by the Governing Council.

9.9 For effective functioning of the SPECS scheme, a set of Appraisal and Disbursement guidelines shall be drawn up by MeitY and issued separately.

9.10 Mid-term assessment of the scheme shall be done to assess the benefits reaped by the industry and economy in terms of the stated objectives.

SAURABH GAUR, Jt. Secy.

Annexure

List of Goods eligible for Incentive under SPECS

A. List of goods with Minimum Investment Threshold Limit of INR 5 crore

Sl. No.	Description of Goods
1.	SMT components including LED Chips
2.	Chip Modules for Smart Cards, RFID Antenna & Labels, CoB/ System in Package

3.	Passive components including resistors, capacitors, ferrites, etc. for electronic applications
4.	Electromechanical components including transformers, inductors, coils, relays, switches, micro motors, stepper motors, BLDC Motors, Connectors, Heat Sinks, Antenna, Speakers, Microphones, etc. for electronic applications
5.	Magnetrons, Wave guides, Circulators, Couplers, Isolators, Filters, Magnets, RF Components for electronic applications
6.	Printed Circuit Boards (PCBs), PCB Laminates, Prepegs, Photopolymer films, PCB Printing Inks; Printed Flexible Electronics
7.	Sensors, Transducers, Actuators and Crystals for electronic applications
8.	Camera Modules, Vibrator motor/ ringer
9.	USB/Data Cables, HDMI Cables
10.	Capital goods for all the goods covered under SPECS

B. List of goods with Minimum Investment Threshold limit of INR 15 crore

Sl. No.	Description of Goods
1.	Active Components: a. Discrete semiconductor devices including transistors, diodes, etc. b. Power semiconductors including FETs, MOSFETs, Thyristors, etc.
2.	Preform of Silica and Optical Fiber
3.	Display Assembly and Touch Panel/ Cover Glass Assembly

C. List of goods with Minimum Investment Threshold Limit of INR 25 crore

Sl. No.	Description of Goods
1.	Micro/Nano-electronic components such as Micro Electro Mechanical Systems (MEMS) and Nano Electro Mechanical Systems (NEMS)
2.	Assembly, Testing, Marking and Packaging (ATMP) units

D. List of goods with Minimum Investment Threshold Limit of INR 75 crore

Sl. No.	Description of Goods
1.	Mechanics (plastic and metal parts) for electronic applications

E. List of goods with Minimum Investment Threshold Limit of INR 250 crore

Sl. No.	Description of Goods
1.	Compound Semiconductors such as GaN, SiC, GaAs, etc. and Silicon Photonics devices/ Integrated Circuits, Optoelectronic components

F. List of goods with Minimum Investment Threshold Limit of INR 500 crore

Sl. No.	Description of Goods
1.	Semiconductor Wafers

G. List of goods with Minimum Investment Threshold Limit of INR 1,000 crore

Sl. No.	Description of Goods
1.	Semiconductor Integrated Chips (ICs) including Logic [Microprocessor, Microcontrollers, Digital Signal Processors (DSP), Application Specific Integrated Circuits (ASICs), etc.]; Memory; Analog/Mixed Signal ICs, etc.
2.	Display fabrication units including Liquid Crystal Displays (LCD), Light Emitting Diode (LED), Organic Light Emitting Diode (OLED), etc. for electronic applications