

Sectoral

Electronic Systems

1. What is the M-SIPS scheme?

To offset disability and attract investments in Electronic manufacturing, Modified Special Incentive Package Scheme (M-SIPS) was notified on 27 July 2012 to offer incentives to certain verticals in the sector. The scheme was initially opened for 3 years till 26 July 2015 but was later extended up to 26 July 2020 post amendments dated 3 August 2015.

2. What are the funding options available for ESDM in India?

We would like to highlight the Modified Special Incentives Package Scheme (M-SIPS) wherein reimbursement of capex (20% for SEZs and 25% for non-SEZs) is provided encourage investments into the sector. You can get more details on applying for the scheme at the following link: <http://www.msips.in/MSIPS/ImportantLinks.do> . As part of this scheme, 25% capital expenditure for expansion/ modernization and diversification of existing facility is also reimbursed. You can get more details on applying for the scheme at the following link. Further, you can also refer to various funding alternatives available at the SIDBI website by clicking on the following link. In addition to this, please note that the Government has recently launched a debt fund called SIDBI Make in India Loan for Enterprises (SMILE), to provide soft term loans and loans in the nature of quasi-equity to MSMEs to meet debt-to-equity norms and pursue growth opportunities in existing MSMEs. Further details are available at the link.

3. Are there any incentives or schemes for electronics system design and manufacturing sector unit?

Yes, Department of Electronics and Information Technology has launched the following schemes to promote domestic manufacturing of electronics items: Under the Modified Special Incentive Package Scheme (M-SIPS), 25% of Capex is eligible for subsidy (20% for units in Special Economic Zones) for all investments made in manufacturing of ESDM products. Production subsidy @10% of production turnover (ex-factory) in select high-tech units such as fabrication and ATMP of analog/mixed signal semiconductor chips, power semiconductors, LEDs etc. Preferential Market Access (PMA)-

Preference to domestic manufacturers in Government procurement to promote domestic manufacturing in the country. Specified items must meet the specified safety standards under the Compulsory Registration Order (CRO) which has been brought into force from January 3, 2014. The CRO provides a framework to add other electronic items under this regime, thereby providing a quality barrier for unsafe and sub-standard electronic goods. For common facilities to be used by a set of units as part of a supply chain or in any other form of a cluster, assistance @ 50% subject to a ceiling of \$ 8 million is available for common facilities. Such common facilities could include testing facilities, training facilities, social infrastructure, as also up gradation of hard infrastructure including supply of water, power, roads and other logistics. Under the skill development scheme, 75-100% of the training fee is reimbursed for any specialized skills that may be required for prospective employees in India (training provided in any training facility recognized by Electronics Sector Skills Council) A scheme to support 3000 additional PhD (1500 in ESDM and 1500 in IT/ITES) was approved in 2014. Out of 1500 additional PhDs in ESDM, 500 are would be full time and 1000 would be part time. In addition, 100 PhDs (full-time) are to be supported by industry/State Government as a part of this scheme. Please refer link for details on incentives.

4. What is Electronics Development Fund Policy?

Electronics Development Fund Policy provides a framework to set up an Electronics Development Fund (EDF) as a Fund of Funds which will foster R&D and innovation in technology sectors like electronics, IT and nano-electronics. EDF will support Venture Funds and Angel Funds, which will be professionally managed and are dedicated to these sectors.

5. What are the objectives of the national policy on electronics?

Government of India has notified the national policy on electronics in 2012. Some of its main objectives include: 1) Achieve Net Zero Import by 2020. 2) Achieve a turnover of \$ 400 billion by 2020 with investments of \$ 100 billion. 3) Generating 28 million jobs. 4) Build strong supply chain of raw materials, parts and electronic components.

6. Can existing units claim benefits under M-SIPS?

The MSIPS is applicable to investments in new ESDM units, expansion of capacity/modernization and diversification of existing ESDM units. ESDM unit shall mean a unit engaged in design and manufacturing of the electronics and nano-electronics and their accessories. It includes all stages of value addition and also includes electronics manufacturing services. Expansion of existing unit would

mean increase in the value of fixed capital investment in plant & machinery of an ESDM unit by not less than 25% for the purpose of expansion of capacity/modernization and diversification.

7. What are different Electronic Manufacturing Clusters?

Foreign individuals, companies, foreign institutional investors, foreign venture capitalists, foreign trust, private equity fund, pension/provident fund, sovereign wealth fund, partnership/proprietorship firm, financial institutions, non-resident Indians/person of Indian origin, etc. can invest in India, either on their own or in the form of a joint venture. 100% FDI is allowed under the automatic route in the ESDM sector. However, in defense electronics, subject to industrial license, FDI up to 100% is allowed (Upto 49% under the automatic approval route and above 49% is under Government route on case to case basis, wherever it is likely to result in access to modern and 'state-of-art' technology in the country). The Government has also approved 100% FDI in medical devices via automatic route. There will be no need for Foreign Investment Promotion Board's permission to acquire an existing company or set up a new manufacturing unit in the medical devices sector. The investor will need to comply with the reporting requirements of the RBI and comply with all other relevant central & state laws & regulations.

8. Is Foreign Direct Investment allowed in the ESDM sector in India?

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