

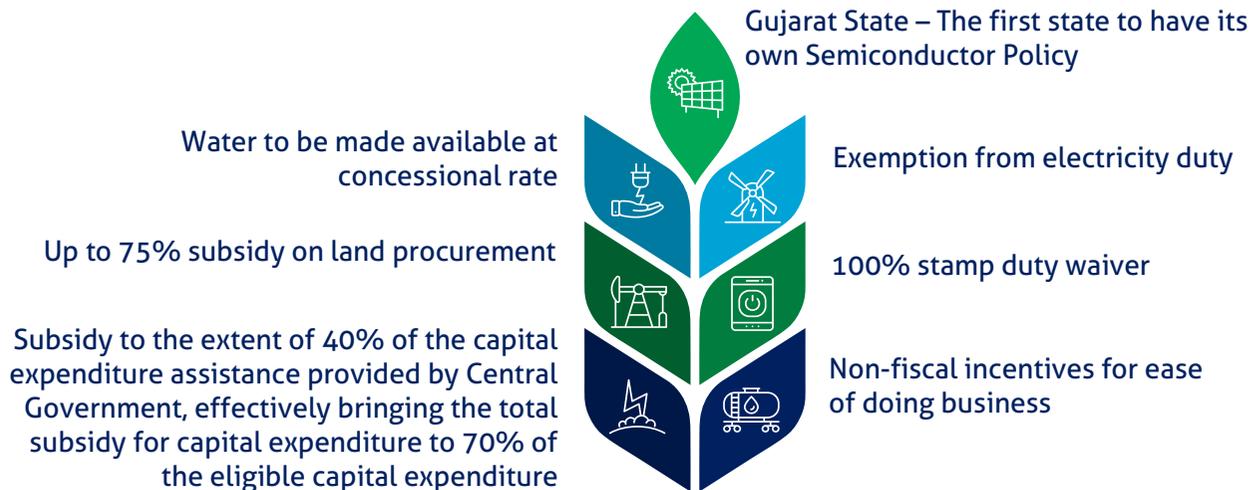
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Government Incentives

February 25, 2023

Gujarat Semiconductor Policy 2022-27

Highlights



Introduction

Industry 4.0 conceptualizes a future of smart manufacturing using advanced technology and artificial intelligence. One of the major cornerstones of such forward looking digital revolution and automation is electronics ecosystem. Semiconductors & Display Fabs, being a critical integral part of this ecosystem, have, in the recent times, witnessed acute shortage towards meeting the global demand due to various factors impacting the allied industries severely. Globally, the semiconductor industry is valued more than USD 400 billion and is growing rapidly.

The Indian semiconductor market was valued at USD 15 billion in 2020 and is projected to reach USD 63 billion by 2026. However, the semiconductor and display manufacturing processes are technology and capital-intensive, involving high risks, long gestation and payback periods, as well as leaps in technology R&D. Considering the problems faced by this complex, technology & capital intensive industry and in

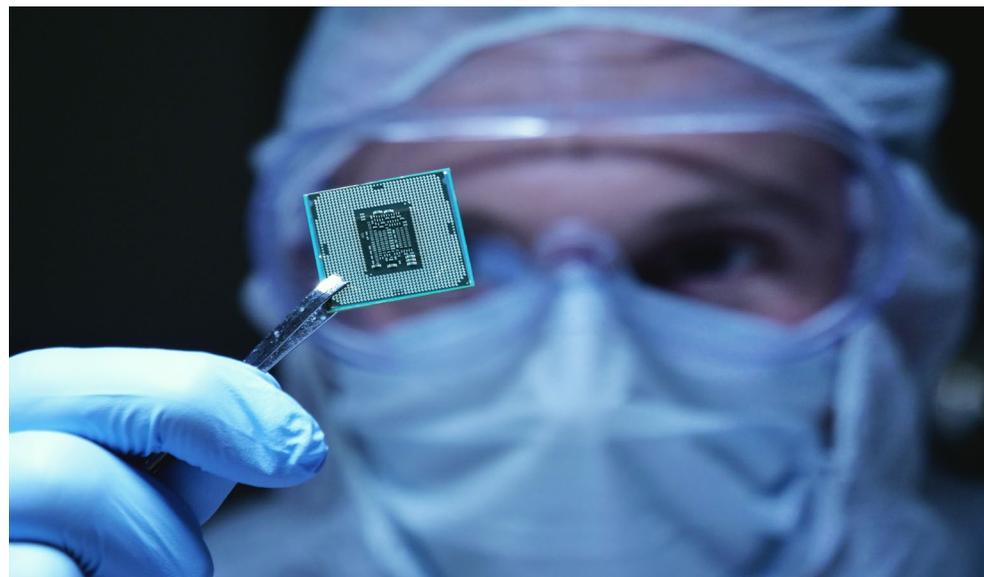
furtherance of vision of positioning India as the global hub for Electronics System Design and Manufacturing (ESDM), the Government of India (GOI) has announced a comprehensive program and allocated funds to the tune of INR 760 billion (more than USD 9 billion) for the development of semiconductors and display manufacturing ecosystem in India.

GOI has implemented India Semiconductor Mission (ISM), a specialized and independent set up led by global experts in semiconductor and display industry and introduced following schemes with an aim of providing a comprehensive platform with robust infrastructure and facilities to develop a manufacturing hub attracting best capabilities and investments from all over the world:

1. Scheme for setting up of Semiconductor Fabs in India
2. Scheme for setting up of Display Fabs in India
3. Scheme for setting up Compound Semiconductors/ Silicon Photonics/ Sensor Fab and Semiconductor Assembly, Testing, Marketing and Packaging (ATMP)/ OSAT facilities
4. Design Linked Incentive (DLI) Scheme for Semi-Conductor Design Companies

The programme aims to provide attractive incentive support to eligible companies / consortia, including Fiscal support of 50% of Project Cost or Capital expenditure. [Details encapsulated in **Annexure**]. GOI has also been taking steps for modernization and commercialization of Semi-conductor Laboratory and exploring the possibility for Joint Venture of SCL with a commercial fab partner.

Government of Gujarat State (GoG), with an intent to streamline with the vision of GOI, has become the first State and a pioneer State by introducing Gujarat Semiconductor Policy 2022-27 ("the Policy"). The initiative aims to facilitate ease of investments, guiding a significant portion of investments under the ISM Schemes to Gujarat and providing aid in development of Semiconductor and Display Fab Ecosystem ("the Ecosystem") in Gujarat, India. The five-year Policy offers a range of subsidies for entrepreneurs and investors in the ESDM sector – fiscal and non-fiscal incentives, including on land, power and water tariffs along with industrial infrastructure, ease of doing business and expatriation in process approvals.



Policy Framework

Semicon City

The GoG will be setting up a 'Semicon city' over 5000-10,000 acres at the Dholera Special Investment Region (Dholera SIR), which will serve as a dedicated manufacturing base for the semiconductor and display fab sector. Primarily, the Government aims to develop an Ecosystem at Dholera SIR supplementing Ecosystem with IoT enabled warehousing, common semiconductor marking and packaging facilities, advanced testing labs and other facilities. However, in the initial phase of this Policy, Government shall give incentives for any location in the State of Gujarat.

Key Eligibility Criteria

Eligible Projects for the Policy- Any company / consortia / joint venture which has applied under the ISM Schemes (except projects approved under Design Linked Incentive Scheme) to set up operations in Gujarat ("the State"). The projects approved under the Design Linked Incentive (DLI) Scheme are not eligible under the Policy, however, can avail benefits under the Gujarat IT / ITeS Policy 2022-27.

Fiscal Incentives

Capital Assistance - Additional Capital Assistance at the rate of 40% of the capex assistance provided by GOI for the Eligible Capital Expenditure shall be provided and disbursed over a period of 5 years subsequent to the year of investment.

- In addition to assistance from Central Government - Capital assistance shall be provided in addition to assistance provided by GOI.
- Eligible Capital Expenditure - Assistance shall be provided only with respect to 'Eligible Capital Expenditure' incurred during certain specific period. Eligible Capital Expenditure is defined in the Policy and limited to capex / investment incurred on building, plant, machinery, clean rooms, equipment and associated utilities used in the manufacturing process eligible under the Scheme under ISM. Capex incurred on R&D, transfer of technology and on land is not included in the definition of eligible capital expenditure under the Policy.
- Limited Projects to be supported – Initially, capital assistance will be provided by GoG only to one semiconductor fabrication project and one display fabrication project under the Policy. In case multiple applications are received, the nodal implementing agency will appraise the application and the Government will support one project in both categories based on detailed case-by-case evaluation. The good part about the Policy is that while the Policy has been ideally rolled out for one project, the Government may also consider supporting more than one Display or Semiconductor fabrication projects under the Policy based on detailed evaluation of each case, taking into consideration several factors such as scale of investment, land availability, employment generation, techno-economic benefits and State's budgetary provisions.

Subsidy on land procurement – 75% Subsidy shall be provided on first 200 Acres of land required for a FAB project and 50% subsidy on additional land for the FAB project or upstream / downstream ecosystem or for other projects approved under ISM.

- Subsidy shall to be provided for a FAB project set up in Dholera SIR on land price prevailing on date of allotment as notified by Dholera SIR Development Authority. GoG reserves right to provide subsidy to projects being set up at any other location in Gujarat.
- Subsidy shall be provided only on land allotted by DSIRDA or GoG or its agencies and only on land deemed necessary for core activities of the project.

Stamp Duty and Registration fees – All eligible projects will be entitled to a one-time reimbursement of 100% of Stamp duty & Registration Fees paid to GoG for lease, sale or transfer of land for the purpose of eligible project.

Water - Eligible projects will be provided access to good quality, potable water at a concessional rate for a period of 10 years from COD. COD is defined as Start of commercial operations of eligible project i.e. (a) date of first production for sale/captive use or (b) date of actual sale, whichever is earlier. In case any eligible project has multiple phases of investment, date of first phase shall be considered for the above computation.

- Captive desalination plants built by eligible Display or Semiconductor fab project within five years from COD, shall be eligible for capital subsidy of 50% of the project cost (excluding the

cost of land) with a cap of INR 80 million per MLD (millions of liter per day or megaliters per day) of capacity being set up.

Electricity – The Policy provides for exemption from electricity duty and incentives on Power Tariff to eligible projects for 10 years from COD and enhanced incentives to eligible projects with significant Foreign Direct Investment or projects relocating from abroad. However, Power Tariff Subsidy is not applicable for energy consumed (a) from captive power plant and (b) for desalination plant.

Common facilities and other infrastructure – Policy also considers construction of clean rooms/ common facilities Centre by the GoG.

Non-Fiscal Incentives (Enhancing Ease of doing business)

- Self-certification and facilities for statutory compliances under various Laws
- Single Window Clearance through Gujarat State Electronics Mission (GSEM)
- Easy access to Common Effluent Treatment Plants (CTEP) and Treatment, Storage and Disposal Facilities (TSDF) for hazardous waste management
- Uninterrupted Power and Water supply
- Facilitating Land procurement that is well connected to logistics and transport hub in the State

Implementing Agencies

A High-Powered Committee (HPC) constituted by GoG will be approving assistance to display and semiconductor FAB projects, and projects with a proposed investment of INR 10 billion or more. A State-Level Empowered Committee (SLEC) shall be constituted for approving assistance for projects with a proposed investment of less than INR 10 billion.



Concluding Remarks

Gujarat is among India's most industrialized states and boasts of its robust infrastructure and logistics connectivity, industrial estates and specialized industrial zones, leading educational institutions, and a strong talent base. Through this Policy, one can avail several benefits along with certain robust industry oriented infrastructure facilities developed by the GoG such as:-

- Industrial infrastructure with utilities support for power, water, gas, inland container depots, container freight station, etc.
- Export oriented facilities with 48 ports and 17 international airports and a wide network connectivity.
- Special Investment Regions (Dholera SIR, GIDC estates, Electronics Manufacturing Clusters at Mundra, etc.) with ready to move in facilities such as developed land, common effluent treatment plant, waste management facilities, logistic parks, etc.
- Skilled manpower required for electronics manufacturing sector and state-of-the-art training and skill development centres.

India is progressively growing towards becoming a manufacturing hub of the Ecosystem and has successfully achieved a status of most preferred investment nation from all over the globe. MNCs must grab this opportunity at the earliest benefitting from both national and state level schemes and thereby growing multifold through expedited processes enabled from ease of land allotment, swift approvals, ready access to robust industrial utilities and infrastructure, fiscal benefits, etc.



Please scan the image for more information relating to Policy or ISM Schemes.

Annexure – Schemes under India Semiconductor Mission – Eligibility Criteria, Fiscal Support and Other key incentives

Parameters	Scheme for setting up of Semiconductor Fabs in India	Scheme for setting up of Display Fabs in India	Scheme for setting up Compound Semiconductors/ Silicon Photonics/ Sensor Fab and Semiconductor Assembly, Testing, Marketing and Packaging (ATMP)/ OSAT facilities	
Description	Semiconductor wafer fabrication facilities - Silicon CMOS based Semiconductor Fab for manufacturing Logic / Memory / Digital ICs / Analog ICs / Mixed Signal ICs / SoCs	Display fabrication facilities - TFT LCD or AMOLED based display panels	Compound Semiconductors / Silicon Photonics (SiPh) / Sensors (including MEMS)/ Discrete Semiconductors Fab for manufacturing High Frequency / High Power / Optoelectronics devices	Semiconductor Assembly, Testing, Marking, and Packaging (ATMP) / Outsourced Semiconductor Assembly and Test (OSAT) Facility
Eligible manufacturing entities	Companies/ Consortia/ Joint Ventures with Experience		Companies/ Joint Ventures with Experience	
Revenue Threshold	Minimum INR 75 Billion (USD 0.91 Billion approximately) (including group companies) in any of the 3 preceding financial years		NA	NA
Minimum Capital Investment	INR 200 Billion (USD 2.43 Billion approximately)	INR 100 Billion (USD 1.21 Billion approximately)	INR 1 Billion (USD 0.012 Billion approximately)	INR 0.50 Billion (USD 0.0061 Billion approximately)
Capacity	40,000 Wafer Starts per month or above	<ul style="list-style-type: none"> TFT LCD - 60,000 panels/ month or more AMOLED – 30,000 panels/ month or above 	500 or more Wafer Starts / month (in 100 mm equivalent)	-
Technology	<ul style="list-style-type: none"> Wafer size: 300mm 	<ul style="list-style-type: none"> TFT LCD – Generation 8 or above AMOLED – Generation 6 or above 	Wafer Size: 150/ 200 mm or more	-
Fiscal Support	<ul style="list-style-type: none"> 50% of Eligible Project Cost 	Up to 50% of Eligible Project Cost subject to a ceiling of INR 120 Billion (USD 1.46 Billion approximately)	50% of Eligible Capital Expenditure	50% of Eligible Capital Expenditure
Tenure of Scheme	6 years or extended period based on approval from Minister of Electronics and Information Technology (MEIT)		Until 31-12-2024 or extended period based on approval from MEIT	
Other benefits	Certain exemptions from Basic Customs Duties, Purchase preference in procurement of electronic products by Government under Public Procurement (Preference to Make in India) Order, Infrastructure support including benefits of Modified Electronics Manufacturing Clusters Schemes, R&D and skill development support, etc.			

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For further analysis and discussion, you may please reach out to us.

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