



Ministry of Electronics and Information Technology

Date: 31<sup>st</sup> May 2020

## Objectives

- In order to support 'Make in India' and to increase Gross Domestic Product (GDP) and employment substantially, thereby reducing import dependency and making India self-reliant i.e., Aatmanirbhar Bharat, the Indian Government had identified various sectors as critical sectors. Electronic Design and Manufacturing (EDSM) is one of those critical sector.
- The Union Minister of Electronics and Information Technology with a budgetary outlay of INR 3,285 Crores proposes financial incentives to help offset the challenges in the domestic manufacturing of electronic components and semiconductors in order to strengthen the electronics manufacturing ecosystem in the country by introducing SPECS.

## Tenure

- The SPECS scheme shall be open for application for a period of 3 years w.e.f. April 1, 2020 till March 31, 2023. However, the application window under the SPECS scheme has been extended by 1 year i.e., **March 31, 2024, via notification W-18/36/2020-IPHW**
- Support under the scheme will be provided for 5 years beginning from April 1, 2024 till March 31, 2029.

## Eligibility Criteria

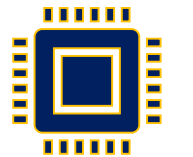
- The scheme shall be applicable for investments in new units as well as expansion of capacity/modernization and/or diversification of existing units.
- The minimum threshold investment (capital expenditure) to be eligible under the Scheme for each of the **Target Products are mentioned under Annexure I** and are same for new units or expansion of capacity/modernization and/or diversification of existing units.
- If an application covers more than one product category, then the minimum threshold of investment applicable for such application shall be the highest of the individual threshold investment for each of the product category(ies) covered under the application.

## Key Highlights

- For any expenditure forming part of the claimed capital expenditure which involves purchase/lease from Group Companies / 'related' entities, the applicant shall submit an unconditional, irrevocable Bank Guarantee (BG) for an amount equivalent to the incentive amount on the approved Related Party Transactions.
- Domestic Value Addition(DVA) shall be computed by dividing:
 
$$DVA = \frac{A}{B} * 100$$
  - A. Net Sales Turnover of eligible goods minus value of non-originating Material and Services used in manufacturing
  - B. Net Sales Turnover of eligible goods

## Key Definitions

- Key definitions to be considered for Total Eligible Capital Expenditure.
- Investment made during the term of 5 years would be considered as eligible CAPEX under the Scheme.
- Eligible capital expenditure namely Plant & Machinery, Associated Utilities, Research & Development & Transfer of technology which have been defined as follows:



## Key Definitions

Key definitions to be considered for Total Eligible Capital Expenditure Investment made during the term of 5 years would be considered as eligible CAPEX under the Scheme.

### Plant & Machinery

- Capital expenditure on Plant, Machinery, & Equipment (P&M) shall include expenditure on plant, machinery, equipment and associated utilities, as well as tools, dies, moulds, jigs, fixtures used in the design, manufacturing, assembly, testing, packaging or processing of any of the goods eligible under the scheme.
- Expenditure on land and building (including factory building / construction) required for the project / unit shall not be considered as capital expenditure.
- The value of used/second hand/refurbished P&M not exceeding 20% of the total eligible capital expenditure.

### Associated Utilities

- The Associated utilities shall inter-alia include captive power and effluent treatment plants, essential equipment required in operations areas such as clean rooms, air curtains, temperature and air quality control systems, compressed air, water & power supply and control systems, etc.
- The total expenditure incurred on associated utilities shall not exceed 20% of the total eligible capital expenditure for P&M and equipment while determining capital expenditure.

### Research & Development

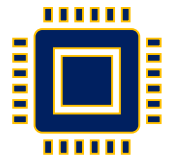
- Research & Development (R&D) expenditure shall include test and measuring instruments, purchase of design tools, software cost (directly used for R&D) and license fee, expenditure on technology, IPR, Patents and Copyrights for R&D.
- The total expenditure incurred on R&D not exceeding 20% of the total eligible capital expenditure.

### Transfer of Technology

- This shall include one time cost of technology and initial technology purchase related to goods for which SPECS application is made
- The total expenditure incurred on Transfer of Technology Agreements not exceeding 10% of the total eligible capital expenditure for P&M shall be considered for determining eligible capital expenditure

## Incentive

- SPECS targets electronic component and semiconductor manufacturing companies based on their capital expenditure and is linked to investment threshold in order to promote growth.
- Total Incentive under the Scheme is **25% of eligible capital expenditure** for an approved application under the scheme.
- Eligible capital expenditure pertaining to Plant Machinery & equipment, Associated Utilities and technology, including Research & Development.



## Target Products

List of goods covered under SPECS with minimum Threshold Limit :

### INR 5 Crores

- SMT components including LED Chips, Chip Modules for Smart Cards, RFID Antenna & Labels, CoB/System in Package
- Passive components including resistors, capacitors, ferrites, specialty ceramics, etc. for electronic application
- Electromechanical components including transformers, inductors, coils, relays, switches, micro motors, stepper motors, BLDC Motors, Connectors, Heat Sinks, Antenna, Speakers, Microphones, etc. for electronic applications.
- Magnetrons, Wave guides, Circulators, Couplers, Isolators, Filters, Magnets, RF Components for electronic applications.
- Printed Circuit Boards (PCBs), PCB Laminates, Prepegs, Photopolymer films, PCB Printing Inks; Printed Flexible electronics.
- Sensors, Transducers, Actuators and Crystals for electronic applications, Camera Modules, Vibrator motor/ ringer, USB/Data Cables, HDMI Cables, Permanent Magnet Synchronous Motors (PMSM)
- Capital goods for all the goods covered under SPECS including components and sub-assemblies for capital goods required for manufacturing of semiconductors/ displays covered under SPECS.
- Specialty chemicals, high purity gases, electronic specialty gases (ESG) of semiconductor grade specifications used across various stages of manufacturing of semiconductors/displays covered under SPECS.

### INR 2 Crores

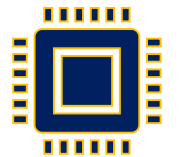
- Recycling facility for extraction of any or few or all of the strategic minerals (rare earth elements, lithium, niobium, palladium, cobalt, tantalum, indium, antimony, beryllium, ruthenium etc.); any or few or all precious metals (gold, platinum, palladium, silver etc.) any or few or all of the base metals (copper, aluminum, nickel, tin, zinc, iron, cobalt, tantalum etc.) from e-waste components, including PCBs (both populated and bare), Li-ion batteries, Spent magnets, Solar PV Panels, Catalytic converters and any other components from electronic waste

### INR 15 Crores

- Active Components: Discrete semiconductor devices including transistors, diodes, etc. Power semiconductors including FETs, MOSFETs, Thyristors, etc.; Display Assembly and Touch Panel/ Cover Glass Assembly and Cover Glass finishing.
- Preform of Silica and Optical Fiber

### INR 25 Crores

- Micro/Nano-electronic components such as such as Micro Electromechanical Systems (MEMS) and Nano Electromechanical Systems (NEMS).
- Assembly, Testing, Marking and Packaging (ATMP) units. Engineering, R&D, Testing and Tool Prototyping for capital goods for manufacturing of semiconductors/displays covered under SPECS.



## INR 75 Crores

- Mechanics (plastic and metal parts) for electronic applications

## INR 250 Crores

- Compound Semiconductors such as GaN, SiC, GaAs, etc. and Silicon Photonics devices/Integrated Circuits, Optoelectronic components and Solar Photovoltaic (SPV) Cells

## INR 500 Crores

- Semiconductor Wafers
- Solar Photovoltaic (SPV) Polysilicon and Wafers

## INR 1,000 Crores

- Semiconductor Integrated Chips (ICs) including Logic [Microprocessor, Microcontrollers, Digital Signal Processors (DSP), Application Specific Integrated Circuits (ASICs), etc.]; Memory; Analog/ Mixed Signal ICs, etc..
- Display fabrication units including Liquid Crystal Displays (LCD), Light Emitting Diode (LED), Organic Light Emitting Diode (OLED), etc. for electronic applications.

**For more information, let's talk !**

**Say Hello !**

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