

India's Electronics Industry Incentives offered by Central and State-level Schemes

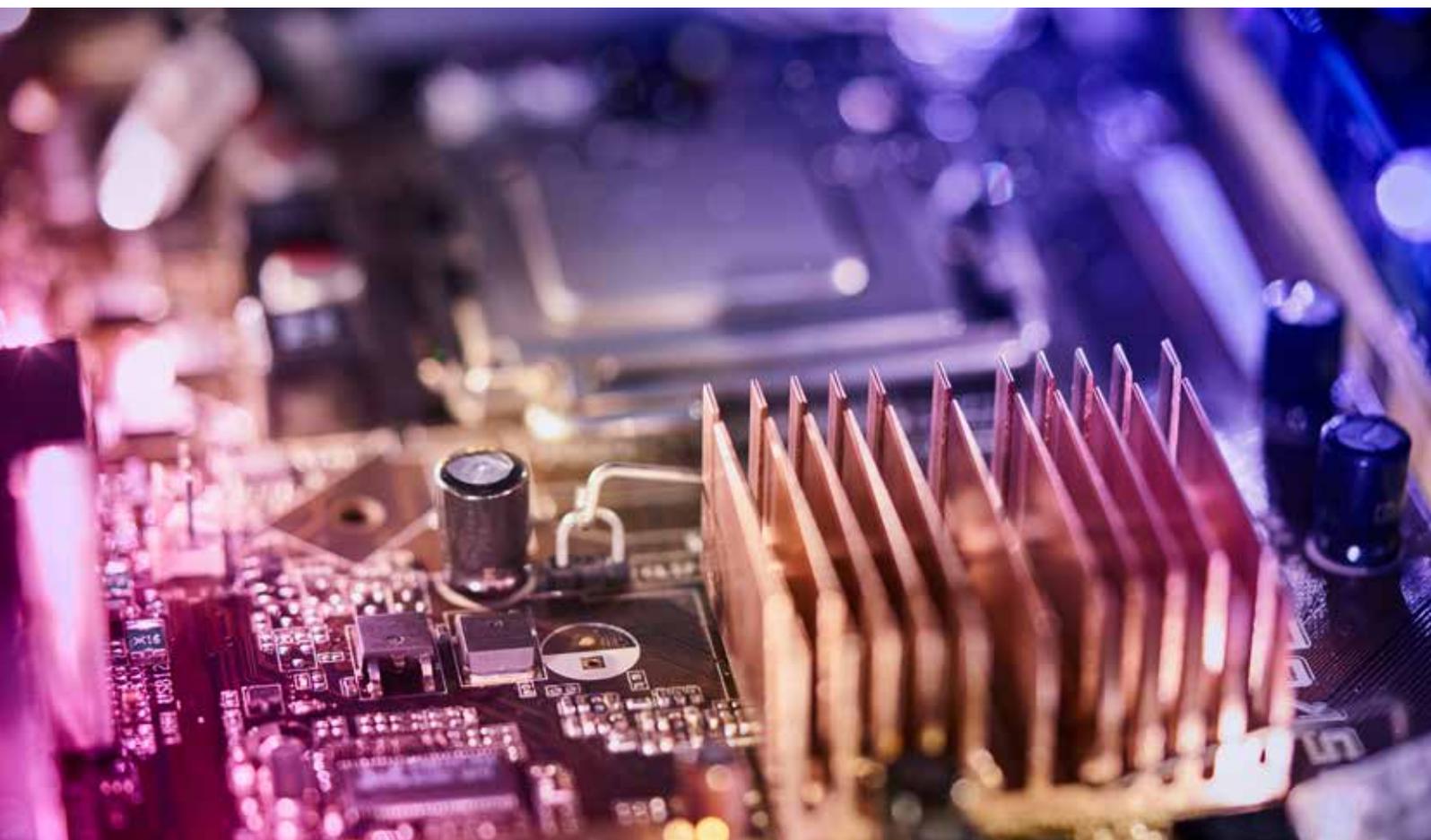
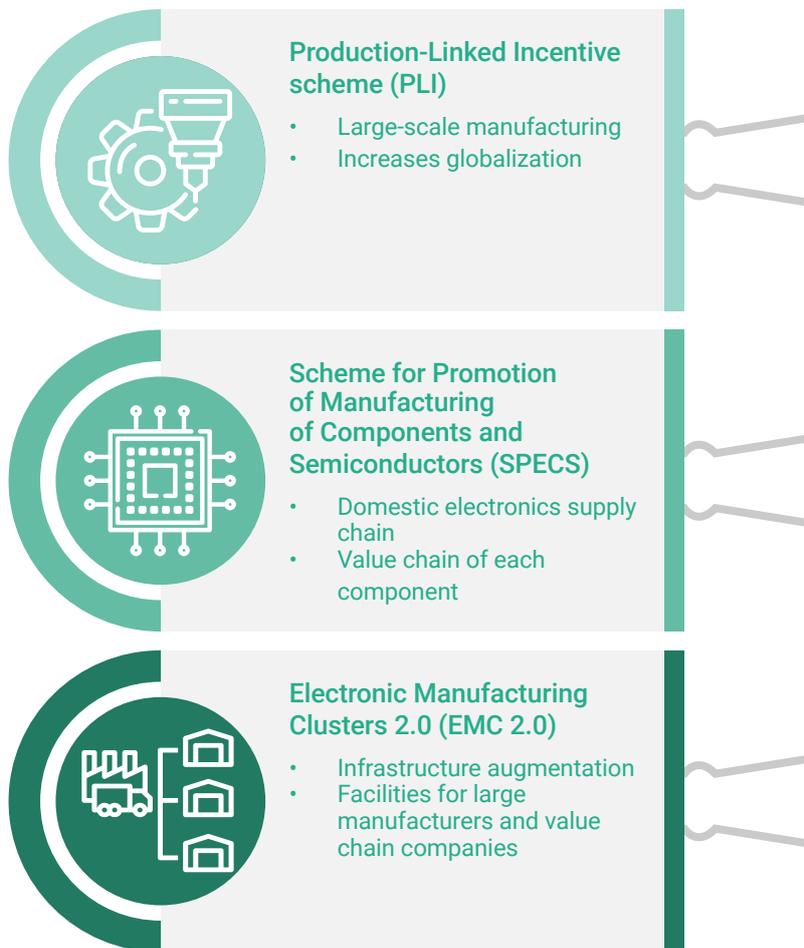
The electronics sector in India witnessed a meteoric rise since the Government introduced the Make in India and the Digital India initiatives. Over the last five years, the domestic production of electronics has outweighed imports, and government impetus is the major driving force behind this change.

In April 2020, the government announced three additional schemes which were notified by the Ministry of Electronics and IT (MeitY) allocating a sum of INR 479.9 billion (~ USD 6.39 billion) as incentives under the schemes. These incentives are expected to bolster the local production of electronics and promote anchor companies in the major electronics clusters in India.

The three Schemes are:

1. Production Linked Incentive (PLI)
2. Scheme for promotion of manufacturing of components and semiconductors (SPECS)
3. Electronic Manufacturing Clusters (EMC 2.0)

In the past, the Government of India had provided an impetus to the electronics sector in India through various policies such as the National Policy of Electronics (NPE 2019), Phased Manufacturing Programme (PMP), Preferential Market Access (PMA), etc. Along with these Central incentive schemes, several states also introduced specific policies or incentives specific to the electronics sector in their State Industrial Development Policy, to further augment the manufacturing and demand of electronics in India. Many major states consider this sector as a focus sector which has been briefed in the document in ensuing sections.



Production Linked Incentives (PLI) Scheme

The objective of this scheme is to attract global investment to scale electronics manufacturing through sales incentives.

Incentive	4%-6% (on incremental sales)
Target Segment	Mobile phones and electronic components
Eligibility	As per incremental investment and sales of manufactured items
Tenure	5 years (Base year: FY 2019-20)
Budget Allocated	INR 409.51 billion (~ USD 5.46 billion)
Threshold Criteria	Covered in the table below

Source: MeitY
(1 USD = 75 INR)

Threshold eligibility criteria under the PLI Scheme

Segment	Proposed incentive rate	Incremental investment over the base year	Incremental sales of manufactured goods over the base year
Mobile phones (Invoice value of INR 15,000 and above) (For eligibility, all incremental sales of manufactured goods (covered under target segments) irrespective of the Invoice Value will be considered)	Year 1: 6% Year 2: 6% Year 3: 5% Year 4: 5% Year 5: 4%	INR 10 bn (USD 133 mn) in 4 Years Cumulative (min.): Year 1: INR 2.5 bn (USD 33.3 mn); Year 2: INR 5 bn (USD 66.6 mn); Year 3: INR 7.5 bn (USD 100 mn); Year 4: INR 10 bn (USD 133.3 mn)	Year 1: INR 40 bn (USD 533 mn) Year 2: INR 80 bn (USD 1.06 bn) Year 3: INR 150 bn (USD 2. bn) Year 4: INR 200 bn (USD 2.66 bn) Year 5: INR 250 bn (USD 3.33 bn)
Mobile Phones (Domestic companies – If more than 50% of the capital in it is beneficially owned by resident Indian citizens and/or Indian Companies)	Year 1: 6% Year 2: 6% Year 3: 5% Year 4: 5% Year 5: 4%	INR 2 bn (26.6 mn) in 4 Years Cumulative (min.): Year 1: INR 0.5 bn (USD 6.6 mn); Year 2: INR 1 bn (USD 13.3 mn); Year 3: INR 1.5 bn (USD 20 mn); Year 4: INR 2 bn (USD 26.6 mn)	Year 1: INR 5 bn (USD 66 mn) Year 2: INR 10 bn (USD 133.3 mn) Year 3: INR 20 bn (USD 266.6 mn) Year 4: INR 35 bn (USD 466.6 mn) Year 5: INR 50 bn (USD 666.6 mn)

Source: MeitY

Scheme for promotion of manufacturing of components and semiconductors (SPECS)

This scheme aims to strengthen the local manufacturing capability and ecosystem for semiconductors and electronic components.

Incentive	25% on capital expenditure on plant, machinery, equipment, associated utilities, and technology, including research & development on a reimbursement basis.
Target Segment	Electronic components, semiconductors and specialized sub-assemblies
Eligibility	Applicable to both new units and old units
Tenure	Applications will be open for three years (from 1 April 2020), with all capex/investments made within five years from the date of acknowledgement meeting the eligibility criteria.
Budget allocated	INR 32.85 billion (~ USD 0.44 billion)

Source: MeitY
(1 USD = 75 INR)

Electronics Manufacturing Clusters (EMC 2.0)

The objective of this scheme is to improve the base infrastructure for the electronics sector in India and raise the market value of local production.

Incentive	Financial incentives of 50% of project cost per 100 acres of land up to INR 0.7 billion (USD 10 million). Minimum investment of INR 3 billion (USD 40 million) and upwards with the lease/purchase of at least 20% of the total land by anchor units.
Target Segment	All electronics products
Eligibility	Applicable to both new units and old units*
Tenure	Applications will be open for three years (from 1 April 2020), with all capex made within five years from the date of acknowledgment meeting the eligibility criteria.
Budget allocated	INR 37.62 billion (~ USD 0.5 Billion)

Source: MeitY
(1 USD = 75 INR)

*Additionally, the project implementing agency; State Governments, State Implementing Agencies, Central Public Sector Units (CPSU), State Public Sector Units (SPSU), Industrial Corridor Development Corporation (ICDC), etc., are eligible to undertake projects under this scheme.

These schemes will aid in creating a robust manufacturing ecosystem that will be an asset to the global economy. It will also develop a durable ecosystem across the Indian electronics value chain, thereby integrating it with global value chains. Large-scale investments, electronics production worth nearly INR 11 trillion (USD 146.6 billion), and over ten million jobs are expected to be generated via the newly introduced schemes over the next five years.¹

¹ <https://www.deccanchronicle.com/business/companies/030820/apple-samsung-proposes-rs-11000-crore-mobile-phone-production-in-ind.html>

Overview of the State-level Incentives

Along with the various central incentives, states like Maharashtra, Haryana, Karnataka, Andhra Pradesh, among others, consider electronics as a thrust sector in their individual Industrial State Policies. Fiscal incentives, including stamp duty exemption, interest subsidy, and infrastructural incentives (in the form of integrated townships and parks), have also been laid out by several states. A brief overview of the fiscal incentives available within states has been tabulated below.

State	Capital subsidy	Stamp duty exemption	Power subsidy	Electricity duty	SGST reimbursement
Haryana	50% of Fixed Capital Investment (FCI)	100%	Up to INR 1.21 per unit for 5 years	100% for 7 years	100% up to 10 years
Maharashtra	25% of FCI	100%	Up to INR 1 per unit for 3 years	100% for 10 years	Up to 40%
Tamil Nadu	Up to INR 15 million	50%	Up to INR 1.3 per unit for 3 years	100% for 5 years	NA
Andhra Pradesh	Up to 35% of FCI	100%	Up to INR 1-1.8 per unit for 5 years	100% for 5 years	50%
Karnataka	10% up to INR 100 million	75% - 100%	Up to ~ INR 1 per unit for 5 years	100% for 5 years	NA
Gujarat	Up to INR 10 million	100%	@INR 1 per unit for 5 years	100% for 5 years	100% for 10 years

Additionally, for Micro, Small, and Medium Enterprises (MSMEs), incentives in the form of water audits, testing, technology acquisition, and patent assistance are also available, which vary from state-to-state. Various states have policies for mega projects in IT parks and software parks, with assistance for land procurement, logistics support, and plug-and-play facilities.

Our Comments

The electronics sector in India has reached an inflection point with exponentially rising production and growing exports, which have overshadowed the imports in India. Furthermore, with the three new incentive schemes, the Government of India has shown that the domestic electronics industry continues to grow and remains an important pillar for over a billion citizens of India. We expect the new schemes to augment the sector, bolster demand, lead to higher production, create permanent jobs, and upgrade the existing electronics value chain in India. The intent from the government is clear – with the current crop of labor, schemes, and infrastructure upgrades, India is expected to cement its position as a global hub for electronics manufacturing.



To Know more about the Electronics Industry read our full report [here](#).

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