

**GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA**

STARRED QUESTION NO:404

ANSWERED ON:22.04.2015

CHIP MANUFACTURING FACILITY

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Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether the Government is planning to invest billion dollars in the chip manufacturing facilities to be set up in States where consortium of manufacturing firms have come to establish production bases; and if so, the details thereof and the objective thereof;
- (b) whether the Government proposes to invest in developing an Indian version of the microprocessor and if so, the details thereof;
- (c) whether the Government has created the Electronics Development fund to leverage the venture capital funds to promote startups and if so, the details thereof;
- (d) whether the Government has received electronic manufacturing proposals from various global companies and if so, the details thereof; and
- (e) the steps taken/being taken by the Government to boost the chip manufacturing in the country to meet the growing domestic demand and cut down the imports?

Answer

MINISTER FOR COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI RAVI SHANKAR PRASAD)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 404 FOR 22.04.2015 REGARDING CHIP MANUFACTURING FACILITY

(a): Government has, in February 2014, approved setting up of two Semiconductor Wafer Fabrication (FAB) manufacturing facilities in India. These FAB units are to be set up by two business consortia, with the following broad project parameters:

(i) M/s Jaiprakash Associates Limited (with IBM, USA and Tower Semiconductor Limited, Israel as partners)

a) Project Cost: Rs 34,399 crore

b) Technology: 90/65/45/28 nm

c) Capacity: 40,000 WSPM

d) Location: Yamuna Expressway, Uttar Pradesh

(ii) M/s HSMC Technologies India Pvt. Ltd. (with ST Microelectronics and Silterra Malaysia Sdn. Bhd. as partners)

a) Project Cost: Rs 29,013 crore

b) Technology: 90/65/45/28/22 nm

c) Capacity: 40,000 WSPM

d) Location: Prantij, Gujarat

The following main incentives will be extended:

(i) 25% subsidy on capital expenditure and tax reimbursement as admissible under Modified Special Incentive Package Scheme (M-SIPS) Policy

(ii) Exemption of Basic Customs Duty (BCD) for non-covered capital items

(iii) 200% deduction on expenditure on R&D as admissible under Section 35(2AB) of the Income Tax (IT) Act

(iv) Investment linked deduction under Section 35AD of the IT Act

(v) Interest free loan of approx. Rs 5124 crore each (Exact amount to be calculated on the appraisal of Detailed Project Reports)

The objectives of setting up of FAB facilities in the country include increasing value addition in domestically manufactured electronic products, reduced dependency on imports and meeting the strategic requirements.

(b): An R&D project proposal entitled "National Microprocessor Initiative for Design, Development and Deployment of Microprocessors, Establishment of Resource Centre and Ecosystem for Proliferation" has been received by the Department from Centre for Development of Advanced Computing (C-DAC) for development of microprocessor. This R&D project proposal is being appraised by an Expert Committee. Also, under Multiplier Grant Scheme a project entitled "Reliable Processor Platform for Critical Applications" was supported at IIT Bombay in July 2014 with the project duration one year.

(c): Government has approved an Electronics Development Fund (EDF) Policy which has been notified on 09.01.2015. EDF will be set up as a "Fund of Funds" to participate in "Daughter Funds" which in turn will provide risk capital to companies developing new technologies in the area of electronics, nano-electronics and Information Technology. The EDF will be housed in a financial institution. An Expression of Interest is being floated to select the financial institution for this purpose.

(d): Proposals for electronics manufacturing have been received from global and domestic companies involving investment of nearly Rs.20,825 Crore under the Modified Special Incentive Package Scheme (M-SIPS). These proposals cover manufacturing in various verticals of electronics including automotive electronics, consumer electronics, mobile devices, telecom, IT hardware, medical electronics, strategic electronics, and electronic components.

(e): The steps taken to boost electronics manufacturing including chip manufacturing in the country are, inter-alia:

i. Promotion of electronics manufacturing with target of 'Net Zero Imports' is one of the pillars of Digital India Programme.

ii. A meeting of State IT Ministers and State Government Officials was held on 26.08.2014 to encourage them to actively promote electronics manufacturing. Several States have shown keen interest.

iii. Modified Special Incentive Package Scheme (M-SIPS) provides financial incentives to offset disability and attract investments in the electronics hardware manufacturing including chip manufacturing. The scheme provides subsidy for investments in capital expenditure - 20% for investments in Special Economic Zones (SEZs) and 25% in non-SEZs.

iv. Electronics Manufacturing Clusters (EMC) Scheme provides financial assistance for creating world-class infrastructure for electronics manufacturing units. Government has accorded final approval to two (2) Greenfield Electronics Manufacturing Clusters and in-principle approval to fourteen (14) Greenfield Electronics Manufacturing Clusters and two (2) Common Facility Centres in Brownfield Cluster.

v. Investment linked deduction under Section 35AD of the Income Tax Act is available for setting up and operating a semiconductor wafer fabrication manufacturing unit, if such unit is notified by the Central Board of Direct Taxes (CBDT), Department of Revenue in accordance with the prescribed guidelines.

vi. Policy for providing preference to domestically manufactured electronic products in Government procurement is under implementation.

vii. Approvals for all foreign direct investment up-to 100% in the electronic hardware manufacturing sector, including chip manufacturing, are under the automatic route.

viii. The Scheme to enhance the number of PhDs in the Electronics System Design and Manufacturing (ESDM) and IT/IT Enabled Services (ITES) sectors has been approved. 3000 PhDs are proposed to be supported under the Scheme. A Scheme for skill development of 90,000 persons in the ESDM sector has been approved to provide human resource for ESDM industry.

ix. The Policy for setting up of the Electronics Development Fund (EDF) has been approved by the Government and notified on 09.01.2015. The objective of the EDF Policy is to support Daughter Funds including Early Stage Angel Funds and Venture Funds in the area of ESDM, Nano-electronics and IT.