

File No. W-38/30/2021-IPHW
Government of India
Ministry of Electronics and Information Technology (MeitY)
(IPHW Division)

Dated: 30th December, 2021

Subject: Guidelines for Scheme for setting up of Semiconductor Fabs in India

1. Background

- 1.1 The Scheme for setting up of Semiconductor Fabs in India (hereinafter referred to as 'Scheme') has been notified vide notification No CG-DL-E-21122021-232055 dated 21.12.2021.
- 1.2 As per Para 10 of the Scheme, the Scheme shall be open for receiving applications till forty-five (45) days initially from 01.01.2022 which may be extended with the approval of Minister of Electronics and Information Technology (MEIT). The scheme may also be reopened for applications anytime during its tenure with the approval of Minister of Electronics and Information Technology (MEIT).
- 1.3 In pursuance of Para 16 of said Scheme and for the effective operation and smooth implementation of the Scheme, the following Guidelines are being laid down that are to be read along with the Scheme. In case of any inconsistency between the Scheme and the Guidelines, the provisions of the Scheme shall prevail.
- 1.4 The Scheme Guidelines *inter-alia* cover the following:
 - a) Definitions
 - b) Eligibility for Fiscal Support
 - c) Eligible Project Cost
 - d) Nodal Agency

- e) Application
- f) Approval
- g) Claim for Fiscal Support
- h) Disbursal of Fiscal Support
- i) Other Support
- j) Related Party Transactions (RPT)
- k) Review and Impact Assessment
- l) Residual

2. Definitions

- 2.1 **Applicant:** Applicant for the purpose of the Scheme is a legal entity i.e., Private Limited Company or a Public Limited Company making an application for seeking fiscal support under the Scheme.
- 2.2 **Application:** Application means an application submitted by an applicant in the Application Form prescribed in *Annexure* of the Guidelines containing requisite information, along with the supporting documents and application fee.
- 2.3 **Acknowledgement Date:** Acknowledgment date is the date on which, based on the initial scrutiny of the application, acknowledgment is issued by the Nodal Agency. Acknowledgement of an application shall not be construed as approval under the Scheme.
- 2.4 **Approval Date:** Approval date is the date on which approval letter for the project is issued by the Nodal Agency to the applicant.
- 2.5 **Project Cost:** Project Cost shall include Capital Expenditure / Investment and any other relevant investments as considered during Financial Appraisal of the Scheme including:

- 2.5.1 Capital Expenditure / Investment incurred on Building, Plant, Machinery, Clean rooms, Equipment and Associated Utilities: This shall include expenditure on building, plant, machinery, clean rooms, equipment, and associated utilities (including used / second hand / refurbished) as well as tools, dies, moulds, jigs, fixtures (including parts, accessories, components, and spares thereof) of the same, used in the manufacturing process eligible under the Scheme. It shall also include expenditure on packaging, freight / transport, insurance, and erection and commissioning of the plant, machinery, equipment, and associated utilities. Associated utilities would 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. Associated utilities would also include IT and ITES infrastructure related to manufacturing including servers, software, and ERP solutions.
- 2.5.2 Capital Expenditure / Investment incurred on Research and Development (R&D): This shall include expenditure on in-house and captive R&D. Such expenditure shall include test and measuring instruments, purchase of design tools, software cost and license fee, expenditure on technology, IPR, Patents and Copyrights for R&D purpose.
- 2.5.3 Capital Expenditure / Investment related to Transfer of Technology (ToT) Agreements: This shall include cost of technology and initial technology purchase related to manufacturing of goods for which application is made under the Scheme.
- 2.5.4 Capital Expenditure / Investment incurred on Land: The expenditure incurred on land required for the project shall be considered towards eligible project cost computation under the Scheme. The value of land will be as per the rate allotted by State Government or local circle rate, whichever is lower.
- 2.6 **Related Party(ies)**: The term related party(ies) would be as defined as per provisions of relevant statutes and Accounting Standard, as may be applicable to

the applicant, as notified by Ministry of Corporate Affairs (MCA) or any other appropriate authority from time to time.

- 2.7 **Nodal Agency:** As mentioned under Para 12.1 of the Scheme, the Nodal Agency for the purpose of the Scheme shall be India Semiconductor Mission (ISM).
- 2.8 **Force Majeure:** Extraordinary events or circumstances beyond human control such as an event described as an act of God (like a natural calamity) or events such as a war, strike, public health emergency, riots, crimes (but not including negligence or wrong-doing, predictable / seasonal rain and any other events specifically excluded).
- 2.9 **Group Company(ies):** Group Company(ies) shall mean two or more enterprises which, directly or indirectly, are in a position to:
- a) Exercise twenty-six percent or more of voting rights in other enterprise; or
 - b) Appoint more than fifty percent of members of board of directors in the other enterprise.

3. Eligibility for Fiscal Support

- 3.1 Support under the Scheme shall be provided only to the applicants meeting eligibility criteria as defined under Para 3.1 of the Scheme.
- 3.2 In case of a consortium / joint venture, the criterion may be satisfied by one or more group companies.
- 3.3 The structure and quantum of fiscal support for the selected applicants will be determined after negotiations by the nodal agency and financial appraisal as per Para 7.2 and Para 7.4 respectively of the Guidelines.
- 3.4 Eligibility under the Scheme shall not affect eligibility under any other Scheme of Government of India and State Governments and vice-versa. However, an applicant under the Scheme will not avail fiscal support under the Scheme for

Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS) under the *Semiconductor Fab category*.

4. Eligible Project Cost

- 4.1 Project cost as defined in Para 2.5 of the Guidelines shall be considered for determining eligible project cost under the Scheme provided capital investment is made on or after the date of acknowledgement of an application and within six years of date of acknowledgement of such application.
- 4.2 Capital investment made before the date of acknowledgement of application under the Scheme shall not be considered for calculation of eligible project cost under the Scheme.
- 4.3 The capital investment, which forms part of eligible project cost is being determined, shall be capitalized in the books of accounts of the applicants.
- 4.4 Land, building, clean rooms, plant, machinery, and equipment (including for associated utilities and R&D) shall be purchased / leased in the name of the applicant.
- 4.5 The value of land, building, clean rooms, plant, machinery, equipment, and associated utilities may be verified by the Nodal Agency.
- 4.6 The used / second hand / refurbished plant, machinery, and equipment (including for associated utilities and R&D) allowed under the Scheme shall have a minimum residual life of at least five (5) years, at the time of transfer of assets, as per Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, amended vide Ministry of Environment, Forest and Climate Change Notification dated 11.06.2018.

5. Nodal Agency

- 5.1 The Scheme shall be implemented by a Nodal Agency as mentioned in Para 12.1 of the Scheme. For carrying out activities related to the implementation of the scheme, Nodal Agency would inter-alia:

- 5.1.1 Receive the applications, issue acknowledgements, and verify eligibility of the applicants for support under the scheme. Till such time that the Nodal Agency is established, Ministry of Electronics and Information Technology (MeitY) will receive the applications and carry out the further process.
- 5.1.2 Empanel agency(ies) or consultants as deemed necessary to carry out technological and financial appraisal of the projects as well as evaluate expertise of the applicants.
- 5.1.3 Negotiate with the applicant(s) to propose the appropriate process technologies, applications, technology nodes, capacity, etc., and structure and quantum of fiscal support under the scheme.
- 5.1.4 Examine claims eligible for disbursement of fiscal support under the scheme and disburse the fiscal support as per eligibility.
- 5.1.5 Submit periodic reports to Ministry of Electronics and Information Technology (MeitY) regarding the progress and performance of the scheme.

6. Application

- 6.1 As per Para 10 of the Scheme, the Scheme shall be open for receiving applications till forty-five (45) days initially from 01.01.2022 which may be extended with the approval of Minister of Electronics and Information Technology. The scheme may also be reopened for applications anytime during its tenure with the approval of Minister of Electronics and Information Technology.
- 6.2 An application shall be made in the format provided in *Annexure* of the Guidelines. On receipt of an application in the prescribed format, the Nodal Agency shall conduct an examination as to whether the application prima facie meets the criteria under the Scheme.
- 6.3 For an application which prima facie meets the criteria, the Nodal Agency shall issue an acknowledgement of receipt of the application. This acknowledgement shall not be construed as approval under the Scheme.

7. Approval

- 7.1 **Evaluation of the Applications by Nodal Agency:** The applicants will be evaluated by the Nodal Agency through a process of technological and financial appraisal. This shall include technology parameters such as process technologies, project implementation capacity, operation capability, etc. as well as financial parameters such as fiscal support sought from the government, funds raised for the project etc. The evaluation criteria and weightage for technological and financial appraisal shall be decided by Ministry of Electronics and Information Technology (MeitY) in consultation with Nodal Agency and approved by the Minister of Electronics and Information Technology (MEIT).
- 7.2 **Negotiations by Nodal Agency:** After the evaluation, the Nodal Agency will negotiate with the selected applicant(s) under the scheme to propose the appropriate process technologies, applications, technology node(s), capacity, etc., and structure and quantum of fiscal support under the scheme.
- 7.3 **Recommendations by Nodal Agency:** The applicant(s) selected after negotiations shall be forwarded by the Nodal Agency to MeitY.
- 7.4 **Financial Appraisal of the Scheme:** After the receipt of recommendations from the Nodal Agency, Ministry of Electronics and Information Technology (MeitY) shall get the scheme appraised by the Expenditure Finance Committee (EFC) led by Secretary, Department of Expenditure. Expenditure Finance Committee (EFC) shall determine the structure and quantum of fiscal support to be provided under the scheme in consultation with MeitY and the Nodal Agency. In case of fiscal support being provided as equity either in part or in full, Government of India's share will not exceed 49% of total project equity for the selected applicants. Expenditure Finance Committee shall also decide the agency in which Government of India's share of equity shall be vested.
- 7.5 **Determination of Fiscal Support for Applicants:** Based on EFC approval, Ministry of Electronics and Information Technology (MeitY) shall determine the

structure and quantum of fiscal support to be provided to the selected applicant(s) under the scheme.

- 7.6 **Approval of Applicant(s) by Union Cabinet:** The selected applicant(s) will be placed by the Ministry of Electronics and Information Technology (MeitY) for approval by the Union Cabinet. After the approval is accorded by the Union Cabinet, these will be forwarded by the MeitY to the Nodal Agency for communication to the applicant(s).

8. Claim for Fiscal Support

- 8.1 Claim for fiscal support may be submitted by the applicant on a quarterly basis or as per requirement.
- 8.2 At the time of filing claim for fiscal support, the applicant will be required to provide details of expenditure that is proposed to be incurred towards the approved project.
- 8.3 The Nodal Agency shall have the right to carry physical inspection of an applicant's manufacturing units and offices through site visits for the purpose of verification of claims.

9. Disbursement of Fiscal Support

- 9.1 The disbursement of fiscal support shall be carried out by the Nodal Agency on *pari-passu* basis.
- 9.2 The fiscal support shall be disbursed after the approval of the claim for fiscal support by the Nodal Agency, subject to compliance to other terms and conditions stipulated in the Scheme / Guidelines / Approval Letter.
- 9.3 Disbursement of fiscal support shall be within the approved amount communicated to the applicant by the Nodal Agency as part of the approval process. Any variation in expenditure pertaining to approved eligible project cost items due to exchange rate variations, technology upgradation, and change in specifications of Building, Plant, Machinery, Equipment, Utilities etc. shall be allowed even if it leads to

variation of expenditure within individual eligible project cost items, if the total claim amount is within the overall approved amount of fiscal support.

- 9.4 The Nodal Agency shall submit budgetary requirement to Ministry of Electronics and Information Technology (MeitY) as a consolidated amount on regular basis and not on project-by-project basis. MeitY shall make budgetary provisions for disbursement of fiscal support to approved projects under the Scheme. Any excess / shortfall of funds for release of fiscal support would be intimated by the Nodal Agency to MeitY well in advance for smooth implementation of the Scheme.
- 9.5 The Nodal Agency shall furnish information to Ministry of Electronics and Information Technology (MeitY) with details of claims received for fiscal support, claims approved, amount disbursed, and reasons for rejection / delay in disbursement of the fiscal support on monthly basis.
- 9.6 The Nodal Agency shall submit monthly reports to Ministry of Electronics and Information Technology (MeitY) about the progress and performance of the Scheme.

10. Other Support

- 10.1 **Support for development of Infrastructure / Common Facility Centres:** Government of India may extend the benefits of Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme for development of infrastructure / Common Facility Centre subject to the proposal satisfying the EMC 2.0 framework requirements.
- 10.2 **Demand Aggregation Support:** Semiconductor Fab(s) set up in India will be supported through purchase preference in procurement of electronic products by the Government under the Public Procurement (Preference to Make in India) Order 2017.
- 10.3 **Support for R&D, Skill Development and Training:** The Nodal Agency shall prepare a roadmap for R&D, Skill Development and Training for development of semiconductor ecosystem in consultation with the approved applicant.

11. Related Party Transactions (RPT)

- 11.1 For any expenditure forming part of the claim for fiscal support which involves purchase / lease from Group Companies / 'Related' entities, relevant certificate / documents (for domestic and / or international procurement) must be provided by the applicant. This shall be submitted in accordance with the relevant provisions of Companies Act, Income Tax Act and Accounting Standard as applicable and amended from time to time.
- 11.2 In case, any expenditure value is revised based on an assessment done subsequently as per provisions of the acts as cited above, the applicant shall notify and reimburse the Nodal Agency immediately for any incentive amount disbursed over and above the revised value as per subsequent assessment along with the interest calculated at 3 years SBI MCLR (as applicable on the date of disbursement) compounded annually.

12. Review and Impact Assessment

- 12.1 Periodic reviews of approved applicants will be undertaken by the Nodal Agency with respect to their investments, production, employment generation and value addition under the Scheme.
- 12.2 All approved applicants shall be required to furnish self-certified Monthly Review Reports (MRRs) within 10 days from the end of each month till six years or till the time the fiscal support is being drawn, whichever is earlier.\
- 12.3 Mid-term appraisal of the Scheme will be carried out after three years of its implementation or as per recommendation from MeitY to assess the impact of the Scheme, off-take by the approved applicants and economy in terms of the stated objectives. Based on such impact assessment, a decision may be taken to increase the tenure of the Scheme and change its financial outlay with the approval of Minister of Electronics and Information Technology (MEIT).

13. Residual

- 13.1 Any change / deviation in the location of a project / unit, after filing the application and before approval of the same, shall be allowed by the Nodal Agency after due verification of application of project cost at the changed location.
- 13.2 Any deviation with respect to approved eligible project cost, after approval of the project, shall be intimated by the Nodal Agency to the Ministry of Electronics and Information Technology (MeitY). In case of reduction of the eligible project cost, the Nodal Agency will give the revised approval to the applicant. In case of escalation of the eligible project cost, the Nodal Agency will seek approval of the competent authority in the MeitY. Based on the competent authority's recommendation, the Nodal Agency shall communicate the revised approval.
- 13.3 An applicant shall intimate the Nodal Agency of any change in the shareholding pattern of the Promoters' holding in the project, including any change in encumbrance, post application and during the period of six (6) years from the date of acknowledgement.
- 13.4 In case of a successor-in-interest, Capital Expenditure / Investment and any other relevant investments borne by the applicant and the successor-in-interest, would be considered for determining eligible project cost, subject to compliance with any other condition stipulated by the Nodal Agency, as may be deemed appropriate. The eligible project cost for the successor-in-interest shall be the same as determined for the applicant to whom approval was accorded under the Scheme.
- 13.5 The applicants shall also be eligible to take benefit under any other Scheme(s) of Government of India. However, investments committed by the applicants under SPECS Scheme for which fiscal supports have been claimed shall not qualify as eligible capital expenditure under the Scheme for setting up of Semiconductor Fab in India.
- 13.6 Fiscal supports, offered by the State Government or any of its agencies or local bodies shall be over and above the fiscal support provided by Government of India under the Scheme.

- 13.7 To obviate any malpractices in the financial matters where disbursements are made to industry by the Government, it has been decided to provide a deterrent against corrupt practices for promotion of transparency and equity. Therefore, keeping in view the sensitivities involved in the process and taking cue from the instructions of the Central Vigilance Commission regarding adoption of an Integrity Pact in the matter of procurement, the Nodal Agency shall obtain undertaking(s) from applicants under the Scheme.
- 13.8 Supplementary Guidelines may be issued from time to time with the approval of Minister of Electronics and Information Technology (MEIT) for the smooth implementation of the Scheme.

Application Form

1. Introduction

- 1.1. The application shall be duly signed by authorized signatory of legal entity.
- 1.2. Applicants are advised to follow the format provided in this template for submitting their applications. Applicants are requested to provide information and enclose all supporting documents as detailed.
- 1.3. All applications shall be submitted through an Online Portal to the Nodal Agency notified under the Scheme. A non-refundable application fee of INR 10,00,000 (Rupees Ten Lakhs Only) is payable for each application.
- 1.4. Applicants are requested to go through the Guidelines carefully before filling up the details in the application.
- 1.5. Application has been divided into the following sections:
 - 1.5.1. Applicant Details
 - 1.5.2. Detailed Project Report

Section I – Applicant Details

1. Company Information

- 1.1. Name of the company, incorporation details

Documents to be furnished:

- a) Brief Business profile
- b) Certificate of incorporation

- 1.2. **Company Structure** (entity) under which the project is to be undertaken (legal status, shareholding pattern and details of relevant agreements which might have been

signed with business partner(s), if any). The agreement and roles and responsibilities between the partners must be clearly mentioned

Documents to be furnished:

- a) *Certified copy of the memorandum and articles of association or equivalent registration document*
- b) *Shareholding pattern (latest submitted with ROC and certified by Company Secretary)*

1.3. Details of Authorised Signatory

Documents to be furnished: *Letter of Authorization by Board of Directors or Managing Director or equivalent.*

1.4. Company Details: Address, phone, email, nature of current business, external credit rating.

1.5. Details of current manufacturing facilities in India and abroad.

1.6. Credit History: Details of presence in RBI's Defaulter and Wilful Defaulter Lists, SEBI Debarred List. CIBIL Score and International Credit Rating, if borrowings are taken from foreign countries.

Documents to be furnished: *Certificate from Company Secretary/ Board of Directors for Defaulter's List.*

Section II – Detailed Project Report

- a. **Project Summary**
- b. **Technology Specifications**
 - i. Technology
 - ii. Target products and applications
 - iii. Proposed Installed capacity

- iv. Technology Partnerships – Details of technology partner(s) with relevant documents
- c. **Proposed Location**
- d. **Project Financials**
 - i. Total project cost including working capital requirements
 - ii. Sources of fund
 - iii. Ownership structure
 - iv. Projected P&L for atleast 20 years
 - v. Key financial indicators (IRR, ROCE, ROI, EBIDTA, NPV)
- e. **Operational Details**
 - i. Land, water and power requirements
 - ii. Ramp-up timelines
 - iii. Management structure
- f. **Human Resources:** Availability and Requirement of trained manpower, plan for training and skill development
- g. **Capital Goods:** Requirement of new / refurbished capital goods
- h. **Raw Material:** Details regarding sourcing of raw materials, plan for developing the raw material manufacturing ecosystem in India.
- i. Market Assessment of Proposed Products
- j. Roadmap for Technology Upgradation
- k. Plan for R&D Collaboration with Indian academic institutions
- l. **Regulatory Treatment**
 - i. Requirement of licenses, permits, clearances and third-party approvals necessary to execute the project.

- ii. Proposed timelines for obtaining such licenses, permits, clearances and third-party approvals

Documents to be furnished:

- a. *Bank / FI appraisal note / report, if available*
- b. *Sanction letter and the Term Loan Agreement for Debt.*
- c. *Board Resolution for equity / unsecured loans for companies or equivalent for other legal entities*
- d. *Proof of equity / unsecured loans brought in as per project schedule.*
- e. *Application Fee Details: Proof of the Application Fee Submission.*