

Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS)

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Incentives
(INR 3,285 crore)

Financial Incentive of 25% on Capital Expenditure, on reimbursement basis

Tenure

3 Years for Filing Applications, 5 Years for Investment

Coverage

Electronic components, semiconductor/ display fabrication units, ATMP units, specialized sub-assemblies and capital goods for manufacture of aforesaid goods. **(Electronics Products such as Mobiles and Consumer Goods excluded)**

Eligible Capex

Plant, Machinery, Equipment, Associated Utilities and Technology including R&D **(Land and Building excluded)**

Eligibility

Investments in new and expansion of capacity / modernization and diversification of existing units

Minimum Investment Threshold

Ranges from INR 5 crore to 1,000 crore (Will encourage Domestic Players)

Draft Appraisal and Disbursement Guidelines

Key Definitions (Paragraph 2)

- 1. Applicant:** Private Limited Company, Public Limited Company, Sole Proprietorship, Partnership, or Limited Liability Partnership registered in India.
- 2. Project / Unit:** New business unit or expansion of capacity / modernization and / or diversification of an existing unit.
- 3. Expansion of capacity / modernization and/ or diversification of an existing unit:** An increase in the value of fixed capital investment in plant, machinery, equipment, associated utilities and technology, including for Research & Development (R&D) of an existing unit.
- 4. Approved Project / Unit:** Project for which approval is issued by the Project Management Agency (PMA), based on the recommendations of Executive Committee (EC) under MeitY.

Key Definitions (Paragraph 2)

5. **Acknowledgement Date:** Date on which, acknowledgment is issued by the PMA.
6. **Approval Date:** Date on which approval letter for the Project / Unit is issued by the PMA.
7. **Commercial Production:** Production is undertaken for the sale of manufactured goods by the approved Project/ Unit.
8. **Eligible capital expenditure:** The capital expenditure considered eligible for incentive as per the approved list of capital items annexed to the approval letter given to the applicant.
9. **Total Incentive:** Total Incentive under the Scheme is 25% of eligible capital expenditure for an approved application under the Scheme.

Key Definitions (Paragraph 2)

- 10. Project Management Agency (PMA):** Refers to the agency appointed by MeitY to act on its behalf for receipt of application, issuance of acknowledgement, appraisal / evaluation of the project (including eligible capital expenditure), recommending project to the Executive Committee (EC) of MeitY, issuance of approval letter on the recommendation of Executive Committee of MeitY, verification of claim for incentive.
- 11. Executive Committee (EC):** Committee constituted by MeitY and chaired by an officer not below the rank of Joint Secretary in MeitY.
- 12. Governing Council (GC):** Constituted by MeitY under the chairmanship of Secretary, MeitY. The constitution of GC is included in these Guidelines.

Eligibility Criteria under the Scheme (Paragraph 3)

- ❑ The scheme shall be applicable for investments in new units as well as **expansion of capacity / modernization and / or diversification of existing units.**
- ❑ If an application **covers more than one product categories**, then the minimum threshold of investment (capital expenditure) shall be the **highest of the individual threshold investment** for each of the product category(ies).
- ❑ The minimum investment thresholds are **same** for new units or expansion of capacity / modernization and / or diversification by existing units.
- ❑ A Project / Unit proposed may include **multiple manufacturing facilities at one or more proposed locations.** There is **no limit** on the number of applications for an Applicant.

Eligible Capital expenditure (Paragraph 4)

- ❑ Eligible Capital expenditure is expenditure is **made on or after the date of acknowledgement of an application** and within 5 years of date of acknowledgement of application
- ❑ Capital expenditure made **before the date of acknowledgement** of application, but on or after the date of application, on the approved list of capital items, shall be considered for **calculation of threshold**.
- ❑ The **date of invoice** would be considered as the date of booking capital expenditure under the Scheme.
- ❑ The capital expenditure, based on which eligible capital expenditure is being determined, shall be **capitalized in the books of accounts** of the applicants.

Eligible Capital expenditure (Paragraph 4)

1. Expenditure incurred on **plant, machinery, equipment and associated utilities**:
 - **tools, dies, moulds, jigs, fixtures** (including parts, accessories, components, and spares thereof) of the same.
 - expenditure on **packaging, freight/ transport, insurance, and erection and commissioning.**
 - **The Associated utilities** - 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 Associated utilities also** include IT and ITES infrastructure related to manufacturing including servers, software and ERP solutions.
 - **The total expenditure incurred on associated utilities** - **not exceeding 20% of the total eligible capital expenditure for plant, machinery and equipment.**

Eligible Capital expenditure (Paragraph 4)

2. Expenditure incurred for **Research and Development (R&D)**: Include expenditure on in-house and captive R&D including 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 - not exceeding 20% of the total eligible capital expenditure.
3. Expenditure incurred on **Transfer of Technology (ToT), including cost of technology**: Include cost of technology and initial technology purchase related to goods - not exceeding 10% of the total eligible capital expenditure.
4. Expenditure incurred on **refurbished plant, machinery and equipment** : Include expenditure on used / second hand / refurbished plant, machinery and equipment (including for associated utilities and R&D), whether imported or procured domestically - not exceeding 20% of the total eligible capital expenditure.

Eligible Capital expenditure (Paragraph 4)

5. Expenditure incurred on Land and Building: The expenditure incurred on land and building (including factory building / construction) required for the project / unit is **not covered** under the Scheme.

6. Expenditure on consumables and raw material used for manufacturing shall **not be considered as capital expenditure.**

SPECS Application Process Flow

Step One

APPLICATION PROCESS

1. Submission of Application – **Applicant**
2. Prima Facie Examination – **Project Management Agency (PMA)**
3. Letter of Acknowledgement issued – **PMA** (within 15 working days post completion of examination)
4. Application Appraisal – **PMA** (Appraisal Report (AR) to be prepared - 45 working days application submission)
5. Application Approval – **PMA, based on recommendations of Executive Committee** (Letter of Approval issued within 5 days of EC meeting)

Step Two

DISBURSEMENT PROCESS

1. Submission of Claim for Disbursement of Incentive – **Applicant**
2. Verification of Claims and Application for Incentives – **PMA** (Verification Report to be issued by the PMA within 15 working days from the date of submission of claim)
3. Disbursement of Funds – **PMA** (Sanction Letter to be issued and Claim to be processed with 10 working days; Disbursement of Funds within 5 working days of all disbursal formalities)

Application process and Approval (Paragraph 5, 6 and 11)

- ❑ An application under the Scheme can be made (through an Online Portal) to the Project Management Agency (PMA) by any legal entity.
- ❑ PMA shall **appraise the applications**, as received, after issuing the acknowledgements.
- ❑ The PMA shall accordingly make **appropriate submissions to the Executive Committee (EC)**. EC shall recommend to PMA for **approval / rejection / modification of the applications**.
- ❑ After receiving recommendations of the EC, PMA shall issue a letter to the applicant within 5 (Five) working days, communicating approval under the Scheme, with a copy to MeitY.
- ❑ The approval letter not to be construed as a guarantee for disbursement of incentive as the **same shall be dependent upon verification of eligibility** after submission of disbursal claim.

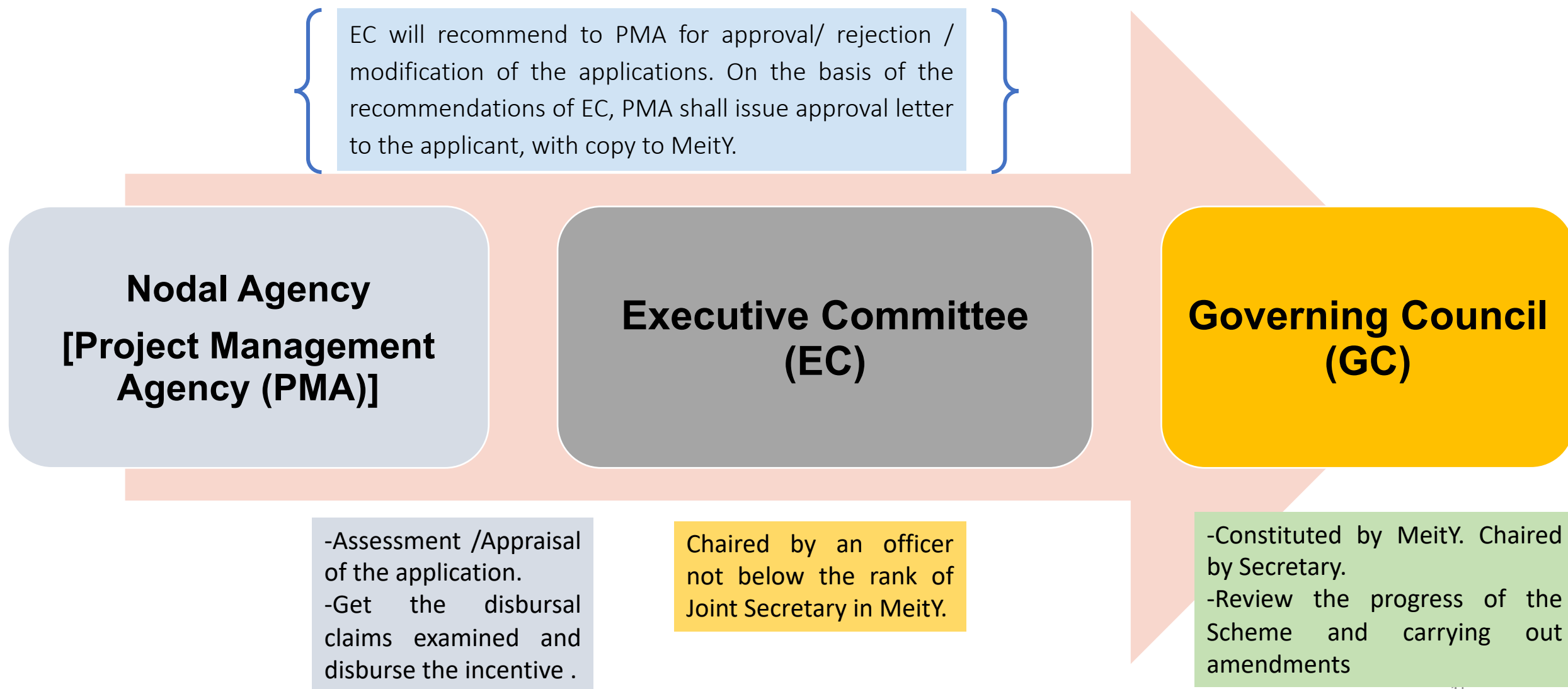
Application Documents (Annexure 2 and 5)

- ❑ Application to have **Company Details, Promoter Details, Credit History, Key Financial Details.**
- ❑ Applicant to provide **Forecasted Revenue in Targeted Segments, Proposed Plan for Domestic Value Addition and Employment Generation in India** for next 5 years.
- ❑ Details of **Existing and Proposed Investment with Sources of Funding** to be provided.
- ❑ Operation and Facility details (Project plan) and Market Research on Product Feasibility

Key Documents to be provided *inter-alia* includes:

- *Certified copy of the MOA, AOA and Col*
- *Statutory Auditor / Company Secretary certificate showing shareholding pattern*
- *CA certified copies of PAN, GST Certificate*
- *Self-certified copies of brief profile of Chairman, CXOs, Directors, Authorised representative and key Promoters along with their PAN / DIN.*
- *CA certified copies of Annual Reports including Annual Financial Reports for 3 years*
- *Building and Land Lease/ Purchases Agreement*
- *Land Lease/ Purchase Agreement*
- *Financial closure documents -Debt, Equity, Unsecured Loans.*

Governance Mechanism



Project Management Agency (PMA) (Paragraph 8)

□ The PMA would *inter-alia* be responsible for:

- **Receipt of applications, examination and appraisal** of applications and issuing acknowledgements.
- **Determination of eligibility** of the applications and investment threshold.
- Determination of total capital expenditure and **eligible capital expenditure** for applications.
- Making appropriate submissions to the Executive Committee (EC) for consideration of applications
- Issuing approval letters to the applicant on the basis of recommendations of EC.
- **Examination of claims for disbursement of incentive** as per disbursal procedures
- **Disbursal of incentive** whose claims are found eligible as per disbursal procedures

Executive Committee (EC) (Paragraph 9)

- ❑ The EC shall be chaired by an officer not below the rank of **Joint Secretary** in MeitY.
- ❑ **Constitution:** Representatives from Internal Finance Division (IFD) of MeitY, Department for Promotion of Industry and Internal Trade (DPIIT), Department of Commerce (DoC), Department of Economic Affairs (DEA), Department of Revenue (DoR), Department of Telecommunications (DoT), representative from Project Management Agency (PMA) and two representatives from the Electronics Industry.
- ❑ The EC shall meet to ensure timely consideration of applications and conduct periodic reviews.
- ❑ The EC shall consider applications, as submitted by the PMA for **consideration under the Scheme** and make appropriate recommendations to the PMA for issuing approval letters.

Governing Council (GC) (Paragraph 10)

- ❑ GC constituted under the chairmanship of **Secretary, MeitY** to review the progress of the Scheme and units / projects thereof. GC shall comprise of experts from the Government and Industry.
- ❑ GC shall review, and amend, if deemed necessary, **the list of goods eligible for the incentive** under the Scheme, along with the applicable investment thresholds.
- ❑ Authorized to carry out any **amendments in Scheme Guidelines**
- ❑ Deal with the **exceptional cases to provide flexibility** in the scheme, especially in case of land, when different states and agencies have their own rules and regulations for lease of land.
- ❑ The GC shall generally meet once in every three months or as often as necessary.

Claim for Incentive (Paragraph 12)

- ❑ An applicant shall be eligible for claiming incentive for the **project / unit which is approved** under the scheme. The further Claim for incentive may be submitted on a six-monthly basis.
- ❑ PMA shall have the right to verify any documents in relation to the Claim for Incentive including but not limited to actual bills / invoices for the amounts claimed.
- ❑ In case of **doubt with respect to the eligibility of any capital expenditure** - decision of EC shall be final in this regard.
- ❑ Any **variation in expenditure** due to exchange rate variations, technology upgradation, etc. shall be allowed as long as total actual expenditure is within approved eligible capital expenditure.
- ❑ The PMA shall process the claim for incentive on the basis of **Verification Report**.

Disbursement of Incentive (Paragraph 13)

- ❑ The incentive against the eligible capital expenditure shall be released after the approval of the claim for incentive by PMA, **subject to**
 - **capital expenditure meeting the minimum threshold value,**
 - **commencement of commercial production,**
 - compliance to terms and conditions stipulated in the Scheme / Guidelines / Approval Letter.

- ❑ The PMA shall disburse the funds immediately upon completion of all pre- disbursal formalities by the Applicant. The disbursement of incentive may be in the form of **Direct Bank Transfer.**

- ❑ Units receiving incentive under SPECS shall have to **remain in commercial production for a period of at least 3 (three) years from the date of commencement of commercial production or 1 (one) year from the date of receipt of last incentive,** whichever is later.

Provision w.r.t Changes/ Deviations (Paragraph 15)

- ❑ Any change / deviation in the location of a project / unit, **after filing the application and before approval of the same**, shall be allowed by PMA after due verification.
- ❑ Any change / deviation in the location of a project / unit, **after approval of the project**, shall be intimated by PMA to the EC for consideration and recommendation.
- ❑ Any deviation with respect to approved product category, **after approval of the project**, shall be intimated by PMA to EC for its consideration and recommendation.
- ❑ Any deviation with respect to approved eligible capital expenditure, **after approval of the project**, shall be intimated by PMA to EC for its consideration and recommendation.

List of Goods eligible for Incentive under SPECS – Product Categories with Thresholds

A. List of goods with Minimum Investment Threshold Limit of INR 5 crore

| S. No | Description of Goods |
|-------|---|
| 1. | SMT components including LED Chips |
| 2. | Chip Modules for Smart Cards, RFID Antenna & Labels, CoB/ System in Package |
| 3. | Passive components including resistors, capacitors, ferrites, filters etc. for electronic applications |
| 4. | Electromechanical components including transformers, inductors, coils, relays, switches, micro motors, stepper motors, BLDC Motors, Connectors, Heat Sinks, USB/Data Cables, HDMI Cables, Antenna, Speakers, Microphones etc. for electronic applications |
| 5. | Magnetrons, Wave guides, Circulators, Couplers, Isolators, Filters, Magnets, RF Components for electronic applications |
| 6. | Printed Circuit Boards (PCB): PCB Laminates, Prepegs, Photopolymer films, PCB Printing Inks, Printed Flexible electronics. |
| 7. | Sensors, Transducers, Camera Modules, Vibrator motors / ringer Actuators, Crystals for electronic applications |
| 8. | Capital goods for all the goods covered under SPECS |

B. List of goods with Minimum Investment Threshold Limit of INR 15 crore

| S. No | Description of Goods |
|-------|--|
| 1. | Discrete semiconductor devices including transistors, diodes, etc. |
| 2. | Power semiconductors including FETs, MOSFETs, Thyristors etc. |
| 3. | Preform of Silica and Optical Fiber |
| 4. | Display Assembly and Touch Panel / Cover Glass Assembly |

C. Other List of Goods

| S. No | Description of Goods | Minimum Investment Threshold Limit |
|-------|---|------------------------------------|
| 1. | Micro / Nano-electronic Components (NEMS, MEMS, IoT Devices etc.) | INR 25 crore |
| 2. | Assembly, Testing, Marking and Packaging (ATMP) units | INR 25 crore |
| 3. | Mechanics (plastic and metal parts) for electronic applications | INR 75 crore |
| 4. | Compound Semiconductors such as GaN, SiC, GaAs, etc. and Silicon Photonics devices/ Integrated Circuits, Optoelectronic components | INR 250 crore |
| 5. | Semiconductor Wafering | INR 500 crore |
| 6. | Semiconductor Integrated Chips (ICs) including Logic [Microprocessor, Microcontrollers, Digital Signal Processors (DSP) and Application Specific Integrated Circuits (ASICs)]; Memory; Analog/ Mixed Signal ICs, etc. | INR 1000 crore |
| 7. | Display fabrication units including Liquid Crystal Displays (LCD), Light Emitting Diode (LED), Organic Light Emitting Diode (OLED), etc. for electronic applications | INR 1000 crore |

Provision w.r.t Changes/ Deviations (Paragraph 15)

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- ❑ Any change / deviation in the location of a project / unit, **after approval of the project**, shall be intimated by PMA to the EC for consideration and recommendation.
- ❑ Any deviation with respect to approved product category, **after approval of the project**, shall be intimated by PMA to EC for its consideration and recommendation.
- ❑ Any deviation with respect to approved eligible capital expenditure, **after approval of the project**, shall be intimated by PMA to EC for its consideration and recommendation.

THANK YOU