

UTTAR PRADESH ELECTRONICS MANUFACTURING POLICY-2014

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Chapter 1: Introduction

1.1 Preamble

The usage of semiconductor components in our life is increasing day by day. With rapid growth in mobile and telecom industry, IT and software industry, Health care industry, automobile industry and many others, the demand of electronics devices is increasing every day.

Various factors like growth of middle class population, rising disposable incomes, increase in adoption of advanced technology, rollout of new telecom networks like 3G & expected 4G and many Laptop, Tablet/Mobile distribution schemes by state and central governments are to propel the ESDM¹ industry in India to a high growth trajectory. This increasing Indian electronics market demand is expected to reach US\$400 billion by 2020. Current domestic electronic production growth is in range of 5-10%, with this rate it can cater to a demand of US\$100 billion in 2020 as against a demand of US\$400 billion. This US\$ 300 billion demand-supply gap will have to be met by import which will lead to a situation where this electronics import bill for the country will exceed the oil import bill.

In this regard, the Government of India has set a vision through National Electronics Policy 2012, to transform India into a global hub for Electronics System Design and Manufacturing (ESDM) to cater both domestic and global demand.

The Government of Uttar Pradesh has expressed its resolve to play a significant role in contributing to this objective and transforming Uttar Pradesh into a hub for ESDM in the long run with a conducive policy environment, support to the industry and a concerted strategy. The state can capitalize the skilled human resource demand that shall be

required in the electronic sector. The state with largest number of engineering graduates empowered in the field of IT, Electronics & communication has approx. 36 universities, 3104 colleges, 1500 ITIs, 197 B-Schools and 320 engineering colleges and is home to many premier institutions such as IIT, IIM, IIIT, and BHU. Considering this vast knowledge economy, the state can bridge the demand-supply gap by scaling this human resource to specific skills required in this sector.

The current policy initiative reflects the determination of the state government in making Uttar Pradesh, an Electronics Manufacturing Hub.



Source: National Policy on Electronics-2012, Govt. of India; Uttar Pradesh IT Policy 2012

Chapter 2: Vision, Mission, Objective

2.1 Vision

- “To promote and develop the Electronics Manufacturing Industry within Uttar Pradesh, thereby making Uttar Pradesh a globally competitive and industry friendly electronics design and manufacturing destination contributing towards the overall economy of the state and the nation”



2.2 Mission

- To position Uttar Pradesh as most preferred state for Electronics Manufacturing Industry in India
- To provide conducive, industrial friendly, sustainable and proactive hassle free environment for ESDM Companies within the State
- To build a sustainable ecosystem of R&D, engineering and production in electronics in the state
- To develop Electronic sector specific talent in the state which can help in enhanced employment opportunities

2.3 Objective

- Establishment of Electronic Manufacturing Clusters in the state
- To capitalize on the upcoming FAB² unit in order to attract maximum investment in Electronics Manufacturing sector in the state
- To promote and develop employment opportunities within the state
- Augmentation of Gross State Domestic product(GSDP) of Uttar Pradesh

Chapter 3: Policy Target & Implementation Strategy

3.1 Policy Target

With this Electronics Manufacturing Policy, the state government targets to establish a conducive business environment for electronics manufacturing industry and its allied business partners within the state. The policy is also with the target to provide special thrust for Micro, Small and Medium Enterprise (MSME)³ businesses in range from INR 1-200 crore. However, investment of more than 200 crore shall be considered on case to case basis and shall be dealt separately through empowered committee. The Policy targets the establishment of Electronic Manufacturing Clusters in the state along with the electronics manufacturing companies in the coming EMCs⁴. The EMCs are expected to support upcoming FAB units in terms of upstream & downstream to complete the entire value chain of the electronic manufacturing industry.

3.2 Economic Transformation

The focus of economic transformation includes creation of a holistic business environment that helps to attract and promote business trade, investment and entrepreneurship in the Electronics Manufacturing sector. It also aims to leverage the investment in electronics sector to create an electronics manufacturing engine that will transform the other concerned sectors in the greater economy of the state.

3.3 Infrastructure Development

Thrust will be given to establish the Electronics Manufacturing Clusters to set up business units within the state. These EMCs would help in:

- Creating more innovative and competitive business zones based on knowledge, people-led innovation, and global networking
- Offering higher capacity of monitoring and management of environmental issues
- Improving city transportation and more secure urban spaces
- Providing basic infrastructural facilities like land, power (uninterrupted 24x7 supply of quality power), water, roads etc.

3.4 Human Capital Development

Human Capital development is the foundation for enabling citizens in Uttar Pradesh to develop the skills necessary to leverage Electronics Manufacturing Industry. Being a part of a competent Technical workforce and a knowledgeable community, Government of Uttar Pradesh would focus on setting up Incubator center in each EMC to promote Startup/Entrepreneurs/R&D along with Training, Skill development and related certification.

The State Government is also enthusiastic to forge global partnerships with international institutes of repute and top corporates in the sector for innovation, R&D, knowledge transfer, strategic tie-ups and collaborations.

3.5 Handling e-Waste

Creating a mechanism with Industry to facilitate the implementation of e-waste (management and Handling) Rules 2011, including restrictions on usage of hazardous substances as per the global practices. Also, promoting e-waste recycling industry in the state for state produced e-waste.

“One Hand – One EMC”

3.6 Electronic Mission Team

Setting up of dedicated Mission directorate headed by the permanent Mission Director nominated for the successful establishment of EMC and Electronic Manufacturing industry in the state.

The Directorate shall handhold till the complete implementation and shall be reporting to monitoring committee.

CEO, Concerned Authority/ Concerned District Magistrate shall be working closely with the mission directorate for offering an inclusive package of Electricity, Water and Land provision to investor.

3.7 Single Window Clearance

Policy Implementation Unit(PIU) as Single Window Clearance unit shall work closely with the investors under the guidance of the principle secretary, Department of IT & Electronics to efficiently and smoothly assist the investors in processing incentives claims laid down under the policy. Apart from this, PIU shall facilitate the investors in obtaining statutory clearances like pollution control, shop & establishment act, power allocation etc.

PIU shall also be responsible for clearing roadblocks in a time bound manner, failing to which, the issue shall get escalated to the empowered committee.

3.8 Committees for Monitoring and Decision making

3.8.1 Apex committee

An apex committee will be formed under the chairmanship of Hon'ble Chief Minister, Government of UP, chief secretary GoUP, Infrastructure and Industrial Development Commissioner (IIDC), Principal Secretaries of

Finance, Power, Irrigation, IT & Electronics, Chairman of Noida, Greater Noida, Yamuna Expressway Authority, Chief Executive Officer of Noida, Greater Noida, Yamuna Expressway Authority, Managing Director-Uttar Pradesh State Industrial Development Corporation and Mission Director-Electronic Manufacturing mission to oversee the development of Electronic Manufacturing Industry in the state.

3.8.2 Empowered committee

A state level Empowered committee under the chairmanship of Chief Secretary shall monitor the implementation and successful execution of Policy within the state. This committee shall among others constitute IIDC and Principal Secretaries of Information technology, Finance, Planning, Small Industries, Commercial Tax, Power, Irrigation and Housing.

The charter of the Empowered committee shall be:

- To monitor and ensure timely release of relevant orders/notifications and amendments required
- Approval of EMC establishment to be setup under the Policy
- Approval of the project worth more than INR 200 crores considered on case to case basis
- To bring about inter-Departmental coordination in respect of matters related to this policy
- To resolve implementation issues at all levels



Chapter 4: Incentives

The following incentives target the establishment of Electronic Manufacturing cluster and individual ESDM units setting up in the EMCs within the state for period ending on 31st march, 2019. The below incentives are applicable to first 3 EMCs which may further be extended to other EMCs to be decided by the empowered committee constituted under the policy.

Fiscal incentives applicable to ESDM units

4.1 Capital subsidy

- A Capital Subsidy of 15% on fixed capital other than land subject to maximum of INR 50 million shall be provided
- Subsidy shall be given only to the companies operating in EMCs and admissible on the capital evaluated by the Banks/ financial institutions⁵
- This Subsidy shall be provided to first 10 companies on the basis of their date of commencement of commercial operation i.e. when the first business transaction takes place

4.2 Interest subsidy

An interest subsidy of 5% per annum for a period of 7 years on the rate of interest paid on the loans obtained from Scheduled Banks/ Financial Institutions shall be reimbursed subject to a maximum of Rs. 1 crore per annum per unit.

4.3 Stamp Duty

100% exemption of stamp duty on purchase/lease of land for the establishment of Electronic manufacturing clusters.

4.4 Incentives for filing patents

Reimbursement of up to 50% of actual filing costs subject to a maximum of INR 100,000 for

domestic and INR 500,000 for international patents applicable for MSME units.

4.5 VAT/CST Reimbursement

100% tax reimbursement on VAT/CST subject to a maximum of 100% of fixed capital investment other than land (such as building, plant, machinery, testing equipment etc.) for a period of 10 years. This reimbursement shall be done through vouchers issued to beneficiary who shall then submit the same for redemption claim.

Other incentives applicable to EMC

4.6 Provision of Land

Rebate of 25% on the prevailing sector rates shall be provided either to EMC SPV⁶ or the companies within the EMC on purchase of land from state Agencies⁷.

4.7 EMC Infrastructure Development

State Government shall provide a subsidy equivalent to 50% of the grant provided by the Central Government under National Policy on Electronics, 2012 in terms of the cost incurred in developing infrastructure facilities (Roads, Power, Water, Testing facilities, Social Infrastructure etc.) for EMC development. This subsidy shall be applicable for first three EMCs in the state.

Note: The above incentives shall also be applicable to the e-waste recycle companies which are going to be established in the EMCs.

The following incentives are applicable to the companies currently operating in Uttar Pradesh & desire to expand their base outside EMC in UP.

4.8 Industrial promotion Subsidy

- Industrial Promotion subsidy equivalent to 50% of the incentives applicable for new units (setting up in EMC) would be provided to existing units, if additional capital investment for capacity enhancement to the extent of 25% or more on the existing capacities of ESDM units is made in a period of 3 years
- This subsidy will be applicable for first 10 units to be considered on the basis of their date of commencement of commercial operation.

4.9 Case to Case Basis

- Electronics Manufacturing Units investment projects proposed above INR 200 crore shall be considered for special incentives over and above the mentioned incentives. The special incentives shall include in terms of rebate on Land and Power to be decided by the empowered committee
- The above incentive package of case to case basis also includes the FAB units establishing in Uttar Pradesh

4.10 Other Benefits

- Alignment with UP Skill development Mission with required skill sets for Electronics Industry in order to pass on the benefits of the scheme to the eligible.
- Alignment with skill development in ESDM sector with the budget allocated by DeitY for this scheme
- Development of 2 Acres area as Incubator Centre (warm shell) in each EMC to promote startup/Entrepreneurs/R&D to be operated on PPP mode

- Establishment of Mini Tool Room (MTR) within the area of 2-3 Acres in each EMC under PPP model which may be extended for Allied products
- Permission will be provided to have 24X7 operations and employment of women in all three shifts.

Note: The financial incentives to be allowed to any of the unit from all the resources shall not be more than 100% of the fixed capital investment of the unit.

4.11 USP of UP Electronics Manufacturing Policy 2014

'UP – Uninterrupted Power'

'Protective Load' for reliable power to EMCs – A memorandum of understanding (MoU) shall be signed with UPPCL and EMC SPV for Uninterrupted Power supply which will ensure commitment of reliable & quality power. To implement the aforementioned, Department of IT&E shall be liable to pay the additional fixed charges incurring in providing the 'Protective load' status. Managing Director of DVVNL/ MVVNL/ PVVNL/ PuVVNL⁸ shall be the Nodal officer for EMC for Power supply.

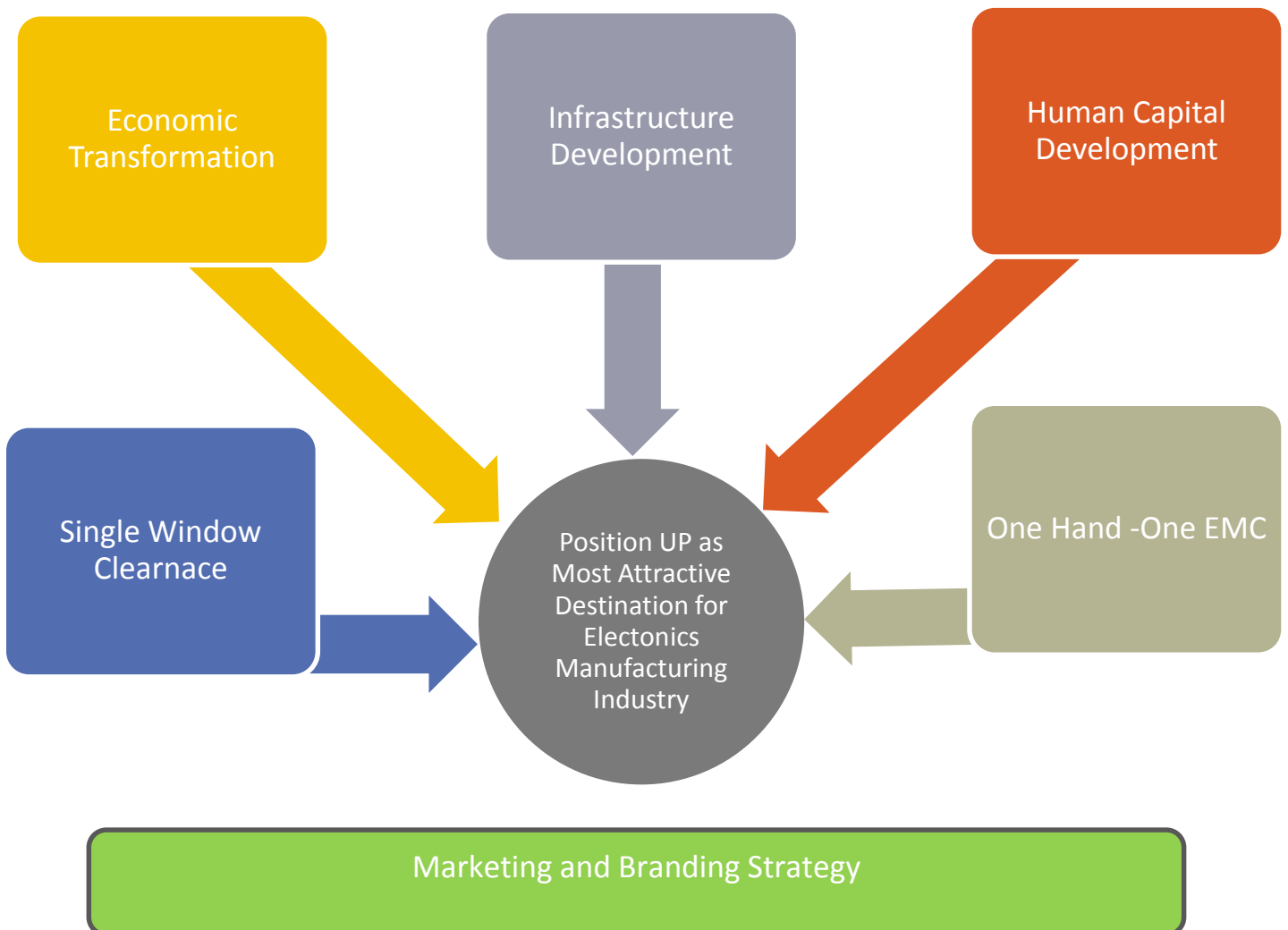


Chapter 5: Marketing and Branding Strategy

Policy Implementation Unit Shall be responsible for formulating the marketing & Branding strategy for this policy. The following tasks will be handled by PIU:

- Creating a brand image for the state IT & Electronics Department and its policies and various initiatives
- Organizing Conferences, Summits, Road Shows and Events in association of CII, ELCINA, MAIT and ICA etc. to highlight the major features of the policy

- Use of Print, Electronic and Social Media to create awareness & Branding and Positioning of UP as compared to other states
- Tie up with the Tourism Department for promotion activities and its participation in various promotional events
- Promotion of EMCs in various conclaves/summits in order to attract investment and to support upcoming FAB unit.
- Participation in national/ International semiconductor & Electronic events organized across the globe



Chapter 6: Glossary

1 ESDM Industry

ESDM is Electronics System Design and Manufacturing industry which shall cover but not limited to the following components:



Electronic Products:

- Mobile devices : Mobile handsets
- Telecom products: modems, routers switches etc.
- Consumer electronics: TVs, DVD players, digital cameras, set top boxes etc.
- Automotive electronics: Electric vehicles, power windows etc.
- Industrial electronics: Power electronics, LED lighting, CFL, energy meters etc.
- IT system and Hardware: Desktops, notebooks, tablets, monitors, memory cards etc.
- Other electronics: Aerospace, strategic electronics including defence

Electronic Components

- Active components: transistors, diodes and CRT
- Passive components: resistors and capacitors
- Electromechanical components: PCBs, power devices, switches, relays

Semiconductor Design

- Embedded software development
- VLSI design
- Hardware/board design

Electronics Manufacturing Services (EMS)

Designing, testing, manufacturing, distribution and maintenance of electronic components and assemblies for OEMs.

2 FAB Unit

FAB unit is Semiconductor fabrication plant where devices such as integrated circuits(IC) chips are manufactured.

3 MSME – Micro Small and Medium Enterprises

As per Ministry of Micro, Small and Medium Enterprise and Reserve Bank of India,

- Micro Enterprise-** An enterprise where investment in plant and machinery does not exceed Rs. 25 lakh
- Small Enterprise-** An enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs.5 crore
- Medium Enterprise-** An enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore
- Large Enterprise-** An enterprise where the investment in plant and machinery is more than Rs.10 crore but does not exceed Rs.50 crore

4 Electronic Manufacturing Clusters (EMCs)

EMC will be similar to a Manufacturing zone which will aid the growth of the Electronics Systems Design and Manufacturing (ESDM) sector.

These Clusters are to facilitate establishment of small and medium sized enterprises for manufacturing electronic components, parts, materials and assemblies for various Electronics Verticals such as Consumer Electronics, Lighting, Power Electronics, Computers/IT, and Telecom Equipment and so on including their entire value chain.

5 Banks/Financial Institution

All Scheduled banks shall be considered. All Financial Institutions which are regulated and approved by Reserve Bank of India shall be considered.

6 EMC Special Purpose Vehicle (EMC SPV)

EMC SPV shall be formed in between U.P. Electronics Corporation Ltd. /Any other public undertaking of Department of IT & E, Government of Uttar Pradesh and Industry Associations/ Member of Associations for the establishment of Electronic Manufacturing Cluster.

7 State Agencies

- Development Authorities
- Housing Boards
- UPSIDC

Other state Institutions notified by the Government.

8 DVVNL/ MVVNL/ PVVNL/ PuVVNL

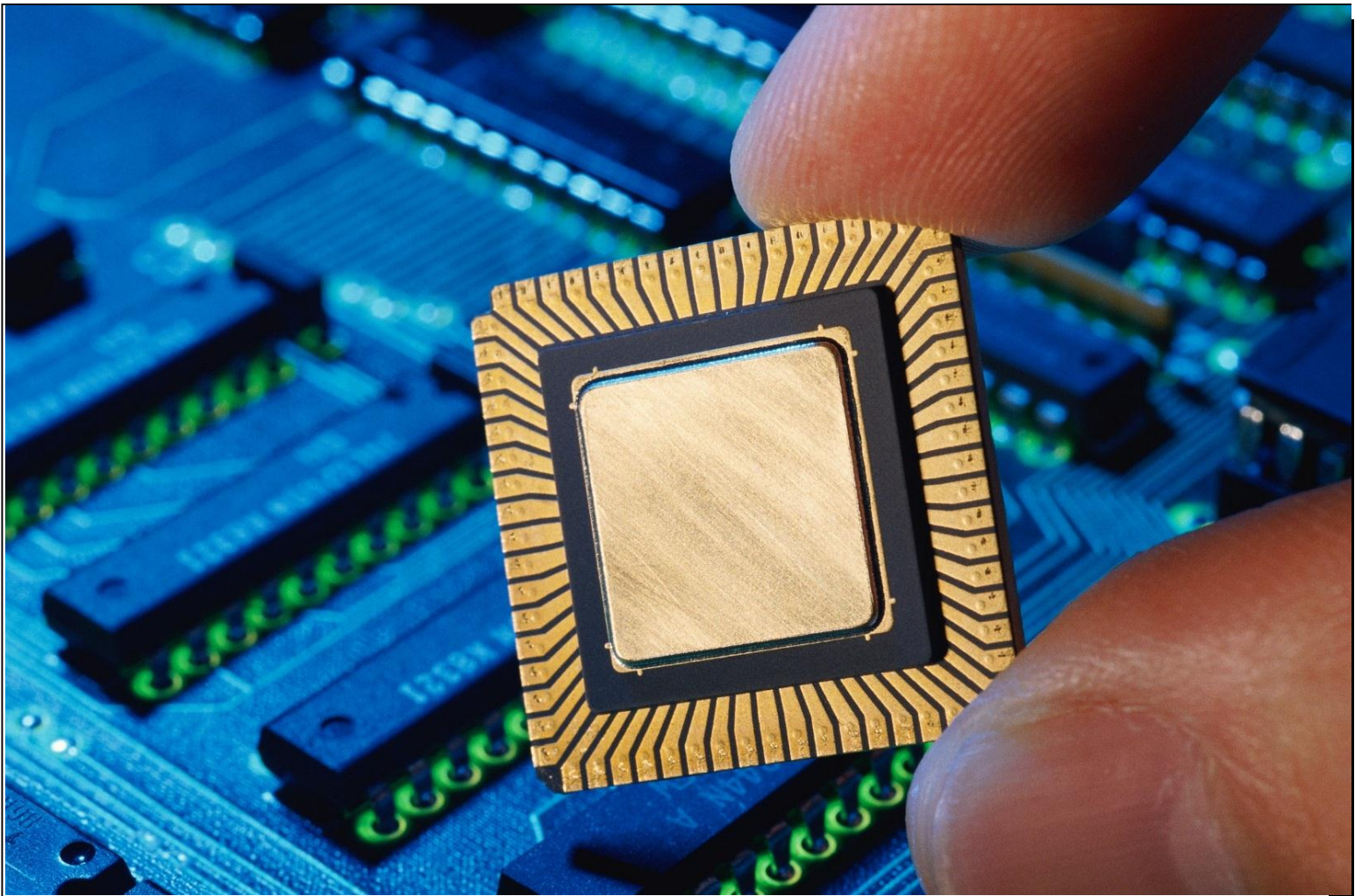
These are various Power distribution units in Uttar Pradesh which cater to different geographical locations of state.

DVVNL- Dakshinanchal Vidyut Vitran Nigam Ltd.

MVVNL - Madhyanchal Vidyut Vitran Nigam Ltd.

PVVNL- Paschimanchal Vidyut Vitran Nigam Ltd.

PuVVNL- Purvanchal Vidyut Vitran Nigam Ltd.




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