

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
RAJYA SABHA
UNSTARRED QUESTION NO. 529
TO BE ANSWERED ON: 06.02.2020

AMOUNT SPENT ON SEMICONDUCTOR MANUFACTURING ECOSYSTEM

529. SHRI G. C. CHANDRASHEKHAR:

Will the Minister of ELECTRONICS AND INFORMATION TECHNOLOGY be pleased to state the amount spent on Semiconductor Manufacturing Ecosystem to encourage and empower the sector along with the details thereof?

ANSWER

MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY
(SHRI SANJAY DHOTRE)

While there is no commercial semiconductor fabrication (FAB) facility in the country, Government has been making serious efforts to set up semiconductor FABs in the country. Government had approved two proposals for setting up of Semiconductor FAB facility in India - one from the consortium led by M/s. HSMC Technologies India Pvt. Ltd. (with ST Microelectronics and Silterra Malaysia Sdn. Bhd. as partners) with a project cost of INR 29,013 crore and the other from consortium led by M/s. Jaiprakash Associates Ltd. (with IBM, USA and Tower Semiconductor Limited, Israel as partners) with a project cost of INR 34,399 crore.

Letter of Intent (LoI) dated 19.03.2014 were issued to both the consortia. The following main incentives were extended to both the consortia:

- a) 25% subsidy on capital expenditure and tax reimbursement as admissible under Modified Special Incentive Package Scheme (M-SIPS) Policy.
- b) Exemption of Basic Customs Duty (BCD) for non-covered capital items.
- c) Deduction on expenditure on R&D as admissible under Section 35(2AB) of the Income-tax Act.
- d) Investment linked deduction under Section 35AD of the Income-tax Act.
- e) Interest free loan of approximately INR 5,124 crore each (Exact to be calculated on appraisal of Detailed Project Reports), with a cap of 20% of the capital expenditure (as admissible under M-SIPS).

As per the Letter of Intent (LoI), both the consortia were required to submit certain documents for demonstration of commitment. The consortium led by M/s. Jaiprakash Associates Ltd. withdrew their proposal on 02.03.2016 and the consortium led by M/s. HSMC Technologies India Pvt. Ltd. could not submit the requisite documents for demonstration of commitment, despite being provided extension of time on several occasions. Hence, the LoI issued to M/s. HSMC Technologies India Pvt. Ltd. was cancelled on 20.04.2018. Therefore, both the proposals for setting up of semiconductor FAB facilities in the country could not materialize.

In order to attract investment for setting up of Semiconductor FAB facilities in the country, capital subsidy of 20 - 25% was available under the Modified Special Incentive Package Scheme (M-SIPS) till 31.12.2018. However, no proposal was received for setting up of Semiconductor

FAB under M-SIPS. Thus, no amount has been spent by Government for setting up of Semiconductor FAB in India due to lack of response from the industry.

The manufacturing facilities for Semiconductor FAB are highly capital intensive and have to deal with constantly changing technology. Further, the semiconductor fabrication capability for leading/ cutting edge technology nodes is available with only few companies globally. Assured business out of the market demand is the key factor to establish and operate a sustainable semiconductor FAB.

Following incentives are available to companies for setting up of Semiconductor FAB facilities in India:

- (i) Basic Customs Duty (BCD) exemption on capital goods for setting up of Semiconductor FAB.
- (ii) Investment linked deduction under Section 35AD of the Income-tax Act.
- (iii) Deduction of expenditure on research and development as admissible under Section 35(2AB) of the Income-tax Act.
- (iv) New domestic companies making fresh investment in manufacturing and starting operations before March 31, 2023 have an option to pay corporate income tax at reduced rate of 15%. Such companies will also not be liable to pay Minimum Alternate Tax (MAT).
