

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
RAJYA SABHA
UNSTARRED QUESTION NO. 3684
TO BE ANSWERED ON: 25.07.2019

MANUFACTURING CHIP

3684. SHRI K.J. ALPHONS:

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

- (a) whether India is still far behind in the manufacturing of key components in spite of making huge advances in electronics manufacturing; and
- (b) by when the country would manufacture the chip which is the most essential component in electronics?

ANSWER

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

(a): As a result of steps taken by the Government for promotion of electronics hardware manufacturing and efforts of the industry, domestic electronics production has increased from INR 1,90,366 crore in 2014-15 to an estimated INR 4,58,006 crore in 2018-19, at a Compound Annual Growth Rate (CAGR) of about 25% during the last four years.

India is a signatory to the Information Technology Agreement (ITA-1) of WTO and Free Trade Agreements (FTAs) with various countries/ trading blocs such as ASEAN, Korea and Japan under which the electronic components, including semiconductor integrated circuits (chips), are being imported at nil Basic Custom Duty (BCD). The electronics hardware manufacturing sector faces lack of level playing field vis-à-vis competing nations on account of several disabilities which render the domestic industry uncompetitive. These *inter-alia* include lack of adequate infrastructure, domestic supply chain and logistics; high cost of finance; inadequate availability of quality power and water; and limited design capabilities and focus on R&D by the industry.

However, domestic manufacturing of electronic products and their inputs (parts, sub-assemblies and components) are being encouraged for significantly increasing value addition by building a comprehensive ecosystem, covering the entire supply chain, through suitable incentive mechanisms and fiscal interventions, including the phased manufacturing programme, and removal of anomalies. This has resulted in considerable increase in manufacturing of electronic products and their sub-assemblies/ parts in the country, leading to increased domestic value addition.

(b): Semi-Conductor Laboratory (SCL), Chandigarh, an autonomous body under the Department of Space, has produced over 200 different types of chips for ISRO and other Government Organizations. However, there is no commercial Semiconductor wafer

fabrication (FAB) facility in the country. Setting up of commercial facilities for chip manufacturing is highly capital and

technology intensive. The leading edge technology is available with only a few players globally. The Government has constituted an Empowered Committee (EC) for setting up of Semiconductor FAB manufacturing facilities in the country.

Based on the recommendations of the Empowered Committee (EC), 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) and the other from consortium led by M/s. Jaiprakash Associates Ltd. (with IBM, USA and Tower Semiconductor Limited, Israel as partners). Letter of Intent (LoI) dated 19.03.2014 were issued to both the consortia. As per the 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.

In order to attract investment for setting up semiconductor FAB facilities in the country, capital subsidy of 25% of capital expenditure for units set up in Domestic Tariff Area (DTA) and 20% of capital expenditure for units set up in Special Economic Zones (SEZs) was available under the Modified Special Incentive Package Scheme (M-SIPS). The scheme was open to receive applications till 31.12.2018. However, no proposal was received for setting up Semiconductor FAB facilities in the country under M-SIPS.

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

- (i) Machinery, electrical equipment, other instruments and their parts except populated Printed Circuit Boards for use in fabrication of semiconductor wafer are exempted from Basic Customs Duty (BCD) vide S.No.422 of Notification No.50/2017-Customs dated 30.06.2017, as amended from time to time.
- (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.
