

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
LOK SABHA
UNSTARRED QUESTION NO. 612
TO BE ANSWERED ON: 20.07.2022

PRODUCT LINKED INCENTIVE SCHEME FOR SEMICONDUCTOR

612. SHRIMATI KANIMOZHI KARUNANIDHI:

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

- (a) whether the Government has announced a Product Linked Incentive Scheme for Semiconductor manufacturing in December 2021 and if so, the details thereof;
- (b) whether there are any studies conducted by the Government on the effectiveness of the scheme in semiconductor manufacturing industry;
- (c) if so, the details thereof including any additional measures taken by the Government in tackling the global shortage of semiconductors; and
- (d) if not, the reasons therefor?

ANSWER

MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY
(SHRI RAJEEV CHANDRASEKHAR)

(a): Government has notified Production Linked Incentive (PLI) schemes for Large Scale Electronics Manufacturing, IT Hardware, and other electronic products. PLI schemes do not cover semiconductor fabs.

Government is focused on its important objective of building the overall semiconductor ecosystem and ensure that, it in-turn catalyses India's rapidly expanding electronics manufacturing and innovation ecosystem. This vision of Atma Nirbhar Bharat in electronics & semiconductors was given further momentum by the Union Cabinet, chaired by the Hon'ble Prime Minister, approving the Semicon India programme with a total outlay of INR 76,000 crore for the development of semiconductor and display manufacturing ecosystem in our country. The programme aims to provide financial support to companies investing in semiconductors, display manufacturing and design ecosystem. This will serve to pave the way for India's growing presence in the global electronics value chains.

Following four schemes are introduced under the aforesaid programme:

i. Scheme for setting up of Semiconductor Fabs in India provides fiscal support to eligible applicants for setting up of Semiconductor Fabs which is aimed at attracting large investments for setting up semiconductor wafer fabrication facilities in the country. Following fiscal support has been approved under the scheme:

- 28nm or Lower - Up to 50% of the Project Cost
- Above 28 nm to 45nm - Up to 40% of the Project Cost
- Above 45 nm to 65nm - Up to 30% of the Project Cost

ii. Scheme for setting up of Display Fabs in India provides fiscal support to eligible applicants for setting up of Display Fabs which is aimed at attracting large investments for setting up TFT LCD / AMOLED based display fabrication facilities in the country. The Scheme provides fiscal support of up to 50% of Project Cost subject to a ceiling of INR 12,000 crore per Fab.

iii. Scheme for setting up of Compound Semiconductors / Silicon Photonics / Sensors Fab and Semiconductor Assembly, Testing, Marking and Packaging (ATMP) / OSAT facilities in India: The Scheme provides a fiscal support of 30% of the Capital Expenditure to the eligible applicants for setting up of Compound Semiconductors / Silicon Photonics (SiPh) / Sensors (including MEMS) Fab and Semiconductor ATMP / OSAT facilities in India.

iv. Design Linked Incentive (DLI) Scheme offers financial incentives, design infrastructure support across various stages of development and deployment of semiconductor design for Integrated Circuits (ICs), Chipsets, System on Chips (SoCs), Systems & IP Cores and semiconductor linked design. The scheme provides “Product Design Linked Incentive” of up to 50% of the eligible expenditure subject to a ceiling of Rs. 15 Crore per application and “Deployment Linked Incentive” of 6% to 4% of net sales turnover over 5 years subject to a ceiling of Rs. 30 Crore per application.

In addition to the above schemes, Government has also approved modernisation of Semiconductor Laboratory, Mohali as a brownfield Fab.

(a): Government issued a notice on 15.12.2020, inviting Expression of Interest (EoI) for setting up / expansion of existing Semiconductor wafer / device fabrication (FAB) facilities in India. This was followed by extensive promotion and stakeholder engagement over the EoI period. Based on industry responses, an understanding of requirement for capital, resources and infrastructure was evolved in line with the industry aspirations. After multiple stakeholder consultations with industry, academia, research organisations and government agencies, a comprehensive “Program for development of semiconductors and display manufacturing ecosystem in India” was approved by the Government.

(b) and (d): The semiconductor chip shortage has impacted many industries worldwide with auto and electronics industries among the most affected sectors. The shortage first emerged after the Covid-19 pandemic, due to lockdowns and restrictions. The supply side problem has transformed into a demand side problem as economies started recovering which increased the consumption of electronic products across various segments. Some key reasons behind the global chip shortage are supply chain disruptions, geographic concentration of electronic manufacturing, rise in demand for digital and electronic products and digital adoption across the world. Semicon India programme is expected to surely play a role in India’s semiconductor chips and display requirements in the medium and long term. However, for short term, Government continues to engage with global OEMs, ODMs, Tier 1 companies as well as distributors to mitigate the problem of chip shortage.
