SUBSIDY AND TAX REGULATIONS IN KEY STATES FOR SETTING UP ESDM SECTOR

India has rapidly emerged as a preferred destination for electronics manufacturing, drawing the attention of global investors and companies. This transformation is driven by several key factors, including India's vast and expanding consumer market, which creates substantial demand for electronic goods ranging from consumer electronics to advanced technology products. Additionally, India's robust Information Technology (IT) industry, a global leader in IT services and software development, provides a rich ecosystem of technological expertise and innovation. This synergy between IT and electronics manufacturing fosters the growth of a dynamic and evolving industry, supported by a skilled and cost-effective labor force that is well-equipped to meet the demands of complex manufacturing processes.

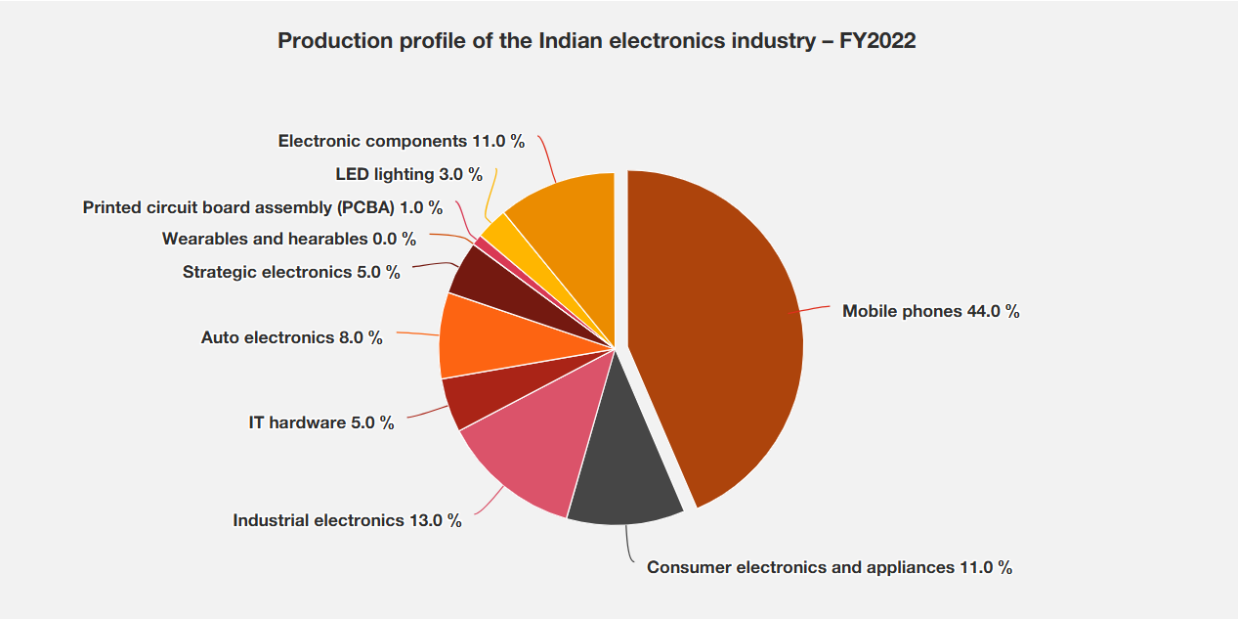
Various efforts, combined with global trends favoring supply chain diversification, position India as a strategic manufacturing hub. India has become a key player in the global Electronics System Design and Manufacturing (ESDM) sector, experiencing significant growth and development within its economy. Its location offers access to rapidly growing markets in Asia, the Middle East, and Africa, further enhancing its appeal. This report explores the potential of India's electronics manufacturing industry, examining key growth drivers, government initiatives, and global trends that highlight India’s strategic position in the global electronics landscape and the opportunities it presents for investors and companies worldwide.

India's Rising Role in the Global Electronic Manufacturing

The Indian electronics manufacturing industry has undergone significant transformation in recent years due to various government initiatives and reforms. These efforts have led to a high-growth trajectory in the industry, with domestic production of electronic goods increasing from INR 3,17,331 crore (USD 49 billion) in 2016-17 to INR 6,40,810 crore (USD 87.1 billion) in 2021-22. The industry experienced a Compound Annual Growth Rate (CAGR) of 15% during this period. Key growth drivers include a large domestic market, availability of skilled talent, and low-cost labor. The "Make in India" initiative, launched in 2014, aims to position India as a global hub for design and manufacturing by increasing domestic production and reducing reliance on the services sector.

India’s strategic focus on electronics manufacturing has positioned it as the second-largest mobile phone manufacturer and the fastest-growing smartphone market in the world. Mobile phone production has seen remarkable growth from 60 million units in 2015 to 310 million in 2022, with a CAGR of 26%. This success story underscores India's capacity to become a global manufacturing hub, particularly for mobile phones, consumer electronics, IT hardware, and

electronic components.



Source: MeitY Annual Report 2022-23

Government Support and Incentives

National Policy on Electronics 2019 (NPE 2019)

(Policies | Ministry of Electronics and Information Technology, Government of India (meity.gov.in))

The Union Cabinet approved NPE 2019, proposed by the Ministry of Electronics and Information Technology (MeitY). The policy aims to position India as a global leader in ESDM by fostering the development of core components like chipsets and creating a competitive environment for the industry. Key features of NPE 2019 include promoting domestic manufacturing and exports across the entire ESDM value chain, offering incentives for producing essential electronic components, and providing special incentive packages for large-scale, high-tech projects such as semiconductor and display fabrication facilities.

Key Highlights of NPE 2019:

1. **Strategic Importance of Electronics Manufacturing:**
    - Recognizes the significance of electronics manufacturing due to its role in economic growth and national security.
    - Emphasizes the need for India to become self-reliant in electronics hardware, particularly in semiconductors and system design.

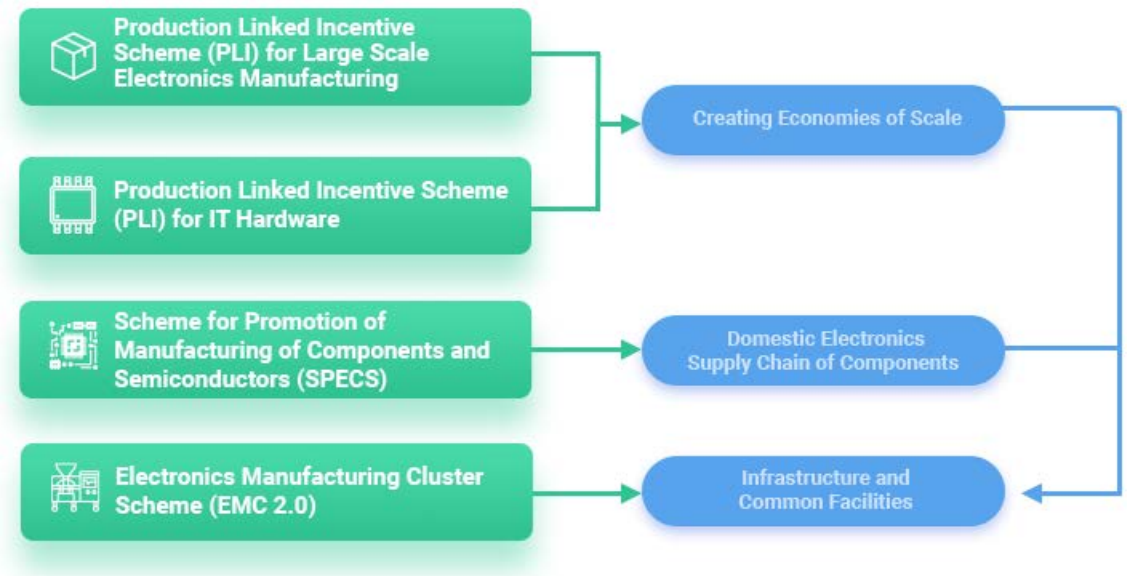
2. **Objectives:**
    - Achieve a turnover of USD 400 billion by 2025, with a focus on mobile handsets.
    - Improve ease of doing business for the ESDM industry.
    - Encourage industry-led R&D in emerging technologies like 5G, IoT, AI, and more.
    - Promote a startup ecosystem focused on solving real-world problems through technology.
    - Enhance the availability of skilled manpower in the electronics sector.
    - Drive indigenization of microchips used in critical infrastructure sectors.
3. **Strategies:**
    - **Incentives for Domestic Manufacturing:**
        - Establish a comprehensive ecosystem covering the entire supply chain.
        - Provide suitable tax benefits and fiscal incentives.
        - Encourage micro, small, and medium enterprises (MSMEs) in the ESDM sector and promote domestic capital goods manufacturing.
    - **Standards Development:**
        - Promote global benchmarking in standards for electronics.
        - Create lab infrastructure for testing and ensuring compliance with standards.
    - **Ease of Doing Business:**
        - Strengthen Invest India as a single window for global investors.
    - **R&D and Innovation:**
        - Support industry-led research in emerging technology areas.
        - Establish Incubation Centres and Centres of Excellence.
        - Facilitate interaction between academia and industry to promote innovation.
4. **Implementation:**
    - The MeitY will coordinate with other government departments to support the rapid expansion of electronics hardware manufacturing.

The Indian government has introduced various schemes to support electronics manufacturing. To establish India as a global center for ESDM and to advance the goals of the NPE 2019, few schemes were introduced in April 2020.

Strategic Schemes Under NPE 2019

- Production Linked Incentive Scheme (PLI)
- Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS)
- Modified Electronics Manufacturing Clusters Scheme (EMC 2.0)

Additionally, a fourth scheme, the PLI scheme for IT Hardware, was launched in March 2021.



Source: [Incentive Schemes for Electronics Manufacturing | Invest India]

Key Schemes Under NPE 2019

- Modified Special Incentive Package Scheme (M-SIPS): Provides capital subsidy for electronics manufacturing units in special economic zones (SEZ) and non-SEZ areas.
- EMC: Offers grants for infrastructure development in manufacturing clusters.
- Electronics Development Fund (EDF): Invests in venture funds that support startups in electronics and IT sectors.

Overall, NPE 2019 aims to make India a global electronics manufacturing and export hub, addressing the challenges and leveraging the opportunities presented by the growing demand for electronics both domestically and internationally.

Production Linked Incentive (PLI) Scheme for Large Scale Electronics Manufacturing

1. **Challenges in Domestic Electronics Manufacturing:**
    - Sector faces a competitive disadvantage of 8.5% to 11% due to inadequate infrastructure, high finance costs, limited R&D, and skill development.
2. **PLI Scheme Overview:**
    - Launched: April 01, 2020.
    - Incentive: 4% to 6% on incremental sales for five years.
    - Target: Mobile phones, specified electronic components, and ATMP units.
    - Application Window: Initially open for four months, with possible extensions.
3. **Second Round of PLI Scheme:**
    - Focus: Specified Electronic Components.
    - Incentive: 5% to 3% on incremental sales over base year (2019-20) for four years.
    - Application Window: Open until March 31, 2021, with possible extensions.
    - Start Date: April 01, 2021.
4. **Investment and Impact (As of 2024):**
    - **PLI Scheme for Large Scale Electronics Manufacturing:**
        - 32 companies approved, with committed investment of INR 11,324 Crore (USD 1.347 billion).
        - Projected production target: INR 10,70,000 Crore (USD 127.26 billion).
        - Cumulative investment (as of June 30, 2024): INR 8,282 Crore (USD 985.06 million).
        - Greenfield Companies: 7 (INR 3,136 Crore (USD 373 million) investment).
        - Brownfield Companies: 25 (INR 5,146 Crore (USD 612 million) investment).
    - **PLI Scheme for IT Hardware:**

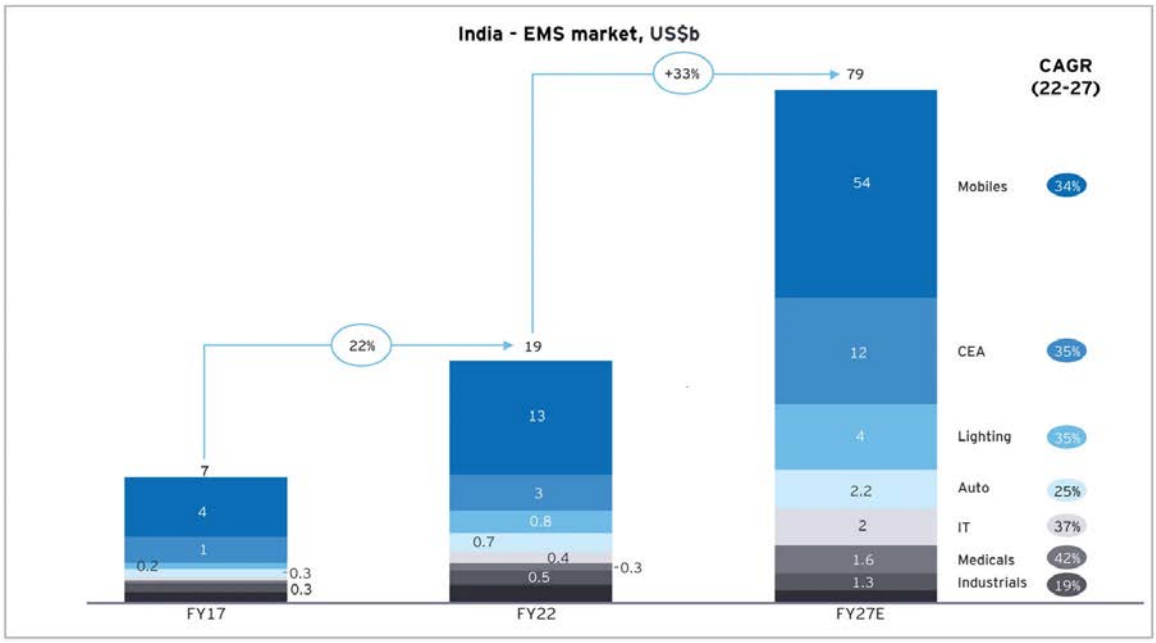
- 14 companies approved, with committed investment of INR 2,517 Crore (USD 299.37 million).
- Production target: INR 1,60,751 Crore (USD 19.12 billion).

- **PLI Scheme 2.0 for IT Hardware:**
  - 27 companies approved, with committed investment of INR 2,955 Crore (USD 351.47 million).
  - Production target: INR 3,51,647 Crore (USD 41.82 billion).
  - Cumulative investment (as of June 30, 2024): INR 464.66 Crore (USD 55.27 million).
  - Greenfield Companies: 6 (INR 78.57 Crore (USD 9.35 million) investment).
  - Brownfield Companies: 21 (INR 386.09 Crore (USD 45.92 million) investment).

5. **COVID-19 Impact:**
   - Extension: The PLI Scheme for Large Scale Electronics Manufacturing extended by one year (from 2024-25 to 2025-26).
   - Flexibility: Companies can choose any five-year period until 2025-26 to meet production targets.
6. **Current Status (As of June 30, 2024):**
   - **PLI for Large Scale Electronics:** Cumulative investment of INR 8,282 Crore (USD 985.03 million) by 32 companies.
   - **PLI 2.0 for IT Hardware:** Cumulative investment of INR 464.66 crore (USD 55.27 million) by 27 companies.

India’s Electronics Manufacturing Services (EMS) Sector: Growth Potential and Future Outlook

India is poised to become an electronics manufacturing powerhouse driven by increasing domestic demand and export competitiveness. Domestic electronics production nearly doubled between FY17 and FY22, with a projected CAGR of 24% between FY22 and FY27. EMS is critical in India’s electronics industry, offering services such as designing, manufacturing, testing, distribution, and servicing for Original Equipment Manufacturers (OEMs).



Source: https://www.ey.com/en_in/insights/advanced-manufacturing/why-india-s-electronics-manufacturing-services-sector-is-growing

Key Growth Drivers

- **Technology Adoption:** Industry 4.0 integration, including AI, automation, and data analytics, is driving demand for electronics.
- **Increasing Affordability:** Growing mobile penetration and affordability have expanded the market for electronic devices.
- **Sustainability Focus:** The automotive sector's shift to electric vehicles (EVs) has increased demand for electronic components like battery management systems (BMS).

India’s EMS Market Outlook

- The EMS market in India is expected to reach US$80 billion in the next five years, with significant growth in mobiles, consumer electronics, lighting, and automotive sectors.
- Factors such as increased outsourcing to EMS players, China plus one strategy, and domestic ecosystem development are driving demand.

Shift from Contract Manufacturing to ODMs

- The EMS landscape is evolving from traditional contract manufacturing to Original Design Manufacturers (ODMs), offering comprehensive services including product design, logistics, and after-sales support.

- Large MNCs and Indian firms are increasingly seeking ODM services for product innovation, customization, and end-to-end support.

Printed Circuit Board Assembly (PCBA) Market

- India's PCBA market is expected to grow at a CAGR of 30% over the next five years, serving both in-house OEMs and EMS players.

Dependency on Imports

- India's electronic component market is largely import-dependent, with a significant portion sourced from China, South Korea, Vietnam, and other East Asian countries.
- The Indian government has approved a US$10 billion program to develop a semiconductor and display manufacturing ecosystem to reduce dependency on imports.

Strategic Shifts and Next Steps for EMS Players

- EMS players are focusing on higher value segments like industrial, medical, and automotive, alongside traditional segments like mobiles and consumer electronics.
- To realize their full potential, EMS players must bridge the gap between opportunity and performance, moving up the value chain to design and PCB assembly.

Incentive Schemes for Electronics Manufacturing | Invest India

State-level incentives

KARNATAKA

Karnataka ESDM Industry Overview

- Karnataka is a hub for high-tech industries, contributing significantly to India's revenues in sectors such as information technology, biotechnology, aerospace, and ESDM.
- The state's GDP stands at USD 120 billion, with an annual growth rate of 7%. Karnataka's industrial output is valued at USD 61.5 billion, with a cumulative foreign direct investment (FDI) of USD 18.30 billion from April 2000 to September 2015.
- It contributes to more than one-third of India's IT, IT-enabled services (ITeS), and electronics exports, amounting to USD 52 billion, which accounts for 13% of India's total exports.
- Karnataka is the fourth-largest contributor to India's electronic industrial output, accounting for 10% of the country's total.

- The electronics sector has grown at a CAGR of 18% between 2008 and 2013. Karnataka also boasts the second fastest-growing start-up ecosystem globally and is home to several billion-dollar Indian startups.
- The state hosts R&D and innovation centers for some of the largest global companies and is the second-largest chip design hub in India, with 85 chip design companies. Additionally, it was the first state to launch initiatives for innovation centers, skilling programs, and dedicated ESDM clusters, training around 3000 personnel annually in the sector.

Achievements of Karnataka's ESDM Policies

- Karnataka pioneered the Semiconductor Policy in 2010 and followed it with the ESDM Policy in 2013, establishing itself as a leader in the sector.
- The state has the highest number of chip design companies in India and attracts top global talent.
- Karnataka's ESDM sector employs over 2 lakh people, with around 70% of India's chip designers based in the state.
- Skilled graduates from institutions like IIIT-Bengaluru, which offers ESDM courses, contribute to a strong workforce.
- The Karnataka government has approved a Brownfield EMC in Mysuru, operationalizing it in the Hebbal Industrial Area to provide state-of-the-art facilities for the ESDM industry.
- Another Brownfield EMC is proposed for Hubballi, approved by the government and in the process of being operationalized.
- In 2016, in collaboration with NASSCOM, Karnataka launched a Centre of Excellence (CoE) on IoT, which currently supports 15 incubated companies focusing on IoT technologies.
- The government has also established a VLSI Incubation Center to support VLSI and design startups by providing access to design tools, software, and IP resources.

Incentives and Funding Initiatives

The Karnataka Biotechnology and Information Technology Services (KBITS), under the Department of IT, BT, and S&T, has facilitated incentives under the guidance of a Screening Committee, disbursing approximately INR 5 crores (USD 594,680) to multiple companies. In FY 2014-15, the government launched the KARSEMVEN Fund, with a corpus of INR 100 Crores (USD 11.89 million) (including INR 25 crores (USD 2.97 million) from the state government), to support ESDM companies. The fund has raised INR 93.4 Crores (USD 11.11 million), with INR 21 crores (USD 2.50 million) disbursed over the past two years to various companies.

Special incentives

Karnataka cabinet approved the "Special Incentives Scheme" for the ESDM sector.

- **Capital investment subsidy**:
  - 25% on land (outside Bengaluru Urban and Bengaluru Rural districts).
  - 20% on plant and machinery (including second-hand/refurbished equipment).
- **Reimbursements**:
  - 100% on stamp duty and registration charges.
  - 100% on land conversion fee.
- **Power incentives**:
  - INR 1 per unit reimbursement for 5 years from the start of commercial production.
  - 100% exemption from electricity duty for 5 years.
- **Production-linked incentive**:
  - 1% of annual turnover for new investments and expansions.
  - Eligible products/activities include electronics manufacturing and design, semiconductor design, solar cell manufacturing, LED, and other products covered by NPE.
  - Scheme is expected to attract over INR 5,000 crore (USD 594.68 million) and 43,000 direct jobs are expected in 5 years.

GUJARAT

Gujarat Electronic Policy (2022-28)

(https://gsem.gujarat.gov.in/Home/GujaratElectronicsPolicy)

To support the vision of Aatmanirbhar Bharat, the Gujarat State Government launched the 'Aatmanirbhar Gujarat Schemes 2022 for Assistance to Industries,' effective from 5 October 2022 to 4 October 2027 for all industries, with an extension of five years for Mega Industries. This policy aims to draw investments of around INR 12.5 trillion (USD 150 billion) by encouraging entrepreneurship, fostering innovation, and creating about 1.5 million jobs in Gujarat by expanding manufacturing opportunities.

Gujarat is committed to promoting faster and inclusive growth in the electronics sector. The state has issued a sector-focused Semiconductor Policy (2022-27) to contribute to the global

semiconductor and display manufacturing value chain. This policy will build a foundation for a robust electronics manufacturing ecosystem.

The Gujarat Electronics Policy (2022-28)

- It focuses on attracting investments, creating employment, and driving growth through incentives and process optimization. It also aims to facilitate the adoption of the latest technologies in electronics manufacturing.
- The vision of this policy is to position Gujarat as a national leader in the electronics sector. This will be achieved through strategic policy interventions, state-of-the-art infrastructure, and research and innovation. The goal is to promote value-led manufacturing and the holistic development of the electronics sector in Gujarat.
- Create USD 30 billion in electronics manufacturing and exports, generating opportunities for foreign exchange earnings through import substitution and export promotion.
- Create employment for 1,000,000 people in the electronics sector by 2028.
- Provide fiscal and non-fiscal support to promote manufacturing.
- Enhance skilled manpower through collaboration with industry stakeholders.
- Encourage industry-led R&D across all sub-sectors of the electronics industry.
- The policy defines roles for the Gujarat State Electronics Mission (GSEM), Department of Science and Technology (DST), and committees like the High Powered Committee (HPC) and State Level Empowered Committee (SLEC). These bodies are responsible for reviewing and approving assistance to eligible entities under the policy.

Government of Gujarat Initiative for electronic manufacturing (Gujarat Electronic Policy 2022 – 28)

Capital Assistance

- For investments less than INR 1000 crores (USD 118.93 million): 20% capital support, with a maximum limit of INR 200 crores (USD 23.79 million)
- For investments greater than INR 1000 crores (USD 118.93 million):
    - 20% capital support with a ceiling of INR 200 crores (USD 23.79 million) for CAPEX up to INR 1000 crores (USD 118.93 million).
    - Additional 15% support for incremental CAPEX above INR 1000 crores (USD 118.93 million) (no ceiling)

Logistics Subsidy

- Freight Charges: Up to 25% subsidy, with a maximum limit of INR 5 crores (USD 594,680) per year for 5 years.

- Relocation Support: One-time reimbursement of 50% of actual relocation costs for shifting from outside India to Gujarat, with a maximum limit of INR 5 crores (USD 594,680).

Atmanirbhar Gujarat Rojgar Sahay

- Reimbursement of Employer EPF Contribution:
    - Male Employees: 75% reimbursement for 5 years.
    - Female Employees: 100% reimbursement for 5 years.

Gujarat Integrated Logistics and Logistics Parks Policy 2021

- Aims to develop an integrated logistics ecosystem in Gujarat.
- Offers 25% subsidy on Fixed Capital Investment (FCI) for logistics facility development, 100% stamp duty reimbursement, electrical duty exemption, and patent assistance.

Gujarat State Electrical Vehicle Policy 2021

- Encourages the development of a manufacturing hub for EVs and equipment.
- Provides 25% capital subsidy on equipment and machinery, along with a subsidy for setting up charging stations.

Gujarat Semi-Conductor Policy 2022-27

- Promotes the semiconductor manufacturing ecosystem.
- Offers a 75% subsidy on land procurement, along with full reimbursement of stamp duty and registration fees.

UTTAR PRADESH

Uttar Pradesh Electronics Manufacturing Policy 2020
(https://invest.up.gov.in/uttar-pradesh-electronics-manufacturing-policy-2020/)

The Uttar Pradesh Electronics Manufacturing Policy 2020 aims to position the state as a key destination for the electronics manufacturing industry by providing a conducive environment for investment and growth. The policy's goals include developing robust infrastructure, attracting investments, promoting research and innovation, and creating a skilled workforce for the electronics industry.

The mission focuses on building a world-class ESDM ecosystem, nurturing MSMEs as economic growth drivers, and fostering research, innovation, and entrepreneurship. The state targets attracting investments worth INR 40,000 crores (USD 4.76 billion), establishing three EMCs and Centers of Excellence (CoE), and creating employment opportunities for

approximately 4 lakh people. Additional goals include developing ESDM parks for domestic and foreign investors and promoting semiconductor manufacturing through FAB units.

Incentive Framework for ESDM Units in Uttar Pradesh

Capital Subsidy for ESDM Units

- The capital subsidy is based on FCI evaluated by financial institutions, banks, consultants, or a state government committee.
- **Investment up to INR 200 crores (USD 23.79 million)**:
    - Capital subsidy of 15% of FCI, up to a maximum of INR 10 crores (1.19 million).
- **Investment between INR 200 crores (USD 23.79 million) and INR 1000 crores (USD 118.93 million)**:
    - Capital subsidy of 15% of FCI, up to a maximum of INR 150 crores (USD 17.84 million), provided in 3 yearly installments after the commencement of commercial production.
- **Investment exceeding INR 1000 crores (USD 118.93 million)**:
    - Additional capital subsidy of 10%, up to INR 100 Crores (USD 11.89 million), for investment in FCI exceeding INR 1000 crores (USD 118.93 million) and employment generation of a minimum of 3000.
    - The total subsidy can be up to INR 250 crores (29.74 million), provided in 5 yearly installments.
    - The first installment is released in the year the unit reaches at least 80% of its total production capacity.

Special Note on Plug n Play/Rented Buildings

- Units operating from Plug n Play or rented buildings will receive the capital subsidy in 5 yearly installments, payable after the commencement of commercial production.

Capital Subsidy

- Capital subsidy is available to ESDM units based on their FCI as evaluated by financial institutions or a state government committee.
    - **Investment up to INR 200 crores (USD 23.79 million)**: 15% capital subsidy of FCI, with a maximum limit of INR 10 crores (1.19 million).
    - **Investment between INR 200 Cr (USD 23.79 million) - 1000 crores (USD 118.93 million)**: 15% capital subsidy of FCI, up to INR 150 crores (USD 17.84

million), payable in 3 yearly installments after commencement of commercial production.

- **Investment above INR 1000 crores (USD 118.93 million**): Additional 10% capital subsidy (maximum INR 100 Crores (USD 11.89 million)), for a total of up to INR 250 crores (29.74 million), provided employment generation exceeds 3000. This subsidy will be given in 5 yearly installments after achieving 80% production capacity.
- **Plug n Play/Rented buildings**: Capital subsidy will be given in 5 yearly installments after commercial production starts.

Interest Subsidy

- 5% per annum interest subsidy on loans from scheduled banks/financial institutions for units with investment up to INR 200 crores (USD 23.79 million).
- The subsidy is capped at INR 1 Cr per annum per unit, for a maximum of 5 years (INR 5 crores (USD 594,680) total).

Stamp Duty Exemption

- 100% exemption of stamp duty on the purchase/lease of land for individual ESDM units.
- 100% exemption on the first land transaction (owner to developer/Special Purpose Vehicle (SPV)) and 50% exemption on the second transaction (developer/SPV to ESDM units) for EMCs/ESDM parks.
- Stamp duty exemption is provided against a bank guarantee, released upon commencement of commercial production.

Patent Cost Reimbursement

- Up to INR 5L (USD 5,947) for domestic patents and INR 10L (USD 11,894.85) for international patents will be reimbursed on successful filings.

Provision of Land

- 25% land subsidy on prevailing sector rates for SPV/PIA of EMC/ESDM Parks and individual ESDM units purchasing land from state agencies in Madhyanchal and Paschimanchal regions.
- 50% land subsidy for similar purchases in Bundelkhand and Purvanchal regions.
- Land subsidy is limited to 7.5% of the total project cost or INR 75 crores (USD 8.92 million), whichever is less.
- Floor Area Ratio (FAR) allowance: 3.0 + 1.0 (purchasable FAR).
- Up to 30% of total FAR can be used for welfare facilities like dormitories, canteens, and dispensaries.

Electricity Duty Exemption

- 50% exemption on electricity duty for a maximum of 10 years for all ESDM units.

Skill Development and Other Assistance

- Reimbursement of stipends under the State Government's apprenticeship assistance scheme for all ESDM units.
- UP Skill Development Mission will be aligned with the skill needs of the electronics industry.
- Skill development in the ESDM sector will be supported through the budget allocated by MeitY.
- Permission will be provided for 24*7 operations and women's employment in all three shifts.

Incentive for EMC Development

- Financial assistance will be provided under the modified EMC 2.0 scheme for setting up EMCs and Common Facility Centers (CFCs) to upgrade infrastructure and attract investment in the ESDM sector.

TELANGANA

Telangana's Electronics Manufacturing and ESDM Sector Highlights

https://invest.telangana.gov.in/electronics-and-it-hardware/

- Telangana's Electronics Manufacturing contributed INR 76,410 Crores in 2019-20, accounting for approximately 13% of the State's Industrial GVA.
- The state launched an ESDM Policy to promote and facilitate electronics investments.
- Two ESDM clusters have been established: e-City, Raviryala (602 acres) and Maheshwaram Park (310 acres).
- More than 250 companies in Telangana's electronics industry provide employment to over 50,000 people across different sub-sectors.
- Key global players in the state include Nvidia, Motorola, Qualcomm, AMD, CDAC, Cypress, and more.
- Home-grown companies like BHEL, BEL, HBL, and ECIL play a significant role in the local electronics industry.

- Telangana has recently attracted investments from major companies like Apple, Micromax, HFCL, and Resolute.
- OPPO and OnePlus are setting up design and development centres, creating over 1000 technical jobs.

Incentives

The state of Telangana offers a variety of incentives to attract and promote industrial and manufacturing investments. These incentives are designed to support businesses in reducing operational costs, improving competitiveness, and ensuring sustainable growth.

Core, Mobile & Consumer Electronics:

1. **Capital Cost Reimbursements:**
    - 20% reimbursement.
    - Caps: INR 2 crores (USD 237898.83) for Core, INR 10 crores (1.19 million) for Mobile, and INR 15 crores (1.78 million) for Consumer Electronics.
2. **Land Rebate:**
    - 60% rebate on land market price for all categories.
3. **Lease Rentals Assistance:**
    - 25% assistance for 10 years.
4. **Interest Subsidy:**
    - 5.25% subsidy for 5 years with a cap of INR 5 crores (USD 594,680).
5. **Power Subsidy:**
    - 25% subsidy for 3 years with a cap of INR 30 L (USD 35,685).
6. **SGST Reimbursements:**
    - 100% reimbursement for 7 years.
7. **Skill Development Assistance:**
    - Provided through TASK (Telangana Academy for Skill and Knowledge).
8. **Electricity Duty Exemption:**
    - 100% exemption for 5 years with a cap of INR 50L (USD 59,475)
9. **Transport Subsidy:**
    - 60% subsidy with a 10% year-on-year reduction for 5 years, capped at INR 5 crores (USD 594,680).
10. **Stamp Duty/Transfer Duty/Registration Fees Reimbursements:**

- 100% reimbursement on the first transaction, 50% on the second transaction.

11. **Quality Certification Reimbursement:**
    - 50% reimbursement with a cap of INR 2 L (USD 2379).
12. **Patent Registration Reimbursements:**
    - Core & Consumer Electronics: 50% reimbursement, cap INR 2 L (USD 2379).
    - Mobile Electronics: 100% reimbursement, cap INR 5L (USD 5947).
13. **Cleaner Production Practices:**
    - 25% reimbursement, cap INR 5L (USD 5947).
14. **Exhibition Reimbursements:**
    - 50% reimbursement with a cap of INR 5L (USD 5947).

LED, PCB Assembly & Mega Projects (Customized):

1. **Capital Cost Reimbursements:**
    - LED & Mega Projects: 20% reimbursement.
        - Caps: INR 2 crores (USD 237899) for LED and INR 30 crores (USD 3.57 million) for Mega Projects.
    - PCB Assembly: 25% reimbursement with a cap of INR 5 crores (USD 594,680).
2. **Land Rebate:**
    - 60% rebate on the market price for all categories.
3. **Lease Rentals Assistance:**
    - 25% assistance for 10 years.
4. **Interest Subsidy:**
    - 5.25% subsidy for 5 years.
    - Caps: INR 2.5 Cr. (USD 297356.91) for LED, INR 5 crores ((USD 594,680) for PCB Assembly & Mega Projects.
5. **Power Subsidy:**
    - LED & Mega Projects: INR 1.5 per unit for 5 years. Caps: INR 50L (USD 59,471) for LED and INR 5 crores (USD 594,680) for Mega Projects.
    - PCB Assembly: 25% subsidy for 3 years, capped at INR 30 L (USD 35683).

6. **SGST Reimbursements:**
    - 100% reimbursement for 7 years.
7. **Skill Development Assistance:**
    - Provided through TASK.
8. **Electricity Duty Exemption:**
    - 100% exemption for 5 years with a cap of INR 50L (USD 59,471).
9. **Transport Subsidy:**
    - 60% subsidy with a 10% year-on-year reduction for 5 years, capped at INR 5 crores (USD 594,680).
10. **Stamp Duty/Transfer Duty/Registration Fees Reimbursements:**
    - 100% reimbursement on the first transaction, 50% on the second transaction.
11. **Quality Certification Reimbursements:**
    - 50% reimbursement, cap INR 2L (USD 2379).
12. **Patent Registration Reimbursements:**
    - LED & Mega Projects: 50% reimbursement, cap INR 2L (USD 2379) for LED, INR 5L (USD 5,947)for Mega Projects.
    - PCB Assembly: 100% reimbursement, cap INR 5L (USD 5,947).
13. **Cleaner Production Practices:**
    - 25% reimbursement, cap INR 5L (USD 5,947).
14. **Exhibition Reimbursements:**
    - LED: 50% reimbursement, cap INR 50k (USD 594.71)
    - PCB & Mega: 50% reimbursement, cap INR 5L (USD 5,947).

TAMIL NADU

investingintamilnadu.com/DIGIGOV/TN-pages/electronic-hardware.jsp?pagedisp=static

Tamil Nadu targets increasing its electronics output to USD 100 billion by 2025, contributing 25% of India's electronics exports, and training over 1,00,000 skilled workers in the sector. The state also aims to drive value addition in key sectors, promote research and development, support ESDM startups, and attract major semiconductor FAB investments in the next three years.

Financial Incentives for ESDM Units in Tamil Nadu

- **For MSMEs**: A special package including capital subsidy, interest subvention, power tariff subsidies, generator subsidies, assistance for intellectual property, and certifications. MSMEs will also be supported in scaling up to serve as vendors for larger investors.
- **For Large and Mega Units**:
    - Capital Subsidy: Provided based on investment and location, with subsidies ranging from 15% to 30% of eligible fixed assets (EFA) over 12-15 years.
    - Land Lease Subsidy: 50% subsidy for land in government industrial parks and private land up to 50 acres, capped at INR 2 crore (USD 237,899), if land is acquired within three years before construction.
    - Stamp Duty Exemption: 50% exemption for A&B districts and 100% for C districts, available on fulfillment of investment and employment conditions.
    - Training Subsidy: Rs. 4,000 per month per employee (Rs. 6,000 for women) for up to 6 months, available for Tamil Nadu natives.
    - Electricity tax exemption: Available for new or expanded ESDM units for 5 years from commercial production, on power purchased from Tamil Nadu Generation and Distribution Corporation (TANGEDCO) or generated and consumed from captive sources.
    - Interest Subsidy: 5% interest subvention on term loans, capped at INR 1 crore (USD 118,949.42) for mega units and INR 0.2 crore (USD 23,789) for large units, for up to 6 years.
    - Electricity Tax Exemption: 5-year exemption for power purchased from TANGEDCO or generated from captive sources.
    - Environment Protection Infrastructure: Subsidies for dedicated effluent treatment plants and hazardous waste facilities.
    - Subsidy for Intellectual Capital and Quality Certification: 50% subsidy for patent applications (up to INR 50L (USD 59,471) and quality certifications (up to INR 1 crore (USD 118,949.42)).

Business in Tamil Nadu for ESDM Units

1. **Clearances**:
    - All necessary clearances for new or expanded ESDM units will be processed via the Tamil Nadu Business Facilitation Act 2017 through the Single Window Portal of Guidance.
2. **Land**:

- Land will be provided in ELCOT, SIDCO, SIPCOT, government-owned industrial parks, and notified Greenfield/Brownfield EMCs across A, B, and C districts.
- Financial assistance will be provided under the EMC 2.0 scheme, with support for roads, railways, and connectivity to transport gateways.

3. **Proposed EMCs**:
    - Greenfield EMCs: Hosur, Chennai/Tiruvallur/Kancheepuram regions.
    - Brownfield EMCs: Sriperumbudur, Oragadam, and ELCINA industrial park in Coimbatore.

Under Tamil Nadu's Start-up and Innovation Policy (2018-2023), an entity is recognized as a start-up if it is registered under TANSIM, incorporated as a private limited company, partnership firm, or LLP in India, and meets specific criteria, such as being within seven years of incorporation (or ten years for biotechnology, AI, and ML sectors) with a turnover not exceeding INR 25 crores (2.97 million). The state will support start-ups through an Investment Portfolio approach, offering Innovation Grants, Start-up Grants, and Seed Capital via EDII-Tamil Nadu under the TANSIM framework.

Comparative Summary of State-Level Incentives for the ESDM Sector

Incentive	Karnataka	Gujarat	Uttar Pradesh	Telangana	Tamil Nadu
Policy/Initiative Name	ESDM Policy, Semiconductor Policy, Special Incentives Scheme	Gujarat Electronics Policy (2022-28), Semiconductor Policy (2022-27)	Electronics Manufacturing Policy 2020	Electronics Manufacturing & ESDM Policy	ESDM Policy
Capital Subsidy	25% on land (outside Bengaluru); 20% on plant & machinery; 15-30% for large units	20% capital support for investments < ₹1000 Cr; 15% for additional CAPEX above ₹1000 Cr	15% subsidy for investment up to ₹200 Cr; up to 10% additional for investments above ₹1000 Cr	No specific percentage, but substantial support to attract large-scale investments	15-30% on fixed assets for large/mega units, with location-based subsidies
Reimbursements	100% on stamp duty, registration, and land conversion fee; power incentives	100% stamp duty reimbursement; 25% logistics subsidy; 50% EPF reimbursement	100% stamp duty exemption; 50% land subsidy in specific regions	100% reimbursement on stamp duty and registration charges	50-100% stamp duty exemption; 100% for C districts
Electricity/Power Incentives	Rs 1/unit reimbursement for 5 years; 100% exemption from electricity duty for 5 years	Electricity duty exemption and logistics support	50% exemption on electricity duty for up to 10 years	No specific power-related subsidy mentioned	5-year exemption from electricity tax for TANGEDCO power
Production-Linked Incentives (PLI)	1% of annual turnover for new investments & expansions	No specific PLI scheme mentioned	No PLI program mentioned	Not specifically mentioned in the policies provided	Not explicitly mentioned, but significant subsidies in place for

					other areas like intellectual property & certification
Skill Development/Training	Karnataka Skill Development Mission (3000 trained annually)	Skill development aligned with industry needs	Apprenticeship reimbursement; skill development aligned with electronics sector	50,000 employed in the sector; collaborations for R&D and skill development	Rs. 4,000 per month per employee training subsidy (Rs. 6,000 for women)
Land Subsidies	25% on land in certain areas; up to 50% land subsidy in key regions	75% subsidy on land procurement for semiconductor units	25-50% land subsidy, depending on region; Floor Area Ratio (FAR) allowances available	No specific land subsidy mentioned	50% land lease subsidy in government parks, up to Rs. 2 crore
Interest Subsidy	No specific interest subsidy detailed	5% interest subsidy for units with investment < ₹200 Cr	5% interest subsidy on loans for units with investments up to ₹200 Cr	No specific interest subsidy detailed	5% interest subvention, capped at Rs. 1 crore for mega units
Stamp Duty Exemption	100% exemption on stamp duty and land registration charges	100% stamp duty reimbursement for semiconductor units	100% stamp duty exemption on first land transaction, 50% for second	100% exemption on stamp duty and registration for ESDM units	50-100% stamp duty exemption based on location and investment size
Other Benefits	VLSI Incubation Center; IoT CoE; EMCs in Mysuru and Hubballi	Reimbursement of freight charges; EPF reimbursement (75% for males, 100% for females)	Patent cost reimbursement (INR 5 Lakhs for domestic patents, INR 10 Lakhs for international patents)	50% reimbursement for relocation costs from outside India; heavy global interest, such as Apple &	Environmental protection infrastructure subsidies; Support for start-ups and innovation under

				OPPO investments	TANSIM framework
Targeted Investments/Job Creation	Expected investment of Rs 5000 Cr & 43,000 direct jobs in 5 years	Targeting USD 30 billion in manufacturing; 1 million jobs by 2028	Targeting INR 40,000 Cr in investments; 4 lakh jobs; 3 Electronics Manufacturing Clusters	50,000+ people employed; significant interest from global players	Target of $100 billion in electronics output by 2025; 1,00,000 skilled workers trained by 2025
Special Initiatives	KARSEMVEN Fund (INR 100 Cr); Brownfield EMCs; IoT and VLSI Incubation Centers	Logistics policy offers 25% subsidy on FCI; State Electrical Vehicle Policy; Semiconductor Policy	EMCs and CoEs development, Financial assistance for EMC 2.0; Specific programs for plug-n-play buildings	Active development of ESDM clusters such as e-City, Raviryala and Maheshwaram	Special package for MSMEs and large units, including power tariff subsidies and generator subsidies

Conclusion

The growing support for electronic manufacturing in India is evident through a comprehensive array of subsidies and tax incentives offered at the state level. These initiatives aim to ease the financial burden on businesses, foster innovation, and boost job creation in the electronics sector. By providing benefits such as capital subsidies, electricity duty exemptions, and skill development programs, India is positioning itself as a key global hub for electronics manufacturing. These incentives not only enhance competitiveness but also create an environment conducive to sustainable industry growth, making it an attractive destination for both local and foreign investments.