

PRESS RELEASE

Ministry name: Department of Information Technology, Ministry of Communications and Information Technology.

Date of decision: April 20, 2011

Subject: Setting up of an Empowered Committee for identifying technology and investors for setting up of Semiconductor Wafer Fabrication (Fab) Manufacturing Facilities in the country.

1. **Decision:** Cabinet has approved the proposal.

2. **Point-wise details:**

2.1 Proposal is to set up an Empowered Committee for identifying technology and investors for setting up two Semiconductor Wafer Fabrication (Fab) Manufacturing Facilities in the country:

2.2 The Empowered Committee comprising of Adviser to PM on Public Information Infrastructure and Innovation; Chairman, NMCC; Secretary, Department of Expenditure; Member (Industry), Planning Commission; Dr. M. J. Zarabi, Former CMD, Semiconductor Complex Ltd. (SCL) - Technical Expert and Secretary, DIT – Member Convenor has been set up. Empowered Committee may co-opt any other experts.

2.3 The Empowered Committee has been given the mandate recommend the sequence/ priority between the proposed Fab-1 and Fab-2 facilities; to identify technology and potential investors for establishment of Semiconductor Wafer Fabs, and thereafter ascertain their interest in setting up of Semiconductor Fab facilities in India; to assess and recommend the nature and quantum of Government support such as equity/ grant/ subsidy in physical/ financial terms that may be required to translate the interest into investment; and to recommend to the Government the course of action with regard to the nature and quantum of Government support such as equity/ grant/ subsidy in physical/ financial terms and the procedure for finalisation of terms and conditions of investment with the potential investor/ investors.

2.4 The Empowered Committee shall submit its recommendations to the Government by 31.7.2011.

3. Background:

A Committee comprising of the Chairman, National Manufacturing Competitiveness Council (NMCC) and Adviser to Prime Minister on Public Information Infrastructure and Innovation and including the Member Secretary, NMCC; Secretary, Information Technology and Secretary, Telecommunications has made five recommendations: (i) Set up Semiconductor Wafer Fabs; (ii) Create policies for preferential access to “Manufactured-in-India”/ “Indian Products” electronics goods for all government procurements and procurement by Government Licensees; (iii) Set up a dedicated “Electronic Development Fund”; (iv) Set up of a National Electronics Mission (NEM) and (v) Encourage manufacture of specific high priority electronic product line in India by providing capital grant and creation of electronic manufacturing clusters.

The recommendations of the Committee referred to above have been examined in detail in a series of inter-ministerial meetings and appropriate proposals are being evolved for approval of the competent authority on each of these recommendations. The present proposal concerns recommendation no. (i).

4. Implementation strategy: The implementation strategy is to identify technology and investors for the following:

a) Fab-1: To set up a semiconductor fab with established technology to support fabrication of varieties of chips to meet the requirement of high volume products as well as the requirement of the fab-less design companies on pay per use basis. This activity may involve either setting up a plant in India with established technology or acquiring an existing fab abroad and its relocation to India. The Government support needed for either of the options would have to be negotiated.

b) Fab-2: To be set up as a green field cutting edge state-of-the-art facility. This would require provisions for giving equity / grant to an

established Integrated Device Manufacturer to establish its fabrication facility in India. The amount of equity / grant would have to be negotiated.

5. Major impact:

5.1 India has emerged as a global power in the software and services sector. India has also emerged as a preferred manufacturing destination in economic sectors like automotives, pharma etc. However, in the high-tech manufacturing space, India is yet to make a mark in the global context. If we analyse the various key enablers such as demand, technical skills and India emerging as youngest nation, these clearly point towards India's potential vis-a-vis Electronics Hardware Manufacturing. The key impediment in terms of realizing this potential is the ability of creating global scale of operations and addressing specific disabilities like high cost of power and finance.

5.2 India has already become the hub for semiconductor design with nearly 2000 chips being designed per year and more than 20, 000 engineers getting engaged in various aspects of chip design and verification. Annually India is generating nearly USD 2 Billion in revenues for the chip design services. The semiconductor manufacturing companies abroad are generating revenues to the tune of USD 15 Billion from wafer manufacturing based on these designs. Chip packaging and testing companies are generating USD 5 Billion revenue based on these wafers produced for the India designed chips.

5.3 In the services sector like semiconductor design which does not require so high capital investment but requires highly talented manpower, India has done very well. Electronics Hardware sector is capital intensive and is facing several disabilities and barriers. Therefore, the proposal will have significant impact in resolving these issues and help Indian Electronics hardware industry to develop localized content/ value addition.

6. Expenditure involved: The Rough Order of Magnitude (ROM) of investment for the two wafer fabs (Fab-1 and Fab-2) is estimated at **`25, 000 Crores** (approx. USD 5 Billion). The exact level of Government support could be finalized by way of negotiations. The Government support could be by way of equity/ grant/ subsidy in physical/ financial terms.

7. No. of beneficiaries: The Indian Electronics Hardware Industry and the Indian economy would be the direct beneficiaries of the proposal. The Semiconductor Wafer Fabs will have catalytic impact on development of downstream and upstream products, including ancillaries. It would have sizable impact on the development of IT/ITES sector particularly in Very Large Scale Integration (VLSI) design software, solutions and services. It will also bootstrap innovation and R&D, especially in the area of semiconductors and others. It will help generating employment of the order to 2.83 Crores (direct and indirect) by 2020 across various levels of competencies.

8. States / districts covered: The Semiconductor Wafer Fabs will be set up in one or two States. However, due to their cascading and catalytic impact on other verticals and the value chain of products, investments are expected to proliferate in many States/ districts.

9. Details and progress of scheme, if already running: Not applicable (It is a new scheme)
