

Government of India
Ministry of Communications and Information Technology
Department of Electronics and Information Technology (DeitY)

24th February, 2016

Guidelines for the effective functioning of revised Modified Special Incentive Package
Scheme (M-SIPS)

References:

- i. *M-SIPS Scheme Notification No. 175 dated 27th July, 2012 in Part – I, Section 1 of the Gazette of India (Extraordinary) [F. No. 27(25)/2013-IPHW]*
- ii. *Guidelines for the Operation of the Modified Special Incentive Package Scheme for the Electronics System Design and Manufacturing Sector dated 7th October, 2012 [F. No. 27(3)/2012-IPHW] and Amendments dated 23-05-2013 and 23-12-2013*
- iii. *Guidelines on Research and Development (R&D) expenditure under the Modified Special Incentive Package Scheme for Electronics System Design and Manufacturing Sector dated 17th April, 2014 [F. No. 27(36)/2013-IPHW]*
- iv. *Guidelines for Disbursement of Incentives dated 4th June, 2014 [F. No. 27(42)/2013-IPHW]*
- v. *EMC Scheme Notification No. 252 dated 22nd October, 2012 [F. No. 8(50)/ 2011-IPHW]*
- vi. *M-SIPS Revised Notification No. dated 3rd August, 2015 [F. No. 27(35)/2013-IPHW]*
- vii. *M-SIPS application fee notification no. 27(3)/2012-IPHW dated 31-12-2012*

1. Background

The policy for Modified Special Incentive Package Scheme (M-SIPS) cited as reference (i) above to encourage investments in the Electronics System Design and Manufacturing Sector in India was notified in the Gazette on 27th July, 2012 hereinafter, referred to as the “Scheme”. The Scheme was open to receive applications for three years from the date of notification, i.e. till 26.07.2015. For smooth implementation of the Scheme, implementation guidelines cited as reference (ii) above, hereinafter referred to as “Guidelines” have been issued. Further guidelines for expenditure on R & D under M-SIPS and disbursement under M-SIPS cited as reference (iii) and (iv) above were issued. Necessary guidelines for notifying areas/ clusters in which the incentives under M-SIPS are available have been issued vide reference cited as (v) above. Based on various suggestions received from industry associations, potential/ existing applicants and other stakeholders regarding improvement in the Scheme and after detailed consultations with them, amendments were proposed in the M-SIPS Policy which have been notified on



03.08.2015 cited as reference (vi) above. Vide this notification, the Scheme has been extended to receive initial applications for 5 years beyond its expiry in July, 2015. The scope of the Scheme has been amplified to cover certain new product categories. The approval procedure has also been simplified like allowing incentives from the date of submission of application, disbursement of incentives on a quarterly basis as against annual basis etc. dispensing the practice of separate technical evaluation and requirement of unit to be located in a notified Electronic Cluster.

2. In pursuance of paragraph 6 of the revised notification dated 3rd August, 2015 cited as reference (vi) above, the following Guidelines are issued as an addendum to the guidelines cited as reference (ii) above. The Guidelines dated 7th October, 2012 would be applicable mutatis mutandis, unless as modified by these Guidelines.

2.1 Extending M-SIPS benefits to additional verticals:

The M-SIPS incentives which were earlier available to 29 verticals as mentioned in Annexure 2 of Scheme, will now also be available to the additional list of verticals as mentioned in Enclosure -1 of the amended notification cited as reference (vi) above. The consolidated list of eligible verticals for which M-SIPS incentives are available is at **Annexure 1** of these guidelines.

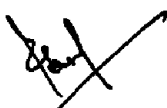
2.2. Investments from the date of Initial Application

2.2.1 The incentives under the Scheme will now be available from the date of Initial Application. Consequently, the period of 10 years for which an applicant is eligible for claiming incentives under the Scheme shall also be reckoned from the date of Initial Application.

2.2.2 On receipt of an initial application in the prescribed Initial application form, the Department of Electronics and IT will conduct an examination as to whether an application prima facie meets the eligibility criteria as prescribed in **Annexure 3** of these Guidelines. For applications which fulfill this criteria, the Department of Electronics and IT shall issue a confirmation of receipt of an initial application. The date of such confirmation shall be treated as the date of Initial application for the purposes of the Scheme. In other cases, where on examination it is found that the initial application is incomplete, the Department shall inform the applicant accordingly. The aforesaid examination by the Department shall be completed within 5 working days of the filing of the initial application or 5 working days of any subsequent submission of the initial application, if the initial filling was returned as incomplete earlier.

2.3 Follow-up application

2.3.1 On receipt of a follow up application in the prescribed follow up application form, the Department of Electronics and IT will conduct an examination whether an application prima facie meets the eligibility criteria as prescribed in **Annexure 4** of these



Guidelines. For applications which fulfill this criteria, the Department of Electronics and IT shall issue a confirmation of receipt of a follow up application. The date of such confirmation shall be treated as the date of follow up application for the purposes of the Scheme. In other cases, where on examination it is found that the follow up application is incomplete, the Department shall inform the applicant accordingly. The aforesaid examination by the Department shall be completed within 5 working days of the filing of the follow up application or 5 working days of any subsequent submission of the follow up application, if the initial filing was returned as incomplete earlier.

2.3.2 No Follow up application received after 10 years of the date of Initial Application will be considered.

2.4 Revision in Investment threshold

2.4.1 The list of verticals along with the revised applicable thresholds, wherever applicable, is prescribed in Enclosure 2 of the amended notification and is reproduced as **Annexure 2** of these Guidelines.

2.4.2 Separate guidelines will be issued with respect to modalities for the operation of Production Subsidy, mentioned in **Annexure 2**.

2.5. Quarterly disbursement of incentives

2.5.1 The incentive against capital expenditure shall be released after the end of the quarter in which the total investments exceed the threshold value and compliance to other terms and conditions stipulated in the Scheme/ Guidelines/ approval letter is achieved. Thereafter, the incentive will be provided on quarterly basis on the value of investments made during the quarter. Separate detailed guidelines will be issued in this regard.

2.6. Appraisal report to include Technical Evaluation

2.6.1 The PMU appraisal of an M-SIPS application shall also inter alia include Technical Evaluation of the application.

2.6.2 The Appraisal Committee may invite any technical expert as part of the Appraisal Committee to assist it.

2.7. Appraisal Committee

2.7.1 An Initial Application complete in all respect and received upto 26.07.2020 will be appraised on an ongoing basis and will be considered for approval.

2.7.2 The Appraisal Committee, in its recommendation shall also specifically state the date of initial/ follow up application, which would be used for calculation of M-SIPS incentives.



2.8. Extension of Time Period for Initial Applications

The time for making applications is extended for a period of 5 years beyond the current expiry of the Scheme on 26.07.2015 i.e. till 26th July, 2020.

2.9 Timelines for approval


Indicative timelines for approval of projects is as given below:

Event	Timeline in no. of working days
Submission of application	A
Brief assessment on completeness and eligibility of application by Department of Electronics and Information Technology & communication to applicant for required information (if any)	A + 5
Receipt of completed application in Department of Electronics and Information Technology and issue of acknowledgment along-with Application Id	T
Preparation of appraisal report	T + 30
Placing appraisal report for consideration of Appraisal Committee (AC)	T + 37
Circulation of final Minutes of Meeting (MoM) of Appraisal Committee (AC) to members.	Within 14 days of AC Meeting

Note:

- i. 'A' is date of submission of application
- ii. 'T' is date of submission of complete application.
- iii. The above timelines are indicative and may change in case third party appraisal is felt necessary and conducted.

3. This issues with the approval of Hon'ble MCIT.


24.2.2016

(Rajiv Bansal)

Joint Secretary to Government of India

Tel: 011- 24363114

List of verticals of ESDM for which incentives are available under M-SIPS

A	Electronics Products including Nano-Electronics Products and Telecom Products:
1	Telecom products including Optical Fibre Equipment; Terrestrial Communication Equipment; Satellite Communication Equipment; IP based new generation soft-switches/ routers including L2 and L3 switches, data networking equipment — copper/ optical — consumer and carrier grades, for public and private networks; Transport systems — DWDM, SDH, PON, Cross-connects, RF over optical fibre, Carrier Ethernet, Packet Optical Transport Platform (P-OTP); Wireless technology — GSM (2G & 2.5G), CDMA, 3G, LTE & LTE Advance, Wi-Fi, WiMAX & WiMAX Advance; Microwave Radio systems 2-70 GHz, Software defined radio, Cognitive radio, Distributed antenna systems; Equipment related to security and surveillance, processing of speech, data, image, video; Customer Premises Equipment (CPE) — PBX systems, Headends, 3G Routers, VoIP gateways, Residential gateways, Access points, Routers, Broadband CPEs, Mobile phones/ Mobile handsets/ Smart Mobile phones, Set-top boxes, Modems, dongles, data card; Short Range Devices (SRD), Sensors; VSAT based systems — Broadband, Disaster management; Non-conventional energy sources, portable mechanical chargers for handsets, computers; NMS/ OSS/ BSS systems for all above — SNMP/ Openview/ CORBA; Customer care & Billing systems; Electronics products for energy management, Advanced storage batteries such as Lithium, Video Conferencing Equipment, Optical Fibres and Optical Fibre Cables, etc.
2	IT Hardware products including computers (tablets, desktops etc.), servers, peripherals like printers, faxes, storage devices monitors, Automatic Teller Machines (ATM), etc.
3	Consumer Electronics like Televisions, Digital Cameras, Camcorders, Audio Video products, electronic watches and clocks, electronic toys, wearable electronics, electronic personal care products, etc.
4	Health and Medical Electronics
5	Strategic electronics
6	Solar Photo Voltaic including thin film, polysilicon etc.
7	Light Emitting Diodes (LEDs)
8	Liquid Crystal Displays (LCDs)
9	Avionics
10	Industrial Electronic products including measuring and control equipment, energy meters etc.
11	Nano electronic products
12	e-waste processing/ recycling
13	Automotive Electronics including Anti-lock braking system, Electronic Brake Distribution, Traction Control, Brushed DC Motors, etc.
14	Agri-electronics
15	Energy conservation electronics

16	Opto-electronics
17	Bio-metric and identity devices/ RFID: Smart Card manufacturing and personalization
18	Power supplies for ESDM products
19	Consumer Appliances like Refrigerators, ACs, Fully Automatic Washing Machines, Microwave Ovens, etc.
20	Electronic product design including PCB design
21	Machine to Machine (M2M) and Internet of Things (IoT) products
22	Home Fuel Cells
23	Multi-functional electronic devices
24	Semiconductor Equipment such as Automatic Test Handler, Pick & Place Machines, Test Head Manipulator and their accessories like Test Sockets, Probe Cards, ATE Load Boards, Conversion Kits, Docking Mechanisms
25	Electronic security devices- including CCTV/ surveillance equipment, CCTV, Access Control, intruder alarms etc.
B	Intermediates
1	Nano-electronic components
2	Semiconductor wafering
3	Semiconductor chips including logic, memory and analog
4	All Assembly, Testing, Marking and Packaging of ESDM Units
5	Chip components
6	Discrete Semiconductors like Transistors, Diodes
7	Power semiconductors (including diffusion) like FETs, MOSFETs, SCRs, GTDs, IGBT etc.
8	Electromechanical Components and Mechanical Parts such as Multilayer PCBs, Transformers, Coils, Connectors, Switches, Ferrites, Micro Motors, Stepper Motors, Films, Electro-plating, small precision plastic and metal parts, tools, moulds & dies, etc.
9	Consumable and Accessories such as Mobile Phone and IT accessories- Batteries Chargers etc. PCBs, Foils, Tapes, Epoxy, Cabinets, etc.
10	All Fabrication Manufacturing facilities (Fabs) for ESDM products
11	Electro-plating, small precision plastic and metal parts, tools, moulds and dies
12	Liquid Crystal Module (LCM)
13	Organic Light Emitting Diodes (OLED)
14	Chip Modules for Smart Cards
15	Analog/ Mixed Signal Semiconductor Chips
C	Electronics Manufacturing Services (EMS)
D	Capital Equipment for electronic products
E	Raw material exclusively for electronic products
F	Remanufacturing of electronic products

ANNEXURE 2**Revised Investment Thresholds and Financial Incentives**

S. No.	Type	Investment Threshold (in Rs. Crore)			Financial Incentives	
		Fab	Assembly, Testing, Marking and Packaging (ATMP)	Manufacturing	SEZ	Non SEZ
1	Electronic Products	-	-	10	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
2	Intermediates					
2.1	Nano Electronic Components	-	-	200	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)
2.2	Semiconductor Wafering	-	-	1000	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)
2.3	Semiconductor Chips:					
a)	Logic — Microprocessors, Microcontrollers, Digital Signal Processors (DSP) & Application Specific Integrated Circuits (ASICS)	2000	100	N.A.	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)

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b)	Analog/ Mixed Signal	1000	100	N.A.	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)
c)	Memory	5000	200	N.A.	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)
2.4	Chip Components, Discrete Semiconductors and Power Semiconductors:					
a)	Chip Components	200	N.A.	N.A.	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment+ 10% Production Subsidy on Production turnover (Ex-factory)
		N.A.	10		20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
b)	Discrete Semiconductors like Transistors, Diodes etc.	25	N.A.	N.A.	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment+ 10% Production Subsidy on Production turnover (Ex-factory)
		N.A.	10	N.A.		25% of Capex + Reimbursement of Excise/ CVD on capital equipment

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c)	Power Semiconductors (including Diffusion) like FETs, MOSFETs, SCRs, GTDs, IGBTs etc.	100	50	N.A.	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)
2.5	Solar Photovoltaics (SPV):					
i)	Polysilicon	500	N.A.	N.A.	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)
ii)	Ingots and/ or wafers	150	N.A.	N.A.	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)
iii)	Cells	75	N.A.	N.A.	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)
iv)	Modules/ Panels	N.A.	N.A.	10	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment

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2.6	Light Emitting Diodes (LED)	150		N.A.	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)
			10		20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
2.7	Organic Light Emitting Diodes (OLED)	600	100	N.A.	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)
2.8	Chip Modules for Smart Cards	N.A.	10	N.A.	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
2.9	Liquid Crystal Displays (LCD):					
a)	LCD Fabrication	1500	250	N.A.	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)
b)	LCD Glass Substrate	250	100	N.A.	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)

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c)	Liquid Crystal Module (LCM)	N.A.	N.A.	50	20% of Capex + 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)
2.10	Passive Components, Electro - Mechanical Components, Mechanicals Parts and Consumables & Accessories:					
a)	Passive Components such as Resistors, Capacitors, Inductors, Thermistors etc.	N.A.	N.A.	5	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
b)	Electromechanical Components and Mechanical Parts such as Transformers, Coils, Connectors, Switches, Ferrites, Micro Motors, Stepper Motors, Films, electro plating, small precision plastic and metal parts, tools, moulds & dies etc.	N.A.	N.A.	5	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
c)	Printed Circuit Boards	N.A.	N.A.	5	20% of Capex+ 10% Production Subsidy on Production turnover (Ex-factory)	25% of Capex + Reimbursement of Excise/ CVD on capital equipment + 10% Production Subsidy on Production turnover (Ex-factory)
d)	Consumables and Accessories such as Mobile Phones and IT accessories -Batteries, Chargers etc., Foils, Tapes, Epoxy, Cabinets etc.	N.A.	N.A.	1	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
3.	Electronic Manufacturing Services (EMS)	N.A.	N.A.	10	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment

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4.	Capital Equipment for electronic products	N.A.	N.A.	10	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
5.	Raw materials exclusively for electronic products	N.A.	N.A.	5	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment
6.	Bio-metric and identity products/ RFID/ Smart Card manufacturing and personalization	N.A.	N.A.	5	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment.
7.	Remanufacturing of electronic products (refer Note 1)	N.A.	N.A.	5	20% of Capex	25% of Capex + Reimbursement of Excise/ CVD on capital equipment.

- **Note 1:** Incentives on re-manufacturing of electronic products will be provided subject to compliance of Foreign Trade Policy (FTP) and any other relevant existing policy and only if the re-manufactured electronic product is re-exported.
- **Note 2:** The types of fabs for which incentives are available for setting up of Semiconductor Wafer Fabrication facilities (Fabs) will be decided based on the outcome of investment being attracted by the Government to set up two Fabs in a separate exercise.
- **Note 3:** Production subsidy will be applicable only on incremental production from the new setup proposed in the project approved under M-SIPS and on value addition.
- **Note 4:** **Electronic Manufacturing Services (EMS)** would mean, units engaged in providing services related to manufacture of sub-assemblies and parts including integration services to the Original Equipment Manufacturers (OEMs). However, EMS shall not encompass production of final products under their own brand name.

Documents/ information to be checked for preliminary assessment to determine eligibility of initial application

- i. Submission of requisite fees as per reference as cited (vii) above.
- ii. The products proposed are eligible for M-SIPS incentives.
- iii. The proposed investment in capex, for the project/ phase is greater than or equal to the threshold value of the applicable vertical(s),
- iv. In case of expansion/ diversification/ modernization project(s), the proposed investment in plant & machinery in the project/ phase should be greater than 25% of the gross value of the existing plant and machinery.
- v. The proposed number of phases should not be more than 5.
- vi. The proposed financial closure should be for the complete project or the proposed phase(s), as applicable. In case of multi phased projects, the proposed financial closure should be atleast 20% of the entire project or the proposed investment of the phase or the threshold value, whichever is higher.
- vii. Identification of location for the project/ phase(s) of the project along with possession letter. In case, the land has been leased, the lease should be for atleast 10 years from the date of application under M-SIPS. The requisite registered lease agreement in this regard is to be submitted by the applicant. In case of a building being purchased for the project/ phase(s), a legally binding agreement with the seller is to be submitted.

Note: It may be noted that preliminary acceptance based on above, does not qualify an applicant for claiming incentives under the Scheme. The applicant would be eligible for incentives only after recommendations of the Appraisal Committee and approval by Competent Authority.

Documents/ information to be checked for preliminary assessment to determine eligibility of follow up application

- i. The reference details of the approval letter of Initial application and previous follow up applications (if any).
- ii. Submission of requisite fees as per reference as cited (vii) above.
- iii. The products proposed are eligible for M-SIPS incentives and in line with the initial application.
- iv. The proposed investment in capex, for the project/ phase is greater than or equal to the threshold value, if applicable.
- v. The financial closure of the phase to be implemented.
- viii. Identification of location for the phase(s) of the project along with possession letter. In case, the land has been leased, the lease should be for atleast 10 years from the date of initial application under M-SIPS. The requisite registered lease agreement in this regard is to be submitted by the applicant. In case of a building being purchased for the phase(s), a legally binding agreement with the seller is to be submitted.

Note: *It may be noted that preliminary acceptance based on above, does not qualify an applicant for claiming incentives under the Scheme. The applicant would be eligible for incentives only after recommendations of the Appraisal Committee and approval by Competent Authority.*