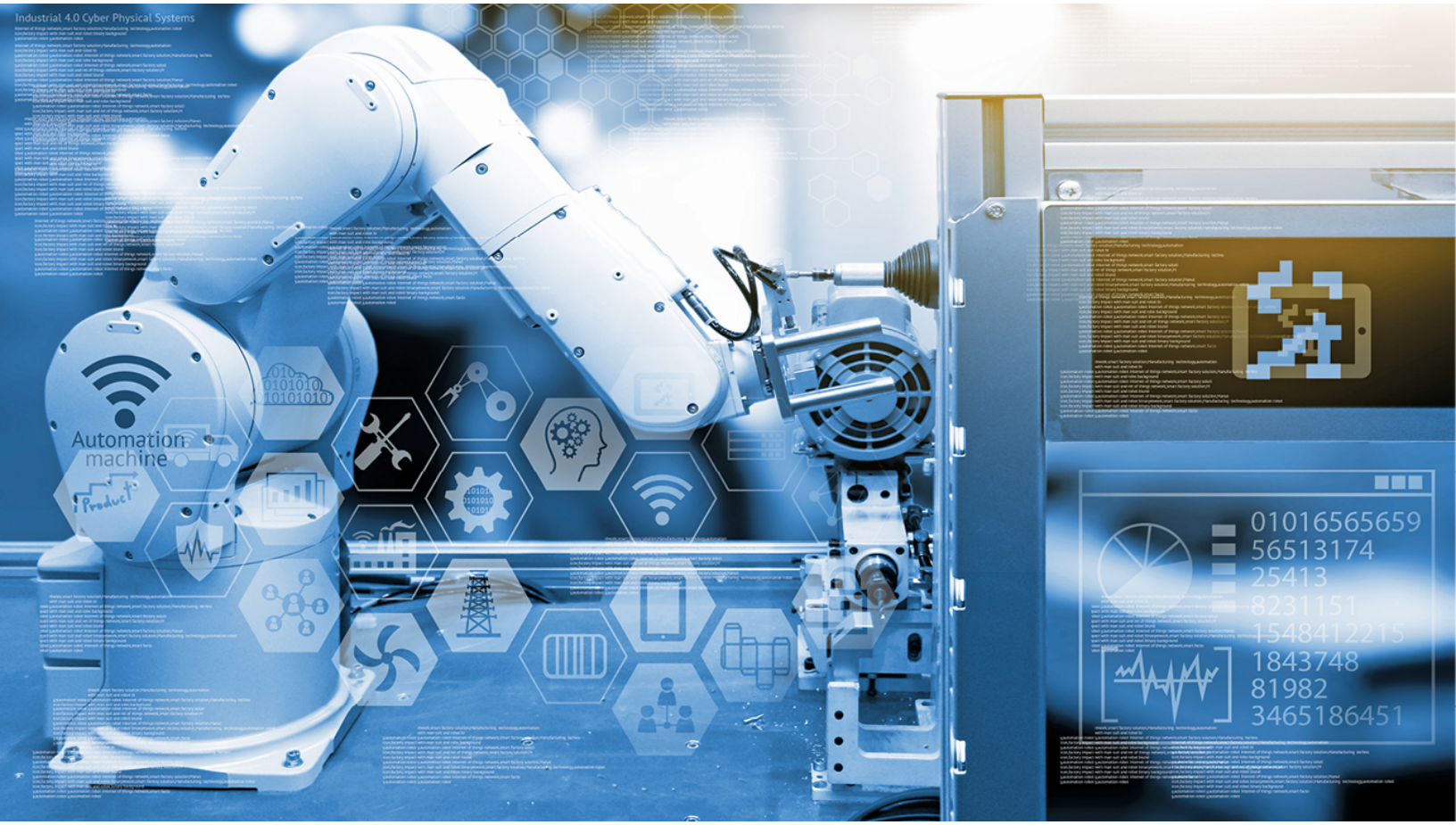
Uttar Pradesh Electronics Manufacturing Policy 2020



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1 Introduction

1.1 Preamble

Uttar Pradesh, the land with ancient history is rich in resources and cultural heritage. It is one of the largest states in India with GDP of more than US$ 200 billion & has the largest consumer base in the country with around 240 million people. With rapid industrialization & Government spending in Projects like Metro Rail, Expressways and Freight Corridors connecting the West coast to the East coast of India crossing from the state, IT Cities & Parks, Electronic Manufacturing Clusters, Industrial Zones, State wide Optical Fiber Connectivity, Asia's largest under construction International Airport Jewar and India's first proposed Electronics city at Yamuna Expressway in Gautam Budh Nagar, the state has taken up a trajectory towards accelerated growth & developed society.

IT & Electronics sector has been contributing immensely to the state Industry with the presence of companies like Oppo Mobiles, Haier Electronics, TCS, IBM, Wipro, ST microelectronics etc. and is proud of the long term establishment of Samsung, LG Electronics, HCL for more than 2 decades of successful operations in the state. The state has abundant skilled manpower along with the presence of prominent institutions like IIT, IIM, IIITs, and reputed Engineering Colleges catering to the demand of the Industry.

To accelerate the Electronics System Design and Manufacturing (ESDM) ecosystem development, the UP-Electronics manufacturing policy 2020, hereby covers the entire state and all the incentives under the policy shall be applicable to all eligible units setting up their base in UP.

This will lead the exponential growth in the establishment of ESDM units which will not only boost up the economy but also create large scale employment in the state.

2 Vision, Mission and Target

2.1 Vision

To establish Uttar Pradesh as the preferred destination for electronics industry by offering globally competitive infrastructure and favorable policy environment for cultivating Electronics Manufacturing Industry as an important growth driver for Uttar Pradesh through effective use of skilled force, adapting innovation and emerging technologies leading to all-round sustainable ecosystem thereby contributing towards the overall growth of economy of the state & nation.

2.2 Mission

i. To establish Uttar Pradesh as the preferred destination for electronics industry
ii. To build a world class ESDM ecosystem in the state
iii. To nurture MSME enterprises as the growth engine of the economy
iv. To foster a culture of research, innovation and entrepreneurship
v. To create sector-specific high-quality talent pool for the benefit of the industry

2.3 Target

i. To attract investment worth INR 40,000 Cr
ii. To establish three (3) Electronics Manufacturing Clusters (EMC) in the state
iii. To establish three (3) Center of Excellence (CoE) in the state

iv. To establish ESDM parks for Domestic/Foreign investors in the state
v. To attract investment in semiconductor manufacturing through FAB units
vi. To provide approx. 4 Lakh (0.4 million) employment opportunities within the state

3 Governance

3.1 Nodal Agency

A Nodal Agency under the Department of IT & Electronics, Govt. of Uttar Pradesh shall be nominated for effective implementation of the UP Electronics Manufacturing Policy 2020. The agency shall be responsible for creating a conducive policy environment for sustained growth of electronics manufacturing ecosystem in the state. It will act as Single Window for engagement with all ecosystem stakeholders. To manage the Single Window operations, Nodal Agency will set up a dedicated Project Management Unit (PMU) adequately staffed with outsourced professionals and consultants to support the Government.

3.2 Policy Implementation Unit (PIU)

A PIU under the chairmanship of Principal Secretary, Department of IT & Electronics shall be set up to oversee the work of Nodal Agency. PIU shall be responsible for effective implementation of the Policy including the approval of investment proposals, disbursement of incentives, making recommendations to Empowered Committee etc. PIU shall be responsible for examining and approving the investment proposals worth up to INR 200 Cr within the policy framework. However, investment proposals worth more than INR 200 Cr shall be recommended to the Empowered Committee for necessary approval.

3.3 Empowered Committee (EC)

A state level Empowered committee under the chairmanship of Chief Secretary shall be set up to monitor the effective implementation of the Policy. The charter of the committee shall be pertaining to the effective implementation of the policy and inter-departmental coordination with respect to timely resolution of investor issues at all levels. Projects worth more than INR 200 Cr will be subject to approval from the state cabinet on the recommendations of Empowered Committee.

This committee shall consist of members from Department of Infrastructure and Industrial Development, IT & Electronics, Finance, Planning, Small Industries, Commercial Tax, Energy, Irrigation, Housing Department, Labor, and as per requirement may include Additional Chief Secretary / Principal Secretary of other Departments / CEOs of Industrial Development Authorities, etc. as and when required.

4 Policy Implementation

4.1 Policy Period and Coverage

The UP Electronics Manufacturing Policy 2020 is valid for five (5) years from the date of its notification. Policy covers the entire state. Policy is applicable for the proposals submitted and investments made after the notification of this policy. The Empowered Committee constituted under the policy shall decide upon the extension of policy period.

The proposals submitted and acknowledged before the notification of this Policy shall continue to be governed under UP Electronics Manufacturing Policy 2017.

4.2 Policy Promotion

Marketing and branding strategy shall be formulated to promote the policy at national/international forums to attract investors. The following tasks will be handled by Nodal Agency:

i. Creating a brand image for the state IT & Electronics Department and the Electronics Manufacturing Policy.
ii. Organizing and participating national and international conferences, summits, road shows and events to promote the policy
iii. Use of print, electronic and social media to create awareness about state's attractiveness for ESDM industry
iv. Managing a dedicated online portal both for promotion and processing the investment application

4.3 Infrastructure Development

4.3.1 Electronics Manufacturing Cluster (EMC)

EMC is a geographical area of certain minimum extent, preferably contiguous, where the focus is on development of basic infrastructure, amenities and other common facilities for the ESDM units. Policy aims to establish three (3) EMCs focusing on mobile manufacturing, consumer durables, Telecom, IT hardware, medical equipment, defense etc. in various parts of the state such as:

i. Electronic City in Yamuna Expressway Industrial Development Authority (YEIDA) near Jewar airport, Gautam Budh Nagar
ii. Defense electronics manufacturing cluster in Bundelkhand
iii. Medical electronics manufacturing cluster in Lucknow-Unnao-Kanpur Zone

4.3.2 Electronics System Design Manufacturing (ESDM) Park

ESDM Parks shall be established across the state in collaboration of Government/private agencies. Policy aims to promote the development of ESDM parks for domestic as well as foreign investors. The minimum area required to develop an ESDM park is 25 acres.

4.3.3 Center of Excellence (CoE)

Policy envisages to create world class infrastructure in the form of Center of Excellence (CoE) to promote research, innovation and entrepreneurship in the ESDM industry. Policy aims to establish three (3) CoEs in collaboration with Government of India and industry associations. 25% of the total CoE project cost will be borne by Government of UP and the remaining 75% will be contributed by Government of India and industry associations together

4.3.4 Infrastructure Support to MSME units

State govt will encourage development of rental dormitories for work force in Industrial development Authorities by itself or on PPP mode. State govt will also encourage development of rental facilities on Plug & Play model for ESDM investors by itself or on PPP mode. Private players will be allowed to build dormitories and plug and play facilities for the electronics manufacturing units and provide them on rental basis.

4.4 E-Waste Handling

Policy will encourage creation of a mechanism with Industry to facilitate the implementation of e-waste (management and Handling) Rules 2011, including restrictions on usage of hazardous substances as per

the global practices. Also, the policy will promote e-waste recycling industry in the state for e-waste produced in the state. E-waste product coverage will be as per the E-waste policy of Government of India

5 Incentives

Financial incentives offered under this policy are over and above the incentives given by the Government of India. However, incentives claimed by a unit from all the sources including those from Government of India unless stated otherwise in the policy, shall not be more than 100% of the Fixed Capital Investment. It is further clarified that the benefits under Production Linked Incentives (PLI) scheme of GOI will not be considered for the overall cap of 100% of the FCI disbursement of incentives. All the incentives provided in the policy shall be eligible upon commencement of commercial production.

Fixed Capital Investment (FCI) includes the assets and capital investments such as building, plant & machinery. Following will be considered while calculating the FCI:

i. Cost of land will not be included for the calculation of FCI
ii. Cost of building will be subject to cap of 10% of FCI
iii. Refurbished plant & machinery will be permitted up to 40% of the FCI. This dispensation will be permitted only to those units which are evaluated by GOI for including refurbished plant & machinery and will be available for the first 3 years of the policy period and for only first such 20 investors from the date of notification of this policy.

5.1 Capital Subsidy

The capital subsidy shall be given only to the ESDM units and admissible on the FCI evaluated by the Financial Institutions/Banks/Financial consultants or by the committee constituted through the State Government. Investors will be eligible for the following incentives:

i. **Investment up to INR 200 Cr:** Capital Subsidy of 15% of FCI subject to maximum of INR 10 Cr, shall be provided to investors.
ii. **Investment between INR 200 - 1000 Cr:** Capital subsidy of 15% of FCI subject to maximum of INR 150 Cr, shall be provided to investors in 3 yearly installments, which shall be payable after the commencement of commercial production.
iii. **Investment more than INR 1000 Cr:** Additional capital subsidy of 10% maximum up to INR 100 Cr (total Capital Subsidy up to INR 250 Cr) shall be given on investment in FCI exceeding INR 1000 Cr and employment generation of minimum 3000. This additional subsidy shall be provided in 5 yearly installments of which first installment shall be released from the year in which unit achieves commercial production at minimum 80% of its total capacity.
    Note: *Capital Subsidy for units operating from Plug n Play/ Rented buildings shall be given in 5 yearly installments, payable after commencement of commercial production*

5.2 Interest Subsidy

An interest subsidy of 5% per annum (on the rate of interest) to units with investment up to INR 200 Cr on the loan obtained from Scheduled Banks/ Financial Institutions shall be reimbursed up to maximum of INR 1 Cr per annum per unit for 5 years (Maximum INR 5 Cr per unit).

5.3 Stamp Duty Exemption

i. 100% exemption of stamp duty on purchase/lease of land shall be available for the establishment of individual ESDM units.
ii. 100% exemption of stamp duty on first transaction (Owner to Developer/SPV) and 50% exemption on second transaction (Developer/SPV to ESDM Units) shall be available for purchase/lease of land for EMCs/ESDM parks.

iii. Stamp duty exemption shall be given against Bank Guarantee, which will be released upon commencement of commercial production

5.4 Patent Cost Reimbursement

The cost of filing of successful patents shall be reimbursed up to INR 5 Lakhs for domestic and INR 10 Lakhs for international patents, on actual basis.

5.5 Provision of Land

i. 25% Land subsidy on prevailing sector rates shall be provided to SPV/PIA of EMC/ESDM Parks and individual ESDM units on purchase of land from state agencies in Madhyanchal and Paschimanchal regions.
ii. 50% Land subsidy on prevailing sector rates shall be provided to SPV/PIA of EMC/ESDM Parks and individual ESDM units on purchase of land from state Agencies in Bundelkhand and Purvanchal regions
iii. Land subsidy provided in (i) & (ii) above shall be limited to 7.5% of the total project cost or INR 75 Cr, whichever is less. Subsidy shall be paid by the State Government to the concerned Authority post commercialization of the unit/project in proportion to the area of the land utilized in phases within the policy period. The Authority shall adjust the subsidy in payment plans of the enterprise.
iv. **Floor Area Ratio (FAR):** Units will be allowed for 3.0 + 1.0 (Purchasable) FAR
v. **Dormitories for workers and welfare facilities:** Up to 30% of total FAR in minimum 25 acre of land size in ''Industrial land use'' shall be allowed for welfare facilities like dormitories for workers, canteen, dispensary, etc.

5.6 Electricity Duty Exemption

50% exemption of Electricity Duty shall be provided for a maximum period of 10 years to all ESDM units

5.7 Skill Development and Other assistance

i. All ESDM units will be eligible for reimbursement of stipend amount given during training under apprenticeship assistance scheme of the State Government.
ii. UP Skill development Mission shall be aligned with required skill sets for Electronics Industry in order to pass on the benefits of the scheme to the eligible.
iii. Skill development in ESDM sector will be augmented with the budget allocated by MeitY for this purpose.
iv. Permission will be provided to have 24*7 operations and employment of women in all three shifts.

5.8 Incentive for EMC development

Under Modified Electronics Manufacturing Cluster (EMC 2.0) scheme of Government of India, Electronics Manufacturing Clusters (EMC) would be established to create infrastructure with common facilities and

amenities in EMC projects and upgrade the infrastructure in industrial states/parks/areas as Common Facility Center (CFC) for attracting investment in ESDM sector. The financial assistance will be given for setting up both EMC and CFC.

5.8.1 Incentives for Developers

i. The Government of India contributes 50% of the EMC cost for developing infrastructure facilities such as roads, power, water, testing facilities etc.
ii. Remaining 50% of the EMC cost shall be contributed by Project Implementing Agency (PIA) and state government in equal proportions e.g. 25% each
iii. PIA shall contribute 25% of the CFC development cost, whereas remaining 75% shall be given by Government of India.
iv. Land subsidy will be available as per Para 5.5 of the Policy.

5.8.2 Incentives for Individual Units

i. Anchor unit's commitment should be at least 20% of the saleable land and minimum investment of INR 300 Cr and not exceeding INR 750 Cr.
ii. Anchor units will be allowed to install vendor units in 20% of their land area without any sublease or transfer charges.
iii. No fees/ charges shall be levied by the respective Authority on transfer of land from SPV/PIA to individual units after EMC development.
iv. Units will get land subsidy as per Para 5.5 of the Policy, only if the land subsidy is not already availed by SPV/PIA in terms of para 5.8.1

5.9 Private ESDM Parks

i. Land subsidy will be available as per Para 5.5 of the Policy.
ii. Single Window Assistance from concerned authority and nomination of Nodal Officer for every park
iii. Interest subsidy in the form of reimbursement of interest up to 60% of annual interest for 7 years subject to INR 10 Cr per year with an overall ceiling of INR 50 Cr per park.
iv. 100% exemption of Stamp Duty for purchase/lease of land on first transaction and 50% on second transaction. Stamp duty exemption will be given against Bank Guarantee, which will be released upon commencement of commercial production.

5.10 FAB units

Special package will be considered for FAB units including land, electricity, water, infrastructure, capital sharing, fiscal and non-fiscal incentives etc. subject to approval from the state cabinet on the recommendation of the EC.

6 Eligible products

The list of products eligible for incentives under this policy. ***Refer Annexure 1***

7 Glossary

7.1 Fab Unit

FAB unit is Semiconductor fabrication plant where devices such as integrated circuits (IC) chips are manufactured

7.2 Electronics Manufacturing Cluster (EMC)

EMC means approved EMCs of Government of India defined under EMC 2.0 scheme of National Policy on Electronics, 2019 (NPE, 2019), which will aid the growth of the ESDM sector.

These clusters are to facilitate the establishment of the units for manufacturing Electronics components, parts, sub-assemblies, materials etc. for various electronics verticals such as mobile manufacturing, consumer electronics, electrification, power electronics, computer/ information technology and communication etc. and so on including their entire value chain.

7.3 Bank/ Financial Institutes

All scheduled banks shall be considered. All financial institutions which are regulated and approved by the Reserve Bank of India shall be considered.

7.4 State Agencies

i. Development Authorities
ii. Housing Boards
iii. Industrial Development Authorities
iv. Other state Institutions notified by the Government

8 Abbreviations

1.	CFC	Common Facility Center
2.	CoE	Center of Excellence
3.	Cr	Crore equals to 10 million
4.	EC	Empowered Committee
5.	EMC	Electronics Manufacturing Cluster
6.	ESDM	Electronics System Design and Manufacturing
7.	FAR	Floor Area Ratio
8.	FCI	Fixed Capital Investment
9.	GDP	Gross Domestic Product
10.	GoI	Government of India
11.	IIIT	The Indian Institute of Information Technology
12.	IIM	The Indian Institutes of Management
13.	IIT	The Indian Institute of Technology
14.	INR	The Indian Rupee
15.	MeitY	Ministry of Electronics and Information Technology, Government of India
16.	MSME	Micro, Small, and Medium Enterprises
17.	NPE	National Policy on Electronics
18.	PIA	Project Implementing Agency
19.	PIU	Policy Implementation Unit
20.	PPP	Public-private partnership
21.	SPV	Special Purpose Vehicle

Annexure – 1

List of eligible products covered under this policy:

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**