



सत्यमेव जयते

Electronics Policy for the State of Gujarat (2014-19)

Department of Science & Technology

Government of Gujarat

November 2014

PREAMBLE

Electronics System Design and Manufacturing (ESDM) is one of the largest and fastest growing manufacturing industries in the world. By one estimate, the current global market size of USD 1.75 trillion is expected to rise to USD 2.4 trillion by 2020.

2. National Policy on Electronics – 2012, inter-alia, contemplates as follows:

2.1 The demand of electronic goods in the Indian market was to the tune of USD 45 billion in 2008-09 and is expected to rise to USD 400 billion by the end of 2020.

2.2 At the current rate of growth, the domestic production can cater to a demand of USD 100 billion by 2020 as against the total projected demand of USD 400 billion, leaving a demand-supply gap of nearly USD 300 billion by 2020.

2.3 India is one of the fastest growing markets for Electronics in the world. There is a huge potential to develop the ESDM sector in India to meet with our domestic demand as also to use the capabilities so created to successfully export electronic products out of the country.

3. Hitherto, ESDM was a part of the overall IT Policy of the State. However, with a view to providing focused attention on the subject and addressing the global developments and their cascading effect, the need of formulation of a separate Electronics Policy has become imperative. Therefore, after careful consideration, the Government has decided to lay down the Electronics Policy of the State as under:-

I. VISION

To set up a globally competitive electronics system design and manufacturing industry with the requisite ecosystem in Gujarat, which, apart from catering to the global and domestic needs of the country, leads towards the all-round development and inclusive growth of the State and thereby contributing to the economic growth and prosperity of the State and the Nation.

II. MISSION

The State Government is committed to give fillip to indigenous manufacturing of electronic products by creating a favourable investor-friendly ecosystem across the entire value chain of ESDM sector by:

1. Rolling out a suitable policy framework for introducing a 'single window dispensation', towards the establishment of the Electronics manufacturing units in the State and addressing the challenges faced by potential investors and suitably facilitating access to necessary infrastructural facilities like land, power, water, etc. for the growth of the industry.
2. Proactively helping in building up a sturdy eco-system of innovation, R&D, product design, engineering, assembly & testing, incubation and production in Electronics in the State.
3. Promoting indigenously developed and environment-friendly manufactured high-quality electronic products, which can be made available to the people of our State and the country at affordable prices, with a view to furthering socio-economic empowerment and inclusive development.
4. Taking up ESDM sector specific skill development & training programmes.
5. Focusing on promotion and branding for Gujarat as a leading ESDM destination.

III. OBJECTIVES

1. To establish Gujarat as a globally-recognized hub for the ESDM industry with a turnover of USD 16 billion by 2020 and an investment of USD 6 billion to create employment opportunities for 5 lakh people by 2020.
2. To increase the export in ESDM sector from the current level to USD 1 billion by 2020.
3. To initiate effective measures in active collaboration/ partnership with prospective stakeholders in the industry to enhance the availability of skilled manpower in the ESDM sector, for which the State Government will lend support for creation of requisite infrastructural facilities for promoting undergraduate/ postgraduate education and for attracting the students to embark upon the studies/ research for doctorate in this field.
4. To promote creation of Intellectual Property (IP) and Research & Development in the ESDM sector. To identify and strengthen the Electronics Laboratories of premier engineering/ science colleges in the State and developing them as Centers of Excellence (CoE) in ESDM sector.

IV. STRATEGIES

1. It has been decided to create such eco-system as to transform the State into a globally competitive ESDM destination. Further, as a part of this Strategy, it has been contemplated

- 1.1. To extend support to the ESDM industry in the State in conformity with the Government of India policies and the notifications pertaining to the ESDM sector.
- 1.2. To constitute a high-level committee with due representation from the Industry for marketing the State's offers based on its competencies and thereby attract investments into the State.
- 1.3. To facilitate setting up of Semiconductor Wafer Fab facilities and its eco- system for design and fabrication of chips and chip components for consumption sectors such as Auto, Telecom, Agriculture, Irrigation, Life Sciences, Education, Energy, Water, Rural Development.
- 1.4. To facilitate setting up of Greenfield and Brownfield Electronics Manufacturing Clusters (EMCs) with world-class logistics, infrastructure and business-friendly facilities with sea, air and inland connectivity.
- 1.5. To assist setting up of Design City in the State to attract leading design companies from across the globe to set up their base in Gujarat.
- 1.6. To encourage coordination and tie up with Electronic Cities of international repute and engage with top ESDM companies to pro-actively invite investments into the State.
- 1.7. To suitably help in providing basic infrastructural facilities like uninterrupted power, water, roads, etc.
- 1.8. To extend support for e-waste management as per applicable rules and regulations.

2. Human Resource Development (HRD)

- 2.1. To work closely with the Private Sector, Universities and other institutions of learning in

designing tailor-made curriculum/programmes to cater to the requirements of the industry.

- 2.2. To facilitate enhancement of the number of graduates / post graduates and other skilled manpower by suitably increasing capacities in Colleges / Universities / ITIs / Polytechnics / Kaushalya Vardhan Kendras (KVKs) through public-private partnership and otherwise by the Education and Labour & Employment Departments of the State Government.
- 2.3. To establish an ESDM University as one of the leading technology research institutes in the Asia region.
- 2.4. To forge global partnerships with international institutes of repute and top corporates in the sector for innovation, R&D, knowledge transfer, strategic tie-ups, etc. in coordination with Gujarat Innovation Council.
- 2.5. To encourage Industrial internships for UG/PG students and faculty exposure programme in ESDM Industry.

3. Creating local demand for electronic products and promoting ESDM companies in the State:

- 3.1. Preference will be given to locally manufactured electronic products in the State for Government purchase / procurement based on the criteria linked to the extent of local value addition in line with the Preferential Market Access (PMA) Policy of the Government of India. Even if a company obtains contract manufacturing services from a Gujarat-based unit or procures components manufactured in Gujarat, the value of such services / components will be included in the value addition. The Science and Technology Department will publish detailed guidelines in this regard in due course.
- 3.2. The establishment of a free trade & warehousing zone (FTWZ) for Raw Materials, Components, Consumables, Parts and packing Materials required for Electronics hardware manufacturing will be suitably facilitated in the State to make access to input/ raw material easy for local Industry.

4. Creating eco-system for innovation, R&D and incubation in ESDM sector:

- 4.1. To facilitate IP development by Indian industry, academic and R&D institutions with the active support of the State Government. IP creation by local units will be given prime importance.
- 4.2. To infuse special funds jointly in partnership with the industry and/or other academic institutions of excellence for promoting innovation and incubation.
- 4.3. To support setting up of R&D centres equipped with Testing/ Validation/ QA equipments to be shared by the industry.
- 4.4. To set up ESDM Incubation Centres and Product Development Centres in collaboration with global R&D centres of eminence and repute.

V. DEFINITIONS

1. The Policy shall cover the ESDM sector.
2. **ESDM** shall include the entire value chain of all electronic verticals/ products covered under the National Policy on Electronics and related notifications issued by the Department of Electronics & Information Technology (DeitY), Ministry of Communication & Information Technology, Government of India and will also include computers and peripherals, communication devices, electronic manufacturing services, strategic electronics and its components, industrial electronics, automotive electronics, telecom electronic equipment, information and broadcasting electronic equipment, medical electronics, electronic gaming and electronic toys. The classification of the products covered under this Policy is at Annexure A.
3. **Micro, Small and Medium Enterprises (MSMEs)** in ESDM shall be construed as per the definition in the MSME Act, 2006 of the Government of India as amended from time to time.
4. **Gujarat-based ESDM Unit** means a Unit having its manufacturing facility in Gujarat.
5. **New Unit** means a unit which commences commercial production / service during the operative period of this Policy and has obtained an acknowledgement for filing Entrepreneur's Memorandum (EM) with the concerned District Industries Center (DIC) or Industrial Entrepreneur's Memorandum (IEM) with Government of India.
6. **Existing Unit** means a unit which is in production/service at the time of implementing

expansion/ diversification.

7. **Expansion/ Diversification:** An expansion and/ or diversification contemplated with or without forward/ backward integration, with an investment of more than 50% of its existing gross fixed capital investment on the date of initiating expansion/ diversification and commencing production of said expansion/ diversification during the operative period of the policy, shall be termed as Expansion.
9. **Eligible Units:** New units will be eligible for availing of incentives under this Policy. Existing units carrying out expansion/ diversification during the operative period of this Policy will be eligible for one-time incentives.
10. **Gross Fixed Capital Investment:** Gross Fixed Capital Investment means the investment made in required building, plant and machinery and other related fixed assets required to manufacture end products or services by eligible unit within one year (two years in case of Mega ESDM Project) from the date of production or during the operative period of this Policy whichever is earlier.

VI. INCENTIVES

1. **The State Government will play a proactive role for extending support to eligible units/ clusters, students and Institutions to avail benefits under the following Notifications of Government of India as amended or revised from time to time:**
 - 1.1. Notification dated 27th Jul 2012 on Modified Special Incentive Package Scheme (M-SIPS) to offset disability and attract investments in Electronics Systems Design and Manufacturing (ESDM) Industries.
 - 1.2. Notification dated 22nd Oct 2012 on the Electronics Manufacturing Clusters (EMC) scheme to provide world class infrastructure for attracting investments in the ESDM sector.
 - 1.3. Notification dated 31st Oct 2013 on the Scheme for financial assistance for Skill Development in ESDM sector.
 - 1.4. Notification dated 04th Mar 2014 on the Scheme for supporting MSMEs in the Electronics Sector

- 1.5. A scheme to enhance the number of PhDs in the ESDM and IT/ITeS Sectors (The PhD Scheme) dated 04th Mar 2014.
2. **State Government incentives for clusters and anchor units:** In addition to the benefits under the aforesaid schemes of Central Government, the State Government will offer
 - 2.1. Assistance of up to 25% of the Project cost (as defined under Guidelines for EMC Scheme dated 15th Apr 2013) to Greenfield EMCs, subject to a ceiling of Rs. 10 Crores.
 - 2.2. Special Incentive Package for two Anchor Units (with investments more than Rs. 100 crores) in each of the Greenfield EMCs.
3. **Registration/Stamp Duty Concession:** ESDM units which intend to establish/expand/diversify will qualify for 100% exemption in stamp duty and registration fee in lease/sale/transfer of land for the first transaction.
4. **Uninterrupted Availability of Power & Power Tariff Subsidy to ESDM Units:** With a view to sustaining the industry, Government will allow uninterrupted power supply and sanction subsidy in power tariff as under:
 - 4.1. If required, dedicated additional feeders would be provided both to the Greenfield as well as Brownfield EMCs.
 - 4.2. Power Tariff Subsidy @ Re. one per unit in the billed amount of the utility for the units will be available for the period of 5 years as promotional incentive to eligible units.
 - 4.3. The units purchasing electricity only from the state electricity / power distribution licensee will be eligible for this subsidy. The units either generating power from its captive power plant or getting electricity through open access will not be eligible for the subsidy
 - 4.4. The units setting up captive power plant will be given assured supply of lignite under an agreement with Gujarat Mineral Development Corporation (GMDC) for a period of five years.

5. The eligible units will be provided 100% exemption on Electricity Duty for a period of five years from the date of commencement of their production. However, existing units will be entitled for Electricity Duty exemption only for additional power.
6. **VAT/CST Incentive:**
 - 6.1. The eligible units will be provided reimbursement of net tax paid by them under Section-13 of Gujarat Value Added Tax Act against their output tax liability. The reimbursement will be limited to 90% of the Gross Fixed Capital Investment made by the eligible unit within one year (two years in case of Mega ESDM Project) from the date of production or during the operative period of this Policy whichever is earlier. Additional tax will not be eligible for reimbursement. In no case, the amount of reimbursement shall exceed the total inflow of tax paid into the government treasury. Incentive to multiple units in a single supply chain (downstream or upstream units/trades) will not be allowed i.e. if a supply has been considered for tax incentives for a unit the same supply should not lead to incentive for an upstream or downstream unit. There would be certain restriction in respect of transfer of goods produced by eligible units out of State by the subsequent dealers so as to ensure that amount reimbursed is not again being claimed by way of tax credit for inter-State sale, branch transfer, consignment and export. This incentive will be available within 8 years from the date of production.
 - 6.2. For domestic sales outside Gujarat (inter-State sales), Central Sales Tax (CST) paid into Government treasury would be reimbursed, till GST is introduced. The amount of benefit availed under this also will be counted against the ceiling mentioned in para 6.1.
 - 6.3. Notwithstanding anything mentioned in above clauses, it is stated that under the GST regime, the unit shall be reimbursed up to the extent of SGST paid in intrastate sale of the specified goods subject to the tax actual realized into the treasury.
7. **Employment Generation Grant on EPF:** Eligible units as defined in this Policy will be entitled to the reimbursement of the Employers' PF Contribution deposited by them for the employees for a period of five years subject to a ceiling of Rs. 5 lakhs per unit per year. However, existing units carrying out expansion/diversification will be entitled for this incentive for their additional employees engaged for expansion/diversification only. This reimbursement would be as per

the following criteria

- 100% of EPF amount paid in case of female employees
- 75% of EPF amount paid in case of male employees

8. Single-Window Clearance System:

8.1. An empowered 'Single Window Clearance Committee' will be set up and operationalized for granting approvals and clearances for setting up New Units in the State.

8.2. It would be supported by a 'state-of-the-art centralized help desk call centre' on 24x7 basis.

9. Special Scheme to Assist Training Institutions and Trainees in the ESDM industry: In addition to the Skill Development assistance provided by the Government of India, the State Labour and Employment Department would come out with a new Scheme with customized courses with on-floor training for skill development in the ESDM sector, if necessary, by utilizing the resources of the Directorate of Employment and Training, Gujarat Knowledge Society (GKS) and other organisations.

10. Interest Subsidy: Eligible units will be entitled to avail interest subsidy as under:

10.1. Interest subsidy for five years @ 7% for MSMEs and 2% for large Industries having an actual investment up to Rs. 100 Crores.

10.2. 1% additional interest subsidy to the youth less than 35 years of age in case of the first project or to the SC/ST/Women/Differently-abled persons.

10.3. Maximum amount of interest subsidy per annum shall be Rs. 25 lakhs (Twenty Five Lakhs only) for MSMEs and Rs. 50 lakhs (Fifty Lakhs only) for large units.

10.4. Other conditions shall be applicable in accordance with the Scheme for Assistance to Manufacturing Sector as per Government Resolution of Industries and Mines Department No. BJT-102012-92765-I dated 26-02-2013 as amended and/or revised

from time to time.

11. **Incentives to ESDM MSMEs:** Following incentives under Scheme for Assistance to Micro, Small and Medium Enterprises (MSME) as announced by the Government vide Resolution No. MSM/102009/57928/I dated 27-2-2009 as amended and/or revised from time to time would be applicable to ESDM MSMEs:

11.1. **Quality Certification:** Any MSME EDSM unit registered in Gujarat will be granted assistance for a maximum of three industry standard quality certifications, at a rate of 50% of cost of quality certification within the overall ceiling of Rs. 6 lakhs in 5 years. The amount of assistance will include:-

- a) Fees charged by certification agency
- b) Consulting fees and training charges
- c) Cost of testing equipment as suggested by BIS and other national or international quality marks such as WHO, GMP, CE, HACCP.
- d) Calibration charges of equipment

This 'Quality certification scheme' will be supplementary to the Central Government scheme.

11.2. **Technology Acquisition Fund:** Assistance for acquisition of appropriate technology in any form to a group of at least 10 MSMEs for a specific product/platform will be provided by way of 50% grant subject to maximum of Rs. 1 cr. per technology including royalty payments for the first two years.

11.3. **Support to R&D Institutions:** In order to give impetus to the Research and Development, need-based support will be provided to R&D institutions set up with the approval of the State Government.

- a) Apart from new R&D institutions, testing facilities, incubation centres, etc. will also be covered. The assistance will be given up to 60% of the project cost excluding land and building subject to maximum of Rs. 50 lakhs.
- b) Assistance for Contract/Sponsored research work from any industrial unit /

industry association to recognized R&D Institution / Technical College approved by AICTE will be considered at 50% of the project cost, excluding cost of land and building, subject to maximum of Rs 50 lakhs.

11.4. Patent Assistance

- a) Assistance at the rate of 50% subject to a ceiling of Rs.10 lakhs (Rupees Ten lakhs only) for meeting with the expenditure for obtaining domestic patents by any Electronics unit/institution.
- b) Quantum of assistance can be enhanced to Rs. 25 lakhs for international patents by a Company.
- c) Fees paid to patent attorney and patent service centre will be included
- d) Maximum five patents per unit over a period of five year will be eligible.

11.5. Market Development Support

- a) Assistance to MSME units for participation in International Trade Fairs outside India at the rate of 50% of expenditure towards (i) total rent of stall or rent of space and amount paid to organizer towards creation of stall and on rented space (ii) product literature/ catalogue and (iii) display material subject to maximum Rs. 2 lakhs. The assistance provided will be only twice during the operative period of the scheme. The assistance would be in the way of reimbursement. MSME units shall have to apply within six months from the date of participation for the assistance.
- b) Assistance to Industry Associations for participation in International Trade Fair as Gujarat Pavilion outside India @ 50% of total rent. Maximum to Rs. 10 lakhs. Minimum five industrial unit's participation is necessary to get assistance. Assistance shall be in the form of reimbursement.
- c) Viability Gap Support to Industries Associations for organizing Seminars / Exhibitions in Gujarat. Maximum of Rs.4 lakhs for national and Rs. 8 lakhs for international Seminar/Exhibition.

12. Semiconductor Fabrication has been notified as a Focus Sector under the Scheme for Assistance to Mega/ Innovative Projects as per Government Resolution of Industries and Mines Department No. BJT-102012-92765-I dated 29-12-2009. The incentives to this focus sector under the said Scheme, as amended and/or revised from time to time, would also be applicable to eligible units under this Policy.
13. **Mega ESDM Projects:** Projects generating employment of more than 500 persons and fresh investment of Rs. 250 Crores (excluding the cost of land) and above will be construed as Mega Projects. A special package of incentives will be offered on a case-to-case basis for Mega Projects.
14. ESDM industry will be declared as essential service under Gujarat Essential Services Maintenance (ESMA) Act. State Labour and Employment Department would make necessary amendments to the ESMA to include ESDM Industry in the List of Essential Services.
15. **Mega Electronics Event:** A Mega Electronics Event along the lines of 'Vibrant Gujarat' shall be organized in the State in partnership with the industry.
16. Scheme of Assistance to Micro and Small Enterprises (MSEs) for purchasing shed and plot in mini estates developed by GIDC or by private developer and assistance in rent to MSEs as and when notified by State Industries and Mines Department, would be applicable to MSEs in the ESDM sector as well.

VII. GUJARAT ELECTRONICS MISSION (GEM)

Government of Gujarat will set up an Electronics Mission with the following broad objectives:

1. To act as secretariat to 'Single Window Clearance Committee'
2. To identify and facilitate formation of Electronics Manufacturing Clusters (EMC's)
3. To identify the downstream (ancillary) industries around FAB facility in Gujarat
4. To attract top Design Companies in ESDM sector to invest in Gujarat
5. To set up Incubation Centres, ESDM University, Centre of Excellence, etc.

6. To have representative offices in each cluster for promotion and facilitation, assistance for clearance/ approvals
7. To create country-specific desks to attract ESDM investments from target countries.

VIII. POLICY IMPLEMENTATION

Industries Commissionerate (IC) will implement this Policy in consultation with the Department of Science and Technology till such time as the Gujarat Electronics Mission becomes functional. Eligible units shall avail incentives either under the Industrial Policy in force, or this Policy. The incentives shall be claimed in such a manner so as to obviate duplication of any particular benefit at the State level. The interpretation of this Policy by the Department of Science and Technology will be final.

IX. POLICY IMPLEMENTATION GUIDELINES

The Department of Science and Technology will issue detailed implementation guidelines in consultation with the concerned Department in order to achieve the goals and objectives of this Policy.

X. POLICY PERIOD / OPERATIVE PERIOD

This Policy shall come into force with effect from the date of issuance of Policy GR and shall remain in force for a period of five years or till the declaration of a new or revised Policy. Only those ESDM units which commence production during the operative period of this Policy shall be eligible for incentives.

Classification of the Verticals/ Products & Services covered under the ESDM Sector

S No.	Description
1	Electronics Manufacturing Services
2	Fabless Companies providing services related to manufacture of sub-assemblies and parts including integration services to the Original Equipment Manufacturers (OEMs)
3	Electronic Gaming and Electronic Toys, etc.
4	Telecommunication Equipment and Cellular infrastructure equipment including Base stations, transceivers and associated systems, etc.
5	Mobile phones, Landline phones, Fixed wireless terminal and Fixed cellular terminals, Telephone answering machines, etc.
6	Information and Broadcasting electronic equipment, including Cable & DTH Set top box, etc.
7	Computing devices such as Laptops, Desktops, Servers, Storage Media and Tablet PCs, etc.
8	Computer peripherals such as Printer, Mouse, Webcam, Keyboards, Speakers, etc.
9	Medical Electronics
10	Industrial Electronics
11	Automotive Electronics
12	Avionics and Naval/ Maritime Equipment
13	Atomic Electronics
14	Power Electronics, Grid connecting equipment, etc.
15	Consumer Electronics, including Personal Media, Music Players, CD & DVD players, etc.
16	Communication and Networking devices, Routers, Modems, Devices related to 'Internet of things', etc.
17	Strategic electronics, including assembly and components
18	Homeland Security devices
19	Biometric electronic equipment
20	Camera and Imaging Equipment
21	e-Waste Recycling equipment and process
22	Electronic Testing and measuring instruments, Weighing instruments and microprocessors/ controllers and electronic displays, etc.
23	Memory and Memory Devices

24	Office Automation equipment, like Scanner, printers, scanners, etc.
25	Power backup/ management systems including Invertors, SMPS, UPS and Power Stabilizers, etc.
26	Electronic ballasts, Electronic energy meters, other electronic Meters, Electronic transformers. Chocks, CILs, Inductors, Electronically-operated vending machines, ATM Machines, etc.
27	Electronic active/ passive components
28	PCB, its design and manufacturing ecosystem
29	R&D, Prototyping, Testing and Certification
30	Nano Electronics
31	Electronic teaching aids, education equipment, etc.
32	LED Fab, intermediaries and LED products
33	Liquid crystal devices, Electronic display devices including Flat panel display devices, etc.
34	Traffic control equipment
35	Electronic equipment for Railways, signaling, interlocking systems for railways, LED, Lights, etc.
36	Software services for electronic devices
37	Solar photovoltaic cell/ modules and panels, systems/devices, Solar lanterns/ lamps
38	Space application for satellites, etc.
39	Electronic Accessories of various products including mobile phones, automotive, communication devices, etc., power adaptors/ chargers, Home electronic fixtures like door locking system, door closers, etc., Biometric readers, Smart card readers/writers, RFID readers/writer, RFID tags & Smart cards turnstiles. Electronically-controlled boom barriers, etc.
40	All Electronic assembly, sub-assembly, parts, etc.
41	Vertical/ Products/ Services not included in above list will be referred to a High-Level Committee (HLC) for eligibility and HLC decision in this regard will be final.

Note

- Entire value chain of all electronics verticals/ products covered under National Policy on Electronics and related notifications issued by Government of India are also covered under this policy.
- Value chain includes conceptualization of a Product Idea, Innovation, R&D, Product Design, Components, Assembly, Testing and Fabrication.