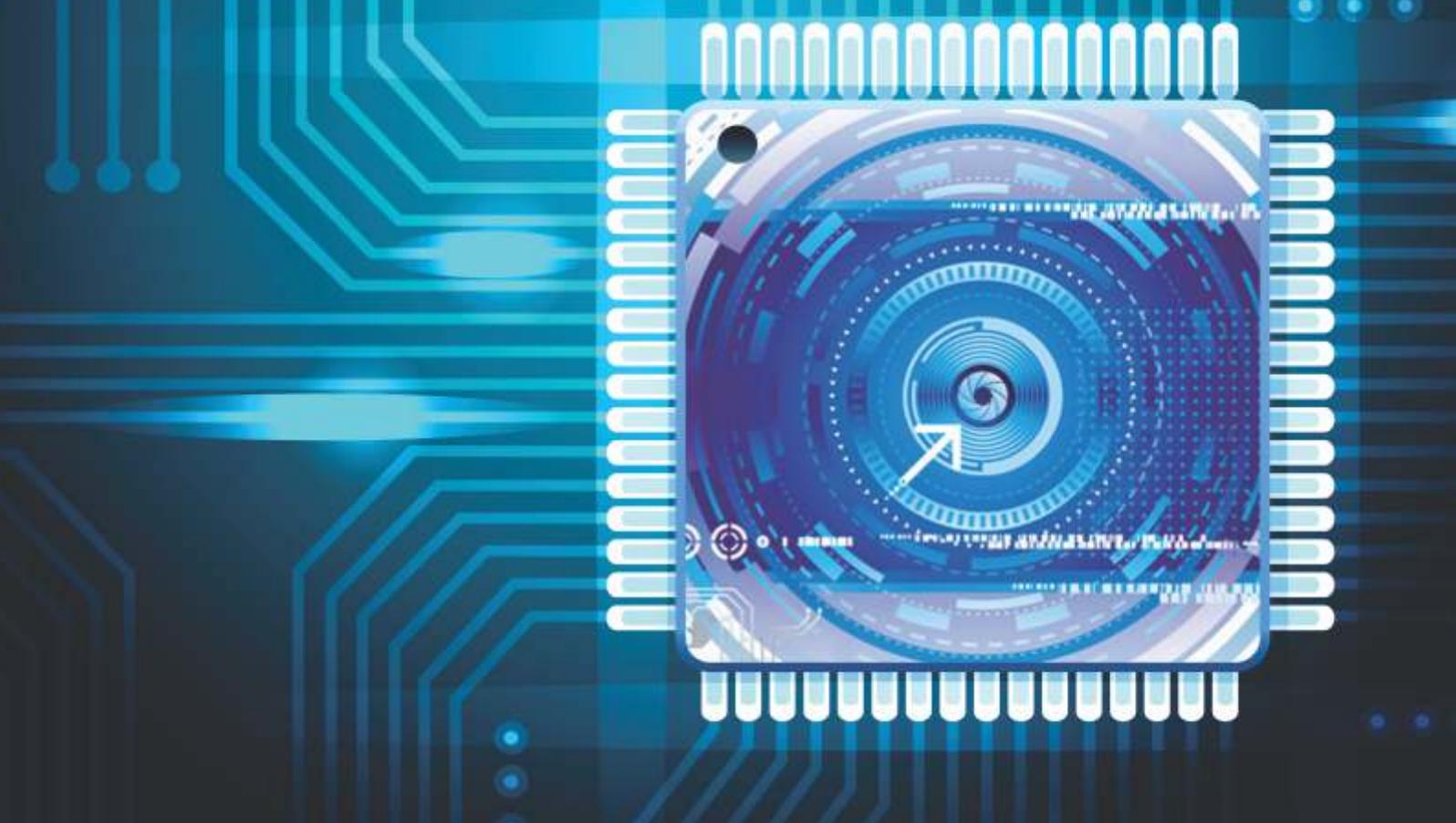




# ELECTRONICS POLICY 2016

# INDEX

	PAGE
PREAMBLE: ELECTRONICS SECTOR TODAY	06
1. Electronics in Telangana	09
2. Vision and Goals	10
3. Focus Areas	11
4. Definitions	11
5. Incentives	12
6. Infrastructure Support	17
7. Promotion of “Electronics Telangana”	17
8. Governance Mechanisms and Facilitations for Electronics Industry	18



## Preamble: Electronics Sector Today

Electronics Manufacturing Industry is one of the largest and fastest growing industries in the world. Currently, the size of the industry is estimated at nearly USD 1.75 trillion and is expected to reach USD 2.4 trillion by 2020. The demand in the Indian market is expected to reach USD 400 billion by 2020.

**The Electronics market size and increase in Electronics exports, up to 2020, are expected to grow to the following levels:**

- i) The current global market size of USD 1.75 trillion is expected to rise to USD 2.4 trillion by 2020.
- ii) The demand of electronic goods in the Indian market was to the tune of USD 100 billion in 2015-2016 and is expected to rise to USD 400 billion by the end of 2020.
- iii) 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.

Domestic demand is expected to be driven by the growth in income levels leading to higher off-take of electronics products, automation demands of corporate sector and Government's focus on e-governance. However, with a low domestic manufacturing base and a low value addition, the demand-supply gap is likely to reach USD 300 billion by 2020, which would far exceed the oil imports. To meet this alarming situation, and to enhance domestic manufacturing and value-addition in the Electronics sector, the Department of Electronics and Information Technology (DeitY), Ministry of Communications and Information Technology (MoC&IT), Government of India, notified the National Policy on Electronics in 2012. The NPE 2012 seeks to attract investments to the tune of USD 100 billion and to create employment of 28 million by 2020.

**This opportunity is driven across the primary elements of the electronic market.**

### **1. Electronic Products**

The Electronic Product market is growing at 16% CAGR over the last decade and is currently a USD 57 billion market. Majority of the local consumption (~69%) of the top 25 products is met through imports. The electronic product market is expected to grow at 26% over the next 5-6 years.

The government aspires to achieve 50% of the current demand through domestic manufacturing / assembly.

### **2. Electronic Manufacturing Services**

The growth of the Electronic Product market has led EMS companies to offer low cost manufacturing, faster turn-around for design and quicker time to market. Many global EMC companies have established in India and are key contributors in enhancing the economic ecosystem. The total turnover of EMS industry is USD 8.02 billion in 2015 and is growing at a CAGR of 28%.

The government policy and incentives as well as the electronic manufacturing cluster policy will enable the industry to grow at such breakneck speed.

### **3. Semiconductor Design**

Semiconductor design has traditionally been the strength for India with approximately USD 12 billion in 2014. Hyderabad, in particular, is the hub for several leading semiconductor design houses. Growing technical competence, with stringent IP protection and environment, will enable the semiconductor design industry to grow at 20% within Telangana. Further, VLSI system design has witnessed a boom in India, and specifically in Hyderabad, due to the increase in demand for chip driven products in consumer electronics, medical electronics, communication, aerospace and other sectors in the State.

### **4. Electronic Components**

The domestic electronic market, including semi-conductors, is approximately USD 4 billion in India. With the industry's focus on innovation, quality and price competitiveness, it is expected to grow further. The Government of Telangana is keen on bringing electronic components into the ambit of the policy to create a concrete vision for the components ecosystem, supported by a strong incentive structure.

Further, a few focus areas have been identified under the umbrella of electronic components -

#### **a. Defense and Strategic Electronics**

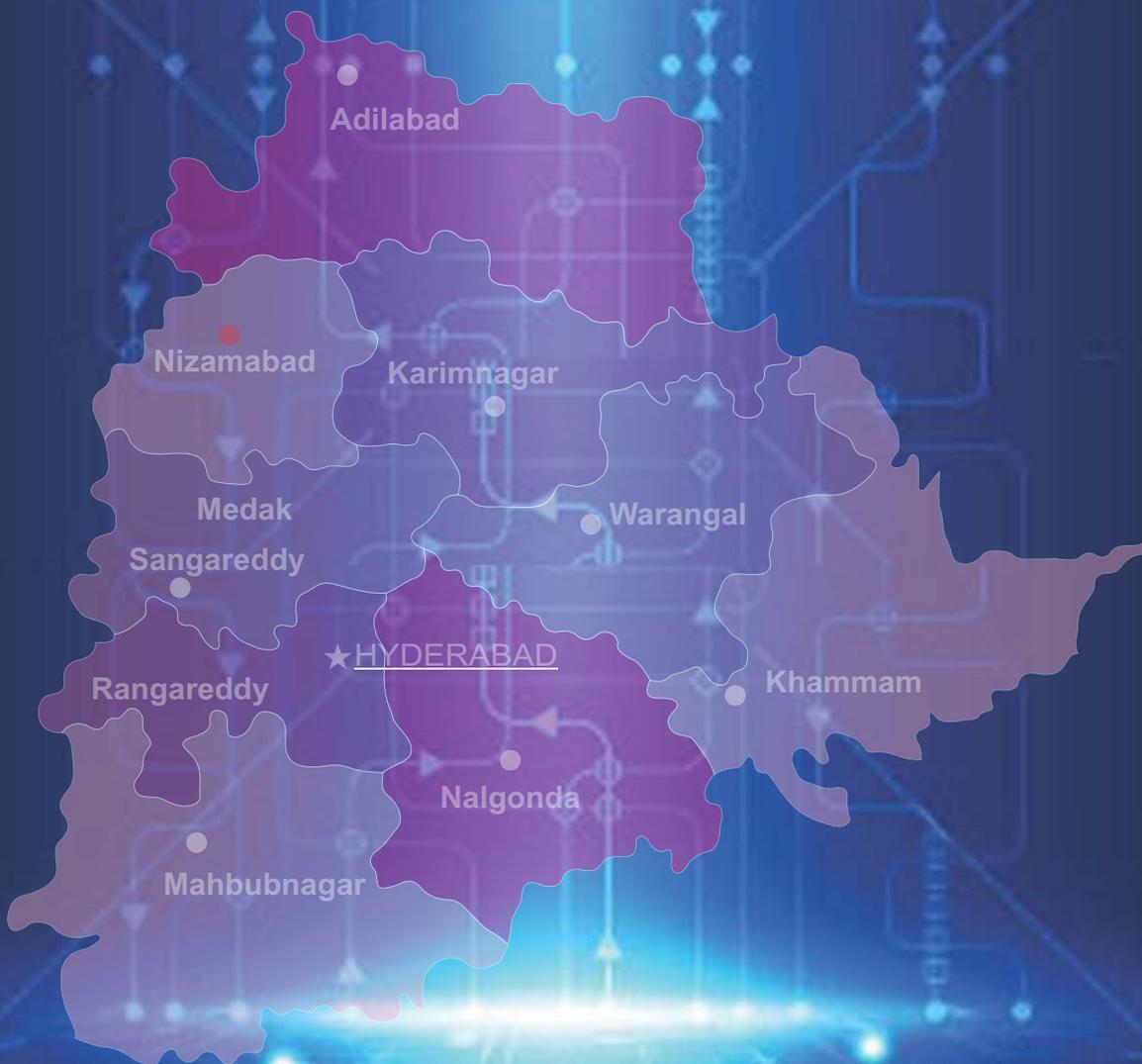
Hyderabad is a major hub for defense research and technology in India. Exponential growth is being seen in Combat systems as well as non-platform based defense strategic programs. This is further fueled by the offset agreement with the global partners to enable technology capabilities, capacity, and process maturity. The market is expected to be USD 23 billion by 2020.

#### **b. LED**

LEDs have witnessed high adoption ratio from consumers in India. Given the strong push towards sustainable solutions, especially in lighting, the Indian LED market is projected to grow to USD 3.5 billion by 2020.

#### **c. Mobile Manufacturing**

Given the low labour cost and the large domestic market, India is on the path of becoming a mobile manufacturing hub. Mobile manufacturing segment has positioned itself as a major contributor to revenue generated from electronics. Realizing the potential of this market, this segment shall receive major focus.



# Electronics in Telangana

Telangana has continuously been at the forefront of electronics manufacturing in the country. The traditional entrepreneurial spirit of the locals, coupled with the access to skilled workforce and inherent supply chain advantages of the location have resulted in tremendous growth of the Electronics industry over the last two decades. Over time, a physical ecosystem has evolved with the Electronics and associated industries in and around Hyderabad. Additionally, the high quality of technical education and skilled graduates from engineering colleges across the state has served as a critical growth factor.

Hyderabad, currently, is marching towards establishing itself as one of the leading electronic hubs globally. It houses over 250 companies, both large and small which together employ greater than 50,000 professionals. In 2014-15 the total value of electronic products and services exports accounted for USD 250 million and this amounts to about 6% of national electronics exports. Further, the same year had witnessed a massive growth in production to the value of USD 1 billion. Hyderabad houses key global players in the MSM and Mega industries sectors, such as Nvidia, Motorola, Qualcomm, AMD, CDAC, Cypress, etc., in addition to home grown companies such as BHEL, BEL, HBL, ECIL, etc. Recently, Hyderabad has attracted investments from giants such as Apple, Micromax, etc. and has cemented its position as a promising electronics investment zone on the global map.

# Vision and Goals

## The Vision envisaged for the Telangana Electronics Policy 2016 is:

Promoting Telangana as the ideal destination for Electronics Industry through creation of sustainable ecosystem, making this industry a major contributor to employment and economy in the State

Based on historical analysis as well as the projections made by industry, Telangana aspires to achieve the following by 2020:

- i. **Attract investments** to the tune of USD 3 billion in the Electronics sector
- ii. **Create an employment** of 160,000
- iii. **Enhance production** from approximately USD 1 billion to USD 7.5 billion

The State seeks to achieve this aim through-

### a) Infrastructure support

- a. Development of state-of-art EMCs by public and private collaboration
- b. High quality roads and transportation
- c. Good connectivity through rail, road and air
- d. Reliable electricity and water supply
- e. Promote the concept of duty free warehousing

### b) Access to skilled workforce

Create environment to ensure availability of low cost and skilled workforce through

- a. Skill development programs from TASK
- b. Workforce training subsidies

### c) Supportive policy environment

- a. Incentivize domestic production
- b. Favorable regulatory environment resulting in ease of doing business

### d) Tax and fiscal regime

- a. Subsidies and other incentives
- b. Stable and predictable tax regime

**Although the Government of Telangana seeks to generate a myriad of positives through technological evolution, there have been rising ecological concerns over e-waste generation, management and disposal. Realizing the growing concern over e-waste, the Government of Telangana shall work on the following initiatives-**

- a) Formulate a comprehensive regulatory approach surrounding e-waste management
- b) Design an efficient mechanism for auditing safe e-waste management practices and ensuring compliance
- c) Setting a direction for promoting safe e-waste management practices

# Focus Areas

In order to achieve the above goals for the IT department, the Government has identified 5 key focus areas:

Development of dedicated EMCs and quality infrastructure

Encouraging Electronics companies by ensuring end to end supply chain for all sub-sectors

Human resources development

Promote R&D, create ecosystem for innovation and startups

Improving the ease of doing business

This in turn is expected to reinvent the business propositions and incentivize the sector so that the Industry can penetrate the global markets not only on value and cost factors, but also on customization.

Keeping the above in view, Government, after elaborate discussion with respective stakeholders of Electronics sector, such as TELMA, ELCINA, MAIT, ICA, IESA etc., identified the following initiatives to be provided to the Electronics Industry in the State of Telangana.

# Definitions

- Electronics Industry for the purpose of application of this Electronics Policy 2016 includes **Electronic Products, Electronic Manufacturing Services, Semiconductor & VLSI design, and Electronic Components.**
- **Micro, Small and Medium Enterprises (MSMEs)** in the Electronics sector are defined as by the Government of India.
- **Startup units** in the Electronics sector are as defined under ICT Policy 2016.
- **Mega Project** means the Industrial unit, which is set up with a capital investment of INR 200 Crores and above or a project that creates employment for more than 1000 persons.

# Incentives

## 6.1 Incentives provided by Govt. of India under the National Electronics Policy (NPE) 2012

### i. Financial incentives under M-SIPS:

Districts of Hyderabad, Ranga Reddy & Medak have been notified under the Brownfield EMCs and are eligible for the financial incentives under the Govt's M-SIPS scheme: Electronic products manufacturing units shall be provided incentive for 20% of capex for SEZ based units and 25% of capex plus reimbursement of excise/ CVD on capital equipment for non-SEZ based units. Thresholds for investments in the Electronics unit have been defined in the M-SIPS 2012 notification of MOC-IT.

### ii. Financial assistance for greenfield and brownfield EMCs:

- a. For greenfield EMCs, financial assistance will be provided for up to 50% of project cost, limited to INR 50 Crores for every 100 acres of land
- b. For expansion/ upgradation of brownfield EMCs, financial assistance will be provided up to 75% of the project cost, limited to INR 50 Crores

### iii. Development of Electronics Manufacturing Clusters by MSMEs:

- a. Reimbursement of expenses of diagnostic study for Greenfield or Brownfield EMCs – INR 2.50 Lakhs/cluster
- b. Reimbursement of expenses incurred for soft interventions will be 75% of the sanctioned amount of the project cost in the DPR, limited to INR 2.5 Lakhs/cluster
- c. Reimbursement of expenses incurred for preparing Detailed Project Report (DPR) – INR 5 Lakhs/cluster

### iv. Preferential market access:

The policy of Govt on preferential market access in Government procurement for domestically manufactured electronics products shall be implemented in all Government of Telangana departments. Special preference shall be given to Telangana-based manufacturers.



**v. Reimbursement of expenses for testing and certification required forexport for MSMEs:**

- a. Reimbursement of testing charges incurred for getting the products tested from any lab domestic/abroad, subject to the testing charges incurred for getting the products tested at STQC labs as per prevailing rates of test charges levied by STQC labs. The maximum reimbursement under the scheme would be limited to INR 75,000/-
- b. Reimbursement of 25% charges towards the annual certification fee paid to any certification body (domestic/abroad) per model at actual, subject to:
  - Upto INR 50,000/- for one model.
  - Upto two certifications and each model would qualify only once under the scheme

**vi. Reimbursement of expenses relating to compliance with "Indian Standards for MSMEs:**

- a. Reimbursement of actual testing charges subject to the testing charges incurred for getting the products tested at STQC labs (for initial registration as well as during surveillance) as per prevailing rates of test charges levied by STQC labs. The maximum re-imburement under the scheme would be limited to INR 75,000/-
- b. Reimbursement of actual test charges received by BIS for Registration (Max. INR 25,000/-)

**vii. Skill Development:**

- a. To facilitate skill development in the Electronics sector focusing on youth to increase their employability to work in 'Manufacturing' and 'Service support' functions, a 'Scheme for Financial Assistance to Telangana for Skill Development' has been approved by Gol.
- b. The scheme provides for 75 % of training fee as assistance for training courses identified by Electronics Sector Skills Council, Telecom Sector Skills Council and NIELIT.
- c. The scheme also provides for 100% fee reimbursement to 40% of the seats which would be reserved for the candidates belonging to SC/ST/Economically weaker sections.
- d. Further, Registration-cum-Certification fee per candidate (for the first attempt only) would also be reimbursed to assessing/certifying agencies.
- e. A target of 10,000(2000 per year) candidates for Telangana has been set to benefit from this scheme

**viii. Promoting R&D and announcement of national awards:**

- a. Gol has targeted to increase the number of PhDs to 3,000 over a period of 5 years with 100% funding by the Gol
- b. To recognize the achievements in the Electronics industry, to motivate the entrepreneurs in the sector and to encourage new investments and innovation in the sector, Gol has constituted various national awards with budget of more than INR 3.5 Crores

## 6.2 Incentives provided by the Government of Telangana

### 6.2.1 Common incentives applicable to all categories of Electronics Industry

- i. Electronics Industry units are regulated and governed as per the provision of the Air Act, Water Act, and E(P) Act, 1986
- ii. Electronics Industry companies are exempt from the purview of statutory power cuts on similar lines as the IT/ITES Industry
- iii. Electronics units are permitted to file self-certificates, in the prescribed formats for the following:
  - i. The Factories Act, 1948
  - ii. The Maternity Benefit Act, 1961
  - iii. The Telangana Shops & Establishments Act, 1988
  - iv. The Contract Labour (Regulation & Abolition) Act, 1970
  - v. The Payment of Wages Act, 1936
  - vi. The Minimum Wages Act, 1948
  - vii. The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
  - iv. **General permission** on similar lines of IT/ITES Industry for three shift operations with women working in the night for Electronics Industry.
- v. **Exemption of Registration, Transfer & Stamp Duty:** Electronics industry shall be eligible for 100% reimbursement of the Stamp Duty, Transfer Duty and Registration Fee paid on sale / lease deeds / mortgages and hypothecations on the first transaction and 50% thereof on the second transaction. This is not applicable on allocation of Government land.
- vi. **Power Subsidy:**
  - a. Electronics industry is classified as industrial units for the purpose of levying the industrial power tariff category. Industrial Power Category Conversion Certificate is accorded on all the Service Connections (Power Meter No.), and exclusively used by the IT industry for their operations, even in multiple locations/meters. The effective date of application of the incentive of Industrial Power Category tariff, is from the date of issue of the said Certificate by Government.
  - b. Electronics companies will be permitted to avail renewable energy under open access system from within the state after paying cost component to DISCOMs as fixed by ERC (subject to a maximum of one third of their total power requirements).
  - c. **Exemption of Electricity Duty:** New Electronics industry units, after coming into commercial operations will be entitled for 100% exemption on Electricity duty for a period of 5 years
- vii. **Assistance in Patent Filing:** 50% of the cost of filing patents will be reimbursed to the companies having their headquarters in Telangana, subject to a limit of INR 2 Lakhs
- viii. **Reimbursement of Costs for Quality Certification:** 50% subsidy on the expenses Incurred for quality certification limited to INR 2 Lakhs (Conformity European (CE), China Compulsory Certificate (CCC), UL Certification, ISO, CMM Certification, SA, RU etc.)
- ix. **VAT/ CST/ SGST Reimbursement:** 100% Reimbursement of net VAT/CST or State Goods and Services Tax (SGST) for a period of 5 years from the date of commencement of commercial production to Micro and Small companies, limited to a maximum of INR 5 Crores. In case of Medium, Large and Mega companies, this reimbursement is applicable for a period of 7 years from the date of commencement of commercial production, limited to the investment made in plant and machinery.

The unit can deposit the tax for the first quarter and reimbursement of net VAT would be credited at the end of the quarter, subject to its adjustment, depending upon actual incident of taxation. Effectively, it means reimbursement of net VAT on a quarterly basis and will be applicable for first 5 years for Micro and Small companies, and first 7 years for Medium, Large and Mega companies.

- x. **Transport Subsidy:** Transport subsidy on fuel cost / billing and freight (train), for the first five years on imports of the parts & components, from the sea port to Telangana plant. Following is the percentage subsidy that shall be offered over 5 years: 1st year – 60%, 2nd year – 50%, 3rd year – 40%, 4th year – 30% and 5th year – 20%.
- xi. **Skill upgradation & Training:** To provide skill upgradation training in the Electronics sector for required number of candidates and to contribute matching share in the EDF as per Government of India Policy
- xii. **Investment Subsidy:** 20% Investment Subsidy, up to a maximum of INR 2 Crores, for the first 25 eligible companies in Medium, Large and Mega categories; up to a maximum of INR 50 Lakhs for the first 50 eligible companies in Micro and Small categories
- xiii. **Land Cost and Lease Rentals:**
  - a. Land shall be made available at affordable costs to companies. Further, the Government shall provide a 25% subsidy on lease rentals to eligible companies for a period of 10 years.
  - b. 20% of land that is allotted by the Government of Telangana can be used for dormitories exclusively for the employees
- xiv. **Promotion of use of Cleaner/ Greener Practices:** Suitable incentives from policies and GOs approved by the Industries and Commerce, and Energy departments shall be applicable.
- xv. **Land Conversion Subsidy:** The Telangana government aims to encourage the private EMCs by assisting in conversion of land from agricultural to non-agricultural.

### 6.2.2 Specific Incentives for Mega Projects and other Areas of Strategic Importance

The different segments in the Electronics sector need to be promoted to enable them to compete with the global markets as well as domestic consumption.

- i. **Mega Projects**
  - a. Government will also extend tailor-made benefits to Mega and Strategic Projects to suit to a particular investment requirements on case to case basis.
- ii. **Special incentives** shall be provided to the following focus areas-
  - a. Medical electronics
  - b. IoT
  - c. LED
  - d. Semiconductors
  - e. Display
  - f. Aviation and automotive electronics
- iii. **Mobile Manufacturing Units**
  - a. **Allotment of Land:** To allot land without infrastructure cost considering to "Anchor Unit" and total of 10 units will be considered as Anchor units and will be considered for allocation of land on cost basis to this industry.
  - b. **Power Subsidy:** To supply power on average cost of service (as fixed by Telangana State Electricity Regulatory Commission). Alternatively, the units can avail 25% power subsidy for a period of 3 years or INR 30 Lakhs, whichever is earlier.

- c. **Reimbursement of Costs for Quality Certification:** To develop a system of self-certification, by the Industries Department, in consultation with concerned departments, subject to the unit complying with all provisions which will be followed for these units.
- d. **Stamp Duty:** To reimburse 100% stamp duty.
- e. **Patents:** To reimburse 100% cost towards incentives for filing patents limited to INR 5 Lakhs.
- f. **Capital Subsidy:** To allow a 20% capital subsidy, subject to a ceiling of INR 10 Crores per company (including subsidiaries and ancillary units).
- g. **Interest Subvention:** 5.25% per annum on term loan for a period of 5 years or till reaching 50% of the capital involved, whichever is earlier, subject to an overall ceiling of INR 1 Crore per unit per annum.
- h. **Reimbursement of Net VAT:** The unit can deposit the tax for the first quarter and reimbursement of net VAT would be credited at the end of the quarter, subject to its adjustment depending upon actual incident of taxation. Effectively, it means reimbursement of net VAT on a quarterly basis and will be applicable for first 5 years without any investment limit.
- i. **VAT Rate :-** The rate of VAT will be 5%.
- j. **CST:** To waive off CST @2%.

**iv. Women Entrepreneurs:**

- a. Additional 10% investment subsidy for Women subject to a maximum of additional INR 10 Lakhs for MSEs.
- b. INR 5 Lakhs as recruitment assistance, basing on the level of employment generated, for employing minimum 50 employees within two years of commencement of commercial operations. This assistance will be managed and disbursed by TASK.
- c. Providing 25% subsidy on lease rentals up to INR 10 Lakhs per annum maximum up to a period of three years, for the plug-and-play built up office space from 1000 sft. to 10,000 sft., Industry Shed ranging from 1000 sft to 20,000 sft, leased from Government or Private owned IT Park / IT SEZ / Industrial Park.

**v. SC / ST Entrepreneurs:** Incentives and subsidies shall be applicable as mentioned under T-PRIDE.

**vi. Support to R&D Institutions**

- a. Promote innovation in the Electronics sector through Awards by way of grants.
- b. Assistance at 20% of project cost or up to INR 10 Lakhs, whichever is lower, for sponsored research work from any industrial unit to Government R&D Institution / Government Technical College

# Infrastructure Support

- i. Mega Electronics Hub:** Government of Telangana is developing Hyderabad Information Technology and Investment Region (ITIR) in an area of 200 sq km.
- ii. Common Facilities Centre:** Common Facilities Centres would be created in each of the proposed EMCs.
- iii. PPP for Creation of Electronics Infrastructure:** The facilities, in the form of electronics hubs, hardware parks and electronics zones, shall be developed adopting a transparent PPP policy.
- iv. Provision of Built-up Space:** The Government of Telangana shall actively pursue the creation of built up spaces and provide it at subsidized rates to eligible companies.
- v. Other Critical Infrastructure:**
  - a. **Connectivity:** The Government shall strive to provide state of the art connectivity across the city.
  - b. **Assured Power:** All the notified EMCs will have an assured 24/7 access to power. Necessary laws will be passed to facilitate this mechanism.

## Promotion of “Electronics Telangana”

- i. Mega Electronics Events** shall be organized in the state in partnership with the industry.
- ii. The Government shall encourage **road shows, viability gap funding and marketing activities** to attract investments to the State. Further, the Government shall provide assistance to industry associations and identify liaison officers as point of contacts to simplify investment procedures.
- iii. Incentives to the Industry**
  - **Technology & Market Support:** Government will support Associations of Electronics manufacturers and exporters for conducting surveys and/or research on trends in technology, market intelligence or on other work useful to the Electronics Industry.
  - **Business Networking and Promotional Events:** Government shall promote and encourage participation in various national and international events by the industry and by leading a Government-industry business delegation to the identified Exhibitions and Conferences. A reimbursement/ grant of exhibition subsidy will be awarded for participating in the national/ international exhibitions.

# Governance Mechanisms and Facilitations for Electronics Industry

## i. **Effective Single-Window System:**

The government has implemented a very effective clearance system for the industries that will go beyond the traditional single window system. Electronics Industry will also qualify and follow the similar privileges for single window clearance

This system, called the Telangana State Industrial Project Approval and Self-certification System (TS-iPASS), will be strengthened by way of legislation. A Right to Single Window Clearance, on the lines of the Right to Information, will be bestowed for all applicants. Penal action will be imposed on the concerned officers who delay the applications. The procedure for applying for the incentives offered by the State is as follows-

- a. The format of application is common for all the aforesaid incentives and can be filed on-line by visiting our **web site: [www.telangana.gov.in](http://www.telangana.gov.in)**. However, physical copy of the application, along with requisite supporting documentation, as is indicated, shall be filed for processing and placing it before the CCESDM for consideration of such incentives as per eligibility.
- b. Processing and release of incentives are subject to verification and authenticity of information furnished by company.
- c. An Electronics company is eligible and can apply for claim of any incentive under one category only.
- d. The interpretation and decisions of the Government is final with regard to applications made by the Industry for any of the above incentives.

- ## ii. **CCESDM:** An empowered '**Consultative Committee on Electronics System Design and Manufacturing (CCESDM)**' would be formed with the representatives of Electronics industry and the other stakeholders. The CCESDM would administer the incentives in a speedy, time-bound and transparent manner.

Such applications shall be prima facie scrutinized by the Sub-Committee of the CCESDM headed by the Secretary, ITE&C, in association with industry representatives, on the eligibility, veracity of technical/financial information, etc., before being placed before the CCESDM for its consideration.

- ## iii. **Time-bound approvals:** The following procedural reform would be undertaken with an aim to provide approvals to the industry/ investors within the timeline as mentioned under TS-iPASS

- a. Integrated application for all permissions
- b. Escort Officer to be assigned the responsibility for getting approvals
- c. Escalation at various levels and regular monitoring

A provision shall be made in the relevant legislations or rules that in case the required approvals are not granted within 4 weeks of receipt of an application in full-shape, the approval shall be deemed to have been granted.

The ITE&C Department shall issue appropriate Implementation/Operational Guidelines with simplified application proforma and procedure for claiming of the incentives.





<http://it.telangana.gov.in>

**Jayesh Ranjan IAS**  
Secretary to Government

Information Technology, Electronics &  
Communications Department  
Government of Telangana  
D - Block 2nd Floor Room No. 315A  
Telangana Secretariat Hyderabad-500 022  
P: +91 40 2345 6401 F: +91 40 2345 0103  
[secy\\_its@telangana.gov.in](mailto:secy_its@telangana.gov.in)  
[jayesh\\_ranjan@hotmail.com](mailto:jayesh_ranjan@hotmail.com)

