

UTTAR PRADESH ELECTRONICS MANUFACTURING POLICY-2017

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Chapter 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 200 million people. With rapid industrialization & Government spending in Projects like Metro Rail, Agra – Lucknow Expressway, IT City, IT Parks, upcoming Poorvanchal Expressway, Electronic Manufacturing Clusters, Industrial Zones, Optical Fiber Connectivity etc., the state has taken up a trajectory towards accelerated growth & developed society.

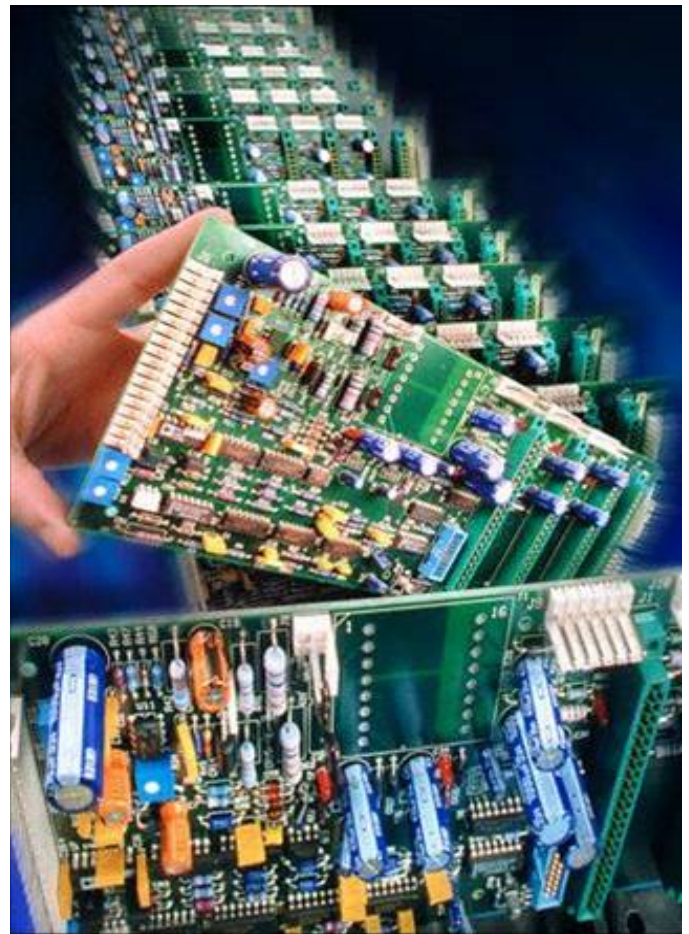
IT & Electronics sector has been contributing immensely to the state Industry with the presence of companies like TCS, IBM, Wipro, ST microelectronics etc. and is proud of the long term establishment of Samsung, LG Electronics, HCL for more than 2 decades of successful operation in the state. The state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

Electronics Manufacturing Industry is one of the largest & fastest growing industries in the world with a size of USD 1.75 Trillion and is expected to reach USD 2.4 trillion by 2020. The demand in the Indian Electronics Market alone is expected to reach USD 400 billion by 2020. With the present growth rate, India can manufacture goods required worth USD 100 billion only. To address the gap of supply & demand, Government of India has set a vision to transform India into a global hub for ESDM sector to cater both domestic and global demand. Aligning with the National vision, the state of Uttar Pradesh is emerging fast in the ESDM sector with the new entrants like Oppo, Lava, Intex, Vivo etc. along with several

component manufacturers setting up their units in UP.

To accelerate the ESDM ecosystem development, the UP Electronics manufacturing policy hereby declares Noida, Greater Noida & Yamuna Expressway area as “Electronic Manufacturing Zone” and all the incentives under the policy shall be applicable to all units setting up their base in the declared Zone. This Zone already have the seamless connectivity, state of the art infrastructure, Logistics hub, 24X7 water-power availability, Social Infrastructure, International Schools, hospitals, Nearest International Airport & cut across through DMIC & EDFC corridors.

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



Source: National Policy on Electronics-2012, Govt. of India

Chapter 2: Vision, Mission, Objective

2.1 Vision

“To cultivate Electronics Manufacturing Industry as an important growth driver for Uttar Pradesh through effective use of skilled force, adapting innovation and emerging technologies and building excellent infrastructure leading to all-round sustainable ecosystem thereby contributing towards the overall economy of the state & nation”



2.2 Mission

- To promote the growth of Electronics Manufacturing Industry in the state by providing conducive environment and position Uttar Pradesh as the most preferred Investment destination
- To provide Single window assistance for successful establishment of ESDM units in the state of Uttar Pradesh
- To build a world class ecosystem of R&D, Product design, Assembly & Testing, Engineering & Production for electronics in the state
- To promote skill development for the workforce in the electronics sector which can boost employment opportunities within the state

2.3 Objective

- Establishment of Electronic Manufacturing Clusters/ESDM parks in the state
- To attract investment in Electronics Manufacturing sector in the state
- To focus on the establishment of FAB unit in the state
- Establishment of ESDM parks for Domestic / Foreign investors in the state
- To promote and develop employment opportunities within the state
- Augmentation of Gross State Domestic product (GSDP) of Uttar Pradesh

Chapter 3: Policy Target & Implementation Strategy

3.1 Policy Target

With this Electronics Manufacturing Policy, the state government targets to make Uttar Pradesh an Electronics Manufacturing Hub and targets to establish a conducive ecosystem for Electronics System Design and Manufacturing (ESDM) sector, where Anchor Units and Components Manufacturers shall work together.

The Policy targets the declaration of entire notified area of Noida Industrial Development Authority (NOIDA), Greater Noida Industrial Development Authority (GNIDA) and Yamuna Expressway Industrial Development Authority (YEIDA) as “Electronics Manufacturing Zone” (EMZ), whereby, at most ESDM units shall establish their manufacturing units.

The policy targets to attract investment of INR 20,000 Crores in ESDM sector and generate employment for 3,00,000 manpower by the year 2022.

3.2 Infrastructure Development

Thrust will be given to establish the Electronics Manufacturing Clusters/ESDM Parks to set up business units within the state. These EMCs/ESDM parks would help in:

- Creating more innovative and competitive business zones based on knowledge, people-led innovation, and global networking
- Offering high capacity of monitoring and management of environmental issues
- Improving city transportation and more secure urban spaces

- Providing basic infrastructural facilities like land, power (uninterrupted 24x7 supply of quality power), water, roads etc.

3.3 e-Waste Handling

Creating 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, promoting e-waste recycling industry in the state for state produced e-waste.

3.4 Electronic Mission Directorate

Setting up of dedicated Mission directorate (MD) headed by the permanent Mission Director. The Mission Directorate Team comprises of Mission Director, Deputy Director, Department of Finance and Administration, Consultant and other officials/staffs as and when required.

Mission Directorate shall communicate with the investors and analyze their Investment proposals and present it to the Policy Implementation Unit (PIU) for necessary approval.

Post obtaining PIU approval, Mission Directorate shall dispense the Financial Incentives as per rules.

To issue “Letter of Comfort” to investors, post obtaining approval of competent authority on Investment Proposal.

Mission Directorate shall participate in the Events /Workshop/Conference from time to time and organize the same as and when required in order to attract investment in the state.

The Chief Executive Officer of concerned Authority /concerned District Magistrates shall assist Mission Directorate in providing customized package, which includes Electricity, Water, Land, Outside Infrastructure etc. for the investors.

3.5 Policy Implementation Unit (PIU)

PIU as Single Window Clearance unit shall work closely with the investors under the guidance of the Principle Secretary, Department of IT & Electronics, GoUP, to efficiently and smoothly assist the investors in processing incentives claims laid down under the policy.

Apart from this, PIU shall also examine the investment proposal of more than INR 200 Cr. and present it to the Empowered Committee for necessary approval.

Approval / permission on Investment proposal of less than INR 200 Cr. shall be applicable as per guidelines under the Policy.

Post obtaining approval on Investment proposal from competent authority, PIU shall approve the Claim/Reimbursement of investor from time to time as per rules on the recommendation of Mission Directorate.

PIU shall also be responsible for clearing roadblocks in a time bound manner, failing to which, the issue shall get escalated to the empowered committee.

3.6 Empowered committee

A state level Empowered committee under the chairmanship of Chief Secretary shall monitor the implementation and successful execution of Policy within the state. This committee shall consists of members from Infrastructure and Industrial Development, IT & Electronics, Finance, Planning, Small Industries, Commercial Tax, Energy, Irrigation, Housing Department, Labour and as per requirement may include Additional Chief Secretary / Principal Secretary / Secretary / Chairman and Managing Director of Noida, Greater Noida and Yamuna Expressway Industrial Development Authority, UP State Industrial

Development Corporation etc. as and when required.

The charter of the Empowered committee shall be:

- To monitor and ensure timely release of relevant orders/notifications and amendments as and when required
- Approval of new EMZ under the policy as per the industry demand and the prospect of Industry scenario. The committee shall decide upon the maximum limit of financial incentives for new EMZ.
- Approval of the project worth more than INR 200 crores considered on case to case basis and subject to approval from state cabinet on the recommendation of Empowered Committee.
- Inter-Departmental coordination in respect of matters related to this policy & providing assistance to the investor for their issues
- To resolve implementation issues at all levels



Chapter 4: Incentives

The following incentives target the establishment of Electronic Manufacturing Clusters / ESDM Parks and individual ESDM units setting up in the Electronics Manufacturing Zone (EMZ) within the state for period ending on 31st March, 2022 or approved Financial Incentives up to the limit of INR

20,000 Cr from competent authority (excluding FAB unit), whichever is earlier.

The Empowered Committee constituted under the policy shall decide upon the extension of policy period duration and increase in the amount of Financial Incentives mentioned above and shall also decide upon the disbursement of Financial Incentives in other EMZ.

Fiscal incentives applicable to ESDM units

4.1 Capital subsidy

- A Capital Subsidy of 15% on fixed capital other than land subject to maximum of INR 5 crore shall be provided
- The upper limit of Capital subsidy may be relaxed up to max. of INR 150 Cr. on case to case basis for investment more than INR 200 crore.
- This Subsidy shall be given only to the ESDM companies and admissible on the capital evaluated by Financial Institutions / Banks or by the committee constituted through the State Government or by the capital evaluated by the financial consultants as required.

4.2 Interest subsidy

An interest subsidy of 5% per annum for a period of 7 years on the rate of interest paid on the loans obtained from Scheduled Banks/ Financial Institutions shall be reimbursed subject to a maximum of Rs. 1 crore per annum per unit.

4.3 Stamp Duty

- 100% exemption of stamp duty on purchase/lease of land for the establishment of individual ESDM units under EMZ
- For purchase/lease of land for the establishment of EMCs / ESDM parks, 100%

exemption of stamp duty on first transaction (Authority to Developer/SPV) and 50% exemption of stamp duty on second transaction (Developer/SPV to ESDM Units)

4.4 Incentives for filing patents

To encourage research and development, Reimbursement of up to 100% of actual filing costs on awarded patents subject to a maximum of INR 500,000 for domestic and INR 10,00,000 for international patents.

4.5 State GST Reimbursement

100% State GST reimbursement subject to a maximum of 100% of fixed capital investment other than land (such as building, plant, machinery, testing equipment etc.) for a period of 10 years.

Other incentives applicable to EMC

4.6 Provision of Land

- 25% Land Rebate on prevailing sector rates shall be provided either to EMC SPV / ESDM Parks and individual ESDM units, establishing inside EMZ on purchase of land from state Agencies. This rebate would be reimbursed from state budget.
- **Floor Area Ratio (FAR)**
Units will be allowed for 3.0 + 1.0 (Purchasable) floor area ratio
- **Dormitories for Workers and welfare facilities**
Up to 30% of total FAR in minimum 50 acre of land size as "Industrial land use" and shall be allowed for welfare facilities like dormitories for workers, canteen, dispensary, etc.

4.7 Case to Case Basis

Only For ESDM unit with investment of more than INR 200 Crores:

Option 1

- ESDM unit with investment of more than INR 200 Crores and up to the limit of INR 300 Crores and create employment opportunities for minimum 1000 people shall be given special incentives as per the existing provisions of the policy, which shall be determined by the empowered committee. The maximum limit of the Financial incentives i.e. Capital subsidy and interest subsidy may be relaxed on the recommendation of the Empowered Committee and subject to approval from the state cabinet.
- ESDM units with investment of more than INR 300 Crores and create employment opportunities for minimum 1500 people shall be given special incentives, apart from the existing provisions of the policy, which shall be in the form of EPF, ESI Reimbursement, Electricity Duty Reimbursement, Training Cost Reimbursement, Rebate on Land, Power etc. and any other head to be determined by the Empowered Committee and subject to approval from the state cabinet.

Option 2

- ESDM unit with investment of more than INR 200 Crores and create employment opportunities for minimum 1000 people shall be given 80% Reimbursement on SGST subject to a maximum of 200% of fixed capital investment other than land (such as

building, plant, machinery, testing equipment etc.) for a period of 10 years, whichever is earlier, which shall be decided by the Empowered Committee and the State Cabinet.

- Apart from the SGST Reimbursement as mentioned above, the ESDM Unit shall avail only stamp duty exemption, land provision, EMC Infrastructure development and non-fiscal incentives under this option.

Remarks

- ESDM units establishing inside the Electronics Manufacturing Zone (EMZ), shall be required to opt for one option only. Partial selection of provisions from both the options shall not be permissible.
- The Financial incentives to be allowed to any of the unit from all the resources unless stated otherwise in the policy shall not be more than 100% of the fixed capital investments to the units.

Fab Units:- “Fab units” shall be provided a customized package on case to case basis which includes Land, Electricity, Water, Infrastructure, Capital sharing, Fiscal and Non-Fiscal Incentives etc.) subject to approval from Empowered Committee and the State Cabinet.

4.8 EMC Infrastructure Facilities

State Government shall provide a subsidy equivalent to 50% of the grant provided by the Central Government under National Policy on Electronics, 2012 in terms of the cost incurred in developing infrastructural facilities (Roads, Power, Water, Testing facilities, Social Infrastructure etc.) for EMC development.

Note: The above incentives shall also be applicable to the e-waste recycle companies which are going to be established in the EMCs.

4.9 Other Benefits

- Reimbursement of up to 5% of Fixed Capital Investment (other than land) for ESDM units on Training Cost incurred for High Skilled Technology Training e.g. Embedded System Design, VLSI Design, PCB Design and Manufacturing, Chip Manufacturing, TFT Manufacturing etc. subject to max. of INR 25 Cr. per unit, 50% of cost incurred on Training subject to max. of INR 2.5 Lac per employee for International Training and INR 1 Lac per employee for Domestic Training on completion of six months of employment for their UP Domicile workers, establishing inside EMZ.

This incentives shall be applicable for ESDM Units with investment more than INR 300 Cr. on case to case basis and shall not be more than 100% of Fixed Capital from all the resources unless stated otherwise in the policy

- Alignment with UP Skill development Mission with required skill sets for Electronics Industry in order to pass on the benefits of the scheme to the eligible.
- Alignment with skill development in ESDM sector with the budget allocated by DeitY for this scheme
- Permission will be provided to have 24X7 operations and employment of women in all three shifts.

4.10 Private ESDM Park

Domestic / Foreign Investor of ESDM sector willing to establish their unit in ESDM parks and are

developed by the developers. These developers shall be given below incentives:-

- Allowed on Minimum 50 acre land
- 25% Land Rebate on the prevailing sector rates shall be provided on purchase of land from state agencies
- Developers shall get outside infrastructural development from Authorities
- Single Window Assistance from concerned authority and nomination of Nodal Officer for every parks
- Interest subsidy in the form of reimbursement of interest of up to 60% of annual interest for 7 years on the loan taken for building infrastructure (e.g. Road, Electricity, Water, Dormitories etc.) in the industrial parks subject to Rs. 10 crore per year with an overall ceiling of Rs. 50 crore per park.
- 100% exemption of Stamp Duty for purchase/lease of land on first transaction (i.e. Authority to Developer/SPV) and 50% on second transaction (i.e. Developer/SPV to ESDM Units)

4.11 Uninterrupted Power Supply

'Protective Load' for reliable power to EMCs / ESDM parks / Fab Units – A memorandum of understanding (MoU) shall be signed with UP Power Corporation Limited and EMC SPV / ESDM Parks / Fab Units for Uninterrupted Power supply which will ensure commitment of reliable & quality power.

Chapter 5: Marketing and Branding Strategy

Electronics Mission Directorate Shall be responsible for formulating the marketing &

Branding strategy for this policy. The following tasks will be handled by Electronics Mission Directorate:

- Creating a brand image for the state IT & Electronics Department and its policies and various initiatives
- Organizing Conferences, Summits, Road Shows and Events in association of CII, ELCINA, MAIT, ICA, FICCI etc. to highlight the major features of the policy
- Use of Print, Electronic and Social Media to create awareness & Branding and Positioning of UP as compared to other states
- Participation in national/ International semiconductor & Electronic events organized across the globe

Chapter 6: Glossary

6.1 ESDM Industry

ESDM is Electronics System Design and Manufacturing industry which shall cover but not limited to the following components:

Electronic Products:

- a. Mobile devices : Mobile handsets
- b. Telecom products: modems, routers switches etc.
- c. Consumer electronics: TVs, DVD players, digital cameras, set top boxes etc.
- d. Automotive electronics: Electric vehicles, power windows etc.
- e. Industrial electronics: Power electronics, LED lighting, CFL, energy meters etc.
- f. IT system and Hardware: Desktops, notebooks, tablets, monitors, memory cards etc.
- g. Other electronics: Aerospace, strategic electronics including Defence

Electronic Components

- a. Active components: transistors, diodes and CRT
- b. Passive components: resistors and capacitors
- c. Electromechanical components: PCBs, power devices, switches, relays

Semiconductor Design

- a. Embedded software development
- b. VLSI design
- c. Hardware/board design

Electronics Manufacturing Services (EMS)

Designing, testing, manufacturing, distribution and maintenance of electronic components and assemblies for OEMs.

Note: The components defined in this section shall also include, verticals listed in Government of India M-SIPS Guidelines.

6.2 FAB Unit

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

6.3 Electronics Manufacturing Clusters (EMC)

EMC means approved EMCs of Government of India defined under EMC scheme of National Policy on Electronics, 2012, which will aid the growth of the ESDM sector.

These clusters are to facilitate the establishment of Units for manufacturing Electronics Components, Parts, Sub-assemblies, materials etc. for various Electronics verticals such as Consumer Electronics, Electrification, Power Electronics, Computer/Information Technology, and

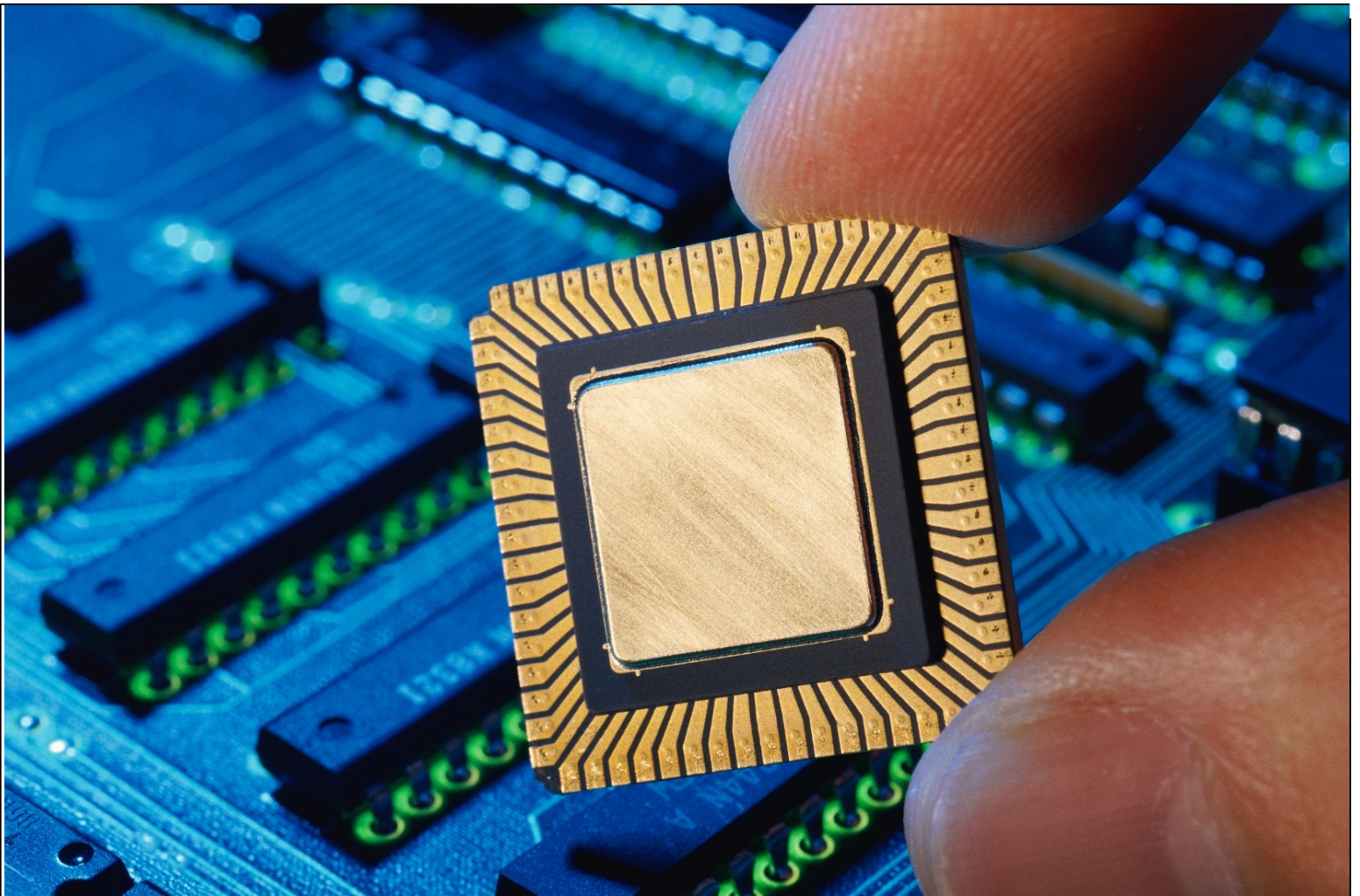
Communication etc. and so on including their entire value chain.

6.4 Bank/Financial Institution

All Scheduled banks shall be considered. All Financial Institutions which are regulated and approved by Reserve Bank of India shall be considered.

6.5 State Agencies

- Development Authorities
- Housing Boards
- UPSIDC
- Other state Institutions notified by the Government.



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