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Centre tweaks Rs 76,000 crore semiconductor, display fabrication scheme to woo global companies

Synopsis
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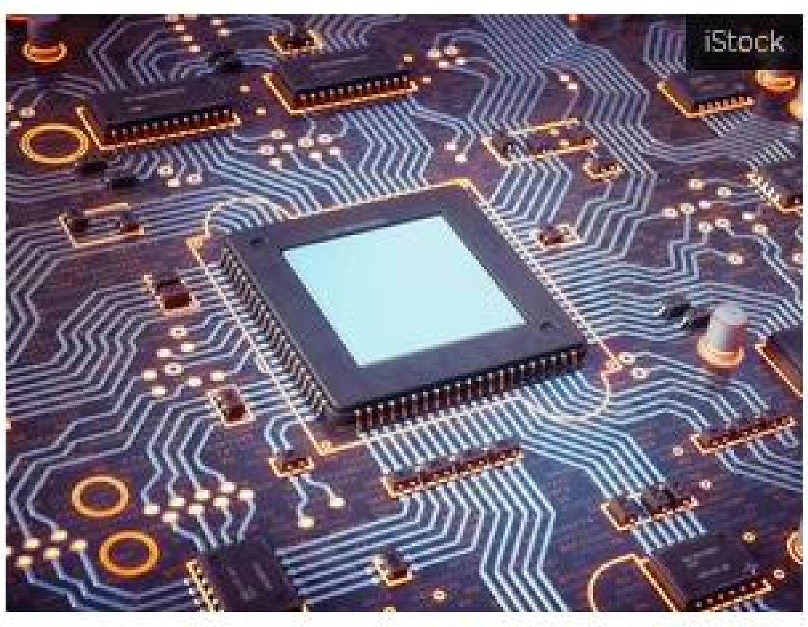

The government on Wednesday tweaked the Rs 76,000 crore incentive scheme for semiconductors and display manufacturing units, offering to give 50 per cent of the project cost across all categories of factories as it looks to woo global players such as Intel to set up production base in India to help cut reliance on imports.

The production linked incentive, or PLI, scheme announced in December last year had offered varying degree of fiscal support to different categories for development of semiconductors and display manufacturing ecosystem in India. These ranged from 30-50 per cent.

Now, this has been made uniform -- the government will fund 50 per cent of the project cost across all technology nodes for setting up of semiconductor fabs, including not just cutting-edge computing chips but also those used in power, telecom and automotive sectors.

Minister of State for IT Rajeev Chandrasekhar said the total outlay for the package will remain the same, but harmonisation of incentives to 50 per cent will make the semiconductor policy "extremely competitive" and attract investment across spectrum of opportunities, namely silicon and compound fabs, packaging units, display fabs, and design and innovation ecosystem.

Global companies, he said, are examining exploring India as a viable investment destination for semiconductors. India is positioning itself as among the most attractive destination in Asia for "all things electronics and semiconductors", and the government is "confident" that investments of almost Rs 2 lakh crore will come in over next two years.

"We believe this move will further increase the interest and create additional proposals that have been in discussions with us over the last 4-5 months," Chandrasekhar told reporters.

Earlier on Wednesday, the Cabinet, headed by Prime Minister Narendra Modi, approved fiscal support of 50 per cent of project cost on pari-passu basis for setting up of semiconductor and display fabs as well as other categories such as compound semiconductors. Pari-passu is a Latin phrase meaning 'equal footing'.

The move comes days after mining mogul Anil Agarwal's Vedanta group announced a Rs 1.54 lakh crore investment for setting up semiconductor and display manufacturing units in Gujarat.

The PLI scheme was announced in December 2021 as a chip shortage, which has eased a bit now, hobbled businesses across the board -- from vehicle manufacturers to toy-makers.

The Indian semiconductor market was valued at USD 27.2 billion in 2021 and is expected to grow at a healthy CAGR of nearly 19 per cent to reach USD 64 billion in 2026. But none of these chips are manufactured in India so far.

Setting up semiconductor units, also known as fabs, is a highly specialised, complex and expensive task. Fabs call for complex technology, are high risk and require long gestation and payback periods, perhaps the reason India failed to crack this space till now.

While Vedanta along with Taiwanese contract manufacturer Foxconn, IGSS Ventures, and Abu Dhabi-based Next Orbit Venture's ISMC proposed to set up electronic chip manufacturing plants, Vedanta and Elest Pvt Ltd proposed to build a display manufacturing unit.

Three proposals have come in the semiconductor fab category and two in the display fab space.

Previously, companies looking to manufacture 28 nanometer (nm) or lower node of chips were eligible for getting up to 50 per cent of the project cost under the scheme.

Similarly, companies setting up fabs to manufacture 28-45 nm node chipsets and 45-65 nm chips were eligible for 40 per cent and 30 per cent of the project cost reimbursement, respectively.

The scheme for setting up display fabs to manufacture TFT LCD/ AMOLED displays included reimbursement of up to 50 per cent of the project cost with a cap of Rs 12,000 crore per fab.

Asked about the reason behind the decision to sweeten the incentives, the minister said while incentives were at 50 per cent for silicon fabs, India wanted to attract players across the entire ecosystem.

"We would like the entire integrated ecosystem from design to manufacturing to packaging and testing to be present here. The risk was we would have had fabs and then have packaging go somewhere else. And that is not something we want...We prefer that if fabs are here, we want packaging here as well," Chandrasekhar said.

Down the road, if thye number of players coming in necessitate an increase in the total outlay, the government will revisit the issue.

"Many of the players are in conversation with us. Our proposition as India is that we are a large market for semiconductors, we have a proven track record of growing the electronics industry, and we are building vibrant design and innovation ecosystem...this is an attractive proposition to almost every player in semiconductor space," Chandrasekhar said.

In the Indian market, the trailing edge nodes, 65 nm and above, has a "huge potential" especially in the automotive and high power segment, and the tweaks in incentives will bring prospoals catering to this segment as well.

"We have also said there will be no restriction in the silicon fab side on the nodes in terms of availing this incentive," the minister said.