

Semicon 2.0 to cover large design firms too

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THE SEMICONDUCTOR INCENTIVE scheme 2.0, which the government is expected to announce in the next three-four months, is likely to provide subsidy to even large firms that are into chip designing. Not only this, the subsidy amount is also likely to be raised from the current cap.

This will be a major change from the current scheme, which only supports startups by reimbursing 50% of their design-related expenditure, with a ceiling of ₹15 crore. This ceiling is expected to be raised. If the government provides 50% subsidy on the project cost to larger firms who are into chip designing, companies like L&T Semiconductor Technologies, Qualcomm, MediaTek and NXP will also stand to benefit.

However, the government is likely to add a condition that to be eligible for the incentive, the firms concerned will have to ensure that the intellectual property (IP) of the chip should be in India.

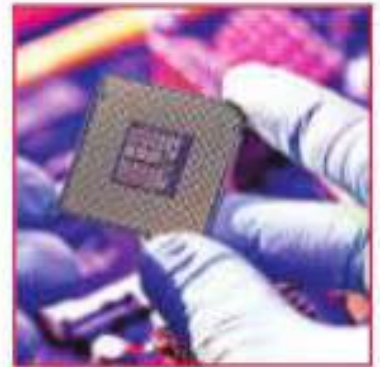
Chip design is the first step in the semiconductor journey, as without it the right product and the subsequent steps

CHIPPING IN

■ Currently, government supports chip design startups by reimbursing

50%

of design-related expenditure, with a ceiling of **₹15 cr**



■ In the proposed scheme, semiconductor intellectual property will have to be in India for firms to be eligible for incentives

such as semiconductor manufacturing, assembly, packaging, etc, are not possible.

The design-linked incentive scheme is part of the government's ₹76,000-crore semiconductor scheme. Under this, ₹1,000 crore has been earmarked for startups that are into chip design.

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BESIDES THE ₹15-CRORE subsidy, the government also provides deployment-linked incentives of 4-6% of net sales over five years subject to a ceiling of ₹30 crore per application. The deployment-linked incentives are provided to approved applicants whose semiconductor design for integrated circuits (ICs), chipsets, system on chips (SoCs), systems & IP cores, are deployed in electronic products.

Around 13 startups have received approval under the scheme so far. The progress has been slow as many startups, which have submitted the proposals, have still not been able to find a right product fit and are struggling to find customers, an industry executive said. One of the challenges also relate to lack

of external funding support from VCs and other investors. With the revamp in the DLI scheme, the aim is to have more indigenously designed chips, especially in AI, in new cutting-edge areas, and data centres, a government official said.

Some of the companies that have got approval under the chip design scheme are Mindgrove Technologies for chip for IoT devices, Saankhya Labs for SoC for 5G communication, WiSig Networks for narrowband IoT SoC, MosChip Technologies for smart energy metre IC, among others. Companies such as L&T Semiconductor Technologies, NXP, among others, have also expressed interest in submitting their proposals under the DLI scheme, once it's

opened for them. "Most of the incentives today are towards (chip) manufacturing, which is fine. But 50-60% of the value of that product is on design," said V Veerappan, chairman of India Electronics and Semiconductor Association (IESA).

According to Veerappan, ISM (India Semiconductor Mission) 2.0 should look at expanding the scope of the semiconductor design ecosystem to larger players who will generate the product intellectual property (IP) in India. Last week, electronics and IT minister Ashwini Vaishnaw said the new scheme will be a much expanded version of Semicon 1.0 and will cover the entire value chain from materials, ingots and wafers to fabs and chip assembly units.