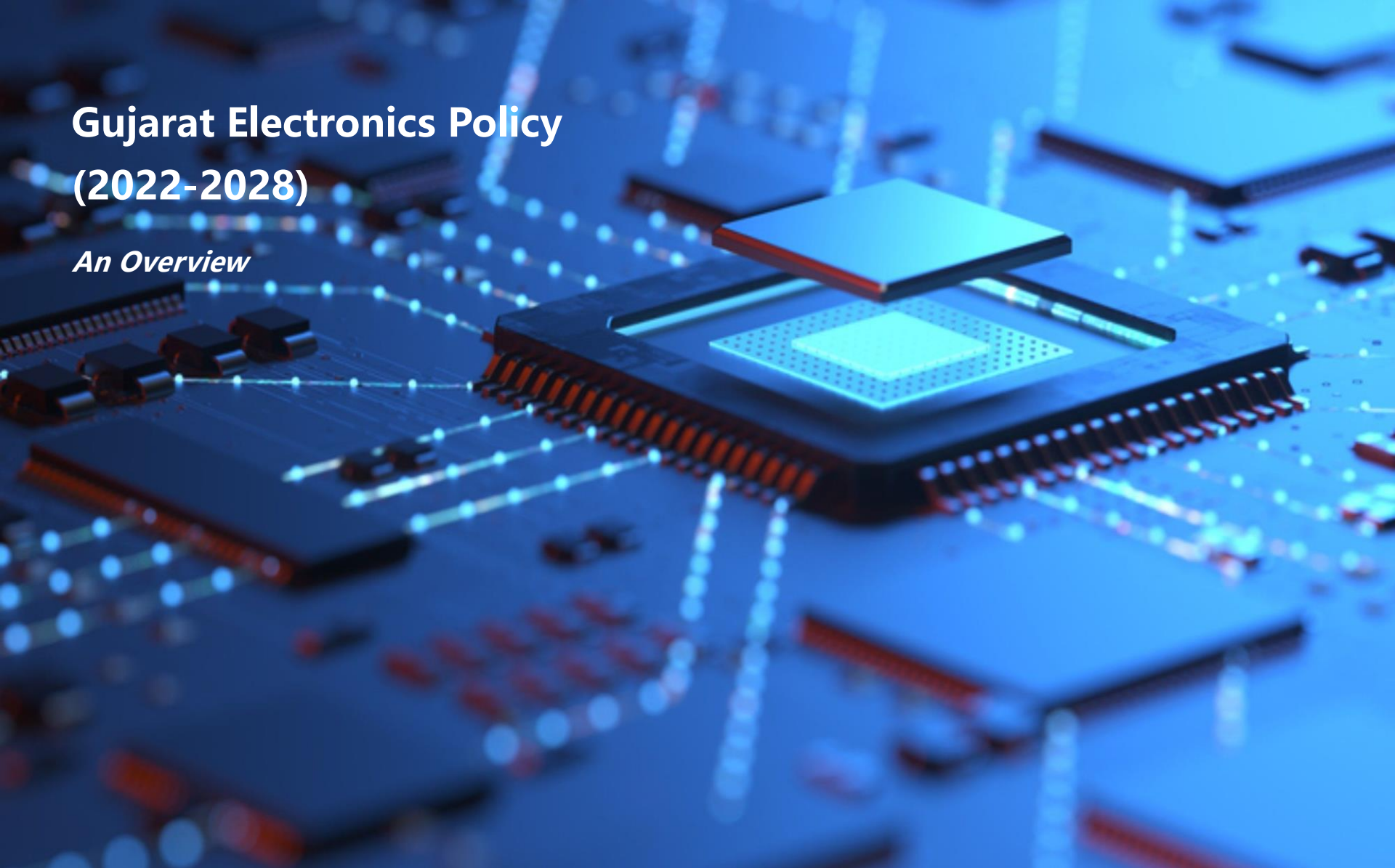


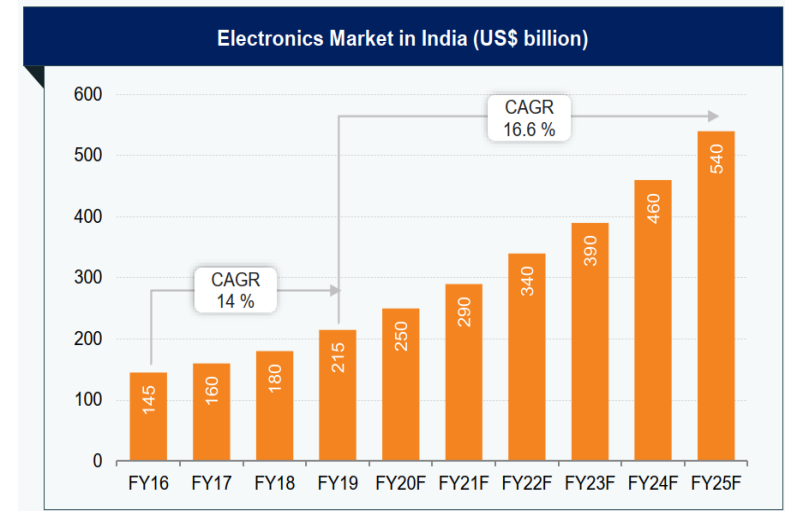


Gujarat Electronics Policy (2022-2028)

An Overview

Electronics Industry – An Outlook

- ❖ India has witnessed a substantial spike in the demand of electronic products in the last few years, mainly attributed to India's position as the second-largest mobile phone manufacturer globally and surge in the internet penetration rate.
- ❖ The electronics market has grown at a CAGR of 14% from 2016-19 and is expected to accelerate at a CAGR of 16.6% in 2020-25, with the total demand likely to account for US\$ 540 in FY25.



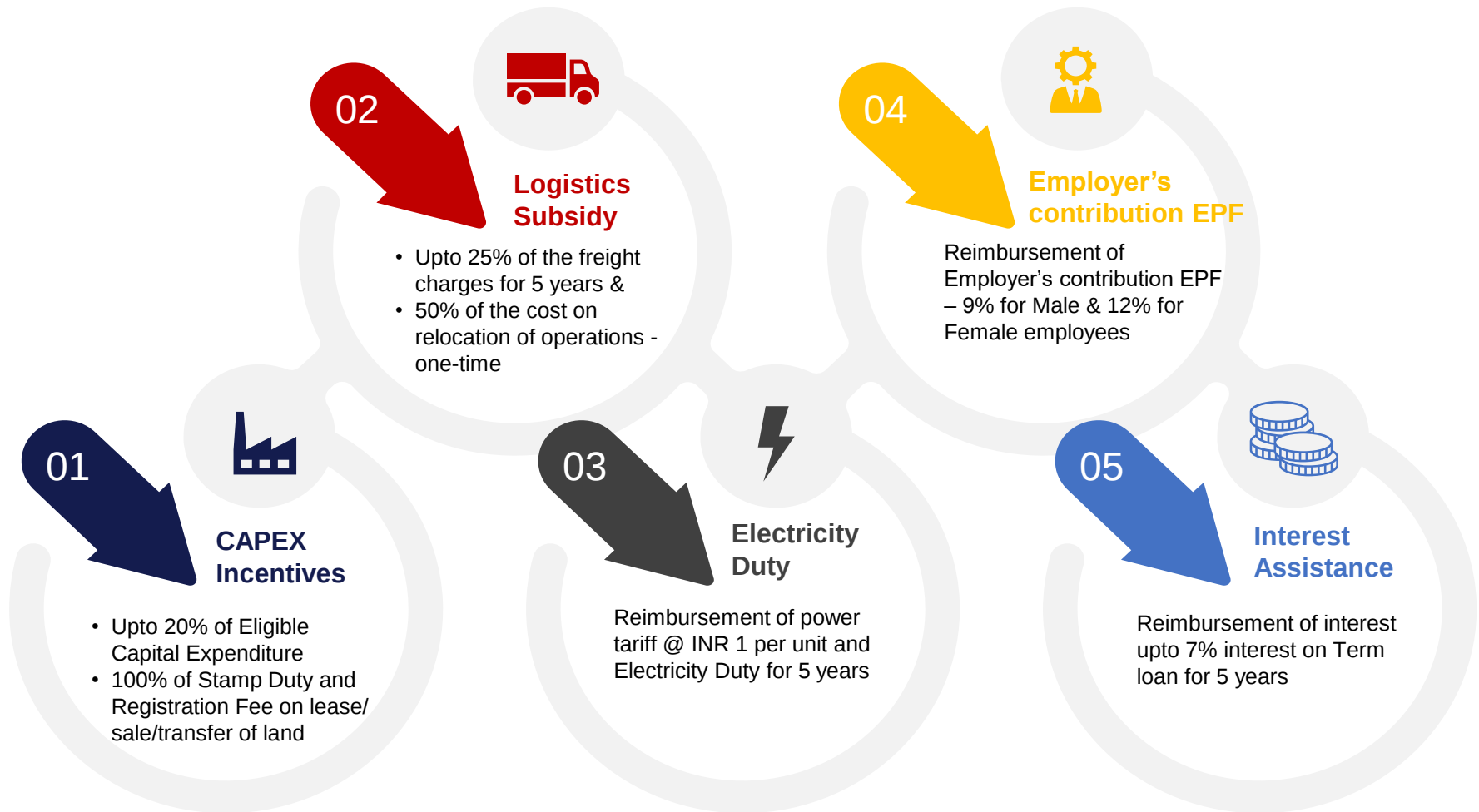
- ❖ The Electronic sector plays a key role in the government's goal of generating US\$ 1 trillion of economic value from the digital economy by 2025.
- ❖ The Indian Government attributes high priority to electronics hardware manufacturing as it is an important pillar of Make in India, Digital India and Start-up India programs.
- ❖ FY 2021-22 exports of electronic goods stood at US\$ 15.16 billion.
- ❖ The demand for electronic products will rise to US\$ 400 billion by 2025 from US\$ 33 billion in FY20.
- ❖ Electronics repair, in addition to manufacturing, is a US\$ 20 billion opportunity that has the potential to create 5 million jobs.

Electronic Policy – An Overview

- ❖ On 29 October 2022, the Government of Gujarat unveiled its new “Electronics Policy 2022-28” (‘Policy’), replacing the old Electronics Policy 2016-21.
- ❖ Gujarat is the first and only State in India to issue a sector focused Semiconductor Policy (2022-27) which aims to make Gujarat a major contributor in the Global Value Chain of semiconductor and display manufacturing sector. This will create an enabling foundation on which Gujarat will build a robust Electronics Manufacturing ecosystem.
- ❖ To achieve this objective, the Policy will focus on attracting investments and employment across the State by driving growth through incentives, process optimization and facilitating adoption of latest technologies in the electronics manufacturing.
- ❖ **The ‘Policy is operative till 31st March 2028 and benefits are available to the eligible units who have applied on or before 31 March 2028 and commenced operations on or before 31 March 2031.**



Summary of Key Incentives



**What is the
eligibility criteria?**

Eligibility criteria ^(1/2)

Units must be engaged in any of the following businesses -

- ❖ Manufacturing of electronics products such as
 - Telecom systems;
 - Mobiles;
 - IT systems and hardware;
 - Consumer electronics;
 - Medical electronics;
 - Avionics;
 - Industrial, Defense and strategic electronics;
 - Automotive electronics;
 - Information and broadcasting equipment
- ❖ Manufacturing of intermediates such as Printed Circuit Board ('PCBs') / semiconductors / chip components / Integrated Circuit / components / parts etc.
- ❖ Electronics Manufacturing Services (EMS):
 - includes engineering and design of PCBs, PCB assembly, including sub-assemblies, functional testing and product and component design
- ❖ Any other electronics verticals / products covered by the National Policy on Electronics or any other Policies, as issued by the Government of India

List of eligible products covered in the Policy is provided in Annexure

Eligibility criteria (2/2)

Particulars	Expansion Unit (i.e., expansion of existing Unit)	New Unit
Eligible Legal entity	Companies, LLP, Partnership Firm, Proprietorship Firm	Companies, LLP, Partnership Firm, Proprietorship Firm
Eligibility conditions	❖ Obtained applicable state or central registrations; ❖ Already running operations in Gujarat and is undertaking expansion / diversification during the operative period of the Policy	❖ Obtained applicable state or central registrations; ❖ Setting-up or commenced the commercial operations in Gujarat during the operative period of the Policy; ❖ An existing unit outside Gujarat commences commercial operation in Gujarat during the operative period of the Policy by carrying out new investments
Frequency of availing benefit	Only once during the operative period of the policy	Twice, i.e. (i) at the time of set-up; and (ii) At the time of undertaking expansion

Key Points

- ❖ **‘Expansion’** means increase in the existing production capacity by at least 50% in Gujarat, provided that:
 - The existing installed capacity utilization of at least 75% is achieved in any one of the preceding 3 FY
- ❖ **‘Diversification’** means activities to produce goods other than the goods which are being currently manufactured by the expansion unit.

**What are the
Incentives for
eligible units?**

Incentives for Capital Expenditure (CAPEX)

Scale of Investment	Capital Investment (CAPEX)
Category I: Eligible CAPEX less than INR 1,000 Cr	Upto 20% of the Eligible CAPEX subject to ceiling of INR 200 crores
Category II: Eligible CAPEX more than INR 1,000 Cr	❖ CAPEX upto INR 1000 crores: Upto 20% of Eligible CAPEX, subject to maximum of INR 200 Crores ❖ CAPEX above INR 1000 crores: Upto 15% of the incremental Eligible CAPEX

Eligible CAPEX costs

- ❖ Expenditure on plant, machinery, equipment and associated utilities, as well as tools, dies, molds, jigs, fixtures (including parts, accessories, components, and spares) of the same, used in the design, manufacturing, assembly, testing, packaging or processing of any of the eligible goods;
- ❖ Expenditure on commissioning of the plant, machinery, equipment and associated utilities;
- ❖ Expenditure on captive power and effluent treatment plants, essential equipment required in operation areas such as clean rooms, air curtains, temperature and air quality control systems, compressed air, water and power supply and control systems, etc.
- ❖ Expenditure on IT and ITES infrastructure related to manufacturing such as servers, software and ERP solutions.
- ❖ **Expenditure on construction of the plant, excluding the cost of land and purchase of the building**

Expenditure incurred up till 2 years from the date of commencement of commercial production shall be eligible for incentives

Logistics Subsidy

Reimbursement of operational costs for transportation of goods / raw materials / machinery required for core manufacturing activities

Incentive Category	Incentives	Incentive Period
Support for Logistics (imports)	Upto 25% of the freight charges subject to ceiling of INR 5 crores per year	5 years
Relocation of manufacturing operations from outside India to Gujarat	50% of the cost incurred on import of manufacturing equipment subject to ceiling of INR 5 crores per year	One-time

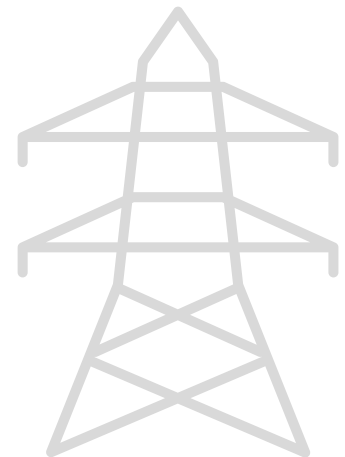


Power tariff and Electricity Duty

Incentive Category	Incentives	Incentive Period
Power Tariff Subsidy	Reimbursement of power tariff at INR 1 per unit	5 years
Electricity Duty	Reimbursement of electricity duty, as per Gujarat Electricity Duty Act, 1958	5 years

Key Points

- ❖ Existing units undertaking expansion / diversification would be entitled for power tariff subsidy and electricity duty reimbursement only for additional power consumed, attributable to such expansion / diversification;
- ❖ Disbursement of power tariff subsidy and electricity duty incentives shall be done in annual installments



Interest Assistance

Criteria for the Incentive	Incentives	Incentive Period
❖ Reimbursement of interest on Term Loan availed from Banks approved by RBI ❖ Only Interest repayments made to Banks approved by RBI (excluding NBFC)	❖ 7% of term loan or actual interest paid, whichever is less ❖ Maximum up to 10 crores per year	❖ 5 years starting from the actual interest repayment

Key Points

- ❖ Eligible Unit shall be required to bear a minimum of 2% interest. For example,
 - If interest payment is 9% - Incentive available will be 7%
 - If interest payable is 6.5%- Incentive will only be upto 4.5%, and 2% to be borne by the unit
- ❖ Disbursement of the incentives shall be done in quarterly installments



Atmanirbhar Gujarat Rojgar Sahay

Employer contribution provident fund

Criteria for the Incentive	Incentives	Incentive Period
❖ Employer's contribution to Employee Provident Fund ('EPF') shall be reimbursed for employees working in Gujarat ❖ For Expansion Unit, reimbursement available on incremental employees	❖ Female employees - 100% of contribution to EPF ❖ Male employees - 75% of contribution to EPF ❖ Maximum ceiling = 12% * (Basic salary + D.A. + Retaining Allowance)	5 years

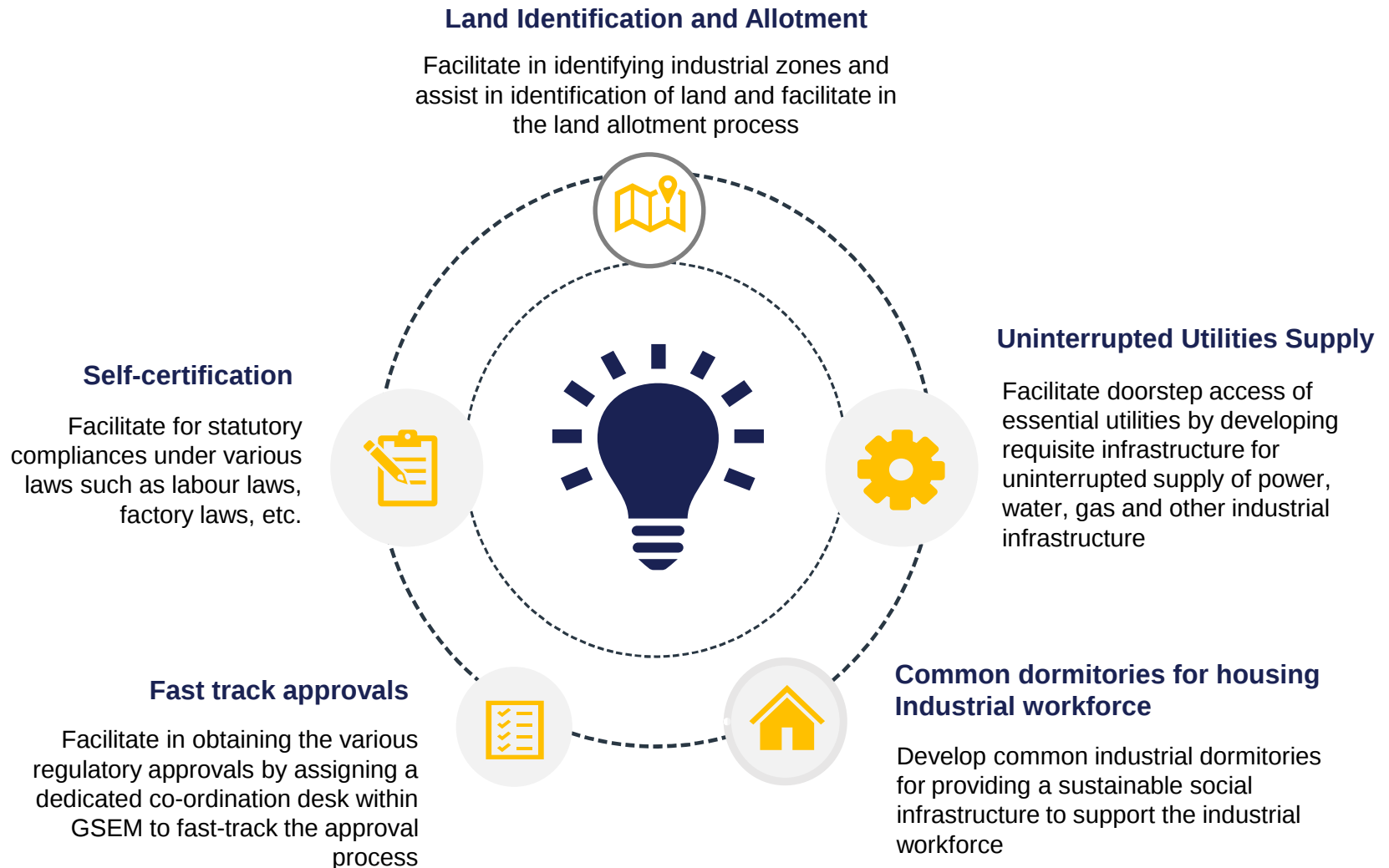
Key Points

- ❖ For computing **incremental employee count**,
 - the average employee count of the previous year before the commencement of expansion shall be treated as base employee count; and
 - incremental count over and above base employee count, happening every year during the Policy period shall be entitled to incentives;



Non-Fiscal Incentives

Non-Fiscal Incentives



How we can assist

How we can assist

Our services include:

Provide overview of the incentives available and key conditions to be complied with in order to be eligible for incentives

Assistance in broad quantification of the eligible incentives available under the Policy based on data and projections shared with us

Representation before the authorities to resolve technical issues/queries related to the Policy

Preparation of various forms, documents, undertakings, etc. and responding to queries / clarifications sought by the Authority

Liaising with the Authority for follow-ups and fast-track the application for processing the incentives

We shall act as Project managers / Central coordinating agency and shall monitor the implementation of the project and provide end-to-end assistance in order to ensure seamless execution

Annexure

List of eligible products (1/2)

- ❖ Electronics Products including Nano-electronics products and telecom products
- ❖ IT Hardware products including computers (tablets, desktops etc.), servers, peripherals like printers, faxes, storage devices monitor, Automatic teller Machines (ATMs), etc.
- ❖ Consumer Electronics like Televisions, Digital Cameras, Camcorders, Audio Video products, electronic watches and clocks, electronic toys, wearable electronics, electronic personal care products, etc.
- ❖ Health and Medical Electronics
- ❖ Strategic electronics
- ❖ Solar Photo Voltaic including thin film, polysilicon, etc.
- ❖ Light Emitting Diodes (LEDs)
- ❖ Avionics
- ❖ Industrial electronic products including measuring and control equipment, energy meters, etc.
- ❖ Nano electronics products
- ❖ Automotive Electronics including Anti-lock braking system, Electronic Brake Distribution, Traction Control, Brushed DC Motors, etc.
- ❖ Agri-electronics
- ❖ Energy conservation electronics
- ❖ Opto-electronics
- ❖ Bio-metric and identity devices/RFID: Smart card manufacturing and personalization
- ❖ Power supplies for Electronics products
- ❖ Consumer Appliances like refrigerators, ACs, fully automatic washing machines, microwave ovens, etc.
- ❖ Electronic product design including PCB design

List of eligible products (2/2)

- ❖ Machine to Machine (M2M) and Internet of Things (IoT) products
 - ❖ Home fuel cells
 - ❖ Multi-functional electronic devices
 - ❖ Semiconductor equipment such as automatic test handler, pick and place machines, test head manipulator and their accessories like test sockets, probe cards, ATE load boards, conversion kits, docking mechanisms
 - ❖ Electronic security devices – including CCTV/surveillance equipment, CCTV, Access control, intruder alarms, etc.
 - ❖ Electrolyzers for production of Green Hydrogen Technologies
- ❖ Advanced Chemistry Cell Energy Storage devices for mobile and stationary applications ranging from vehicles (both hybrid and EV) to Energy Storage. These shall also include alternative battery chemistry-based storage batteries, such as lithium–sulfur (Li–S) batteries, sodium-related batteries, zinc-related batteries, aluminum-related batteries and any other technology in storage solutions being developed in the coming 5 years
 - ❖ Industry 4.0 based devices utilizing IoT / ML / BIG Data Analytics / Cloud etc. based technologies for improving electronics manufacturing and service



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