



Government of Maharashtra

INDUSTRIES DEPARTMENT

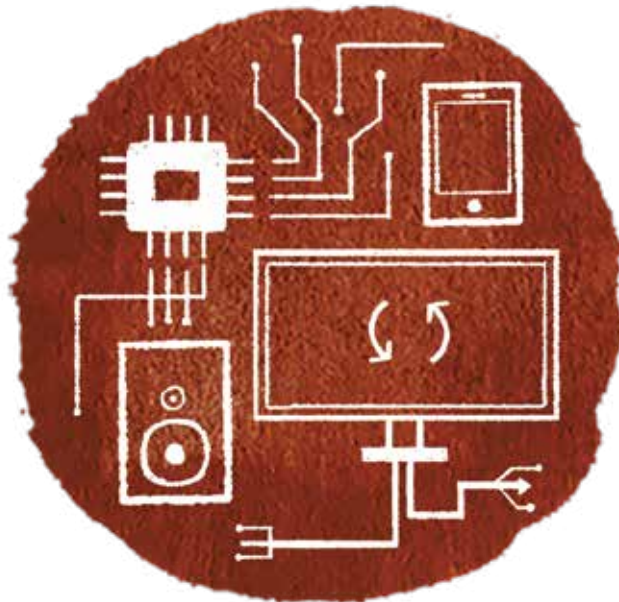
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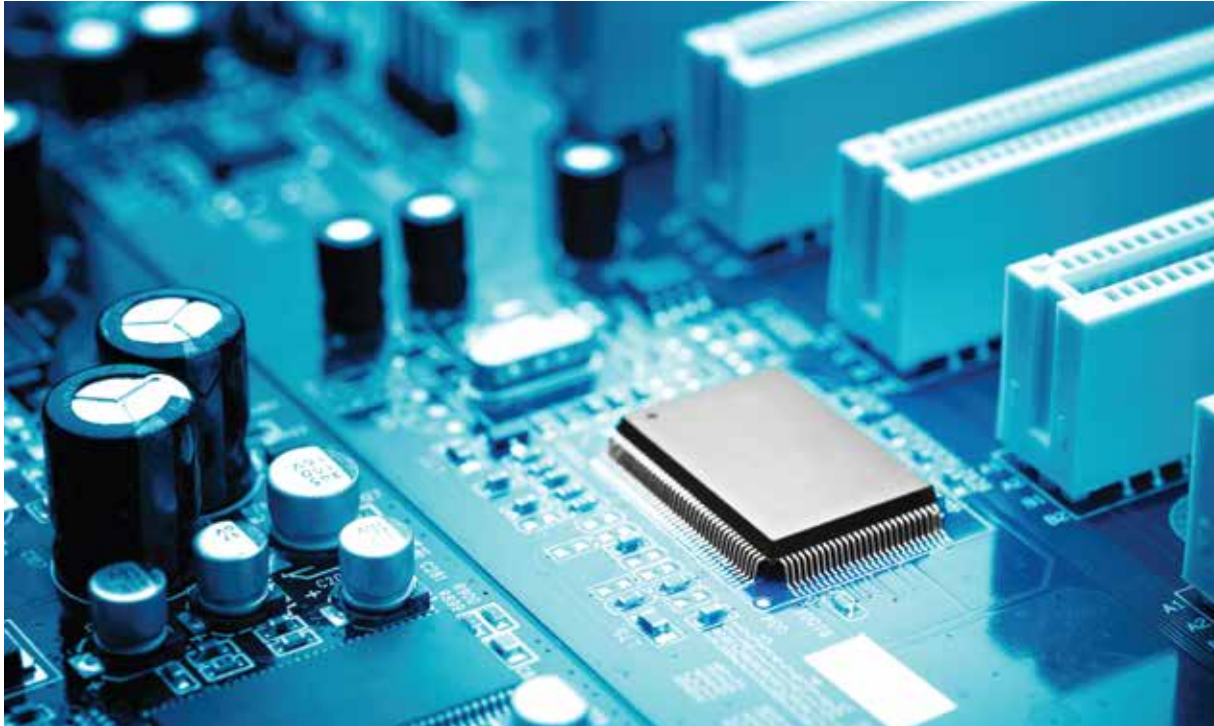
# ELECTRONICS POLICY

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2016

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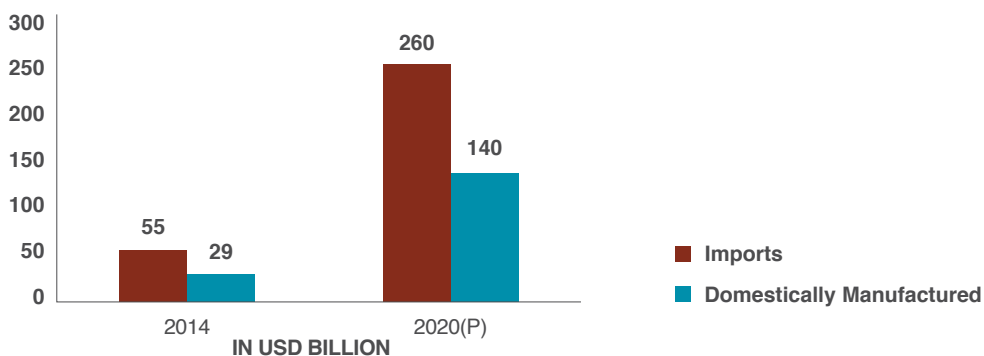


## 1. Background

Electronics industry is one of the fastest-growing industries in India, driven by growth in key sectors such as IT, consumer electronics, and telecom. The industry is expected to grow at a CAGR of 9.8 percent from 2010 till 2015 (at more than twice the growth rate of the global ESDM market) to reach USD 94.2 billion by 2015 and further to USD 400 billion by 2020. While demand increased across all sectors, high technology products, specifically electronic products, registered significant growth.

### Year-wise revenue of ESDM sector's Product and Services Markets (USD billion)

YEAR	PRODUCT MARKET	SERVICES MARKET	TOTAL ESDM MARKET
2010	51.22	7.79	59.01
2011	55.45	9.15	64.61
2012	57.58	10.72	68.31
2013	63.53	12.08	75.61
2014	70.48	13.68	84.16
2015	78.74	15.46	94.20

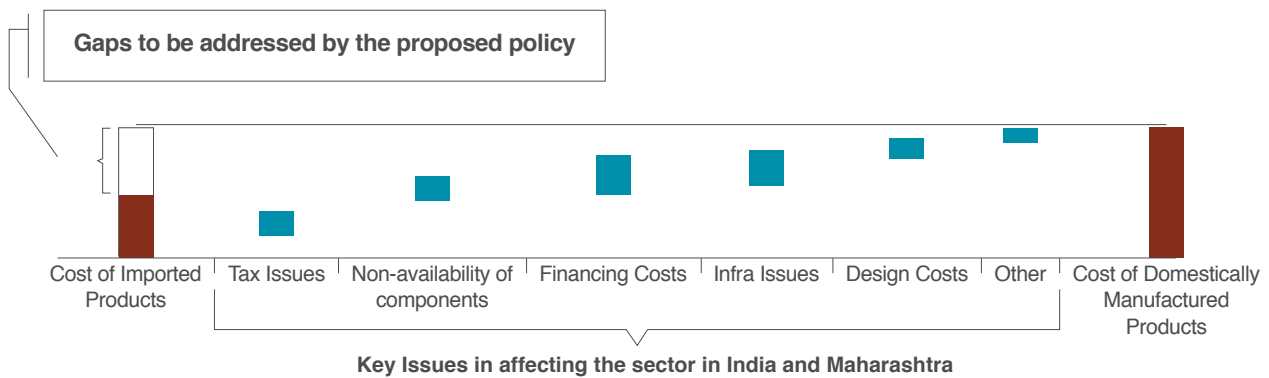


Of the current demand for ESDM products, 65 percent is being met by imports. As it is, this import dependence is high and going forward, the import bill from the electronics sector is projected to surpass that of the oil sector - an area of grave concern. This underlines both the need for import substitution and the immense opportunities posed by the sector to look at India as their next manufacturing destination and cater both to the domestic demand as well as act as an exports hub.

Without suitable interventions in the form of fiscal and non-fiscal support, imports of electronic items will increase five-fold. In order to reduce the dependence on imports and to capitalize on the sector's potential, the Government of India (GoI) has been proactively expanding efforts to provide an impetus to the sector. To this end, the GoI has set a target of reducing the electronics imports to 50 percent by 2016-17 from the present level of 65 percent. This increased domestic production has been envisaged to yield an additional investment of USD 15 billion, generate additional jobs to the tune of 27.8 million (compared to 2 million currently) and increase the sector's contribution to GDP to 10 percent – more than double of its present contribution of 4 percent.

### Why is the contribution of sector low today?

India has traditionally not been a manufacturing-oriented country. Our progress in Technology is limited to IT services. States have also actively taken measures to provide an impetus to the IT services domain. In the meanwhile, the demand for electronics products has been on the rise. Companies aren't very keen to set up manufacturing facilities in India, owing to the higher costs of production as compared to countries like China and Taiwan.



**Note: Chart above is representational and not to scale**

### Key reasons cited by the investors are:

- **Tax related issues:** Higher taxes, structural issues in taxes like the inverted duty structure are major deterrents. Hence, fiscal incentives to offset the manufacturing costs are a must.
- **Non-availability of Components:** Due to the lack of an eco-system in India, large-scale manufacturers have to depend on imports of components. This in-turn increases the cost of production. To counter this, it is imperative that the State Government should provide suitable support for MSME units in the sector so that larger manufacturers can source materials from them.
- **Financing Costs:** Being a manufacturing and raw material intensive industry, capital costs and working capital costs are usually high. Interest rates in India are amongst the highest in the world. This necessitates the need for the state to come up with innovative ways to help companies in the sector. The 'Electronic Development Fund' (EDF) is a step in this direction.
- **Infrastructure Issues:** Trunk infrastructure such as connectivity to ports, airports and national highways, freight corridors, high quality electricity and water supply are other key requirements of the industry owing to the nature of the products and demands from their clients. In addition to this, Common Facility Centers are also important. To assist in infrastructure development Government of India provides monetary assistance to develop Greenfield and Brownfield Electronic Manufacturing Clusters. Eight Brownfield clusters have been notified in the state of Maharashtra.

- **Design Costs:** Due to the complex nature of the products, their design-to-revenue cycles are long and result in increased design costs. Hence, domestic manufacturers that add higher value due to execution of complex designs face higher disability again making the production uncompetitive.

Thus, to fully tap the potential of the ESDM sector, the GoI has announced some initiatives such as:

- A dedicated national sector policy, 'National Policy on Electronics, 2012' that provides various incentives to manufacturers
- Identification of the ESDM sector as a key manufacturing sector in its 'Make in India' campaign
- Introduction of various schemes – Modified Special Incentive Package Scheme (MSIPS), Electronics Manufacturing Cluster Scheme and Skill Development Scheme
- 100 percent FDI in electronics (except electronics for defence)

Likewise, the Government of Maharashtra is of the view that the ESDM sector is one of the key propellants of its economic growth and will thus support the development of this sector by infrastructure expansion, promotion of advanced technology, rewarding innovation and enhancement of skills. Though the State Government has been supporting the sector's growth in the past as well through establishment of Brownfield electronic manufacturing clusters in Pune, Aurangabad and Navi Mumbai and other measures, there is an urgent need to take dedicated and prompt initiatives for encouraging investments – one of the prerequisites for growth and development of the ESDM sector. This policy intends to build the ESDM sector with a set of strategic initiatives like tax incentives, special incentives for anchor units, R&D and IPR incentives for MSMEs.

#### **Need for an exclusive policy**

As stated above, the Indian electronics sector is suffering from a supply deficit translating into increased dependence on imports. In fact, the output is so meager that the country's electronics hardware production constitutes only around 1.31 percent of the global production (as per industry estimates). Given the wide gap in the demand-supply equilibrium, electronic manufacturing companies across the world have evinced keen interest in setting up manufacturing facilities in India. States such as Karnataka, Andhra Pradesh and Gujarat responded actively, by releasing exclusive policies for the sector. By offering incentives over and above the incentives being offered by the GoI, such as concessional land, capital subsidy, and R&D subsidy, these states today are reaping gains from their initiative. In fact, some of these states also took a step ahead to attract investments by making provisions for viability gap funding, interest free loans, establishment of export-oriented units and electronics hubs. Consequently, Karnataka and Andhra Pradesh, today, house the maximum number of ESDM enterprises, emerging as key investment destinations for the sector.



This further necessitates the need for Maharashtra to introduce an exclusive policy for the state. Importantly, because the state has all other enabling factors to make it a lucrative destination for investors, and government support will go a long way in ensuring long-term gains.

Maharashtra's wide industrial base, expertise in manufacturing, a thriving IT environment and availability of skilled manpower place it in a unique position to capitalize on this opportunity. However, the state needs to address some of the lacunas to enable the growth of the sector; key being lack of a conducive electronic manufacturing policy.

## 2. Vision, mission and objectives

### VISION

To create globally competitive Electronics System Design and Manufacturing (ESDM) industry in the state which can create huge employment opportunities for the people of our State and gain a foothold in the international market, thereby contributing to the overall economy and prosperity of the State.

### MISSION

- To promote manufacturing of electronics products in the State by creating a favourable investor-friendly atmosphere.
- To proactively help in the development of a vibrant eco system of R&D, design and engineering and innovation in electronics in the State.
- To take up ESDM sector-specific skill development and training programs.
- To introduce Single Window facility for establishment of Electronics manufacturing units in the State and addressing the challenges faced by potential investors and suitably facilitating access to necessary infrastructural facilities like land, power, water, etc.
- To focus on promotion and branding Maharashtra as a leading ESDM destination.

### OBJECTIVES

- **To establish Maharashtra as a globally recognized HUB for ESDM industry targeted to achieve a turnover of USD 12 billion by 2020 with an investment of USD 3 billion creating additional employment generation in this sector for one lakh people.**
- **To increase ESDM sector's export to USD 2 billion by 2020.**
- **To initiate effective measures in active collaboration with industry stakeholders to enhance the availability of skilled manpower in ESDM sector.**
- **To promote creation of Intellectual Property (IP) in the ESDM sector by contributing more funds to R&D for start-ups in the ESDM and Nano electronics sector.**
- **To create specialized Governance structure within the Government to cater to the specific needs of ESDM sector.**
- **To expedite adoption of best practices in management of e-waste as per the directives of Central & the State Government.**

## 2.4. Policy validity

This policy will be valid up to five years.

## 2.5. Applicability

- Incentives/ benefits covered under this policy will be applicable to all areas of the state.
- For the purpose of Package Scheme of Incentives-2013 (issued by State Government vide Resolution no. PSI-2013/(CR-54)/IND-8 dated 1st April 2013) areas of State are classified as Group, A/B/C/D/D+/No industry district a Naxalism affected area, on the basis of their level of industrial development; the same classification is adapted for this policy.
- The Industrial units which are approved under the “Modified Special Incentive Package Scheme” (M-SIPS) of Department of Electronics & Information Technology, Government of India, will be eligible for incentives under this scheme.
- The Industrial units which are not covered under the (M-SIPS) Scheme of Government of India will be eligible for regular incentives under the Industrial Policy-2013.

## 3. Strategies

### 3.1. Creating ecosystem for globally competitive ESDM sector through:

- Fiscal incentives.
- Facilitating setting up projects like Lithium ion battery, LED manufacturing etc.
- Rationalizing and establishing industry-friendly stable tax system.
- Incentivisation of Technology transfer, R&D and IPR creation.
- Encouraging industry associations in vendor and dealer network development.
- Making available 24 x 7 uninterrupted quality power.
- Create electronics development fund for ESDM sector.

### 3.2. Promotion of Exports

- Incentives to EOU.
- To encourage coordination and tie up with global electronics cities in the leading countries and engage with top ESDM companies to proactively invite investments in the State.

### 3.3. Human Resource Development

Electronics manufacturing industries require skilled manpower to be competitive. The State Government will focus on imparting the necessary skills to ensure availability of a quality labour pool required for the sector. This will involve in:

- Suitably designing the syllabus at institutes as per requirement to make available trained and skilled manpower.
- Creation of an institutional mechanism for the faculty development in various ESDM related subjects.



### 3.4. Incubation centers/manufacturing park

Government will promote setting up of incubation centers for ESDM related sectors in association with Academic Institutions/Industry. MIDC will provide infrastructure for such incubation centers at nominal cost.

A parcel of land up to 100 acres will be kept reserved in DMIC project at Aurangabad for setting up of electronics manufacturing park under the Greenfield Electronic Cluster scheme of Govt of India.

### 3.5. Handling e-waste

Facilitating environment-friendly e-waste handling policies by creating a mechanism with industry to streamline the implementation of e-waste (Management and Handling) rules, 2011 including restriction on usage of hazardous substances.

3.6. To constitute a high level committee with due representation from the industry for marketing the State's offers based on its competencies and thereby attract investments into the State.

### Specific Incentives proposed for potential investors

## 4. Fiscal Incentives

Fiscal incentives shall be extended to eligible ESDM units under the umbrella of package Scheme of Incentives (PSI). A basket of incentives will be offered to eligible Micro, Small, Medium manufacturing enterprises (MSME) and Large manufacturing enterprises (LE) covering the incentives under paras 4.1 to 4.3, the total quantum of which will be limited to a ceiling of 100% of FCI or eligibility period of 10 years, whichever is earlier. The incentives mentioned in paras 4.4 to 4.6 would be available in addition to the basket of incentives above.



ESDM units in A and B category areas with minimum Fixed Capital Investment (FCI) equal to Rs. 250.00 crores or minimum employment of 500 people and units in rest of the state with minimum FCI of Rs.100.00 crores or providing employment to 250 people will be accorded Mega project status. The quantum of incentives for mega projects shall be decided as per the provisions of IE&LD GR No. PSI-2013/C.R.- 54/ Ind-8 dated April 1, 2013 and any subsequent GRs or Guidelines issued based on the decisions in the Cabinet Sub-Committee or High Power Committee.

Admissible investment period for ESDM units will be extended by 3 years in Category A and B areas and by 5 years in other parts of state compared to what is available under prevailing Package Scheme of Incentives.

The incentives, if any, offered by Government of India or any of its agencies or local bodies shall be over and above the incentives offered under this policy.

#### 4.1. Industrial Promotion Subsidy (IPS)

All eligible MSMEs and LEs in category A and B area will be offered IPS equal to [VAT on local sales minus ITC (Input Tax Credit) or zero whichever is more + CST payable + 75% of ITC] and in other parts of state [VAT on local sales minus ITC or zero whichever is more + CST payable + 100% of ITC] on eligible finished products.

**Note** - Modalities regarding disbursement of incentives, related to VAT & CST, will be modified accordingly when GST is made applicable to the state.

#### 4.2. Interest Subsidy

All new/expansion units will be eligible for interest subsidy on term loans availed from Banks and Public Financial Institutions for acquisition of fixed assets for the eligible project. For the purpose of this assistance, bank's prime lending rate or the rate of interest actually charged, minus penal interest if any, whichever is less, will be taken as the effective interest rate.

The quantum of interest subsidy will be calculated at effective rate of interest, after deducting the interest subsidy receivable under any Govt. of India scheme or 5% per annum, whichever is less, provided that minimum 7% effective interest per annum is borne by the industrial unit. Overall Ceiling of the interest subsidy shall be up to the Quantum of VAT + CST collected during that year. If any unit in 'A' & 'B' category area maintains permanent employees more than 1000 and in other category area maintains permanent employees more than 500, then for such units 50% more interest subsidy than their eligible interest subsidy will be offered.



#### 4.3. Power Tariff Subsidy

Eligible new ESDM units will be eligible for power tariff subsidy to the tune of Rs. 1/- per unit for a period of 3 years in category A and B areas and 5 years in other parts of state, subject to ceiling stipulated in para 4.7.

#### 4.4. Exemption from Electricity Duty

Eligible new ESDM units will be exempted from paying Electricity Duty for 15 years.

#### 4.5. Waiver of Stamp Duty

Eligible ESDM units will be exempted from payment of stamp duty during the investment period, for acquiring land and for term loan purposes. Subject to condition that, units shall be required to submit NOC from competent Authority of Directorate of Industries.

#### 4.6. Incentives for strengthening MSMEs

##### 1. Following incentives will be admissible to eligible MSMEs:

- 25% one time subsidy on capital equipment for technology upgradation, limited to Rs. 25 lakh.
- 25% one time subsidy on capital equipment for cleaner production measures, limited to Rs. 5 lakh.
- 75% subsidy on the expenses incurred on patent registration limited to Rs.10 lakh for national patents and Rs. 25 lakh for the international patents.



- Assistance for a maximum of three industry standard quality certifications, at a rate of 50% of cost of quality certification within the overall ceiling of Rs. 6 lakh in 5 years. The amount of assistance will include :

- i) Fees charged by certification agency.
- ii) Consulting fees and training charges.
- iii) Cost of testing equipment as suggested by BIS.
- iv) Calibration charges of equipment.

## **2. One time incentives for credit rating of MSMEs**

75% of the cost of carrying out credit rating by Small Industries Development Bank of India/Government accredited Credit Rating agency, limited to Rs. 50,000.

**4.7.** The amount of incentives under “Basket of Incentives,” as mentioned in para 4, to be disbursed to MSMEs and LEs every year will be limited to 1/10 of the total Basket of incentives sanctioned, with the provision of carrying forward the differential between the actual sanctioned amount for a given year and the yearly disbursement limit.

For Mega Projects/Ultra Mega Projects, if the E.C. period is more than 10 years, the yearly limit for disbursement shall be equal to the total quantum of incentives divided by the number of years as per eligibility period, with the provision of carrying forward the differential between the actual sanctioned amount for a given year and the yearly disbursement limit.

**4.8.** For ESDM units under this policy there will be no operative period succeeding eligibility period. Existing ESDM units, seeking benefits under this policy for expansion, will be required to create minimum 25 percent more additional Fixed Capital Investment (FCI) than that of existing gross FCI and in case of expansion the said additional FCI should result in at least 25 percent increase in existing installed capacity or should result in at least 10 percent increase in employment in non-supervisory category.

**4.9.** The units shall be exempted from payment of Property Tax for a period of 10 years. The projects, premises of which subsequently fall in Municipal Corporation, Municipal Council shall also remain exempt from payment of Property Tax for this period of 10 years. The State Government will issue an advisory in this regard to the concerned urban local bodies.

**4.10.** Electronic products used for data communication i.e. mobile phones, mobile tablets, their parts, components & accessories and IT products like mother boards, routers, modems, tablets, laptops, surveillance cameras, networking switches, other networking products will be declared as "Goods of Special Importance" and will be taxed at lowest VAT rate. Apart from boosting marketing of these electronic products it will help in establishing after-sales service industry in Maharashtra.

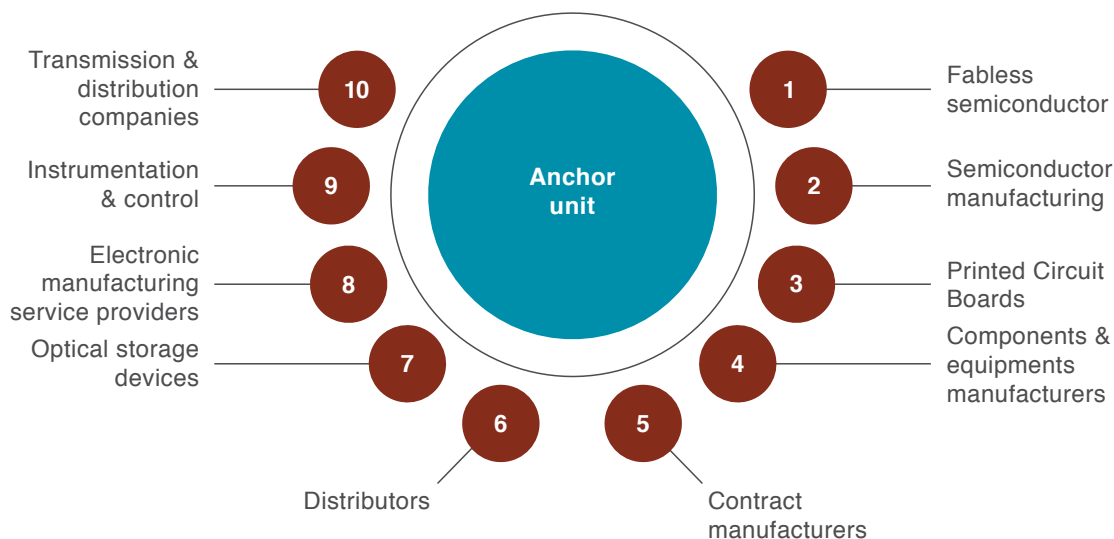
**4.11.** Separate investment subsidy package for manufacture of Lithium ion battery, LED, TFT industries and other thrust areas/products as identified by the state would be introduced. High Power Committee, constituted under Package Scheme of Incentives, will take decision as and when proposal is received.

**4.12.** Under Electronics Manufacturing Cluster (EMC) scheme of Government of India;

- i) Greenfield EMCs are given assistance as grant-in-aid equal to 50% of project cost subject to a ceiling of Rs. 50.00 crores for every 100 acres of land. Minimum industry contribution is 25% of the project cost. In such Greenfield EMCs approved by GoI, for every 100 acres of land, 15% of the project cost (by way of grant or by way of land) limited to Rs. 15 crores will be contributed by MIDC in MIDC areas and by State Government outside MIDC areas.
- ii) Brownfield EMCs are given assistance equal to 75% of the project cost subject to a ceiling of Rs. 50 crores by GoI. Minimum industry contribution is 15% of project cost. In such GoI approved Brownfield EMCs, 10% of project cost limited to Rs. 10 crores will be contributed by MIDC in MIDC areas and by State Government outside MIDC areas.
- iii) The designated electronics industry cluster would be assured of uninterrupted 24x7 quality power by providing dedicated additional feeders.

#### 4.14. Anchor Units

In order to ensure that the right ecosystem develops in the state, the Government of Maharashtra has to actively work towards attracting an 'anchor unit' in the sector. The anchor unit will further attract other players in the sector and also encourage MSME units to set up operations around it. Special Incentive package on a case-to-case basis will be given to first two anchor units (with investment more than Rs.150 crores) in each of the Electronic Manufacturing Cluster notified by Government of India and package of incentives shall be decided as per the provisions of IE&LD GR No. PSI-2013/C.R.- 54/ Ind-8 dated April 1, 2013 and any subsequent GRs or guidelines issues based on the decisions in the Cabinet Sub-Committee or High Power Committee.



#### 5. Other Incentives

##### 5.1. Support to R&D institutions / Testing Facilities / Incubation and Innovation centres.

In order to give impetus to Research and Development, need-based support will be provided to R&D institutions set up with the approval of the State Government.

- Apart from new and existing R&D institutions, testing facilities, incubation and innovation centers will also be covered. The assistance will be given up to 50% of the project cost excluding land and building subject to maximum 25 crores.
- One time assistance for contract / sponsored research work from any ESDM industrial unit / ESDM industries association to recognized R&D institution / technical college approved by AICTE, will be considered at 50% of the project cost, subject to maximum of Rs. 50 lakh.

##### 5.2. Market Development Support

- Assistance to MSME units for participation in International trade fairs outside India at the rate of 50% of total rent, literature and display material cost subject to a ceiling of Rs. 3 lakh, once in a year. The unit should not participate in an individual capacity, but only as a part of the industry association which would participate in such trade fairs. The assistance will be by way of reimbursement. MSME units shall have to apply within six months from the date of participation for the assistance.
- Assistance to industry associations at 50% of total rent subject to a ceiling of Rs.10 lakh for participation in international trade fair as Maharashtra Pavilion outside India for participation by minimum 5 units. Such assistance shall be in the form of reimbursement and will be extended only once in a year.
- Viability gap support to industry associations for organizing national seminars / exhibitions in Maharashtra subject to a ceiling of Rs.10 lakh and for organizing International seminar / exhibition in Maharashtra subject to a ceiling of Rs. 25 lakh.
- Assistance for setting up of Convention Centre / Trade Centre by industry associations at the rate of 50% of project cost up to Rs.10 crores excluding land cost.

## 6. Electronics Development Fund

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State Government will set up an Electronics Development Fund for the development of ESDM sector in the State. An initial corpus of Rs. 50 crores will be created for this purpose. It will be fund of funds. It will be invested through other professionally managed Early Stage Angel Funds and Venture Funds.

## 7. Human Resource Development

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Manpower with proper skill and knowledge is key to success of any industry and electronics industry is no exception. The Government will take following measures to create a pool of skilled manpower for the ESDM sector:

- Appropriate infrastructure to train people at operator level would be created by upgrading ITI/technical/vocational schools.
- Short-term courses and training institutes in after-sales service support would be promoted through Public-Private partnership.
- Capacity creation and curriculum upgradation in technical education especially in ESDM field would be made a continuous process.
- ESDM units can also use in-house training facility for imparting training to outside candidates.

## 8. Initiatives for simplification of relevant legislations

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### 8.1. Electronics units will benefit from-

- Relaxations under the Shops and Establishment Act with regard to working hours, work shifts and employment of women, with her consent to work in shifts. Provided safety of women employee will be responsibility of concerned management.
- Exemption from maintaining physical records for attendance and salary.
- Option for self-certification and filing of consolidated annual returns under 13 Acts administered by the Labour Department.

**8.2.** ESDM Industry will be declared as essential service under 'Maharashtra Essential Services and Maintenance Act'. Government would make necessary amendments in the Act to include ESDM industry in the list of essential services.

**8.3.** Provision for Electronics units to maintain employee-related records required under various labour laws in electronic form, and to accept returns in electronic form will be made in line with the progress of computerization in the Labour Department.

**8.4.** Electronics units not discharging process effluent and with less than 100 employees will be exempt from obtaining consent from the Maharashtra Pollution Control Board (MPCB). Such units will be required to submit annual statements to MPCB on the disposal of wastes like electronics wastes, used batteries and used oil. These units will have to be connected to local sewage network.

**8.5.** On the line of relaxation under Contract Labour Act which have been approved for units in SEZs will be considered for all electronics units also, subject to approval of the legislature.

**8.6.** ESDM units will be treated as continuous process industry for the purpose of power supply and there will be continuous supply of electricity through separate / dedicated feeder for 24 hrs. in a week.

**8.7.** A single window clearance system will be created for State Government approvals for ESDM units.

**9.** List of ESDM verticals as applicable for MSIPS will apply and only those units notified by Government of India will be eligible for incentives under this Policy. The list of ESDM verticals will get modified whenever Government of India modifies any changes in the Notification dated 27th July, 2012.



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Maharashtra**

INDUSTRIES DEPARTMENT

