

**NOTIFICATION**

New Delhi, the 22 October, 2012

**Subject: Electronics Manufacturing Clusters (EMC) Scheme to provide world-class infrastructure for attracting investments in the Electronics Systems Design and Manufacturing (ESDM) Sector**

**1. Background and Objective:**

1.1 Manufacturing base of electronics products in the country is grossly inadequate in comparison to demand of such goods. Even in cases where products are manufactured in India, the extent of domestic value addition is low. Semiconductors are at the heart of any electronic system and constitute a significant part of the total value of the Bill of Material (BOM). One of the main impediments in the way of attracting investments for manufacture of semiconductors, components and electronic products is lack of availability of good and reliable infrastructure. Government proposes to offer a package of incentives to attract domestic and global investments into the Electronics Systems Design and Manufacturing (ESDM) sector within Electronics Manufacturing Clusters (EMCs) as a means to minimizing the disabilities. In conjunction with the said incentives, it is imperative to ensure that world-class infrastructure and facilities be provided in these EMCs to attract investment and to provide a level playing field. This requirement has also been projected in the report of the Task Force on IT/ITES and Electronics Hardware Manufacturing.

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Accordingly, Government has decided to offer financial support for the development of EMCs. It is expected that these EMCs would aid the growth of the ESDM sector, help development of entrepreneurial ecosystem, drive innovation and catalyze the economic growth of the region by increasing employment opportunities and tax revenues.

**2. Electronics Manufacturing Clusters (EMCs)**

2.1.1 The financial assistance for setting up EMCs will be for both Greenfield EMCs and Brownfield EMCs. For the purpose of the scheme –

- a) Greenfield EMC would be an undeveloped/underdeveloped geographical area, preferably contiguous, where the focus is on development of basic infrastructure, amenities and other common facilities for the ESDM units.
- b) Brownfield EMC would be a geographical area where a significant number of existing ESDM units are located and the focus is on upgrading infrastructure and providing common facilities for the ESDM units.

2.1.2 The proposed EMCs may use Information Technology Investment Regions (ITIRs) infrastructure, wherever available

2.2.1 The implementation of the scheme will be through a Special Purpose Vehicle (SPV) which will carry out the business of developing, operating and maintaining the infrastructure, amenities and other common facilities created in the EMCs.

2.2.2 All proposals for assistance under the EMC scheme shall be considered by a Steering Committee for Clusters (SCC) to be constituted by the Department of Electronics and Information Technology (DeitY). The SCC will consider the proposals under EMC scheme and submit its recommendations to the competent authority for approval. The competent authority shall consider such recommendations and grant approvals.

2.2.3 For effective functioning of the SCC, a set of guidelines shall be drawn up by DeitY and issued separately.

2.3 The SPV would be a legal entity (Company or Society) duly registered for this purpose. The SPV may be promoted by private companies, industry associations, financial institutions, R&D institutions, State or Local governments or their agencies and units within the EMC. The SPV should consider including an academic/research institution to be part of the proposed SPV for suitable academic-industry linkages. The PPP model suitable for the SPV would be finalized in consultation with the Department of Economic Affairs, Ministry of Finance.

3.1 The illustrative list of eligible activities under the EMC scheme is at **Annexure.**

#### **EMC Financial Assistance**

4.1 The financial assistance will be by the way of grant-in-aid (not equity) to the SPV.

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4.2.1 For Greenfield EMCs the assistance will be restricted to 50% of the project cost subject to a ceiling of Rs. 50 crores for every 100 acres of land. For larger areas, pro-rata ceiling would apply. For lower extent, the extent of support would be decided by the SCC subject to the ceiling of Rs. 50 crores. The remaining project cost will be financed by other stakeholders of the EMC with a minimum industry contribution of 25% of the project cost.

4.2.2 For Brownfield EMCs the assistance will be restricted to 75% of the project cost subject to a ceiling of Rs. 50 crores. The remaining project cost will be financed by other stakeholders of the EMC with a minimum industry contribution of 15%.

4.2.3 The administrative expenses would be restricted to 3% of the Central assistance in the project. Expenses towards preparation of Detailed Project Report (DPR) would also be considered a part of the project cost.

#### **EMC Project Preparation, Appraisal and Release of Funds**

5.1 The project proposal may include common facilities and infrastructure for the specified EMC. The SPV may actively involve support institutions like R&D institutions, financial institutions, State and local Governments wherever necessary. A detailed project proposal supported by data, surveys, projections and feasibility on growth potential of the EMC will be submitted to the SCC.

5.2 The project will be appraised by the SCC with the help of a reputed and independent financial institution/consultant on the structuring of SPV and the financial viability of the project.

5.3 The selection/location of the EMC to be taken up under the scheme will be approved by the SCC.

5.4.1 The release of funds will be project specific and on pari-passu basis.

5.4.2 The funds would be released directly to the SPV on receipt of utilization certificate and actual physical progress.

5.4.3 Funds will be kept in a separate account, which will be audited.

5.4.4 However, initial contribution of the Central Government @ 30% of the Central Government share will be released after sanction of the project.

5.5 The SPV will be responsible for operation and maintenance of assets created under the scheme by way of collecting user charges.

#### **Applicability of National Manufacturing Policy**

6.1 The National Manufacturing Policy shall be applicable to Greenfield EMCs which would fall within the National Investment and Manufacturing Zones (NIMZs). Necessary orders will be issued in this regard separately.

6.2 A collection of EMCs, geographically outside of proposed NIMZs may be treated as a single virtual NIMZ for governance purposes. Necessary orders in this regard will be issued separately.

7.1 The scheme will be open for applications for five years from the date of notification. Further period of five years shall be available for disbursement of funds to the approved applicants. The applications received under the scheme will be appraised on an ongoing basis.

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7.2 The Department of Electronics and Information Technology or an agency nominated by it will periodically monitor and review the progress of the scheme, carry out an independent evaluation of the scheme to assess among other things, the period for which the assistance under the scheme may be made available, issue guidelines for implementation of the scheme, conduct periodic reviews and propose amendments etc. to the scheme.



(Dr. Ajay Kumar)  
Joint Secretary to Government of India  
Telephone: 2436 0160

New Delhi, Dated 22.10.2012

Copy to:

1. All concerned Ministries/Departments of Government of India
2. Cabinet Secretariat
3. PMO
4. Planning Commission
5. Comptroller and Auditor General of India
6. AS& FA, Department of Electronics and Information Technology
7. Internal Distribution



(Dr. Ajay Kumar)  
Joint Secretary to Government of India  
Telephone: 2436 0160

**An illustrative list of eligible activities under the EMC scheme**

**Basic Development**

1. Boundary Wall
2. Internal Roads
3. Street Lighting
4. Storm Water Drains

**Essential Services**

1. Government Support Office
2. Water Treatment Plant
3. Sewage Lines/ Treatment
4. Waste Disposal /Recycling/Water Harvesting
5. Electricity Sub-Station / Distribution
6. Backup Power Plant
7. Warehousing

**Welfare Services**

1. Employee Hostel & Mess
2. Hospital and ESIC
3. Recreational Facility Playground Clubhouse
4. Creche / Nursery
5. Local Shopping Centre

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6. Restaurants
7. Educational Facilities

**Support Services**

1. Centre of Excellence (R&D, Incubation and Consultancy Services)
2. Training Facility /ITI
3. Auditorium & Conference Facility
4. Video Conferencing
5. IT Infrastructure / Telecom
  - Broadband Connectivity
  - Cloud Computing
  - ERP/ Factory Management System

**Manufacturing Support (Proposed - Flatted Factory Complex)**

1. Tool Room
2. CAD/CAM Design House
3. Plastic Moulding
4. Sheet Metal Stamping
5. Packaging / Epoxy Suppliers
6. Testing and Certification Facility
7. Component Testing:
  - Safety, Life Test, Reliability, Electrical & mechanical properties
  - RoHS Testing
  - EMI / EMC Testing

**Government Regulatory Support / Services**

1. Development Commissioner / Designated Officer
2. Tax Support/ Filing
3. Factory / Labour Compliance Support
4. Pollution Control

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