GOVERNMENT OF INDIA
MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY
(DEPARTMENT OF ELECTRONICS & INFORMATION TECHNOLOGY)
**LOK SABHA**
**UNSTARRED QUESTION No. 1767**
TO BE ANSWERED ON: 04.05.2016

# SEMICONDUCTOR WAFER FABRICATION UNIT

**1767. SHRIMATI SANTOSH AHLAWAT:**
**SHRI SUMEDHANAND SARSWAT:**

Will the Minister of Communications & Information Technology be pleased to state: -

(a) whether the Government intends to attract investment for Semiconductor Wafer Fabrication units in the country and if so, the details thereof;
(b) whether any empowered committee was set up in this regard;
(c) if so, the salient features of the recommendation of the said committee;
(d) whether the Government will provide Viability Gap Funding (VGF) in the form of interest free loan for a period of ten years; and
(e) if, so the details thereof and other incentives proposed for these units?

## ANSWER

MINISTER FOR COMMUNICATIONS AND INFORMATION TECHNOLOGY
(SHRI RAVI SHANKAR PRASAD)

(a) to (e): The Union Cabinet, in its meeting held on 20.04.2011 decided to set up an Empowered Committee (EC) with the mandate, *inter-alia*, to identify technology and potential investors for setting up Semiconductor Wafer Fabrication (FAB) manufacturing facilities in the country, and to recommend nature and quantum of Government support. The Empowered Committee adopted a proposal-based initiative for inviting Expression of Interest (EoI) with the aim of attracting investments for setting up of FAB facilities in the country.

In response to the EoI, proposals were received from two business consortia, one led by M/s. Jaiprakash Associates Limited (with IBM, USA and Tower Semiconductor Limited, Israel as partners) and the other led by M/s. HSMC Technologies India Pvt. Ltd. (with ST Microelectronics and Silterra Malaysia Sdn. Bhd. as partners). Empowered Committee, after detailed appraisal of the two proposals submitted its recommendations in its report of March 2013. Based on the report, the Union Cabinet, in its meeting held on 12.09.2013, accorded 'in-principle' approval to the recommendations of the Empowered Committee including, *inter-alia*, the package of incentives for setting up two FAB facilities in the country. In furtherance of the decision taken by Cabinet, Letters of 'In-Principle' approval dated 09.10.2013 were issued to the two consortia wherein the broad terms and conditions of the approval were indicated. In response to the Letters of 'in-principle' approvals, the two consortia, in the Demonstration of Intent made certain requests. These requests were considered by the Empowered Committee and recommendations on the same were made in the 2nd report of the Empowered Committee dated 21.01.2014.

The Union Cabinet in its meeting held on 12.02.2014 accorded approval to the two proposals and accepted the recommendations of the Empowered Committee made in pursuance of the Cabinet decision in its meeting held on 12.09.2013, in the matter of establishing the FAB facilities in India. The Union Cabinet also authorized the Empowered Committee to take all decisions to implement the FAB projects in furtherance of the decision of the Cabinet. The Union Cabinet in its meeting held on 28.01.2015 reconstituted the Empowered Committee.

The salient features of the recommendations of the reconstituted Empowered Committee are as under:

(i) Establishing Semiconductor Wafer Fabrication facilities in India is a critical, strategic and economic imperative for India.

(ii) Government should proceed with further steps in respect of both the proposals received for establishing Fabs, viz., from the consortia of (i) Jaiprakash Associates, IBM and Tower Semiconductor and (ii) HSMC, ST Microelectronics and Silterra.

(iii) Existence of two fabs will bring in competitiveness in a large and diverse market like India.

(iv) The fab project would be viable only if an appropriate set of incentives and support are provided by the Government and recommended the same.

The Government will provide Viability Gap Funding (VGF) in the form of Interest Free Loan (IFL) which will be calculated so as to arrive at an Equity Internal Rate of Return (EIRR) of 14.5% and be capped at 20% of the capital expenditure [as admissible under the Modified Special Incentive Package Scheme (M-SIPS)]. On commencement of commercial operations, part of the VGF, in the form of IFL, would be converted into 11% equity at face value. The balance of the IFL shall have a moratorium of 10 years from commissioning of respective phases or the year of break even, whichever is earlier, and repayable in 5 equal annual instalments thereafter. Besides IFL, the following main incentives will be extended:

(i) Subsidy on capital expenditure as admissible under the M-SIPS

(ii) Exemption of Basic Customs Duty (BCD) for non-covered capital items

(iii) Deduction for expenditure on R&D as admissible under Section 35(2AB) of the Income Tax Act

(iv) Investment linked deduction under Section 35AD of the Income Tax Act

Letters of Intent (LoI) dated 19.03.2014 were issued to the two consortia. Both M/s. HSMC Technologies India Pvt. Ltd. and M/s. Jaiprakash Associates Ltd. had sought extension on multiple occasions for submission of deficiencies in Detailed Project Reports (DPRs) and other documents required for demonstration of commitment, which were provided to them by the Empowered Committee. While the consortium led by M/s. Jaiprakash Associates Ltd. has withdrawn from the aforesaid project, consortium led by M/s. HSMC Technologies India Pvt. Ltd. needs to address the shortcomings already communicated and furnish other requisite documents/ information required for demonstration of commitment, as per LoI, by 30.04.2016.

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