THE BLUEPRINT Government wants to first invite companies for a discussion and understand their requirements before devising an incentive scheme for the sector

Bit by Bit, a New Plan to Push Chip Making is Taking Shape

Surabhi.Agarwal
@timesgroup.com

New Delhi: The government has once again invited companies to set up semiconductor fabrication facilities in the country. This is the latest attempt to incentivise and attract investment in setting up semiconductor fabs – as they are known in industry parlance – after many failed attempts earlier.

It also comes after the country recently witnessed a shortage of semiconductor chips, impacting the sales of automotive as well as white goods in the country.

Government officials said that the quantum of subsidy that will be offered has still not been decided. The government wants to first invite companies for a discussion and understand their requirements. It will then devise an incentive scheme to spur investments in this high-end area, they said.

Previously, even though a 40% subsidy was offered to fabs, the government could not succeed in getting serious investors to set up shop here, but a lot has changed, an official said.

"The domestic production of electronics has doubled and the Production-Linked Incentive scheme which has been launched in several sectors will significantly increase in the future. This will promise necessary volumes to chip manufacturers," said the official, who did not wish to be named.

Fabs are factories where things like integrated circuits are manufactured. Setting up and running semiconductor fabs require billions of dollars. They also require continuous power support and gallons of water.

THE STORY SO FAR

Govt had previously granted approval to two consortiums led by Jaypee and HSMC but the proposals could not see the light of the day due to lack of funding

India is poised to increase its share in the global manufacturing of mobile phones, IT hardware, automotive electronics, industrial electronics, medical electronics, Internet of Things and other devices in the near future as it aspires to set up $400 billion of electronics manufacturing by 2025, the government said in its latest call seeking expressions of interest.

It also asked companies to detail the kind of support they will require from the government such as Grant-in-Aid (GIA), Viability Gap Funding (VGF) in the form of equity and/or Long-Term Interest Free Loan (LIFL), tax incentives, infrastructure support, etc. They have also been asked what support they would require from state governments in terms of extent, value, and nature of land; availability and cost of provisioning water; and power tariffs.

Arun Mampazhy, an expert in semiconductor fab technology, said that a similar invitation in 2013 had 25% incentive on capex and 25% subsidy on growth capex, but was also stringent about "advanced nodes", "wafer size", "capacity" etc which may have put initial cost at around $4-5 billion.

"The current EoI uses the word 'preferably' when it comes to such matters and seems to give a range of options like futuristic compound semiconductors, analog fabs etc. For analog fabs 65 nm (nanometre) or 130 nm is a good tech-node and could be started with $1.5-2 billion investment. It may be right for India to stand up first, then walk, then run in having commercial semiconductor IC fabs capability," he said.

The government had previously granted approval to two consortiums led by Jaypee and HSMC but the proposals could not see the light of the day due to lack of funding.

"If the right mix of investors and tech partners come forward and government's intention is to really understand and work out specifics of the support needed and they are acted on quickly after the EoI deadline, then this could be a winner – achieving a two-decade-old dream for India and fitting well into the efforts of end-to-end MakeInIndia for electronics," Mampazhy added.

In the Works

- **Quantum of** subsidy still not decided
- **Govt wants** to invite firms for discussion and understand their requirements
- **Semiconductors fabs are expensive propositions**

Setting up and running costs go into billions of dollars

They also require continuous power support and gallons of water

ANIRBAN BORA