

Uttar Pradesh Semiconductor Policy 2024

Department of IT & Electronics, Government of Uttar Pradesh

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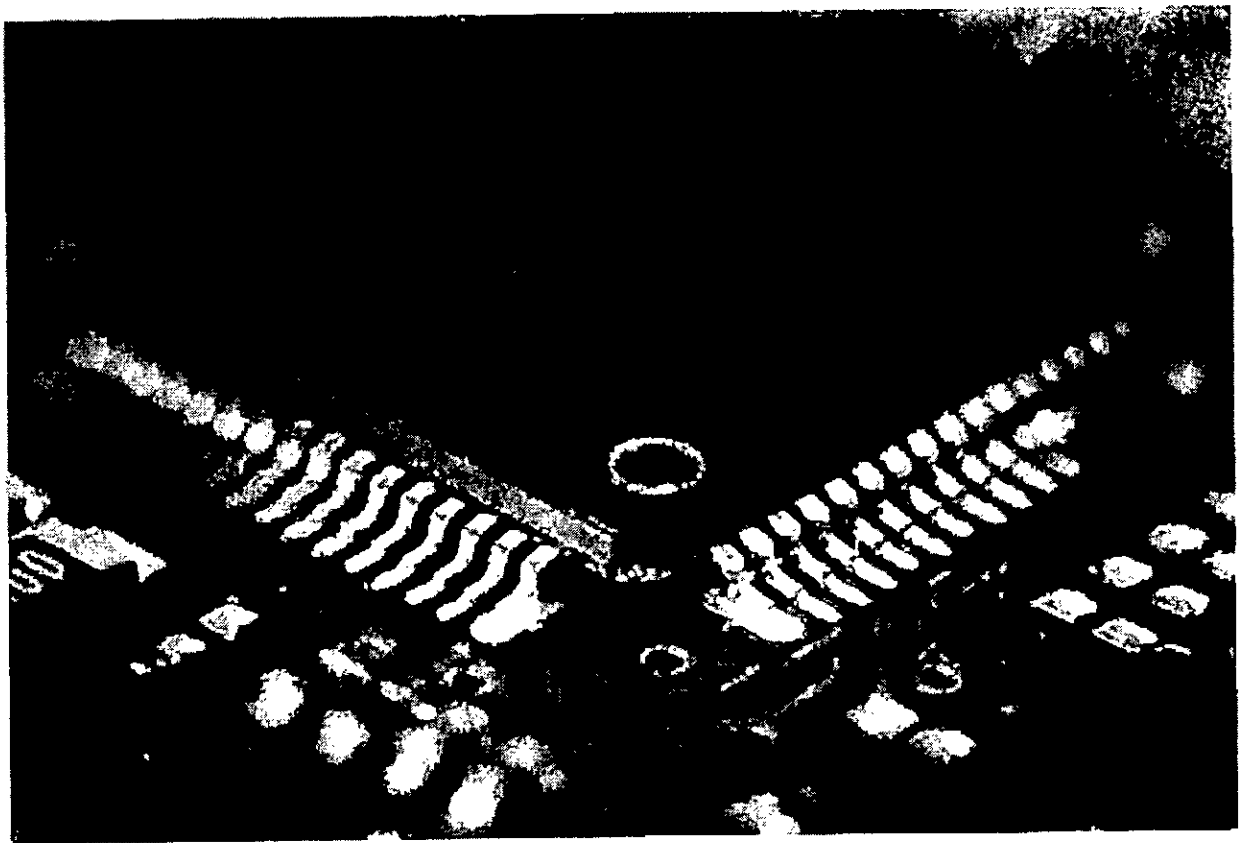
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1. Preamble

Semiconductor manufacturing is pivotal for modern progress across industries, driving efficiency in devices like smartphones, computers, and medical equipment. It also spurs innovation in AI, IoT, and quantum computing. Economically, it fuels job creation and growth via a complex supply chain, while investments ensure technological sovereignty and global competitiveness. In this digital era, semiconductors drive innovation, connectivity, and prosperity.

The India Semiconductor Mission aims to establish the nation as a global semiconductor player. Focusing on local production, R&D, and reducing import reliance, the mission fosters innovation and advanced job opportunities. By improving infrastructure, enabling collaborations, and nurturing skilled workers, the initiative advances India's tech autonomy and global standing in semiconductors and electronics. This aligns with India's aspirations for digital excellence and substantial contributions to the global semiconductor landscape.

Aligned with the Government of India's vision, Uttar Pradesh, a rapidly growing economy accounting for about 9% of the national GDP, is dedicated to fostering the semiconductor ecosystem within the state. This endeavor is poised to accelerate the expansion of the electronics manufacturing and innovation landscape. It harmonizes with the state's ambition of becoming a One Trillion-dollar (USD) Economy, thus aligning with the Hon'ble Prime Minister's overarching goal of propelling India into a 5-trillion-dollar (USD) economy.



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2. Vision and Objective of the Policy

2.1 Vision

To establish Uttar Pradesh as the preferred destination for semiconductor industry by offering globally competitive infrastructure and favorable policy environment for cultivating semiconductor manufacturing as an important growth driver for Uttar Pradesh through effective use of skilled force, adapting innovation and emerging technologies leading to all-round sustainable ecosystem thereby contributing towards the overall growth of economy of the state & nation.

2.2 Objective of the Policy

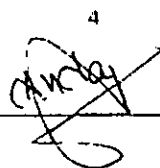
The key objectives of the Uttar Pradesh Semiconductor Manufacturing Policy are as follows:

- ▶ Establishing a robust semiconductor manufacturing ecosystem in Uttar Pradesh, poised to drive the state's economic growth, foster innovation, generate substantial employment opportunities, and enhance India's self-reliance in a strategically significant domain.
- ▶ Developing cutting-edge infrastructure equipped with advanced design and testing tools, facilitating collaborative endeavors among startups, corporations, and educational institutions to unlock their maximum potential.
- ▶ Cultivating a supportive fabless ecosystem within the state, with a focus on targeting chip design enterprises and startups.
- ▶ Establishing strong connections between industry and academia to nurture a skilled talent pool, achieved through curriculum enhancements, regular updates to electronics education, and the facilitation of skill-building workshops major through the state's Skill Development Mission.
- ▶ Paving the way for an environment conducive to potential fabrication unit establishments in the medium to long term, while emphasizing higher value addition in semiconductor design and manufacturing processes.

3. Governance

3.1 Nodal Agency

UP Electronics Corporation Limited a Nodal Agency under the Department of IT & Electronics, Govt. of Uttar Pradesh will be responsible for the effective implementation of the Uttar Pradesh Semiconductor Policy 2024. The agency shall be responsible for creating a conducive policy environment for the sustained growth of the semiconductor ecosystem in the state. It will act as a Single Window for engagement with all ecosystem stakeholders. To manage the Single Window operations, Nodal Agency will set up a dedicated Project Management Unit (PMU) adequately staffed with outsourced professionals and consultants to support the Government.

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3.2 Policy Implementation Unit (PIU)

A PIU under the chairmanship of Principal Secretary/ Additional Chief Secretary, Department of IT & Electronics shall be set up to oversee the work of the Nodal Agency. PIU shall be responsible for the effective implementation of the Policy including making recommendations to the Empowered Committee. PIU shall be responsible for examining and recommending the investment proposals to the Empowered Committee for necessary approval.

This committee shall consist of members nominated by ACS/PS from Industrial Development Department, State Tax Department, Stamp and Registration, IT & Electronics, Finance, Housing Department, Labor, and as per requirement may include members of other Departments /Industrial Development Authorities, etc. as and when required.

3.3 Empowered Committee (EC)

A state-level Empowered committee under the chairmanship of the Chief Secretary shall be set up to monitor the effective implementation of the Policy. The charter of the committee shall be pertaining to the effective implementation of the policy and inter-departmental coordination with respect to timely resolution of investor issues at all levels. All projects applying under the policy will be subject to approval from the Hon'ble Cabinet on the recommendations of the Empowered Committee.

This committee shall consist of ACS/PS from the Industrial Development Department, State Tax Department, IT & Electronics, Finance, Planning, Small Industries, Commercial Tax, Energy, Irrigation, Housing Department, Labor, and as per requirement may include Additional Chief Secretary / Principal Secretary of other Departments / CEOs of Industrial Development Authorities, etc. as and when required.

The Empowered Committee constituted under the policy shall decide upon the extension/ Amendments of the policy.

4. Policy Implementation & Coverage

4.1 Policy Period and Coverage

The UP-Semiconductor Policy 2024 is valid for five (5) years from the date of its notification. The policy covers the entire state. Investment shall be permitted starting from the date of notification of the policy.

Entities benefiting from the Scheme must commit to maintaining their commercial production operations for a minimum of three years from the commencement date of the entire project's commercial production, and they are required to furnish a formal undertaking to that effect.

4.2 Eligibility Criteria

The project which has been qualified under any of the following schemes of India Semiconductor Mission (ISM) of the Government of India shall be eligible under this policy.

4.2.1 Scheme for setting up of Semiconductor Fabs in India

4.2.2 Scheme for setting up of Display Fabs in India

4.2.3 Scheme for setting up of Compound Semiconductors / Silicon Photonics Sensors Fab and Semiconductor Assembly, Testing, Marking, and Packaging (ATMP)/ OSAT facilities in India.

4.2.4 Any other such similar scheme which is being amended or proposed by the Government of India.

4.2.5 Projects approved under Design Linked Incentives or related to Fab-less activities will not be eligible under this policy, however, the investor may apply and avail benefits under UP IT/ ITeS Policy 2022.

4.3 Eligible Investment

4.3.1 Semiconductor Fabs: Fiscal support as percentage of project cost shall be limited to the activities defined under section 2.12 of the Guidelines issued for Modified Scheme for setting up of Semiconductor Fabs in India by the Meity, Government of India dated 29th May 2023, as amended from time to time. (Glossary 8 (ii))

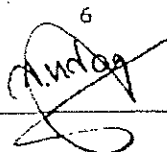
4.3.2 Display Fabs: Fiscal support as percentage of project cost shall be limited to the activities defined under section 2.12 of the Guidelines for Modified Scheme for Setting up of Display Fabs in India by the Meity, Government of India dated 29th May 2023, as amended from time to time. (Glossary 8 (ii))

4.3.3 ATMP/OSAT: Fiscal support as a percentage of capital expenditure shall be limited to the activities defined under section 2.11 of the Guidelines for Modified Scheme for Setting up of ATMP/ OSAT facilities in India by the Meity, Government of India dated 30th June 2023, as amended from time to time. (Glossary 8 (iii))

Terms & Conditions

This policy cannot be dovetailed with any other policy/scheme in the state. However, with the schemes/policies of the Government of India, dovetailing shall be allowed. All incentives specified in this policy may be availed in addition to the incentives available under any scheme/policy of the Government of India. Incentives/ Subsidies offered by GoUP will be subject to an overall ceiling of 100% of the total eligible project cost approved by Government of India.

Capital expenditures or investments already accounted for in the project cost of the proposed project under the Modified Scheme for establishing various semiconductor-related facilities, including Semiconductor Fabs, Display Fabs, Compound Semiconductors/Silicon Photonics Sensors Fab, Semiconductor Assembly, Testing, Marking, and Packaging (ATMP), OSAT facilities, and similar government schemes being amended or proposed, as per notifications CG-DL-E-04102022-239339 dated 04.10.2022, CG-DL-E-06102022-239340 dated 04.10.2022, and CG-DL-E-10062023-246449 dated 09.06.2023, will only be eligible for capital subsidy and not for any other benefits outlined in the policy.

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5. Approval and Disbursement

5.1 Approval Process:

Proposals submitted for initiatives encompassing Semiconductor Fab, Display Fabrication, Compound Semiconductors, Silicon Photonics (SiPh), Sensors (including MEMS) Fab, Discrete Semiconductors Fab, and Semiconductor Assembly, Testing, Marking, and Packaging (ATMP) / Outsourced Semiconductor Assembly and Test (OSAT) Facility in India, which have been endorsed by the India Semiconductor Mission (ISM) Government of India, and are being pursued within the state of Uttar Pradesh, will be sent for the Hon'ble State Cabinet approval. Hon'ble State Cabinet's approval will be conducted based on the recommendations provided by the Empowered Committee.

- ▶ **Process of approval with GoUP:** The proposals that have been endorsed by the India Semiconductor Mission, Government of India, and seeking to setting up of Semiconductor facilities (As defined in 4.2.1, 4.2.2 & 4.2.3) in Uttar Pradesh will be given LOC subject to the condition that incentive approved will not exceed 100% of the total eligible project cost approved by ISM and the issued LoC will be effective only after approval of the proposal by the Government of India.
- ▶ The applicant needs to simultaneously apply under the UP-Semiconductor Policy 2024 while submitting proposals to India Semiconductor Mission

5.2 Disbursement of Subsidy

The capital incentive, which is in addition to the one provided by the Government of India, will only be disbursed once the Government of India releases its share to the investor, and the disbursement will occur in Pari Passu mode.

All the other fiscal incentives, apart from capital subsidy, rebate on land cost and Stamp Duty and Registration fees exemption provided in the policy, shall be eligible upon commencement of commercial production.

6. Incentives

Financial incentives offered under this policy are over and above the incentives given by the Government of India. However, incentives claimed by a unit from all the sources including the incentives given by the Government of India unless stated otherwise in the policy, shall not be more than 100% of the eligible project cost (As defined in clause 4.3 of this policy).

6.1 Fiscal Incentives

- 6.1.1 **Capital Subsidy:** 50% of the capital subsidy approved by GOI. This benefit will be disbursed in accordance with the benefits provided by the Government of India on a Pari-Passu mode.
- 6.1.2 **Interest Subsidy:** An interest subsidy of 5% per annum (on the rate of interest) to units with investment up to INR 200 Cr on the loan obtained from Scheduled Banks/ Financial Institutions shall be reimbursed up to maximum of INR 1 Cr per annum per unit for 7 years (Maximum INR 7 Cr per unit)

6.1.3 Land Rebate: For production units covered under section 4.2.3 of this policy, rebate will be provided on prevailing land rate taken.

i. 75% subsidy on the first 200 acres of land on prevailing sector rates on purchasing land from state agencies.

ii. On additional purchase of land for the unit or for the ancillary units 30% subsidy shall be allowed.

6.1.4 Stamp Duty and Registration fees: 100% exemption on purchase/lease of land

6.1.5 Electricity Duty: 100% exemption on electricity duty for a period of 10 years

6.1.6 Dual power grid network shall be provided to the FAB units established in the state. The cost of one grid (lower of the two) shall be reimbursed by the state government while the cost of the other grid shall be borne by the investor.

6.1.7 Transmission and wheeling charges:

Exemption of 50% on wheeling charges/transmission charges on Intrastate purchase of power shall be provided for the period of 25 years from the date of commissioning of the project.

6.1.8 Support for Skilling and Training:

To create a skilled manpower pool ready for supporting semiconductor industry in chip design and manufacturing space, the state government will invite collaboration with educational institutes and industry.

The government will offer incentives to enhance semiconductor skills and talent development activities in Uttar Pradesh, such as

- a. Faculty training / technical workshops / awareness programs / expert lectures up to INR 60 Lakhs per year for 5 years; total of INR 3.0 Crores
- b. Internship support for B.Tech & M.Tech Graduates up to 500 Students per year for 5 Years; INR 20K support per student
- c. Semiconductor being the sunrise industry, the supply of world class talent in India is limited. To bridge the gap and attract world class talent in setting up of the semiconductor industry, one time support to hire such talent will be provided for a period of 12 months subject to a limit of INR 1 Cr. per unit.

6.1.9 Standalone R&D Centre: The Government will reimburse 25% of the cost of setting-up such Standalone R&D Centre subject to a maximum of ₹10 Crore, provided -

- a. Such R&D Centres must have a minimum Eligible Capital Investment of Rs. 20 cr.
- b. It must have a clearly demarcated facility inside or outside an industrial unit.
- c. It must be recognized by Council of Scientific & Industrial Research (CSIR)/ Department of Scientific and Industrial Research (DSIR)/ Software Technology Parks of India (STPI).

- d. The subsidy will be provided in instalments of 50% on approval of the project, next 25% after 3 years of approval and last 25% on achievement of the committed results in 5 years.

6.1.10 Center of Excellence (CoE):

Policy envisages to create world class infrastructure in the form of Center of Excellence (CoE) to promote research, innovation in the semiconductor sector. Policy aims to establish Center of Excellences in collaboration with reputed academic institutions and/ or industry associations/ industry or any other Govt./ Private entity. Up to 50% of the total CoE project cost (subject to a maximum of 10 Cr.) will be borne by Government of UP

The company will have to consider only one option out of paras 6.1.9 or 6.1.10 that is either they can avail subsidy of setting up R&D Centre or Centre of Excellence

6.1.11 Reimbursement of Patent Registration Fees:

Patent Registration fees shall be reimbursed (One-time) at the rate of 75% of the expenses subject to maximum Rs 10 lakh for acquiring domestic patents and subject to maximum Rs 20 lakh for acquiring international patent in one instalment.

6.1.12 Industrial Housing:

10 percent of the cost of development of workers housing/dormitory and related collective facility within a radius of 10 km of the premises of the unit or ₹10 crore, whichever is lower, will be provided in 7 equal annual instalments.

6.2 Non - Fiscal Incentives

6.2.1 Mission Critical Infrastructure: The semiconductor Industry in the state shall be classified under Essential Services and Maintenance Act (ESMA) as an essential service provider.

6.2.2 Water Supply: State Govt. will ensure water supply to Semiconductor units at their Project site.

6.2.3 Unit shall be permitted to get power through open access.

6.2.4 Power banking for Renewable / Green Energy shall be provided to the unit, it will be governed as per (Electricity Regulatory Commission) ERC guidelines of the state.

6.2.5 The government will ensure sufficient redundancy in the power grid to guarantee a reliable power supply for the seamless operations of FAB projects.

6.2.6 Non-Disturbance Provision: In order to provide assured business continuity, once the developer has completed investment and obtained completion certificate from the respective Authority and has fully paid complete lease rent, approval of the Board of Authority will be a prerequisite for cancellation of the lease deed in case of any violation by such semiconductor units of the Authority norms/ bylaws.

6.2.7 Three Shift Operations: Semiconductor units shall be permitted to have 24x7 operations and employment of women in all three shifts, subject to the units taking necessary precautions with respect to safety and security of women employees.

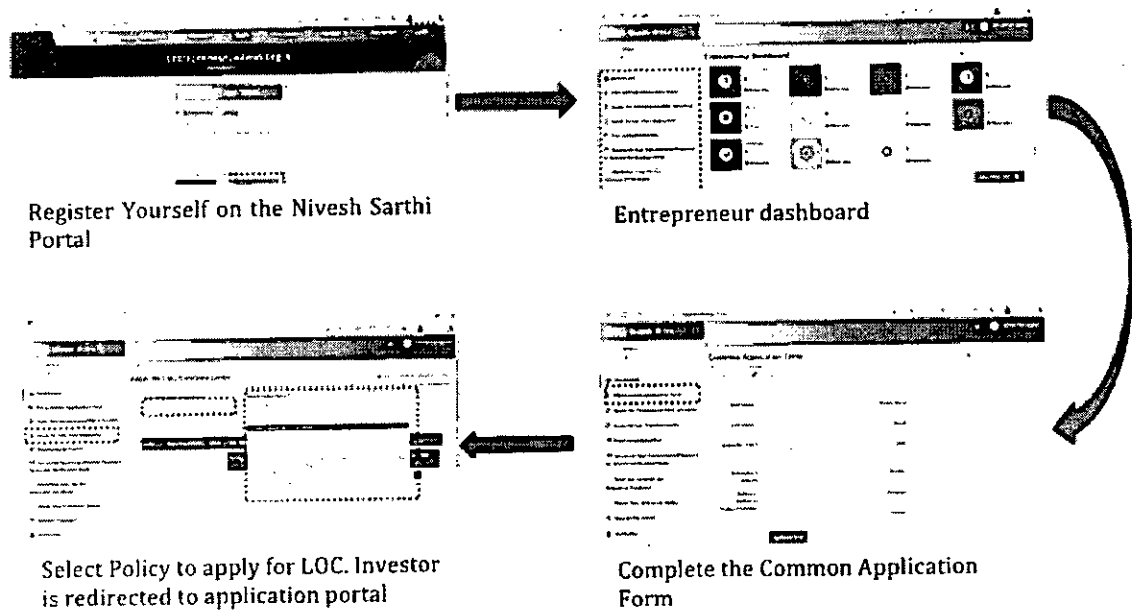
6.2.8 Self-Certifications: Semiconductor units are exempt from inspections under the following Acts and the Rules framed thereunder, barring inspections arising out of specific complaints. These units are permitted to file self-certificates, in the prescribed formats:

- The Factories Act
- The Maternity Benefit Act
- The Shops & Establishments Act
- The Contract Labour (Regulation & Abolition) Act
- The Payment of Wages Act
- The Minimum Wages Act
- The Employment Exchanges (Compulsory Notification of Vacancies) Act

7. Process of Application

Nivesh Mitra, Uttar Pradesh's Single Window Portal (<https://niveshmitra.up.nic.in/>), is an all-in-one online platform that simplifies business processes. It allows for online applications, document uploads, fee payments, live status tracking, and digitally signed NOCs. It handles the issuance of essential clearances, licenses, LoCs and NOCs for pre-establishment, pre-operation, renewals, and additional certificates necessary to start and run businesses in the state of Uttar Pradesh.

Applicants must use the Nivesh Mitra portal to submit their proposals, which will then guide them to the Online Incentive Management System. Here they would be required to submit essential proposal details and documents related to the project, to apply for a Letter of Comfort (LoC) from the Department of IT and Electronics under the UP-Semiconductor Policy 2024.



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8. Glossary

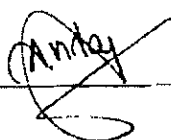
- i. **Semiconductor Manufacturing:** The process of creating semiconductor devices used in various electronic products.
- ii. **Eligible capital investment for setting up of Semiconductor and Display Fabs:** As described in Section 2.12 of Guidelines for Modified Scheme for setting up of Semiconductor Fab (notification number CG-DL-E-06102022-239339) and Guidelines for Modified Scheme for setting up of Display Fab (notification number CG-DL-E-06102022-239340), File No. W-38/21/2022/IPHW dated 29.05.2023

Project Cost shall include Capital Expenditure/ Investment on

- Land, Building, Plant, machinery, clean room, equipment, and associated utilities
- Research and Development
- Transfer of technology
- Other relevant costs such as interest during construction and insurance cost

- iii. **Eligible capital investment for setting up of Compound Semiconductors / Silicon Photonics / Sensors Fab/ Discrete Semiconductors Fab and Semiconductor ATMP and OSAT:** As described in Section 2.11 of Guidelines for Modified scheme for setting up of Compound Semiconductors / Silicon Photonics / Sensors Fab/ Discrete Semiconductors Fab and Semiconductor Assembly, Testing, Marking and Packaging (ATMP)/ Outsourced Semiconductor Assembly and Test (OSAT) facilities in India (hereinafter referred to as 'Scheme') has been notified vide notification No. CG-DL-E-06102022-239341 dated 04.10.2022 as amended vide Notification No. CG-DL-E-10062023-246449 dated 09.06.2023, File No. W-38/21/2022/IPHW dated 30.06.2023

- Capital Expenditure / Investment incurred on Building, Plant, Machinery, Clean rooms, Equipment and Associated Utilities
- Capital Expenditure / Investment incurred on Research and Development (R&D)
- Capital Expenditure / Investment related to Transfer of Technology (ToT) Agreements



- The expenditure incurred on land required for the project / unit shall not be considered towards eligible capital expenditure / investment computation under the Scheme.
- iv. **India Semiconductor Mission (ISM):** Indian Semiconductor Mission (ISM) within Digital India Corporation, Ministry of Electronics and Information Technology (MeitY), Government of India is the nodal agency for the implementation of programme / modified programme for the development of Semiconductors and Display manufacturing ecosystem.
 - v. **Nodal Agency:** The primary government organization responsible for overseeing the implementation of the semiconductor policy in Uttar Pradesh.
 - vi. **Policy Implementation Unit (PIU):** A specialized unit chaired by Principal Secretary/ Additional Chief Secretary; Department of IT & Electronics responsible for overseeing the work of the Nodal Agency.
 - vii. **Empowered Committee (EC):** A state-level committee chaired by the Chief Secretary, responsible for monitoring policy implementation and inter-departmental coordination.
 - viii. **Modified Scheme for Semiconductor Fabs in India** was notified by the Ministry of Electronics and Information Technology (MeitY) on October 4, 2022, through Gazette Notification Number CG-DL-E-04102022-239339. The modified scheme provides a fiscal support of 50% of the project cost for setting up semiconductor fabs in India. The project cost includes the cost of land, building, plant, machinery, equipment, and associated utilities. The fiscal support will be provided on a pari-passu basis after the approval of the application, subject to terms and conditions stipulated in the scheme guidelines and approval letter.
 - ix. **Modified Scheme for Display Fabs in India** was notified by the Ministry of Electronics and Information Technology (MeitY) on October 4, 2022, through Gazette Notification Number CG-DL-E-04102022-239340. The modified scheme provides a fiscal support of 50% of the project cost for setting up display fabs in India. The project cost includes the cost of land, building, plant, machinery, equipment, and associated

utilities. The fiscal support will be provided on a pari-passu basis after the approval of the application, subject to terms and conditions stipulated in the scheme guidelines and approval letter.

- x. **Modified Scheme for Compound Semiconductors and ATMP facilities in India** in India was notified by the Ministry of Electronics and Information Technology (MeitY) on October 4, 2022, through Gazette Notification Number CG-DL-E-06102022-239341. The modified scheme for compound semiconductors and ATMP facilities in India provides a fiscal support of 50% of the capital expenditure for setting up compound semiconductors / silicon photonics / sensors fab/ discrete semiconductors fab and semiconductor assembly, testing, marking and packaging (ATMP)/ outsourced semiconductor assembly and test (OSAT) facilities in India.
- xi. **Compound Semiconductors:** Semiconductor materials formed from two or more elements from different groups in the periodic table.
- xii. **Display Fabrication:** The process of manufacturing displays used in electronic devices.
- xiii. **Fabless Ecosystem:** An ecosystem focused on semiconductor chip design and development without in-house fabrication facilities.
- xiv. **Letter of Comfort (LoC):** A financial instrument used to provide assurance to a party that the issuer will fulfill its obligations.
- xv. **Pari Passu:** The pro rata payment by Nodal Agency to be released after the corresponding share to be mobilized by applicant / Project Company along with other sources in the No-Lien Account (NLA). The deposits in the No-Lien Account (NLA) shall be utilized only for authorized expenditure for the approved project.
- xvi. **Non-Disturbance Provision:** A clause ensuring business continuity by requiring board approval for lease cancellation due to policy violations.
- xvii. **Outsourced Semiconductor Assembly and Test (OSAT) Facility:** A facility that provides semiconductor packaging and testing services.
- xviii. **Semiconductor Fabrication (FAB):** The process of creating semiconductor devices, also known as semiconductor manufacturing.

- xix. **Semiconductor Photonics:** The branch of semiconductor technology related to the use of photons (light particles) for information processing and transmission.
- xx. **Special Economic Zone (SEZ):** A designated area where business and trade laws are different from the rest of the country to attract investment and promote exports.
- xxi. **Capital Subsidy:** Financial assistance provided by the government to reduce the capital costs incurred by semiconductor manufacturing projects.
- xxii. **Stamp Duty:** A tax imposed on legal documents, particularly those related to land purchase or lease.
- xxiii. **Power Subsidy:** A financial incentive that reduces the cost of electricity for semiconductor manufacturing units.
- xxiv. **Electricity Duty:** A tax on the consumption of electricity.
- xxv. **Dual Power Grid Network:** A redundant power supply infrastructure to ensure uninterrupted power for semiconductor fabs.
- xxvi. **Transmission and Wheeling Charges:** Costs associated with the transmission and distribution of electricity.
- xxvii. **Essential Services and Maintenance Act (ESMA):** Legislation that designates certain industries or services as essential, ensuring their uninterrupted operation.
- xxviii. **Open Access:** The ability for units to purchase electricity directly from the grid or from other providers.
- xxix. **Power Banking:** The ability to store excess renewable energy and use it when needed.
- xxx. **Case-to-Case Basis:** Decisions made individually based on specific circumstances.
- xxxi. **Self-Certification:** The process by which units can declare compliance with certain labor laws without the need for external inspections.
- xxxii. **Bank/ Financial Institutes:** All scheduled banks shall be considered. All financial institutions which are regulated and approved by the Reserve Bank of India shall be considered.
- xxxiii. **State Agencies**

- i. Development Authorities
- ii. Housing Boards
- iii. Industrial Development Authorities
- iv. Other state Institutions notified by the Government.

9. Abbreviations

- AI - Artificial Intelligence
- ATMP - Assembly, Testing, Marking and Packaging
- EC - Empowered Committee
- EMC - Electronics Manufacturing Cluster
- ESDM - Electronic Systems Design & Manufacturing
- FCI - Fixed Capital Investment
- GOI - Government of India
- IoT - Internet of Things
- IT - Information Technology
- ISM - India Semiconductor Mission
- MeitY - Ministry of Electronics & Information Technology
- OSAT - Outsourced Assembly & Test
- PIU - Project Implementation Unit
- PMU - Project Management Unit
- SEZ - Special Economic Zone