



SPECS for ESDM and Other Sectors



INDEX



Contents

- ✓ **SPECS – About the scheme**
- ✓ **PLI Scheme – About the scheme**
- ✓ **How DA can assist you!**
- ✓ **Glossary**
- ✓ **Annexure**



SPECS – About the scheme

Expected Incentive outlay – INR 3,285 crores

Objective

The scheme will help offset the disability for domestic manufacturing of components and semiconductors in order to strengthen the electronics manufacturing ecosystem in the country

Incentive

25% of eligible capital expenditure (Land and Building excluded) **for the manufacturing of specified product** ([Annexure A](#)).

Who can apply

Any entity registered in India who is going to make investments in **new units** as well as **expansion of capacity/ modernization and diversification of existing units**

Threshold Limit

INR 2 crores to INR 1,000 crores – Based on nature of product ([Annexure A](#))

Validity of SPECS

Applications received till **31 March 2024**

SPECS – About the scheme



- **ELIGIBLE CAPITAL EXPENDITURE broadly covers:**
 - Plant, Machinery, Equipment,
 - Tools, Dies, Moulds, Jigs, Fixtures (including parts, accessories, components and spares) [in the premises of the applicant or vendor within India]
 - Associated utilities [to an extent of 20% of total eligible capital expenditure for Plant, Machinery, Equipment and associated utilities] includes:
 - Captive power, and ETP
 - Essential equipment technology (including TOT) , including for R&D
 - Essential equipment required in operation areas such as clean rooms, air curtains, temperature and air quality control systems, compressed air, water and power supply and control systems etc.,
 - IT and ITES infrastructure related to manufacturing including servers, software and ERP solutions

for design, manufacturing, ATMP of eligible product [Cost of CAPEX including packaging, freight/ transport, insurance, erection and commissioning) Contd...

SPECS – About the scheme

- **ELIGIBLE CAPITAL EXPENDITURE broadly covers:**
 - R&D [In-house and Captive R&D] expenditure [to an extent of 20% of total eligible capital expenditure for Plant, Machinery, Equipment and associated utilities] in relation to goods for which application made [All stages in the entire value chain including software] and includes:
 - Test and measuring equipments,
 - Purchase of design tools,
 - Software cost (directly used for R&D purpose) and license fee,
 - Expenditure on technology,
 - IPR, Patents and Copyright for R&D
 - ToT including cost of technology [to an extent of 10% of total eligible capital expenditure for Plant, Machinery, Equipment and associated utilities]

Contd...

SPECS – About the scheme

- **ELIGIBLE CAPITAL EXPENDITURE broadly covers:**
 - The total value of refurbished plant, machinery and equipment (including for associated utilities and R&D), whether
 - ✓ imported or
 - ✓ domestically procured,**not exceeding 20% of the total eligible** with minimum life of 5 years shall be considered for calculation of incentive

Note:

1. All non-creditable taxes and duties are included in such expenditure. However, the same shall not be considered towards eligible capital expenditure computation
2. Land and Building (including factory building/construction) to be included to determine threshold limit. The same are not considered for eligible capital expenditure computation

SPECS – Key aspects

- **Financial Closure** – Loan/Internal accruals/Equity is must for applying for the scheme
- Applicant should have **Land documents** such as registered sale deed or registered rent/lease agreement for at least 10 years [If not available, PMA or/and GC can provide exception on case to case basis]
- **Minimum investment** should be made as required for eligible goods/product
- **Domestic Value addition** criteria to be looked into – Net Sales Turnover of eligible goods – Value of Non Originating material/services / Net Sales Turnover of eligible goods
- Any other Incentives offered by the **State Government** or any of its agencies or local bodies shall be over and above this incentive
- The applicants shall also be eligible to take benefit under any other scheme(s) of **Government of India**
- Any investment committed under **M-SIPS** for which incentives have been claimed shall not qualify as eligible capital expenditure under SPECS

SPECS – About the scheme

- **Approval and Disbursement Process:**

Each and every application will be treated as new investment and independent application

Single phase project application only allowed and phase-wise applications will not be considered under the Scheme

No restriction on any applicant from making multiple applications and/ or for multiple locations

Incentive under the scheme will be applicable from the date of acknowledgment of the application

Acknowledgment will be issued after initial scrutiny of the application

The incentive will be available for investment made **within 5 years from the date of acknowledgement of the application**

SPECS – About the scheme

▪ Approval and Disbursement Process:

The incentive shall be released after the approval of the application, subject to:

- ✓ **Capital expenditure exceeding the threshold value and**
- ✓ **Commencement of commercial production**

Subsequent claims for the incentive may be submitted on a Quarterly basis

The unit receiving incentive under SPECS will have to remain in commercial production for a period of at least:

- ✓ **3 years from the date of commencement of production or**
- ✓ **1 year from the date of receipt of last incentive, whichever is later**

Non-refundable fee would be payable for each application i.e. INR 10,000 to 1.35 lacs based on investment amount

Any variation in expenditure due to foreign exchange rate change, technology upgradation and change in specification of Plant, Machinery and Equipment is allowed for individual item, subject to the limit of total eligible capital expenditure amount

SPECS – About the scheme

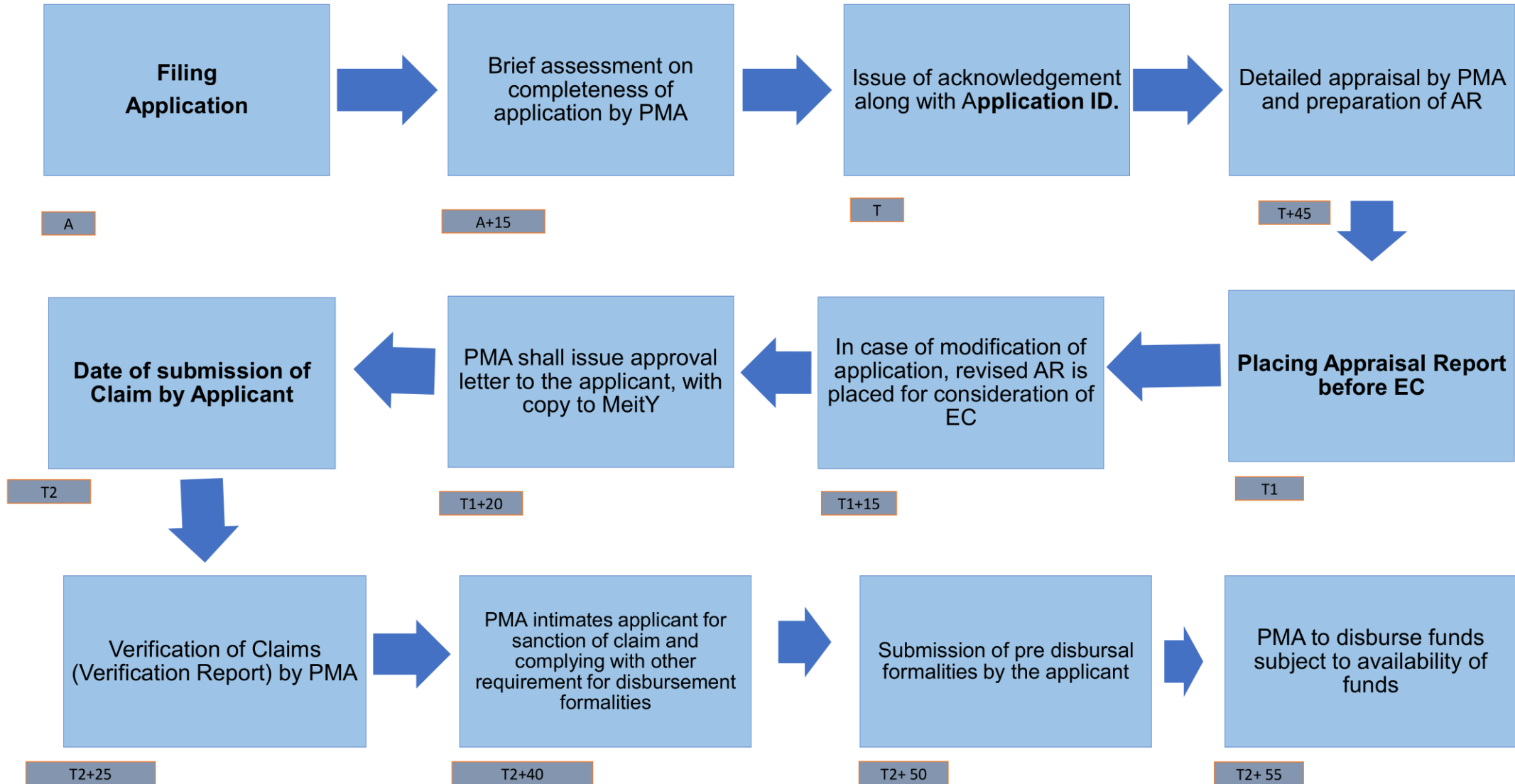
- **Approval and Disbursement Process:**

Disbursement for related party transaction would be done subject to submission of irrevocable Bank Guarantee having validity for 5 years for an equivalent amount related to such transaction

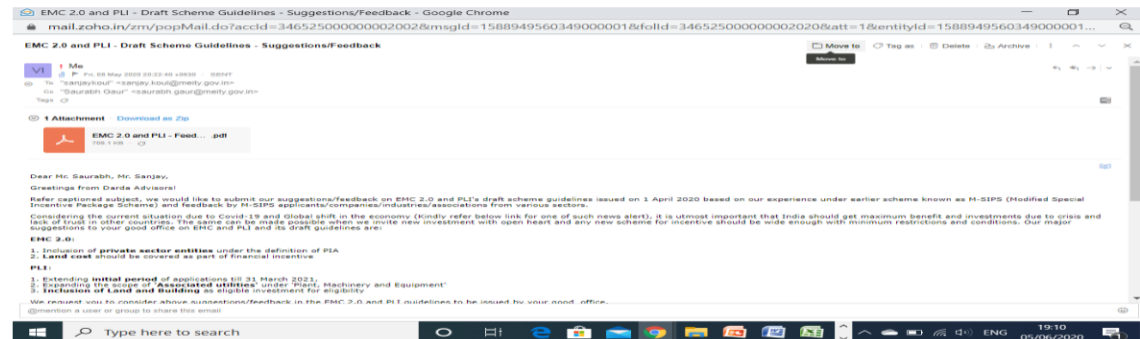
Any change in shareholding pattern to be intimated to PMA after receipt of approval. Any approval for successor-in-interest to be given by EC for further disbursement of incentives

SPECS – How to get incentive ?

Average time period required: 80 days Approx.



Our Feedback/Suggestions considered by MEITY



SPECS	EMC 2.0
Para 2.8 Commercial Production – Definition expanded - Accepted	Para 2.13 - Project Implementing Agency (PIA): SIA (State Implementation Agency) can have other JV partners such as other industrial estate/industrial park developer entities. – Accepted (Big relief)
Para 2.9 - Expenditure incurred on plant, machinery, equipment and associated utilities – Scope of associated utility expanded. Accepted.	-
Para 2.9 - Expenditure incurred on plant, machinery, equipment and associated utilities – All non creditable taxes and duties are part of expenditure. However, the same shall not be considered for eligible capital expenditure computation. Partial Relief	-
Para 4.2.3, Para 4.4.3, Para 4.5.4 - ‘Statutory auditor certificate’ – Removed from all relevant clauses - Accepted	-

How DA can assist you !

Identify the applicability of above fiscal incentives to prospective project



Preparing list of applicable fiscal incentives including funding amounts, key criteria, requirements, as well



Conduct feasibility study



Assistance in filing an application along with detailed documentation



Assistance in tracking process of approval and obtain final approval from MEITY



Post Approval assistance in disbursal of incentives



Support in relevant Direct & Indirect Tax structuring with respect to the proposed project

Glossary

MEITY	Ministry of Electronics and Information Technology
SPECS	Scheme for Promotion of manufacturing of Electronic Components and Semiconductors
PLI Scheme	Performance Linked Incentive Scheme
EMC 2.0	Modified Electronic Manufacturing Cluster
CFC	Common Facility Centre
SIA	State Implementing Agency
CPSU	Central Public Sector Unit
PMA	Project Management Agency
PIA	Project Implementing Agency
PRC	Project Review Committee
SPSU	State Public Sector Unit
ICDC	Industrial Corridor Development Corporation
GC	Governing Council
DA	Darda Advisors LLP
TOT	Transfer of Technology

EC	Executive Committee
AR	Appraisal Report
A	Date of submission of application
T	Date of submission of complete application in case of any subsequent submission of the revised application, if the original application was returned as incomplete earlier subsequent documents for completion of initial application. For cases, where the complete application is submitted at the first instance and no further information or update is required from applicant, 'A' and 'T' will be same.
T1	Date on which the Appraisal Report is placed before EC
T2	Date on which applicant submits the claim for incentive
EC	Empowered Committee
ESDM	Electronics System Design and Manufacturing
EMS	Electronics Manufacturing Services
ETP	Effluent Treatment Plant
R&D	Research and Development
ATMP units	Assembly, Testing, Marking Packaging units

Annexure A

List of goods with Minimum Investment Threshold Limit (MITL) of INR 2 crore

S. No	Description of Goods
1.	Recycling facility for extraction of any or few or all of the strategic minerals (rare earth elements, lithium, niobium, palladium, cobalt, tantalum, indium, antimony, beryllium, ruthenium etc.); any or few or all of the precious metals (gold, platinum, palladium, silver etc.), and any or few or all of the base metals (copper, aluminium, nickel, tin, zinc, iron, cobalt, tantalum etc.) or their compounds from e-waste components, including PCBs (both populated and bare), li-ion batteries, spent magnets, solar PV panels, catalytic converters and any other components from e-waste, and also from intermediary products (like black mass, black copper etc.) extracted from e-waste”.

Annexure A

List of goods with MITL of INR 5 crore

S.No	Description of Goods
1.	SMT components including LED Chips
2.	Chip Modules for Smart Cards, RFID Antenna & Labels, CoB/ System in Package
3.	Passive components including resistors, capacitors, ferrites, specialty ceramics, etc. for electronic applications
4.	Electromechanical components including transformers, inductors, coils, relays, switches, micro motors, stepper motors, BLDC Motors, Connectors, Heat Sinks, Antenna, Speakers, Microphones, permanent magnet synchronous motor, etc. for electronic applications
5.	Magnetrons, Wave guides, Circulators, Couplers, Isolators, Filters, Magnets, RF Components for electronic applications
6.	Printed Circuit Boards (PCBs), PCB Laminates, Prepegs, Photopolymer films, PCB Printing Inks; Printed Flexible electronics
7.	Sensors, Transducers, Actuators and Crystals for electronic applications
8.	Camera Modules, Vibrator motor/ ringer
9.	USB/Data Cables, HDMI Cables
10.	Capital goods for all the goods covered under SPECS including components and sub-assemblies for capital goods required for manufacturing of semiconductor / displays covered under SPECS
11.	Specialty chemicals, high purity gases, electronic specialty gases (ESG) of semiconductor grade specification used across various stages of manufacturing of semiconductors/displays covered under SPECS

Annexure A

List of goods with MITL of INR 15 crore

S. No.	Description of Goods
1.	Active Components: a. Discrete semiconductor devices including transistors, diodes, etc. b. Power semiconductors including FETs, MOSFETs, Thyristors, etc.
2.	Preform of Silica and Optical Fiber
3.	Display Assembly and Touch Panel/ Cover Glass Assembly and cover glass finishing

List of goods with MITL of INR 25 crore

S. No.	Description of Goods
1.	Micro/Nano-electronic components such as such as Micro Electro Mechanical Systems (MEMS) and Nano Electro Mechanical Systems (NEMS)
2.	Assembly, Testing, Marking and Packaging (ATMP) units
3.	Engineering, R&D, Testing and Tool prototyping for capital goods for manufacturing of semiconductors/ displays covered under SPECS (Annexure 1B)

List of goods with MITL of INR 75 crore

S. No.	Description of Goods
1.	Mechanics (plastic and metal parts) for electronic applications

List of goods with MITL of INR 250 crore

S. No.	Description of Goods
1.	Compound Semiconductors such as GaN, SiC, GaAs, etc. and Silicon Photonics devices/Integrated Circuits, Solar Photovoltaic (SPV) Cells, Optoelectronic components

List of goods with MITL of INR 500 crore

S. No.	Description of Goods
1.	Semiconductor Wafers, SPV Polysilicon, SPV Wafers

Contd..

Annexure A

List of goods with Minimum Investment Threshold Limit of INR 1,000 crore

S. No.	Description of Goods
1.	Semiconductor Integrated Chips (ICs) including Logic [Microprocessor, Microcontrollers, Digital Signal Processors (DSP), Application Specific Integrated Circuits (ASICs), etc.]; Memory; Analog/ Mixed Signal ICs, etc.
2.	Display fabrication units including Liquid Crystal Displays (LCD), Light Emitting Diode (LED), Organic Light Emitting Diode (OLED), etc. for electronic applications

Annexure B – Key Definitions



- **Invoice value** - Unit Price charged on an invoice raised by an applicant on sale of manufactured goods, net of credit notes, discounts or any other adjustments and applicable taxes.
- **Manufacturing:** In accordance with CGST Act, 2017; manufacturing shall mean processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use and the term “manufacturer” shall be construed accordingly.
- **Employment:** Jobs which are directly involved in the production process or with related activities beginning from when materials enter a production facility and up until the resultant manufacturing good leaves the production facility. Such employment shall include on-roll, contractual and apprentice workforce in the country only.
- **Domestic company (ies):** Shall be defined as those which are owned by resident Indian citizens as defined in the FDI circular of 2017. A Company is considered as ‘Owned’ by resident Indian citizens if more than 50% of the capital it is beneficially owned by resident Indian citizens and/or Indian companies, which are ultimately owned and controlled by resident Indian citizens.

Annexure B – Key definitions

- **Mobile Phone:** for the purpose of target segment and eligibility of incentive under this scheme shall mean a mobile phone complete in all respects for sale to a consumer.

- **Group Company(ies):** Group Company(ies) shall mean two or more enterprises which, directly or indirectly, are in a position to:
 - Exercise twenty-six percent or more of voting rights in other enterprise; or
 - Appoint more than fifty percent of members of board of directors in the other enterprise. (As defined in the FDI Policy Circular of 2017)

- **Commercial Production:** The term “commercial production” means the production is undertaken for the sale of manufactured goods by the approved Project/ Unit as defined in relevant accounting standards issued by ICAI. In case of expansion/ modernization/diversification projects, the date of commencement of commercial production shall be the later of
 - (i) the date of actual commencement of commercial production for the project and
 - (ii) the date by which the threshold investment under SPECS has been made and capitalized in the books of account of the Applicant.

DA's Select Marquee Credentials

DA Marquee Credentials - PLI Scheme

Leading manufacturing of API in India

DA Role :
End to end support in application and approval

[Darda](#)

Manufacturer of empty capsules in India

DA Role :
End to end support application and approval

[Darda](#)

India's premier EMS company

DA Role :
Pre-approval support services

[Darda](#)

India's leading Telecom manufacturer

DA Role :
End to end support in application and disbursement

[Darda](#)

One of the largest biscuit brands in India

DA Role :
Pre-approval support Services

[Darda](#)

Largest manufacturer of piperidone & piperidine derivatives

DA Role :
Pre-approval support And co-ordination services

[Darda](#)

DA Marquee Credentials - PLI Scheme

Leading manufacturing of Drone Components in India

DA Role :
End to end support in application and approval

[Darda](#)

Leading Manufacturer of FMCG in India

DA Role :
End to end support in application and approval

[Darda](#)

India's premier ESDM listed Company

DA Role :
End to end support in application and disbursement

[Darda](#)

India's renewable energy Company

DA Role :
End to end support in application and disbursement

[Darda](#)

Leading API Pharmaceutical Company

DA Role :
Pre-approval support services

[Darda](#)

Largest Pharmaceutical USFDA approved Company

DA Role :
Pre-approval support and co-ordination services

[Darda](#)

DA Team has delivered the approval of the PLI Scheme (Total 5 for MSME and non MSME Clients)



DA PRACTICE UPDATE

TEAM DA
is excited to announce the successful delivery of
“**PRODUCTION LINKED INCENTIVE SCHEME**”
approval for a **MSME client**.

www.dardaadvisors.com

DA Marquee Credentials – Other Central and State Incentive Schemes

India's Largest Integrated Power Company

Scheme :
Karnataka State Incentive Scheme

Darda

One of the leading Solar Power Systems Companies in India

Scheme :
Karnataka State Incentive Scheme

Darda

India's only UTC Supplier with Gold Status

Scheme :
Various MeitY Schemes

Darda

A trailblazer in the wind energy segment of the Indian continent

Scheme :
Karnataka State Incentive Scheme

Darda

Leading manufacturer and supplier of high-performance brake systems

Scheme :
MeitY Scheme

Darda

US based MNC that excels in the design and manufacture of sensors

Scheme :
MeitY Scheme

Darda

DA Marquee Credentials – Other Central and State Incentive Schemes

India's premier EMS company

Scheme :
Telangana State
Incentive Scheme

[Darda](#)

One of most promising brands in affordable computing across the globe

Scheme :
Telangana State
Incentive Scheme

[Darda](#)

One of trusted R&D and manufacturing partners to the global life sciences industry

Scheme :
Telangana State
Incentive Scheme

[Darda](#)

Manufacturer under the automotive components industry

Scheme :
MeitY Scheme

[Darda](#)

Leading Solar Cell Manufacturer

Scheme :
MeitY Scheme

[Darda](#)

Leading secondary manufacturer of Pure Lead and Lead Alloys.

Scheme :
MeitY Scheme

[Darda](#)

Who we are



At Darda Advisors LLP , we are dedicated to provide curated and client specific solutions through well-thought strategies in addition to helping them solve complex problems pertaining to tax and regulatory matters. Founded in 2019, by a crew of experts all of whom are former Big Four's professionals with extensive consulting experience in the field. We offer a wide range of services and cater clients spread across the Globe.

Our approach is to bring together global standards and practices, that are developed and customized to meet our client's needs by collaborating international business practices with India's market knowledge, laws, regulations and practices. Darda Advisors LLP in its endeavour towards Quality Management System (QMS) has been certified for ISO 9001: 2015.

The team at Darda Advisors LLP has deep industry experience across virtually all sectors including Automobile & Ancillary, Energy & Resources, Education, Financial Services, IT & ITES, Manufacturing & Real Estate, Pharma, Life Sciences & Healthcare, Transport, Hospitality, Trading, MSMEs and Start- ups.

Currently, Darda Advisors LLP operates from Hyderabad, Chennai, NCR (Gurugram) and Bhilwara (Rajasthan) in India.

Why Darda Advisors



Experienced Team

Darda Advisors is founded by group of former Big Four professional's having 15+ years of average individual experience and came together from across the practice areas

Glocalized Strategy

Darda Advisors brings together global standards and practices, synergized for client's local requirement and expectation

Customised Approach

Darda Advisors integrates experience of Indian and international business practices with know-how specific to client's requirement

In-Depth Research and Ideation

Our team at Darda Advisors brings their industry experience and subject's detailed research with issue-based ideation solution

What we do



Invest India Services

Invest India Study

Inception and
incorporation related

Incentives, subsidies
and grants services

Start-up India and
MSME Services



Indirect Tax Services

GST & Advisory services

Tax Technology

Representation and
Litigation Support &
Corporate Training

SEZ & EOU/STP
Services

Customs and
International Trade

Foreign Trade Policy

GCC VAT



Other Services

Corporate Secretarial
Services

Certification and
Attestation Services

Corporate and
International Tax
Services

Financial Advisory
Services

Accounting Advisory
Services

RBI Services

Our Leadership



D. Vineet Suman



B.Com | FCA, ACS, CMA(I)

Strategic Management and Tax Advisor

Vineet has over 15 years of consulting experience in leadership role in Indirect tax including GST (around 13 years in Big 4)

He has assisted Companies in obtaining Central and State investment incentives, transaction incentives and providing advice, compliance assistance and litigation support on Central & State indirect tax laws including GST

He is assisting clients in managing GST (including VAT and CST) compliances, assessments and litigations in multiple States including VAT/GST Audits and also in litigation management, involving preventive, diagnostic and rectification studies on areas where disputes with Authorities either occurred or are likely to occur

He has conducted sessions on various indirect tax topics (including GST) at Client's place, Business Parks, and other forums (ASCI, FTAPCCI, JICA, KOTRA, EPC, ICAI, ICFAI, JITO, RGA and others)

He has worked with leading players in diverse industry sectors such as Logistic, Auto Component, Financial Services, Technology, infrastructure and hospitality, Mining, PSU, Government, Pharma, Manufacturing, Trading and other sectors for addressing their concerns under indirect taxes

Our Leadership



Mitu Surana



B.Com | FCA

Litigation and Tax Advisor

Mitu has over 16 years of consulting experience in Indirect tax including GST (around 10 years in Big 4)

She has extensive experience in drafting replies to SCN & Appeals up to Tribunal level in GST, VAT/Sales tax, Service tax and Excise matters including representation before various adjudication authorities and first level appellate authorities, especially in VAT/Sales tax and Service tax matters

Structuring of business transactions / opportunities vis-à-vis various Indirect tax regulations like GST, VAT, Service tax, Excise, Customs, Foreign Trade Policy, SEZ and giving written opinions, VAT/GST impact assessment and Transition support, Bid related support with an aim to optimize taxes from indirect tax perspective, drafting tax representations, Conducting GST, VAT, Service Tax Workshops, System implementation support


She has spearheaded Indirect tax DDR & diagnostic reviews, Assisting Service tax Audits, VAT & CST compliance in various States, Service tax Refunds, DGFT related matters (EPCG)

She has worked with leading players in diverse industry sectors such as IT/ITES, Mining, Manufacturing, Real Estate, NBFC, Automotive and other sectors for addressing their concerns under indirect taxes

Glossary

CA	Competent Authority
Dept.	Department
EGoS	Empowered Group of Secretaries
FY	Financial Year
GST	Goods and Service Tax
PLI	Production Linked Incentive
PMA	Project Management Agency

 www.dardaadvisors.com

 da@dardaadvisors.com

 +91 99529 26239



Hyderabad: 4th Floor, Plot No. 73, SMR House, Nagarjuna Hills, Punjagutta, Hyderabad, 500082, Telangana, India

Bangalore: 250, First Floor, Narasipura Layout, Vidyaranyapura Main Road, Bangalore – 560097, Karnataka

Chennai: 13, T.K. Mudali Street, Choolai, Chennai - 600112, Tamil Nadu

NCR: N93, Ground floor, Mayfield garden, Sector 51, Gurugram - 122018, Haryana

Bhilwara: Moti Chambers, 62&63, Sancheti Colony, Lane besides KK Tower, Pur Road. Bhilwara - 311001, Rajasthan

Darda Advisors (DA) refers to one or more of Darda Advisors LLP, a registered Limited Liability Partnership in India and its associate firms, each of which is a legally separate and independent entity. Information in this publication is intended to provide only a general outline of the subjects covered.

