



M-SIPS INFORMATION SESSION APPLICATION APPRAISALS

31 January 2017

Ministry of Electronics and Information Technology



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1. INTRODUCTION

MODIFIED SPECIAL INCENTIVE PACKAGE SCHEME (M-SIPS)

Notified on 27 July 2012; open till 2015.

29 product categories and their value chain

20-25% Capex Subsidy; Incentives available in next FY after achieving threshold of investment. Rs 10,000 cr for XII Plan

Project period 10 years

Reimbursement of CVD/Excise for capital equipment in non-SEZ units

Incentives from date of approval

Production Subsidy: Reimbursement for Central Taxes and Duties for 10 years for select high investment verticals

Inter ministerial Appraisal Committee chaired by Additional Secretary, MeitY

MODIFIED SPECIAL INCENTIVE PACKAGE SCHEME (M-SIPS) – AMENDMENTS IN 2015

Approved by Cabinet in July 2015.

Extended till July 2020

Expanded from 29 verticals to 44 verticals

Incentives made available from date of application

Process simplification –TEC dispensed with; Geographical area restrictions removed; Quarterly disbursements

Production subsidy: @10% (ex-factory production for a period of 10 years)

Other conditions unchanged

MODIFIED SPECIAL INCENTIVE PACKAGE SCHEME (M-SIPS) – AMENDMENTS IN 2017

Approved on 18 Jan 2017

Application period restricted till 31 December 2018; Review by CEO, NITI Aayog to decide on the need for further continuation of the Scheme, if the incentive commitment reaches Rs. 10,000 crore prior to 31 March 2018.

Incentives from date of approval

Project period reduced to 5 years

Committee chaired by Cabinet Secretary to appraise mega projects (projects > \$ 1 Billion)

Inter ministerial Appraisal Committee to be chaired by Secretary, MeitY



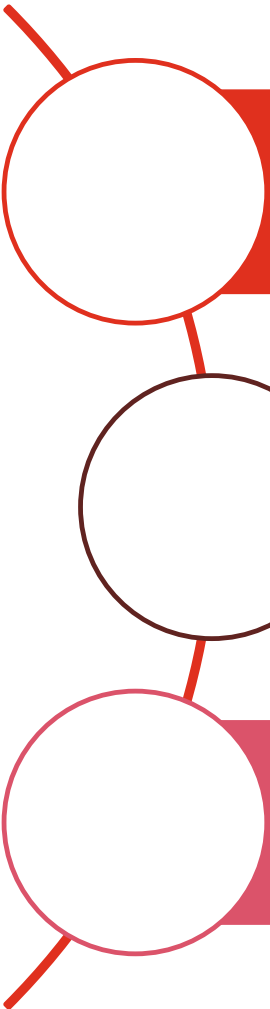
2. KEY DOCUMENTS

LAND

“Identification of location for the project/ phase(s) of the project along with the possession letter. In case, the land has been leased, the lease should be for at least 10 years from the date of application under M-SIPS. The requisite registered lease agreement in this regard is to be submitted by the applicant. In case of a building being purchased for the project/phase(s), a legally binding agreement with the seller is to be submitted.”

Annexure 3 of the “Guidelines for the effective functioning of revised Modified Special Incentive Package Scheme (M-SIPS)” dated 24 February 2016.

Points of Discussion



Land Document – Land to be in the name of the applicant; in case of leased/rented land the document must be registered and the duration of the lease/rent agreement must be more than 10 years from the date of application

Land Possession – Land must be in the possession of the applicant and a possession letter must be submitted to corroborate the same

Land Use – The land should be classed as industrial in the records of the relevant authority; mixed land use, agricultural land, non-agricultural land etc. will be deemed inadmissible

FINANCIAL CLOSURE

“The proposed financial closure should be for the complete project or the proposed phase(s), as applicable. In case of multi phased projects, the proposed financial closure should be atleast 20% of the entire project or the proposed investment of the phase or the threshold value, whichever is higher.”

Annexure 3 of the “Guidelines for the effective functioning of revised Modified Special Incentive Package Scheme (M-SIPS)” dated 24 February 2016.

FC Documents

Term Loan/ECB Documents (from FI) – Company Secretary Certified copies of the sanction letter and loan agreement. Copy of the Banks's appraisal note

Loan (Other than FI)– Unsecured loan agreement, legally binding commitment from unsecured loan provider(s), and documents showing financial capabilities of unsecured loan provider

Internal Accruals – Details of liquefiable assets and audited annual reports for the past three financial years. Financial projections

Equity – Equity subscription agreement with equity providers, documents showing financial capabilities of equity providers; In cases where equity has already been infused account statements for applicant company to be submitted

Board resolution: Company Secretary certified copy stating the intent to invest under M-SIPS, proposed sources of funds, proposed location, and year/phase and product wise investment in the proposed project.

TECHNOLOGY

“State-of-the-art technology for the purpose of the Scheme is a technology currently in vogue or has market potential currently and in near future and assessed as such by the Technical Evaluation Committee (TEC)”*

Para 2.14 of the “Guidelines for the Operation of the Modified Special Incentive Package Scheme for Electronics System Design and Manufacturing Sector” dated 7 October 2012.

**MeitY’s Technical Team*

Points of Discussion

Justification on how the proposed technology is “*state of the art*”

In the process flow diagram, at each stages, indicate the associated capital equipment, with through-put & cost on one side and input raw materials/components with quantity on the other side

Copy of technology agreements with technology provider

Intellectual property status for the technologies being proposed

Relevance of the current levels of automation with local scenario/ conditions

Future Roadmap for R&D

Points of Discussion

Land

The total cost of land capped at 2% of the eligible capital expenditure shall be considered

Land should be in possession of the applicant and must not be older than 6 months from the date of approval

In case of leased land the duration of the lease must be greater than 30 years

Plant and Machinery

The expenditure incurred on P&M shall include the expenditure on P&M, cost of erection and commissioning of the same, tools, dies, moulds, jigs, fixtures, parts, spares etc.

Expenditure on leasing or hire of P&M shall be treated as capital expenditure (subject to certificate from the auditor to the effect that the transaction is in the nature of a financial lease)

Building

The cost of construction of building capped at the CPWD schedule of rates

In case of leased building the duration of the lease must be greater than 30 years

Others

Utility machines such as compressors for compressed air

Expenditure for set-up of captive power plants if set-up exclusively for project under M-SIPS.

Points of Discussion



Capital Expenditure – Only items that can be used for/aid in production to be included; contingencies, vehicles for office use, office embellishments etc. are not considered

Building Plan and Layout – M-SIPS area clearly demarcated

Taxes and Duties – Details of all applicable taxes and duties to be provided unless the item is exempt from the taxes and duties. The same must be included in the project cost

Items – A standard naming convention should be followed which gives the description of the item and not the process it is used in

Supporting Documents – Quotations, Invoices, CE Certificates etc. to be provided in line with the excel sheet. No expenses should be included as lump sum amounts

Capital Expenditure Format

The items must be classified into P&M, Utilities, Jigs, Moulds etc.

Prevailing exchange rate

Item	Currency	Quantity	Unit Price (FC)	Exchange Rate	Base Price (Rs.)	Other Charges (Rs.)	Taxes and Duties (Rs.)	Total (Rs.)
Item A	USD	1	100	64	6,400	320	1,280	8,000
Item B	EUR	1	20	76	1,520	76	304	1,900
Total						396	1,584	9,900

Other charges may include installation charges, freight, insurance, clearing charges etc. All such applicable charges must be and must be provided in separately

All applicable taxes and duties such as GST, BCD, SAD, Cess, CVD/Excise, etc., must be included in the project cost and must be provided separately

FINANCIAL PROJECTIONS

“Projected financial statements (P&L, balance sheet and cash flows) till 10 years from project approval. This should include detailed income and expense break-up. The income should include product / segment wise sales and assumed selling price

Detailed supporting financial statements (excel based)”

Para 5.4 of the “Guidelines for the Operation of the Modified Special Incentive Package Scheme for Electronics System Design and Manufacturing Sector” dated 7 October 2012

Points of Discussion

Projected financial statements (P&L, balance sheet and cash flows) – To be provided for both the project as well as the company as a whole (with and without government support) for a period of 10 years from project execution (excel based and editable)

Key assumptions for financial projections - Target growth rates, average selling price, technology growth assumptions, business environment assumptions, EBITA, Capex, Sales growth, weighted average cost of capital, project execution assumptions related to timelines and cost and other relevant assumptions

Key financial indicators - NPV, IRR, ROI, and break even period, with and without Government support for the investment

Projections with capital expenditure details – Expenditure on Land, Building, P&M, Technology, R&D (in house or captive) etc. to be in line with the proposed project cost



3. SUPPORTING DOCUMENTS

Undertakings and Certificates

Self Certified

- Certificate that the applicant is not blacklisted by any Government Department
- Details of financial assistances sought/received from Government of India
- Details of number of proposed manufacturing setups

CS Certified

- List of pending legal cases and contingent liabilities

Auditor Certified

- Certificate of Gross Block (as on date of application)

CA Certified

- Shareholding Pattern

Other Information

Direct Employment Generation – Managerial, Supervisory, Skilled and Unskilled

Project Risk and Mitigation Plan – Business, Industry, Environment. Technology, Legal and Regulatory, Operational, and Financial risks

Implementation Schedule (Gantt Chart)

Production Capacity – Installed and Utilized

Raw Material Availability (Imported or Indigenous) – List of raw materials and their suppliers

Procurement Process

Company Information – Company history, profile of key management personnel, list of major customers, etc.

Registration Documents – Certified copy of the memorandum and articles of association or equivalent registration document

External Credit Rating – Any of the following; CIBIL, CARE, CRISIL, ICRA, FITCH, etc.



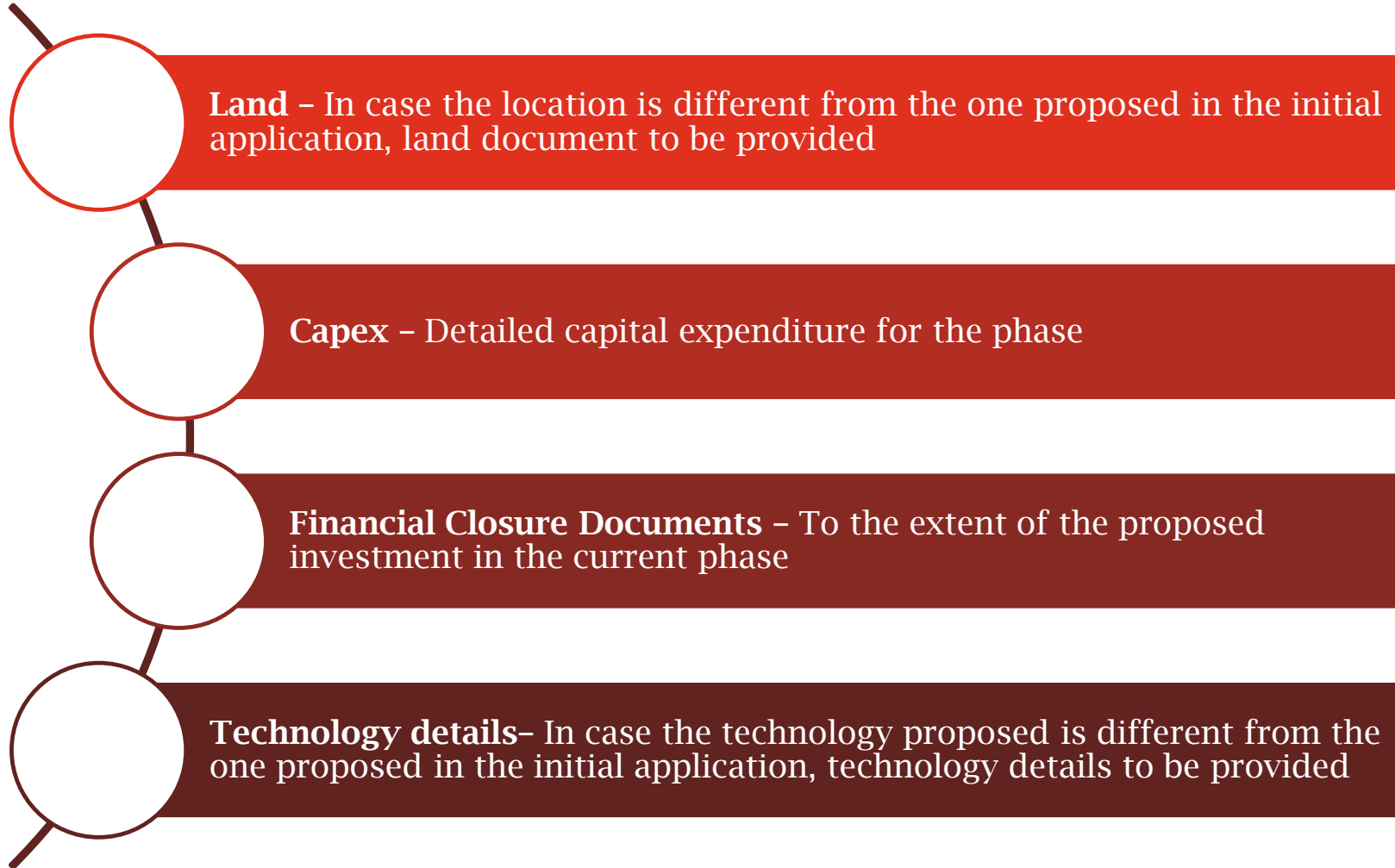
4. FOLLOW UP APPLICATION

FOLLOW-UP APPLICATION

“Follow up Application for the purpose of the Scheme means an application submitted by an applicant seeking approval of a second or subsequent phase of an approved project. The Follow up application would be made in the Follow up Application Form prescribed under the Scheme, along with application fee and supporting documents with required Financial Closure of the amount required to implement the phase of the project proposed in the Follow up Application.”

Para 2.8 of the “Guidelines for the Operation of the Modified Special Incentive Package Scheme for Electronics System Design and Manufacturing Sector” dated 7 October 2012.

Follow-up Application





5. CAPITAL EXPENDITURE RELATED TO R&D

CAPITAL EXPENDITURE RELATED TO R&D

“All expenditure directly attributable to product development will be considered R&D expenditure. Examples of product development costs are:

- a. Capital equipment, including purchase of design tools, software costs (directly used for R&D) and license fees, technology, IPR, Patents and Copyrights for R&D;*
- b. expenditure on materials and services used or consumed for prototype development;*
- c. the salaries, wages and other employment related costs of personnel directly engaged in product development activities;*
- d. any other expenditure that is directly attributable to product development, such as fees to register a legal right.*

Para 2.3 of the “Guidelines on Research and Development (R&D) expenditure under the Modified Special Incentive Package Scheme for Electronics System Design and Manufacturing Sector” dated 16.04.14.

Extent of Support

All expenditure directly attributable to product development will be considered R&D expenditure.

R&D expenditure should not to be in excess of 50% of the approved project cost.

In case a project is proposed to be implemented in more than one phases, then R&D expenditure eligible for incentives under M-SIPS for any phase would be equal to or less than 50% of the cost approved for that particular phase.

Expenditure related to the salaries, wages and other employment related costs of personnel directly engaged in product development activities should be capped at 15% of the eligible R&D expenditure for each of the phases of the project.

Documentary Requirements

Self Certified

- Applicant has not obtained or applied for grant or assistance for the same purpose or activity from any entity other than State Governments or any of their agencies or local bodies

CA Certified

- Expenditure incurred towards R&D activities
- Relating to success ratio of past R&D activities, information on R&D projects in the following period(s) as stipulated by DSIR, annual outlays on R&D activities both, revenue and capital expenditure for past 4 years

R&D expenditure >20%

- In-house R&D unit must hold valid recognition by DSIR at the time of application; Undertaking to provide valid renewal of recognition of its in-house R&D units by DSIR for the entire duration of the project under the Scheme.
- IPR generated from the R&D activities should be in the name of the applicant; The applicant to submit an undertaking to this effect



THANK YOU