



Handbook for Appraisal of applications under Electronic Manufacturing Cluster (EMC) Scheme

For Brownfield EMCs

Department of Electronics and Information Technology (DeitY),
Government of India



Preface

The objective of the Electronic Manufacturing Cluster (EMC) Scheme is to promote the development of EMCs with world class infrastructure through financial support by the Government of India. The EMCs developed would attract domestic and global investments for the growth of the ESDM sector, help development of entrepreneurial ecosystem, drive innovation and catalyze the economic growth of the region by increasing employment opportunities and tax revenues.

Department of Electronics & Information Technology (DeitY) has issued notification dated October 22, 2012 and Guidelines dated April 15, 2013 for the implementation of EMC Scheme. The purpose of this handbook is to provide guidance/clarity on guidelines during preparation and appraisal of applications under the scheme, to all parties including applicants.

Disclaimer: *This Handbook is for Guidance purposes only.*



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Section 1: Introduction

- 1. Brownfield cluster (EMC vs M-SIPS):** The term 'Brownfield Cluster' has been referred to in both M-SIPS and EMC schemes. The scope of guidelines for Brownfield cluster under M-SIPS (hereinafter referred to as '*Notified Area for M-SIPS*') is to identify a geographical area, wherein the collocated ESDM units have potential synergies and positive externalities to avail incentives under M-SIPS Scheme. All units within these areas which are located within an industrial estate or an area approved by state, central government or local authority for use of Industrial Purpose will be eligible for M-SIPS benefits.

The scope of Brownfield cluster under EMC Scheme includes providing financial assistance for development/ upgradation of common infrastructure and facilities to enhance the competitiveness of existing units in an area which will be notified as a Brownfield EMC under the EMC Scheme or in an already Notified Area for M-SIPS. Units engaged in manufacturing of similar products or using similar inputs/ processes, to be considered as part of a single Brownfield Cluster for the purpose of providing financial assistance under the EMC Scheme.

- 2. Non/partial applicability of certain clauses of EMC guidelines on Brownfield Clusters:** The EMC scheme recognises two types of clusters viz. Greenfield and Brownfield Clusters. The guidelines for EMC Scheme are applicable to both Greenfield and Brownfield Clusters. However, certain clauses are not applicable/ partially applicable in case of financial assistance for Brownfield Clusters as compared to Greenfield Clusters. These are briefly explained below:

Clause No. of Guidelines	Clause Particulars	Applicability in case of Brownfield EMCs
Clause 5.2	In Greenfield EMC, a minimum of 80% of the land has to be allotted to processing area. A maximum of 20% of the land may be allotted for non processing area.	Not Applicable
Clause 5.4	75% investment in the cluster should be related to units which are manufacturing electronics products as mentioned in M-SIPS Guidelines.	Not Applicable
Clause 5.5	The ceiling for Government grant in processing area would be maximum 50% of the project and in Non-processing area it would be a maximum of 20%.	The grant would be restricted to processing activities only and no funding would be provided for development in Non-processing activities.
Clause 6.12	If the Final Application is made by the Chief Promoter, he/she shall indicate a timeline within which the SPV shall be formed. The SCC, shall, while approving the project, also approve the timeline for constitution of the SPV. However, in no case shall the time period allowed for constitution of the SPV shall be more than 24 months from date of issue of final approval	SPV may already be in existence or should be formed by the time of submission of final application i.e. within 6 months of in-principle approval.

Section 2: Preliminary Application – Qualification Criteria and other requirements

Based on Notification dated October 22, 2012 and Guidelines dated April 15, 2013 issued by DeitY for the implementation of EMC Scheme, the key qualification criteria to be complied with by the applicant, is summarised in the sections below:

A. Qualification Criteria and related requirements

S. No.	Qualification criteria	Scheme reference	Minimum requirements at in-principle approval stage
1	Applicant	Clause 4.6 of Guidelines (page 5) Annexure 3 - Preliminary application form in Guidelines, page 18, point 2.1	Applicant for Brownfield Cluster for EMC would be a Central/ State/ Local government entity, Industry Association, SPV of the existing units and other stakeholders. However, if the applicant is a private entity other than above, it should be clearly demonstrated that the benefits of the Brownfield Cluster would be available to the units in the area where the project is existing.
2	Application Fee	Clause 4.6 of Guidelines (page 5)	Application Fee in Demand Draft as per the applicable slab (as per the fee notified by DeitY)
3	Date of receipt of application is before the Scheme closure date	Clause 12.3 of Guidelines (page 13)	Receipt of application in DeitY is on or before 21 Oct 2017
4	Financial assistance sought under the scheme \geq Rs. 10 Crore	Clause 5.1 of Guidelines (page 6)	Preliminary Application/ DPR specifying the Govt. Grant sought. In case during appraisal of application, the grant assistance arrived at is reduced to below Rs. 10 Crore, then the application shall not be considered for financial assistance under the scheme.
5	Land required for the project	Clause 8 of Guidelines (page 10) Annexure 3 - Preliminary application form in Guidelines, page 19, point 3.2 (a)	<p><u>Requirement</u></p> <ul style="list-style-type: none"> Proposed land has been identified and there is intent for the transfer of ownership of the land or intent for granting long term right to use the land (like lease or license) by the owner to the applicant. In case of leasehold land the minimum lease period should be of 30 years. The said land should be meant for industrial or commercial use, as the intended purpose may be. <p><u>Documents</u></p> <p>In-principle approval letter or letter of intent for transfer or grant of rights in land, or Lease deed or License deed or Land ownership documents</p>
6	Minimum committed investment by constituent units \geq 4 times the assistance sought under the	Clause 5.3 of Guidelines (page 6)	1. Undertaking/ declaration signed by the authorized representative of the Applicant. The investment may be done by the existing units and/ or by the new units proposed to be setup consequent

S. No.	Qualification criteria	Scheme reference	Minimum requirements at in-principle approval stage
	scheme		<p>the project in Brownfield EMC.</p> <p>2. The applicant should also provide roadmap on, how the existing units will increase their turnover consequent the project.</p>
7	Application is by Chief Promoter / SPV along with the DPR [subject to approval of proposed guidelines revision]	Clause 4.1 and 4.3 of Guidelines (page 4)	The Application should be submitted by the Chief Promoter/ SPV alongwith the preliminary DPR. The application should be signed by the authorized representative of the Chief Promoter/ SPV.
8	a) The proposed timeline for formation of SPV <= 6 months from the date of preliminary approval [subject to approval of proposed guidelines revision]	clause 6.12 of Guidelines (page 9)	Applicant should provide a self certified undertaking stating the timeline for formation of the SPV in accordance with the DeitY Guidelines for formation of SPV (to be issued).
	b) If SPV already formed, the structure is as per the SPV Guidelines notified by DeitY	Annexure 8 – Format for Final Approval letter in Guidelines, page 35, point 5	<p>1. Details on structure of the SPV (to be in accordance with SPV guidelines to be issued by DeitY)</p> <p>2. Certified true copies of the following documents:</p> <ul style="list-style-type: none"> • Certificate of Incorporation • Memorandum and Articles of Association • Audited Financial Statements, if applicable • Letter of agreement with stakeholders (if applicable)
9	Means of finance are identified	Annexure 3 – Preliminary application form in Guidelines, page 20, point 5	<p>Applicant to provide the details of means of finance proposed and the amount of funding from each source. Examples of means of finance are:</p> <ul style="list-style-type: none"> • Grant-in-aid sought from DeitY under the EMC Scheme • Contribution from constituent units • Equity being brought in by Applicant • Debt from banks/ FIs • State Govt. funding • Funding from Internal accruals of SPV, if any • Funding by any other entities/ stakeholders, etc.
10	Contribution by constituent units within EMC >= 15% of total project cost	Clause 5.7 of Guidelines (page 6)	Undertaking/ declaration signed by the authorized representative of the Applicant

B. Other information and documents to be submitted at Preliminary Application stage

In addition to the documents mentioned in the preliminary application form in Annexure 3 of EMC Guidelines and the documents mentioned in Section 1A of this handbook, the preliminary application may include the information/ documents mentioned below. At the time of evaluation DeitY/ SCC/ PMU may seek additional information/ documents (as applicable) from the Applicant as felt necessary for appraisal.

1. Authorization Letter/ Board Resolution for the appointment of authorized signatory/ primary contact for EMC application.
2. Audited Annual accounts along with auditor's reports of the chief promoter for last 3 years. In case the applicant in a newly formed entity/ SPV, then the applicant need to furnish the audited financial statement of major constituent units.
3. An undertaking that the Chief Promoter/ Applicant has not defaulted in the repayment of any loan/ financial assistance taken from Central/ State/ Local Government department in India including DeitY.
4. List of legal cases against the Applicant/ Chief Promoter and the status of those cases.
5. An undertaking that the applicant is not blacklisted by any Government Department.
6. Applicants need to provide their CIBIL report or other report from any credit rating agency (if available).
7. Information of Road, Rail, Inland Container Depot (ICD), Air and Sea Port Connectivity.
8. Information of Power and Water requirement and sources thereof (in case of water information to be provided both for drinking and industrial use).
9. The applicant needs to explicitly state the handing over mechanism, timelines and details of common infrastructure/ facilities that will be transferred by Chief Promoter to the SPV.
10. The Applicant needs to provide details of existing units as per the table below (Point 3.5 of Preliminary application form in Guidelines):

S. No.	Name of Unit	Input (Raw material)	Final product	Manufacturing Capacity	Output in last 3 years	Contact Details (Registered name, address, email, phone, contact person)
				Total Capacity	Total Output of the EMC	

In addition to the information mentioned in table above, the applicant will need to provide a note/write-up on the ESDM units and products being manufactured in the Brownfield clusters for EMC and additionality (in terms of new products, increase in production capacity, employment, investment, etc.) this proposed project will bring in. This note should also contain the quantitative data justifying the need of the support sought under the application. DeitY may ask for additional information/ documents (as required) in relation to this.

Section 3: Final Application – Qualification Criteria and other requirements

Based on Notification dated October 22, 2012 and Guidelines dated April 15, 2013 issued by DeitY for the implementation of EMC Scheme, the key qualification criteria to be complied with by the applicant, is summarised in the sections below:

Qualification Criteria and related requirements

S. No.	Qualification criteria	Scheme reference	Requirements at final approval stage
1	Date of receipt of application is before the Scheme closure date	Clause 12.3, Clause 6.1 and Clause 6.2 of Guidelines (page 7 and 13)	Receipt of application in DeitY is within 6 months of issue of in-principle approval or within such extended period as allowed by SCC.
2	Financial assistance sought under the scheme \geq Rs. 10 Crore	Clause 5.1 of Guidelines (page 6)	Applicant to provide details of financial assistance sought in the final DPR. In case during appraisal of application, the grant assistance arrived at is reduced to below Rs. 10 Crore, then the application shall not be considered for financial assistance under the scheme.
3	Land required for the project	Clause 8 of Guidelines (page 10) Annexure 5 – Format of letter for in-principle approval in Guidelines, page 23, point 2(ii) Final application form in Guidelines, page 27, point 4.3	<u>Requirement</u> The Proposed land is owned by the applicant or the applicant has long term right to use the land (like lease or license) and land is in possession of the applicant. The said land should be meant for industrial or commercial use, as the intended purpose may be. <u>Documents (as applicable)</u> 1a. Duly executed and perfected Land document, i.e. Title Deed/ Lease Deed / License Agreement with proof of their registration. In case of leased/ licensed land, the lease/ license term should be for at least 30 years. 1b. In case where Government is participating as equity holder in the SPV and has contributed land for such participation, document(s) showing proof of transfer of land or right to use the land by Govt. to the SPV. 2. Record of Rights document like Jamabandi/ Fard and Intekal / Mutation document, etc. from the concerned Govt. Department. 3. Non Encumbrance Certificate from the concerned Govt. Department or details of encumbrance on land 4. In case the land to be used for setting-up the proposed facilities is

S. No.	Qualification criteria	Scheme reference	Requirements at final approval stage
			<p>partly owned by the applicant, then there should be a legally binding agreement between the applicant and the other party. As part of this agreement, the applicant and other party must agree that they will jointly and severally comply with/ abide by all the terms and conditions of the agreement that will be signed between the applicant and DeitY under the EMC Scheme after project approval.</p> <p>5. Document from the concerned Government Department showing the land use as Industrial/ Commercial</p>
4	Minimum committed investment by constituent units >= 4 times the assistance sought under the scheme	Clause 5.3 of Guidelines (page 6)	<ol style="list-style-type: none"> 1. Commitment letters from the constituent units/new units for at least 25% of the proposed investment by constituent units/new units along with Board Resolution from each of the units mentioning the proposed investment in the project and its timing, goods to be manufactured, vertical identified under M-SIPS, etc. 2. The applicant should also provide roadmap on, how the existing units will increase their turnover consequent the project.
5	Application is by SPV along with the DPR	Clause 4.1 of Guidelines (page 4)	The Application should be submitted by SPV alongwith the Final DPR. The application should be signed by the authorized representative of the SPV.
9	The structure of the SPV is as per the SPV Guidelines notified by DeitY	Annexure 8 – Format for Final Approval letter in Guidelines, page 35, point 5	<p><i>(The information mentioned below is not required, if already furnished at the time of preliminary application)</i></p> <ol style="list-style-type: none"> 1. Details on structure of the SPV (to be in accordance with SPV guidelines to be issued by DeitY) 2. Certified true copies of the following documents: <ul style="list-style-type: none"> • Certificate of Incorporation Certificate of Incorporation • Memorandum and Articles of Association • Audited Financial Statements, if applicable • Letter of agreement with stakeholders (if applicable) • Pattern of income
10	Financial Closure is complete	<p>Clause 6.3(iii) of Guidelines (page 7)</p> <p>Annexure 6 - Final application form in Guidelines, page 27, point 5</p> <p>Annexure 8 – Format for Final approval letter in Guidelines, page 37, 8(vii)</p>	<p>Applicant to provide details of means of finance for the project (Grant sought, Industry Contribution, Term Loans, Others, etc.) along with the following documents:</p> <p>a) <u>Equity funding</u>:</p> <ul style="list-style-type: none"> • Certified copy of Board resolution of constituent units investing in equity. In case of non-corporate entities, an undertaking signed by appropriate authority, is required to be submitted. In addition

S. No.	Qualification criteria	Scheme reference	Requirements at final approval stage
			<p>audited financial statements of entities investing in equity, also need to be furnished.</p> <p>b) <u>Debt funding:</u></p> <ul style="list-style-type: none"> • Copy of Bank/ FI sanction letter and loan agreement certified by Company Secretary/ Board of Director/ Chairman (of the Applicant) • Appraisal note of bank/ FI. <p>c) <u>Internal Accruals of the SPV:</u></p> <ul style="list-style-type: none"> • Revenue projections of the SPV as part of final DPR • Company secretary/ Board of Director/ Chairman certified copy of Board resolution for investment from internal accruals <p>d) <u>Funding by state/ local govt.:</u></p> <ul style="list-style-type: none"> • Documents showing approved funding by the state/ local govt. <p>e) Any other relevant documents related to financial closure.</p> <p>Applicant also needs to provide details of alternative source(s) of funds/ contingency funds in case there is shortfall in grant funds as a result of application.</p>
11	Contribution by constituent units within EMC \geq 15% of total project cost	Clause 5.7 of Guidelines (page 6) Annexure 5 – Format of in-principle approval letter in Guidelines, page 23, point 2(iv)	<ol style="list-style-type: none"> 1. Documentary proof of having collected at least 10% of stipulated financial contribution (i.e. 10% of 15% of the total project cost) from constituent units (including chief promoter) 2. Commitment letters from constituent units (if any) identified at final application stage along with copy of Company Secretary certified Board Resolution from each of the units mentioning the contribution towards project cost and its timing.
12	The Applicant has not obtained or applied for grants for the same purpose or activity from any other Ministry or Dept. of Central / State Govt. [For details please refer point (f) in section 4 of this Handbook]	Annexure 8 - Format for final approval letter in Guidelines, page 36, point 7	Undertaking/ declaration signed by the authorized representative of the Applicant
13	Preparation of detailed drawings and design of works and their detailed cost estimates should be complete.	Annexure 5 - Format for in-principle approval letter in Guidelines, page 23, point 2(v)	<ol style="list-style-type: none"> 1. Master Plan of the EMC 2. Detailed drawings, designs of works and their detailed cost estimates (component-wise). Estimates should be based on CPWD schedule of rates or the PWD rates of the respective

S. No.	Qualification criteria	Scheme reference	Requirements at final approval stage
			state, wherever available. Where CPWD/ PWD schedule of rates is not available, the rates should be based on the market rates.

Section 4: Assessment of Project Cost and Grant Assistance

a. Pre-operative Expenses

Clause 5.8 of EMC guidelines states, “The administrative expenses would be restricted to 3% of assistance in the project. However, the administrative expenses shall only be provided to an SPV and not to the Chief Promoter. Expenses towards preparation of Detailed Project Report may be included as a part of the administrative expenses”. Further, clause 5.9 states that “*government assistance should not exceed 25% of approved administrative expenses on pay and allowances of the SPV*”.

Administrative expenses mentioned in clause 5.8 and 5.9 referred above would also include pre-operative expenses (other than salary) incurred by chief promoter up to formation of SPV e.g. EIA Study, Master Planning, Project Management Consultancy, detailed engineering, soil investigation, etc.

c. Contingency Cost

The contingency cost (lumpsum or % of total cost), if any taken in the project cost, would not be eligible for grant assistance.

d. Escalation Cost/ Inflation

A reasonable amount of cost escalation would be allowed over the period of implementation of EMC. The Escalation Cost would be considered on a case to case basis and would be part of the overall financial assistance under the scheme i.e. Rs. 50 Crore (as per clause 5.7 of EMC Guidelines). It would not be over and above the financial assistance under the scheme.

e. Quantum of Grant Assistance

- i. Clause 5.5 of the EMC Guidelines states that “*Government grant in the processing area would be maximum of 50% of the project cost and in Non-processing area it would be maximum of 20%*”. Since, the non-processing activities would not get financial support under the EMC scheme (refer Clause 5.5 on page 4 of this handbook), government grant would be maximum of 50% of the cost of processing activities in the Brownfield EMC.
- ii. Clause 5.7 of the EMC Guidelines states that “*For Brownfield EMCs the assistance will be restricted to 75% of the project cost subject to a ceiling of Rs. 50 Cr. The remaining project cost will be financed by other stakeholders of the EMC with a minimum contribution of 15%, from the units within the EMC.*”
- iii. Ceiling of Grant Assistance for Brownfield EMCs: It would be lower of the amounts derived in para i and ii above.

The grant assistance under EMC Scheme would be provided for processing activities only. Refer Appendix-1 of the handbook for the indicative list of processing & non-processing activities. Any item not listed in the Appendix will be classified into processing & non-processing activity based on final decision of Steering Committee for Clusters.

f. Declaration on funding from other Sources

As per clause 7 of the Final Approval Letter, “the Chief Promoter or the SPV shall also be required to provide a *Self certified undertaking that they have not obtained or applied for grants for the same purpose or activity from any other Ministry or Department of the Government of India or State Government*”.

As envisaged in the scheme:

In case of Brownfield EMCs the assistance will be restricted to 75% of the project cost with a minimum contribution of 15% of the project cost from the units within the EMC.

Regarding the balance 10% of the project in case of Brownfield Project, there is no restriction on the source of these funds, i.e. the same may be funded through the chief promoter, SPV, Constituent Units or by way of stake/ grant from State Government/ any other government department.

- In case the Central/ State/ Local Government is member of SPV then they can contribute towards the project cost as any other member in the form of equity/membership fee/ debt.
- The Central/ State/ Local Government can contribute towards the balance funding for the external infrastructure of the proposed EMC, if such external infrastructure is owned by that Central/ State/ Local Government (refer point 12 in Section 3 of this handbook).

In order to avoid the overlap/ duplication of funding, the Chief Promoter or the SPV shall be required to provide a *Self certified undertaking that they will not obtain funding from any other Department of the Central/ State/ Local Government for those components of the EMC, which are funded by DeitY under the EMC scheme.*

g. Site visit

A site visit may be conducted at the EMC location to check:

- If there is any village, habitation, religious structure etc. on the land proposed to be used for setting up the common infrastructure.
- Any other observation with respect to EMC and connectivity of common infrastructure to the beneficiary units.



Section 5: Environmental Clearances

Preliminary application stage

A preliminary environmental assessment for the project site should be carried-out by the applicant. The objective of this assessment is to identify the critical environmental aspects in the project surroundings and likely impact due to the project development, if any. The preliminary DPR shall contain a list of regulations to be adhered to and the clearances required in the space of environment, health and safety.

Final application stage

The final DPR shall contain the information regarding compliance with regulations identified during the environmental assessment conducted by applicant at preliminary application stage. The indicative list of documents to be submitted with the final DPR is as under:

1. Copy of existing "Consent to Establish" from Local/ State Pollution Control Board, if applicable.
2. Copy of latest "Consent to Operate" from Local/ State Pollution Control Board, assuming that the consent to operate is renewed each year.
3. Copy of existing Fire License, if applicable.
4. Copy of Intimation letter sent to the Local/ State Pollution Control Board with reference to the original "Consent to Establish" (if any) for the addition/ development to be done in the proposed EMC along with the response received.
5. Copy of Intimation letter sent to Inspector of Factories, in case the Brownfield Cluster is falling under the Factories Act along with the response received.

Indicative list of eligible activities under the EMC scheme

a. Processing activities

Basic development

- Boundary Wall
- Internal Roads
- Street Lighting
- Storm Water Drains
- Parking Area and Footpath*
- Site Grading/ Development*

Essential services

- Water Treatment Plant
- Sewage Lines/Treatment
- Waste Disposal/Recycling/Water Harvesting
- Electricity Sub-Station/Distribution
- Backup Power Plant
- Warehousing
- Water Storage, Distribution and Pumping System*
- Fire Station and Fire fighting facilities*
- Fire water storage and distribution network*
- Transportation and Logistic Facilities*
- HVAC with Clean Room and AHU and Ducting*

Support services

- Centre of Excellence (R&D, Incubation and Consultancy Services)
- Training Facility/ ITI
- Auditorium & Conference Facility
- Video Conferencing
- Maintenance & Repair facilities*
- Laser Shop/ Mill & Metal Shop*
- Visitor's Centre/ Convention Centre*
- Banking & ATM facility*
- Environmental Pollution Control Laboratory/ Chambers*
- Common canteen for employees of constituent units *
- IT Infrastructure/ Telecom
 - Broadband Connectivity
 - Cloud Computing
 - ERP/ Factory Management System
- Innovation and Design Centre*
- Electrostatic Dischargeless Setup*

Manufacturing support (Proposed - flatted factory complex)

- Tool Room
- CAD/ CAM Design House

- Plastic Moulding
- Sheet Metal Stamping
- Packaging/ Epoxy Suppliers
- Testing and Certification Facility
- Component Testing:
 - Safety, Life Test, Reliability, Electrical & mechanical properties
 - RoHS Testing
 - EMI/ EMC Testing
 - ESD Simulation Test Lab*
 - Functional Testing Facility*
- SMT Assembly Line*
- PCB Prototyping*
- Rapid Prototyping*
- Calibration Centre*

b. Non processing activities

Government regulatory support/ services

- Development Commissioner/ Designated Officer
- Tax Support/ Filing
- Factory/ Labour Compliance Support
- Pollution Control Office

Welfare services

- Employee Hostel & Mess
- Hospital and ESIC
- Recreational Facility Playground Clubhouse
- Crèche/ Nursery
- Local Shopping Centre
- Restaurants
- Educational Facilities
- Laundry and Dry Cleaning*

Others

- Entrance Plaza*
- Police Station
- Administration & Office Block*
- Furniture*

Notes:

Those items indicated by “*” have not been covered in Annexure 2 of the Guidelines and have been classified in the above categories on a best fit basis.

Contact details

In case of any information on the EMC scheme please contact:

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