

Cabinet Approves ₹3,300-Crore Chip Assembly Plant in Gujarat

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Why in News?

The union cabinet, chaired by PM Modi, has approved the proposal of Kaynes Semicon to set up a semiconductor unit in Gujarat with an investment of INR 3,300 Cr. This is the **fifth semiconductor unit**, and the **fourth assembly unit**, to receive Cabinet approval.

The proposal was approved under the India Semiconductor Mission (ISM).

Semiconductor manufacturing in India

- **Need for domestic manufacturing of semiconductors**

- **Foundation stone of modern electronics industry**
 - Semiconductors and displays are the foundation of modern electronics industry.
 - These are critical components that power electronics – from computers and smartphones to the brake sensors in cars.
- **To reduce import dependency**
 - As India does not produce any semiconductors, the country's demands are met with imports.
 - The demand for semiconductors in India will reportedly reach around USD 100 billion by 2025, up from the current demand of USD 24 billion.
- **To overcome the disruption in supply-chain**
 - The absence of local manufacturing affected India the most during the lockdown imposed due to the Covid-19 pandemic.
- **Geopolitical significance**
 - In the current geopolitical scenario, trusted sources of semiconductors and displays hold strategic importance.
 - These are key to the security of critical information infrastructure.
 - E.g., The Department of Telecommunications has in the past raised concerns over possible bugs in the telecom equipment sold by the Chinese company.
- **Steps taken by the Govt to promote indigenous semiconductor industry**
 - **India Semiconductor Mission (ISM)**
 - Launched in 2022, ISM aims to establish a robust semiconductor ecosystem within the country.
 - This initiative, housed under the Digital India Corporation, is tasked with catalysing semiconductor manufacturing, packaging, and design capabilities in India.
 - As an independent business division, the ISM possesses the necessary administrative and financial autonomy to drive the program's efficient implementation.
 - Moreover, it boasts an advisory board comprising leading global experts in the semiconductor domain, ensuring strategic guidance and expertise.
 - **SemiconIndia Programme**
 - The Union Cabinet approved the Semicon India Programme in 2021 with a budget of INR 76,000 crore.
 - The program aims to create a sustainable semiconductor and display ecosystem in India.
 - It does so by offering attractive incentives to companies involved in various semiconductor-related sectors, including Silicon Semiconductor Fabs, Display Fabs, Compound Semiconductors, Sensors, and Semiconductor Packaging.
 - **Design Linked Incentive (DLI) Scheme**
 - Under this, support is provided to 100 domestic companies of semiconductor design for Integrated Circuits (ICs), Chipsets, System on Chips (SoCs), etc.
 - The Centre for Development of Advanced Computing (CDAC) is the nodal agency for implementing the **DLI Scheme**.
 - **Modified Scheme for Setting up of Semiconductor Fabs**

- The Modified Scheme for Setting up of Semiconductor Fabs in India provides a 50% fiscal support of the project cost for the setting up of semiconductor fabs in India.
- This scheme is part of the Semicon India program.
- **Fiscal Support**
 - The Central Government has announced incentives for every part of supply chain including electronic components, sub-assemblies, and finished goods.
 - In total, Government has committed support of Rs. 2,30,000 crore (USD 30 billion) to position India as global hub for electronics manufacturing with semiconductors as the foundational building block.
- **Chips to Startup (C2S) programme**
 - The government has also introduced the Chips to Startup (C2S) programme aims to train 85,000 engineers (Bachelors, Masters and Research level combined) qualified in ESDM disciplines over a period of 5 years.
 - ESDM – Electronic System Design and Manufacturing

Chip assembly plant in Gujarat

• About the news

- In a significant move towards building a robust semiconductor ecosystem, the Union Cabinet approved the proposal for Kaynes Semicon Pvt Ltd to establish a semiconductor manufacturing unit in Sanand, Gujarat.
- This initiative, which involves an investment of ₹3,300 crore, is expected to enhance India's semiconductor production capabilities.

• Key highlights of the plant

- The capacity of this unit will be 60 lakh chips per day.
- The chips produced in this unit will cater to a wide variety of applications which include segments such as industrial, automotive, electric vehicles, consumer electronics, telecom, mobile phones, etc.

• India's ambitions to become a major chip hub

- India is striving to become a major semiconductor hub, similar to the United States, Taiwan, and South Korea, by attracting foreign companies to establish operations within the country.
- Notably, India has approved an \$11 billion fabrication plant by Tata Electronics in partnership with Taiwan's Powerchip and three chip assembly plants by Tatas, US-based Micron Technology, and Murugappa Group's CG Power with Japan's Renesas.
- Additional proposals include a ₹78,000-crore fabrication plant by Israel's Tower Semiconductor and a ₹4,000-crore assembly plant by Zoho, highlighting the country's growing ambitions in the semiconductor industry.

Q.1. What is the significance of the ₹3,300-crore chip assembly plant in Gujarat?

The ₹3,300-crore chip assembly plant in Gujarat is a crucial step towards building a robust semiconductor ecosystem in India, reducing import dependency, and positioning India as a global chip manufacturing hub.

Q.2. How does the India Semiconductor Mission support the semiconductor industry?

The India Semiconductor Mission supports the semiconductor industry by offering financial incentives and fostering a sustainable ecosystem for semiconductor manufacturing, packaging, and design in India.

Source: [Cabinet OKs `3,300-cr chip assembly plant in Gujarat](#) | [PM India](#) | [India Semiconductor Mission](#) | [PIB](#) | [Economic Times](#)

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