

**File No. No: EE-9/5/2021-R&D-E**  
**Government of India**  
**Ministry of Electronics and Information Technology (MeitY)**  
**(R&D in Electronics Group)**

**Dated:** 30<sup>th</sup> December, 2021

**Subject: Guidelines for Design Linked Incentive (DLI) Scheme.**

## **1. Background**

- 1.1. The Design Linked Incentive (DLI) Scheme (hereinafter referred to as ‘Scheme’) has been notified vide Notification No. CG-DL-E-21122021-232049 dated 21.12.2021 to help offset the disabilities in the domestic industry involved in semiconductor design in order to strengthen the semiconductor chip design ecosystem in the country.
- 1.2. As per Para 4 of the Scheme, the Scheme shall be open for receiving applications for three years initially from 01.01.2022 which may be extended with the approval of the Minister of Electronics and Information Technology (MEIT).
- 1.3. In pursuance of Para 13 of the said Scheme and for the effective operation and smooth implementation of the Scheme, the following Guidelines are being laid down that are to be read along with the Scheme. In case of any inconsistency between the Scheme and the Guidelines, the provisions of the Scheme shall prevail.
- 1.4. The Scheme Guidelines inter-alia cover the following:
  - 1.4.1. Definitions
  - 1.4.2. Eligible Expenditure
  - 1.4.3. Eligibility for availing incentives under the Scheme
  - 1.4.4. Nodal Agency
  - 1.4.5. Application
  - 1.4.6. Approval
  - 1.4.7. Disbursement of Incentives
  - 1.4.8. Review and Impact Assessment
  - 1.4.9. Residual

## 2. Definitions

- 2.1. **Applicant:** Applicant for the purpose of the Scheme is a legal entity i.e., Private Limited Company or a Public Limited Company making an application for seeking fiscal support under the Scheme.
- 2.2. **Application:** Application submitted by an applicant under the Scheme to Nodal Agency as per the Application Form prescribed at **Annexure-II** of the Guidelines containing requisite information, along with supporting documents and application fee.
- 2.3. **Acknowledgement Date:** The date on which an Application is acknowledged by Nodal Agency to the Applicant after carrying out the initial screening of the Application. Acknowledgment of an Application shall not be construed as approval under the Scheme.
- 2.4. **Approval Date:** The date on which the approval in respect of an Application under the Scheme is issued by Nodal Agency to the Applicant.
- 2.5. **Eligible Expenditure:** Eligible Expenditure shall include:
  - 2.5.1. **Manpower Cost:** Expenditure incurred by Startup or MSME on monthly emoluments of scientific / technical manpower subject to a ceiling of 50% of total incentive amount approved for an Applicant.
  - 2.5.2. **Capital Investment:** Expenditure incurred on procuring specialized capital equipment for R&D activities including Computers, Servers, Workstations, and Networking Equipment etc.
  - 2.5.3. **Software IPs and Licenses:** Expenditure incurred on EDA (Electronics Design Automation) / CAD (Computer-aided Design), other Design & Verification tools, IP Cores and licenses of Hardware / Software etc., not made available by the Nodal Agency under the Scheme.
  - 2.5.4. **IPR Registration:** Expenditure incurred on filing the IPR (Patents, Copyrights etc.), both Indian and international.
  - 2.5.5. **Field Trials:** Expenditure incurred on validation of fabricated design including Silicon bring-up, test & characterization of ASICs etc. Expenditure incurred on test & verification of design at field / in an operational environment of the user and facilitating smooth transfer of technology to the end user.

- 2.5.6. **Production Costs:** Expenditure incurred on prototyping the designs in MPW (Multi-Project-Wafer) manner and volume production including the NRE (non-recurring engineering) cost for Masks, Wafer etc.
- 2.6. **Net Sales:** Gross Sale net of credit notes (raised for any purpose), discounts (including but not limited to cash, volume, turnover, target, or any other purpose), taxes applicable and expenses pertaining to advertisement and sales promotion, and brand royalty.
- 2.7. **Nodal Agency:** Refers to C-DAC (Centre for Development of Advanced Computing), a scientific society operating under MeitY, to act on its behalf for receipt and appraisal of Applications, verification of eligibility and examination of disbursement claims through any method / document deemed appropriate, disbursement of claim including managing the process of disbursements in accordance with the criteria stipulated in the disbursement guidelines and for managing the above-mentioned in accordance with the Guidelines.
- 2.8. **Successor-in-Interest:** Successor-in-Interest shall mean the new or re-organized entity formed after the merger, demerger, acquisition, transfer of business or significant change in ownership of an applicant.
- 2.9. **Domestic Company(ies):** 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 in it is beneficially owned by resident Indian citizens and / or Indian companies, which are ultimately owned and controlled by resident Indian citizens.
- 2.10. **MSME** shall be defined as per the Gazette Notification by Ministry of Micro, Small and Medium Enterprises, dated 1<sup>st</sup> June 2020 or extant norms.
- 2.11. **Startup** shall be defined as per the DPIIT notification dated 19<sup>th</sup> February 2019 or extant norms.

### **3. Eligibility for availing incentives under the Scheme**

- 3.1. Financial incentives and design infrastructure support will be extended to domestic companies, Startups and MSMEs engaged in semiconductor design or semiconductor linked design.

- 3.2. The approved applicants that claim incentives under the scheme shall retain their domestic status (i.e. more than 50% of the capital in it is beneficially owned by resident Indian citizens and/ or Indian companies, which are ultimately owned and controlled by resident Indian citizens) for a period of three years after claiming incentives under the scheme. Nodal Agency shall make appropriate arrangement for IPR availability for use in a likely scenario of the domestic status of the company supported ceases to exist within three years of receiving the incentives under the Scheme.
- 3.3. Eligibility under the Scheme shall not affect eligibility under any other Scheme of Government of India or State Government and vice-versa.
- 3.4. An applicant must meet the Threshold and Ceiling Limit to be eligible for disbursement of incentive as indicated at **Annexure-I** of the Guidelines.

#### **4. Eligible Expenditure:**

- 4.1. Eligible expenditure as defined in Para 2.7 of the Guidelines shall be considered for determining the expenditure eligible under the Scheme provided such expenditure is made on or after the date of acknowledgement of an Application and within the tenure of this Scheme.
- 4.2. Eligible Expenditure prior to the date of acknowledgment of Application, shall not be considered for determining eligible expenditure under the Scheme.
- 4.3. The date of invoice would be considered as the date of booking expenditure under the Scheme.

#### **5. Nodal Agency**

- 5.1. The Scheme will be implemented through Nodal Agency as mentioned in Para 9.1 of the Scheme
- 5.2. The Nodal Agency shall contribute towards sustained semiconductor design ecosystem in the country. This may involve-
  - 5.2.1. Evolving strategies for sustained and vibrant semiconductor design ecosystem in the country by way of working-out schemes, policy interventions & financial incentives, leveraging existing Government

schemes and identifying semiconductor products of national priorities for their complete or near complete indigenization & deployment.

- 5.2.2. Engaging with Startups, global technology majors, industry associations, academia, and experts for growth of semiconductor design ecosystem in India.
- 5.2.3. Engaging services of incubators in semiconductor design or semiconductor linked design to delegate certain tasks that leverage the expertise of the incubators.
- 5.3. Nodal Agency shall be responsible for setting up the semiconductor design infrastructure facility, to be made available to the approved applicants(s) under the scheme for facilitating them the support / access, inter-alia, of the following – National EDA Tool Grid, IP Core Repository, MPW and Post Silicon Validation, e-learning resources etc. or engage with incubators in semiconductor design or semiconductor linked design for undertaking specific activities under the scheme.
- 5.4. Nodal Agency shall coordinate and consolidate other infrastructure facilities across the country and enter into collaborative engagements with foundries and vendors for making their design and manufacturing offerings available to supported applicants under the Scheme.
- 5.5. The Nodal Agency would also be responsible for carrying out the following responsibilities in respect of disposing the applications to be submitted under the Scheme:
  - 5.5.1. Receipt of application, examination and screening of applications and issuing acknowledgements to the Applicant.
  - 5.5.2. Seeking additional information, details and documents from the applicant and carrying out physical inspection as deemed necessary.
  - 5.5.3. Issuing approval to the applicant, under intimation to MeitY.
  - 5.5.4. Verification of thresholds and milestones for determining eligibility for disbursement of incentive.
  - 5.5.5. Verification of the reconciliation of disbursement claims with prescribed documents.
  - 5.5.6. Disbursement of incentives under the Product Design Linked Incentive category and Deployment Linked Incentive category of the scheme to

approved applicants subject to meeting the milestones as included in the approval letter.

5.5.7. Submitting budgetary requirement to MeitY as consolidated amount on regular basis.

5.5.8. Compilation of data regarding progress and performance of the Scheme through Quarterly Review Reports and other information / documents.

## **6. Application**

6.1. Application under various categories can be submitted by the applicants as follows:

6.1.1. **Design Infrastructure support:** The application under this category can be submitted by Startup or MSME.

6.1.2. **Product Design Linked Incentive (P-DLI):** The application under this category can be submitted by Startup or MSME.

6.1.3. **Deployment Linked Incentive (DLI):** The application under this category can be submitted by Domestic Company, Startup or MSME.

6.2. In accordance with Para 4 of the Scheme, the Application Window shall be initially three (3) years from 01-01-2022. The Scheme may also be reopened for applications anytime during its tenure based on the approval of Minister of Electronics and Information Technology (MEIT).

6.3. An applicant may apply online in the prescribed format provided in **Annexure-II** of the Guidelines through an online portal.

6.4. Applications received during the Application Window will be appraised on an ongoing basis and considered for approval.

## **7. Approval**

7.1. Nodal Agency shall examine & screen the application, as received, after issuing of acknowledgement to the applicant.

7.2. After examination & screening, Nodal Agency shall issue a letter to the applicant, communicating approval along with milestones under the Scheme with a copy to MeitY.

- 7.3. The aforesaid approval letter shall not be construed as a guarantee for disbursement of financial incentives as the same will be dependent upon verification of eligibility after submission of disbursement claim and other criteria defined in the Guidelines.

## **8. Disbursement of Incentives**

- 8.1. Under the Scheme, the applicants will be required to submit claims for disbursement of incentive to the Nodal Agency. Applicants must ensure that the claims are completed in all respect and are accompanied by all the documents required as per the approval letter.
- 8.2. An applicant may submit a claim for disbursement of incentive under the Scheme as follows:
  - 8.2.1. **Design Infrastructure support:** The support under this category may be claimed by the applicant subsequent to receiving the approval letter from Nodal Agency.
  - 8.2.2. **Product Design Linked Incentive (P-DLI):** The claim under this category may be submitted subsequent to meeting the linked milestone as indicated in the approval letter from Nodal Agency.
  - 8.2.3. **Deployment Linked Incentive (DLI):** The claim under this category may be submitted as early as the end of the quarter in which the threshold criteria for the year in consideration have been met.
- 8.3. The claims may be submitted only on a quarterly or half-yearly or annual basis. Claims for any period shall be made only once, unless withdrawn, and no subsequent part claims shall be allowed for the said period.
- 8.4. Claims for disbursement of incentive shall be filed by the applicants within 9 months from the end of the financial year to which the claim pertains.
- 8.5. The incentives shall be disbursed after the approval of the claim by the Nodal Agency, subject to compliance to other terms and conditions stipulated in the Scheme / Guidelines / Approval Letter
- 8.6. Nodal Agency shall facilitate the support for Design Infrastructure support to the Applicant either by itself or through collaboration with other design incubators.

- 8.7. The disbursement of incentives may be made by Nodal Agency in respect of the claim application for P-DLI and DLI categories in the form of Direct Bank Transfer (to be used as may be allowed by the Ministry of Finance) through PFMS, or through any other mechanism of adjustment in the name of the applicant only.
- 8.8. The Nodal Agency shall furnish information to MeitY with details of disbursement claims received for incentives, amount disbursed, reasons for rejection / delay in disbursement of the incentives on a quarterly basis or as frequent as required.

## **9. Review and Impact Assessment**

- 9.1. Periodic reviews of approved applicants will be undertaken by the Nodal Agency with respect to their investments, production, employment generation and value addition under the Scheme.
- 9.2. All approved applicants shall be required to furnish self-certified Quarterly Review Reports (QRRs) till five years or till the time the fiscal support is being drawn, whichever is earlier.
- 9.3. Mid-term appraisal of the Scheme will be carried out after two years of its implementation or as per the recommendation from Ministry of Electronics and Information Technology (MeitY) to assess the impact of the Scheme, off take by the approved applicants and economy in terms of the stated objectives. Based on such impact assessment, a decision may be taken to increase the tenure of the Scheme and change its financial outlay with the approval of Minister of Electronics and Information Technology (MEIT).

## **10. Residual**

- 10.1. For effective functioning of the Scheme, the Nodal Agency may carry out any amendments in the Scheme Guidelines including re-distribution of incentives amongst various categories of support under the Scheme.
- 10.2. Any deviation with respect to approved eligible expenditure, after approval of the project, shall be intimated by the Nodal Agency to the Ministry of Electronics and Information Technology (MeitY). In case of reduction of the eligible expenditure, the Nodal Agency will give the revised approval to the applicant. In case of escalation of the eligible expenditure, the Nodal Agency will seek approval of the



competent authority in MeitY. Based on the competent authority's recommendation, the Nodal Agency shall communicate the revised approval.

- 10.3. An applicant shall intimate the Nodal Agency of any change in the shareholding pattern of the Promoters' holding in the project, including any change in encumbrance, post application and during the period of claim of incentives.
- 10.4. In case of a successor-in-interest, expenditure borne by the applicant as well as successor-in-interest, would be considered for determining eligible expenditure, subject to compliance with any other condition stipulated by the Nodal Agency, as may be deemed appropriate. The eligible expenditure for the successor-in-interest shall be the same as determined for the applicant to whom approval was accorded under the Scheme.
- 10.5. To obviate any malpractices in the financial matters where disbursements are made to industry by the Government, it has been decided to provide a deterrent against corrupt practices for promotion of transparency and equity. Therefore, keeping in view the sensitivities involved in the process and taking cue from the instructions of the Central Vigilance Commission regarding adoption of an Integrity Pact in the matter of procurement, the Nodal Agency shall obtain undertaking(s) from applicants under the Scheme.
- 10.6. Supplementary guidelines may be issued from time to time with the approval of Minister of Electronics and Information Technology (MEIT) for the smooth implementation of the Scheme.

**Threshold and Ceiling Limits**

**1. Ceiling Limits for the Design Infrastructure Support under the Scheme**

1.1 Reimbursement of up to ₹30 Lakh per application for MPW fabrication of design and post-silicon validation activities.

1.2 Access to national EDA Tool grid and IP Core repository.

Application details for seeking support for the Design Infrastructure to be setup under the Scheme will be issued separately.

**2. Ceiling Limits for availing the Product Design Linked Incentive (P-DLI) under the Scheme**

Milestones linked reimbursement of up to 50% of the eligible expenditure subject to a ceiling of ₹15 Crore per application for designing semiconductor goods indicated under Target Segment and making them ready to be demonstrated in operational environment and volume production.

**3. Threshold amount for availing the Deployment Linked Incentive (DLI) under the Scheme**

Reimbursement of 6% to 4% of net sales of designed semiconductor goods over 5 years subject to a ceiling of ₹30 Crore shall be made per application.

3.1 Following is the rate of incentive to be reimbursed on the net sales of designed semiconductor goods within the scope of the proposal submitted by the Applicant from Financial Year 2022-23 onward:

<b>Target Segment</b>	<b>Threshold amount of Net Sales to be made by Applicant</b>	<b>Rate of incentive on Net Sales</b>
-----------------------	--	---------------------------------------

Sale of Semiconductor designs for Integrated Circuits (ICs), Chipsets, System of Chips (SoCs), Systems or IP Cores and semiconductor linked designs.	(i) ₹1 Crore from Year 1 to Year 5 for Startup & MSME (ii) ₹5 Crore from Year 1 to Year 5 for domestic companies other than Startup & MSME.	Year 1: 6% Year 2: 6% Year 3: 5% Year 4: 5% Year 5: 4%
--	--	--

- 3.2 The claims for Deployment Linked Incentive may be submitted after the end of each Financial Year.
- 3.3 An applicant must meet threshold criteria to be eligible for disbursement of incentive for the year under consideration.
- 3.4 In case the Net sales does not meet threshold amount for any given year, the applicant shall not be eligible for incentive in that particular year. However, the applicant will not be restricted from claiming incentive in subsequent years during the tenure of the Scheme, provided threshold criteria are met for such subsequent years.

**Application Form: Design Linked Incentive (DLI) Scheme**

**1. Introduction**

- 1.1. The application shall be duly signed by authorized signatory of legal entity.
- 1.2. Applicants are advised to go through the Guidelines carefully before filling up the details in the application and follow the format provided in this template for submitting their applications. Applicants are requested to provide information and enclose all supporting documents as detailed.
- 1.3. An applicant may apply online in the prescribed format provided in this Annexure of the Guidelines through an online portal after registering on the same and paying a non-refundable application fee electronically of ₹10,000 (Rs. Ten thousand only). In case, the portal is not available, applications may be submitted in physical form, addressed to Nodal Agency.
- 1.4. Application has been divided into the following sections and sub-sections:
  - 1.4.1. **Section-1:** Application Fee Details: Proof of the Application Fee Submission
  - 1.4.2. **Section-2:** Applicant Details
  - 1.4.3. **Section-3:** Detailed Project Report (DPR)
- 1.5. If any document which is required to be submitted along with the application is available on a government website, the website link where this document can be viewed may be provided. The responsibility of the correctness / veracity of contents rests with the applicant(s).

**2. Section-1: Application Fee Details**

Proof of the Application Fee Submission

**3. Section-2: Applicant Details:**

**(i) Company Information**

Name of the company, incorporation details

**Documents to be furnished:**

- a) *Brief Business profile*
- b) *Certificate of incorporation*

**(ii) Company Structure** (entity) under which the project is to be undertaken (legal status, shareholding pattern and details of relevant agreements which might have been signed with business partner(s), if any). The agreement and roles and responsibilities between the partners must be clearly mentioned

**Documents to be furnished:**

- a) *Certified copy of the memorandum and articles of association or equivalent registration document*
- b) *Shareholding pattern (latest submitted with ROC and certified by Company Secretary)*

**(iii) Details of Authorised Signatory**

**Documents to be furnished:** *Letter of Authorization by Board of Directors or Managing Director or equivalent.*

**(iv) Company Details:** Address, phone, email, nature of current business, external credit rating.

**(v)** Details of current design facilities in India and abroad.

**(vi) Credit History:** Details of presence in RBI's Defaulter and Wilful Defaulter Lists, SEBI Debarred List. CIBIL Score and International Credit Rating, if borrowings are taken from foreign countries.

**Documents to be furnished:** Certificate from Company Secretary/ Board of Directors for Defaulter's List.

**(vii) Financial Information of the company of last 5 years or from the date of registration, whichever is later**

Details of the Turnover, Profit Before Tax, Net Worth and Revenue from Development and Maintenance activities.

**Documents to be furnished:** Audited financial statements for each of these financial years as mentioned above (Please include only the sections on Profit & Losses, revenue and the assets, not the entire balance sheet.) and ITR details.

**(viii) Company's Experience completed/ Go-Live in the last 5 financial years from the date of submitting applications**

- a. **Details of Client:** Name and nature of business of client
- b. **Project Details:** Description, outlay, duration, details of semiconductor chips designed, manufactured and supplied.

**Documents to be furnished:** Work Order/ Purchase Order/ Contract/ VC financing round + Project/ Phase Completion Certificates from the client/ Statutory Auditor.

**4. Section-3: Detailed Project Report (DPR)**

DPR to be submitted for design, development and deployment for the semiconductor design(s) for Integrated Circuits (ICs), Chipsets, System on Chips (SoCs), Systems & IP Cores and semiconductor linked design(s) covering following details:

**Project Details**

- (i) Aims and Objectives
- (ii) Project Duration
- (iii) Project Outlay
- (iv) Physical Deliverables
- (v) Quarterly milestones with their financial requirement vis-à-vis timelines.

### **End User Organizations**

- (vi) Details of (likely) applications.
- (vii) Details of (likely) end user organization/ expression of interest received from the end user organization.

### **Technical Details**

- (viii) Detailed technical background including block diagram of sub-modules along with their intended functionality.
- (ix) Novelty / USP of the technology.
- (x) IPR filed / IP Core available with the applicant in the area of application.
- (xi) Readiness level of the technology in terms of TRL level including the stage of semiconductor design (Ideation, CAD proven, Foundry proven etc)
- (xii) Similar activity(ies) / project implemented by the Applicant earlier.
- (xiii) Similar activity(ies) being carried out elsewhere.
- (xiv) Collaboration/ link-up to be established for implementing the project.

### **Financial Details**

- (xv) Head-wise budget via-a-via quarterly/ half-yearly/ yearly requirement for implementing the project (as per the Eligible Expenditure indicated in the Guidelines).
- (xvi) Head-wise justification of requirement of funds like work-break-down-structure of project activities vis-à-vis manpower requirement, requirement of NRE cost (number of tapeouts/ tapeout cost, wafer volume etc)

### **Roadmap for commercialization/ deployment**

- (xvii) Commercialization/ deployment potential of the technology and targeted volumes/ numbers etc.

(xviii) Detailed Plan for commercialization/ deployment, challenges and mitigation strategy.

**Outcomes/ Impact**

(xix) Number of employment generation for the technology

(xx) Industry-academia collaboration in different area targeted for implemented the project.

(xxi) Import substitution potential of the technology.