

DLI SCHEME 2.0

Centre considers picking up equity in chip design cos

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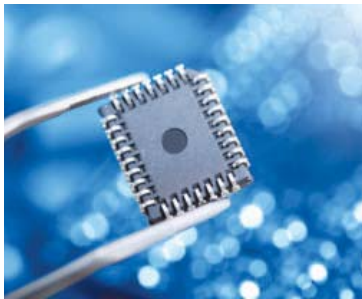
The government has started discussing a proposal to support domestic Indian semiconductor chip design companies by taking equity stake, as a key element of the second phase of the design-linked incentive (DLI) scheme. The first phase of the scheme is currently on.

While the modalities and the timing of the second phase of the scheme are yet to be worked out, the broader vision on which there is a consensus is to offer equity support to those domestic semiconductor chip design companies that have reached a certain maturity and have the potential to go to the next level or scale. The aim is to ensure that the country can build a few Indian “fabless companies” and a chip design ecosystem in the country.

According to senior sources in the government involved in the discussion, an equity infusion from the State would help these design companies overcome the sustained pressure of selling a substantial portion of their shareholding or even their company to global players in a bid to scale up and become strong “fabless players”.

The homegrown semiconductor design companies have a collective revenue of only \$30-40 million. Domestic companies have been defined as those in which a resident Indian citizen beneficially owns at least a 50 per cent stake of the capital.

The current DLI scheme, which is part of the government’s overall semiconductor scheme announced in December 2021, has seen a good response. Under this scheme, the government is offering 50 per cent of the eligible expenditure, subject to a ceil-



TECH BOOST

ISSUES

- ▶ Nearly 2,000 chips are designed in India annually, but for global companies
- ▶ Their IPs are in their respective countries, and not in India
- ▶ Homegrown design firms are very small, having a cumulative revenue of \$30-40 million

SOLUTION

- ▶ Centre targets to build 20 domestic fabless firms using the DLI Scheme
- ▶ It is offering expensive design tools free of cost. It is tying up with 3 global players for this
- ▶ It is considering DLI 2.0 and giving equity support to help domestic firms overcome the pressure to sell their patents to global firms

ing of ₹15 crore per application. It is also offering a 4 per cent-6 per cent incentive on the net sales turnover over five years, subject to a ceiling of ₹30 crore, which is linked to the deployment of the chip designed by them in products.

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Centre...

As many as 2,000 chips are designed annually in India by global semiconductor and fabless companies; 90 per cent of these companies are doing advanced chip designing, with an estimated 20,000 engineers working for them.

These include companies like Intel (India is their second-largest design centre), Qualcomm, and Mediatek (80-90 per cent of their research and development takes place in India). However, most IPs of global companies are located

in their home country, and not in India.

According to the existing scheme, the government provides 50 per cent of the required capital for setting up a domestic chip design firm (the rest of the money the entrepreneur has to bring in from other sources, such as venture capital funds.)

Design companies need to show proof of concept of their design, as well as undertake testing of the design on products before it can identify buyers.

Under the current DLI

scheme, the government is also supporting them with electronic design automation tools that are needed to design and verify integrated circuits printed circuit boards, and electronics.

As they are expensive, the Ministry of Electronics and Information Technology (MeitY) has tied up with three global suppliers — Cadence, Synopsys, and Mentor — to make them available free of cost to eligible companies for use through the cloud.

The expectation is that through the scheme, the government will be able to nurture at least 20 domestic companies involved in semiconductor design. Three companies that have been found eligible under the DLI scheme are Vervesemi Microelectronics, Fermonic Design, and DV2JS Innovation. Two more are expected to be announced during Semicon India, an initiative of the India Semiconductor Mission, in Gandhinagar at the end of July.

Meanwhile, PE fund Sequoia Capital invested in two Chennai-based chip design companies, InCore Semi (\$3 million) and Mindgrove (\$2.3 million).

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