

Duty cuts on machinery to reduce semicon fab set-up cost

Sindhu Hariharan
Chennai

The duty cuts and simplification of import procedures under the new India-EU FTA is likely to help lower costs of setting up a semiconductor fab, which has been a key prohibitive factor in scaling up semiconductor manufacturing. Semicon design firms are also enthused by the FTA provisions around Intellectual Property Rights (IPR), which will facilitate easier information flow and knowledge sharing.

With the India-EU FTA

eliminating duties on European machinery and other electronic components imported into India, this is set to lower project costs of setting up fabs as machinery; areas such as lithography, metrology, process control and specialty tools account for around 70 per cent of semiconductor fab capex, industry executives told *businessline*.

With these high-end semiconductor fab equipment getting more affordable with the FTA implementation, this will also improve global competitiveness of India's fabs and OSAT units, they

added. While it will take close to six months for implementation of the FTA, many of its provisions are set to be transformational for the semiconductor sector, Ashok Chandak, President, IESA, said.

BIGGEST IMPACT

"The single biggest impact we see is in bringing down the cost of capex with plans to cut the duty on machinery from 44 per cent to zero in a phased manner," he said.

"Sixty to seventy per cent of capex is machinery and equipment, and some of these machines, including

the latest lithography ones, come from Europe," he added. Beyond tariffs, harmonisation of quality standards and mutual recognition of certifications also shorten qualification cycles and ensure that India-made products meet European benchmarks.

The Extreme Ultraviolet (EUV) lithography machines, which are among the most advanced semiconductor manufacturing equipment, is primarily manufactured by the Netherlands-based ASML.

Shashwath TR, Co-founder and CEO of chip

design start-up Mindgrove, said the European ecosystem also houses the supply chain for many other precision manufactured parts and materials that can be used by fabs. "For fabless semiconductor companies in India like us, overall, the EU-FTA will help us gain easier access to the European market and also make R&D collaboration between India and EU easier," he added.

"The India-EU FTA matters as lower tariffs and smoother imports reduce upfront capital pressure and allow companies to plan capacity and technology

roadmaps with greater confidence," Raja Manickam, Founder & CEO, iVP Semi, said. "What also often gets overlooked is time: faster customs clearance, harmonised standards and easier access to European suppliers can shorten qualification cycles, which is just as important as cost when you are trying to bring fabs or OSAT facilities online," he added.

Overall, the FTA helps in more closer integration with Europe's technology base, which can support both manufacturing and design and long-term innovation, experts add.