



## **ABSTRACT**

Industries – Provision of structured package of assistance to Sanmina – SCI India Private Limited for setting up of electronic hardware manufacturing plant in Tamil Nadu – Orders – Issued.

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### **INDUSTRIES (MIB.1) DEPARTMENT**

**G.O. (Ms) No.176**

**Dated : 3.7.2007**

**Read :**

1. From the Director, Corporate Development, Sanmina – SCI Corporation, San Jose, USA, Letter, dated 13.04.2006.
2. From the Executive Vice-President, South Asia Pacific Operations, Sanmina – SCI Corporation, USA, Letter dated 22.05.2006.
3. From the Managing Director, Sanmina – SCI India Private Limited, Chennai e-mail dated 05.02.2007.
4. From the CMD/SIPCOT, Lr. No.P&SP/2007, dated 14.2.2007.

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### **ORDER:**

Sanmina-SCI Corporation, USA, is one of the largest Electronic Manufacturing Services (EMS) providers in the world, focused on delivering complete end-to-end manufacturing solutions to technology companies around the world and it is one among Fortune 500 companies with annual revenues in 2006 of US\$ 11 billion (Rs.44000 crores). The Company employs a total of approximately 50,000 employees working in 80 plants in 19 countries worldwide. Sanmina-SCI manufactures fully integrated electronic systems, sub-systems, etc. Sanmina-SCI offers its services primarily to original equipment manufacturers in the communications, computing and storage, multimedia, industrial and semiconductor capital equipment, defence and aerospace, medical and automotive industries. Sanmina-SCI is the ultimate holding company of Sanmina-SCI India Private Limited.

2. Sanmina India and Sanmina-SCI (together called as Sanmina) have proposed to establish a manufacturing facility in the Special Economic Zones format over an area of 100 acres in SIPCOT Hi-Tech Special Economic Zone at Oragadam Industrial Park, near Chennai through one or more Sanmina group entity (ies) to be incorporated in India to produce various electronic hardware products (including computing and storage, medical, communications etc.). Sanmina has proposed to invest not less than Rs.225 crores in the first 3 (three) years which could go up to Rs.315 crores. It has indicated that expected direct employment would be around 1325 persons in the first phase and 4000 when fully established. During the discussions held by Government in this regard, Sanmina has

indicated that location of the Facility in Tamil Nadu is contingent upon attractive fiscal and other related concessions and incentives that the Government of Tamil Nadu can offer to Sanmina for the Facility.

3. The Government carefully examined the request of Sanmina and signed a Memorandum of Understanding with Sanmina-SCI Corporation, USA on 19.6.2007 incorporating the obligations of Sanmina-SCI Corporation, USA with reference to level of investment and employment generation as well as the obligations of the Government in terms of offer of package of fiscal incentives and infrastructure support. In the MoU, Sanmina-SCI Corporation, USA has committed to establish a manufacturing facility to produce various electronic hardware products with an eligible investment of at least Rs.225 crores within the investment period of 3 years from the date of MoU, which could go up to Rs.315 crores in 5 years.

4. Based on the commitments given by Sanmina-SCI Corporation, USA as stated in paragraph 3 above and considering the fact that Sanmina's investment will be in the public interest of the State of Tamil Nadu, creating tangible economic benefits including job creation, technology upgradation, key components supply and electronic manufacturing industry clustering, the Government provides the following structured package of assistance to Sanmina for setting up an electronic hardware manufacturing plant in SIPCOT Hi-tech Special Economic Zone at Oragadam Industrial Park, near Chennai.

**(a) Investment:**

Taking note that relaxations in investment time limit and minimum investments have been extended earlier to certain projects in the past, the brand equity of Sanmina and other spinoffs, the investment limit of Rs.300 crores to be brought within 3 years is relaxed and a structured package of assistance is extended to Sanmina's Facility, subject to Sanmina investing a minimum of Rs.225 crores in eligible fixed assets within three years from the date of MoU (Effective Date). Since this Facility would be implemented by Sanmina SCI India Private Limited or another Indian subsidiary to be incorporated by Sanmina-SCI USA or Sanmina-SCI India, the structured package of assistance is extended to Sanmina-SCI India Pvt. Ltd., or the Indian company to be incorporated by Sanmina-SCI India Pvt. Ltd., or Sanmina-SCI USA, whichever group entity establishes this Facility.

**(b) Pre-installed equipment**

Purchase value of pre-installed equipment (used equipment) in Sanmina's Facility will be included in the Investment Amount for manufacturing activities within the Facility, subject to condition that such equipment will be less than five (5) years of age from the date of manufacture, at the time of import to India by Sanmina for the first time and certified by a competent authority, namely a Chartered Engineer and subject to the condition that the total investment value of such equipment does not exceed 10% of the minimum investment amount of Rs.225 crores.

**(c) Effective Date for Investment**

"Effective Date" for the purposes of the MoU will be the date of execution of MoU. If grant of SEZ Status in a timely manner for the entire 100 acres of land in which the Facility will be located and this Order granting Sanmina the incentives agreed to by the Government in the MoU are not received by Sanmina within a period of 6 months from

the date of execution of the MoU, then the "Effective Date" for purposes of the MoU will be the date on which both the above conditions are fulfilled.

**(d) Interim Facility**

Government will extend all incentives under the MoU to products manufactured within the Interim Facility, as long as it is located in an SEZ in Tamil Nadu, subject to the condition that commercial production in the main Facility starts within 12 months from the date of MoU. Investments made by Sanmina-SCI or Sanmina India in the Interim Facility may be included in the calculation of the Investment Amount, from the date of commencement of commercial production by the main Facility or from the date on which such eligible fixed assets in the Interim Facility are moved into the main Facility, whichever is later. All incentives eligible for the Interim Facility will be released to Sanmina only after commencement of Commercial production in the main Facility.

**(e) Exit and Termination Options:**

Taking note of the fact that mergers and acquisitions are common events in the modern corporate world and such flexibility has to be extended to business, permission will be given to Sanmina, at any time after commencement of commercial production, to transfer the Facility to a third party purchaser after providing prior information to the Government of the name of the proposed transferee and some background details on the transferee's business and background and obtaining prior approval of SIPCOT fulfilling terms and conditions for such transfer of land, provided the third party purchaser commits to take over all obligations under the MoU and continue to operate the Facility. Upon such transfer of the Facility by Sanmina, all rights and obligations of Sanmina, including the Incentives granted to Sanmina, pursuant to the MoU shall stand assigned to such third party purchaser and the Government will take all requisite steps in order to give effect to such transfer and assignment. Upon consummation of such transfer and assignment, Sanmina shall have no rights and obligations under the MoU.

**(f) SEZ Status:**

Board of Approval in Government of India has granted formal approval for the SIPCOT Oragadam Hi-Tech SEZ. Hence, Sanmina's facility to be located in Oragadam Hi-Tech SEZ will enjoy SEZ status. Sanmina will be granted status of a Co-developer in respect of the land allocated by SIPCOT to Sanmina in this SEZ and necessary recommendation in this regard will be sent to Government of India.

**(g) Land:**

(i) 100 acres of land in SIPCOT Oragadam Hi-Tech SEZ will be allotted by SIPCOT to Sanmina at a rate of Rs.19.5 lakhs per acre by way of a 99-year lease, extendible to another 99 years on similar terms and conditions. Differential cost of Rs.4 lakhs per acre will be given to SIPCOT by Government as compensation.

(ii) Sanmina will be permitted to sub-lease its buildings within the Facility to provide logistics services for its customers as well as logistics arrangements for its suppliers (such as vendor managed inventories) within the Facility for purposes directly related to its industrial activities, subject to SIPCOT's terms and conditions. Sanmina will have to obtain prior approval of SIPCOT in this regard.

(iii) SIPCOT will allocate land to Sanmina's vendors and suppliers based on availability on a best efforts basis. However, SIPCOT will charge an appropriate and normal price, as fixed from time to time and as applicable in the SIPCOT ORAGADAM Industrial Estate / SEZ.

(iv) FSI and FAR relaxations, as available as allowed for this area, will be extended to Sanmina as per relevant Development Control Rules and IT Policy 2002.

**(h) Stamp duty & Registration charges:**

Since Sanmina will be a unit within the SEZ, Sanmina's Facility will be exempted from stamp duty and registration charges for registering the lease deed for the land for the Facility.

**(i) Power:**

TNEB will bear cost of the first feeder line up to battery limits of Sanmina's Facility, while Government and TNEB will equally share cost of the second feeder line up to battery limits of the Facility. Sanmina will also be permitted to have option to revise its maximum Demand as per TNEB rules and regulations.

**(j) Captive generation:**

Sanmina will be eligible to setup a Captive Power Generation Facility to meet its own requirement of power as per Electricity Act and Rules.

**(k) Electricity Tax:**

Sanmina's Facility would be eligible for electricity tax exemption for power purchased from TNEB as long it enjoys SEZ status.

**(l) Water supply:**

SIPCOT will sanction water supply through pipeline up to Sanmina's site on one-time upfront payment of 50% of proportionate capital cost of the water supply scheme and provide water supply to the Facility on normal terms on user-charges basis as applicable to other industries in the Oragadam Industrial Park.

**(m) Piped Gas:**

Sanmina will be extended facilitation for supply of piped gas supply for the Facility, if any natural gas supplier establishes a gas distribution network in the region in which the Facility is situated.

**(n) Sewage treatment:**

SIPCOT will provide for collection and evacuation of domestic sewage from a common collection point from the battery limits of the Facility on chargeable basis.

**(o) Pollution control:**

It will be the responsibility of the Sanmina Facility to treat toxic sewage or trade effluents generated by it separately as per the norms set by TNPCB. Treated effluents shall be recycled and shall not be released into the sewage system. The Facility will be provided with Critical Infrastructure Subsidy of 25% of the capital cost of Effluent Treatment Plant or Rs.25 lakhs whichever is lower, if it establishes an Effluent Treatment Plant.

**(p) Capital Subsidy:**

Since Sanmina has committed to invest Rs.225 crores in eligible fixed assets in the Facility and since SIPCOT has offered the Site which is located in a Government – promoted Industrial Park, the Facility will be provided a back-ended capital subsidy of Rs.1.5 crores.

**(q) VAT / CST concession:**

(i) Subject to Sanmina investing a minimum of Rs.225 crores in Eligible Fixed Assets within 3 years from the date of MoU, Sanmina's Facility will be provided reimbursement of sums of money equivalent to VAT and CST paid to Government on sale of Products manufactured within the SEZ Facility and sold to Domestic Tariff Area (DTA) for a period of seven (7) years from the date of first commercial invoice by the main Facility, cumulative value of such reimbursements being capped at 100% of investments in Eligible Fixed Assets made in the Facility by Sanmina within three (3) years from the date of MoU. Additional investments in Eligible Fixed Assets actually made over and above the minimum committed by Sanmina within 3 years from the date of MoU will also be considered for these reimbursements, provided these are in the nature of additional investments and not replacement investment. These reimbursements will be made available for the direct (first) sale made as above by Sanmina to DTA and will not be available for second and subsequent sales in DTA by Sanmina's dealers. In effect, the Sanmina Facility in the SEZ can claim such reimbursements on its first (direct) sales from SEZ to DTA and subsequent sales in DTA will be taxable.

(ii) In the event of Sanmina investing at least Rs.315 crores in Eligible Fixed Assets within 5 years from the date of MoU, Sanmina's Facility will be provided with reimbursement of sums of money equivalent to VAT and CST paid to Government by the Facility on sale of Products manufactured within the main Facility and sold from SEZ to DTA for a period of ten (10) years from the date of first commercial invoice by the Facility, the cumulative value of such reimbursements will be capped at 100% of investments in Eligible Fixed Assets made in the Facility (excepting replacement investments) by Sanmina within five (5) years from the date of MoU. These reimbursements will be available for the direct sales made as above by Sanmina to DTA and will not be available for second and subsequent sales in DTA. In effect, the Sanmina Facility in the SEZ can claim above reimbursements on its first (direct) sales from SEZ to DTA and subsequent sales in DTA will be taxable.

(iii) Sanmina will be provided reimbursement of an amount equivalent to VAT and CST paid to Government on sale of products manufactured within Sanmina's Interim Facility located within a SEZ in Tamil Nadu and sold to DTA, only if commercial production in the main SEZ Facility starts within 12 months from the date of MoU. The cumulative value of such reimbursements for the Interim Facility will be capped at investments made in Eligible Fixed Assets in the Interim Facility by Sanmina within one

(1) year from the Effective date. Cumulative value of such reimbursements drawn for products manufactured from the main Facility and Interim facility and sold to DTA shall not exceed the sum total of investment in Eligible Fixed Assets made in the main Facility and in the Interim Facility. Subject to the above conditions, such eligible reimbursements equivalent to VAT and CST paid on sale of products manufactured within the Interim Facility to DTA will be paid to the Company only after commencement of production in the main SEZ Facility in Oragadam Hi-Tech SEZ and after the eligible fixed assets in the Interim Facility are moved into the main Facility.

(iv) The reimbursements equivalent to VAT and CST paid by Sanmina, to which Sanmina is entitled subject to conditions above, will be disbursed in the form of a Investment Promotion Subsidy through SIPCOT.

(v) As of now, Import VAT does not exist. In the event of Import VAT being introduced, Government will discuss with Sanmina so as to ensure that the Facility is not adversely affected.

**(r) Other State taxes:**

(i) As per Tamil Nadu SEZ Policy 2003, Developers of SEZs, and Industrial units and other establishments within SEZs will be exempted from all local taxes and levies, including Sales Tax, Turnover Tax, VAT, Purchase Tax, Mandi Tax, Octroi, Electricity Cess, or any other kind of Cess or any other levy of the State Government in respect of all transactions made between units / establishments within the SEZs, and in respect of the supply of goods and services from the Domestic Tariff Area to units / establishments in SEZs. Hence, the Sanmina Facility, as long as it holds SEZ status, will be exempted from such local taxes and levies, such as, purchase tax, lease tax, works contract tax, entry tax and any other State levies.

(ii) VAT on input purchases made by the Interim and main Facility from DTA (inclusive of purchases for production to be used in both DTA and Export Sales) will be zero rated.

(iii) Octroi is not in vogue in Tamil Nadu. Sanmina will be zero rated for Octroi for a period of 10 years, if and when imposed.

**(s) Labour issues**

(i) Sanmina's Facility will be provided flexibility as applicable and permissible under various labour laws. Since Sanmina will be located in a SEZ, Sanmina's Facility will be automatically declared as Public Utility.

(ii) Sanmina will be facilitated in obtaining permissions to institute and administer trusts for benefit of employees as per Provident Fund laws and regulations. Requests for retrenchment would be dealt with as per provisions of Industrial Disputes Act, 1947 and other relevant laws.

**(t) Police & Fire services:**

Government will facilitate availability of such facilities on need and best efforts basis.

**(u) Single Window Clearance:**

Guidance Bureau, the designated Single Window Agency, will assist Sanmina in getting a composite approval normally within one month. With this composite approval, Sanmina can go ahead with its project implementation at the Site without waiting for actual approvals that will be processed simultaneously and given to Sanmina. When Sanmina seeks single window facilitation for any subsequent project / phase within the Facility, Guidance Bureau will assist in getting a composite approval within one month, this period being subject to extension based on nature of the project.

**5.** This order issues with the concurrence of the Finance Department, vide its U.O. No.366/SS (KPR) / 07, dated 29.6.2007.

(BY ORDER OF THE GOVERNOR)

**SHAKTIKANTA DAS**  
SECRETARY TO GOVERNMENT.

To  
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The Managing Director  
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Anna Nager, Chennai 600 102.  
The Chairman & Managing Director  
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Egmore, Chennai 600 008  
The Secretary to Government,  
Commercial Taxes & Registration / Energy / Labour & Employment /  
Environment & Forests / Home / Finance Department, Chennai-9.  
The Secretary (SMH) to Hon'ble Chief Minister, Chennai-9.  
The SC&CCT, Chepauk, Chennai-5.  
The Chairman, Tamil Nadu Electricity Board, 800, Anna Salai, Chennai-2.  
The Chairman, Tamil Nadu Pollution Control Board, Nandanam, Chennai-32.  
The Director, Guidance Bureau, Egmore, Chennai-8.

Copy to :  
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Industries (OP.II) Department, Chennai-9.  
SF / SCs.

// Forwarded / By order //

**SECTION OFFICER.**