

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
RAJYA SABHA
UNSTARRED QUESTION NO.2881
TO BE ANSWERED ON 18.07.2019

CONTRIBUTION OF INDIAN ELECTRONIC INDUSTRY TO GLOBAL MARKET

2881. DR. SASIKALA PUSHPA RAMASWAMY:

Will the Minister of Electronics and Information Technology be pleased to state:

- (a) whether Government is satisfied with the current level of contribution of Indian Electronic Industry to Global Electronic market;
- (b) if so, the details thereof;
- (c) whether Government has identified any factors that impede the ability of the industry in becoming it globally competitive; and
- (d) if so, the details thereof?

ANSWER
MINISTER OF ELECTRONICS AND INFORMATION TECHNOLOGY
(SHRI RAVI SHANKAR PRASAD)

(a): No, Sir.

(b): India's electronics production during 2018-19 is estimated to be INR 4,58,006 crore (about USD 70 billion) whereas the global electronics production is estimated to be of the order of USD 2.1 trillion (approximately INR 1,36,50,000 crore). Therefore, India's share in the global electronics production is about 3.3% only.

However, as a result of various initiatives taken by the Government and efforts of the Industry, production of electronics in India has grown from INR 1,90,366 crore in 2014-15 to an estimated INR 4,58,006 crore in 2018-19 at a Compound Annual Growth Rate (CAGR) of about 25% during the last four years, as against a growth rate of 5.5% in 2014-15. The domestic demand in electronics sector is increasingly being met out of domestic production.

The National Policy on Electronics 2019 (NPE 2019) envisions to promote domestic manufacturing and export in the entire value-chain of Electronics System Design and Manufacturing (ESDM) to achieve a turnover of USD 400 billion (approximately INR 26,00,000 crore) by 2025.

(c) and (d): As a signatory to the Information Technology Agreement (ITA-1) of the World Trade Organization (WTO), India has implemented zero duty regime on 217 tariff lines. Under the Free Trade Agreements (FTAs) with various countries/ trading blocs such as ASEAN, Korea and Japan, the import of electronics hardware from these countries is allowed at a duty which is lower than the normal duty rate, including zero duty. Thus, there is limited protection to the electronics industry in the country. The domestic electronics hardware manufacturing sector faces lack of level playing field vis-à-vis competing nations on account of several disabilities which render the sector uncompetitive. These *inter-alia* include lack of adequate infrastructure, domestic supply chain and logistics; high cost of finance; inadequate availability of quality power; inadequate components manufacturing base; limited design capabilities and focus on R&D by the industry; and inadequacies in skill development.

Government has taken several steps for promotion of domestic electronics manufacturing industry and exports from the country, which is annexed.

Annexure

Steps taken by the Government for promotion of domestic electronics manufacturing industry and exports from the country

- (i) Modified Special Incentive Package Scheme (M-SIPS) provides financial incentives to offset disability and attract investments in the electronics manufacturing sector. The scheme was open to receive applications till 31.12.2018 for new projects as well as expansion projects. The scheme provides 20-25% subsidy for investments in capital expenditure for setting up of an electronic manufacturing facility (20% for SEZ Units and 25% for non-SEZ Units). The incentives are available for 44 categories of electronic products and product components. So far, 212 projects have been approved with proposed investments of INR 55,182 crore. The incentives committed against these 212 projects are INR 5,635 crore.
- (ii) The Electronics Manufacturing Clusters (EMC) Scheme was notified to provide financial support for creation of state-of-art infrastructure for electronics manufacturing units. The scheme was open for receipt of application for a period of 5 years, i.e., upto 21.10.2017. Further period of 5 years is available for disbursement of funds for the approved applicants. Under the scheme, financial assistance for Greenfield EMC was available upto 50% of the project cost subject to a ceiling

of INR 50 crore for every 100 acres of land and for Brownfield EMC, 75% of the cost of infrastructure, subject to a ceiling of INR 50 crore was provided as Grant. Under the scheme, approval has been accorded for setting up of 20 Greenfield EMCs and 3 Common Facility Centres (CFCs) in 15 States across the country.

- (iii) Tariff Structure has been rationalized to promote domestic manufacturing of electronic goods, including, *inter-alia*, Cellular mobile handsets, Televisions, Electronic components, Set Top Boxes for TV, LED products and Medical electronics equipment. To promote domestic value addition in mobile handsets and their parts/ components manufacturing, a Phased Manufacturing Programme (PMP) has been notified. As a result, India has rapidly started attracting investments into this sector and significant manufacturing capacities have been set up in the country during the past four years. The manufacturing of mobile handsets and their parts/ components has been steadily moving from Semi Knocked Down (SKD) to Completely Knocked Down (CKD) level, thereby progressively increasing the domestic value addition.
- (iv) As per extant Foreign Direct Investment (FDI) policy, FDI upto 100% under the automatic route is permitted for electronics manufacturing, subject to applicable laws/ regulations; security and other conditionalities.
- (v) For promotion of exports in the sector, Merchandise Exports from India Scheme (MEIS) and Export Promotion Capital Goods (EPCG) Scheme are available under the Foreign Trade Policy, 2015-20. MEIS offers export incentives so as to offset disabilities of manufacturing. Zero duty EPCG scheme allows import of capital goods at zero customs duty, subject to specified export obligation.
- (vi) The import of used plant and machinery having a residual life of at least 5 years for use by the electronics manufacturing industry has been simplified through the amendment of Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, vide Ministry of Environment, Forest and Climate Change Notification dated 11.06.2018.
- (vii) Notified capital goods for manufacture of specified electronic goods are permitted for import at “Nil” Basic Customs Duty.
- (viii) The Department of Revenue vide Notification No.60/2018-Customs dated 11.09.2018 has amended the Notification No.158/95-Customs dated 14.11.1995, relaxing the ageing restriction from 3 years to 7 years for specified electronic goods manufactured in India and re-imported into India for repairs or reconditioning.
- (ix) In order to ensure safety of Indian citizens by curbing import of substandard and unsafe electronic goods into India, MeitY has notified “Electronics and Information Technology Goods (Requirement of Compulsory Registration) Order, 2012” for mandatory compliance. As per the provisions of the order, the manufacturer has to get the product tested in laboratories recognized by Bureau of Indian Standards (BIS), take registration from BIS and put the registration mark on the product. 44 product categories have been notified under the order.
- (x) The Government has notified Public Procurement (Preference to Make in India) Order 2017 to encourage ‘Make in India’ and to promote manufacturing and production of goods and services in India with a view to enhancing income and employment. In furtherance of the aforesaid Order, MeitY has notified local content for 11 Electronic Products, viz., Desktop PCs, Laptop PCs, Tablet PCs, Dot Matrix Printers, Contact and Contactless Smart Cards, LED Products, Biometric Access Control/ Authentication Devices, Biometric Finger Print Sensors, Biometric Iris Sensors, Servers, and Cellular Mobile Phones.
- (xi) The National Policy on Electronics 2019 (NPE 2019) has been notified on 25.02.2019. The vision of NPE 2019 is to position India as a global hub for Electronics System Design and Manufacturing (ESDM) by encouraging and driving capabilities in the country for developing core components, including chipsets, and creating an enabling environment for the industry to compete globally.

Promotion of Innovation and R&D

- (xii) Electronics Development Fund (EDF) has been set up as a “Fund of Funds” to participate in professionally managed “Daughter Funds” which in turn will provide risk capital to companies developing new technologies in the area of electronics, nano-electronics and Information Technology (IT). This fund is expected to foster R&D and innovation in these technology sectors. Currently six Daughter Funds are being funded.
- (xiii) Ministry of Electronics and Information Technology (MeitY) provides grant-in-aid support to institutes of higher learning like IITs, IISc, Central Universities and R&D Organizations to conduct research in identified thrust areas. These research programmes are aimed to deliver proof of concept, technology/ product development and transfer of technology. During the last few years, several research initiatives have been taken in these areas. These research programmes also result in generation of specialized manpower to support “Make in India”.
- (xiv) Indian Conditional Access System (iCAS) has been developed in Public-Private Partnership (PPP) mode to promote indigenous manufacturing of Set Top Boxes (STBs). The implementation of iCAS in the cable networks is underway.
- (xv) An Electopreneur park has been set up in New Delhi for providing incubation for development of ESDM sector which will contribute IP creation and Product Development in the sector.
- (xvi) National Centre of Excellence in Large Area Flexible Electronics (NCFLEX) has been set up in IIT-Kanpur with the objectives to promote R&D; Manufacturing; Ecosystem; Entrepreneurship; International Partnerships and Human Resources and develop prototypes in collaboration with industry for commercialization.

- (xvii) National Centre of Excellence for Technology on Internal Security (NCETIS) has been set up at IIT-Bombay with the objective to address the internal security needs of the nation on continuous basis by delivering technology prototypes required for internal security and to promote domestic industry in internal security.
- (xviii) Centre for Excellence on Internet of Things (IoT) has been set up in Bengaluru, jointly with NASSCOM.
- (xix) An Incubation centre with focus on medical electronics has been set up at IIT-Patna.
- (xx) A fabless chip design incubation centre has been set up in IIT Hyderabad to incubate start-ups in semiconductor design and to provide one-stop service to start-ups intending to enter this space.
- (xxi) A Centre of Excellence (CoE) on FinTech at STPI Chennai has been set up to provide infrastructure, resources, coaching/mentorship, technology support and funding to emerging start-ups in the FinTech sector through a collaborative approach including M/s intellect design as industrial partner, NPCI, UIDAI and Partner Banks as Yes Bank, PayPal, HSBC, IIT Chennai as knowledge partner and TiE Chennai to provide industrial connect.
- (xxii) An IoT OpenLab - a Centre of Excellence (CoE) for Internet of Things in partnership with Arrow Electronics at STPI Bangalore has been set up to provide academic and business mentoring of the startups in the IoT emerging technology area for developing products and/ or services around IoT.
- (xxiii) An ESDM Incubation Centre has been set up at Bhubaneswar with the objective of creating a holistic eco-system to promote ESDM innovation, R&D and create Indian intellectual property in the eastern region of the country.
