GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
RAJYA SABHA
UNSTARRED QUESTION NO.2749
TO BE ANSWERED ON 12.12.2019

SLOW DOWN IN ELECTRONICS SECTOR

2749. SHRI LAL SINH VADODIA:

Will the Minister of Electronics and Information Technology be pleased to state:
(a) whether it is a fact that Government is considering to take any step in anticipation of slowdown in electronics sector;
(b) if so, whether Government has taken any action in this regard till now; and
(c) if so, the details thereof and if not, the reasons therefor?

ANSWER
MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY
(SHRI SANJAY DHOTRE)

(a), (b) and (c): As a result of various steps taken by the Government for promotion of electronics hardware manufacturing in the country and efforts of the industry, India's electronics production has increased from INR 1,90,366 crore in 2014-15 to INR 4,58,006 crore in 2018-19, at a Compound Annual Growth Rate (CAGR) of about 25%. It is also significant to note that India's exports of electronic goods has increased from USD 5.7 billion in 2016-17 to USD 8.4 billion in 2018-19. Hence, there is no slowdown in the electronics sector. Steps taken by government to increase production in electronics manufacturing sector are given in the Annexure.

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Annexure

Steps taken by the Government to increase the production in electronics manufacturing in India

(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.

(ii) The Electronics Manufacturing Clusters (EMC) Scheme was notified to provide financial support for creation of state-of-art infrastructure for electronics manufacturing units. 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 (SKD) 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) 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.

(vi) Notified capital goods for manufacture of specified electronic goods are permitted for import at "Nil" Basic Customs Duty (BCD).

(vii) 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.

(viii) 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.

(ix) 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.

(x) Reduction of Corporate Income Tax Rates: Domestic companies can now opt for concessional tax regime @22% (25.17% inclusive of surcharge and cess) provided that such a company has not claimed any income tax incentive or exemption. Such companies will also not be liable to pay Minimum Alternate Tax (MAT). Further, to attract fresh investments in manufacturing and boost Make in India programme, new provision has been made which allows new domestic companies incorporated on or after October 1, 2019, making fresh investment in manufacturing, and starting operations before March 31, 2023, an option to pay corporate income tax @15% (17.16% inclusive of surcharge and cess). Such company cannot avail any other income tax exemption/ incentive under the Income-Tax Act. Such companies will also not be liable to pay Minimum Alternate Tax (MAT).
MAT rate for companies availing exemptions/ incentives has been reduced from 18.5% to 15%.

Promotion of Innovation and R&D

(xi) 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.

(xii) 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".

(xiii) 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.

(xiv) An Electropreneur 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.

(xv) 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.

(xvi) 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.

(xvii) Centre for Excellence on Internet of Things (IoT) has been set up in Bengaluru, jointly with NASSCOM.

(xviii) An Incubation centre with focus on medical electronics has been set up at IIT-Patna.

(xix) 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.

(xx) 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.

(xxi) 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.

(xxii) 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.