

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
LOK SABHA
UNSTARRED QUESTION NO. 3555
TO BE ANSWERED ON 17.03.2021

DOMESTIC MANUFACTURING OF ELECTRONICS COMPONENTS

3555 SHRI REBATI TRIPURA:
SHRI VIJAY KUMAR DUBEY:
SHRI ANURAG SHARMA:

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

- (a) whether the Government plans to increase the domestic manufacturing of electronic components in view of competition from other countries and if so, the details thereof;
- (b) the amount of revenue generated by the IT sector during each of the last three years; and
- (c) the steps taken/being taken by the Government to increase the revenue from the IT sector?

ANSWER

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

(a): Government intends to increase the domestic manufacturing of electronic components. The steps taken by the Government to increase the domestic manufacturing of electronic goods, including electronic components, are at Annexure-1.

(b): As per the National Association of Software and Services Companies (NASSCOM), the revenue generated by the IT-BPM sector in last 3 years is as under:

FY	Revenue (USD Billion)
2017-18	167
2018-19	177
2019-20	191

(c): The steps taken by the Government to increase the revenue from the IT sector are Annexure-2.

Steps taken by the Government to increase the domestic manufacturing of electronic goods, including electronic components

1. **National Policy on Electronics 2019:** 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.

To attract and incentivize large investments in the electronics value chain and promote exports, following three Schemes have been notified under the aegis of NPE 2019:

(i) **Production Linked Incentive Scheme (PLI)** for Large Scale Electronics Manufacturing notified vide Gazette Notification No.CG-DL-E-01042020-218990 dated April 01, 2020 provides an incentive of 4% to 6% to eligible companies on incremental sales (over base year) involved in mobile phone manufacturing and manufacturing of specified electronic components, including Assembly, Testing, Marking and Packaging (ATMP) units.

(ii) **Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECES)** notified vide Gazette Notification No.CG-DL-E-01042020-218992 dated April 01, 2020 provides financial incentive of 25% on capital expenditure for the identified list of electronic goods that comprise downstream value chain of electronic products, i.e., electronic components, semiconductor / display fabrication units, ATMP units, specialized sub-assemblies and capital goods for manufacture of aforesaid goods.

(iii) **Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme** notified vide Gazette Notification No.CG-DL-E-01042020-218991 dated April 01, 2020 provides support for creation of world class infrastructure along with common facilities and amenities, including Ready Built Factory (RBF) sheds / Plug and Play facilities for attracting major global electronics manufacturers along with their supply chain to set up units in the country. The Scheme provides financial assistance for setting up of both EMC projects and Common Facility Centres (CFCs) across the country.

(iv) **Production Linked Incentive Scheme (PLI) for IT Hardware** notified vide Gazette Notification No.CG-DL-E-03032021-225613 dated March 03, 2021 provides an incentive of 4% to 2% / 1% on net incremental sales (over base year) of goods manufactured in India and covered under the target segment, to eligible companies, for a period of four (4) years. The Target Segment under PLI Scheme includes (i) Laptops (ii) Tablets (iii) All-in-One PCs and (iv) Servers.

2. **100% FDI:** As per extant Foreign Direct Investment (FDI) policy, FDI up-to 100% under the automatic route is permitted for electronics manufacturing (except from countries sharing land border with India), subject to applicable laws / regulations; security and other conditions.

3. **Modified Special Incentive Package Scheme (M-SIPS):** The Scheme was notified on 27th July, 2012 to provide financial incentives to offset disability and attract investments in the electronics manufacturing sector. It was amended in August, 2015 to extend the period of the scheme, enhance scope of the Scheme by including 1

more product verticals, and attract more investment. The scheme was further amended in January, 2017 to expedite the investments. The scheme provides subsidy for capital expenditure - 20% for investments in Special Economic Zones (SEZs) and 25% in non-SEZs. The incentives are available for 44 categories / verticals of electronic products and components covering entire electronics manufacturing value chain. The Scheme was open to receive applications till 31.12.2018 and is in the implementation mode.

Electronics Manufacturing Clusters (EMC) Scheme: Electronics Manufacturing Clusters Scheme was notified on 22nd October, 2012 to provide support for creation of world-class infrastructure along with common facilities and amenities for attracting investment. Under the Scheme, 19 Greenfield EMCs and 3 Common Facility Centres (CFCs) measuring an area of 3,464 acres with total project cost of INR 3,743 crore including Government Financial Aid of INR 1,527 crore have been approved.

Electronics Development Fund (EDF): 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 startups and companies developing new technologies in the area of electronics and Information Technology (IT). This fund is intended to foster R&D and innovation in these technology sectors. INR 409 crore has been committed through EDF Daughter Funds with a targeted corpus of INR 2,626 crore.

Phased Manufacturing Programme (PMP) has been notified to promote domestic value addition in mobile phones and their sub-assemblies / parts manufacturing. As a result, India has rapidly started attracting investments in this sector and significant manufacturing capacities have been set up in the country. The manufacturing of mobile phones has been steadily moving from Semi Knocked Down (SKD) to Completely Knocked Down (CKD) and thereby progressively increasing the domestic value addition.

Tariff Structure has been rationalized to promote domestic manufacturing of electronic goods, including, *Mobile phones*, Cellular mobile phones, Televisions, Electronic components, Set Top Boxes for TV, LED products and other electronic equipment.

Exemption from Basic Customs Duty on capital goods: Notified capital goods for manufacture of specified electronic goods are permitted for import at “NIL” Basic Customs Duty.

Simplified import of used plant and machinery: 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 to Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, vide Ministry of Environment, Forest and Climate Change Notification dated 11.06.2018.

Relaxing the ageing restriction: The Department of Revenue vide Notification No.60/2018-Customs dated 11.06.2018 has amended the Notification No.158/95-Customs dated 14.11.1995, relaxing the ageing restriction from 10 years to 7 years for specified electronic goods manufactured in India and re-imported into India for repairs or refurbishing.

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, the Government has issued Public Procurement (Preference to Make in India) Order 2017 vide the Department for Promotion of Industry and Internal Trade (DPIIT) Order dated 15.06.2017 and subsequent revisions.

Orders dated 28.05.2018, 29.05.2019, 04.06.2020 and 16.09.2020. In furtherance of the aforesaid Order, MeitY notified mechanism for calculating local content for 13 Electronic Products viz., (i) Desktop PCs, (ii) Thin Clients, (iii) Computer Monitors, (iv) Laptop PCs, (v) Tablet PCs, (vi) Dot Matrix Printers, (vii) Contact and Contactless Smart Cards, (viii) LED Products, (ix) Biometric Access Control / Authentication Devices, (x) Biometric Finger Print Sensors, (xi) Biometric Iris Sensors, (xii) Servers, and (xiii) Cellular Mobile Phones, for requirement to be made from local suppliers.

Compulsory Registration Order (CRO): MeitY has notified “Electronics and Information Technology Products (Requirement of Compulsory Registration) Order, 2012” for mandatory compliance to ensure safety of Indian consumers by curbing import of substandard and unsafe electronic goods into India. 63 Product Categories have been notified under the CRO and the order is applicable on 44 product categories.

Annexure-2

Steps taken by the Government to increase the revenue from the IT sector

Ministry of Electronics and Information Technology (MeitY) has taken various initiatives and measures to encourage entrepreneurs to develop indigenous products in ICT domain and also improve innovation-led ecosystem with technology and theme based incubation centres that may increase the revenue from the IT sector. A brief overview of such activities includes:

- **Technology Incubation and Development of Entrepreneurs (TIDE) Scheme:** Technology Incubation and Development of Entrepreneurs (TIDE) Scheme was put in place by MeitY in 2008 to promote innovation by nurturing start-ups in Information Technology, Communications & Electronics (ICTE) domain. Under the TIDE Scheme, financial assistance is provided to Institutions of Higher Learning to strengthen their Technology Incubation Centres for enabling young entrepreneurs to create technology startup companies for commercial exploitation of technologies developed by them. Under the scheme, 27 TIDE Centres and 2 Virtual TIDE centres have been supported at institutes of higher learning all over India. The scheme had ended on 31st March, 2020.
- **TIDE 2.0 Scheme:** The enhanced version of TIDE scheme i.e. Technology Incubation and Development of Entrepreneurs (TIDE 2.0) Scheme was initiated in the year 2019 to promote tech entrepreneurship through financial and technical support to incubators engaged in supporting ICT startups using emerging technologies such as IoT, AI, Block-chain, Robotics etc. in seven pre-identified areas of societal relevance. The Scheme is being implemented through 51 incubators through a three tiered structure with an overarching objective to promote incubation activities at institutes of higher learning and premier R&D organisations, eventually leading to handholding of approximately 2000 tech start-ups over a period of five years. As of now 51 TIDE 2.0 Incubation Centres have been approved and made operational pan India.
- **Support for International Patent Protection in E&IT (SIP-EIT) Scheme for SMEs:** A significant initiative of MeitY is the SIP-EIT scheme which within a short span of time has become one of the flagship schemes of the ministry. SIP-EIT scheme provides financial support to MSMEs and tech start-ups for international patent filing so as to encourage innovation and recognize the value and capabilities of

global IP and establish competitive advantage. The scheme is for a period of 5 years with the mandate to support 200 international ICT patent applications. As of now, 67 applications from start-ups, MSMEs have been supported since the inception of the scheme. The scheme provides reimbursement upto a maximum of Rs.15 lakhs per invention or 50% of the total expenses incurred in filing and processing of patent application upto grant whichever is lesser.

- **Accelerator Programmes:** Cohort based Accelerator Programmes offer an intensive, constructive, support system to a competitively selected group of cohort firms in their quest for self-reliance. These business accelerator packages run by some of the best names in the industry specializing in speeding up the growth of start-up companies are bringing in seed investment, mentorship, industry connect and relevant components for transforming start-ups to worthy enterprises. The start-up accelerator programmes aims to support and scaling up the start-ups emerging from the start-up promotional programmes / scheme and helping them to attain success by cohort-based programs that include seed investments, connections, mentorship, educational components to accelerate growth etc. MeitY had recently approved following cohort based 3 Accelerator Programmes so as to bring-in seed investment, mentorship, industry connect and relevant components.

- i. **Start-up to Scale up Accelerator by The GAIN, Bangalore:** THE GAIN is a Growth Enabler of cross border start-ups and SMEs to access the India and global markets through mentoring and business support. The whole program will consist of Two Cohort of 10 start-ups each for a period of six months with Primarily in the areas of health-tech and Edutech.
- ii. **Scale up Programme by T-hub Foundation, Hyderabad:** T-Hub has been established to further the cause of start-up's and entrepreneurship in the region. This accelerator programme consist of cohort programme of 12-15 start-ups over a duration of one year involving startups in the area of electronics hardware manufacturing and agritech.

i. **Bharat Virtual Accelerator (BVA) by The FinTech Meetup (TFM):** TFM run India's largest fintech Startup connect program "The Fintech Yatra" and Fintech Accelerator "Mumbai Fintech Accelerator". The programme have a single cohort programme to support 13 startups over a duration of one year in the area of FinTech.

- **Centre of Excellence (CoE) on FinTech at Chennai:** MeitY has initiated a Centre of Excellence (CoE) on FinTech at STPI, Chennai to provide infrastructure, resources, coaching / mentorship, technology support and funding to emerging start-ups in the FinTech sector. The proposed CoE would establish ecosystem around FinTech with the latest trends and technologies in the financial services sector through a collaborative approach including NPCI, UIDAI and Partner Banks. The purpose of the FinTech CoE is to create holistic ecosystem so as to enable start-ups to experiment their innovative financial products or services within a well defined space and duration. The project aims to support 58 start-ups over a period of 5 years.

- **IOT OpenLab-a Centre of Excellence (CoE) for Internet of Things at STPI Bangalore:** An IOT OpenLab - a Centre of Excellence (CoE) for Internet of Things in partnership with Arrow Electronics at STPI Bangalore has been initiated to provide academic and business mentoring of the start-ups in the IOT emerging technology area for developing products and / or services around IoT along with networking opportunities for the start-ups. The IoT OpenLab intends to support and nurture 100 start-ups per year with an overall target to support 500 start-ups over a period of 5 years.

- **ESDM Incubation Centre at Bhubaneswar by STPI:** MeitY has approved ESDM Incubation Centre 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. The centre will be operated through STPI, Odisha in collaboration with Government of Odisha, IIIT Bhubaneswar and IESA. It aims to leverage 40 start-ups over the period of 5 years. This eco-system is necessary to develop, promote,

incubate, mentor and create breakthrough innovations towards development of product and IP creation in the ESDM sector.

- **Centre of Excellence (CoE) on Medi-Electronics & Health Informatics at Lucknow:** MeitY has initiated a Centre of Excellence (CoE) on Medi-Electronics & Health Informatics at Lucknow to stimulate the establishment and growth of technology-based start-ups in the field of medical electronics and health informatics by providing the necessary infrastructure, mentoring, marketing, funding and ecosystem required for their success and growth. The Medi-Electronics & Health Informatics CoE is being setup at SGPGI, Lucknow with Department of IT and Electronics, UP Govt. as funding partner, AiMED as industry partner, AMTZ as industry and seed funding partner and Kalam Institute of Health Technology as academic partner. The project aims to support 50 start-ups over a period of 5 years.

- **Establishment of Incubator for Electronics Start-ups in Delhi-NCR (Electropreneur Park):** The Electropreneur Park established in collaboration with Software Technology Parks of India (STPI), India Electronics & Semiconductor Association (IESA) and Delhi University (DU) with state of the art facilities at South Campus, Delhi University. The project aims to support 50 start-ups.

- **Electronics Incubator by IIITM-Kerala and KSUM at Cochin, Kerala:** The project for setting up of Consumer Electronics Incubator at Cochin, Kerala by Indian Institute of Information Technology and Management Kerala (IIITM-K) and M/s Kerala Startup Mission (KSUM) aims to creation of new enterprises focused on Consumer Electronics through a holistic incubation ecosystem. This Incubator will incubate 40 startups over a period of 4 years.

- **Setting up of Incubation Centre in the area of ESDM with focus on Medical Electronics at IIT Patna:** The incubation facility developed through MeitY and State Government partnership aims to incubate 50 startups over a period of 5 years. The primary objective of this is to promote innovation and entrepreneurship with the aim to identify, nurture and translate technological ideas and innovation in the broad area of ESDM sector with a focus in Medical Electronics.

- **Fabless chip design incubation centre at IIT Hyderabad:** The objective of the fabless chip design incubator is to incubate start-ups in semiconductor design. The vision is to provide one-stop service to start-ups intending to enter this space. This Incubator will incubate 50 start-ups over a period of 5 years.

- **Industry Innovation Programme on Medical Electronics through BIRAC:** With an aim to promote scientific and technological research in Medical Electronics sector and to address the pressing challenges associated with the development of innovative medical electronics and making it available, accessible and affordable to the people at the bottom of the pyramid, a project has been initiated at Biotechnology Industry Research Assistance Council (BIRAC). Under this program support will be provided at Seed or idea to PoC, Early transition and transitions to scale stages.

- **National Policy on Software Products:** Government has approved the National Policy on Software Products-2019 on February 28, 2019 with an aim to develop India as the global software product hub, driven by innovation, improved commercialisation, sustainable Intellectual property (IP), promoting technology start-ups and specialised skill sets, for development of the sector, based on ICT. The objective of the policy is to create a robust Indian Software Product development ecosystem leading to ten-fold increase in India share of the Global Software product market and so as to generate direct and in-direct employment for 3.5 million people by 2025. The salient features of the Policy are as follows:

- i. To promote creation of a sustainable software product industry leveraging India's strength in IT so as to create disruptive innovations and cutting edge technologies.
- ii. To build domestic market and leverage the Software Products to increase productivity of Indian SMEs thus raising their competitiveness.
- iii. To create a software product ecosystem for transforming social sectors like healthcare, education, agriculture, rural and urban infrastructure.

- iv. To support the software product industry by way of ease of doing business enhanced market access and improved R&D and innovation ecosystem.
- v. To create a specialized talent pool conversant with nuances of software product development that can support the growth of software product industry.
