

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
LOK SABHA
UNSTARRED QUESTION NO. 4410
TO BE ANSWERED ON 30.03.2022

ELECTRONIC HARDWARE MANUFACTURING SECTOR

4410 SHRI G.M. SIDDESHWAR:

Will the Minister of ELECTRONICS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether the Government has identified major impediments faced by the electronics hardware manufacturing sector in the country;
- (b) if so, the details thereof;
- (c) whether the Government has taken any steps to remove impediments; and
- (d) if so, the details thereof and if not, the reasons therefor?

ANSWER

MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY
(SHRI RAJEEV CHANDRASEKHAR)

(a) and (b): Government of India's goal is to make India a significant design and manufacturing hub by broadening and deepening our electronic manufacturing ecosystem. The major impediments faced by the electronics hardware manufacturing sector in the country are as under:

(i) Information Technology Agreement and FTAs: Electronics was the first sector to be opened up and which accepted zero duty regime for large number of products. 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), the import of electronics hardware from the FTA countries such as ASEAN, Korea and Japan is allowed at a duty which is lower than the normal duty rate. Thus, there is limited protection to the electronics industry in the country.

(ii) Disability costs in domestic manufacturing: The electronics manufacturing sector faces several disabilities which render domestic manufacturing less competitive vis-a-viz other countries. The three factors which pose challenges to Indian manufacturers are infrastructure, power, and finance. Infrastructure challenges arise from poor supply chain logistics and inadequate ready availability of land. Finance costs in India are typically 5 to 6 percentage points above international rates. Power supply has improved much in the few years but it still remains unreliable and costly in many parts of the country.

(iii) Diversity and velocity of technology change: Electronics is pervasive and permeates all sectors of the economy. Therefore, the development of the sector involves domain knowledge of each of the sectors which it serves. The technologies in the electronics sector changes rapidly and currently it is estimated to be even less than six months in certain verticals. Convergence between different technologies, devices, software, and hardware are also driving technology changes.

(c) and (d): Steps taken by the Government to make India a significant design and manufacturing hub by broadening and deepening our electronic manufacturing ecosystem, are annexed

Annexure

Steps taken by the Government to promote the electronics hardware manufacturing sector in the country

1. **National Policy on Electronics 2019:** The National Policy on Electronics 2019 (NPE 2019) has been notified by Ministry of Electronics and Information Technology (MeitY). 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 Schemes have been notified:

- (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 net incremental sales (over base year) involved in mobile phone manufacturing and manufacturing of specified electronic components, including Assembly, Testing, Marking and Packaging (ATMP) units, for a period of five (5) years.
- (ii) **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 Segments under PLI Scheme include (i) Laptops (ii) Tablets (iii) All-in-One PCs and (iv) Servers.
- (iii) **Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS)** 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.

- (iv) **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.
- (v) **Semiconductor and Display Manufacturing Schemes:** The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra Modi approved the comprehensive program with an outlay of INR 76,000 crore (> USD 10 billion) on 15.12.2021 for the development of robust and sustainable Semiconductor and Display ecosystem in the country whereby the following schemes were introduced:
- **Semiconductor & Display Fabs** scheme extends fiscal support for setting up Semiconductor & display Fab which is aimed at attracting large investments for setting up semiconductor wafer fabrication facilities and display panels in the country, and thus helping in the establishment of a trusted value chain.
 - **Compound Semiconductors / Silicon Photonics / Sensors Fab and Semiconductor Assembly, Testing, Marking and Packaging (ATMP) / OSAT Facilities Scheme** extends fiscal support of 30% of the Capital Expenditure investment for setting up of the said facilities.
 - **Design Linked Incentive Scheme** offers financial incentives, design infrastructure support across various stages of development and deployment of semiconductor design for Integrated Circuits (ICs), Chipsets, System on Chips (SoCs), Systems & IP Cores and semiconductor linked design.
 - Approval was granted for the setting up of **India Semiconductor Mission (ISM)** as an Independent Business Division within Digital India Corporation having administrative and financial autonomy to drive India's strategies for developing semiconductors and display manufacturing ecosystem. Envisioned to be led by global experts in the Semiconductor and Display industry, the ISM will serve as the nodal agency for efficient, coherent and smooth implementation of the schemes centred around Semiconductors and Display ecosystem, in consultation with the Government ministries/departments/agencies, industry, and academia.
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. **Electronics Manufacturing Clusters (EMC) Scheme:** 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 3,732 crore including Government Grant-in-Aid of INR 1,529 crore have been approved.

4. **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 expected to foster R&D and innovation in these technology sectors. EDF is expected to invest in 8 Daughter Funds. The total targeted corpus of these 8 Daughter Funds was Rs. 2,176 crore and the amount committed by EDF to these 8 Daughter Funds was Rs. 271.30 crore.
5. **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 into 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) level, thereby progressively increasing the domestic value addition.
6. **Tariff Structure has been rationalized** to promote domestic manufacturing of electronic goods, including, inter-alia, Cellular mobile phones, Televisions, Electronic components, Set Top Boxes for TV, LED products and Medical electronics equipment.
7. **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.
8. **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 of Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, vide Ministry of Environment, Forest and Climate Change Notification dated 11.06.2018.
9. **Relaxing the ageing restriction:** 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.
10. **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 vide Orders dated 28.05.2018, 29.05.2019, 04.06.2020 and 16.09.2020. In furtherance of the aforesaid Order, MeitY has 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 procurement to be made from local suppliers.

11. **Compulsory Registration Order (CRO):** MeitY has notified “Electronics and Information Technology Goods (Requirement of Compulsory Registration) Order, 2012” for mandatory compliance to ensure safety of Indian citizens by curbing import of substandard and unsafe electronic goods into India. 63 Product Categories have been notified under the CRO and the order has come into effect for all the notified product categories.
12. **Establishment of Gallium Nitride (GaN) Ecosystem Enabling Centre and Incubator:** The project for “Establishment of Gallium Nitride (GaN) Ecosystem Enabling Centre and Incubator for High Power and High Frequency Electronics” has been approved. The project is being implemented by Society for Innovation and Development (SID), Centre for Nano Science and Engineering (CeNSE), IISc Bengaluru.
