

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
LOK SABHA
UNSTARRED QUESTION NO.2947
TO BE ANSWERED ON 11.03.2020

ELECTRONICS SYSTEM DESIGN AND MANUFACTURING

2947. SHRI ANURAG SHARMA:

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

- (a) the steps taken/being taken by the Government for creating a favourable atmosphere for competitive Electronics System Design and Manufacturing (ESDM) sector on global level under National Electronics Policy 2019;
- (b) the details of incentives and assistance given/being given by the Government for manufacturing of major electronics parts in the country;
- (c) whether the Government proposes to provide any special package to encourage super mega hightech projects in the country, and if so, the details thereof; and
- (d) the action plan formulated by the Government to promote industry led research and development in all areas of electronics?

ANSWER

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

(a), (b) and (c): The Government attaches high priority to electronics hardware manufacturing and it is one of the important pillars of both “Make in India” and “Digital India” programmes.

In recent years, Government has taken several initiatives for promotion of electronics manufacturing in the country, as a result of which the domestic production of electronic goods has increased substantially from Rs.1,90,366 crore (USD 29 billion) in 2014-15 to an estimated Rs.4,58,006 crore (USD 70 billion) in 2018-19, at a Compound Annual Growth Rate (CAGR) of about 25%.

Tariff Structure has also been rationalized to promote domestic production of consumer electronic items, including inter-alia, Cellular Mobile Handsets, Televisions, Set Top Boxes and LED lighting products. Steps taken by the Government for promotion of electronics manufacturing in the country are at **Annexure-I**.

The National Policy on Electronics 2019 (NPE 2019) has been notified on 25.02.2019, with the vision to position India as a global hub for Electronics System Design and Manufacturing (ESDM) and create an enabling environment for the industry to compete globally. One of the objectives of NPE 2019 is to promote domestic manufacturing and export in the entire value-chain of ESDM for economic development to achieve a turnover of USD 400 billion (approximately INR 26,00,000 crore) by 2025. This will include targeted production of 1.0 billion (100 crore) mobile handsets by 2025, valued at USD 190 billion (approximately INR

13,00,000 crore), including 600 million (60 crore) mobile handsets valued at USD 110 billion (approximately INR 7,00,000 crore) for export.

In order to achieve the aforesaid objective of NPE 2019, Ministry of Electronics and Information Technology (MeitY) has formulated the following schemes to incentivize domestic electronics manufacturing and enable the big electronics manufacturing firms to set up their global supply chains in the country. These Schemes are presently under consideration of the Government:

- (i) Production Linked Incentive (PLI) Scheme for Large Scale Electronics Manufacturing: The scheme proposes to provide production linked incentive of 4 -6% on incremental sales of specific categories of electronic goods manufactured in India, viz., Mobile phones, Specified electronic components, including Assembly, Testing, Marking and Packaging (ATMP) units.
- (ii) Scheme for Promotion of manufacturing of Electronics Components and Semiconductors (SPECS): The scheme proposes to provide 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.

(d): Based on the Action Plan formulated by MeitY to implement the strategies identified under National Policy on Electronics (NPE) 2019, Task Force has been constituted for promotion of Fabless Chip Design in the country. The first meeting of Task Force for promotion of Fabless Chip Design was held on 24th January, 2020 to seek the recommendation for implementing the strategy of NPE 2019. The composition of the Task Force is at **Annexure-II**. Based on the recommendations of the Task Force the roadmap for creation of Fabless Ecosystem in the country would be implemented including promotion of industry-led Research and Development in all areas of electronics.

The following Centres of Excellence (CoE) have been established to promote R&D in electronics in collaboration with the industry:

- 1. National Centre of Excellence in Large Area Flexible Electronics (NCFLEX)** has been set up in IIT-Kanpur with the objective to promote R&D; Manufacturing; Ecosystem; Entrepreneurship; International Partnerships and Human Resources and develop prototypes in collaboration with industry for commercialization.
- 2. 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.
- 3. National Centre of Excellence for Next Generation AMOLED Displays, OLED Lighting and OPV Products** has been set up at IIT-Madras with the objective to collaborate with industry to develop next-generation, state-of-the-art, high-volume and cost effective electronic components.

Steps taken by the Government for promotion of electronics manufacturing

Following steps have been taken by Government to promote electronic hardware manufacturing in India:

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.
2. **100% FDI:** As per extant Foreign Direct Investment (FDI) policy, FDI up-to 100% under the automatic route is permitted for electronics manufacturing, 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 has been amended in August, 2015 to extend the period of the scheme, enhance scope of the Scheme by including 15 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.
4. **Electronics Manufacturing Clusters (EMC) Scheme:** Electronics Manufacturing Cluster Scheme has been 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, 20 Greenfield EMCs and 3 Common Facility Centres (CFCs) measuring an area of 3,565 acres with total project cost of INR 3,898 crore including Government Grant-in-Aid of INR 1,577 crore have been approved.
5. **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. INR 659 crore has been committed through EDF to 11 Daughter Funds with a targeted corpus of INR 5,500 crore.
6. **Phased Manufacturing Programme (PMP)** has been notified to promote domestic value addition in mobile handsets and their parts / components 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 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.
7. **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.

- 8. 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.
- 9. 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.
- 10. 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.
- 11. Public Procurement (Preference to Make in India) Order:** 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 Order dated 28.05.2018 and 29.05.2019. In furtherance of the aforesaid Order, MeitY has notified 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 and Servers vide Notification dated 14.09.2017 and Cellular Mobile Phones vide Notification dated 01.08.2018.
- 12. 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.⁴⁴ Product Categories have been notified under the CRO.
