

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
LOK SABHA
UNSTARRED QUESTION NO. 2871
TO BE ANSWERED ON 15.12.2021

BOOST IN ELECTRONIC MANUFACTURING

2871. SHRI V.K. SREEKANDAN:

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

- (a) whether it is a fact that the Government is considering to boost electronics manufacturing in the country and if so, the details thereof;
- (b) whether the Government is preparing a 1,000 day plan to broaden and deepen electronics manufacturing, exports and share in global value chains;
- (c) whether the role of global value chain is a key factor in the expansion of electronic manufacturing in the country; and
- (d) if so, the steps taken in this regard?

ANSWER

MINISTER FOR ELECTRONICS AND INFORMATION TECHNOLOGY
(SHRI ASHWINI VAISHNAW)

(a): Yes, Sir. Government of India's goal is to make India a significant design and manufacturing hub in the Global Value Chain for Electronics as part of its AtmaNirbhar Bharat Economic policies. As part of this, we are broadening and deepening our Electronics Eco-system. In the post COVID-19 global business and trade environment, there are many changes that represent challenges and opportunities for India. Global companies are looking to diversify their manufacturing locations to mitigate the supply chain risks.

National Policy on Electronics 2019 (NPE 2019) envisions positioning 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.

In order to boost electronics manufacturing in the country and attract, incentivize large investments in the electronics value chain and promote exports, following four Schemes have been notified:

- (i) **Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing** was notified on 1st April, 2020. PLI Scheme extends an incentive of 6% to 4% on incremental sales (over base year) of goods under target segments that are manufactured in India to eligible companies, for a period of five (5) years subsequent to the base year (FY 2019-20).

Incentives are applicable under the scheme from 01.08.2020. 16 companies have been approved under the first round of PLI Scheme for Large Scale Electronics Manufacturing.

Over the tenure of PLI Scheme, the 16 approved companies are expected to lead to total production of more than INR 10,50,000 crore (INR 10.5 lakh crore). Out of the total production of INR 10,50,000 crore in the next 5 years, around 60% is expected to be contributed by exports of the order of INR 6,50,000 crore. The companies approved under the scheme is expected to bring an additional investment in electronics manufacturing to the tune of INR 11,000 crore.

After the success of the First Round of PLI Scheme in attracting investments in mobile phone and electronic components manufacturing, Second Round of the PLI Scheme for Large Scale Electronics Manufacturing was launched on 11.03.2021 for incentivising Electronic Components. Under the Second Round, incentives of 5% to 3% shall be extended on incremental sales (over base year i.e. FY 2019-20) of goods manufactured in India and covered under the target segment, to eligible companies, for a period of four (4) years. 16 companies have been approved under the second round of PLI Scheme for Large Scale Electronics Manufacturing.

Over the tenure of Second Round, the 16 approved electronic component manufacturers are expected to generate a total production of upto INR 12,432 crore. The Second Round of the Scheme is expected to bring an additional investment in electronics manufacturing to the tune of INR 573 crore.

In accordance with the announcement made by Hon'ble Union Finance & Corporate Affairs Minister on 28.06.2021 to provide relief to companies approved under the PLI Scheme affected by the COVID-19 pandemic, the tenure of the PLI Scheme for Large Scale Electronics Manufacturing has been extended by one year i.e. from 2024-25 to 2025-26. The notification in this regard was issued on 23.09.2021.

- (ii) **Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS)** was notified on 1st April 01, 2020. The SPECS Scheme 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. Under the Scheme, 16 applications have been recommended for approval with total project outlay of INR 6,892 crore and committed incentives of INR 1,218 crore. SPECS Scheme is open to receive applications till 31.03.2023.

Over the tenure of SPECS Scheme, the expected new investments in Electronic Components and sub-assemblies is INR 20,000 crore. The total employment potential of the scheme is approximately 6,00,000 (1,50,000 direct employment and 4,50,000 indirect employment).

- (iii) **Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme** was notified on 1st April, 2020. The EMC 2.0 Scheme 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 their production facility in the country. The Scheme provides financial assistance for setting up of both EMC projects as well as Common Facility Centres (CFCs) through Project Implementing Agency such as State Government or their agency, Central Public Sector Units (CPSUs) / State Public Sector Units (SPSUs), Industrial Corridor Development Corporations (ICDCs) or Joint Venture of such agencies with Anchor unit(s) or industrial park developers.

The total approved outlay of the Scheme is INR 3,762 crore for a period of 8 years with initial 3 years for receipt of applications. As of now, 2 applications for setting up of EMC have been approved with proposed investment of INR 18,910 crore. The EMC 2.0 Scheme is targeted to attract new investment in the electronics sector and generation of about 10 lakh employment opportunities.

- (iv) **Production Linked Incentive Scheme (PLI) for IT Hardware** was notified on 3rd March, 2021. The PLI Scheme extends an incentive of 4% to 2% / 1% on net incremental sales (over base year i.e. FY 2019-20) of goods under target segments that are manufactured in India to eligible companies, for a period of four years (FY 2021-22 to FY 2024-25). The target IT hardware segments under the Scheme include Laptops, Tablets, All-in-One Personal Computers (PCs) and

Servers. Incentives are applicable under the Scheme from 01.04.2021. The 14 companies have been approved under the PLI Scheme for IT Hardware.

Over the tenure of Scheme, the 14 approved companies under the Scheme are expected to lead to total production of about INR 1,60,000 crore. Out of the total production of INR 1,60,000 crore in the next 4 years, more than 37% is expected to be contributed by exports of the order of INR 60,000 crore. The scheme is expected to bring an additional investment in electronics manufacturing to the tune of INR 2,500 crore.

- (b): Yes, Sir. Government of India is working on a 1,000 day plan to broaden and deepen electronics manufacturing, exports and share in global value chains. Ministry of Electronics and Information Technology (MeitY) has worked with electronics manufacturing associations to prepare document titled 'Increasing India's Electronics Exports and Share in GVCs - towards an Atmanirbhar Bharat'. This document focuses on the opportunities to increase India's share in Global Value Chain and build large scale electronics manufacturing capabilities.

- (c) and (d): Yes, Sir. A number of activities have been undertaken for engaging and attracting the global value chains in order to increase the domestic value addition. Series of supply chain meets has been organized in association with major electronics manufacturers in order to bring their vendors. In addition, a series of webinars, conferences, meetings were also organised in coordination with Indian Embassies overseas, foreign Embassies in India, Industry Associations,

Local Industry, Consulting companies, Banks etc. for creating awareness of various schemes of MeitY and other Ease of Doing Business (EoDB) initiatives of the Government for attract the global value chain of electronics manufacturers to India. The steps taken by the Government for the expansion of electronic manufacturing in the country are at **Annexure**.

Steps taken by the Government for the expansion of electronic manufacturing in the country

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) **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
 - (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.
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 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. Under the Scheme, 308 applications with proposed investment of Rs 83,598 crore have been approved. Further, incentives amounting to Rs 1372.33 crore have been disbursed under this Scheme.

4. **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 3,762 crore including Government Grant-in-Aid of INR 1,538 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 409 crore has been committed through EDF to 9 Daughter Funds with a targeted corpus of INR 2,626 crore.
6. **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.
7. **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.
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 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.

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. 63 Product Categories have been notified under the CRO and the order is applicable on 63 product categories.
13. **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 will be implemented by Society for Innovation and Development (SID), being converted to a Section 8 company titled “Foundation for Science, Innovation and Development” under the auspices of Indian Institute of Science (IISc) at Centre for Nano Science and Engineering (CeNSE), Bengaluru.
