

India can become a globally competitive electronic manufacturing hub

Electronics manufacturing is at an inflection point in India as the country has made rapid progress in production of mobile phones, phone accessories and LED products. Between 2013-14 and 2019-20, domestic production of electronic goods grew at a CAGR of 20.6% compared to the nominal GDP growth of 10.2% during this period. Specifically, production of LED products grew at a CAGR of 42.5% in the last seven years since 2013-14, while mobile phone production grew at a CAGR of 41.5%. Thus, growth in production in these two sectors outpaced overall electronics goods production by a wide margin.

Local production of mobile handsets and its accessories such as chargers, batteries, ringers, adapters etc. increased because of the rationalization of tax structure and implementation of phased manufacturing programme since 2016-17. Export of mobile handsets also grew sharply, led by growth in domestic production. Share of line telephone sets and mobile phones in overall electronic goods exports grew from 4% in 2015-16 to 35% in 2019-20.

Still, there is huge potential to enhance domestic electronic manufacturing across telecom equipments, datacom and network products, smart televisions, and complex electronic devices used in defence, automobile, aerospace, industrial establishments etc. World export of 330 electronic goods (at HS code 6 digit level) stood at USD 2.45 trillion in 2019, of which India's exports was hardly USD 15.8 billion or 0.6%. Thus, there is huge untapped export potential in the electronics sector for India.

To start with, India needs to replicate this success in other segments of electronic manufacturing such as computers, laptops, tablets, servers, camera modules, digital cameras, set top boxes, video recorders etc.

India can capture the USD 360 billion global market for information technology (IT) and datacom products (Computers, laptops and servers) by promoting domestic manufacturing of these products.

India can reduce dependence on imports for critical electronic components such as printed circuit boards, PCB components, sensors, actuators, open cell (used in smart televisions) and other electronic components and sub-assemblies.

Already, the government has announced production linked incentives, investment subsidy (SPECs scheme) and Electronic Manufacturing Cluster (EMC 2.0) to promote indigenous production of electronics.

In future, the government should take further policy measures to promote domestic manufacturing of electronic components.

At the state government level, industry faces delay in acquiring land, electricity connection and clearance from pollution departments. This affects the formation of electronic manufacturing clusters.

Cost of finance in India is as high as 8.0-9.0% (even after the RBI reduced repo rate to 4%). So, this is one reason why Indian manufacturers are unable to compete with Chinese firms, where the cost of funding is as low as 4.0-5.0%. Also, Chinese manufacturers receive export incentive to the extent of 16%, which is way below what Indian manufacturers receive under the MEIS scheme (4.0-6.0%)

Government should reduce the investment limit under the Production Linked Incentive Scheme (PLI) for select electronic components announced in April 2020 to Rs. 20 crore from Rs. 100 crore. Reduction in investment limit will allow MSMEs to participate in this scheme.

Government should extend Production Linked Incentive Scheme (PLI) scheme to IT and datacom products (computers, laptops, tablets, servers) to offset domestic manufacturing disability

Government may provide additional tax discounts and partial capex support to smart phone manufacturers to expand their assembly lines for manufacturing wearables (such as earwear, wristband and watches).

A focused policy thrust and a coordinated effort with local industry associations, R&D institutions and foreign companies will go a long way in creating a globally competitive electronic manufacturing sector in India.

Notifications

PIB

Minister attends G20 Finance Ministers and Central Bank Governors meeting

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1664573>

MSME Ministry strengthens Single Window System Portal 'Champions'

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1664442>

New Farm Reforms will bring ease of Agricultural Entrepreneurship

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1664457>

DGFT

Procedure for application for export of diagnostic kits

<https://content.dgft.gov.in/Website/dgftprod/82519e5a-09c8-434f-8f29-2fcd63eb4dd9/Trade%20Notice%2029.pdf>

Procedure for application and issuance of scrips under RoSL

[https://content.dgft.gov.in/Website/dgftprod/9869bcfa-340f-466f-a682-e07389345e6f/PN-25%20dt-13.10.2020%20\(E\).pdf](https://content.dgft.gov.in/Website/dgftprod/9869bcfa-340f-466f-a682-e07389345e6f/PN-25%20dt-13.10.2020%20(E).pdf)

Electronic filing and issuance of preferential certificate of origin

<https://content.dgft.gov.in/Website/dgftprod/cd308cf7-ba39-4434-864d-060eea2d50dc/TN30.pdf>

CBIC

Appointment of Common Adjudicating Authority

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-nt2020/csnt97-2020.pdf>

Extension of Anti-dumping duty on imports of “Plain Medium Density Fibre

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-add2020/csadd30-2020.pdf>

RBI

FAQs on Resolution Framework for Covid-19 related stress

<https://www.rbi.org.in/Scripts/FAQView.aspx?Id=137>