

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
LOKSABHA
UNSTARRED QUESTION NO. 864
TO BE ANSWERED ON 07.02.2024

MANUFACTURING OF MOBILE COMPONENTS

**864. SHRI SANJAY SADASHIVRAO MANDLIK:
SHRI PRATAPRAO JADHAV:
SHRI SUDHEER GUPTA:
SHRI SHRIRANG APPA BARNE:
SHRI DHAIRYASHEEL SAMBHAJIRAO MANE:**

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

- (a) whether the Government has any proposal to reduce the import duty on components for mobile phone and if so, the details thereof;
- (b) whether substantial increase has been registered in export of Indian mobile phones in the global market due to increased manufacturing and if so, the details thereof;
- (c) whether the Government proposes to start the manufacturing of mobile components at domestic level;
- (d) if so, the details thereof and the steps taken/ being taken by the Government in this regard; and
- (e) the other steps taken by the Government to compete with cheap mobile manufacturing countries like China, Vietnam etc.?

ANSWER

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

(a): Over the last nine years, India's electronics ecosystem has seen tremendous growth and expansion, investment, and job creation. From almost insignificant in the global electronics supply chain, India is currently rapidly becoming a significant and trusted player in the electronics Global Value Chain (GVC). Most global and Indian electronics brands are investing, growing and creating jobs in the sector. Government of India's goal is to increase India's share in the electronics GVCs by broadening and deepening the country's electronics manufacturing sector. Government of India's goal is to broaden and deepen the country's electronic manufacturing ecosystem as well as increase India's share in electronics GVC. Government has taken several measures to boost electronics manufacturing including mobile phones in the country and incentivize large investments in the electronic goods and appliances as well as to promote exports.

To transform our domestic manufacturing from import substitution to export led manufacturing, Government has reduced the Basic Customs Duty (BCD) to 10% on the goods covered under Mechanics, Die Cut Parts and Others category for use in the manufacturing of mobile phones. Further, BCD has been exempted on the inputs or parts for use in the manufacturing of goods covered under Mechanics and Die Cut Parts.

(b) to (c): As a result of various initiatives, including visionary Production Linked Incentive (PLI) Scheme for Large Scale Electronics Manufacturing, there has been an unprecedented growth in the mobile phones manufacturing under the Make in India and AtmaNirbhar Bharat initiatives of the Government of India. The mobile phones manufacturing has increased from an estimated INR 18,900 crore in 2014-15 to an estimated INR 3,50,000 crore in 2022-23, making an impressive increase in production by more than 1700%. India has become the second largest manufacturer of mobile phones in the world (in volume terms). The export of mobile phones has also increased from an estimated INR 1566 crore in 2014-15 to an

estimated INR 90,000 crore in 2022-23, making an impressive increase in exports by more than 5600%.

Government has an ambitious target of domestic electronic manufacturing of \$300 Billion by 2026. The goal of Government of India is to make India a significant design and export driven manufacturing hub in global value chains for Electronics as part of its AtmaNirbhar Bharat economic policies. The strategy to reach the \$300 billion production of electronics from current level of about \$75 billion is built on broadening and deepening electronics manufacturing in India. This is proposed to be achieved by building competitiveness and scale by attracting global electronics manufacturers/brands, shifting, and developing sub-assemblies and component ecosystem, building a design ecosystem, nurturing Indian champions, and steadily removing cost disabilities faced by the industry.

Given the success in Mobile Smartphone by now, we expect investment from the component industries that form the supply chain for smartphone and IT Hardware to increase the investment by PLI in IT Hardware / Servers.

After the success of the PLI Scheme for the mobile phones, we are expecting that PLI for IT Hardware and Server will lead to expanding the investments in Component ecosystem in the country to develop the Supply Chain.

(d) to (e): Government of India envisions to position India as a global hub for export driven manufacturing hub and 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. Government intends to increase the domestic manufacturing of electronic components, including components of mobile phones. The steps taken by the Government to increase the domestic manufacturing of electronic goods are at Annexure. The aforementioned steps are aiding in making the domestic manufacturing of mobile phones competitive vis-à-vis other competing countries.

Government of India's goal is to broaden and deepen the country's electronic manufacturing ecosystem. In order to boost electronics manufacturing including semiconductors, and position India as a global hub for Electronics System Design and Manufacturing (ESDM) and compete globally, following steps are taken by the Government:

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 Schemes have been notified under the aegis of NPE 2019:

(i) **Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing** was notified on April 01, 2020 to provide 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** was notified on March 03, 2021 to provide 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) **PLI Scheme 2.0 for IT Hardware** was notified on May 29, 2023 with a budgetary outlay of INR 17,000 crore. The scheme provides increased flexibility and options for applicants, and is tied to incremental sales and investment thresholds to further incentivize growth. Furthermore, semiconductor design, IC manufacturing, and packaging are also included as incentivized components of the PLI Scheme 2.0 for IT Hardware. It will promote large scale manufacturing in Laptops, Tablets, All-in-One PCs, Servers and Ultra Small Form Factor (USFF) devices.

(iv) **Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS)** was notified on April 01, 2020 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. The scheme is open for receipt of applications till 31.03.2024 with disbursement of incentive upto 31.03.2029.

(v) **Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme** was notified on April 01, 2020 to provide 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. The Scheme is open for receipt of application for a period upto March, 2024 and further period upto March, 2028 is available for disbursement of the funds to the approved projects.

2. **Program for Development of Semiconductors and Display Manufacturing Ecosystem:** To widen and deepen electronics manufacturing, the Union Cabinet on 15.12.2021, approved a comprehensive program with an outlay of INR 76,000 crore for the development of Semiconductors and Display manufacturing ecosystem. With the approval of Cabinet, the programme has further modified on 21.09.2022 in view of the aggressive

incentives offered by countries already having established semiconductor ecosystem and limited number of companies owning the advanced node technologies. The modified programme aims to provide financial support to companies investing in semiconductors, display manufacturing and design ecosystem. This will serve to pave the way for India's growing presence in the global electronics value chains. The modified programme offers Fiscal Support of 50% of Project Cost uniformly for semiconductor fabs across the technology nodes as well as for compound semiconductors, packaging and other semiconductor facilities.

Following Fiscal incentives are now available to eligible applicants:

- a) **Modified Scheme for setting up of Semiconductor Fabs in India** for attracting large investments for setting up semiconductor wafer fabrication facilities in the country to strengthen the electronics manufacturing ecosystem and help establish a trusted value chain. The Scheme extends a fiscal support of 50% of the project cost on *pari-passu* basis for setting up of Silicon CMOS based Semiconductor Fab in India.
- b) **Modified Scheme for setting up of Display Fabs in India** for attracting large investments for manufacturing TFT LCD or AMOLED based display panels in the country to strengthen the electronics manufacturing ecosystem. Scheme extends fiscal support of up to 50% of Project Cost on *pari-passu* basis for setting up of Display Fabs in India.
- c) **Modified Scheme for setting up of Compound Semiconductors / Silicon Photonics / Sensors Fab / Discrete Semiconductors Fab and Semiconductor Assembly, Testing, Marking and Packaging (ATMP) / OSAT facilities in India** shall extend a fiscal support of 50% of the Capital Expenditure on *Pari-passu* basis for setting up of Compound Semiconductors / Silicon Photonics (SiPh) / Sensors (including MEMS) Fab/ Discrete Semiconductor Fab and Semiconductor ATMP / OSAT facilities in India.
- d) **Semicon India Future Design: Design Linked Incentive (DLI) 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. The scheme provides "Product Design Linked Incentive" of up to 50% of the eligible expenditure subject to a ceiling of INR 15 Crore per application and "Deployment Linked Incentive" of 6% to 4% of net sales turnover over 5 years subject to a ceiling of ₹30 Crore per application.

In addition to the above schemes, Government has also approved modernisation of Semiconductor Laboratory, Mohali as a brownfield Fab.

3. **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.

4. **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.

5. **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.

6. **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 sector.
7. **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.
8. **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 and LED products.
9. **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.
10. **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.
11. **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.
12. **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.
13. **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. 64 Product Categories have been notified under the CRO and the order is applicable on 63 product categories.
