

**GOVERNMENT OF INDIA  
COMMUNICATIONS AND INFORMATION TECHNOLOGY  
LOK SABHA**

UNSTARRED QUESTION NO:1461

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PROMOTION AND MANUFACTURING OF TELECOM EQUIPMENTS

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

- (a) whether the demand for telecom equipments and mobile handsets has increased considerably in the country and a large part of the demand is met by import;
- (b) if so, the details thereof along with the rate of annual growth in demand for telecom equipment during the last three years;
- (c) whether the Government has prepared an action plan to promote domestic manufacturing, Research and Development (R&D) of telecom equipment and introduced subsidy model;
- (d) if so, the details thereof;
- (e) whether the Union Government plan to create a synergistic telecom ecosystem and build globally competitive companies to meet the demand as well as to be able to export; and
- (f) if so, the steps taken by the Government in this regard and also to grant soft loan or tax benefits to the telecom and mobile manufacturing industry?

**Answer**

THE MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI RAVI SHANKAR PRASAD)

(a) & (b) The data for demand of telecom equipments is not available. The details of production, demand and import of mobile handsets and import of other telecom equipments are as under:

Mobile Handsets in India (Volume In Millions)  
Year 2011 2012 2013 2014

Total Demand	180	200	245	270
Import	130	130	187.5	225
Manufacture	155	155	130	58

Source: ICA (Indian Cellular Association)

Total import of Telecom equipments (including mobile phones)  
Year Value in Rs. crores

2011-12	59447.40
2012-13	61539.01
2013-14	74116.21
April 2014 to October 2014	52310.47

Source: DGCIS.

(c) to (f) The Government has taken the following steps to promote domestic manufacturing, Research and Development (R&D) of telecom equipment:

- i. Foreign direct investment up-to 100% is allowed in manufacturing of telecom products under the automatic route.
- ii. Government has imposed basic custom duty at 10% on specified telecommunication products that are outside the purview of the information technology agreement and has also imposed education cess on imported electronic products to provide parity between domestically produced goods and imported goods.
- iii. The policy for providing preference to domestic manufacturers for 23 notified telecom products in Government procurement has already been implemented.
- iv. Telecommunications Standards Development Society, India (TSDSI)- an industry led autonomous "not for profit" Standards Development Organization (SDO) for Telecom products and services has been set up for the development of standards for telecom especially suited to Indian environment and incorporation of the same in the International standards. This will help Indian companies to develop standards for telecom products and services for Indian specific environment, which is expected to promote indigenous R&D and manufacturing.
- v. Government has approved setting up of two semiconductor wafer fabrication (FAB) manufacturing facilities in India which would create the necessary ecosystem for design and manufacturing of telecom equipments.
- vi. Under the Electronics Hardware Technology Park (EHTP) Scheme, approved units are allowed duty free import of goods required by them for carrying on export activities, CST reimbursement and excise duty exemption on procurement of indigenously available goods, as per the Foreign Trade Policy.
- vii. Under the Focus Product Scheme of the Foreign Trade Policy, exports of listed electronic products are entitled to duty credit scrip equivalent to 2% / 5% of FOB value of exports. These include telecom products and components including mobile handset.
- viii. Financial assistance is provided under several schemes for promotion of R&D, including support for International Patents in Electronics & IT (SIP-EIT); Multiplier Grants Scheme and Scheme for Technology Incubation and Development of Entrepreneurs (TIDE) in the area of Electronics, ICT and Management.
- ix. The Scheme to enhance the number of PhDs in the Electronic System Design and Manufacturing (ESDM) and IT/IT Enabled Services (ITES) sectors has been approved. 3000 PhDs are proposed to be supported under the Scheme.
- x. Electronics Manufacturing Clusters (EMC) Scheme provides financial assistance for creating world-class infrastructure for electronics manufacturing units.
- xi. Modified Special Incentive Package Scheme (M-SIPS) provides financial incentives to offset disability and attract investments in the manufacturing of electronics products (including telecom). The scheme is available for both new projects and expansion projects. The scheme provides subsidy for investments in capital expenditure- 20% for investments in SEZs and 25% in non-SEZs. It also provides for reimbursement of CVD/Excise for capital equipment for the non-SEZ units. For high technology and high capital investment units, like fabs, reimbursement of central taxes and duties is also provided
- xii. Apart from the above mentioned recommendations, the Cabinet has also approved the Electronics Development Fund (EDF) Policy in Dec' 2014. The EDF policy will be a "Fund of Funds" to support Daughter funds including Early Stage Angel Funds and Venture Funds in the area of Electronics System Design and Manufacturing, nano- electronics and IT, including telecommunications too. The supported daughter funds will promote innovation, product development, R&D and IP generation in the above mentioned fields.

Further, the Government in the budget for 2015-16 has announced following tax/duty changes for the telecom sector which would not only create a synergistic telecom ecosystem but also provide a major boost to telecom equipment and mobile manufacturing industries:

- (i) Basic custom duty on HDPE for use in the manufacture of telecommunication grade optical fibre cables has been reduced from 7.5% to Nil.
- (ii) Full exemption of all goods, except populated printed circuit boards, for use in manufacture of ITA bound items from SAD and reduction in SAD on imports of certain other inputs and raw materials.
- (iii) Time limit for taking CENVAT credit on inputs and input services has been increased from six months to one year as a measure of business facilitation.
- (iv) Excise duty structure for mobiles handsets including cellular phones has been changed from 1% without CENVAT credit or 6% with CENVAT credit to 1% without CENVAT credit or 12.5% with CENVAT credit.