

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
LOK SABHA
UNSTARRED QUESTION NO.2530
TO BE ANSWERED ON 26.12.2018

MANUFACTURING OF ELECTRONIC PRODUCTS

2530. SHRI AJAY MISRA TENI:

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

- (a) whether the manufacturing of electronic products particularly of mobile handsets have declined due to lack of clear cut export policy in the country;
- (b) if so, whether there is a need not only to expand the component industry and prepare its eco-system but also to promote handset export to give it a boost; and
- (c) if so, the necessary steps taken by the Government in this regard?

ANSWER

MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY
(SHRI S.S. AHLUWALIA)

(a), (b) and (c): As a result of various measures taken by the Government over the last few years, manufacturing of electronic products, including cellular mobile handsets, has shown a robust growth in the country. The domestic electronics hardware production has increased from INR 1,90,366 crore in 2014-15 to INR 3,87,525 crore in 2017-18, registering a Compound Annual Growth Rate (CAGR) of 26.7%. The production of cellular mobile handsets reached approx. INR 1,32,000 crore in 2017-18, compared to INR 18,900 crore in 2014-15. Production of cellular mobile handsets in volume terms reached 22.5 crore units in 2017-18, as compared to production of 6.0 crore units in 2014-15.

As a result of implementation of the Phased Manufacturing Programme (PMP) for cellular mobile handsets and their sub-assemblies, parts and components, wherein 14 sub-assemblies of cellular mobile handsets are being indigenized in a phased manner, domestic manufacturing is steadily moving from Semi Knocked Down (SKD) to Completely Knocked Down (CKD) level, thereby progressively increasing the domestic value addition.

Several steps have been taken by the Government for promotion of domestic manufacturing and export of electronic goods. These are listed at **Annexure**.

Steps taken by the Government for promotion of domestic manufacturing and export of electronic goods

- (i) Modified Special Incentive Package Scheme (MSIPS) provides financial incentives to offset disability and attract investments in the Electronics Systems Design and Manufacturing (ESDM) sector. The scheme is available for both new projects and expansion projects, and is open to receive applications till 31.12.2018.
- (ii) The Electronics Manufacturing Clusters (EMC) Scheme was notified to provide financial support for creation of state-of-art infrastructure for electronics manufacturing units. The scheme was open for receipt of application for a period of 5 years, i.e., upto 21st October, 2017. Further period of 5 years is available for disbursement of funds for the approved applicants. Under the scheme, 20 Greenfield EMCs and 3 Common Facility Centres (CFCs) covering a land area of 3,565 acres have been accorded final approval for development of infrastructure and common facilities at a cost of Rs.3,898 crore, including Government Grant-in-aid of Rs.1,577 crore. An area of 3,565 acres across 15 states is being developed in these EMCs for setting up of Electronics industry across the country.
- (iii) Tariff Structure has been rationalized to promote domestic manufacturing of electronic goods, including *inter-alia* Mobile Handsets, Televisions, Electronic Components, Set Top Boxes, LED Products, Medical Electronics, Solar PV Cells and Microwave Ovens. To promote domestic value addition in mobile handsets and their parts/components manufacturing, a Phased Manufacturing Programme (PMP) has been notified. As a result, India has rapidly started attracting investments into this sector and significant manufacturing capacities have been set up in the country during the past three years.
- (iv) As per extant Foreign Direct Investment (FDI) policy, FDI upto 100% under the automatic route is permitted for electronic product manufacturing, subject to applicable laws/ regulations; security and other conditionalities.
- (v) For promotion of exports in the sector, Merchandise Exports from India Scheme (MEIS) and Export Promotion Capital Goods (EPCG) Scheme are available under the Foreign Trade Policy, 2015-20. MEIS offers export incentives so as to offset disabilities of manufacturing. Zero duty EPCG scheme allows import of capital goods at zero customs duty, subject to specified export obligation.
- (vi) 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.
- (vii) Notified capital goods for manufacture of specified electronic goods are permitted for import at "Nil" Basic Customs Duty.
- (viii) 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.

Promotion of Innovation and R&D

- (ix) 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 companies developing new technologies in the area of electronics, nano-electronics and Information Technology (IT). This fund is expected to foster R&D and innovation in these technology sectors. EDF will be investing in 13 Daughter Funds over a period of 4-5 years. The total targeted corpus of these 13 Daughter Funds is Rs.6,950 crore and the amount committed by EDF to these 13 Daughter Funds is Rs.857 crore. As at the end of second quarter of FY 2018-19, EDF has invested Rs.53.52 crore in six Daughter Funds, which in turn have made investments of Rs.177.37 crore in 47 Ventures/ Startups. Total Employment in supported Startups was around 4,200.
- (x) Keeping in view the huge domestic requirement on account of roadmap for digitalization of the broadcasting sector, Indian Conditional Access System (iCAS) has been developed in Public-Private Partnership (PPP) mode to promote indigenous manufacturing of Set Top Boxes (STBs). The iCAS is available to domestic STB manufacturers at a price of USD 0.5 per license for a period of three years, as against market price of USD 3-5 per license for other competing products. The implementation of iCAS in the cable networks is underway.
- (xi) Ministry of Electronics and Information Technology (MeitY) provides grant-in-aid support to institutes of higher learning like IITs, IISc, Central Universities and R&D Organizations to conduct research in identified thrust areas. These research programmes are aimed to deliver proof of concept, technology/ product development and transfer of technology. During the last few years, several research initiatives have been taken in these areas. These research programmes also result in generation of specialized manpower to support "Make in India".
- (xii) An Electropreneur park has been set up in New Delhi for providing incubation for development of Electronic System Design & Manufacturing (ESDM) sector which will contribute IP creation and Product Development in the sector.

- (xiii) National Centre of Excellence in Large Area Flexible Electronics (NCFLEX) has been set up in IIT-Kanpur with the objectives to promote R&D; Manufacturing; Ecosystem; Entrepreneurship; International Partnerships and Human Resources and develop prototypes in collaboration with industry for commercialization.
- (xiv) 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.
- (xv) Centre for Excellence on Internet of Things (IoT) has been set up in Bengaluru jointly with NASSCOM.
- (xvi) An Incubation centre with focus on medical electronics has been set up at IIT-Patna.
