

**GOVERNMENT OF INDIA
MINISTRY OF COMMUNICATIONS
DEPARTMENT OF TELECOMMUNICATIONS**

**LOK SABHA
UNSTARRED QUESTION NO. 574
TO BE ANSWERED ON 5TH FEBRUARY, 2020**

MANUFACTURING OF SMARTPHONES AND FDI IN TELECOM SECTOR

574. SHRI SHIVAKUMAR C. UDASI:

Will the Minister of COMMUNICATIONS be pleased to state:

- (a) whether the deregulation of FDI norms in telecom sector of the country has benefitted the locals in terms of employment opportunities and if so, the details thereof;
- (b) the measures taken/being taken by the Government to meet certain predictions of market analysts like International Data Corporation (IDC) that has opined that India may overtake US as the second-largest smartphone market globally soon;
- (c) whether the Government has charted out a policy to enable switching to smartphones with the total smartphone traffic expected to grow seventeen-fold to 4.2 Exabytes (EB) per month by 2021 and gradually upgrade these sets to 4G operations and if so, the details thereof; and
- (d) whether the Government has reckoned the aspects of national security while giving green signals to foreign companies to invest in the telecom sector such as the Chinese companies LeEco that has planned manufacturing of smartphones at Greater Noida in collaboration with Compal Technologies, Huawei in Bangalore and Gionee with the US contract manufacturers Foxconn and Dixon and if so, the details thereof and if not, the reasons therefor?

ANSWER

**MINISTER OF STATE FOR COMMUNICATIONS,
HUMAN RESOURCE DEVELOPMENT AND
ELECTRONICS & INFORMATION TECHNOLOGY
(SHRI SANJAY DHOTRE)**

- (a) As per extant Foreign Direct Investment (FDI) policy, FDI upto 100% under the automatic route is permitted for electronics manufacturing including manufacturing of cellular mobile phones, subject to applicable laws/ regulations; security and other conditionalities.

As per the Confederation of Indian Industry (CII), the direct employment in electronics hardware manufacturing industry in the country is estimated to be about 20 lakh persons. As per the information provided by India Cellular and Electronics Association (ICEA), about 6.7 lakh persons are employed (directly and indirectly) by the units manufacturing cellular mobile phones and parts/ components thereof.

- (b) As per the information provided by India Cellular and Electronics Association (ICEA), India is expected to overtake USA to become the world's second largest smart phone market in 2019-20 in volume terms, followed by China. The measures taken by Government to promote cellular mobile handset manufacturing ecosystem in the country, *inter-alia*, include:

- i. Rationalized tariff structure and a Phased Manufacturing Programme (PMP) for the promotion of manufacturing of mobile handsets and their sub-assemblies/ parts.

- ii. Units manufacturing Mobile handsets and their sub-assemblies/ parts were also eligible for availing Capex benefits under the Modified Special Incentive Package Scheme (M-SIPS), which was open to receive applications till 31.12.2018.
- iii. 100% FDI is permitted for manufacture of mobile handsets and their sub-assemblies/ parts.
- iv. Specified capital goods for manufacture of mobile handsets are permitted for import at 'Nil' Basic Customs Duty (BCD).

To promote domestic value addition in cellular mobile handsets and their sub-assemblies/ parts 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 four years. The manufacturing of mobile handsets and their parts/ components has been steadily moving from Semi Knocked Down (SKD) to Completely Knocked Down (CKD) level, thereby progressively increasing the domestic value addition. The production of cellular mobile handsets has gone up from Rs. 18,900 crore (6 crore units) in 2014-15 to Rs.1,70,000 crore (29 crore units) in 2018-19.

The Government has notified the National Policy on Electronics 2019 (NPE 2019) on 25.02.2019, with the vision to position India as a global hub for Electronics System Design and Manufacturing (ESDM) and create an enabling environment for the industry to compete globally. Under the aegis of NPE 2019, Government shall promote domestic manufacturing and export in the entire value-chain of electronics to achieve a turnover of USD 400 billion by 2025. This includes targeted production of 1.0 billion mobile handsets by 2025, valued at USD 190 billion, including 600 million mobile handsets valued at USD 110 billion for export.

(c) The adoption of smartphones by consumers is their personal choice and depends upon their preference, availability and market dynamics.

(d) As per extant Foreign Direct Investment (FDI) policy, FDI upto 100% under the automatic route is permitted for electronics manufacturing including manufacturing of cellular mobile phones, subject to applicable laws/ regulations; security and other conditionalities.

It may be noted that all companies who are currently operating in India/ setting up manufacturing facilities in the mobile handset eco-system are expected to comply with various regulatory and legal requirements under the law.
