

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
LOK SABHA
UNSTARRED QUESTION NO. 5
TO BE ANSWERED ON: 02.02.2022

BOOST TO ELECTRONICS MANUFACTURING

5. SHRI B.B. PATIL:

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

- (a) whether the Government is considering to boost electronics manufacturing in the country and if so, the details thereof;
- (b) whether the Government is preparing a plan to broaden and deepen electronics manufacturing, exports and share in global value chains; and if so, the details thereof;
- (c) whether the role of global value chain is a key factor in the expansion of electronic manufacturing in the country; and
- (d) if so, the steps taken in this regard?

ANSWER

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

(a): Yes, Sir. Government of India's goal is to make India a significant design and manufacturing hub in the Global Value Chain for Electronics as part of its AtmaNirbhar Bharat economic policies. As part of this, we are broadening and deepening our electronic manufacturing ecosystem. In the post COVID-19 global business and trade environment, there are many changes that represent challenges and opportunities for India. Global companies are looking to diversify their manufacturing locations to mitigate the supply chain risks. At this juncture, Government is engaged in positioning 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.

In order to boost electronics manufacturing in the country and incentivize large investments in the electronics value chain as well as promote exports, following Schemes have been notified:

- i. **Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing** was notified on 1st April, 2020. PLI Scheme extends an incentive of 6% to 4% on incremental sales (over base year) of goods under target segments that are manufactured in India to eligible companies, for a period of five (5) years subsequent to the base year (FY 2019-20). Incentives are applicable under the scheme from 01.08.2020.

Over the tenure of PLI Scheme, the 16 approved companies are expected to lead to total production of more than INR 10,50,000 crore (INR 10.5 lakh crore). Out of the total production of INR 10,50,000 crore in the next 5 years, around 60% is expected to be contributed by exports of the order of INR

6,50,000 crore (INR 6.5 lakh crore). The companies approved under the scheme is expected to bring an additional investment in electronics manufacturing to the tune of INR 11,000 crore.

After the success of the First Round of PLI Scheme in attracting investments in mobile phone and electronic components manufacturing, Second Round of the PLI Scheme for Large Scale Electronics Manufacturing was launched on 11.03.2021 for incentivising Electronic Components. Under the Second Round, incentives of 5% to 3% have been extended on incremental sales (over base year i.e., FY 2019-20) of goods manufactured in India and covered under the target segment, to eligible companies, for a period of four (4) years. 16 companies have been approved under the second round of PLI Scheme for Large Scale Electronics Manufacturing.

Over the tenure of Second Round, the 16 approved electronic component manufacturers are expected to generate a total production of upto INR 12,432 crore. The Second Round of the Scheme is expected to bring an additional investment in electronics manufacturing to the tune of INR 573 crore.

In accordance with the announcement made by Hon'ble Union Finance & Corporate Affairs Minister on 28.06.2021 to provide relief to companies approved under the PLI Scheme affected by the COVID-19 pandemic, the tenure of the PLI Scheme for Large Scale Electronics Manufacturing has been extended by one year i.e., from 2024-25 to 2025-26. The notification in this regard was issued on 23.09.2021.

- ii. **Production Linked Incentive Scheme (PLI) for IT Hardware** was notified on 3rd March, 2021. The PLI Scheme extends an incentive of 4% to 2% / 1% on net incremental sales (over base year i.e., FY 2019-20) of goods under target segments that are manufactured in India to eligible companies, for a period of four years (FY 2021-22 to FY 2024-25). The target IT hardware segments under the Scheme include Laptops, Tablets, All-in-One Personal Computers (PCs) and Servers. Incentives are applicable under the Scheme from 01.04.2021. 14 companies have been approved under the PLI Scheme for IT Hardware.

Over the tenure of Scheme, the 14 approved companies under the Scheme are expected to lead to total production of about INR 1,60,000 crore. Out of the total production of INR 1,60,000 crore in the next 4 years, more than 37% is expected to be contributed by exports of the order of INR 60,000 crore. The scheme is expected to bring an additional investment in electronics manufacturing to the tune of INR 2,500 crore.

- iii. **Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECs)** was notified on 1st April 01, 2020. The SPECs Scheme provides 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. Under the Scheme, 20 applications have been recommended for approval with total project outlay of INR 6,976 crore and committed incentives of INR 1,236 crore, with total employment generation potential of 28,845. The Scheme is open to receive applications till 31.03.2023. Over the tenure of SPECs Scheme, the expected new investment in Electronic Components and sub-assemblies is INR 20,000 crore. The total employment potential of the scheme is approximately 6,00,000 (1,50,000 direct employment and 4,50,000 indirect employment).

- iv. **Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme** was notified on 1st April, 2020. The EMC 2.0 Scheme provides 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 their production facility in the country. The Scheme provides financial assistance for setting up of both EMC projects as well as Common Facility Centres (CFCs) through Project Implementing Agency such as State Government or their agency, Central Public Sector Units (CPSUs) / State Public Sector Units (SPSUs), Industrial Corridor Development Corporations (ICDCs) or Joint Venture of such agencies with Anchor unit(s) or industrial park developers. Under the scheme 2 applications for setting up of EMC with a project cost of INR 1410.84 crore including Central financial assistance of INR 681.08 crore have been approved. These EMCs are poised to attract an investment of INR 18,910 crore and have potential to generate 44,560 employment opportunities after getting operational. The financial assistance of INR 205.76 crore has been released so far.
- v. **Modified Special Incentive Package Scheme (MSIPS)**- In order to promote large scale manufacturing in the country, MSIPS was announced by the Government in July 2012. It has been amended twice – in August, 2015 and in January, 2017, and mainly provide Capex subsidy of 20-25%. It has been closed on 31st December, 2018 to receive new applications. 321 applications with proposed investment of INR 90,746 crore are under consideration. Out of these, 310 applications with proposed investment of approximately INR 84,552 crore have been approved, 07 applications with proposed investment of approximately INR 3,188 crore have been recommended by the Appraisal Committee for approval and 4 applications with proposed investment of INR 3,006 crore are under appraisal process. The incentives to the tune of INR 1374 crore have been disbursed to the 99 applicants.
- vi. **Semiconductor and Display Manufacturing Schemes:** The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra Modi approved the comprehensive program with an outlay of INR 76,000 crore (> USD 10 billion) on 15.12.202 for the development of robust and sustainable Semiconductor and Display ecosystem in the country whereby the following schemes were introduced:
- **Semiconductor & Display Fabs Scheme** extends fiscal support for setting up Semiconductor & display Fab which is aimed at attracting large investments for setting up semiconductor wafer fabrication facilities and display panels in the country, and thus helping in the establishment of a trusted value chain.
 - **Compound Semiconductors / Silicon Photonics / Sensors Fab and Semiconductor Assembly, Testing, Marking and Packaging (ATMP) / OSAT Facilities Scheme** extends fiscal support of 30% of the Capital Expenditure investment for setting up of the said facilities.
 - **Design Linked Incentive 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.
 - Approval was granted for the setting up of **India Semiconductor Mission (ISM)** as an Independent Business Division within Digital India Corporation having administrative and financial autonomy to drive India's strategies for developing semiconductors and display manufacturing ecosystem. Envisioned to be led by global experts in the Semiconductor and Display industry, the ISM will serve as the nodal agency for efficient, coherent and smooth implementation of the schemes centred around Semiconductors and Display ecosystem, in consultation with the Government ministries/departments/agencies, industry, and academia.

(b): Yes. Government of India is working on a 1,000-day plan to broaden and deepen electronics manufacturing, exports and share in global value chains. In this regard, Ministry of Electronics and Information Technology (MeitY) has worked with electronics industry associations to release a vision document titled 'Increasing India's Electronics Exports and Share in GVCs – towards an Atmanirbhar Bharat'. This document focuses on the opportunities to increase India's share in Global Value Chains and build large scale electronics manufacturing capabilities, with emphasis on increasing scale, competitiveness and domestic value addition. The second volume of vision document is titled 'USD 300 Bn Sustainable Electronics Manufacturing & Exports By 2026: Roadmap and Strategies'. This document focuses on the strategies/recommendations to bolster India's capabilities to attract electronics global value chains across 11 electronics product segments (including electronics component ecosystem) under the electronics manufacturing target of USD 300 Bn by 2025-26.

(c) and (d): Yes, Sir. Government of India recognises the role of global value chains in expanding electronic manufacturing in the country. A number of activities have been undertaken for engaging and attracting the global value chains in order to increase the domestic value addition. Series of supply chain meets have been organized in association with major electronics manufacturers in order to bring their vendors. In addition, a series of webinars, conferences, meetings were also organised in coordination with Indian Embassies overseas, foreign Embassies in India, Industry Associations, Local Industry, Consulting companies, Banks etc. for creating awareness of various schemes of MeitY and other Ease of Doing Business (EoDB) initiatives of the Government to attract the global value chains of electronics manufacturers to India. The steps taken by the Government for the expansion of electronic manufacturing in the country are at **Annexure**.

Steps taken by the Government for the expansion of electronics manufacturing in the country:

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.
2. **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.
3. **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. Under the Scheme, 19 Greenfield EMCs and 3 Common Facility Centres (CFCs) measuring an area of 3,464 acres with total project cost of INR 3,762 crore including Government Grant-in-Aid of INR 1,538 crore have been approved.
4. **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 sectors. INR 409 crore has been committed through EDF to 9 Daughter Funds with a targeted corpus of INR 2,626 crore.
5. **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.
6. **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, LED products and Medical electronics equipment.
7. **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.
8. **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.
9. **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.
10. **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.

11. **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. 63 Product Categories have been notified under the CRO and the order is applicable on 63 product categories.
12. **Establishment of Gallium Nitride (GaN) Ecosystem Enabling Centre and Incubator:** The project for “Establishment of Gallium Nitride (GaN) Ecosystem Enabling Centre and Incubator for High Power and High Frequency Electronics” has been approved. The project is being implemented by Society for Innovation and Development (SID), Centre for Nano Science and Engineering (CeNSE), IISc Bengaluru.
