GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
LOK SABHA
UNSTARRED QUESTION NO. 3887
TO BE ANSWERED ON 18.12.2024

ASSISTANCE TO INDIGENOUS ELECTRONIC INDUSTRY

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

(a) whether the Government proposes the indigenous electronic industry to grow as the leading manufacturer of electronic goods to attract not only developing countries but also developed countries;
(b) if so, the shortcomings identified by the Government which deter the country to achieve the desired status;
(c) the corrective measures taken/proposed to be taken by the Government to achieve the goal; and
(d) the manner in which the Government would extend help and assistance to the industry players to grow as per the expectations?

ANSWER

MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY
(SHRI JITIN PRASADA)

(a) to (d): Government of India is actively promoting the growth of the indigenous electronics industry with the aim to broaden and deepen the country's electronic manufacturing ecosystem as well as increase India's participation in electronics Global Value Chains (GVCs). As a result of which electronics production has grown from INR 1,90,366 crores in FY 2014-15 to INR 9,52,000 crores in FY 2023-24 with compound annual growth rate ('CAGR') of more than 17%. India has now reached a stage where 99.2% of mobile handsets being used in India are domestically manufactured. Also, India has become a mobile exporting country as compared to mobile importing country in FY 2014-15 when almost 74% of all mobile phones sold in India were imported. As per industry estimates, approximately 25 lakhs employment (direct and indirect) has been generated in the electronics sector.

India's electronics manufacturing faces a cost disability vis-à-vis competing nations due to several factors which, *inter-alia*, include higher capex requirement, higher gestation period, scale of production, technology transfer and competing with the global players on quality as well as price.

As a corrective measure to enable Indian companies to overcome these disabilities Government of India has taken several initiatives to enhance domestic capabilities, reduce import dependence and position India as a global hub for electronics production. The initiatives are detailed in **Annexure I.**

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Annexure I

Initiatives taken to boost electronics manufacturing

1. **Programme for Development of Semiconductors and Display Manufacturing Ecosystem in India (Semicon India Programme):**

   Government has approved the Semicon India programme with a total outlay of INR 76,000 crore for the development of semiconductor and display manufacturing ecosystem in the country. The programme has further been modified 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 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.

   Following four schemes have been introduced under the aforesaid programme:

   i. '**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.

   ii. '**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 50% of Project Cost on *pari-passu* basis for setting up of Display Fabs in India.

   iii. '**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 extends 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.

   iv. **'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 ₹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 Semi-Conductor Laboratory, Mohali as a brownfield Fab.

2. **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. 16 **applications** have been approved under the scheme. (**5 under Global Champions Category, 5 under Indian Champions Category and 6 companies under Electronic Components category**)

   After the success of the First Round of Production Linked Incentive Scheme, under second round **16 companies** were approved to provide incentives **of 5% to 3% on**

incremental sales of goods manufactured in India and covered under the target segment, to eligible companies, **for a period of four (4) years.**

Scheme has attracted investment of INR 9,349 Crore and generated direct employment to 1,28,688 persons. Production under scheme is INR 6,14,115 Crore till oct 2024.

3. **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) year. The Target Segment under PLI Scheme includes (i) Laptops (ii) Tablets (iii) All-in-One PCs and (iv) Servers.

   Further Production Linked Incentive Scheme (PLI) for IT Hardware 2.0 was notified on May 29, 2023 with a budgetary outlay of 17,000 crore provides an average incentive of around 5% on net incremental sales (over base year) of target segment products for a period of 6 years. The target segment products include: Laptops, Tablets, All-in-One PCs, Servers and Ultra Small Form Factor.

   Scheme has attracted investment of INR 501 Crore and generated direct employment to 4, persons. Production under scheme is INR 10,245 Crore till Oct 2024.

4. **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 has been closed to receive new applications on 31.03.2024 and is in implementation mode.

   Scheme has attracted investment of INR 9,168 Crore and has generated employment to 38,769 persons. Production under scheme is INR 24,050 Crore till Nov 2024.

5. **Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme** was notified on April01, 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.

   Scheme has attracted investment of INR 8,490 Crore and generated direct employment to 8,950 persons till oct 2024.

6. **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 new applications till 31.12.2018 and is in the implementation mode.

Scheme has attracted investment of INR 45,095 Crore and generated direct employment to 1,71,499 persons. Production under scheme is INR 13,35,035 Crore till Oct 2024.

7. **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.

   Scheme has attracted investment of INR 17,198 Crore and generated direct employment to 67,905 persons till Oct 2024.

8. **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. As on 31.10.2024, EDF has invested Rs. 257.58 crore in eight Daughter Funds, which in turn have made investments of 1335.26 crore in 128 Ventures/Startups. Total employment in supported Startups was more than 23,000. The number of IPs created/acquired by the supported start-ups is 346.
9. **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.
10. **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**.**
11. **Tariff Structure** has been rationalized to promote domestic manufacturing of electronic goods, *inter-alia*, including, Cellular mobile phones, Televisions, Electronic components, Set Top Boxes for TV and LED products
12. **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.
13. **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 Trans boundary Movement) Rules, 2016, vide Ministry of Environment, Forest and Climate Change Notification dated 11.06.2018.
14. **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.
15. **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, 16.09.2020 and 19.07.2024. In furtherance of the aforesaid Order, MeitY has notified mechanism for calculating local content for 14 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, (xiii) Cellular Mobile Phones,(xiv) **CCTV/VSS Systems** for procurement to be made from local supplier.

16. **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.

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