

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
RAJYA SABHA
UNSTARRED QUESTION NO. 2021
TO BE ANSWERED ON 17.03.2023

GROWTH IN THE EXPORT OF ELECTRONIC EQUIPMENTS

2021. SHRI BIPLAB KUMAR DEB:

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

- (a) whether there has been a significant rise in the export of electronic equipment from India since 2014; and
(b) the details of the steps taken to promote such exports from the country?

ANSWER

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

(a): Government of India's goal is to make India a significant Electronics System Design and Manufacturing hub as part of its AtmaNirbhar Bharat economic policies. Government of India has taken several strategic steps and initiatives for broadening and deepening the electronics manufacturing ecosystem in the country and make India a global electronics manufacturing hub. As a result, the exports of electronic equipment' shave shown a tremendous growth in last five years having grown from INR26,779 crore in financial year 2014-15 to INR 94,599 crore in financial year 2021-22, exhibiting a Compound Annual Growth Rate (CAGR) of 19.7%. The export of electronic equipment is as under:

Electronic Equipment	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Exports	26,779	26,990	27,985	27,429	45,128	65,083	63,956	94,599

(Values in INR crore)

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS)

(b): Electronics industry is among the largest and fastest growing manufacturing Industry in the world. Government of India's goal is to broaden and deepen the country's electronic manufacturing ecosystem. National Policy on Electronics 2019 (NPE 2019) envisions 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 including semiconductors in the country and incentivize large investments in the electronics value chain as well as promote exports of electronic goods, following incentives under the 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.

- 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. 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 EMC 2.0 scheme, 3 EMC applications covering an area of 1,337 acres have been approved with project cost of INR 1902.69 crore including financial assistance of INR 889.02 crore from Government of India. These EMCs are poised to attract an investment of about INR 20,910 crore and having potential to generate 51,520 employment opportunities after getting operational. An amount of INR 205.24 crore has been released for scheme execution.

- 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. In this scheme, 320 applications with proposed investment of INR 89,194 crore are under consideration. Out of these 320 applications, 315 applications with proposed investment of

INR 86,904 crore and committed incentives of INR 9,566 crore have been approved. Incentives amounting to INR 1917.09 crore have been disbursed. Out of 315 approved units, 271 units have reported invested of INR 33,506 crore and 242 units have started production. Direct and indirect employment generated so far is 3,45,571. Total sales (domestic and exports) from the units under production are INR 6,63,274 crore which include export of INR 1,06,740 crore.

vi. **Program for Development of Semiconductors and Display Manufacturing Ecosystem**

To widen and deepen electronics manufacturing, the Union Cabinet on 15.12.2021, approved a comprehensive program with an outlay of INR 76,000 crore (> USD 10 billion) for the development of Semiconductors and Display manufacturing ecosystem. With the approval of Cabinet, this Programme has been recently modified on 21.09.2022. The modified programme offers Fiscal Support of 50% of Project Cost uniformly for semiconductor fabs across the technology nodes as well as for compound semiconductors, packaging and other semiconductor facilities.

Following Fiscal incentives are now available to eligible applicants:

- **Modified Scheme for setting up of Semiconductor Fabs:** It provides fiscal support for setting up semiconductor wafer fabrication facilities in the country. Fiscal support of 50% of the Project Cost is available for setting up of silicon-based semiconductor fabs across all technology nodes.
- **Modified 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 up to 50% of Project Cost on pari-passu basis for setting up of Display Fabs in India
- **Modified Scheme for setting up of Compound Semiconductors / Silicon Photonics / Sensors Fab/ Discrete Semiconductor Fabs and Semiconductor ATMP / OSAT facilities in India:** It provides a fiscal support of 50% of the Capital Expenditure to the eligible applicants for setting up of Compound Semiconductors / Silicon Photonics (SiPh) / Sensors (including MEMS) Fab/ Discrete Semiconductor Fabs and Semiconductor ATMP / OSAT facilities in India.
- **Semicon India Future Design: Design Linked Incentive (DLI) Scheme :** It offers financial incentives, design infrastructure support across various stages of development and deployment of semiconductor design for ICs, Chipsets, SoCs, Systems & IP Cores and semiconductor linked design. The scheme provides both “Product Design Linked Incentive” and “Deployment Linked Incentive”.

In addition to the incentives offered under the Schemes highlighted above, Government has adopted various measures/steps to promote electronics manufacturing inter alia exports and ease of doing business in the country. The steps taken by the Government for the expansion of electronic manufacturing and exports in the country are at **Annexure I**.

Annexure-I

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

1. **Special Economic Zones (SEZs)** are set up to enable hassle-free manufacturing and trading for export purposes and **Electronic Hardware Technology Park (EHTP)** units are the major contributors to exports.
2. **Remission of Duties and Taxes on Exported Products (RoDTEP):** The scheme for re-imbursement of currently un-refunded Central, State and Local Taxes and Duties incurred in the process of manufacture and distribution of exported products has been put into effect from 01.01.2021 through a Central Board of Indirect Taxes and Customs (CBIC) advisory. Major Components of such taxes is electricity duty and VAT

on fuels used in transportation / distribution. The Scheme is being implemented by CBIC in an online environment.

3. **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.
4. **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.
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 vide Notification dated 07.09.2020 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 locals 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 all product categories.
