



सत्यमेव जयते
Ministry of Electronics and
Information Technology
Government of India



Making India Atmanirbhar in ESDM

Roadmap to achieve \$300 billion in Electronics Manufacturing by 2025-26

**Report back Session : Scaling up production and Making India
Export hub for Mobile Phones & IT Hardware**



ELECTRONICS INDIA
Billion Needs Million Chips

Venue : Gulmohar Hall , India Habitat Centre , Date : 01.12.2021

Knowledge Partner



Panelists



George Paul

CEO , MAIT



Sunil Vachani

CEO , Dixon



Anubhuti Kaul

Sr. Director , Flex



Hari Om Rai

MD , LAVA



Virat Bhatia

MD , Apple



Pankaj Mohindroo

Chairman , ICEA

MISSION

USD 300 Bn

SUM OF THE PIECES

| Product | 2020-21 (\$ bn) | | 2025-26 (\$ bn) | |
|-----------------------------------|-----------------|--------------|-----------------|-------------|
| Mobile Phones | 30 | 27 Domestic | 110 | 55 Domestic |
| | | 3 Export | | 55 Export |
| IT hardware (Laptops, Tablets) | 0.5 | 6.5 Import | 22 | 10 Domestic |
| | | 0.5 Domestic | | 12 Export |
| | | 0 Export | | |
| Total | 30.5 | | 132 | |

KEY DRIVERS

For Expansion of Domestic Market

- GST rationalization to **12%** from current **18%**
- Enabling movement of Feature phones to Smartphones
- Increase in IT penetration
- Bridging digital divide → **1% of GDP**

For Exports

- Rationalisation of RoDTEP
- Timely disbursement of incentives
- Tariff stability for inputs
- Building Indian champions and enable them to conquer International markets
- Addressing disabilities in a time bound manner

PLI AS A DRIVER OF USD 300 BN BY 2026

1. **The most significant driver by a mile, towards USD 300 Bn.**
2. **Smartphone PLI needs quarterly review and course correction.**
 - Ease of Doing Business will be a critical element.
 - Tariffs will be critical to cost competitiveness.
 - Shifting ecosystem critical to reducing imports and increasing DVA.
3. **IT hardware PLI needs to be revamped from ground upwards.**
 - 3 or 4 key players. Have some joint and individual concerns.
 - PLI needs to address joint and individual concerns. Negotiate now.
 - PLI needs to accommodate for non-existent domestic production.
 - PLI needs to aim for 'shifting' production, not expanding unlike mobiles.
4. **MeitY with DPIIT/NITI Aayog to decide PLI financials. FinMin in support role.**

COMPETITIVENESS AS A DRIVER OF USD 300 BN BY 2026

- **Mobile Production** : ~5% of global value production and ~15% of volume.
- **IT hardware production** : 0.5% of global production.
- Both grossly inadequate to achieve USD 300 bn.
- Exports play a key role in reaching USD 300 bn.
- Mid to long term competitiveness will be key to exports.
- Competitiveness is key to domestic market as well.
- Absence of competitiveness leads to high tariffs and NTBs. Both unsustainable.
- **Competitiveness needs** :
 - Lower cost of production
 - Rationalisation of taxes
 - Shifting of ecosystem as part of the China +1 strategy

LOW & STABLE TARIFF AS A DRIVER OF USD 300 BN BY 2026

- **Tariffs may be a disability:**
 - High tariffs perpetuate imports, not restrict imports.
 - Tariffs in effect amount to a tax on exports.
 - Tariff reduction advised on inputs to 0 or at best 5%.
- **Focus on mobile phones as priority sector to achieve \$300 bn by 2026.**
 - Highest projected exports from USD 3.6 bn in 2020-21 to USD 55 bn in 2025-26. 15x.
 - Yet, highest tariffs within electronics.
- **Tariffs may neutralize the benefit of supportive policies.**
 - Increase in India's tariffs in 2020 and 2021 raised costs by around 4-5%.
 - High and stiff tariffs discourage value addition.
 - Tariff hikes likely to reduce output/investment by 8%, employment by 9% and exports by 31%.
 - Tariffs introduce instability.

ECOSYSTEM AS A DRIVER OF USD 300 BN BY 2026

1. Building domestic ecosystem takes 7-10 years. Ex: China, Vietnam.
2. Ecosystem is the biggest driver of increasing Domestic Value Addition.
3. 3-pronged Strategy:

| Period | Strategy | Key Factor |
|--------------|---|-------------------------|
| 1 - 5 years | Shift ecosystem along with Lead Firms | Government Policy |
| 3 - 7 years | Start building Indian supply chain/skills | Volumes/Competitiveness |
| 5 - 10 years | Shift to a robust Indian supply chain | Success of PLI |

INDIAN CHAMPIONS AS A DRIVER OF USD 300 BN BY 2026

- National Champions are essential for the progression from poverty to wealth.
- They are the core constituents for skill acquisition and value addition.
- This is the only mechanism for the long term technological and financial independence for a country.
- Indian champions can lead in < USD200 market, globally.

Enabling them through:

- A protected market segment to attain scale, skills & competitiveness.
- R&D and design incentives.
- Access to capital at globally competitive rates.
- Global market development mechanisms.

IN CONCLUSION

- **There are 6 pillars of reaching USD 300 bn:**
 - A well-crafted, well-suited and regularly monitored PLI for both sectors.
 - A matching and stable tariff regime decided by industry and MeitY.
 - Competitiveness is key to both Scale and Domestic Value Addition.
 - A short and long term strategy for developing local ecosystem is needed.
 - Strategic support for building Indian champions for long term technological & financial independence.
 - Exports will be key. We need to snatch global market share.
- **Business as usual will get us to USD 100-110 bn max by 2026.**
- **Domestic market is critical but even best results won't get us close to USD 300 bn.**
- **The focus needs to turn to the 6-8 MNC and Indian Lead Firms in finished products. This engine will pull the remaining sectors forward.**



REPORT BACK SESSION

**MOBILE & IT HARDWARE
MANUFACTURING**

THANK YOU