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

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

<table>
<thead>
<tr>
<th>Product</th>
<th>2020-21 ($ bn)</th>
<th>2025-26 ($ bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Phones</td>
<td>30</td>
<td>110</td>
</tr>
<tr>
<td></td>
<td>27 Domestic</td>
<td>55 Domestic</td>
</tr>
<tr>
<td></td>
<td>3 Export</td>
<td>55 Export</td>
</tr>
<tr>
<td>IT hardware (Laptops, Tablets)</td>
<td>0.5</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>6.5 Import</td>
<td>10 Domestic</td>
</tr>
<tr>
<td></td>
<td>0.5 Domestic</td>
<td>12 Export</td>
</tr>
<tr>
<td></td>
<td>0 Export</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>30.5</td>
<td>132</td>
</tr>
</tbody>
</table>
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

2. Ecosystem is the biggest driver of increasing Domestic Value Addition.
3. 3-pronged Strategy:

<table>
<thead>
<tr>
<th>Period</th>
<th>Strategy</th>
<th>Key Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5 years</td>
<td>Shift ecosystem along with Lead Firms</td>
<td>Government Policy</td>
</tr>
<tr>
<td>3 - 7 years</td>
<td>Start building Indian supply chain/skills</td>
<td>Volumes/Competitiveness</td>
</tr>
<tr>
<td>5 - 10 years</td>
<td>Shift to a robust Indian supply chain</td>
<td>Success of PLI</td>
</tr>
</tbody>
</table>
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