

Union Budget 2021-22- Expectations of Electronic Systems Design & Manufacturing Industry

Indian electronics manufacturing, like most other sectors has gone through a challenging phase due to the Covid-19 pandemic and related restrictions. Such crises are not unfamiliar to the world which has gone through several epidemics and natural disasters. However, this pandemic has been a new lesson for our generation. It has also thrown up new opportunities and we need to rethink and focus on creating a robust electronics supply chain, reducing our dependence on imports which is exposing us to higher risks in such unforeseen circumstances.

Our first step has to be the strengthening of our eco-system for manufacturing of components, parts and raw materials. We appreciate MeitY's initiatives such as PLI, SPECS and EMC 2.0 but industry expects more such hand-holding in this upcoming budget. There is a need for allocation additional budgets for Indian ESDM industry to enhance its competitiveness and ramp up production rapidly.

ELCINA recommends the following specific Industry expectations from Union Budget 2021-22:

- Custom Duty on Non ITA PCBAs: Printed Circuit Board Assemblies are a huge opportunity in electronics manufacturing. ELCINA recommends that a custom duty of 10-20% should be imposed on all Non-ITA classified PCBAs keeping a duty differential of at least 5% with its Finished equipment. This can attract big investments in PCBA sector which have huge potential to grow from the current US\$ 23.5 Bn to US\$ 152 Bn in the next 5 years.
- Scheme for incentivizing Capital Investment in ESDM sector: The Indian ESDM Industry is suffering with a disability of 8-10% viz-a-viz their international counterparts. To mitigate this disability the industry needs a scheme for PCBA/EMS sector providing 25% Capex subsidy. Similar benefit has already been announced for electronic components. This will also enable MSME's to invest in this business.
- Domestic manufacturers face global competition and are constrained by lack of test and certification facilities in the country. This is special true when Indian manufacturers try to export their products to developed markets which require stringent quality approvals. These facilities are not available in India and getting certifications from overseas is prohibitively expensive. Government of India should support testing and

BIS should also facilitate domestic companies, which is not happening currently.

- FTA status to SEZ products: Goods cleared from SEZ/EOU/EHTP to DTA are treated as imports and all duties which are applicable on imports are charged in such cases. ELCINA recommends that SEZ/EOU/EHTP to DTA clearance should be considered as imports from FTA countries, and this may be applicable for FTA Notified items only. This will encourage manufacturing in these zones and maintain parity between DTA vis-à-vis SEZ/EOU's.
- Encouraging Design led manufacturing: R&D and Design are critical for sustained growth and maintaining competitive edge for industry, and specially for a dynamic industry like Electronics, where innovation takes place at a rapid pace. It is recommended that Government should incentivize R&D by allowing CSR funds to be channeled for research, innovation and support to start-ups.

While National Policy on Electronics 2019 (NPE 2019) has given an impetus to Mobile manufacturing and some components, we hope the government will announce more incentives to promote electronic manufacturing in emerging domains as well as PCBA/EMS and components manufacturing. This is necessary if we aspire to achieve the ambitious target of US\$ 400 Bn electronics production by 2025.

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