

Key Excerpts from Electronic Manufacturing Summit

Promoting ESDM Sector

- In order to build a fabulous base for manufacturing, there is need to focus on **three key factors**: one is the **enormous demand**, the **capabilities in design, software, embedded systems** and **growing momentum in manufacturing** - **Shri Ajay Prakash Sawhney, Secretary, MeitY**
- We have **65 billion US\$ domestic consumption out of which 60% is imported, so we have base for production of 24 or 25 billion US\$ product** and if it grows by 20% per annum and doubling every 4 years with the power of exponential, it can go up to trillion dollars by the time India achieves 100 years of its own independence in 2047. While we will grow to a huge domestic market, the global market would then be 10 times of the current figure of 2 trillion US\$. Unless Indian component industry sets its sight on the global market it would be difficult to catch up. - **Dr. Rajiv Kumar, Vice Chairman, NITI Aayog**
- We need to create an **innovative ecosystem in this country for manufacturing** to succeed. We have the opportunity, domestic market, huge global market expanding, required skills, entrepreneurs, everything is there in place and we just need to bring it together- **Dr. Rajiv Kumar, Vice Chairman, NITI Aayog**
- “The basic requirements for successful manufacturing for any company are **adequate ROI, safety of investment and simplification of procedure**. I believe if these three could be provided anybody would commit (for investment).” - **Shri Sanjay Kumar Rakesh, IAS, MeitY**

What is required to spur electronics manufacturing in India?

- The two things to be considered while making investments in Electronic Manufacturing are, **long capital investment cycles** as it usually takes 1 to 3 years to decide on an investment depending upon the scale and second is lot of fixed commitment, including employment, which one has to take - **Shri Josh Foulger, Foxconn**
- There is a **legitimate concern on low value addition in India** and there are no magic wands to ramp up value addition, which is a factor of the component ecosystem of the country-**Nitin Kunkolienker, President, MAIT**
- In order to make our manufacturing operation self-sustaining and competitive, there is need to focus on **TSSS**. These are a **technology base** which gives me competitive product, organizational **skills** including managerial bandwidths to train people on floor, the **scale of operations** and, finally, the **supply chain**. - **Shri Satendra Singh, Nokia Siemens Network**
- There cannot be **economies of scale** in building every capacity, resistor, transistor, wire and screw in India. We should not look at either-or scenario as we have about 50-60% of all the electronics and mechanicals that we would ever need. The rest comes from different parts of the world, yes, including China. - **Dr. Deepak Thakkar, Flextronics**
- **Economics of different product categories** within electronics industry are different. Therefore, the policies have to be differential as while providing provide financial incentives, we can have different income tax slabs for different focus industries - **Shri Josh Foulger, Foxconn**



- “Some components, such as memory, which are highly complex, will take many years to start being manufactured in India. However, there are some components, such as die casting, which can be easily manufactured. So, it is about efficiency and making sure that the costs can be comparative with the rest of the world.” - **Shri Jeff Purnell, Cisco**

Building up the component ecosystem: key ingredients

- The three key challenges which the **electronics manufacturing system (EMS)** currently face includes **high Investment Requirement, low gross margin– as low as 30-40% and threat from imports** -**Shri Kiron D Shah, Velankani Information Systems**
- “There is a greater **challenge to set up a component manufacturing as compared to EMS**. The former is much more capital intensive and the returns are in 6 – 8 years, while an EMS player can make do with 50-60% capacity utilization - **Shri Vinod Sharma, Deki Electronics**
- Component manufacturers in India also face problems of **no commitment for product purchase on behalf of OEMs** and tendency of ‘**pricing extortion**’ on behalf of OEMs which further drives down the profitability of component manufacturers- **Shri Vinod Sharma, Deki Electronics**
- An **exports-led approach** will provide an additional base of volumes to attract investment in the component ecosystem and will enhance competitiveness of exports of IT products from India. This approach will guarantee volumes and competitiveness at the same time. This is what the about “**India for the World strategy**” is all about- **Shri Nitin Kunkolienker, President, MAIT**
- “**Getting PCB (printed circuit boards) assembled** in India is the key. There is sufficient capacity of SMT (surface-mount technology) lines in the country – around 800 in number with 80 million components an hour capacity.” - **Shri Sanjiv Narayan, SGS Tekniks**
- There is need for some **default guarantee scheme for the component suppliers** to the Indian manufacturers so that their bankers are satisfied and give them the working capital. - **Shri Kiron D Shah, Velankani Information Systems**

Ingredients of making India next manufacturing destination

- “India as a country has to distinguish itself in select product categories. For example, **Thailand is known for hard disc manufacturing, Vietnam for mobile manufacturing, China is manufacturing a lot of electronics**. We need to have a laser sharp focus that allows us to drive strategy and the policy which meets that strategy.” - **Shri Aman Sethi, Dell**
- We need to make sure that the **cost, quality and delivery performance** is unrivalled against anywhere else in the world for domestic customers as well as for export for the global market. - **Shri Jeff Purnell, Cisco**
- “Government is taking a lot of initiatives like cluster development but without desired results. They could learn from global experience such as Shenzhen in China, Penang in Malaysia and that in Mexico. The desired results will come only if we **concentrate in few clusters in the country** and make those as global hub for electronics manufacturing.”-**Shri Anoop Mehrotra, Jabil India**

Ease of Doing Business



- Another aspect which really bothers under Ease of doing Business is the federal structure of the country as there **disconnect between the state and central government** as well as between various ministries and department of central government, where a **proper integration strategy will only help** -**Nitin Kunkolienker, President, MAIT**
- 80% of the electronic consumption is located in south, west and northern part of the nation and hence **there is a need to build a very strong logistic connectivity in this region**, which can help us to access the emerging market like Africa, Gulf or even Europe cost effectively- **Nitin Kunkolienker, President, MAIT**
- The Government of India is bringing Governance reforms on terms of changing the perception of India state, which was known to be a soft state or flabby state or the corrupt state (Ashutosh Varshney, professor in Brown University called predatory state) which did nothing for its citizens, but only did something for itself. This **corrupt and predatory state is being replaced by a development state**. A development state of the kind that you have in East Asia and which is committed to deliver its mandate in making efficient delivery of public goods and services to the economy. - **Dr. Rajiv Kumar, Vice Chairman, NITI Aayog**
- As the action has shifted to states, there is need to go **global at the level of the states** and NITI Aayog is working on the same with its twin mandate of promoting cooperative federalism and second to promote competitive federalism- **Dr. Rajiv Kumar, Vice Chairman, NITI Aayog**

Demand Generation

- **The domestic demand is increasing at a rate of around 19%**. It is projected that our electronics demand will be around 170-220 billion by the year 2020 and will go up to 400 billion by 2023-24. This presents a huge opportunity for the industry to invest and make the production grow.”- **Shri S.K. Marwaha, MeitY**
- “The role of government, is not to just give us financial incentives, **but to enable business in India**, as done in the case of national supercomputing machine and smart meters. Now we need to make sure that only made in India components go into these.” -**Shri Kiron D Shah, Velankani Information Systems**
- **“PMA cannot be end-of-all-policy but only a temporary solution towards realization of the larger strategy**. If this larger strategy doesn’t succeed, then PMA itself could be more counterproductive to the electronics manufacturing in India.”- **Shri N. Sivasailam, Special Secretary, DoT**