

Welcome



Dear Readers,

As we roll out the third issue of *MAITWire*, we are once again aware that this would not have been possible without your sustained support.

With the back-to-back launch of the Digital India Project as well as the Make in India Initiative, the manufacturing industry is poised to leapfrog into a new dimension of growth. What is clear however, is that there are a significant number of factors that need to fall into place for these proposals to translate into reality. In this issue, we have focussed on discussing the missing components in the Make In India campaign.

Given that the new government is set to present the Union Budget in the months ahead, MAIT has put together pre-budget recommendations, which have been summarized here.

We are also thrilled to announce that MAIT has set up the Digital India Action Group – a core group to support implementation to the Indian Government's mission of Digital India. More details of this exciting initiative will be discussed in this issue. In addition, you can read about the overwhelming response we received with regard to SME participation at the MAIT pavilion in our recently held CeBIT event.

We look forward to receiving more suggestions and feedback from members of the IT manufacturing community to build upon what we have thus far created at *MAITWire*. Once again I thank you for your encouragement.

Warm Regards,
Anwar Shirpurwala
Executive Director, MAIT

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In focus

'Make in India': IT manufacturing identifies missing links



With the much touted and long awaited 'Make in India' campaign being unveiled by the Prime Minister in September, the overall market sentiment has been for the most part, unabashedly upbeat. Now with the excitement having died down, a few rumblings are being voiced and MAITWire takes a closer look at the on-ground realities of realizing the spectacular vision of making India the center of new-age manufacturing. MAITWire spoke to industry heads to determine the challenges that need to be addressed.

The projected demand for the entire spectrum of electronics and electrical products sector has been set at US \$ 400 billion by 2020. Based on the current status of the sector, this is a big ask indeed. A major concern is the need to *increase domestic market size to trigger manufacturing*. Currently the Indian ICT hardware market is estimated to be US \$ 12.8 billion, contributing about 40 percent to the overall IT market in India. Expecting exponential growth over the last decade, many global and domestic players have already established manufacturing facilities to fabricate PCs, laptops and servers, also believing that it would result in backward integration through establishment of component manufacturing.

Based on the current status of the sector, this is a big ask indeed. A major concern is the need to increase domestic market size to trigger manufacturing.



However, domestic demand of electronics did not appreciate as anticipated, except in the area of mobile phones. This in turn has meant low growth rates in the domestic hardware market and has stalled investments in the component ecosystem. According to Mr. Navneet Kejriwal, Chairman - Manufacturing Committee, MAIT & Leader - Manufacturing, Dell India, "The next phase of investments in the electronics manufacturing sector needs to come from component manufacturers of hard-drives, motherboards, power cords, CD/DVD drives and so on. The fact remains that current domestic demand is minimal when compared to other emerging markets and steps need to be undertaken to advance demand for these products so as to ensure that the industry can meet the lofty 2020 target that has been set".

Another step to increasing manufacturing is by *creating an export centric environment*. India's close proximity to markets in the Middle-east, Africa, and Eastern Europe make it a logically superior location compared to other parts of Asia. Boosting exports will increases the demand for components used in manufacturing, thus providing a solid base for component manufacturers to establish their presence in the country.

An oft discussed barrier that hampers manufacturing growth is that of *infrastructure*. Component manufacturing suppliers would consider investing in India only if the infrastructure is robust, making the location competitive. Accessibility will be a key factor to spur growth. One of the essentials of an efficient manufacturing base is free flow of raw materials and finished goods. The existing customs procedures are cumbersome. With authorities rightly recognizing the need to work towards improving infrastructure such as port to inland connectivity and developing cargo airports, the industry is hopeful that these initiatives will take rapid strides.

The *archaic labour laws* being followed in India also need to be addressed pronto. The aim is to increase the share of manufacturing to 25 percent of GDP by 2022 from the current 12 percent. This is expected to result in the creation of 100 million jobs. However, for this to be achieved, the Industrial Disputes Act and Contract Labour Act require speedy overhauling. A recent Morgan Stanley report on the Labour Market environment ranked India at a dismal 99 in labour market efficiency, while China ranks 34 and Japan 23. Indian labour laws are convoluted, time-consuming and extremely inflexible and while the government has looked at amending some laws, a lot more change is required.

Other issues faced are those related to tax disputes and lack of clarity on GST implementation. Exit guidelines also need to be clearly defined.

Land Acquisition is also a crippling issue. While it is true that the provisions under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Bill, 2013 will drastically decrease time and cost to acquire land, there needs to be an efficient machinery to help companies looking at acquiring larger land parcels for manufacturing purposes. Other issues faced are those related to *tax disputes* and lack of clarity on *GST implementation*. *Exit guidelines* also need to be clearly defined. According to the data collected by Doing Business, 2015 by the World Bank Group, to start a business in India, one needs 11.9 procedures, 28.4 days, a cost of 12.2 percent of income per capita and requires a paid in minimum capital of 111.2 percent of income per capita. Clearly this needs to change.



IT manufacturers are hopeful that the government will work along with industry representatives to iron out the issues being faced in these areas. If these issues are addressed, the manufacturing industry is certain to be well on its path to achieving a high growth trajectory.

Spotlight

MAIT CEO Roundtable

MAIT organised a CEO roundtable on November 12, 2014 at Bengaluru. The CEO Roundtable began with an introduction to MAIT Digital India Action Group (DIAG).

Digital India Action Group

MAIT has set up the Digital India Action Group (DIAG) to enrich and accelerate the implementation of the Digital India program launched by the government. The DIAG will provide strategic inputs to various committees and teams that will be constituted under the aegis of Digital India by the Prime Minister's Office, DeitY and other government departments and ministries. MAIT believes it is best suited to support and complement the efforts of DeitY in implementing Digital India as it has a vast knowledge base from across the IT ecosystem.

The DIAG will be organized into five teams:

- Envisioning Team: to provide overall guidance to DIAG and also act as the face of the program with representation from the political leadership, senior officers of the government, industry leaders, academia and eminent personalities from the media.
- Knowledge Secretariat: to assist the Envisioning Team and the three workgroups by providing relevant data, carrying out research and analysis to support ideation on various initiatives, and compiling the recommendations of DIAG in the form of whitepapers and reports.
- Digital Infrastructure Workgroup: to ideate on initiatives based on the first pillar of the Digital India program – that of creating suitable IT infrastructure. It will consist of Internet Service Providers, network companies, IT hardware companies and consulting firms, among others.
- Digital Governance Workgroup: to work towards reforming governance through IT. It will consist of people from social media companies, IT solution companies, consulting firm and government reform experts, among others.

- Digital Empowerment Workgroup: to ideate on initiatives based on the third pillar that is focused on empowering people to benefit from IT. It will have representation from e-content providers, IT training providers, original equipment manufacturers, academia and industry experts, among others.

The aim of the DIAG is to ensure that all the initiatives identified by the government in its Digital India agenda are completed in a time-bound manner by tracking and monitoring on-ground progress of the same. Whitepapers released every six months will provide in-depth analysis of the current status of these initiatives and highlight any gaps that exist. These recommendations will be shared with DeitY.



Inaugural SME Chapter Meet

The first meeting of the MAIT SME Chapter (2014-2015) was held on November 13, 2014 at Bengaluru. After a welcome address by Mr. Rahul Gupta, Chairman of the MAIT, SME Chapter, the discussion moved on to the role of SMEs as 'growth engines of India'. Initiatives taken by the new government towards supporting the SMEs were discussed. A great deal of emphasis was given to developing a supportive IT hardware ecosystem within India so as to encourage all components and sub-systems to be manufactured within the country. Going forward, Mr. Vinit Goenka, BJP National IT Cell Co-Convener, agreed to take up the role of Chief Mentor, Mr Daleep Kaul, took on the role of managing International Relations and Mr. Alex Kuo took on the role of Advisor (Global Alliances) for the MAIT SME Chapter. It was also decided that the MAIT SME Chapter would function at the grass-roots level through local/ city-based chapters.



PLUGGED IN Event

MAIT launched its successful e-waste collection drive from November 14- 16 at the 'I AM GREEN' Stall organized at Plugged in - India's premier consumer electronics and technology event at BIEC (Bangalore International Exhibition Centre), Bengaluru. More than 2000 people visited the stall represented by Corporates, SMEs, SOHOs and Individuals to dispose their E-Waste. The E-Waste collection drive of MAIT was supported by Dell, TES-AMM and Lenovo. MAIT's 'I AM GREEN' Programme aims to prevent hazardous materials from being improperly disposed of and encouraging everybody to work towards developing greener operations in schools, colleges and businesses. MAIT is hopeful that it can accomplish tremendous reductions in E-Waste as well as carbon emissions through the 'I AM GREEN' initiative, a national engagement programme.



Upcoming events

MAIT SME Conclave

(Thiruvananthapuram - November 28, 2014 and Chennai - December 13, 2014)

Organized in partnership with the Department of Electronics & Information Technology (DeitY), Ministry of Small and Medium Industries (MSME) and National Small Industries Corporation (NSIC), the MAIT ICT SME conclave is designed to bring ICT SMEs, Government and Companies together. This conclave will serve as a platform where SMEs can share their problems and Government will provide solutions through various schemes and policies.

Perspective

MAIT Pre-Budget Recommendations for Union Budget 2015-16

With the budget session coming up in the months ahead, MAIT has put together a set of industry recommendations with respect to Indirect Tax (customs and central excise, service tax, central sales tax, CENVAT credit rules and goods and service tax) and Direct Tax. Given below are some of the salient recommendations made by MAIT to the government so as to advance electronic manufacturing capabilities in the country.

Customs and Central Excise:

- Exemption from levy of special additional duty (SAD): MAIT has proposed that the benefit of SAD exemption be extended to all goods when imported for use in the manufacture of Information Technology Agreement (ITA) products.
- Levy of basic customs duty (BCD) on telecommunication products: It is recommended that the government provide a list of 8 digit tariff code along with specific functionalities with regard to the specified goods that will be subject to increased rate of BCD of 10 percent as against the mere description of goods provided.
- Enhancement of abatement under maximum retail price (MRP) based excise valuation. The rate of abatement on all IT products should be increased from 20 percent to 40 percent under Notification No 49/2008 – CE (NT) which prescribes the rate of abatement for products under MRP based excise valuation.
- Harmonization of IT product list across central and state indirect tax laws: Customs authorities across ports as well as VAT/CST authorities should receive a detailed list of description of IT goods in tune with the current technologies / terminologies, which are entitled to be classified as 'Information technology goods' with the reference of tariff heading at the 8 digit level.

- Concessional rate of countervailing duty (CVD) for external hard disc drives is also required: A clarification needs to be issued under Notification 12/ 2012 – CE to state that all external hard disc drives classifiable under sub-heading 847170 (irrespective of their 8 digit classification) are eligible for concessional rate of CVD under entry 255 of Notification No 12/ 2012 CE dated March 17, 2012.



- Alignment of rate of duties applicable on computers, tablets and mobile phones: MAIT has recommended that indigenously manufactured computers be extended a concessional excise duty scheme similar to mobile handset manufacturing in India by amending Notification No 12/2012 dated March 17, 2012.
- Extension of excise exemption for manufacturing in specific states: MAIT has proposed that the excise holiday for products manufactured in the states of Himachal Pradesh and Uttarakhand be extended for a further period of 10 years. Any new units commencing production on or before March 31, 2015 should also be bestowed with central excise exemption for a period of 15 years.
- Central excise valuation: It is advocated that the language of Rule 6 of the Excise Valuation Rules be re-visited and amended, so as to arrest any possible ambiguous interpretation basis the FIAT ruling and to avoid any dispute on valuation aspects in future.

Service Tax:

- Dual taxation on sale of packaged or canned software: MAIT requests that a clarification be issued with regard to software licensors involved in sale of pre-packaged software. Irrespective of whether packaged / canned / off-the-shelf software is supplied on a media or electronically and whether the same is accompanied by a license or otherwise, the same entails sale/ transfer of right to use goods and is therefore outside the purview of service tax.
- Taxability of service portion in the execution of annual maintenance contract (AMC): It is urged that the Valuation Rules be amended to state that, if VAT is paid on the goods component either on actual basis or deemed deduction basis, service tax should be payable only on the balance amount.



- Transactions between head office and branch deemed to be 'service' liable to service tax: The branch and head office are treated as separate or distinct persons for the purpose of service tax levy when one of the two are located outside the taxable territory. A clarification needs to be issued that the aforesaid deeming fiction is only intended to ensure services received by an overseas branch, being outside the territorial jurisdiction of India, shall not be taxed in India.
- Exponential rates of interest to be reduced: MAIT has suggested that the higher staggered rates of interest should be confined to cases where service tax is collected but not remitted to the department. In all other cases the regular rate of 18 percent interest alone should apply.

- Place of provision of intermediary services: MAIT has advocated that the PPS Rules be amended to provide that place of provision of 'intermediary' services shall be the 'location of the service recipient' as opposed to the 'location of the service provider'.
- Reverse charge mechanism for domestic services: In order to avoid the hassles of payment of service tax under reverse charge mechanism, many companies have shifted their procurements from individuals / firms to corporate entities. MAIT has recommended immediate rolling back of the reverse charge mechanism for domestic services.
- Clarification on liability arising in case of business transfer: A limitation clause specifying a time limit with regard to recovery of dues should be inserted to aid the successor of business to shield against uncertainty, as well as obtain required indemnity from the predecessor / transferor of business.
- Service tax exemption to SEZs: MAIT proposes that it may be clarified that if Form A-2 is not issued within three months from the date of submission of Form A-1, for no fault of the service recipient in obtaining such forms from the jurisdictional service tax authorities, then the service recipient or the service provider should not be penalized for the same.
- Extension of timeline for payment of service tax: The present timeline has resulted in a severe strain on the resources of the assessee coupled with inability to discharge liability on an accurate basis. Hence, it is requested that due date for payment of service tax be changed to the 20th of the following month aligning the same to the provisions under the VAT law. This shall aid in payment of VAT as well as service tax simultaneously on a post of post-sale support services (such as maintenance) which attract both these levies.

Central Sales Tax (CST):

- ITA products to be included in the list of declared goods: The CST Act should be amended to specify 'all ITA bound goods' to be 'declared goods' under section 14 of the CST Act so that these goods attract uniform rate of VAT of 5 percent across states.

- Nil rate of CST against Form C purchases: MAIT has suggested that all interstate purchases meant for subsequent sale or use in manufacture / processing of goods for sale against Form C be taxed at 0 percent so that there is no cascading effect of taxation on such goods.
- Comprehensive clarification in respect of e-commerce companies not being dealers and 'situs' of sale on cash on delivery / approval basis being the state of origin: With e-commerce business expanding in India, the laws need to be revisited and amended to provide more certainty and clarity and to indicate that the market place operators are service providers.

CENVAT Credit Rules:

- Time limit for the availment of CENVAT credit, reversal of CENVAT credit on common input service under rule 6(3) of CENVAT rules and relaxation of credit restrictions in respect of certain services, prescription of higher rate of depreciation, withdrawal of inter-unit transfer of CENVAT credit facility available to large tax payer units (LTU) have been addressed in MAIT's pre-budget recommendations.
- In addition overall recommendations pertaining to policy as well as procedures have been made.

These include deemed export benefits in respect of ITA goods such as speedy disposal of special valuation branch (SVB) cases, requirement for payment of mandatory pre-deposit being withdrawn, express clearances for customs / expeditious customs clearances, express clearances of refund claims, continuation of and clarification of tax / duty benefits to EOU / STPI / EHTP units, reconsideration of prosecution provisions including power to arrest and allowing commercial samples to be carried under 'hand carry' route for R&D units.



- MAIT has also requested that the introduction of Goods and Service Tax ('GST') legislation is expedited.
- With regard to Direct Tax that pertain to the manufacturing industry, MAIT has asked that an optimal minimum alternate tax (MAT) rate be maintained. Also we have requested an extension of MAT and DDT to SEZs, a mutual agreement procedure, where disputes are sought to be resolved bilaterally through inter-governmental intervention and accelerated depreciation on IT products, amongst others.

Details of the MAIT Pre-Budget Recommendations Union Budget 2015-16 can be downloaded at
<http://1drv.ms/1rxm40r>

Industry Tracker

Overview of e-Waste in India

Per Capita e-Waste



US - > 29 Kgs
Europe - > 8 Kgs
China - > 5 Kgs
India - < 1 Kg

2.7 million tonnes of e-Waste



- 42% Household Appliances
- 34% IT Electronics
- 14% Consumer Electronics
- 10% Others

Contributor of e-Waste in India

10 States producing

70%
e-Waste



65 Cities producing

60%
e-Waste

Top Culprit States

- 1 Maharashtra
- 2 Andhra Pradesh
- 3 Tamil Nadu
- 4 Uttar Pradesh
- 5 West Bengal

Top Culprit Cities

- 1 Mumbai
- 2 Delhi
- 3 Bangalore
- 4 Chennai
- 5 Kolkata

Mechanisms to Recycle e-Waste



Only 5% by Authorized Recyclers



Around 95% by Unauthorized Recyclers

Few Laws & Policies on e-Waste Regulation



National Policy on Electronics, 2012 by

CII

E-Waste (Management and Handling) Rules, 2011

Central Pollution Control Board, 2007 for Elec. waste

Role of the main Stakeholders for e-Waste Management



Government



Industry



Citizen

- | | | |
|---|--|---|
| <ul style="list-style-type: none"> ✓ Law & Admin. Control ✓ Regulatory body Set-up ✓ Active Monitoring | <ul style="list-style-type: none"> ✓ Trained Manpower ✓ Use Bio degradable Material ✓ Use technology to Manu. & demanufacture | <ul style="list-style-type: none"> ✓ Make yourself Aware ✓ Consider upgrade rather than purchase ✓ Donate products for extended use ✓ Use Recycled Products |
|---|--|---|

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5. United Nations Environment Programme environment for development, 2007
6. Mounting e-Waste of Europe: Policies, Management Practices and Business Solutions, 2010
7. Others, send request to salim@cornerstonerconsulting.in

* Annual Figures

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About MAIT

Set up in 1982 for purposes of scientific, educational and IT Industry promotion, MAIT is today an influential and dynamic organization. Representing hardware, training, R&D, hardware design and other associated service segments of the Indian IT industry, MAIT's charter is to develop a globally competitive Indian IT industry. MAIT works to promote the usage of IT in India, strengthen the role of IT in national economic development, promote business through international alliances, promote quality consciousness in the IT industry and transform the Indian IT industry into a World Scale Industry leading to a World Class Usage and thus a World Size Market.

**We would like to take
this opportunity to welcome
our newest members**

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IBIS Infratech Pvt Ltd.

www.ibisinfosystems.com
Services: Mfg. of Desktop Computers.

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India's new Chief Economic Adviser (CEA).



Shri Rajiv Mehrishi
Secretary Department of
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Government of India Invites proposals from Academic Institutions to enhance PhDs in ICT sector

Scheme open for part time PhD candidates for academic year 2014-15

For

PhD Programmes in

Electronic System Design and Manufacturing (ESDM)

Information Technology (IT) / Information Technology Enabled Services (ITES)

Enrolments in coming 5 years would be eligible Scheme also provides fellowship to young faculty

Eligibility:

Any Central University,
Institutions of National
Importance

Target: 1000 full time PhDs,
2000 part time PhDs
200 young Faculty

Contact: PhD Cell , DeitY,
Ph.: 24301389
E-mail: phdscheme@medialabasia.in

Eligibility:

Deemed University, State University
Private institutions are also eligible
subject to qualifying laid down criteria

Salient Points:

Support only for additional PhDs
For every five candidates supported
one candidate to be supported by
Industry/State Government



Details are available at www.deity.gov.in/content/right-links2 (PhD Scheme)

Department of Electronics & IT (DeitY),

Ministry of Communications & IT, Electronics Niketan, 6 CGO Complex, Lodi Road, New Delhi 110003