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Ref.No.MAIT/PY/2637

January 30, 2023

Shri Alkesh Kumar Sharma. IAS
Secretary
Ministry of Electronics & Information Technology

Sub: MAIT's Representation on Initiation of anti-dumping investigation concerning imports of "Printed Circuit Boards (PCB)" originating in or exported from China PR and Hong Kong

Respected Sir,

Greetings from MAIT!

This bears reference to DGTR's Initiation Notification, Case No.AD (O1) – 16/2022 dated 30th December 2023 of anti-dumping investigation concerning imports of "Printed Circuit Boards (PCB)" originating in or exported from China PR and Hong Kong at the behest of Indian Printed Circuit Association (IPCA) as an applicant association.

We, the Manufacturers' Association for Information Technology (MAIT), established in 1982, are the apex industry body representing the Electronic H/W sector in India. It has industry members including all major electronics and telecom product manufacturing companies. MAIT members transcend domains of OEMs, EMS, Design Houses, etc. We take this opportunity to apprise you that the industry is extremely concerned regarding this investigation. We collectively feel that this investigation will go against local manufacturing initiatives of electronic products which have been promoted through various schemes by the States and Central Government of India.

Aspects on Material Injury

In order to initiate an Anti-dumping duty investigation, one has to provide sufficient evidence regarding 3 factors –

1. **Challenges faced by Manufacturing Industry** - Any compromise in quality and cost has a detrimental effect on product prices and saleability. With the effort and promotion of product manufacturing through schemes like SPECS, MSIPS, PLIs, India has been able to bridge the manufacturing gap to an extent. Even at current structure of spending over 3-4% on freight for importing PCBs, we are very lesser competitive than other global locations like Vietnam, China and Taiwan etc. to win new business.
2. Majority of this PCB global sourcing are based on global bulk buys & multi-location supplies to achieve economies of scale and consequently lesser PCB costs. Additional costs that are already factored by the manufacturing industry include 1-2% on Operation overheads & associated air/premium costs.
3. **Quality:** Industry experimented a few times to source PCBs locally, however, sadly the industry did not get the quality required. Some of the practical challenges are listed below:
 - Ultra-fast processors and new-generation interfaces (GiGE, eMMC, DDR4, SATA-III, etc.) require very tight PCB specs.

- PCB is a critical component for differential routing, signal integrity, ESD, RF radiation, susceptibility, etc.
- PCB specs are critical for product quality and performance including reliability, durability and certifications such as BIS, TEC, CE, FCC, etc.
- PCB quality is a serious concern; when a PCB is defective, the entire board with all the components are ruined.

4. Cost:

- Indian manufacturers are quoting very high costs: typically 20% to 50% higher.
- PCBs have a significant impact on industry's product cost (COGM).
- Industry costs are already very high and would further shoot up prices.

Specifically, manufacturing industry is worried about price-sensitive products and we perceive that India's industry competitiveness will be impacted in many other export markets such as Middle East, APAC, Africa, USA, Europe, etc.

5. Delivery time & Supply demand gap

- As of now, India does not have enough PCB manufacturing capacity. The constituent inputs are also levied with duties making the cost higher. This has a cascading effect on products becoming uncompetitively priced. A case in point is the duty on resins used for PCB manufacturing. If sufficient and correctly priced PCBs are not available then the entire electronic product manufacturing will be adversely affected.
- Delays in PCB supply creates serious bottlenecks in OEM's capabilities to fulfil orders in time.

6. **Existence of Injury to domestic industry** - Injury may be analysed in terms of volume and price effect of the dumped imports. Injury is evaluated using various economic indicators including declining sale, selling price, profits, marketshare, production, utilization of capacity etc. The perceived injury to some companies as articulated in the application by IPCA is an attempt to cause larger and disproportionate injury to the \$100 Bn IT manufacturing industry as it exists today. There exists a disability for PCB manufacturing and this fact has been well accepted by the Government as well. To overcome these disabilities, Gol has included incentives for manufacturing of Bare PCBs in PLI Scheme as well. The investigation of dumping goes against the very idea of local manufacturing with agreed value addition thresholds.

Import Value of HSN Code 85340000

HSN code - 85340000, Description - Printed Circuit, India Import value in USD M	
Period	Import value (in USD Million)
Apr 2018 - Mar 2019	682.38
Apr 2019 - Mar 2020	616.97
Apr 2020 - Jun 2021	920.65
Jul 2021 - Jun 2022	940.76

Source: Department of Commerce

The total imports of Bare PCBs in the impugned period were \$940.76 mn (please refer to the table above). These PCBs have been used for local manufacturing and exports of manufactured goods from India. The investigation will put the entire manufacturing value chain at risk of collapse.

Make in India (MII)

- Initiatives like Make in India, Digital India and Startup India have given the much-needed thrust to the Electronics System Design and Manufacturing (ESDM) sector in India. Moreover, the Government's endeavors such as Modified Special Incentive Scheme (M-SIPS), Electronics Manufacturing Clusters, Electronics Development Fund and National Policy on Electronics 2019 (NPE 2019) have been a huge success.
- As a result, India has shown remarkable progress in the sector, India's production of electronics has increased from USD 29 Bn in 2014 to USD 70 Bn in 2019. From a country that had only two mobile phone manufacturing facilities in 2014, India now stands as the second-largest mobile phone manufacturer in the world.
- To further strengthen the ESDM ecosystem with a complete value chain and position India as the global hub for ESDM, the following schemes have been notified by the Ministry of Electronics and Information Technology (MeitY):
 - Production Linked Incentive Scheme (PLI)
 - Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECES)
 - Modified Electronics Manufacturing Clusters Scheme (EMC 2.0)

Presently in India, no Design linked incentives for PCBs exist in India and therefore it is natural that cost and quality products are sourced based on market dynamics.

Sir, the scope of the product under consideration in the present investigation is limited up to six-layer PCB. The following PCBs are already excluded from the scope of the product under consideration:

- a. PCBs with more than 6 layers;
- b. PCBs for use in mobile phone applications;
- c. Populated printed circuit boards of all sizes.
 - The product under consideration is classified under Chapter 85 and under the tariff heading 8534 0000 "Printed Circuits" of the Schedule I to the Customs Tariff Act. However, the applicant has claimed that there is a possibility of import of product under consideration under any other heading / tariff item. The HS classification for the product under consideration is only indicative and in no way binding upon the product scope.
 - Observations – Majority of PCBs imported are "populated printed circuit boards" (PPCBs). Two categories: (i) for use in the manufacture of computers, (ii) for services.

- Motherboards are exclusively covered under CTH 84733020. Other mounted printed circuit boards are exclusively covered under CTH 84733030.
- Other PCBs are covered under CTH 84733099 as “other”.

Recommendation – In addition to the existing exclusions from the scope of the product under consideration, below may be appended.

- Other PCBs exclusively covered under tariff 84733099; “parts and accessories of machines of heading 8471”
- Other PCBs exclusively covered tariff 84439959; “parts and accessories of goods of subheading 844331, 844332”.
- The scope exclusion should be extended to PCBs of Networking products like Switches, Routers, FTTH products, etc. Following are the reasons:
 - The design complexity is considerably high similar to smartphone PCBs.
 - There exist frequent changes in design of these PCBs due to rapidly evolving technology as well as due to constraints in chipset supplies. Hence, above-mentioned category of PCBs be excluded from the proposal till Indian industry gains enough confidence on domestic PCB makers on capabilities to adopt such change demands competitively and in short time.
 - Due to complexity and stringent quality requirements in the above marked categories of PCBs, currently we may not get a pricing from domestic supplies comparable to Chinese at the moment. Hence , it would be advisable to exclude them from the scope till the domestic supply chain grows up to stand competitive in those aspects also.
 - Also, as mentioned in the petition filed refer page no.11 Specification and page no.21, the product under consideration is manufactured based on drawing provided by the customers. Whereas in case of complex designs like networking products, the drawings currently originate from overseas sources only and hence there will be higher dependency on them for any changes. Due to all above mentioned complexity, it would be highly recommended to exclude PCBs of Networking products like Switches, Routers, FTTH products, etc. from the scope of above-mentioned proposal.
 - The exclusion of Populated printed circuit boards of all sizes (Pt. no. A. 3.c) from this scope consideration conflicts with “Make in India “ drive as the same can harm domestic producers of Populated PCBs mainly Indian EMS sector. So, industry proposes to remove the Populated PCBs from exclusion.

As India's apex Association of manufacturing companies that has been closely involved in the success of various manufacturing schemes of GoI, we strongly recommend that this infructuous Anti-dumping investigation be stopped and the *Atmanirbhar* manufacturing industry is not stopped by vested forces from realising its true potential.

To discuss this important matter in detail, we further request you for a suitable meeting time for a MAIT delegation of Industry Captains at an early date.

Looking forward to positive consideration of our request.

Warm regards,

A handwritten signature in black ink, appearing to be 'AA Jafri', written over a horizontal line.

Col AA Jafri, Retd
Director General