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Shri Amit Yadav
Director General
DGFT

Subject: Criticality of Ensuring Smooth Supply Chain and Manufacturing Operations for Electronics in India

Respected Sir,

Greetings from **MAIT**, the apex body of the Electronic Hardware Manufacturing in India!

This bears reference to the recent development taken by the GOI to safeguard India's interest by mandating 100% inspection of every container originating from China and Hong Kong at every Port of entry in the country.

To set the context, every electronic manufacturing economy including US is dependent on China for some component or conversion process. This implies that there is very little electronics manufacturing that can run in the world without sourcing something from China. And there is no alternative in the immediate short term.

The above measure is majorly impacting the Indian manufacturing industry which is struggling to get back on its feet after the Covid disruption.

Sir, we write on behalf of the Indian Electronic Industry, both large and small manufacturers and we wish to share the on-ground distress the Industry is facing. We also have a few suggestions that may be considered.

This step has not impacted the Chinese, as they have happily encashed their LCs and taken the money home. While the Indian Manufacturer who has paid for the cargo

1. Is not able to utilize the raw material in productive work.
2. Is bearing the cost of the keeping their plants open but not able to productively utilize the labour. (who they have been supporting in their own individual ways for the last three months.)
3. Is bearing the cost of Demurrage, Detention and Interest Charges. As the cargo piles up the misplacement and tracing become more difficult as seen with much of the cargo that landed in late March and April.
4. Further the importer has to file the BOE immediately on its landing, otherwise faces a daily increasing penalty of Rs.5000/- per day of delay (5k, 10K, 15K, 20K)
5. Carry the risk of Chinese suppliers not honouring warranty replacement claiming that material was lying in containers at the ports in the hot Indian summer.
6. Carry the risk of damage of equipment, batteries leaking, life reducing due to hot atmosphere inside the containers.
7. Carry the risk of their customers cancelling the orders on them due to their inability to supply in time.

I wish to highlight another perspective:

The foundation of global supply design is to build capacity that consistently delivers on Quality, Cost and Schedule. It is a very unforgiving domain, where if a location is inconsistent on these, an alternative location is looked for.

The Pandemic brought to a standstill the manufacturing at the electronic factories in our country. Rightfully so keeping many perspectives in mind. However, many economies took a step of reducing production to achieve social distancing that avoided total closure.

At a time when India is looking at attracting big investments in electronics, this second disruption is a deadly blow on the global confidence on India's Manufacturing.

The period is seeing our country witness the paradox where despite having domestic electronics manufacturing capacity, the lock down generated pent-up demand is being fulfilled by imports. If these trends are not arrested immediately, it will further erode the faith on India's ability to be a dependable supply chain node.

As the fifth largest economy of the world, India on its terms, is driving an ambitious strategy to transition our countries dependency on imports. A well thought strategy under execution. At this juncture, India should not take reactive steps that undermine this very objective.

We, therefore, urge you to take measures for restoring the smoothness of the supply chain that supports the Indian Electronics manufacturing & business operations.

We have the following suggestions for the Electronics sector for your kind consideration.

1. Allow smooth clearance of imports by holders of AEO, DPD, SEZ & EOU status. These are entities are already validated and certified by GOI.
2. Kindly give priority to the cargo of SME manufacturers. The SME can submit a SME certificate along with a self-certified Manufacturer Status certificate. This, if required endorsed by their registered Manufacturing Industry Association.

We request that the SME Manufacturers to be given this priority even if the SME is not an AEO holder on the submission of the above certificates. Let us support this highly vulnerable sector of our country.

I must share that a number of SMEs called and asked MAIT if it is sound to release orders. Are the plants overseas operational, can you check with the big buyers. And based on the feedback, they took loans from the Banks (Must thank the GOI for facilitating the same, yes, they have pledged some collateral) and placed orders on their suppliers.

We wish to assure you that we the citizens of India and the Indian Electronic Industry will totally back any decision the GOI will take to safeguard the interest of our nation. However, steps that hurt Indian entrepreneurs and the Indian industry should be smartly avoided.

The situation is so critical that we request you to address this at the highest priority. We look forward to the agility and boldness that your administration has always demonstrated.

With regards,



George Paul
Chief Executive Officer

CC: Shri Nitin Kunkolienker, President, MAIT