Component PLI top demand of electronics firms

Manufacturers aim at attracting global value chains, scaling up production

ASHUTOSH MISHRA
New Delhi, 2 July

Bringing components used in electronic goods under the production-linked incentive (PLI) scheme and having rationalised tariffs on inputs are two of the demands of manufacturers from the upcoming Budget.

The demand is part of the recommendations submitted to the government by the India Cellular and Electronics Association (ICEA). They are aimed at attracting global value chains (GVCs) and scaling up production and exports in the next five years.

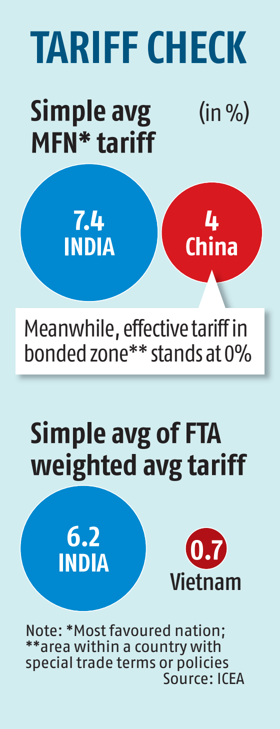
The industry body has also asked for a ₹40,000-45,000 crore package for the components ecosystem, extended over six-seven years.

"To build a sustainable and robust electronics manufacturing industry, it is imperative to develop a components and sub-assembly ecosystem. The government should provide appropriate policy and financial support for building large-scale components and sub-assembly ecosystems, with a longer gestation and incentive period. This will offer long-term policy predictability and certainty, creating an environment for business continuity," said the ICEA.

Advocating tariff reduction, the industry body recommended reducing the current seven tariff slabs for the mobile sector to four — zero, five, 10 and 15 per cent — by 2025.

The organisation wants removed the 2.5 per cent tariff on sub-assembly parts and inputs, and all tariff lines that increase costs significantly, including those for components of complex sub-assemblies, be brought down to zero.

Further, reducing the duty from 20 per cent to 15 per cent on the printed circuit board assembly (PCBA), charger adapters and mobile phones, and reduction in the duty on mic/receiver components from 15 to 10 per cent are some other demands.



The recommendations are based on a seven-country "Tariff Study" on input tariffs for smartphones, said the ICEA.

"Sustaining the tremendous growth in mobile phone production and exports requires matching the competitive tariff regimes of China and Vietnam. Current high tariffs increase manufacturing costs in India by 7-7.5 per cent on the bill of materials (BoM), deterring local ecosystem development, hampering exports and adversely impacting job creation", said Pankaj Mohindroo, chairman, ICEA

According to the industry body, India's simple average most favoured nation (MFN) tariff for inputs is 7.4 per cent, compared to China's effective zero offered in bonded zones, and Vietnam's 0.7 per cent FTA weighted average tariffs.

"That electronics is China and Vietnam's largest multi-hundred billion dollar export goes to prove that GVC participation and low tariffs are a time-tested strategy for building a country's export prowess in the electronics sector," said the ICEA.

India's electronics manufacturing output reached $ 115 billion in FY24, with $29.1 billion in exports, making the segment India's fifth-largest export category.