

Meity looks to tweak PLI for top IT hardware firms

SURAJEET DAS GUPTA

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The Ministry of Electronics and Information Technology (MeitY) is engaged in discussions with global IT hardware makers which are looking to move part of their production capacity from China to India.

As part of these talks, MeitY is planning to rework the Production Linked Incentive (PLI) scheme for IT hardware to incorporate some of these companies' requirements and make it relatively attractive for them.

In its first year, the scheme has not performed according to expectations. Most of the 14 global and domestic

players have not been able to meet their investment or production targets to qualify for incentives.

Explaining the thinking behind the plan, Minister of State for MeitY Rajeev Chandrasekhar told Business Standard: "The IT hardware is not a high growth market, it is a very set market. There are only four to five players and almost all of their manufacturing is in China. The players are known -- HP, Dell, and Apple, among others, and some Chinese brands. Therefore, there is not much incentive for too

many companies to come here and make investments and the first round of PLI reflected that."

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states of Punjab, Haryana, UP, MP, and a few others diversifying from wheat and rice towards more lucrative and in-demand crops, such as pulses and oilseeds, it has been learnt.

Meity looks..

However, these companies have shown interest in shifting part of their capacity at least to India. Apple has already done this for mobile devices. "We believe now that there is a tremendous interest from these companies and others to move some of the production to India and we are engaged with them and we would definitely want to welcome them," said Chandrasekhar.

He said the government is trying to understand what needs to be done to bring them in. "We are looking at whatever disability they have in manufacturing in India and what other access, such as market aggregation, they require to make them invest in India. It is an area of focus," he said.

'Disability' is a reference to the gap between the cost of production in India and the cost in countries like China and Vietnam. The aim is substantially to reduce it as was done in mobile devices through the incentive scheme. HP and Dell are already eligible players under the existing PLI scheme for IT hardware. When contacted, Dell said it could not comment as it was in a "silent period". Apple did not respond to the query.

HP India MD Ketan Patel said: "We are discussing various initiatives with the government to increase local value addition in manufacturing. HP has been manufacturing in India since 2006 and last year, we significantly expanded our manufacturing operations in India, adding a whole range of laptops" Chandrasekhar pointed out that once the national data centre policy is implemented, the cloud in India will grow, as will demand for servers, PCs

and laptops. The government is also looking at creating a secured government cloud in an innovative way and that will also drive demand for IT hardware.

The move is significant as India has been heavily dependent on IT hardware through imports and most of them are from China. According to the latest numbers released by the India Cellular & Electronics Association, imports of laptops and tablet categories to India have seen a sharp 50 per cent increase in the April-June quarter from ₹6000 crore in 2020-21 to ₹10,000 crore in 2021-22.

Also, a study undertaken by EY pegged the total market for laptops in India in 2019-20 at \$4.85 billion out of which imports accounted for 86 per cent of the market at \$4.21 billion. The domination of Chinese imports is reflected in the fact that the market value of its imports was \$3.65 billion.

Mahindra..

The business leader, who's active on social media, stated that the government is trying to do its bit. "It has announced plans to hire 1 million in government jobs by 2023. Given that we have a 900-million-strong workforce, there's a lot more to do," he said.

The Indian unemployment rate is hovering around 7-8 per cent, he said citing data from CMIE. "This is because job growth has not kept pace with GDP growth," he said. Mahindra raised the issue of employability too. Only 40 per cent of the labour force that is capable of working is actually working or looking for work, he said. In contrast, the labour participation rate is more than 60 per cent in the US, he added.

Job creation is happening mainly at the lower end of the gig economy - drivers for Uber, delivery for Zomato, that sort of thing in the private sector, he emphasised. "This is not nearly