

OEMs, electronic part makers seek greater govt aid

Demand combination of upfront capex support and PLI

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Global and Indian original equipment manufacturers (OEMs) and component firms are urging the Ministry of Electronics and Information Technology (Meity) to provide a combination of upfront capital expenditure (capex) support and production-linked incentives (PLI) under a proposed scheme to boost electronic component manufacturing in the country in core products.

They, it has been learnt, are seeking capex support on paripassu basis, ranging from 25 per cent to 40 per cent on the project cost, with PLI of 3 per cent-6 per cent on the production value.

The Indian Cellular and Electronics Association (ICEA) is in discussions with the government over a proposal similar to the semiconductor incentive scheme. This scheme provides 50 per cent capex support for setting up silicon fabrication, ATMP (assembly, testing, marking, and packaging), and OSAT (outsourced semiconductor assembly and testing) units.

The proposal, as made in an ICEA communication to the government, requests 40 per cent capex support for high-end printed circuit boards (PCBs) with eight layers and above, lithium-ion cells, and flexible PCB assembly. It also includes passive components like resistors, capacitors, and inductors used in mobile devices and personal computers. However, companies must commit to a minimum investment of ₹1,000 crore, and only three players will be considered for support in each domain, the proposal stated.

The ICEA has also suggested a lower 25 per cent capex support for sub-assemblies of camera modules, display assembly, mechanics, and vibrator motors. This also includes some passive components and PCBs with fewer than eight layers. Additionally, the ICEA has proposed a PLI support of 3-6 per cent across all

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POSITIVE ON INVESTMENT

POTENTIAL INVESTORS	COMPONENTS/SUB-ASSEMBLIES
Iijin, AT&S, Unimicron, Sahasra, Ascent Circuits, PCB Power, etc	High-end PCBs
Murata, Texas Instruments, Nippon, Surge Components	Resistors, capacitors, inductors
Exide, Munoth, ATL, TDK	Lithium-ion cells
Foxconn, Murugappa	Camera modules
Tata Electronics, Foxconn	Sub-assembly for mechanics
Foxconn	Sub-assembly for making display modules
Nidec	Subassembly for vibrator motors

Source: ICEA presentation

other key electronics components, including those that will also receive capex support.

These discussions come in response to Meity's suggestion to stakeholders a few weeks ago to create a list of benchmarks for electronic component manufacturing PLI on four criteria, include identifying India's disability against competing countries, and finding out foreign and homegrown players planning to invest in this space, and OEM suppliers ready to buy from them.

The ICEA has submitted its assessment of the electronics component market, stating that India aims to manufacture \$300 billion worth of electronic products by 2026 and \$1.2 trillion by 2032. This will lead to a demand for electronic components of \$75-80 billion by 2026 and around \$300 billion by 2032. To build a competitive ecosystem, India needs to develop a middle layer of electronic components like PCBs and resistors. The requirement for these, it is estimated, would be around \$30 billion by 2026 and \$120 billion by 2032.

Companies argue that for core components, India will require factories with scale to become cost-competitive and have the potential for exports. They highlight that in assembly operations like for mobile devices, the total cumulative investment for each eligible player under the PLI scheme is only ₹1,000 crore over five years. However, component manufacturing requires a substantially higher upfront capital investment to set up a plant with reasonable scale.

For instance, setting up a camera module unit could cost anything from ₹3,000-4,000 crore, while a lithium-ion cell plant could cost as high as ₹6,000-7,000 crore. Many global companies have been wary of making large investments in components, primarily citing government taxation policies and rapid changes.

There are also policy-level challenges to be resolved. A significant portion of electronic component manufacturing worldwide is controlled by Chinese companies.