

Meity may not change value addition target for mobiles under PLI scheme

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New Delhi, 20 September

The Ministry of Electronics and IT (Meity) will not change the value-addition target for manufacturers of mobile devices, which fall under the production-linked incentive (PLI) scheme.

The government had fixed the target based on commitments made by the players at 35-40 per cent by the time the scheme ends in 2026-27. According to industry estimates, value addition by the eligible players currently ranges from 15 per cent to 20 per cent.

Though it is not linked to the incentives, the government has been monitoring the numbers.

A top official in Meity said: "There is no change in value addition expectations of the government." The response comes at a time when many participants in the PLI scheme want the initial commitment made on value addition relaxed.

This is primarily because of two years being wasted due to the pandemic (the government extended the scheme by a year). An additional factor in this is the border skirmishes between India and China and, along with that,



changes in foreign direct investment policy, making it difficult, if not impossible, for Chinese suppliers of electronic goods to set up manufacturing facilities here.

A majority of global vendors of mobile phones and electronics are located in China. Most of them are Chinese companies.

To ensure that value addition happens, the government is talking to stakeholders to finalise an electronics component PLI with a budget of around ₹45,000 crore.

The focus here will be on manufacturing key sub-assemblies like printed circuit boards, camera modules, and displays, which account for a substantial cost of the bill of materials. However, in a

new report, the NITI Aayog has projected value addition in electronics will be able to hit 35 per cent if India hits a production value of \$500 billion, in which \$150 billion is from electronics components.

Foxconn, the Tatas and Pegatron, Apple's three vendors that make iPhones, have a much lower value addition -- 12-15 per cent. The Cupertino-headquartered company has the bulk of its supply chain located in China.

As a result, since last year vendors of Apple have changed their strategy and are looking for a supply chain based on local home-grown players (like the Tatas in enclosures) as well as non-Chinese

THE CHALLENGE

- With two more years to go for the scheme, PLI-eligible companies at an average, have reached value addition of up to 20%
- Apple vendors have reached value addition between 10-15%
- Covid-19 and India's

tough FDI policy after border clashes with China kept away Chinese supply chain of mobile devices

- Vendors looking at non-Chinese and homegrown players as prospective suppliers. However, the process may take time

suppliers in Japan, South Korea, and Taiwan (like TDK of Japan for cells in iPhone batteries).

It is signing deals with US-based Jabil and home-grown auto company Mothersumi, among others, for components.

However, the process of building home-grown players will take time and they will have to tie up for technology.

Many experts say China has taken more than two decades to hit 40 per cent value addition and it will be difficult for India to do so in five years.

For companies like Apple, putting a high localisation target might impede scale and harm export.