

India's electronics manufacturing gets a reality check

Instead of \$300 bn, its value might be only \$225 bn by FY26



OFF TARGET

(\$bn)

Key product segment	Production target* 2025-26	Current estimate	2025-26 exports target	Current estimate
Mobile device	126	100	52-58	40-45
IT hardware	25	6	12-17	0
Consumer electronics	23	23	2-3	2-3
Auto electronics	23	23	NA	NA
LED lighting	16	8	9-12	0
PCBA	12	4	9-12	1
Wearables & hearables	8	8	2-3	2-3
Total	300	225	105-130	58-69

Note: Data for only some key segments have been shown, so they do not add up to the total; *Production target as per vision document

Source: ICEA, April 2023

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The government's ambitious vision document that aims at achieving electronics manufacturing with a value of \$300 billion by FY26 (including exports of \$105-130 billion) could end up far lower than the target, according to a reality check this month.

The reality check came from the Indian Cellular and Electronics Association (ICEA), which partnered with the government in preparing the document.

The members of the ICEA are mobile and electronics companies, and its assessment, based on current trends, indicates that the total electronics production in FY26 will be around \$225 billion.

This is 75 per cent of the vision document's target out of which exports would amount to \$58-69 billion, that is, nearly 53 to 55 per cent of the target.

The segments in electronics, which are expected to fall short of the target, include mobile devices, IT hardware, printed circuit board assembly (PCBA), LED lighting, electronic components, telecom equipment, and strategic electronics among others. The

ones that will be in line with the target include consumer electronics, wearables and auto electronics (*see chart*).

Elaborating on the reality check, ICEA President Pankaj Mohindroo said: "Despite the challenges, the government and the industry will be working together to ensure what it takes to reach as close as possible to the vision document target. The reality check that we have undertaken will help us in doing so."

The big item is mobiles. The target for FY26 was pegged at \$126 billion within which exports were pegged at \$52-58 billion. But the ICEA quoted current trends to say that total mobile device production would be much lower at \$100 billion. Of this, exports would amount to around \$40-45 billion until steps are taken to meet the shortfall.

Three reasons account for the lower figure. One, a clear slowing down of domestic demand from last year. Two, no major participation from Chinese brands in exports (they did a mere \$157 million of exports in FY23) despite government prodding (a projection of \$8-12 billion was made for exports).

Three, there has been a delay in the development of

Indian champions under the production-linked incentive (PLI) scheme. Most have found it difficult to meet their investment and production commitments to avail themselves of the PLI incentives. This is even after Apple is expected to do much more production and exports from India than earlier expected.

Owing to the lukewarm response, the PLI scheme for IT hardware is being reworked. This sector was expected to hit a production value of \$25 billion in FY26 but the reality is that it could be a mere fourth at \$6 billion.

Exports were projected to hit \$12-17 billion in FY26. The ICEA has projected no exports based on the current scenario.

The other area of concern is in PCBAs, which are a key component of mobile devices. The production target was \$12 billion by FY26, but the current assessment is that the figure will only be a third.

The earlier minimum export target was \$9 billion but this too has now been revised downwards to only \$1 billion now. The ICEA has suggested that to achieve the target outlined in the vision document, a new PLI scheme that includes PCBA can capture the export opportunity.

