



M-SIPS incentive needs revision to 30% to offset component manufacturing disabilities: IAMAI

New Delhi, 30 January, 2020: This year provides a unique window of opportunity for India to formulate and introduce an attractive set of policies to emerge as a global mobile component manufacturing hub. This will enable India to have a sizeable share of the global mobile handset market which is expected to be USD 648 billion by 2025.

Suggesting key policy recommendations for budget 2020 to promote export oriented mobile manufacturing, Internet and Mobile Association of India (IAMAI) has released a report, titled **'Modified Special Incentive Package Scheme (M-SIPS) 2.0'**.

While, MSIPS 1.0 successfully managed to attract foreign investments into mobile manufacturing albeit into the low value-additive processes, the report talks about the much-needed new version of Modified Special Incentive Package Scheme, M-SIPS 2.0. The report highlights the need for a paradigm shift to increase the Indian ownership of the value chain by strategically targeting the highest value-additive portions of components manufacturing, inviting high technology driven investment to India.

India needs to focus on the components which have potential of high value addition, can be commonly used across electronic manufacturing sector and are lowest hanging fruit in the current mobile manufacturing eco-system. According to the research by IAMAI, manufacturing of PCB, Plastic Mouldings and Display modules fit the three key factors.

The report identifies the opportunity cost of starting component manufacturing facility in India, which translates into a loss of revenue of around 4 to 9 months, working out to a capex spend of 4-5%. The report suggests that M-SIPS incentive be raised to 30% from 25% of the capex to offset this loss of revenue. IAMAI also recommends that MEITY should develop and launch a special purpose vehicle under its aegis to quickly evaluate, assess and disburse the special incentive scheme M-SIPS 2.0.

The association believes that in the medium term, India needs to work on developing its transport and logistics infrastructure, introduce Labour Reforms, provide focussed skill training and above all streamline its processes to ensure enhanced ease of doing business.

About IAMA

The Internet and Mobile Association of India [IAMA] is a young and vibrant association with ambitions of representing the entire gamut of digital businesses in India. It was established in 2004 by the leading online publishers, and in the last 16 years has come to effectively address the challenges facing the digital and online industry including mobile content and services, online publishing, mobile advertising, online advertising, ecommerce and mobile & digital payments among others.

Sixteen years after its establishment, the association is still the only professional industry body representing the online industry in India. The association is registered under the Societies Act and is a recognized charity in Maharashtra. With a membership of nearly 300 Indian and overseas companies, and with offices in Delhi, Mumbai, Bengaluru and Kolkata, the association is well placed to work towards charting a growth path for the digital industry in India.

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