

## **IAMAI Report Outlines Roadmap to Manufacture 1 Bn Handsets Annually**

**New Delhi, 25 July 2019:** The recently notified the NPE, 2019 lays emphasis on developing the mobile phone and components manufacturing capacity in India. Welcoming the National Policy for Electronics (NPE) 2019, and to suggest the way forward to achieve the desired outcome as enshrined in the policy, the Internet and Mobile Association of India (IAMAI) has released a report titled '**Make in India 2.0 (Revisiting Mobile Manufacturing)**'. The report evaluates the status of the domestic mobile manufacturing ecosystem and the impact of a specific type of tariff-based measure adopted by India to provide a fillip to the domestic capacity.

Releasing the report, **Shri Amitabh Kant, CEO, Niti Aayog** said: "India has a huge potential of becoming a manufacturing hub. The new NEP is export-oriented and mobile device manufacturing will be the largest segment accounting for a third of the size of the manufacturing sector. Govt has constituted a committee wherein the Finance Secretary, Secretary DIPPE, Secretary MeitY are few of the among working together to promote large scale manufacturing and to make India an integral part of the global supply chain. We are preparing ourselves to become a global manufacturing nation for all electronic sector of India."

In order to enhance India's domestic manufacturing capacity and build its export capacity as envisioned in the NPE 2019, the industry recommends adoption of the following measures.

1. **Manufacture at scale:** India needs to focus on attracting large-scale manufacturing and enhance local value integration.
2. **Manufacture High-end phones:** India needs to rapidly capture the markets for the high-end smartphones.
3. **Take an ecosystem approach:** India needs to attract large brands to invest locally in order to improve forward and backward integration with mobile phone GVCs. Component suppliers tend to follow leading brands.
4. **Incentivise exports:** Government of India must, therefore, provide both productions based incentives as well as export-oriented incentives to encourage Indian domestic manufacturing.

While Phased Manufacturing Plan (PMP) has been pushing to create an Indian electronics manufacturing eco-system, the new "NPE" rightly focuses on exports and targets exporting 600 million mobile phones valued at USD 120 billion. According to the report, to build India's export capacity, there is an urgent need to take a global view on manufacturing. To manufacture 1 billion handsets annually with export revenue of USD 200 billion, India must ensure that the scale of manufacturing increases manifold.

Import substitution approach has created mobile assembling units in India primarily serving the domestic market. To grab a larger pie of the global smartphone market, India must become a "manufacturing and export hub" to the world.

To obtain a holistic picture, the report covers some key reasons for the limited expansion of the local ecosystem including the high level of technical complexity, capital investment, and a certain threshold of operations required to develop manufacturing capacity for several components.

Recognizing that the differential duty regime encouraged only Assembly, Programming, Testing and Packaging (APTP) model of mobile phone manufacturing, the Ministry of Electronics and Information Technology (MeitY) in April 2017 introduced a Phased Manufacturing Program (PMP).

The twin objectives of the PMP were to reduce India's import dependency and increase domestic value addition. To this end, PMP relied on an import substitution approach and levied



a 10-15 percent Basic Customs Duty (BCD) on parts/components/subassemblies scheduled to be tariffed from 2016-17 to 2018-19. However, the program has achieved limited success. This report thus outlines the roadmap to achieve the targets set by the new NEP, 2019

#### **About IAMAI**

The Internet and Mobile Association of India [IAMAI] 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 15 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.

Fifteen 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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