

National Policy on Electronics, 2019

March 1, 2019

In brief

The much-awaited National Policy on Electronics, 2019¹ (NPE, 2019) aims to position India as a global hub for Electronics Systems Design and Manufacturing (ESDM) by encouraging and driving capabilities in the country for developing core components, including chipsets, and creating an enabling environment for the industry to compete globally.

In detail

Highlight

- The key themes in the NPE, 2019 are the development of a component manufacturing eco-system, fiscal incentives for the ESDM sector, promoting

research and development (R&D), and specific sub-sectors such as fabless chip design, medical devices and automotive. However, a critical aspect will be how it enables export promotion, which addresses concerns of WTO commitments and

the need for Indian manufacturers to enter the global value chain.

The following strategies have been envisaged under the aegis of the Ministry of Electronics, Information and Technology (MeitY).

Sl. No.	Focus area	Provisions
1.	Development of an eco-system for ESDM	<ul style="list-style-type: none"> Fiscal and tax incentives to promote new and existing manufacturing units. Leverage defence offsets for developing component manufacturing. Extend Phased Manufacturing Programme (PMP) beyond mobiles. Promote electronic goods falling under the ITA (I) category. Electronic Manufacturing Clusters (EMC) scheme to be modified to support both greenfield and brownfield projects. Import duty to be exempted for capital equipment (not available in India). However, promotion of the domestic capital goods industry in the long run. Supply electronic units/ systems for national critical infrastructure from domestic industry with indigenous technology.
2.	Promotion of electronics component manufacturing eco-system	Incentives and manufacturing support for core electronic components (including bare PCBs, chip components, optical fibre, etc.) and components for the clean energy industry, such as lithium ion cells, fuel cells, solar cells, etc.
3.	Industry led R&D and innovation	<ul style="list-style-type: none"> Promote R&D in emerging areas, such as 5G, Internet of Things, Artificial Intelligence, augmented reality and machine learning. Promote design and IPs, and create a sovereign patent fund. Create and subsidise facilities for testing and prototyping innovations.

¹ https://meitY.gov.in/writereaddata/files/Notification_NPE2019_dated25.02.2019.pdf

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4.	Preferential market access	State Governments to be encouraged to adopt the Public Procurement Order, 2017 for the procurement of electronic products.
5.	Export promotion	Attractive package of incentives envisaged to promote the export of electronics manufacturing.
6.	Trusted electronics value chain and cyber security	<ul style="list-style-type: none"> Promote trusted electronic value chain initiatives to improve national cyber security profile across national defence and critical national infrastructure. Promote the use of secure chips, secure IT products and develop facilities for testing.
7.	Development of core competencies in subsectors	<p>The policy provides for support in terms of infrastructure, CoEs, export incentives, skill development and R&D to the following sub sectors:</p> <ul style="list-style-type: none"> Fabless chip design industry. Medical electronics devices. Automotive electronics. Power electronics for mobility. Strategic electronics industries such as defence, atomic energy, space, railways, etc.
8.	Promotion of Electronic Manufacturing Services (EMS) Industry	<ul style="list-style-type: none"> Promote the following EMS activities to create a requisite component manufacturing ecosystem. Engineering and design of PCBs. PCB assembly. Functional testing. Maintenance services, such as warranty and repair services. Product and component design.
9.	Ease of doing business	Invest India to be strengthened as a one-stop show to handle investor queries and handhold until final set-up.
10.	Focus on quality standards	<ul style="list-style-type: none"> Standards to be developed based on global benchmarks. An institutional mechanism within MeitY to be set-up to ensure compliance with such standards. Increase in lab infrastructure for testing, including cyber-security.
11.	Mega projects	<ul style="list-style-type: none"> Incentivise mega projects, such as semiconductor facilities, photonics, display fabrication, etc., and give “infrastructure” status to these units. Promote investments in setting up mega facilities abroad.

The takeaways

The policy currently provides an overarching yet high-level overview of the Government’s vision to support the electronics manufacturing industry. The details of the policy, including the schemes, would need to be defined by the MeitY, in consultation with the relevant Government departments for its

implementation. The industry has several opportunities to engage in dialogue with the Government to help define the contours of the strategies proposed in the policy.

Moreover at various occasions, the Government has invited the industry to share possible ideas and solutions, especially on schemes such as the Phased Manufacturing Program,

alternatives to export subsidies, etc. Any such ideas must be backed by the viability of implementation, expected impact on the sector and the exchequer, along with an execution plan.

Let’s talk

For a deeper discussion of how this issue might affect your business, please contact your local PwC advisor

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