

Electronic Components & Hardware Industry in India

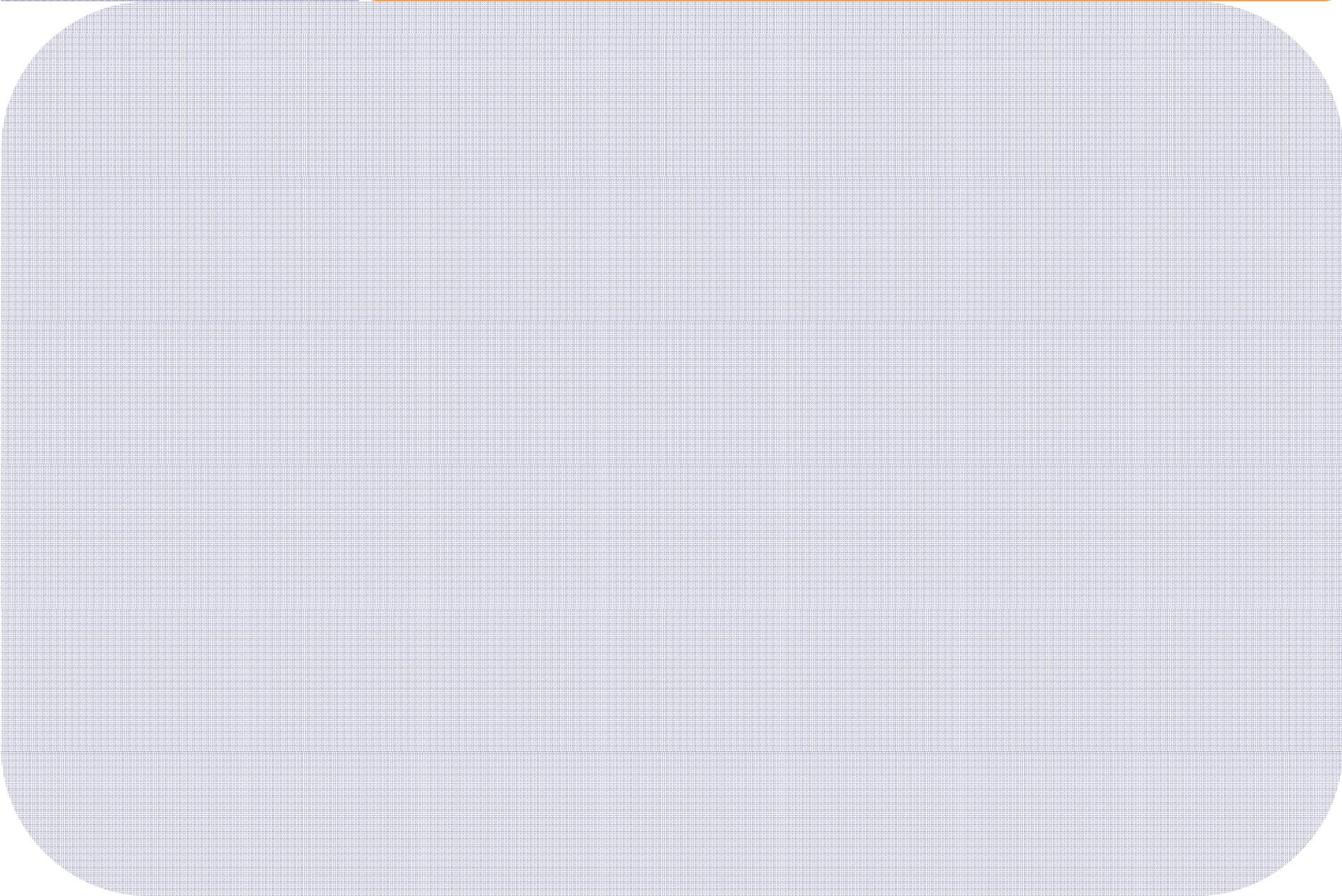
14th World Electronics Forum

New Delhi

1st – 5th December 2008

Rajoo Goel
Secretary General

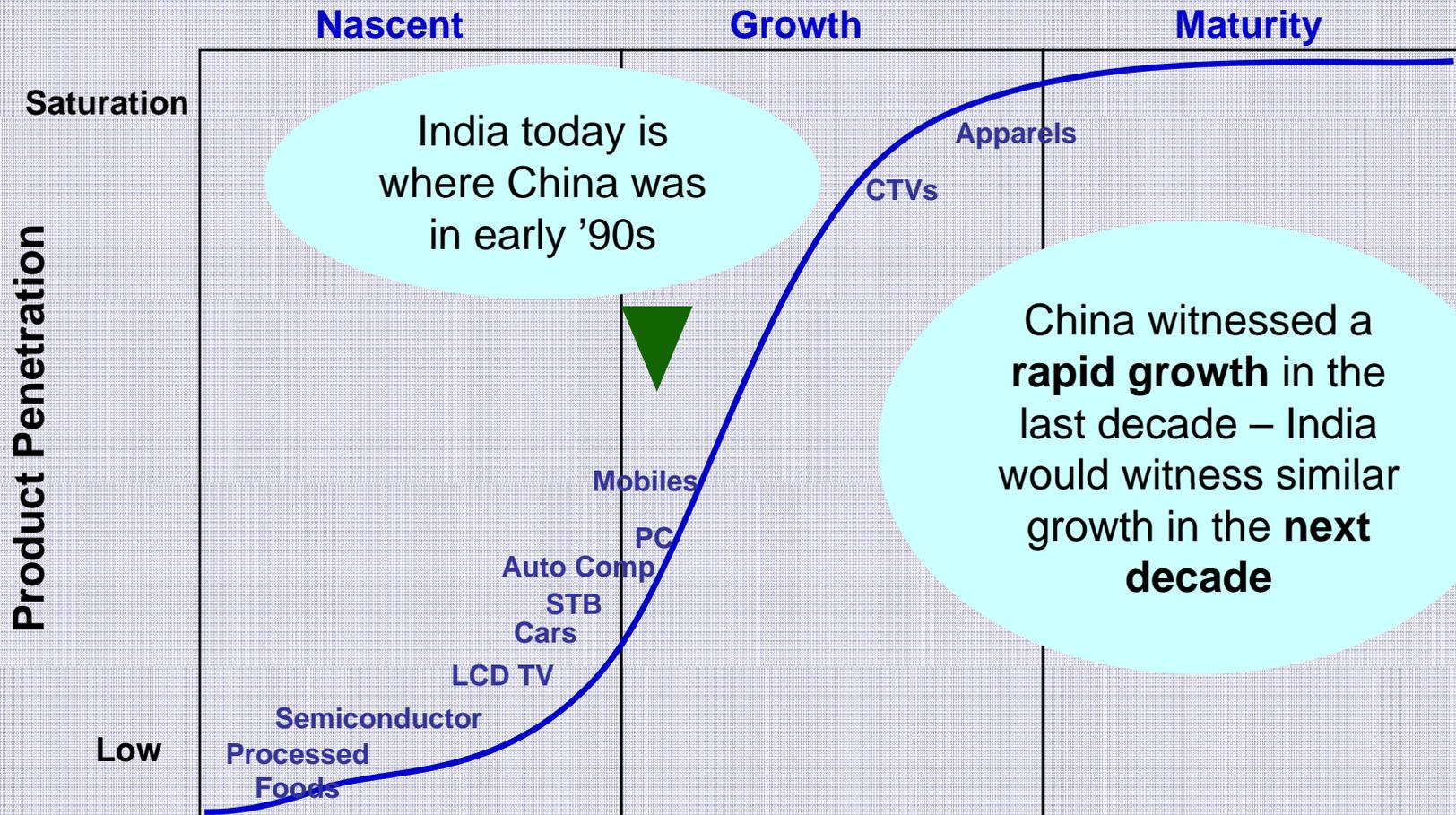
ELCINA



- The Electronics Industry took off around 1920 with valves and vacuum tubes.
- India started electronics mfg in 1965 with focus on space and defense technologies; followed by consumer electronics and telecom
- 1920 Valves and Vacuum Tubes
- 1965 Space and Defense
- 1980 Consumer Electronics
- 1985 Computer & Telecom exchange
- 1988 Digital Exchanges
- 1984-90 Growth phase for electronics
- 1991 Crisis due to Gulf War and Political instability
- 1997 ITA-1 (Under WTO) signed –sluggish investments due to uncertainty about policy under zero import duties
- 2002-08 Growth of Cellular phones
- Zero Duty regime under ITA-1
- Rapid growth of market and EMS
- Investments in Electronic Design, R&D

- ❖ The 13th WEF in Tel Aviv reported the Global Electronics Industry at US\$ 1.6 Trillion – the largest and fastest growing mfg industry
- ❖ *Current Indian market US\$ 40Bn; Growing by ~ 25%+ ;*
- ❖ *At this rate would exceed US\$ 190 Bn by 2015; 8% of global production*
- ❖ *Present Production @20 Bn - about 50% of domestic demand!*
- ❖ Recent encouraging trend towards increased investments in hardware
- ❖ Major players have set up base in India - Nokia, Jabil, Flextronics, Celestica... LG, Samsung- major players
- ❖ Huge Demand Pull for electronic components and EMS industry

❖ BIG OPPORTUNITY FOR GLOBAL PLAYERS



Are we ready to ride...?

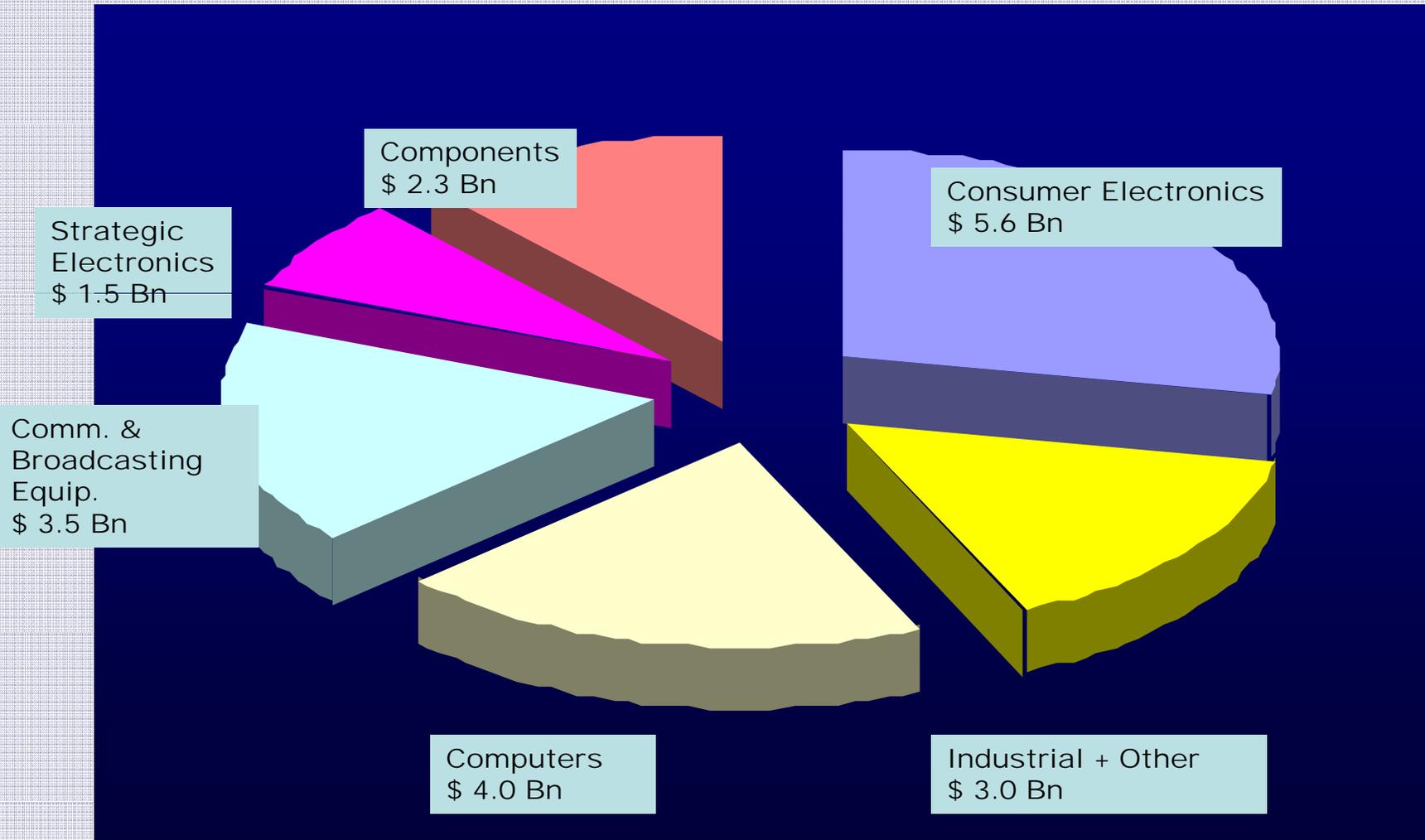
India Market Estimates

	2005	2010	2015
Mobile Phones	35.5 M	199 M *	530 M *
Set- Top Box	3.9 M	20.6 M	47.5 M
PC	4.5 M	15.7M	42.5 M
Color TV	11.5 M	20.1 M	32.1 M
DVD Players	3.3 M	10 M	16 M

‘*’ Shows total Cellphone Population- actual numbers already about 300 mn !

Indian Electronic Industry (2007-08)

Total \$ 20* Billion



(*@42.50 Rs/\$)

Components has fallen behind from 3rd place to 5th place in last 3 years !

CATEGORY WISE BREAK UP
(In INR Million)

	2006	2007	GROWTH
Electronics Components	82762.76 US\$ 1.95 Bn	85738.8 US\$ 2.1 Bn	3.60%

Electron Tubes	21159.38	18513.39	-12.51%
Semiconductor Devices	4061.9	3369.24	-17.05%
Passive Components	14477.88	17737.64	22.52%
Electro-Mechanical	9381.11	9799.78	4.46%
Special Components	299.38	67.13	-77.58%
Electronic Components Other	33383.11	36251.62	8.59%

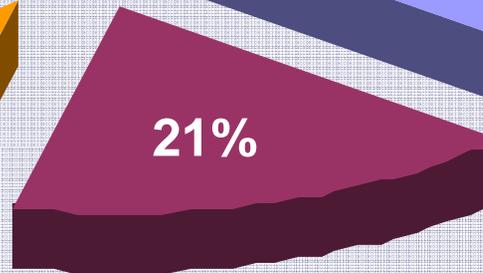
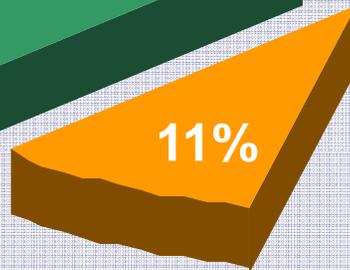
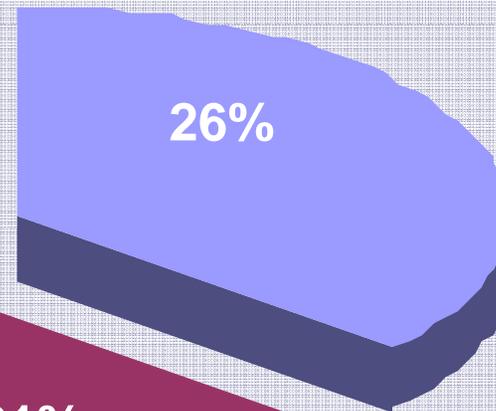
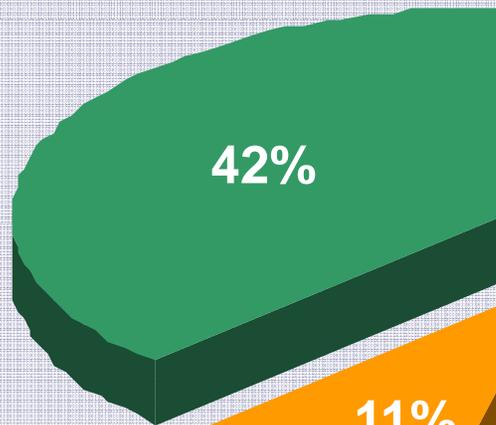
source Dept of IT

US\$ =INR42.50

Indian Electronic Component Segments

Other (PCBs, Tape recorder heads,
Magnetic/Optical media; Special etc)

Active Components



Electromechanical
Components

Passive Components

Share of Domestic Components in Equipment Production

Figures in INR Million; US\$=42.50

Year	Production		Components Exported (C)	Domestic Consumption D = (B-C)	Total Demand 0.4*(A) (E)	Domestic Component usage % (D/E) 100
	Equipment (A)	Components (B)				
2006-07	672000 <i>(US\$16 Bn)</i>	88000 <i>(US\$2.1 Bn)</i>	38000 <i>(US\$0.90 Bn)</i>	50000 <i>(US\$1.17Bn)</i>	268800 <i>(US\$6.3Bn)</i>	18.6
2001-02	270500	57000	22000	35000	108200	32.3
1995-96	173900	34500	4900	29600	69600	42.5

Growth in component production not keeping pace with equipment manufacturing

Economic Reforms – A Liberalised Economy *Accelerated Change since 1991*

FDI Policy

- Most sectors including manufacturing activities permitted 100% FDI under *automatic route* (No prior approval required)

Industrial Licensing

- Licensing limited to only 5 sectors (security, public health & safety considerations)

Exchange Control

- All investments are on repatriation basis
- Original investment, profits and dividend can be freely repatriated

Taxation

- Companies incorporated in India treated as Indian companies for taxation; Tax Reforms process being expedited
- Convention on Avoidance of Double Taxation with 71 countries

- India has a large market with long term growth potential
- There is potential to develop and manufacture Electronics/IT hardware for the local and global market and gain higher global share besides meeting the country's future requirement
- So far the industry has been able to capture only a small share of the global electronics hardware as compared to Other Asian countries
- Presently, the Indian Electronic Industry has been witnessing brisk rate of growth.
- This sector is attracting considerable investments not only as a vast market but also a potential production base by international companies.
- In manufacturing, the investments are largely in low value addition activity... **need huge investments in component production**
- The impetus for global investments has been provided by the delicensing of the entire electronics industry and supportive policies

• *Thank You*

Source: CMIE, EIU

Consistent and Growing economy (2007-08)

GDP & Inflation

- GDP grew by 9% to ~US\$ 1000 Bn
- Average Inflation - 6%.

Foreign Trade & Reserves

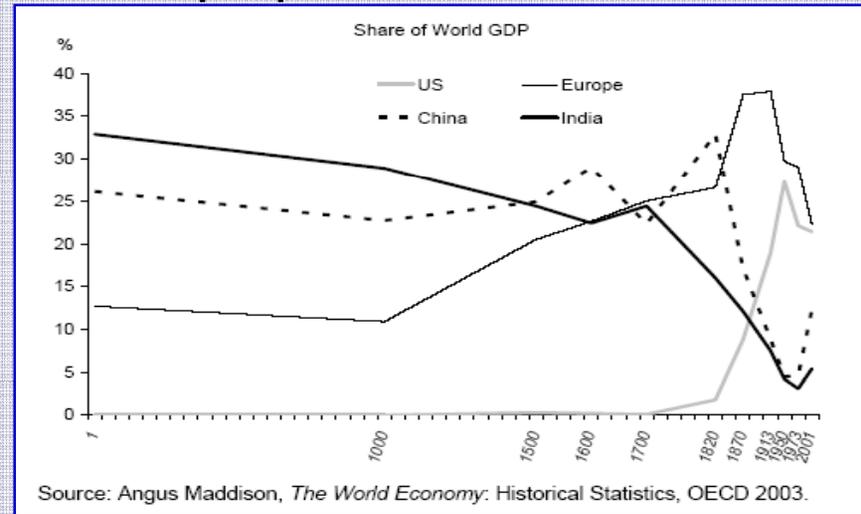
- Exports grew by 23% to US\$155 Bn
- Imports grew by 27% to US\$236 Bn
- Forex reserves ~US\$ 200 Bn

“By 2035, India could be the **third largest economy** in the World after USA and China”

Goldman Sachs

Robust fundamentals

A historical perspective



India's GDP, sustainable growth rate at about 8% until 2020

