



INDIA'S \$500 BILLION ELECTRONICS PRODUCTION TARGET – ECONOMY

NEWS: The government wants to achieve \$500 billion in electronics production in value by 2030.

WHAT'S IN THE NEWS?

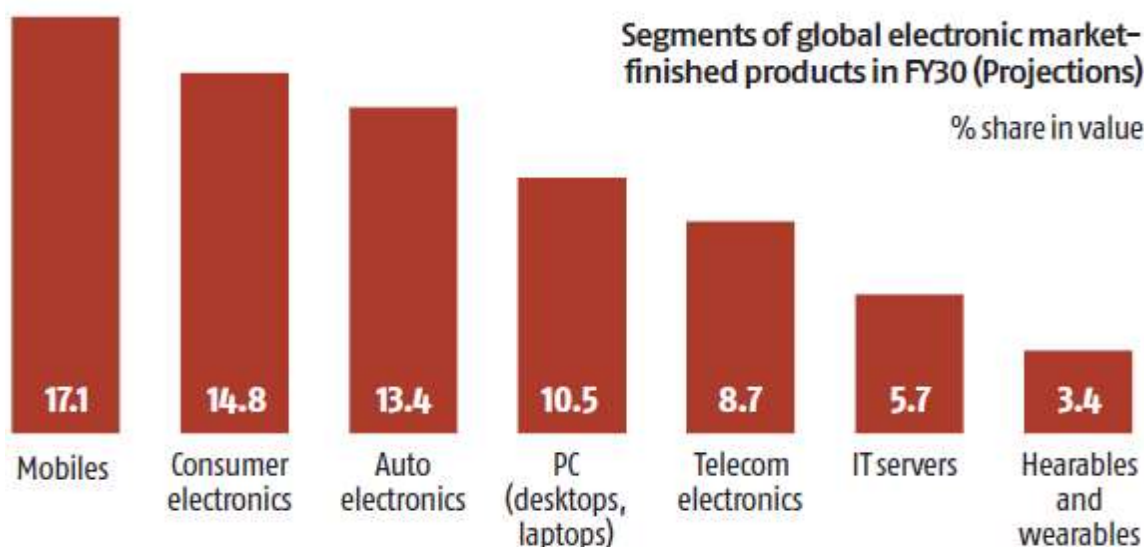
Ambitious Goal for 2030

- **Target Set:** The Indian government aims to achieve **\$500 billion in electronics production** by 2030.
- **Perspective Comparison:** This target exceeds Vietnam's **2023 GDP** and underscores the scale of India's ambition.

India's Current Global Position in Electronics

- **Exports Share:** India has a **less than 1% share** of the \$3 trillion global electronics trade facilitated through global value chains (GVCs), which control 90% of global electronics production.
- **Global Production Share:** India's share in global electronics production is **2%**, lagging behind Vietnam (4%) and China (59%).
- **Comparative Export Values:**
 - Vietnam's electronics exports are **six times** that of India.
 - Malaysia's electronics exports are **four times** higher than India's.

THE AMBITION



Note: The total number does not come to 100 per cent and includes other finished products which are smaller
The total value of finished electronics products by FY30 is projected to be \$3.5 trillion Source: NITI Aayog



Challenges in Achieving the Target

- **Scale of Growth Required:**
 - India needs to increase its electronics production from **\$115 billion (FY24) to \$500 billion by 2030** – a more than **4x growth** in six years.
 - Exports must grow **6.6 times**, while domestic production must increase **3.5 times**.
- **Historical Context:** Between FY17 and FY23, India managed to **double electronics production**, reflecting the immense challenge of achieving the proposed target.

Production-Linked Incentive (PLI) Scheme and MeitY's Plan

- **PLI Scheme for Components:**
 - The Ministry of Electronics and IT (MeitY) plans to launch a **PLI scheme worth ₹42,000 crore** to promote the domestic production of electronic components and subassemblies.
 - This will help build a vibrant component supply chain for both domestic assembly and exports.
- **Localisation Goals:**
 - Localisation levels in mobile devices are currently **10-15%**, but the PLI scheme aims to raise this to **35-40% in two years**.
 - The effort targets reducing India's import dependency and trade deficit.
- **Global Opportunity:**
 - The global electronics components market is valued at **\$1.8 trillion**, while India's current share is **less than 1%** (\$11 billion).

Mobile Phones: A Partial Success Story

- **India's Progress:**
 - India accounts for **12% of global mobile production**, valued at **\$57 billion** in FY24.
 - The Indian Cellular and Electronics Association (ICEA) estimates mobile production could double to **\$120 billion by 2030**.
- **Apple's Contribution:**
 - Apple has surpassed its commitment of sourcing **10% of global iPhone production** from India under the PLI scheme.
 - Analysts predict nearly **one-third of iPhone production** could shift to India by 2028, tripling its market value to **\$60 billion** by 2030.
- **Role of Other Players:**



- Companies like **Google**, **Chinese manufacturers**, and **Samsung** are expanding their operations in India, supporting this growth.
- **Smartphone Limitation:** Despite its potential, smartphones will contribute only **25% of the \$500 billion target**, leaving a significant gap to be filled by other segments.

Challenges in IT Hardware and Other Segments

- **IT Hardware (Laptops, Desktops, Tablets, and Servers):**
 - Global production value: **\$400 billion**.
 - India's share: A negligible **\$5 billion (1%)**.
 - Most laptops sold in India are imported, primarily from China.
 - PLI scheme aims to generate **\$18 billion in production** in eight years, but companies under the scheme face challenges in meeting targets.
- **Wearables and Hearables:**
 - Global production value: **\$80 billion**.
 - India's share: Less than **\$2 billion**, despite high domestic demand.
- **Televisions:**
 - India's share in global TV production is **4%**, leaving significant room for improvement.
- **Semiconductors and Fabs:**
 - Projects are still in early stages, with no immediate contribution to the 2030 target.

Structural Issues Hindering Growth

- **Cost and Tariff Disparities:**
 - Import tariffs on components in India are significantly higher than in competing nations like Vietnam and Mexico.
 - High capital costs (e.g., machine financing) and ease of doing business remain challenges.
- **Policy and Taxation Uncertainty:** Sudden changes in duties and regulatory inconsistencies deter investments.
- **Competitor Advantage:** Countries like Vietnam and Mexico have gained more from supply chain shifts due to **US tariffs** and **technology geopolitics**.

Lessons from Apple's Model

- **Replicating Apple's Success:**



- India needs to attract more global giants to scale up production for both domestic markets and exports.
- This approach could mitigate India's low global share across key electronics categories.
- **Stakeholder Engagement:** MeitY has initiated outreach to domestic and global players, especially for electronics components, underlining the importance of partnerships.

Way Forward: Addressing Structural Barriers

- **Reassessing Cost Disabilities:** India must reassess its cost disadvantages compared to countries like China, Vietnam, and Mexico.
- **Improving Ecosystem:**
 - Streamlining taxation and tariff policies.
 - Enhancing ease of doing business, including labour laws.
 - Addressing infrastructure bottlenecks.
- **Focus Areas for Growth:** India needs to expand its presence in segments like wearables, IT hardware, and semiconductors while scaling up exports of existing products.

Conclusion

- **Massive Task Ahead:** While ambitious, achieving \$500 billion in electronics production will require coordinated efforts from the government, industry, and global players.
- **Policy Overhaul Needed:** Success hinges on addressing structural challenges, implementing effective PLI schemes, and replicating the Apple model across other electronics segments.
- **Strategic Execution:** With a clear roadmap and proactive measures, India can enhance its global standing in electronics manufacturing while reducing dependency on imports.

Source: https://www.business-standard.com/economy/news/india-s-electronics-ambition-faces-hurdles-but-there-is-a-plan-of-action-124121001364_1.html

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