
ELCINA ELECTRONIC INDUSTRIES ASSOCIATION OF INDIA

(Formerly Electronic Component Industries Association)

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PRESS RELEASE

Budget Bypasses Electronics Hardware Industry

The 2007-08 Budget has belied expectations of Electronics Hardware. The industry's hopes had been buoyed after a number of positive meetings with key government bodies such as NMCC and the Planning Commission and even more after the Prime Minister, while inaugurating a large electronics factory in Tamil Nadu, had highlighted the role of this sector in nation-building and the urgent need to promote its expansion.

The fact that electronics hardware does not find mention in the Budget is, to say the least, disappointing and discourages an industry facing the onslaught of global competition under nil duties. The greater emphasis on social and rural development is indeed praiseworthy, but does it mean that we should ignore a sector where demand is growing by 30% per annum? If the challenge of servicing this demand is not addressed, very soon it would result in an import bill exceeding that of petroleum products!

The ELCINA President Mr Vinod Sharma, comments "we in ELCINA strongly feel that ignoring this sector for too long may result in putting the industry in an irretrievable situation, encouraging large scale imports replacing local component and equipment manufacturing."

Most of hardware and electronic components attract zero customs duty but have to pay duties on dual use raw materials still subject to customs duties of 5-10%. Reduction in import duty on basic raw materials such as plastics, chemicals and seconds & defectives of iron & steel will certainly help to contain the damage and reduce costs.

Extension of R&D benefits is also a welcome move by the Finance Ministry which would increase competitiveness and IP creation. Reduction of peak customs duty from 12.5% to 10% to bring India to Asean levels is an avowed objective of the Government and consistent with our 'Look East' Policy. However, we need to 'hurry slowly' while considering further reductions in Customs Duties and focus more on rationalizing and reducing internal tax levels.

ELCINA's plea for lowering of excise duty and VAT on the entire electronics value chain emanates from the belief that lower indirect taxes will add to revenues due to sheer expansion of the market and reduction of the grey market. The request to bring all Capital Goods for electronics under zero import duty remains unfulfilled and is an imperative for enhancing competitiveness and investments.

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ELCINA welcomes higher allocations on Education, Health and Agriculture, which deserve praise and would uplift the masses bringing about much needed 'inclusive growth'. These are priority areas and must be propped up. But the resources required to strengthen the social fabric must come from gainful economic activity which is best possible from a thriving manufacturing and services sector.

The sharp increase in funding for e-governance is a step in the right direction with the twin benefits of expanding the market for IT products as well as increasing efficiency and transparency.

The much awaited reduction in CST to 3% is a great relief though we hope the Finance Ministry would expedite the process and eliminate it next year itself.

For favour of publication, please.



Rajoo Goel
Secretary General

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