

ELCINA ELECTRONIC INDUSTRIES ASSOCIATION OF INDIA

(Formerly Electronic Component Industries Association)

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Press Release**Union Budget 2009-10****A Balanced Budget for Bharat; Electronics Manufacturing takes a back seat**

The stock market has given a clear thumbs down to the budget by tanking over 800 points on budget day! It seems to be a case of high expectations from the Finance Minister who has conducted a balancing act for India, with a budget focused heavily on social and rural development. The Finance Minister has been more than liberal in allocating funds for the National Rural Employment Scheme, Education, support to Agriculture, health and infrastructure.

However, there is no positive signal for business and industry and it is this that the popular sentiment is reflecting. The electronic component and hardware industry is plagued with lack of investment and value addition. To resolve this situation there is urgent need for reducing input costs and the industry needs a strong and clear direction from the government. This has eluded us once again in this budget.

The budget has some positives such as abolition of the FBT and retaining the Excise Duty at 8% which has encouraged industry and reduced the grey market. These two measures are welcomed by ELCINA. The extension of 150% deduction for in-house R&D is also a welcome step. It is also a positive development that 5% Customs Duty has been imposed on Set To Boxes and Duty reduced on LCD Panels from 10 to 5%, an essential input for assembly of LCD TVs. These two are sunrise products with rapidly expanding markets and there local manufacture is bound to bring some opportunities for local electronic component manufacturers.

The announcement for a national roll out of GST is a positive statement but there are doubts about its feasibility as details are yet unknown to the industry. Also CST was expected to be reduced to 1% this year but the budget is silent on the same. This is a negative development as even 1% cost of a regressive tax like CST is a big burden on a fiercely competitive industry.

The industry is disappointed at the lack of support to encourage high value added manufacturing and investments in electronic components and hardware. While the compulsions of the Finance Minister and high budget deficits facing the country are appreciated, delay in providing a clear roadmap to electronics hardware only means that we will continue to be deprived of utilising the huge opportunity that the rapidly growing market for electronic goods offers to us. We need to enable investments and expansion of manufacturing capacity of electronic components, parts and assemblies where employment and revenues are generated and most of the value addition takes place. This has not been done by this budget.



Rajoo Goel
Secretary General

New Delhi
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