

ELCINA ELECTRONIC INDUSTRIES ASSOCIATION OF INDIA

(Formerly Electronic Component Industries Association)

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Press Release**ELCINA's Expectation from the Union Budget**
Long Due Impetus for Electronic Components and Hardware

Electronics Hardware – largest and fastest growing manufacturing industry – the world over, deserves a close look on the eve of the Union Budget on Monday. This is an opportune moment for India with UPA Government having been given a mandate for stability and development and it must seize this opportunity to take India forward rapidly. ELCINA has drawn the attention of the Finance Ministry to the forecast of rapid growth of electronics hardware demand in India rising from the existing US\$40 billion to over 150-155 billion dollars by 2015. This demand has seen sustained annual growth of over 25% over the last 4-5 years.

The ELCINA Secretary General, Mr. Rajoo Goel, says that if industry is enabled to manufacture this value locally, the full potential of US\$150-155 Billion offers a total employment potential of 21 million jobs; 7 million direct and 14 million indirect. The revenue potential from direct as well as indirect taxes is equally massive, estimated at over US\$ 50 Bn annually, even when we assume a rationalized indirect tax incidence of 12% only.

The Budget must address some of key challenges faced by this sector. An inverted duty structure caused by the WTO Agreement and FTA's signed by India with many countries, is faced by many key electronic products. While all ICT products are under zero percent import duty, a number of their inputs, specially dual use inputs such as non-ferrous metals, plastics and consumables, suffer 5-10% duties making local manufacture uncompetitive. A simple mechanism allowing zero duty imports of all raw materials and Capital Goods used for manufacture of electronic components and equipment is an urgent need of the industry.

Mr. A.G. Rohira, President ELCINA comments "Bringing down excise duty to 8% - thanks to the two stimulus packages announced by the government in the last 6 months – has brought some relief to this sector, as indeed to many others and must be continued. This will squeeze out the grey market and boost revenues as well as quality of products. In view of the highly competitive environment and free zero duty imports of electronic components and goods, some incentive for manufacturing and high value addition would go a long way in attracting investments into this sector. The electronic component value chain is too small and weak in India and needs huge investments to support manufacture of electronics equipment such as Cell Phones, Set Top Boxes, CRT and LCD based Televisions, Audio equipment etc , demand for which is growing rapidly and is increasing dependence on imports.

ELCINA has called for streamlining of foreign trade as well as tax procedures which continue to cause inordinate delays which are unacceptable in a zero duty environment. Simplification of procedures is an urgent need of the hour with focus on self-declaration, which will strengthen industry with no cost to the exchequer.



Rajoo Goel
Secretary General

New Delhi
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