



GOVERNMENT OF INDIA
Department of Electronics
and Information Technology
Ministry of Communications
& Information Technology

ELECTRONICS

e-NEWSLETTER

.... For Electronics System Design & Manufacturing (ESDM) Sector

Year 2 | Vol. 9: July 2012

- Support for setting up EMCs
- ELCINA & VIC launched ESDM Model Cluster

- Indigenous Design & Dev. of Digital STBs
- India's participation at CeBIT, Australia

From Chief Editor's Desk



Dear Readers,

Two major landmark decisions have been announced, in the month of July 2012, which have potential to change the ESDM sector in India. These decisions, each having very significant implications, came within a gap of less than two weeks. First one relates to support for setting up of Electronic Manufacturing Clusters (EMCs) and the second one is for Modified Special Incentive Package Scheme (M-SIPS). Details on EMC scheme are discussed in this newsletter. This newsletter was under final touches as the Cabinet also decided on the M-SIPS. Thus details on M-SIPS will be provided in the next issue.

EMC and Modified SIPS, among them provide an opportunity to offset the disability which a unit in the ESDM sector may have in comparison with competing countries. Some states have come out with their own policies to attract investment in the ESDM sector. Andhra Pradesh and Karnataka have taken the lead in this regard. Several other states have their policies in pipeline. These policies provide incentives complementary to those offered by Govt. of India. The IT Investment Region (ITIR) near Bengaluru has been approved by the High Level Committee headed by Cabinet Secretary and the proposal is likely to be considered shortly. With these decisions, the onus is now shifted on the industry to take advantage of these policies aggressively.

Marketing of the industry friendly policies is going to be a major effort which Government would next launch into. However, there is no better marketing than word of mouth. The industry needs to spread the word around to their network of suppliers, distributors, technology providers and other potential investors regarding the opportunities that exist in the sector. We depend on you in this regard.

From this issue, we are starting presentation of export/import analysis of one of the ESDM items regarding the top 5 countries to which we export/import it along with the reported values. We will look forward to hear from you regarding the usefulness of this information.

Dr. Ajay Kumar, Chief Editor

Cabinet approves financial support for setting up Electronic Manufacturing Clusters (EMCs)

The Union Cabinet has approved the proposal to offer financial support for the development of Electronics Manufacturing Clusters (EMCs) as these EMCs would aid the growth of the Electronics Systems Design and Manufacturing (ESDM) sector, help development of entrepreneurial ecosystem, drive innovation and catalyze the economic growth of the region by increasing employment opportunities and tax revenues.

The proposed EMCs scheme would support setting up of both Greenfield and Brownfield EMCs. The main features of the proposed EMC Scheme are:

- The assistance would be provided to a Special Purpose Vehicle (SPV) which should be a legal entity duly registered for this purpose. The SPV may be promoted by private companies, industry associations, financial institutions, R&D institutions, State or Local governments or their agencies and units within the EMC. The SPV should consider including an academic/research institution to be part of the proposed SPV for suitable academic-industry linkages.
- The financial assistance to the SPV shall be in the form of grant-in-aid only. For Greenfield EMCs the assistance will be restricted to 50% of the project cost subject to a ceiling of Rs. 50 Crore for every 100 acres of land. For Brownfield EMCs the assistance will be restricted to 75% of the project cost subject to a ceiling of Rs. 50 Crore.
- The scheme will be open for applications for five years from the date of notification.

The Department of Electronics and IT shall be issuing guidelines for the operationalizing of the scheme. These guidelines will, inter alia, provide the modalities of making the application, the appraisal process and other implementation issues.

The proposed scheme is expected to help flow of investment for the development of world-class infrastructure specifically targeted towards attracting investment in the ESDM sector. Nearly 28 million persons are expected to be employed, directly or indirectly for the ESDM turnover to reach USD 400 billion. The policy covers all States and districts and provides them an opportunity to attract investments in electronics manufacturing.

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• India's participation at CeBIT, Australia

• Extension of timeline for mandatory digitalization

India at CeBIT Australia (May 22-24, 2012)



Welcome buntings at CeBIT, Australia



Shri Sachin Pilot, MoSC&IT, addressing the gathering



Presenting India Opportunity at CeBIT



Indian branding at CeBIT, Australia

India presents opportunities in Electronics sector at CeBIT, Australia

India participated as the partner country at CeBIT, Australia held from May 22nd to 24th May 2012 at Sydney. CeBIT attracts exhibitors from all over the world, and is attended by senior ICT decision makers, opinion leaders and experts from the world's leading companies.

A senior level official delegation from Ministry of Communications and IT, led by Minister of State for Communications and IT, Shri Sachin Pilot and accompanied by Shri Satyanarayana, Secretary, DeitY, attended and participated in various workshops, seminars and events organized at CeBIT. The Indian delegation was one the largest delegation at the event, consisting of exhibitors and business delegation from 54 Indian companies in the area of IT/ITES. NASSCOM coordinated the 'India Pavilion' at the exhibition, and ESC, the participation of 26 Indian exhibitor stalls at CeBIT.

An 'India Session' was organized at CeBIT to showcase "India Opportunity" and also display the strength of India as a Global Outsourcing Hub. The session was well attended with over 150 attendees and delegates were enthusiastic to know about India and the opportunities that it offers. Shri J. Satyanarayana, Secretary, DeitY, Dr. Ajay Kumar, Joint Secretary, DeitY presented the Government initiatives for the promotion of the Electronics System Design and Manufacturing in the session.

Shri Samir Sinha, VP & Country Head (ANZ), HCL Technologies; Shri Ananth Basavaraju, VP & Country Head (ANZ), Igate Patni Australia; Shri Sanjay Krishnaa, VP & Geo Head (APAC), Infotech Enterprises Limited; Shri Dheeshjith V. G., Board Member, Infosys China, Shri Kumar Parakala, Partner and COO Advisory, KPMG in India; Shri Venki Prathivadi, Head (ANZ), Mahindra Satyam; Shri Siddhartha Kaul, VP & Countries Head, NIIT Technologies; Shri Ravi Viswanathan, President - Growth Markets, TCS; Shri Rajiv Kumar Manajan, SVP, Tejas Networks Ltd. and Mr. Gregory John Ryan, GM, Wipro Technologies, also highlighted the industry perspective, while presenting the India opportunity.

Many dignitaries including Hon. Barry O'Farrell MP, Premier of NSW, Hon. Andrew Stoner MP, Deputy Premier of NSW, The Hon. Greg Pearce, Minister for Finance and Services, Michael Coutts-Trotter, DG, NSW Department of Finance and Services, Ms. Helen Owens, GM, Office of Spatial Policy, Department of Resources, Energy and Tourism, Mr. Desmond visited the India Pavilion. A one day visit to Melbourne was hosted by Hon Gordon Rich-Phillips, Minister for Technology, Govt. of Victoria and facilitated business meetings with local companies.

Extension of timeline for mandatory digitalization of broadcast in four metros to 31.10.2012

Ministry of Information & Broadcasting (MIB) vide its notification No. S.O. 1408(E) dated June 21, 2012 has decided to extend the date of deadline for transmission and re-transmission of programmes of any channel in an encrypted form through a digital addressable system in Municipal Council of Greater Mumbai area, National Capital Territory of Delhi, Kolkata Metropolitan area and Chennai Metropolitan area from 30th June, 2012 to 31st October, 2012.

A copy of the notification is available at www.mib.nic.in.

• Approval to support for setting up EMCs

• ELCINA & VIC launched ESDM Model Cluster

Cabinet approves..... (EMCs)

.....contd. from page 1

As part of the vision to make India a leading destination for the ESDM sector, the draft National Policy on Electronics (NPE) proposes to achieve a domestic production of about USD 400 Billion by 2020 in the ESDM sector by creating an industry friendly policy framework and ecosystem which provides a level playing field for the domestic industry. The importance of clusters in ESDM is a well accepted phenomenon worldwide.

A well developed cluster can give a unit located in it, a cost advantage of 5 to 8% because of various reasons such as increased supply chain responsiveness, consolidation of suppliers, decreased time-to-market, superior access to talent and lower logistics costs.

The cluster development approach also helps in the development of entrepreneurial ecosystems which drive innovation and catalyze the economic growth of a region by increasing employment opportunities and tax revenues.

Huawei to Invest \$2B: Set Up R&D Centre in India

It has been reported that Huawei will invest \$2 billion over the next four years in India as it looks to market consumer devices and set up global R&D centre in the country. Last year, the company started building a new R&D centre in Bengaluru, which will house more than 5,000 people. This includes the R&D centre, manufacturing and marketing among others.

Huawei is investing \$150 million in the facility, which is expected to become operational from June 2013. Besides, it also has a global service resource centre along with a global network operations centre which is its largest such centre outside of China.

Source: The Economic Times (June 25, 2012)

ELCINA and Vittal Innovation City to launch ESDM Model Cluster in Ananthpur (Andhra Pradesh)



Laying the Foundation Stone



Deliberations on launch of the Cluster

ELCINA and Vittal Innovation City (VIC) launched an ESDM MODEL CLUSTER at Ananthpur in Andhra Pradesh. The proposed location is about 70 kms from Bengaluru International Airport. The foundation stone for the Cluster was laid by Dr. Ajay Kumar, Joint Secretary, DeitY on June 23, 2012 in the presence of Shri N Vittal, Chairman VIC, Shri T Vasu, President ELCINA, Shri Subhash Goyal, VP, ELCINA, Shri Rajoo Goel, ELCINA and other from ELCINA and VIC.

Shri N. Vittal, Chairman, VIC, said "We are privileged to be partnering with ELCINA and the Government of India in this project and the synergy between our two organisations has created a great potential for successfully providing electronics manufacturers with the best and most cost effective infrastructure."

Shri T. Vasu, President ELCINA said, "Such medium sized Clusters were conceptualised by ELCINA more than two years ago with the objective to overcome disabilities faced by high value added Electronics manufacturers in a zero duty environment that was crippling the growth of the industry." According to ELCINA, the cluster will provide the companies world-class common infrastructure to become globally competitive, both in terms of price and quality.

CAPA-VIC JV for Aerospace City

CAPA (Centre for Aviation) India, a global aviation knowledge practice and Vittal Innovation City (VIC) have signed a Memorandum of Understanding (MoU) to co-promote a high-technology aviation manufacturing, research and knowledge park to be known as CAPA-VIC Aerospace City.

The 750 acre aerospace park will form one of the industry clusters at VIC, which in total comprises 2650 acres located just 50 minutes from Bangalore International Airport. The site has been acquired by Global Emerging Markets, a investment group. CAPA will bring together international aerospace operators, manufacturers and service providers. Global companies are increasingly looking at India as a potential outsourcing destination that can deliver best practice engineering at competitive benchmarks, especially in light of the large offset commitments that have arisen from civil and defence aircraft orders by the Government.

India's pre-eminence as a leading science and technology nation makes it an ideal base for research, design and development. Proposed activities at CAPA-VIC Aerospace City will include, Aerospace manufacturing, Research and development, Maintenance, repair, and overhaul (MRO), Helicopter city and Education & Training.

CAPA-VIC Aerospace City has completed technical pre-feasibility studies for the development of a 3.2 km runway which would facilitate test flights for aerospace manufacturers, enable aircraft to be flown in for maintenance, repair and overhaul and allow for the development of a world class flying school. For more details, contact, Dr. Ajay Batra, Director, (Email: ajay@vittalinnovationcity.com).

• Data on Exports - Import for PCs

• Indigenous Design & Dev. of Digital STBs

Indian Imports of Personal Computer (HS Code 84713010)

Top 5 Destinations, India Imported Personal Computer from

2006-07	2007-08
China	China
Hong Kong	Hong Kong
Malaysia	Malaysia
Singapore	Singapore
U S A	Switzerland

2008-09	2009-10
China	China
Hong Kong	Hong Kong
Malaysia	Japan
Singapore	Malaysia
Switzerland	Singapore

2010-11	2011-12 (Apr-Sep)
China	China
Malaysia	Germany
Singapore	Malaysia
U S A	Singapore
Hong Kong	U S A



India's Import of Personal Computer (Value in US\$ Million)

Brainstorming session on indigenous Product design and Development of Digital Set Top Boxes

With a view to promote academia-industry interaction for research and development (R&D) in the Electronics Hardware Sector, a Core Advisory Group for R&D in the Electronics Hardware Sector (CAREL), with a Co-Chairman each from the government and the industry was constituted on 19th July, 2010.

CAREL had identified 6 products, namely *Set Top Boxes, Smart Energy Meters, Smart Phones, Electronic Products for Education/E-Governance/ Service delivery, Smart Cards* and *Micro Automated Teller Machines*, which should be designed, developed and manufactured in India with as much indigenous content as possible.

CAREL also recommended organising brainstorming sessions jointly, on each of the above products to help crystallize the technology gaps, the type of work required to be done and the organizations that will be involved in the development of each of those products, including the sources of funding and the modus-operandi of project implementation.

The first of the brainstorming sessions was held on the 9th May, 2012 in New Delhi on the design, development and manufacture of Set Top Boxes (STBs). The workshop highlighted the fact that digitization programme of the broadcast network of India provided a market of around 125 million digital STBs valued at over \$ 2.5 billion over the next 2-3 years.

This opportunity should be leveraged to promote the supply of STBs from domestic manufactures. Currently, local companies had only 30% share of the 12 million STBs installed in the FY 2011-12. The workshop also appreciated the effort being taken by DeitY for development of a CAS and Deity was urged to pursue the initiative.

That brainstorming session was attended by about 50 senior representatives of the Government and Industry. The deliberations were led by Shri Ajai Chowdhry, Chairman, HCL Infosystems Limited, Noida, and Co-Chairman of the CAREL. Other key participants included, Prof. S. V. Raghavan, Scientific Secretary to the Principal Scientific Adviser; Dr. Ajay Kumar, Joint Secretary, DeitY; Dr. Debashish Dutta, Scientist G & Group Coordinator, DeitY; Shri Yoendra Pal, Advisor, Ministry of I&B; Prof. Rajat Moona, DG, CDAC; Shri S. N. Singh, DDG, Doordarshan and Dr. M. J. Zarabi, Member, Empowered Committee on Fab. The main recommendations of the workshop included:

- Fiscal support from government in terms of proper duty and tax structure to promote domestic manufacturing. The disability factors for domestic manufacturers need to be rationalized.
- Easy availability of funding support backed by lower interest rates for domestic manufacturing.
- Import component of domestically manufactured STB to be brought down from 55% to 40% in next 2 years.
- Certification of all STBs, included imported STBs by an independent agency;
- Mandating Indian CAs for "Indian STBs".
- CAS solutions developed by Indian companies should be promoted.
- Specifications of STBs with BIS to be updated. A Committee be constituted for looking into aspects of standardization and certification of STBs.

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• More products under restricted category

• CAPA-VIC JV for Aerospace City

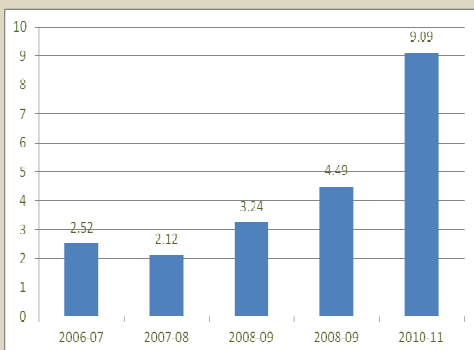
Indian Exports of Personal Computer (HS Code 84713010)

Top 5 destinations India's Export of Personal Computer went to

2006-07	2007-08
Sri Lanka	U S A
Nigeria	U A E
Saudi Arab	Bangladesh
U A E	Singapore
U S A	Nepal

2008-09	2009-10
U S A	Eritrea
Botswana	U A E
U A E	U S A
Bangladesh	Singapore
Tunisia	Myanmar

2010-11	2011-12 (Apr-Sep)
U A E	Singapore
Singapore	U A E
China	China
Bhutan	U S A
U K	Hong Kong



India's Export of Personal Computer (Value in US\$ Million)

Digital Multifunction Printers and Copying Machines under restricted category

Directorate General of Foreign Trade (DGFT), vide amendment dated 5.6.2012 to the Foreign Trade Policy (2009-2014) (FTP 2009-2014) has expanded the list of restricted items for the import of Second Hand Capital Goods Group.

The earlier provisions include Personal Computers, Photocopier Machines, Air conditioners, Diesel Generating Sets in the restricted category of second hand capital goods. Now the Digital Multifunction Print and Copying Machines have also been included in this list.

The relevant provisions of the amended 'FTP 2009-2014' are as follows:

	Import Policy	Conditions, if any
Second Hand Capital Goods Group Restricted Category:		
Personal computers / laptops Photocopier machines / Digital multifunction Print & Copying Machines .Air conditioners, Diesel generating sets	Restricted	Allowed to be imported only as per provisions of FTP, ITC, (HS), HBP v1, Public Notice or an Authorisation issued for import of the specified second hand item.
Free Category:		
Refurbished / reconditioned spares of Capital Goods	Free	Subject to conditions specified in para 2.33 of HBPv1
All other second hand capital goods	Free	
ii. All other Second Hand Goods	Restricted	

A copy of the amendments to the FTP 2009-2014 is available at <http://dgftcom.nic.in/exim/2000/policy/ftp-plcontentE-1011.pdf>

Brainstorming session Digital Set Top Boxes

.....contd. from page 4

- STB test lab facilities to be developed within the country. Existing ERTL laboratories to be equipped for the purpose.
- Financial support to tier II and tier III MSOs.
- Financing of EMS companies & small domestic STB vendors should be made available at competitive rates.
- STBs should be considered for notification under the preferential market access scheme
- India should develop its own IP and overall STB solution in the long term.
- R&D programme should be devised for development of indigenous SoC for STB.
- Explore possibility of designing multi-standard/multi-protocol "All in One" STB.
- Committee(s) may be constituted to define roadmap and its implementation approach for R&D in STBs.
- Peripherals and component industry should be promoted alongside STB manufacturing.
- Specific skill development programme in the area of STB embedded software and CAS to be developed. Besides this skill development for technical persons working with MSOs and LCOs also need to be developed.

A copy of the complete report on the workshop is available on www.mit.gov.in.

• Incentives to promote R&D

Incentives to promote R&D

For promoting research and development among Indian industries, including electronics sector, the Income Tax Act, 1961 (the Act) as amended by Annual Finance Bills, provides the following incentives:

(i) Weighted deduction of 200% is allowed in respect of revenue and capital expenditure (except cost of land and building) incurred by a manufacturing company on in-house research and development facility. [Section 35(2AB)]

(ii) Full deduction is allowed for revenue expenditure incurred on scientific research related to the business of the assessee. Expenditure incurred within the three years preceding the commencement of the business is also allowed as deduction in the year in which the business is commenced. [Section 35(1)(i)]

(iii) Full deduction is allowed for capital expenditure (excluding expenditure on land) incurred on scientific research related to the business of the assessee. Expenditure incurred within the three years preceding the commencement of the business is also allowed as deduction in the year in which the business is commenced. [Section 35(1)(iv)]

(iv) Weighted deduction of 175% is allowed or any sum paid to an approved scientific research or to a university college or other institutions to be used for scientific research. [Section 35(1)(ii)]

(v) Weighted deduction of 200% is allowed for any sum paid to national laboratory or a university or an IIT or a specified person for an approved scientific research programme. [Section 35(2AA)]

(vi) Weighted deduction of 125% is allowed or any sum paid to a company incorporated with the sole objective of carrying out research and development. [Section 35(1)(iiA) of the Act]

(vii) Accelerated depreciation at the rate of 40 percent is allowed on installation of any new plant & machinery designed and developed using indigenous technology. [Rule 5(2) of I.T. Rules, 1962]

(viii) Weighted deduction of 150% of the expenditure (other than land or building) incurred on skill development projects. [Section 35CCD]

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• E-waste Mgmt & Reg. Rules come into force

e-waste Management & Regulation Rules come into force

The Ministry of Environment and Forests, Government of India has notified the e-waste (Management and Handling) Rules, 2011 under the Environment (Protection) Act, 1986, with an objective to regulate all activities pertaining to e-waste management. These rules have come into force only from May 1, 2012, thereby providing one year time period to enable the stakeholders to prepare themselves for compliance.

In line with 'Extended Producer Responsibility (EPR)' principle, the rules make it mandatory that the producers of the electrical and electronic equipments (EEE) are responsible for the 'end of life' management of their products. They are required to finance and organize the system for the collection and channelization of e-waste for environmentally sound management. The rules provide for both individual and collective producer responsibility and to strengthen the take back systems. These are two distinct models that need to be designed and integrated to suit the Indian requirements which are acceptable and viable in the long run. According to these rules the producers have to ensure that the e-waste is collected through the authorized collection agencies and channelized to a registered dismantler or recycler and also provide information about authorized collection agencies and create awareness to their consumers.

Environmentally sound management of e-waste necessitates proper handling at every stage such as, collection, storage, transportation, recycling and safe disposal of final wastes. E-waste being a post-consumer waste, the biggest challenge is the collection and channelization of such waste after its use from the consumers. Collection and channelization of e-waste for environmentally sound recycling is important due to the diverse and complex nature of its value chain. According to the e-waste rules, the consumer is required to deposit e-waste with an authorized collection centre or registered dismantler or registered recycler only.

The other aspect is developing the regulatory mechanism is to ensure that recycling activities are carried out without causing any adverse effects on environment and human health. Registration of dismantlers and recyclers is mandatory under the e-waste rules in order to encourage controlled dismantling and recycling activities. Recycling comprises of dismantling and segregation of the different components and processing waste for recovery of precious and other metals that provide the economic viability of recycling. The dismantlers and recyclers are required to obtain registration from the State Pollution Control Boards.

Reduction in hazardous substances (RoHS) has been made mandatory in the proposed e-waste rules in view of the high risks involved in recycling of the e-waste wherein the producers are required to reduce the use of hazardous substances in the equipment to and provide detailed information in the product booklet. The threshold limits for the hazardous substances in the electrical and electronic equipments have been prescribed in these rules with a two year time frame (i.e., 2014) has been provided for compliance.

The rules are comprehensive and provide the regulatory framework for all activities envisaged in the environmentally sound management of e-waste. In order to understand the implications of the various clauses under these rules and its compliance requirements it was felt necessary to provide implementation guidelines is under preparation.

It has been estimated that about 800,000 tonnes of electrical and e-waste will be generated in India by the year 2012. As per the GTZ-MAIT study of 2007 about 95% of e-waste generated in the country is recycled in the informal sector leading to adverse effects on environment and health. However, the scenario is changing rapidly with the setting up formal recycling units. A copy of the e-waste (Management and Handling) Rules, 2011 under the Environment (Protection) Act, 1986 is available at http://moef.nic.in/downloads/rules-and-regulations/1035e_eng.pdf