



**ELECTRONICS AND COMPUTER SOFTWARE
EXPORT PROMOTION COUNCIL
NEW DELHI**

25th July, 2005

**NOTE ON THE SALIENT FEATURES OF THE REPORT ON INDIAN
ELECTRONICS HARDWARE EXPORTS STUDY**

The Indian Electronics Hardware Exports Study was commissioned in 2003 by Electronics and Computer Software Export Promotion Council (ESC) under the aegis of the Department of Commerce, to find out what has gone wrong in India's electronics and IT hardware industry; why India's electronics exports are not picking up the desired level of momentum, and what holds it up in making India to emerge at the electronics and IT hardware outsourcing hub in the world.

The Report on this Study conducted by a US Consulting firm was released by the Department of Commerce in November 2004. According to the Report, the global electronics industry today is one of the fastest growth areas in international trade. Its current market size is estimated at US\$ 950 billion and it is estimated to be at of the order of US\$ 2100 billion by 2010.

However, the Indian electronics hardware industry is still in the development phase, and India has so far been able to capture a minuscule share of the global electronics hardware as compared to her neighbouring Asian countries like the People's Republic of China, Taiwan, South Korea etc.

Overview of Global Market in Electronics Hardware

- Rapid innovation and speed to market;
- Short Product Life Cycle;
- Highly automated manufacturing to give consistent quality at low cost;
- High volume production;
- Continuous improvement in capabilities for reducing costs;
- Profit accrual through volumes.

Major findings of the Study

- India's lack of success in exporting electronics hardware to the global market is deeply rooted to a variety of reasons which range from market dynamics to inadequacy of support policy initiatives;
- Low level of technology;
- Poor basic infrastructure;
- Long business cycles;
- Inadequacy of domestic investment, inability to attract foreign investment, mega investments from multinational companies;
- Lack of large scale manufacturing, and competitive product pricing;
- Lack of strong domestic market growth trends;
- Lack of decent profit margins;
- Lack of international branding;
- Inadequate promotional activities;
- Absence of strategic market plan;
- Lack of initiatives for new product development;
- Inadequate investment in research and development;
- Lack of global strategic partnerships;
- Lack of Indian grey market and lack of Indian brand recognition.

Major Recommendations

Government of India and the Indian Electronics Hardware manufacturers have to work in tandem, and take some proactive initiatives.

The initiatives to be taken by the Government of India include:-

- Identification of a vision and strategic growth plan;
- Reducing operational costs of manufacturing and improving business attractiveness;
- Promoting single manufacturing clusters (for example Motors Port Valley, Southern England);
- Promoting R&D activities and human resource development;
- Promoting India as an ideal destination for Electronics Hardware manufacturing;
- Promoting anchor investment in Indian Electronics Hardware industry;
- Relaxation of Labour Laws;
- Identification of thrust areas and development of incubators;
- Skill development;
- Pro-active policies for development of entrepreneurship in hardware sector like software.

The industry level initiatives to be taken include :-

- Developing mass production capacities;

- Global Partnerships for rapid technology acquisitions;
- Strategic exploitation of niche markets such as optoelectronics, Laser Diodes, LCD Monitors, nanotechnology, automotive electronics, passive components, OLEDs, DVD technology and Contract Manufacturing;
- MADE IN INDIA product branding and new products;
- Initiation of a Marketing Campaign through participation in International Fairs, India Contact Programmes, Release of print ads in International Publications and participation in the program for video documentaries about Indian advantages and profile in the form of CD for large distribution to leading companies in the world;
- Initiative to build the image of India as a manufacturing hub as **Outsourcing has to be the way of doing the manufacturing business;**
- Efforts need be made to model ESC after JETRO, Japan; EDB, Singapore, and HKTDC, Hong Kong and strengthen it with additional technical and secretarial manpower backup support so that it can open a separate wing within itself to promote horizontal and vertical growth of electronics and IT industry in India and exports thereof;

Market Campaigns for Electronics Hardware

- The brand 'INDIA' has to be developed;
- A new image has to be created where India is to be promoted as a big potential market with low barriers and it is easy to operate;
- Indian electronics hardware products, design capabilities and manufacturing profile need to be demonstrated both quantitatively and qualitatively. This can be well handled by promoting a few large companies in this sector.

A 4 pronged media plan has been recommended. They are :

- Participation in select International trade fairs focusing on Electronics Hardware or its segments;
- Development of an interactive portal showcasing India advantage and industry related information;
- Release of print ads about India Advantage in select publications like **Electronics Today, DataQuest, Economist** etc. for a long time horizon; and
- Preparation of **video documentaries** about INDIA ADVANTAGE.
- India advantage for getting the sub-contracting items or sub-assemblies manufactured at internationally competitive rates needs to be focused during **Media Publicity and success stories are to be compiled for reference to prospective clients.**
- India can be promoted as a logistically and geographically proximate and economically viable manufacturing base and hub for supply of electronics to the fast emerging vast electronics market in SAARC region where the local industry is still under-developed. **This pull effect**

will itself attract companies in Far Eastern Asia to relocate themselves or invest in India with technology and capital to supply the requirements of the neighbouring SAARC region.

Major obstacles and suggestions for growth in FDI Flow in Electronics Hardware sector

- Lack of awareness of investment opportunities in India.
- Wrong perception about setting up of operations in India.
- Poor Infrastructure facility.
- Lack of Publicity of India Advantage.

Suggestions

- FDI flow necessitates a Pro business and pro-growth congenial enabling policy regime, projection and publicity of image of India emerging as the logistically and economically viable manufacturing hub for supply to the SAARC, Central Asian markets.
- India is to be promoted as an emerging potential market with low barriers and it is hassle free to operate; and foreign investors are welcome in any Special Economic Zones which are nothing but deemed foreign enclaves.