



PHD House, 4th Floor, Ramakrishna Dalmia Wing  
4/2, Siri Institutional Area, August Kranti Marg, New Delhi – 110016,  
Tel# 9599665859 E-mail: ceo@mait.com • Website: http://www.mait.com

Ref.No.MAIT/PY/2450

March 11, 2022

Shri Sanjeev Kumar Sharma  
Advisor (Broadband & Policy Analysis)  
Telecom Regulatory Authority of India

**Subject: - MAIT Response on TRAI Consultation Paper on Promoting Networking and Telecom Equipment Manufacturing in India**

Respected Sir,

*Greetings from MAIT, the apex body representing the IT, Electronics & Telecom Hardware manufacturing Sector in India!*

This is with reference to the Consultation Paper on Promoting Networking and Telecom Equipment Manufacturing in India dated 11<sup>th</sup> February 2022 where comments were sought. MAIT has compiled the inputs from its industry members and below is our submission for your consideration.

---

**Q1. Is the PLI scheme in its current form effective enough to address the needs of promoting NATEM in India? Are any amendments or extensions required to the current PLI scheme to make it more effective? Please provide details**

- 1. *Aligning Preference to Make in India (PMI) with PLI:*** Global Telecom product companies recognize India's aspiration to be a global export hub of telecom manufacturing are fully committed to make it a reality. The companies welcome the futuristic policy like the Product Linked Incentive (PLI) scheme for the telecom sector. India has a telecom manufacturing disability of ~6-10%,. The PLI Scheme only partly addresses this disability as it provides an incentive of only 4-6% over 5 years. However, an alignment between PLI and PMI policy will ensure a very enthusiastic response from the global companies to invest in India. This can be achieved with the government providing PMI points equivalent to 75% of the commitment of goods to be exported from India. The OEM could utilize these PMI points to qualify as '**Deemed Class 1 Local Supplier**' for products not manufactured in India, from the date of approval of application. This requirement will make India a significant player in the global value chain and at the same time recognize the holistic investments made by global multinational telecom product companies and rightfully place them in the inside ring of Atma Nirbhar Bharat.
- 2. *Build the component ecosystem:*** Given the infancy of the telecom equipment manufacturing sector in India, majority of the components are not locally produced. Only 15-20% of the component manufacturing takes place in India. Majority of the components manufactured in India belong to the plastic and material category. Bulk of the components in the electro-mechanical category and all the components in the semi-conductor category are not manufactured in India, indicating 80-85% of the total

BOM is sourced from global suppliers. This indicates a tremendous opportunity for India to build its supplier ecosystem and ensure bulk of the component production takes place locally. If there is focus on building the component ecosystem, there will be a natural increase in value addition of domestic manufacturing as it will be cost efficient for manufacturers to source locally

**Q11. Is the PMA/PMI scheme in its current form comprehensive for promoting NATEM? Are there any suggestions for modifications? How can the challenges associated with implementation of PMA/PMI be addressed? Please elaborate.**

India today contributes ~3% of the global manufacturing output across all sectors and ranks 6th amongst all global economies. While this number has grown over the years owing to increased FDI, India still trails behind other Asian economies like China (contributing ~28% of global manufacturing output) and Japan (contributing ~7% of global manufacturing output). When it comes to manufacturing of telecom equipment products, India has a manufacturing output of 3-4 USD Bn, contributing 2-3% of the global manufacturing output. A decade of stringent implementation of preferential market access policies have not contributed significantly to the manufacturing in a country. Some of the key challenges of the PMI scheme and its potential solution are highlighted below:

Challenge	Solution
A wide range of products mandated under PPP-MII norms limit competition in public procurement. ICT equipment vary extensively with respect to their functionality (hi-tech, low-tech) and demand (low-volume, high volume). Given this variance, it is not feasible for companies to invest extensively in hi-tech, low volume products. Further, the demand for such products is low, so several companies fail in manufacturing	<ol style="list-style-type: none"> <li>1. An independent study must be conducted to assess the capacity and competition of ICT products and only products with adequate manufacturing capacity, with required value addition and adequate competition (More than 3)</li> <li>2. Focus of PMA must start with building capacity and an ecosystem around low-tech, high-volume products, which will not only give India a competitive edge, but also result in mass-scale employment</li> <li>3. In hi-tech, low volume, Indian players must be allowed to support global OEMs, allowing them to build their capacities, test their solutions and prepare themselves for global competition</li> </ol>
Access to quality and secure components	Similar schemes like PLI must be introduced for building the component ecosystem, which will entuse manufacturers to shift manufacturing to India
India has a cost disability of 6-10% compared to several other Asian countries. Despite prevalence of PPP-MII scheme over the last 10 years, there has not been significant shifts in manufacturing. The game changer is PLI scheme which has resulted in investments into the country.	To further augment these investments propelled by the PLI scheme, it is essential an alignment between PLI and PMI policy is introduced. As highlighted earlier, this can be achieved with the government providing PMI points equivalent to 75% of the commitment of goods to be exported from India. The OEM could utilize these PMI points to qualify as <b>'Deemed Class 1 Local Supplier'</b> for products not manufactured in India, from the date of approval of application.

PPP-PMI guidelines limit innovation in ICT solutions, therefore impacting deployment of advanced and futuristic products. Given the evolving nature of technology, not all companies invest in R&D

The focus should be on building R&D ecosystem to develop domestic futuristic solutions. For projects concerning critical infrastructure, financial services, etc. implementation of PPP-MII guidelines should not be stringent

**Q12. Whether the incentives to Telecom Service Providers to deploy indigenous manufactured products in their network will be helpful in promoting NATEM in India? Please justify with reasons. What incentivization model is suggested?**

India's vision for *Atma Nirbhar Bharat* has been lauded by both global and Indian industry. The National Policy on Electronics (NPE) states India's vision to increase exports to 60 per cent of domestic production by 2025. However, to become a global hub electronics manufacturing, it is important to have *Atma Vishwas* along with wanting to be *Atma Nirbhar*. The confidence to not just cater to our needs but be a critical part of the global supply chain. The key to make this a reality is to make India globally competitive.

The government of India's projects to propel adoption of Digital India to all corners of the country are laudable. There is bound to be an increase in domestic demand. However, the domestic demand only stands at 3-5% of the total global demand. The focus of the government must shift from catering solely to domestic market to export to global market, the remaining 95%. Therefore, policies that are restricted to capturing the domestic market will neither help global investments nor catapult domestic players to the global supply chain.

To become both cost & talent competitive, India must focus on building its domestic capacities. Procurement mandates limits the industry's incentives to go beyond the products enlisted within the policy. India can support its domestic companies by incentivising R&D, support obtaining global certifications or adherence to global standards, promote domestic companies in global markets through G2G engagements, *et al.*

Lastly, as India prepares itself to become the global hub for electronics and telecom manufacturing, it must demonstrate its capability to build secure and future proofed technology. Conflating domestic manufacturing with security and future-proofed technology will limit India's aspirations.

**Q16. Whether the existing incentives/policies issued by DoT and MeitY do meet the requirements for the growth of telecom software products? What additional policy initiatives and enabling regulatory measures are suggested to facilitate integration of telecom equipment and software products that are made in India? What measures are required to enhance exports of such products? Please justify your response.**

According to a recent report, India has 1,430 GCCs, with revenue of \$36 billion, and with a total talent base of 1.3 million employees. It is expected that India will have 1,900 GCCs, employing 2 million people and generating revenue of \$58- 61 billion by 2025. More than half of these GCCs (Global Capability Centres) have multifunction portfolios and focus on setting up Technical CoEs (Centres of Excellence) and there is an urge to move beyond outposts & satellite centres to portfolio and transformation. A significant number of global MNCs also have their R&D centres, in India, conducting significant innovations in telecom hardware and software.

It must be noted the jobs generated by the GCCs require highly skilled professionals, at par with global capabilities, resulting them to deliver higher DVA among other industry sectors. With the current global atmosphere of protectionism, there is a greater challenge for India to attract investments and jobs to India. Also, increasingly the value of an electronic product particularly industrial is the software on it. It is to India's credit to get this developed in the country.

Further, a typical supply chain of Software development is across multiple geographies, involving resources from the product company, its subsidiaries specializing in R&D and third-party service providers to whom certain services are outsourced. With multiple MNC and domestic GCCs present in India, our geography plays a pivotal role in the global outsourcing supply chain.

In these circumstances, GoI should not take GCCs for granted and should look at all options in their hands, including government procurement, for India to remain a default location for GCCs.

---

Look forward to your favourable consideration of all the points as mentioned above.

With regards,

A handwritten signature in black ink, appearing to read "George Paul". The signature is stylized and written in a cursive-like font.

George Paul  
Chief Executive Officer