

ELECTRONICS

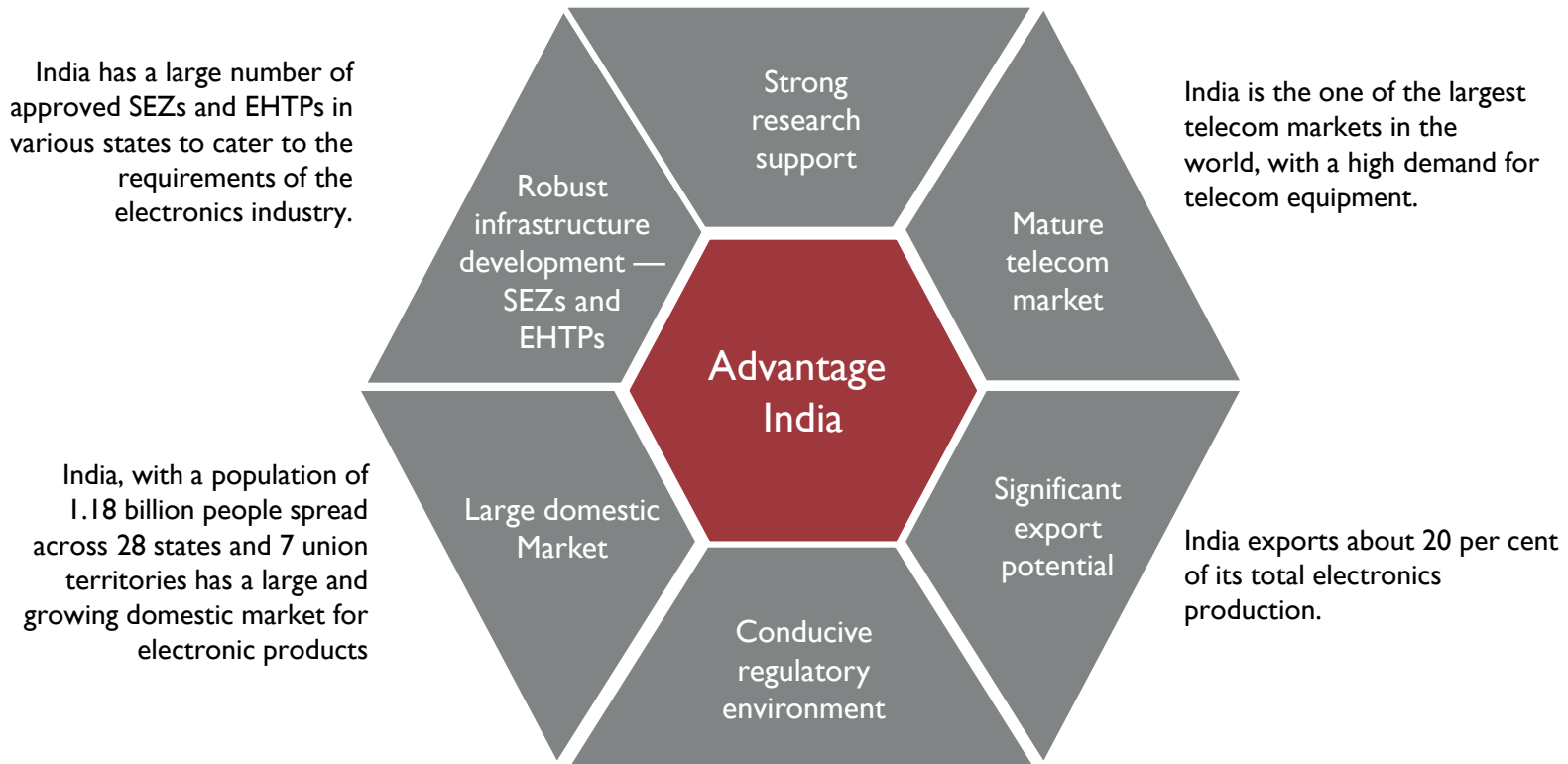
April 2010

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Advantage India

India has several research-oriented institutes such as the Indian Institute of Science (IISc) and the Indian Institutes of Technology (IITs), which focus on creating innovative products.



India has investor-friendly and pro-investment norms in FDI, SEZs and foreign technology transfers.

Source: EY research

SEZs: Special economic zones; EHTPs: Electronic hardware technology parks

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Market overview

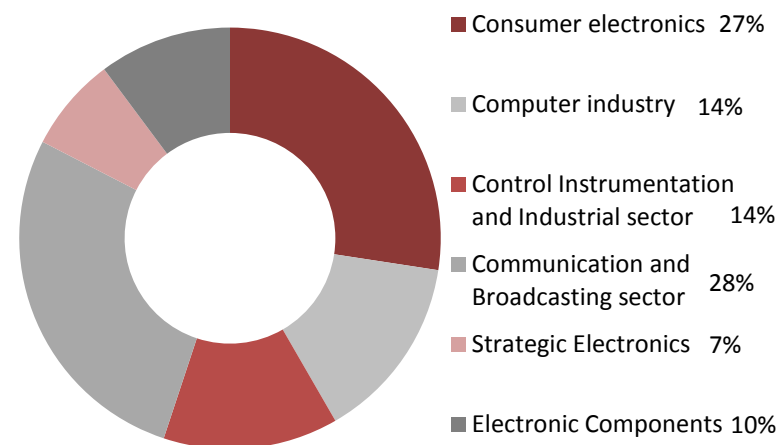
- The electronics industry is categorised into the following segments
 - Consumer electronics
 - Industrial electronics
 - Computers
 - Communication and broadcasting equipment
 - Strategic electronics
 - Electronic components
- Consumer electronics, a major constituent of electronic hardware, contributes 27 per cent to the total electronic hardware production in India. Consumer electronics include products such as TVs, computers, home theatre components and audio equipment.
- The total production of consumer electronics in 2007–08 was estimated at US\$ 4.7 billion (INR 226 billion), indicating a growth of 13 per cent over the previous year.

Electronics is one of the fastest-growing industries in India, driven by growth in key sectors such as IT, consumer electronics and telecom.

Market overview ... (1/3)

- The Indian market for electronic products has grown at a rate of 17 percent for last five years.
- The size of the Indian electronics market in 2008–09 was estimated at US\$ 19.73 billion (INR 946 billion).

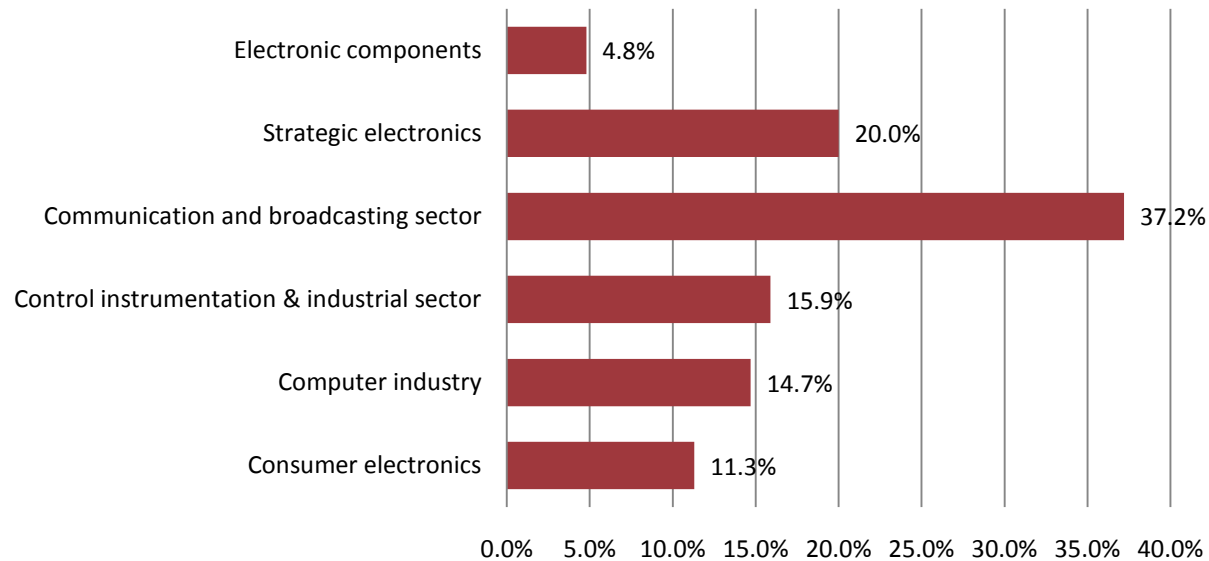
Sales — segment-wise share (2008-09)



Sources: “Indian Electronics industry – overview,”
Electronic Industries Association of India
website, www.elcina.com, Indian Electronics industry
– overview; www.mit.gov.in

Market overview ... (2/3)

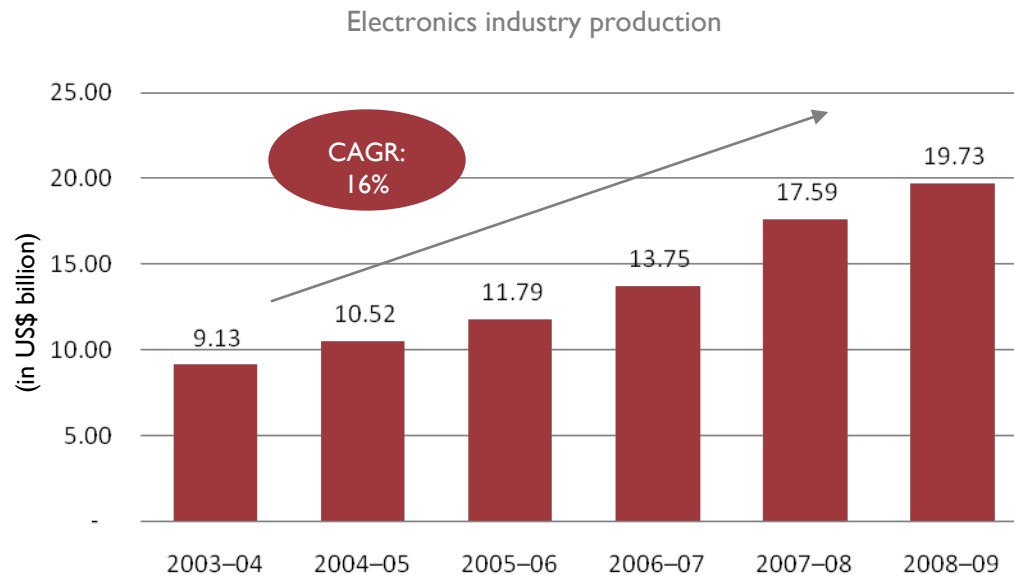
Growth rate per segment (CAGR-5 years)



Sources: "Indian Electronics industry – overview," Electronic Industries Association of India website, www.elcina.com, Indian Electronics industry – overview; www.mit.gov.in

Market overview ... (3/3)

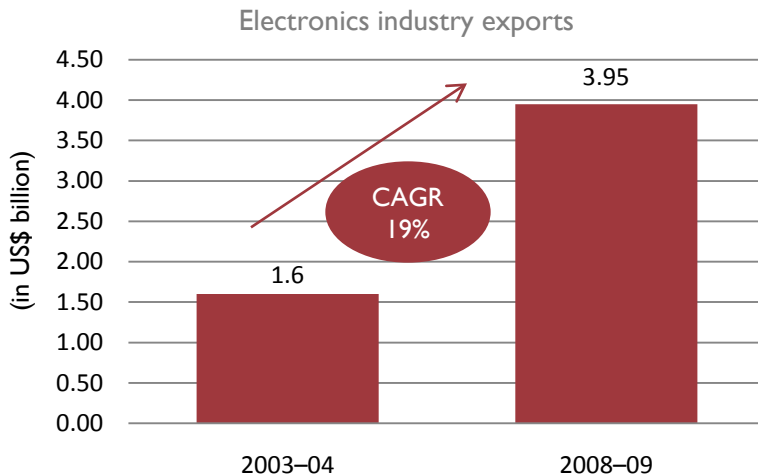
The market has witnessed consistent growth in the past five years.



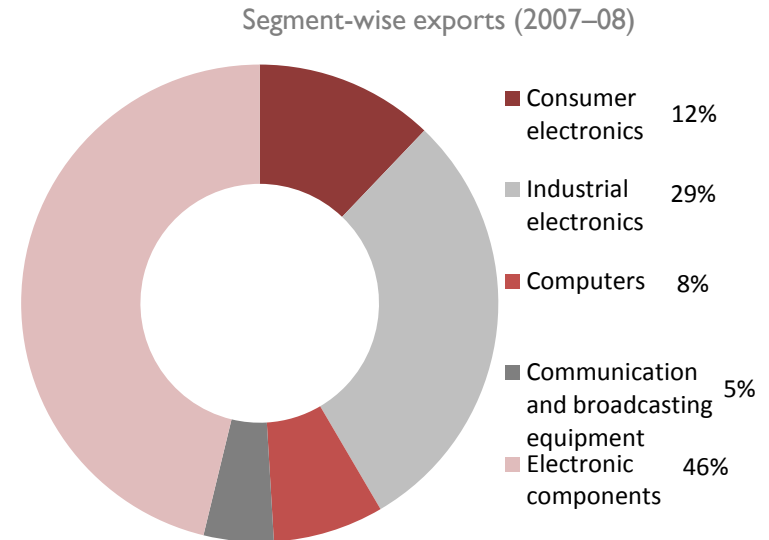
Source: Department of Information Technology (DIT) 2008-09 annual report.

Exports

- Exports from the electronics industry witnessed a CAGR of 19 per cent between 2003–04 and 2008–09.
- Electronic components constituted 46 per cent of electronics exports, followed by industrial electronics.



Source: Department of Information Technology (DIT) 2008–09 annual report.



Source: Electronics and Computer Software Exports Promotion Council website, www.escindia.in, accessed 2 May 2010.

Key players ... (1/4)

<p>Bharat Electronics Ltd</p>	<p>The Government of India (GoI) established Bharat Electronics Ltd (BEL) in Bengaluru, India, under the Ministry of Defence in 1954 to meet the specialised electronic needs of the Indian defence services. BEL focusses on contract manufacturing, design and manufacturing services, semiconductor device packaging and software development and quality assurance facilities. The company's turnover has increased from US\$ 0.68 billion (INR 32.71 billion) in 2004–05 to US\$ 1.21 billion (INR 53.84 billion) in 2008–09.</p>
<p>Videocon International Ltd</p>	<p>In 1985, through a technical collaboration with Japan's Toshiba Corporation, Videocon International Ltd launched India's first world-class colour TV. Today, Videocon International Ltd, Videocon Group's flagship company, is India's leading manufacturer of consumer electronic products. Videocon is now a global player and the first Indian company to win the prestigious Conformance Europe (CE) approval for exporting colour TVs to Europe. Videocon also has a presence globally, with operations in the Middle East, Europe, Indonesia and South Africa.</p>
<p>LG Electronics India Limited</p>	<p>Established in 1997, LG Electronics India Limited is a wholly-owned subsidiary of LG Electronics, South Korea. In India, LG is the market leader in consumer durables and is recognised as a leading technology innovator in the IT and mobile communications business. LG Electronics has two manufacturing units in India, both of which have been designed with the latest technologies at par with international standards, in South Korea. The facilities are among the most eco-friendly units among all LG manufacturing plants in the world.</p>

Key players ... (2/4)

<p>HCL Infosystems Ltd</p>	<p>HCL Infosystems Ltd manufactures and markets PCs, PC servers, storage solutions and display products, among other electronic products. HCL's computer hardware manufacturing plants include four facilities spread across the country. In addition, the company offers IT consulting, technology integration services and software solutions. HCL's revenue has grown from US\$ 0.41 billion (INR 19.7 billion) in 2004–05 to US\$ 2.54 billion (INR 122.19 billion) in 2008–09.</p>
<p>Samsung India Electronics Ltd</p>	<p>Samsung India Electronics Ltd, a subsidiary of US\$ 56 billion Samsung Electronics Co Ltd, has been operating in India since 1995. It is a leading provider of high-tech consumer electronics, home appliances, IT and telecom products in the country. Samsung India has set up manufacturing facilities for colour TVs, microwave ovens, washing machines, air conditioners, colour monitors and, more recently, refrigerators. The company has a plant in Noida, Uttar Pradesh.</p>
<p>Moser Baer India Ltd</p>	<p>Moser Baer India Ltd (MBIL) is the world's second-largest company in the optical storage media segment. MBIL supplies to a number of branded players such as Sony, Verbatim, TDK, Maxell, Imation and Samsung and has collaborative R&D programs as well as reciprocal training programmes with these companies. Further, Moser Baer also has a presence in the photovoltaic and home entertainment segments. Moser Baer's products are manufactured at its three state-of-the-art manufacturing facilities. Its revenue has grown from US\$ 0.29 billion (INR 14.21 billion) in 2004–05 to US\$ 0.50 billion (INR 24.30 billion) in 2008–09.</p>

Key players ... (3/4)

<p>Jabil</p>	<ul style="list-style-type: none"> • Jabil has a 176,000 sq ft facility in Ranjangaon near Pune, Maharashtra. • The company offers printed circuit boards, enclosure integration, distribution and repair services with in-region design services support. • Jabil services the instrumentation, networking, peripherals and telecommunications industries. • The company acquired Celetronix — one of the largest electronic equipment manufacturers in India in 2006. The acquisition gave Jabil an additional 270,000 sq ft of manufacturing space.
<p>Flextronics</p>	<ul style="list-style-type: none"> • Flextronics ventured into India in 2001. • The company offers high-value, high-margin design services for mobile phones and telecom/networking software. • Flextronics has a 692,457-sq ft manufacturing facility in Chennai.

Key players ... (4/4)

Elcoteq

- Inaugurated in 2005, Elcoteq Bengaluru's main businesses in India include wireless communication terminal products, wireless communications, network equipment and after-sales services.
- The Bengaluru plant is one of Elcoteq's four volume manufacturing plants in the Asia-Pacific region and the first in India.
- The company's plant (100,000 sq ft) in Bengaluru is equipped with the latest manufacturing technologies, including surface mount technology (SMT), testing and electrostatic discharge (ESD) control to support its modernised manufacturing process.

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Industry infrastructure — SEZs ... (1/4)

Developer	Type	Size in hectares
Andhra Pradesh Industrial Infrastructure Corporation Ltd (APIIC)	Electronic hardware	111.00
Stargaze Properties Private Ltd (Andhra Pradesh)	Electronic hardware, IT/ITeS	68.96
S2tech.com India Private Ltd (Andhra Pradesh)	Electronic hardware, IT/ITeS	10.12
Chandigarh administration	Electronic hardware, IT/ITeS	31.49
Gujarat Industrial Development Corporation (GIDC)	Electronic products	28.00
Mexus Corporation private Ltd (Gujarat)	Electronic hardware, IT/ITeS	11.11
Ireo Investment Holding III Ltd (Haryana)	Electronic hardware, IT/ITeS	40.00
Sohna Buildcon Private Ltd (Haryana)	Electronic hardware, IT/ITeS	10.00
Wellgrow Buildcon Private Ltd (Haryana)	Electronic hardware, IT/ITeS	24.29
Progressive Buildestate Private Ltd (Haryana)	Electronic hardware, IT/ITeS	34.41
Mikado Realtors Private Ltd (Haryana)	Electronic hardware, IT/ITeS	11.02
Ittina Properties Private Ltd (Karnataka)	Electronic hardware, IT/ITeS	15.73

Industry infrastructure — SEZs ... (2/4)

Developer	Type	Size in hectares
Opto Circuits India Ltd (Karnataka)	Electronic hardware park	12.23
Opto Infrastructure Ltd (Karnataka)	Electronic hardware, IT/ITeS	100.00
Hebe Infracon Private Ltd	Electronic hardware, IT/ITeS	10.26
Gulf Oil Corporation Ltd (Karnataka)	Electronic hardware, IT/ITeS	14.50
Kerala Industrial Infrastructure Development Corporation (Kerala)	Electronic industries	12.14
Maharashtra Industrial Development Corporation (MIDC)	Engineering and electronics	118.13
Magarpatta Township Development and Construction Co Ltd (Maharashtra)	Electronic hardware, IT/ITeS	11.98
Kumar Builders Township Ventures Private Ltd (Maharashtra)	Electronic hardware, IT/ITeS	49.10
City Parks Private Ltd (Maharashtra)	Electronic hardware, IT/ITeS	30.00
Siddhivinayak Knowledge City Developers Private Ltd (Maharashtra)	Electronic hardware, IT/ITeS	12.14
Pride Infrastructure & SEZ private Ltd (Maharashtra)	Electronic hardware, IT/ITeS	12.34
Modern India Property Developers Ltd (Maharashtra)	Electronic hardware, IT/ITeS	14.77

Industry infrastructure — SEZs ... (3/4)

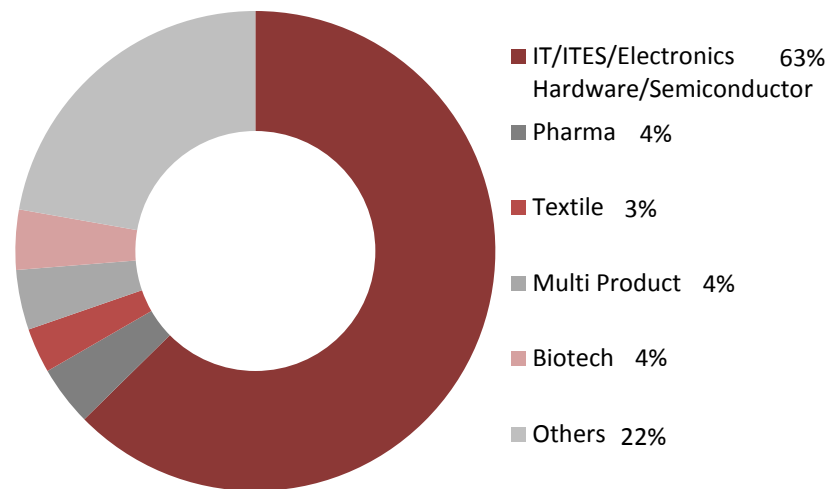
Developer	Type	Size in hectares
Benchmark Realty Private Ltd (Maharashtra)	Electronic hardware, IT/ITeS	10.0
Lark Projects Private Ltd (Punjab)	Electronic hardware, IT/ITeS	10.9
Somani Worsted Ltd (Rajasthan)	Electronic hardware, IT/ITeS	20.0
Flextronics Technology India Private Ltd (Tamil Nadu)	Electronic hardware and related services	101.0
State Industries Promotion Corporation of Tamil Nadu Ltd	Electronics/telecom hardware and support services	190.4
Coimbatore Hi-tech Infrastructure Private Ltd (Tamil Nadu)	Electronic hardware, IT/ITeS	60.7
L&T Arun Excello IT SEZ Private Ltd (Tamil Nadu)	Electronic hardware, IT/ITeS	10.9
State Industries Promotion Corporation of Tamil Nadu Ltd (Tamil Nadu)	Electronic hardware	140.7
Foxconn India Developers Ltd (Tamil Nadu)	Electronic hardware	11.0
True Developers Private Ltd (Tamil Nadu)	Electronic hardware, IT/ITeS	11.6
Best and Crompton Engineering Ltd (Tamil Nadu)	Electronic hardware, IT/ITeS	10.8

Note: This is an indicative list.

Industry infrastructure — SEZs ... (4/4)

Developer	Type	Size in hectares
Hall Marc Techno Park Private Ltd (Tamil Nadu)	Electronic hardware, IT/ITeS	11.6
Uppals IT Projects Private Ltd (Uttar Pradesh)	Electronic hardware, IT/ITeS	30.8
Uppal Housing Ltd (Hyderabad, (Andhra Pradesh)	Electronic hardware, IT/ITeS	10.5
Sarv-Mangal Realtech Private Ltd (Noida, Uttar Pradesh)	Electronic hardware, IT/ITeS	10.0
Oval Developers Private Ltd (West Bengal)	Electronic hardware, IT/ITeS	12.1
Videocon Realty and Infrastructure Development Private Ltd (West Bengal)	Electronic hardware, IT/ITeS	10.0

SEZs — sector composition



Source: www.sezindia.nic.in

Note: This is an indicative list.

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Investments — FDI and FTTs

Cumulative FDI inflows	
April 2000 to January 2010	
Sector	Amount of FDI (US\$ million)
Electronics	785.7
Computer software and hardware	9,630.2

Foreign technology transfers (FTTs)	
August 1991 to December 2009	
Sector	Number
Total number of FTTs	8,106
Electrical equipment, including computer software and electronics	1,263

Source: "Fact Sheet – January 2010 on Foreign Direct Investment (FDI)," Department of Industrial Policy and Promotion website, www.dipp.nic.in.

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Policy and regulatory framework

Key policy initiatives

- There is no customs duty on ITA-I items (217 items).
- Excise duty on computers has been removed. Microprocessors, hard disc drives, floppy disc drives and CD ROM drives are exempt from excise duty.
- Foreign equity participation of upto 100 per cent is permissible.
- The GoI has decided to set up Information Technology Investment Regions (ITIRs) to provide superior infrastructure support.
- Units undertaking the export of their complete range of goods and services may be set up under the EHTP scheme.
- A Special Incentive Package Scheme (SIPS) has been launched to encourage investments to set up semiconductor fabrication and other micro-and nanotechnology manufacturing industries in India.

Source: www.mit.gov.in (Department of Information Technology)
ITA-I: Information Technology Agreement

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Opportunities

- The Special Incentive Package Scheme (SIPS) announced by GoI in 2007 has opened up a gamut of opportunities for investment in the manufacture of all semi-conductor manufacturing products and eco-system units - displays including Liquid Crystal Displays (LCD), Organic Light Emitting Diodes (OLED), Plasma Display Panels (PDP) and any other emerging displays.
- It also encourages investment in storage devices, solar cells, photovoltaic, other advanced micro and nano technology products, and assembly and test
- Under the Scheme, Central Government or any of its agencies shall provide an incentive of 20% of the capital expenditure during the first 10 years for the units located in SEZ (and 25% for non-SEZ units).
- DIT has received 19 applications under the SIPS scheme involving investments of US\$ 33.54 billion (INR 1610 billion) over a period of next ten years. These projects could create further opportunities for the electronics industry
- A weighted deduction of 150% of expenditure incurred on in-house R&D is also available under the Income Tax Act for startups focussed on technology and innovation

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Industry associations

Electronics Industries Association of India (ELCINA)

ELCINA House, 422 Okhla Industrial Estate

New Delhi – 110 020

Phone: 91-11- 26924597,26928053

Fax: 91-11- 26923440

E-mail: elcina@vsnl.com

Note

Wherever applicable, numbers in the report have been rounded off to the nearest whole number.

Conversion rate used: US\$ 1 = INR 48.

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