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CASE STUDY

# Creating a Report on Making India a Hub for PCBA Manufacturing and Exports

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# OBJECTIVE AND SCOPE

The client, a leading IT firm, wanted to measure India's potential of developing into a manufacturing and export hub of Printed Circuit Board Assembly (PCBA). It sought Benori's support to:

- Analyse the current market landscape of PCBA manufacturing in India as well as globally
- Identify opportunities for stakeholders to develop an ecosystem of PCBA manufacturing, and increase exports

# APPROACH

We conducted secondary research to assess the current global and Indian PCBA market, highlighting challenges, government initiatives, export opportunities and in the industry. We also conducted primary research through interviews with PCBA contract manufacturers and industry experts to identify other opportunities and willingness levels to increase capacity and exports.

# METHODOLOGY

**Secondary Research**

**Primary Research**

Data Modelling

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# IMPACT

The research helped the client in:

- Identifying the current challenges faced by PCBA manufacturers in India
- Understanding the government's role in supporting and scaling the PCBA industry
- Identify options to create a manufacturing ecosystem for PCBAs in India

# SAMPLE OUTPUT

## Government's Role in Fostering the PCBA Industry



### 3. GOVERNMENT ROLE IN FOSTERING THE PCBA INDUSTRY

Electronics hardware manufacturing is a major aspect of both Make in India and Digital India programs. As per the National Policy for Electronics 2019, India aims to achieve USD 400 billion in production of electronics and components by 2025.[14]

To encourage the manufacture and use of electronic hardware in the country, the government has launched initiatives aimed mainly at encouraging the setting up of more plants. These include easing the tax regime and reducing bureaucratic hurdles. Various end-use industries such as electrical, electronics, and automotive, will benefit from these measures, which should have a positive impact on PCBA demand.

On September 20, 2019, the government announced a tax rate cut, and lowered the base corporate tax rate to 22 percent from 30 percent, and to 15 percent (effective tax rate of 17.16 percent) from 25 percent for new manufacturing companies. The lower corporate tax rate will benefit companies engaged in manufacturing. It can make India more competitive as an investment destination as compared to other Asian countries with higher corporate tax rates such as China (25 percent), Malaysia (24 percent), the Philippines (30 percent), Thailand (20 percent) and Vietnam (20 percent).

Homegrown electronics company BPL has a good business opportunity for its printed circuit boards (PCB) manufacturing business after the government's Make in India scheme. BPL was one of the pioneers in PCB manufacturing in India, setting up a plant in 1988 with technical assistance from Sanyo, Japan.

Other firms like Foxconn, Bharat Electronics Limited, and Centum Electronics also experienced boost in PCBA manufacturing with Make in India campaign.

It will also allow companies to optimize their cash flows, make new investments, and pay higher dividends to shareholders. Gradually, it will bring more revenues to the government.

To boost electronics manufacturing in India, the Cabinet approved three schemes with incentives amounting to USD 6.52 billion, as described below.[15] The Cabinet also approved a program to promote the manufacturing of electronics components and semiconductors with a budget of USD 0.49 billion for 8 years.[16] This is expected to create a manufacturing revenue potential of USD 0.14 trillion and create direct and indirect jobs for 2 million people by 2025.

## Challenges Faced by the PCBA Industry

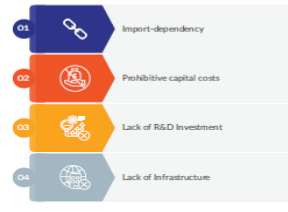


### 2. BARRIERS TO EFFICIENCY AND GROWTH

Industrial automation, demand for smartphones and other electronic devices, digitization, and other government initiatives have spurred demand for PCBAs in India and will continue to do so into the foreseeable future.

With domestic PCBA production at less than 1 percent of global capacity, manufacturers will be hard-pressed to meet this demand. Resolving the multiple challenges the industry faces, as described below, is the only way to ensure a reliable supply of the quality required (Figure 2.1).[17]

Fig-2.1: Key Barriers to Manufacturing




Source: Benori Research and Analysis

#### IMPORT-DEPENDENCY

Massive dependence on imports for both components and finished products, especially from China, is one of the biggest drawbacks for the Indian electronics manufacturing industry. Every year about USD 60 billion worth of machinery, raw materials, and parts are imported.

Around 35 percent of domestic demand for PCBAs, both populated and bare board, is met by local manufacturers. The market size for bare-board PCBAs in India is USD 1.2 billion, with 30 percent of demand fulfilled by local producers, and the remaining 70 percent by imports. With only 200 local PCBA manufacturers and approximately 120 of these very small and in the unorganized sector, imports will continue to dominate for some time to come.

This results in avoidable use of foreign exchange and an inability to control manufacturing costs. Worse, as the recent shortages due to pandemic-induced disruption of global supply chains have shown, Indian manufacturers have had to curtail production for want of components.

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