

Source: The Financial Express

Opinion: 'India seems to be an alluring destination for handset makers'

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Growth in Indian economy has predominantly been driven by the services sector. While services have contributed to the GDP in a major way, the share of manufacturing sector has remained stagnant at 16% for nearly three decades.

Currently, India is contributing to 2.2% of the world's total manufacturing output which is very low in comparison to economies like China, Japan, Germany and USA where manufacturing sector is increasing rapidly. This is indicative of the fact that the true potential of the manufacturing sector in India is yet to be tapped.

The manufacturing sector in India has the potential to reach \$1 trillion by 2025 and contribute approximately 25-30% to India's GDP which should put India at par with economies like China, Germany, Japan and USA in terms of contribution to GDP.

Though the Indian ecosystem is conducive for many industries to start domestic production, one industry which can hugely leverage this is the mobile handset and component industry, considering that India is one of the fastest growing markets in the world for mobile phones.

According to the Indian Cellular Association (ICA), 67% of the 245 million devices sold in India in 2013 were imported. Considering this fact and assuming that the entire handset demand in the country was to be met through domestic production, lakhs of manufacturing and related jobs could have been created in India.

And, there could have been a huge addition to that number if India were to also rise as an export hub. It has already been predicted that the domestic demand for handsets is expected to touch 350 million units per year by 2020 and number of handsets exported the same year

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will reach 300 million units. Such huge potential coupled with the cost effectiveness in domestic manufacturing, India seems to be an alluring destination for handset manufacturers.

Some of the driving factors include low labour costs as compared to several countries in Asia & Europe, and demographic dividend. About half the population, which forms the prime low cost working group, is below 25 years.

Now with the government's ambitious 'Make in India campaign' this sector should get a much needed boost. In the recent budget proposal for FY15-16, the government has laid down a strong roadmap to promote it. It is planning to set-up dedicated clusters to promote manufacturing of electronic components and have also emphasised on skill development programmes to enhance employability and entrepreneurship skills. In addition to this, other initiatives and policies have been introduced to cut down delays in manufacturing projects' clearance and develop requisite infrastructure to make it easier for companies to do business here.

Being one of the leading players in the handset industry, we completely believe in the Prime Minister's vision of placing India on the world map as a manufacturing hub. The company's mission is to empower people with great products to help them do more, be more. We have already set up our first manufacturing plant in Noida and plan to invest R1,200 crore in a phased wise manner to scale it up. The facility will be gradually ramped up to ultimately have production capacity of 10 million phones per month and generate employment for 1 lakh people. The company is in the process of bringing the component ecosystem here from various countries.

The government has set the ball rolling for manufacturing to grow. The need of the hour is benchmarking with global manufacturing economies and creating/revising the policies which will enable strong policy implementation so that the technology companies can seize this opportunity. With continuous effort from companies like Lava and other players in the industry, I am hopeful India can emerge as the global hub for manufacturing, capable of sustaining its own demands and catering to the demands of the World as well.

The writer is chief manufacturing officer, Lava International

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